TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT 2020

EMPOWERING SUSTAINABLE GROWTH

facts at a glance

revenue	profit for the financial year	total shareholders' equity
317.9	63.5	1,207.7
(RM million)	(RM million)	(RM million)

Cover Rationale

"Empowering Sustainable Growth" accentuates our commitment towards nurturing the integration of sustainability in our business value chain. In pursuing this aspiration, we remain steadfast to balance our economic ambitions with environmental and social considerations. Taliworks' concept of sustainability complements the Group's strategic objective to deliver sustainable earnings and long-term value to our stakeholders.

thirtieth

30th Annual General Meeting

Thursday
03 June 2021

11.00 a.m.

Training Hall 1 & 2, Level 3, Menara LGB, No. 1,
Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur

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New Feature in this Annual Report

Follow the steps below to scan the QR code reader in 3 easy steps

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Get access to the documents related to Taliworks' Annual Report 2020 & 30th AGM

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz**
  Independent Non-Executive Chairman
- **Dato' Lim Yew Boon**
  Executive Director
- **Soong Chee Keong**
  Independent Non-Executive Director
- **Dato' Sri Amrin Bin Awaluddin**
  Independent Non-Executive Director
- **Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin**
  Senior Independent Non-Executive Director
- **Ahmad Jauhari Bin Yahya**
  Independent Non-Executive Director
- **Datuk Roger Tan Kor Mee**
  Independent Non-Executive Director
- **Lim Chin Sean**
  Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman Soong Chee Keong

Members Lim Chin Sean
Dato' Sri Amrin Bin Awaluddin
Datuk Roger Tan Kor Mee

NOMINATING COMMITTEE

Chairman Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members Ahmad Jauhari Bin Yahya
Soong Chee Keong

REMUNERATION COMMITTEE

Chairman Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members Soong Chee Keong
Lim Chin Sean

COMPANY SECRETARIES

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(SSM PC No.: 202008001497) (MAICSA 7021024)

Wong Wai Foong
(SSM PC No.: 202008001472) (MAICSA 7001358)

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PRINCIPAL BANKERS

AmIslamic Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock & Code : TALIWRK & 8524 (Utilities)

AGM HELPDESK

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BACKGROUND HISTORY

Taliworks Corporation Berhad ("Taliworks" or the "Group") is listed on the Main Market of Bursa Malaysia Securities Berhad under the Utilities Sector (Name & Code: TALIWRK & 8524). Taliworks, an established infrastructure company, is primarily involved in four core businesses as follows:-

WATER TREATMENT, SUPPLY AND DISTRIBUTION

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

ENGINEERING AND CONSTRUCTION

WASTE MANAGEMENT

In year 2000, LGB Group, being one of the pioneers in the privatisation of potable water treatment and supply services in Malaysia since 1987 undertook a reverse takeover exercise by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") respectively, and a 45% equity interest in C.G.E Utilities (M) Sdn. Bhd. into Carpets International Malaysia Berhad, which was then listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Malaysia Securities Berhad). Subsequently on 27 October 2000, it was transferred to the Main Board of the KLSE and was renamed Taliworks Corporation Berhad on 24 November 2000. The water treatment, supply and distribution business subsequently became Taliworks' main core business.

In 2004, Taliworks diversified its business interests to include wastewater management in the People's Republic of China. Thereafter, it expanded into the highway toll concessionaire, operations and maintenance business in 2007.

In 2016, Taliworks completed the realignment of its strategic business, focusing on mature operational cash-generating utilities/ infrastructure businesses to support its general dividend policy by disposing its businesses in the People's Republic of China and subsequently acquired a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH"), adding waste management business in Malaysia to Taliworks' profile.

2020 marked a major milestone for Taliworks when the Group successfully entered into two separate conditional Share and Sale Agreements ("SPA") to acquire four (4) solar assets with an aggregate capacity of 19-megawatt peak, located within the vicinity of the Kuala Lumpur International Airport. Pursuant to the SPA, the completion of the acquisitions is subjected to the satisfaction of the condition precedents as stated in the SPA before or earlier than 31 December 2021.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

operating capacity
950
million litres per day

supplies treated potable water to large parts of Selangor and Kuala Lumpur

One of Taliworks' core businesses is in the water supply sector. The business entails an operations and maintenance ("O&M") contract for the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") that supplies treated potable water to large parts of Selangor and Kuala Lumpur.

The Group had previously operated and maintained Pulau Langkawi's entire water supply and distribution facilities under a 25-year concession, which expired in October 2020. Taliworks Langkawi was granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission to undertake and carry out O&M activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004. The undertaking of the O&M activities managed by Taliworks Langkawi was effective from 1 February 2013 till 31 October 2020. All operations have since been handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the government of Kedah.

Sungai Harmoni Sdn. Bhd.

Sungai Harmoni is the O&M operator of SSP1 with a combined design operating capacity of 950 million litres per day. As part of the water restructuring exercise undertaken by the State Government of Selangor to consolidate the water industry in the state, Sungai Harmoni entered into the Bulk Water Supply Agreement in 2019 with Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") in which its SSP1's O&M contract was extended for an additional 7 years to December 2036. As a condition to operate SSP1, Sungai Harmoni was awarded an Individual License pursuant to Section 9 of the Water Services Industry Act 2006 from the Suruhanjaya Perkhidmatan Air Negara ("SPAN").

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Taliworks owns and operates two highways, specifically the Cheras-Kajang Highway, also known as Grand Saga Highway and the New North Klang Straits Bypass Expressway, or commonly referred to as the Grand Sepadu Highway.

Grand Saga Sdn. Bhd. ("Grand Saga")

The acquisition of the 55% equity interest in a then joint-venture company Cerah Sama Sdn. Bhd. ("Cerah Sama") in 2007 marked Taliworks' first venture into highway ownership and toll operations. Cerah Sama is the holding company of Grand Saga, a company that owns and operates the concession for the Grand Saga Highway until September 2045. The highway, one of the first four-lane carriageways in Malaysia measures 11.5 km in length, stretching from the Connaught interchange, Cheras to Saujana Impian, Kajang. Whilst plying the densely populated and fast growing Cheras-Kajang vicinity, it eases traffic congestion and reduces travel time for daily commuters. The highway concession comprises two toll plazas (with toll collection at one bound), namely the Batu 9 toll plaza (Kajang bound) and the Batu 11 toll plaza (Kuala Lumpur bound), one rest and service area and nine interchanges.

2014 marked Taliwork's first collaboration with Employees Provident Fund Board ("EPF") through the acquisition of an effective 31.85% equity interest in Cerah Sama via TEI Sdn. Bhd. ("TEI"). Taliworks' effective equity interest in Cerah Sama, on the other hand, reduced from 55% to 28.05%. TEI is the immediate holding company of Cerah Sama and is set up as the flagship vehicle through which both parties can engage in the business of acquiring and operating mature cash- generating utilities/ infrastructure assets in Malaysia and developed countries. In 2015, TEI acquired the remaining 35% equity interest in Cerah Sama held by SEASAF Highway Sdn. Bhd. TEI is currently held 51% by Taliworks and 49% by EPF.

Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu acquired the assets and concession rights to the New North Klang Straits Bypass Expressway ("Grand Sepadu Highway") from Lebuhraya Shapadu Sdn. Bhd. (in liquidation) for a cash consideration of RM265 million with an 18-year concession ending in December 2032. The Grand Sepadu Highway, which commenced toll operations in 2002 is a 17.5 km two-lane dual and three-lane carriageway highway, which links North Port to Bukit Raja, Klang. The Grand Sepadu Highway is partly parallel to the old tolled North Klang Straits Bypass (which became a non-tolled road after the Grand Sepadu Highway became operational) and is linked to the Federal Highway, the new Klang Valley Expressway and the West Coast Expressway, which connects Banting in Selangor to Taiping in Perak.

Subsequently in 2015, EPF acquired a 50% equity interest in Pinggiran Muhibbah Sdn. Bhd., a company that owns a 75% equity interest in Grand Sepadu. As a result, Taliworks and EPF now effectively own 37.5% equity interest each in Grand Sepadu, with 45% economic interest each in the Grand Sepadu Highway. This officially marked the second partnership between Taliworks and EPF.

ENGINEERING AND CONSTRUCTION

Taliworks' engineering and construction activities are undertaken by its wholly-owned subsidiary, Taliworks Construction Sdn. Bhd. ("Taliworks Construction"). Taliworks secured its first project in 2002 and has since undertaken several other projects in the infrastructure sector. Some of the more notable projects include the RM120 million Projek Bekalan Air Kedah Tengah that was implemented on a turnkey basis, the RM149 million design and build Padang Terap Water Supply Project in Kedah and the RM339 million Mengkuang Dam Expansion Project which comprised site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Taliworks Construction is ISO9001 certified and is registered with the Construction Industry Development Board of Malaysia ("CIDB"), holding the highest grade, Grade G7 license. The company also holds the Sijil Perolehan Kerja Kerajaan ("SPKK") license, valid until 30 January 2023. Both licenses are issued by the CIDB.

ISO9001
certified

WASTE MANAGEMENT

28,500
sq. km geographical region

5,000
tonnes of waste per day

Taliworks' involvement in the waste management business started in May 2016 when it acquired a 35% equity interest in SWMEH. SWMEH is a waste management and public cleansing service provider in the southern region of Peninsular Malaysia, namely Johor, Negeri Sembilan and Melaka, established in line with the National Privatisation of Solid Waste Management. SWMEH's wholly owned subsidiary, SWM Environment Sdn. Bhd. ("SWME") is the concession owner for the provision of solid waste collection and public cleansing services, with the concession period ending on 31 August 2033.

Its business covers a total geographical region of approximately 28,500 sq. km and serves a population of over 5 million. It services 27 local authorities with over 8,000 staff and 350 sub-contractors who collectively manage approximately 5,000 tonnes of waste per day.

As a waste management and public cleansing service provider, SWMEH, through SWME, services municipal authorities, as well as commercial and industrial sectors. The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of the company's business. Currently, the company manages a fleet of about 700 collection vehicles and a workforce of over 2,000 dedicated employees to provide scheduled and timely collection services. SWME averages a collection of 150,000 tonnes of waste a month with an approximate total of 1.8 million tonnes of waste collected for the year 2020.

The public cleansing service, which includes grass cutting, drain cleaning, street sweeping, wet/ dry market cleaning and beach cleansing is an important part of the company's scope of work and plays a critical role for the benefit of the general public. A fleet of over 300 cleansing vehicles, machines and a workforce of over 6,000 employees are deployed for the cleansing services.

In 2015, EPF acquired a 35% equity interest in SWMEH. The acquisition by Taliworks into SWMEH was the third partnership between Taliworks and EPF.

BUSINESS FOCUS AND STRATEGIES

The water treatment, supply and distribution business is the largest contributor to Taliworks' revenue and profitability, followed by our highway toll concessions, waste management and engineering and construction businesses. Taliworks remains focused on its core businesses to support its dividend payout policy of paying not less than 75% of its consolidated profit after tax (excluding exceptional items). Additionally, the proposed acquisition of brownfield renewable energy business could also provide an immediate long-term sustainable recurring income and cashflow to Taliworks that would enhance the Group's financial position.

Taliworks has a knowledgeable management team with more than twenty-seven years' experience in the infrastructure industry with privatisation, project management, construction, corporate and funding skill sets.

Hence, any project conceptualisation and potential merger and acquisition opportunities are explored and analysed meticulously so that the target strategic assets and its outcomes are value-accretive to the shareholders.

Leveraging on its strengths, Taliworks, a strategic investor is dedicated to grow and expand into mature operational cash-generating utilities/ infrastructure businesses domestically with the intention of re-positioning itself as a leading infrastructure project company.

CORPORATE MILESTONES

2000

LGB Group undertook a reverse takeover exercise by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") respectively, and a 45% equity interest in C.G.E Utilities (M) Sdn. Bhd. (which had since ceased operations) into Carpets International Malaysia Berhad ("Carpets"), which was then listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Securities Malaysia Berhad) (July).

Carpets was transferred to the Main Board of KLSE (which has since been merged with the Second Board into a single board known as the Main Market) (October).

Carpets was renamed Taliworks Corporation Berhad ("Taliworks") (November).

2002

Taliworks was named Forbes magazine's 100 best smaller-sized enterprises in the Asia Pacific.

Taliworks secured its maiden construction project i.e. the design, construction and supervision for water supply works to the Northern Area of the Central Kedah Water Supply Scheme for RM120 million (January).

2003

Taliworks was named Forbes magazine's 100 Best Smaller-Sized Enterprises in the Asia Pacific and KPMG/ The Edge Shareholders Value Awards (ranked no. 21 out of top 100 companies and ranked 2nd within the Infrastructure Grouping).

Taliworks completed a bonus issue exercise with the issuance of 58,700,000 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in Taliworks (December).

2004

Taliworks diversified its business interests to include waste management in the People's Republic of China.

Taliworks was ranked no. 85 out of the top 100 companies for the KPMG/ The Edge Shareholders Value Awards.

2005

Tianjin-SWM (M) Environment Ltd Co., a 90% owned subsidiary of Taliworks commenced operations in the Tianjin Panlou Municipal Solid Waste Transfer Station, People's Republic of China (January).

Taliworks was ranked no. 78 for The Edge Top 100 Best Companies in terms of return (3 years).

2005

Taliworks was ranked no. 40 out of the top 100 companies for the KPMG/ The Edge Shareholders Value Awards.

Taliworks issued 70,440,000 warrants 2005/2010 pursuant to a rights issue of warrants on the basis of 1 warrant for every 5 ordinary shares of RM0.50 each held after the split of every 1 ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each (September).

Taliworks adopted a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the next three years commencing from the financial year 2006 (November).

2006

Taliworks was ranked no. 124 out of 200 public listed companies based on market capitalisation as at 31 December 2005 under the Corporate Governance Survey Report 2006 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

Taliworks was ranked amongst the top 212 main board companies selected based on market capitalisation as at 31 December 2005 under the Dividend Survey 2006 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.

Corporate Milestones

2006

Taliworks issued 17,000,000 new placement shares of RM0.50 each at RM1.35 per share pursuant to a private placement of shares (May).

Air Kedah Sdn. Bhd., a 60% owned subsidiary, received the Letter of Acceptance to implement the Padang Terap Water Supply Scheme from the Kedah State Government for a contract sum of RM149 million (July).

2007

Taliworks acquired a 56% stake in Puresino (Guanghan) Water Co. Ltd., a wastewater treatment service provider in April, and subsequently commenced commercial operations of the Guanghan San Xin Dui wastewater treatment plant in September.

Taliworks was ranked no. 87 out of 350 main board companies under the Corporate Governance Survey Report 2007 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

Taliworks was ranked amongst the top 500 public listed companies selected based on market capitalisation as at 31 December 2006 under the Dividend Survey 2007 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.

2007

Taliworks diversified its business interests to highway toll operations and maintenance through the acquisition of 55% interest in a then joint venture company, Cerah Sama Sdn. Bhd. ("Cerah Sama") for the Cheras-Kajang Highway, also known as Grand Saga Highway (November).

Taliworks issued 5-year unsecured convertible bonds 2007/12 with a nominal value of RM225 million ("Convertible Bonds") (December).

2008

Taliworks was ranked no. 45 out of 960 public listed companies under the Corporate Governance Survey Report 2008 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

2009

Taliworks was ranked amongst the top 100 public listed companies under the Malaysian Corporate Governance Report 2009 published by the Minority Shareholder Watchdog Group.

Due to changes in market conditions, Taliworks re-purchased RM112 million nominal value of the Convertible Bonds (December).

2010

Taliworks redeemed the balance RM113 million nominal value of the Convertible Bonds and its obligations in respect of the Convertible Bonds were fully extinguished (December).

2011

Taliworks was awarded the sub-contract of the Mengkuang Dam Expansion Project for a contract sum of RM339 million (September).

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd., a wholly-owned subsidiary of Taliworks, completed the takeover of the operation of four municipal wastewater treatment plants with recycled water facilities in Yinchuan (December).

2012

Taliworks was awarded the Brandlaureate Best Brand Awards 2011-2012 - Best Brands in Industrial - Water Treatment.

Taliworks' entered into a joint-venture with LGB Engineering Sdn. Bhd. to undertake a contract by the State Government of Selangor for the construction and completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir for a contract sum of RM20.3 million (March).

2013

Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 million in nominal value (January).

Taliworks (Langkawi) was granted an authorisation by the National Water Service Commission to undertake and carry out the operations and activities under the Langkawi Water Supply Privatisation Agreement (October).

Taliworks was listed among the Top 100 Malaysian Public Listed Companies ("PLC") by the Minority Shareholder Watchdog Group as per the ASEAN CG Scorecard methodology on 862 PLC companies.

2014

Taliworks gained control over Cerah Sama which subsequently became Taliworks' subsidiary as a result of an internal re-organisation exercise. Subsequent to the internal re-origination, Employees Provident Fund ("EPF") acquired 31.85% effective equity interest in the Grand Saga Highway via TEI Sdn. Bhd. ("TEI"), marking its first partnership with EPF. Taliworks' equity interest in Cerah Sama reduced from 55% to 28.05%. (June to August)

2014

The consortium of LGB-Taliworks JV was awarded the SSP3 Package Pipeline, involving the supplying and laying of 11km of 1,200 mm diameters of steel pipes with a contract value of RM30.6 million (June).

Taliworks announced a Dividend Policy of declaring a dividend payout ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) commencing the financial year ending 31 December 2015 (September).

Grand Sepadu Sdn. Bhd. ("Grand Sepadu") executed a Novation Agreement and a Second Supplemental Concession Agreement to take over the New North Klang Straits Bypass Expressway, also known as Grand Sepadu Highway for cash consideration of RM265 million (December).

2015

Grand Sepadu issued a RM210 million Sukuk Murabahah.

TEI acquired the remaining 35% equity interest in Cerah Sama held by SEASAF Highway Sdn. Bhd. Taliworks's equity interest in Cerah Sama increased from 28.05% to 51%.

2015

LGB Taliworks Consortium Sdn. Bhd., a 20% associate of Taliworks was awarded the SSP7 Project contract by Pengurusan Aset Air Berhad with a contract sum of RM75.9 million (September).

Taliworks issued 43,980,000 new placement shares of RM0.50 each at RM3.20 per share pursuant to a private placement of shares (October)

Taliworks issued 241,897,790 Warrants 2015/2018 on the basis of 1 Warrant for every 5 ordinary shares held after the share split comprising the subdivision of every 2 existing ordinary shares of RM0.50 each into 5 ordinary shares of RM0.20 each (November).

Taliworks completed the 2nd partnership with EPF via the disposal of its 50% equity interest in Pinggiran Muhibbah Sdn. Bhd. (the holding company of Grand Sepadu) to EPF (December).

Taliworks was included in the MSCI Global Small Cap Indexes for Malaysia.

Taliworks was ranked no. 91 out of the Top 100 Overall CG Companies – Disclosures with ROE Performance by the Minority Shareholder Watchdog Group.

Corporate Milestones

2016

In line with Taliworks' new business strategy to focus on mature operational cash-generating utilities/ infrastructure businesses to support its dividend policy, Taliworks completed the disposal of its entire waste management operations in the People's Republic of China and acquired 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH"), a waste management and public cleansing service provider in the southern region of Peninsular Malaysia. This marked Taliworks' 3rd partnership with EPF, where EPF also held 35% equity interest in SWMEH (May).

A consortium comprising of Taliworks and Ikatan Gemajaya Sdn. Bhd. was awarded the Ganchong Water Treatment Works from the East Coast Economic Region Development Council with the total contract sum of RM73.1 million (September).

SWM Environment Sdn. Bhd. ("SWME"), a 100% owned subsidiary of SWMEH, was awarded the Brandlaureate SMEs BESTBRANDS Award 2015-2016 - Signature Brand Services – Integrated Solid Waste Management.

Taliworks was awarded the IEM 2016 Award for Water Management in Malaysia.

2016

Taliworks was ranked no. 44 out of the Top Malaysian 100 PLCs with Good Disclosures by the Minority Shareholder Watchdog Group.

Taliworks was ranked no. 29 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2017

Taliworks was ranked no. 45 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.

Taliworks was ranked no. 26 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

SWME was awarded the Best Employer Branding Awards (3rd Edition) by Employer Branding Institute (India) in Malaysia.

SWME was awarded Gold Award (Private Sector) for the HR Award – Employer of Choice category by the Malaysian Institution of Human Resource Management.

SWME was awarded Gold Award (Head of Department) for the HR Leader category by the Malaysian Institution of Human Resource Management.

2018

Sungai Harmoni accepted the Letter of Offer from Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") relating to the settlement of past receivables owing from Syarikat Pengeluar Air Selangor Sdn. Bhd. ("SPLASH") and the new operations and maintenance agreement to be entered into (August).

Taliworks completed a bonus issue exercise with the issuance of 806,325,239 new ordinary shares on the basis of two (2) new ordinary shares for every three (3) existing ordinary shares in Taliworks (October).

Taliworks Construction Sdn. Bhd. accepted the Letter of Award for the proposed construction and completion including handing over to the authority of 76ML R.C. reservoir R4 and related ancillary works at Cyberjaya Flagship Zone at a contract sum of RM42.4 million (October).

The balance of the Warrants 2015/2018 remained unexercised lapsed and were subsequently delisted (November).

SWME was awarded two silver medals by Perbadanan Teknologi Hijau Melaka for the category of Green Corporate Social Responsibility and Green Practices.

Taliworks was ranked no. 88 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.

2018

Taliworks was ranked no. 82 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2019

Sungai Harmoni completed its negotiations with Air Selangor resulting in the execution of the following agreements (May):

(i) Termination and Settlement Agreement ("TSA") with Air Selangor and SPLASH in relation to the settlement of outstanding receivables due from SPLASH arising from the operations and maintenance agreement dated 24 January 2000 for Sungai Selangor Water Treatment Plant Phase 1 ("SSP1");

(ii) Bulk Water Supply Agreement ("BWSA") with Air Selangor in relation to the appointment of Sungai Harmoni as the operator for SSP1 and the supply of treated water up till 31 Dec 2036; and

(iii) Raw Water Abstraction Agreement with Air Selangor in relation to the abstraction of raw water from the relevant raw water source for SSP1.

2019

Sungai Harmoni received the Individual Licence pursuant to Section 9 of the Water Services Industry Act 2006 from the Suruhanjaya Perkhidmatan Air Negara and commenced operations under Air Selangor for the operations of SSP1 under the BWSA. (September).

Sungai Harmoni completed the securitisation of receivables owing from SPLASH under the TSA via Starbright Capital Berhad pursuant to an asset-backed securitisation exercise (December).

SWME was awarded the Perkhidmatan Skim Terbaik 2019 (Muar, Johor) by SWCorp.

Grand Sepadu was awarded the Silver Rating for operational highway from 31/06/2019 to 30/06/2024 under the Green Highway Index (MyGHI).

2020

The expiration of Taliworks Langkawi's privatisation contract with the Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi. All operations were handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the State Government of Kedah (October).

CORPORATE AND FINANCIAL EVENTS 2020

ANNOUNCEMENTS / EVENTS

26 jun

The fully virtual Twenty-Ninth Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

30 oct

Expiration of the Langkawi water supply privatisation contract made between Taliworks Langkawi and the Government of Kedah Darul Aman.

30 nov

Taliworks Renewable Sdn. Bhd. ("Taliworks Renewables") entered into a conditional share sale and purchase agreement with Terraform Global Operating LP and several of its subsidiaries for a proposed acquisition of the majority equity interest in four solar projects, each held by three Malaysian-incorporated feed-in approval holders, namely Fortune 11 Sdn. Bhd. ("F11"), Corporate Season Sdn. Bhd. ("CS") and Silverstar Pavilion Sdn. Bhd. ("SP").

15 dec

Taliworks Renewables entered into a conditional share sale and purchase agreement with SEV Renewables Sdn. Bhd., a wholly-owned subsidiary of Sun Energy Ventures Sdn. Bhd. for a proposed acquisition of the remaining equity interest in F11, CS and SP.

RELEASE OF FINANCIAL RESULTS

27 feb

Unaudited interim results for the 4th Quarter ended 31 December 2019.

13 may

Unaudited interim results for the 1st Quarter ended 31 March 2020.

18 may

Audited financial statements for the financial year ended 31 December 2019.

19 aug

Unaudited interim results for the 2nd Quarter ended 30 June 2020.

16 nov

Unaudited interim results for the 3rd Quarter ended 30 September 2020.

DECLARATION OF DIVIDEND PAYMENT

27 feb

Fourth interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2019, paid on 27 March 2020.

13 may

First interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2020, paid on 19 June 2020.

19 aug

Second interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2020, paid on 30 September 2020.

16 nov

Third interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2020, paid on 31 December 2020.

CORPORATE STRUCTURE

As At 31 MARCH 2021

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

- 100% Sungai Harmoni Sdn. Bhd.
- 100% Taliworks (Langkawi) Sdn. Bhd.
- 100% Taliworks Construction Sdn. Bhd.
- 100% Taliworks Technologies Sdn. Bhd.
- 100% Taliworks Renewables Sdn. Bhd.
- 51% TEI Sdn. Bhd.
  - 100% Trinitywin Sdn. Bhd.
  - 90% Cerah Sama Sdn. Bhd. (10% held by Trinitywin Sdn. Bhd.)
    - 100% Grand Saga Sdn. Bhd.
    - 100% Peak Synergy Sdn. Bhd. #
    - 100% Europlex Consortium Sdn. Bhd. #
    - 100% Trupadu Sdn. Bhd.

JOINT VENTURE

- 50% Pinggiran Muhibbah Sdn. Bhd.
  - 75% Grand Sepadu (NK) Sdn. Bhd.

ASSOCIATES

- 35% SWM Environment Holdings Sdn. Bhd.
- 20% LGB Taliworks Consortium Sdn. Bhd.
- 24% Aqua Flo Sdn. Bhd.

Legend

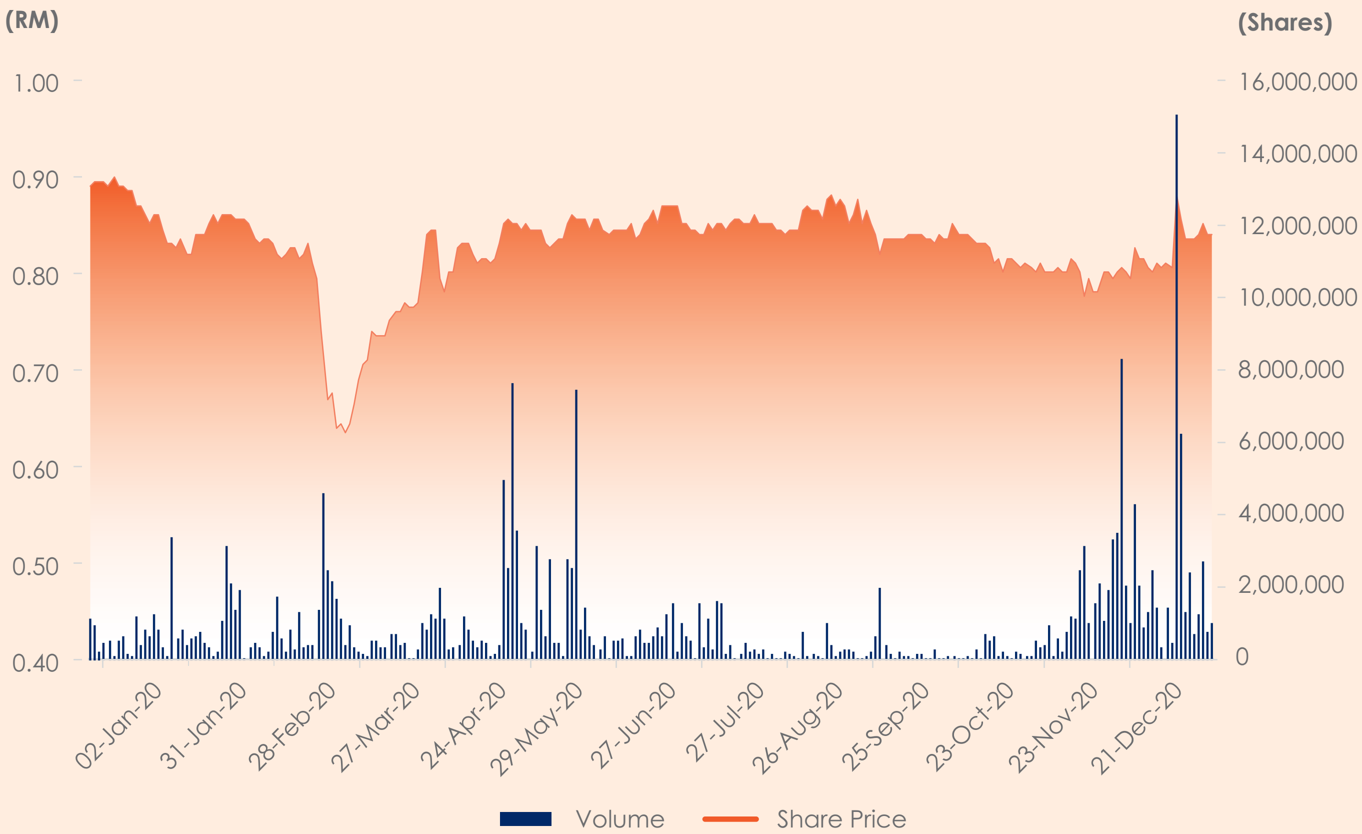
- Investment Holding Company/ Others
- Engineering and Construction
- Waste Management
- Highway Toll Concessionaire, Operations and Maintenance Operator
- Water Treatment, Supply and Distribution

Companies in the process of members' voluntary winding-up and/ or striking off

SHARE PERFORMANCE HIGHLIGHTS

TALIWORKS DAILY SHARE PRICE AND VOLUME

52W High – RM0.90 | **52W Low** – RM0.64 | **Year-end closing price** – RM0.84

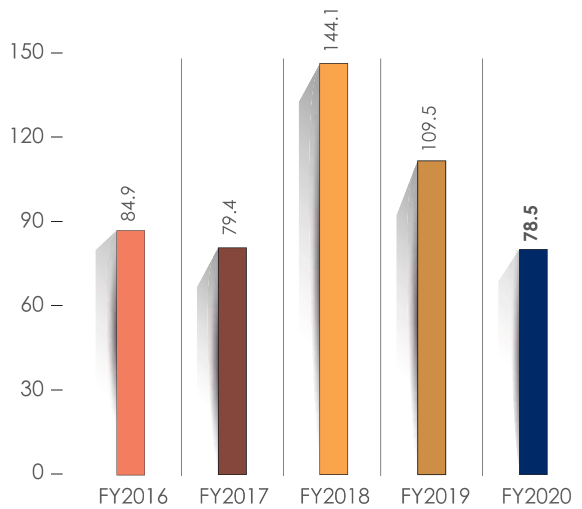


* *Information sourced from Bloomberg*

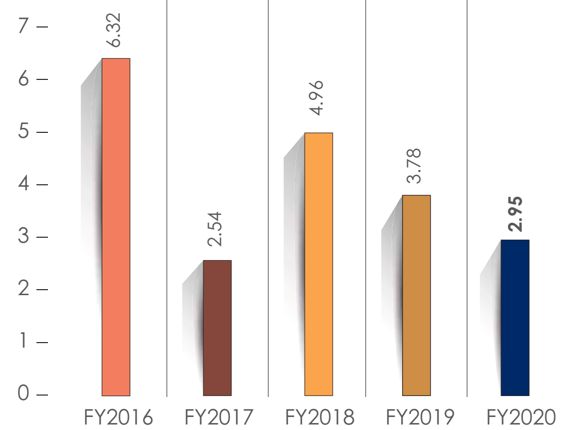
5-YEAR FINANCIAL HIGHLIGHTS

	2016# RM MIL	2017 RM MIL	2018 RM MIL	2019 RM MIL	2020 RM MIL
PROFITABILITY					
Revenue	304.9	374.1	374.2	377.1	**317.9**
EBITDA(i)	130.9	131.2	213.5	180.0	**128.9**
Profit Before Taxation	84.9	79.4	144.1	109.5	**78.5**
Profit for the Financial Year	93.3	64.5	109.3	86.5	**63.5**
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,456.0	2,371.9	2,443.9	2,353.5	**2,075.0**
Total Borrowings	486.4	416.7	447.1	467.6	**388.2**
Total Shareholders' Equity	1,398.2	1,328.1	1,322.3	1,292.9	**1,207.7**
No of Shares in issue	2,015.8&	2,015.8&	2,015.8	2,015.8	**2,015.8**
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	169.5	231.5	239.5	247.9	**225.5**
- construction	39.6	51.7	42.5	34.5	**12.7**
- toll highway	92.7	85.6	86.9	89.4	**74.4**
- others	3.0	5.3	5.4	5.3	**5.3**
	304.9	374.1	374.2	377.1	**317.9**
Profit Before Taxation					
- water treatment, supply and distribution	44.8	65.5	152.1	108.8	**74.8**
- construction	2.6	2.6	0.2	1.4	**0.5**
- toll highway	24.2	28.2	20.4	22.8	**11.2**
- others	0.7	(20.3)	(13.8)	(13.6)	**(10.8)**
	72.3	76.0	158.8	119.4	**75.7**
- share of results of joint venture	0.3	2.7	1.0	5.3	**4.7**
- share of results of associates	12.2	0.6	(15.7)	(15.1)	**(1.9)**
	84.9	79.4	144.1	109.6	**78.5**
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	4.80&	4.80&	4.80	5.25	**6.60**
Net Assets per share (sen)	55.61&	52.27&	52.43	51.24	**47.59**
Earnings per share (sen)					
- basic	6.32+&	2.54&	4.96	3.78	**2.95**
- fully diluted	6.32+&	2.54&	4.96	3.78	**2.95**
Return on Equity (%)(ii)	10.46++	4.73	8.24	6.61	**5.08**
Return on Assets Employed (%)(iii)	5.52++	2.67	4.54	3.60	**2.87**
Dividend payout ratio (%)(iv)	65.32++	149.92	88.56	122.42	**209.42**
Net Debt to Equity ratio (%)	13.89	19.22	25.41	-	**-**

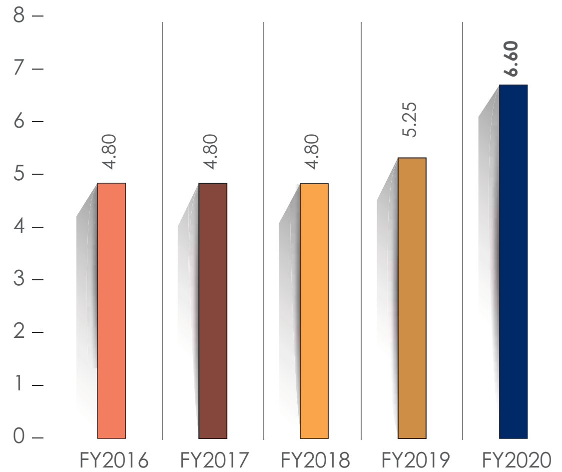
Only the financial results in FY2017 have been restated from the adoption of MFRS 9 and MFRS 15 in FY2018.



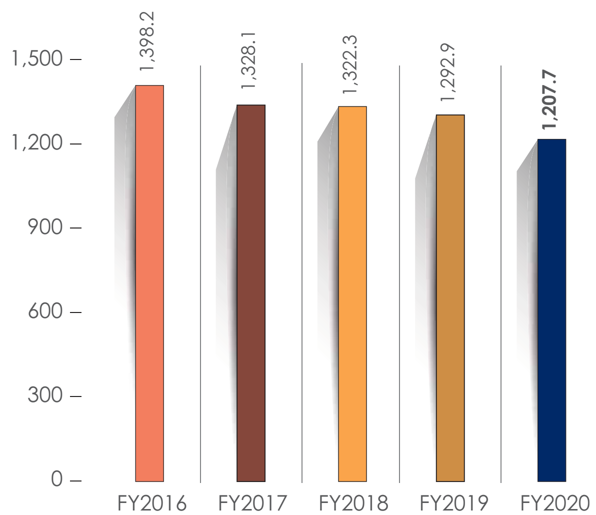
Profit Before Tax
(RM Million)



Basic Earning Per Share
(sen)



Gross Dividend Per Share
(sen)



Total Shareholders' Equity
(RM Million)

Notes:

& adjusted for the effects of bonus shares issued

\+ calculated on profit attributable to owners of the Company of RM127.428 million.

++ calculated on profit for the financial year of RM148.135 million including profit from discontinued operations.

\# except for the Key Financial Ratio, the financial information of FY16 exclude the results from discontinued operations.

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).

(ii) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing Total Shareholders' Equity.

(iii) Return on Assets Employed is calculated by dividing the profit for the financial year with the average of the opening and closing Total Assets Employed.

(iv) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("the Board"), I am delighted to present to you the Annual Report and Audited Financial Statements of Taliworks Corporation Berhad ("Taliworks") and its subsidiaries ("the Group") for the financial year ended 31 December 2020 ("FYE2020").

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
Independent Non-Executive Chairman

RM317.9
MILLION
2019: RM377.1million
REVENUE

RM63.5
MILLION
2019:RM86.5 million
PROFIT AFTER TAX ("PAT")

6.6 sen
per share
2019: 5.25 sen per share
DIVIDEND

> Taliworks achieved a significant milestone in 2020 with the signing of a definitive conditional share purchase agreement to acquire four solar projects.

2020 was a year like no other. We experienced an unprecedented global pandemic that wreaked havoc on lives, livelihoods, and the world economy. Globally, millions of lives have been lost, and whilst Malaysia has avoided the worst of Covid-19, we are not unscathed. Beyond the human toll, our economy has suffered, and Bank Negara Malaysia ("BNM") reported that Malaysia's gross domestic product ("GDP") contracted by 5.6% in 2020. The global economy is now on a precipice, though some countries are showing signs of recovery.

Taliworks' business operations have not been spared by this economic uncertainty. For FYE2020, Taliworks recorded revenue of RM317.9 million, representing a RM59.2 million, or 16% decline from RM377.1 million in FYE2019. The reduction was mainly attributed to, amongst others, i) the impact from the various phases of the Movement Control Order ("MCO") imposed by the Government on users of our toll highway concession business, and on tourist arrivals in Langkawi; (ii) lower revenue generated by the water division, as a result of a decrease in the Bulk Sales Rate from the operations of our Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") project; (iii) expiration of the Langkawi water privatisation contract with the State Government of Kedah Darul Aman on 31 October 2020; and (iv) completion of construction projects during the year. Despite this significant revenue drop, however, I am pleased to report that profit after tax ("PAT") for the Group stood at RM63.5 million for FYE2020, comparable to FYE2019's RM86.5 million, which included exceptional one-off transactions totalling RM27.5 million. Full analyses of our financial performances are highlighted in the Management Discussion and Analysis section of this Annual Report.

NEW VENTURE

Taliworks achieved a significant milestone in 2020 with the signing of a definitive conditional share purchase agreement to acquire four solar projects ("Proposed Acquisition"), located within the vicinity of the Kuala Lumpur International Airport, with an aggregate capacity of 19 megawatt-peak. This Proposed Acquisition provides a solid platform for the Group to build a new business line in renewable energy projects. Consistent with our investment strategy to acquire mature brownfield assets, the Proposed Acquisition is expected to provide Taliworks with an immediate sustainable recurring income to support our dividend policy. Further, with the Malaysian Government's stated intention to increase the share of renewable energy in Malaysia's generation mix to 20% by 2025, and with the promulgation of various schemes such as Net Energy Metering, Large Scale Solar and Self Consumption, renewable energy could start to be a key focus area for Taliworks.

The Proposed Acquisition is also timely as it could potentially replace the loss of income from our Taliworks Langkawi water treatment, supply and distribution concession that expired in October 2020. The management, operations and maintenance of the water supply system in Pulau Langkawi were handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the State Government of Kedah.

As of the writing of this Report, we are awaiting final regulatory approval for the Proposed Acquisition.

COMMITMENT TO SUSTAINABILITY

Our proposed investment into the solar business is in line with our vision of balancing environmental, social and governance elements as we grow our businesses. Central to this, this year, we have begun developing a Sustainability Framework that contains time-bound goals that will guide our sustainability journey in the future.

With the on-going pandemic, we also strive to do our part to help the community, and one of the significant contributions that the Group made was to provide financial assistance to front liners, via a donation to The Edge Covid-19 Equipment Fund, which amounted to RM1.0 million. To further support national measures to mitigate the spread of Covid-19, our toll highway division displayed the government's "New Normal Campaign to Fight Covid-19" communications messaging on billboards, engaged in public sanitation efforts in red zones, and provided packed lunches for police personnel conducting roadblocks along our highways. From a business perspective, we adapted to the new normal by embracing working from home, and urged the use of virtual meetings. To keep our employees and visitors safe, we installed temperature screening facilities and MySejahtera QR codes, ensured clear labelling of physical distancing demarcations, and provided hand sanitisers and personal protective equipment.

Additional information on our sustainability initiatives is further elaborated in the accompanying Sustainability Statement section of this Annual Report.

BOLSTERING PAY-OUT CAPABILITY

As we continue to battle against economic uncertainty and the global pandemic, we remain committed to rewarding our shareholders and enhancing shareholders' value. For FYE2020, Taliworks has declared a dividend of 6.6 sen per share (FYE2019: 5.25 sen per share), totalling RM133.0 million (FYE2019: RM105.8 million), which is equivalent to a dividend yield of 7.9%, based on closing price of RM0.84 on 16 April 2021. This was possible due to recurrent net cash income from our water and toll highway businesses as well as our strong cash reserves. On this basis, we have consistently outperformed our dividend policy of paying out 75% of our normalised after tax profits.

> In FYE2020, Taliworks has declared a dividend of 6.6 sen per share. We have consistently outperformed our dividend policy of paying out 75% of our normalised after tax profits.

FUTURE PROSPECTS

Our business performance is strongly supported by all our business divisions, with the water treatment, supply and distribution business being the main contributor to the Group's profitability, followed by the highway toll concessionaire, operations and maintenance, waste management and engineering and construction businesses. Notwithstanding the external headwinds that we faced in 2020, overall, we are not materially impacted as our businesses are predominantly categorised as essential services to the public. We remain positive that our strong business fundamentals will translate into sustainable profitability and cash flow in the long run.

Current prospects of our water operations and maintenance business division remain bright, augmented by our capabilities, track record, know-how and strong balance sheet. As reported previously, the monetisation of water receivables due from Pengurusan Air Selangor Sdn. Bhd., which was completed in December 2019 has strengthened Taliworks' financial position significantly. It has also provided the Group with a considerable amount of cash to explore potential value accretive opportunities.

Whilst our toll highway business was negatively impacted on the back of a decrease in traffic as a result of the MCO enforced during 2020, we saw an immediate strong recovery in traffic for both our Grand Saga and Grand Sepadu highways post MCO. Thus, we are optimistic that the decline in earnings during the year was temporary in nature and the highways' long-term core viability and future profitability are not affected.

> We are cautiously optimistic for the performances of our existing businesses and our new renewable energy division to remain satisfactory this year.

The waste management division is actively pursuing a tariff rate increase with the Federal Government under the terms of its existing concession agreement. We will continue to participate in infrastructure project tenders to replenish our order book which will bring further financial stability to the construction division.

Our new venture into renewable energy is also expected to contribute positively to our earnings and cash flow in the near future. On the whole, the Group is steadfast in maintaining its strategies to focus on mature operational cash-generating utilities/ infrastructure businesses to deliver growth over time.

Fast forward to 2021, the Malaysian Government has recently announced the sixth economic stimulus package worth RM20 billion as a recovery plan to boost economic growth, support businesses and to extend targeted assistance to the affected business sectors. This announcement, which brings the total value of stimulus packages to RM340 billion, will provide impetus to the economy to support the livelihood of its people. Furthermore, the vaccination programme that started in February 2021 is anticipated to stem the spread of the pandemic and steer the economy forward. Underpinned by the resumption of economic activities, BNM is optimistic that the domestic economy will rebound in 2021 with a projected growth rate of 6.0% to 7.5%.

In this light, we are cautiously optimistic for the performances of our existing businesses and our new renewable energy division to remain satisfactory this year. Going forward, we expect to maintain growth and returns to our shareholders.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere appreciation to my fellow Board members for their valuable leadership, strategic guidance and patience through this unprecedented time. I also wish to extend my sincere gratitude to our Management Team and to every single one of our employees whose dedication, endurance and commitment have been critical to the Group's strength as we persevere through this period.

To all our customers, suppliers, business partners, regulators and financiers, I would like to thank you for your unwavering support, and the immense cooperation given to the Group during this challenging chapter. Last, but certainly not least, I would like to thank you, our valued Shareholders, for your confidence in Taliworks. We will continue to prioritise our dedication to enhancing shareholders' value while we grow the business sustainably.

Thank you.

Tunku Ali Redhauddin
Ibni Tuanku Muhriz
Independent and
Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS (in RM'000)

Revenue
317,880
2019: 377,112

Gross Profit
123,659
2019: 147,870

Operating Profit
96,899
2019: 144,325

Profit Before Tax
78,516
2019: 109,549

Profit After Tax
63,531
2019: 86,451

Total Assets Employed
2,075,015
2019: 2,353,549

Total Shareholders' Equity
1,207,732
2019: 1,292,925

KEY FINANCIAL RATIOS

Basic And Diluted EPS (Sen)
2.95
2019: 3.78

Net Asset Per Share (Sen)
47.59
2019: 51.24

Return on Equity (%)[a]
5.1
2019: 6.6

Return on Assets Employed (%)[b]
2.9
2019: 3.6

Net Debt-to-Equity (%)[c]
–
2019: –

(a) The Return on Equity is calculated by dividing the profit for the year with the average of the opening and closing balance of Total Shareholders' Equity.

(b) The Return on Assets Employed is calculated by dividing the profit for the year with the average of the opening and closing balance of Total Assets Employed.

(c) The Net Debt-to-Equity is nil for both years as the Group's cash reserves exceeded the total borrowings as at the end of the respective financial years.

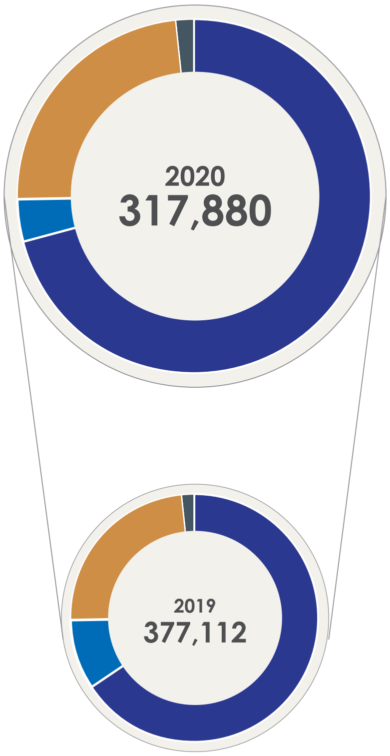
REVIEW OF FINANCIAL PERFORMANCE

The following is the summary of the financial performance of the Group for the year ended 31 December 2020 as compared to the previous financial year.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM317.88 million, a substantial decrease from RM377.11 million in the previous year. Profit before tax ("PBT") stood at RM78.52 million (2019: RM109.55 million) while profit after tax ("PAT") for the year was RM63.53 million (2019: RM86.45 million). The lower revenue was recorded across all business segments. This was attributable to, amongst others, (i) the lower metered sales from (a) the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") operations, as well as (b) Langkawi operations due to shorter billing period arising from expiration of Taliworks (Langkawi) Sdn. Bhd.'s ("Taliworks Langkawi") privatisation contract with the State Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system

COMMENTARY ON THE REVENUE OF THE GROUP (RM'000)



■ Water treatment, supply and distribution

2020: **225,538** (71%) | 2019: **247,943** (66%)

■ Engineering and construction

2020: **12,668** (4%) | 2019: **34,459** (9%)

■ Highway toll concessionaire, operations and maintenance

2020: **74,410** (23%) | 2019: **89,446** (24%)

■ Others

2020: **5,264** (2%) | 2019: **5,264** (1%)

in Pulau Langkawi on 31 October 2020 and lesser tourist arrivals to Pulau Langkawi as a result of the Covid-19 pandemic, (ii) decrease in the Bulk Sales Rate ("BSR") from RM0.46/m^3 to RM0.41/m^3 in the SSP1 operations pursuant to the execution of the Bulk Water Sales Agreement with Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") in September last year, (iii) impact on the toll business from the various phases of the movement control orders ("MCO") and (iv) completion of on-going construction projects.

As a result of the lower revenue, gross profit decreased by 17% or RM24.21 million. For the current financial year, the Group incurred RM6.48 million in termination benefits and other payments to employees arising from the expiry of Taliworks Langkawi's privatisation contract, as well as a net provision of RM1.71 million (2019: RM2.37 million) made to restore the structures, pipe works, plants, equipment, tools and installations to a satisfactory operability condition (fair wear and tear expected), as required under the privatisation contract. In line with the lower revenue and gross profit, PBT fell by 28% or RM31.03 million. The operating profit and PBT were substantially lower than the previous financial year due to certain one-off transactions that occurred in the previous year, namely the gain on de-recognition of trade receivables of RM41.14 million, gain on derecognition of trade payables of RM2.77 million, waivers granted by certain trade creditors totalling RM13.19 million and loss on disposal of receivables of RM29.57 million. In contrast to these one-off gains, the Group recorded higher net returns on its investments and interest income by RM9.10 million, lower interest expenses by RM3.76 million whereas share of results from associates came in higher by RM13.22 million during the financial year. Based on the profit for the year, the basic and diluted earnings per share was 2.95 sen (2019: 3.78 sen).

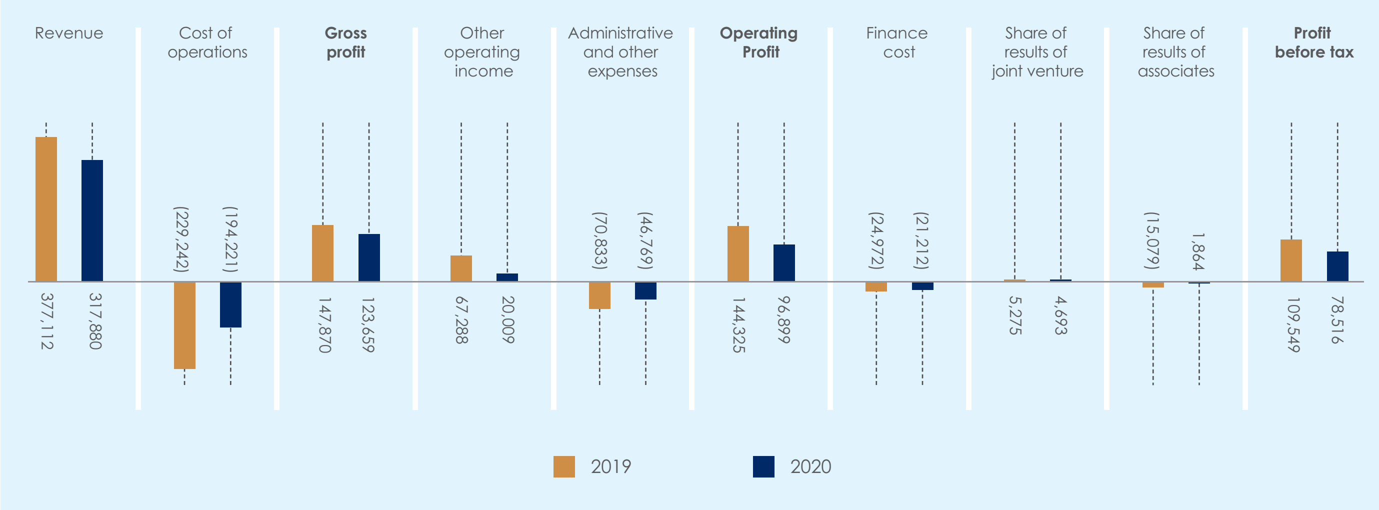
As in prior years, the water treatment, supply and distribution business remain the single largest revenue contributor to the Group, accounting close to 71% (2019: 66%) of the Group's total revenue. The division recorded a decline in revenue from RM247.94 million in the previous year to RM225.54 million or by 9.0% principally due to the decrease in the BSR in the SSP1 operations, shorter billing period of ten months for the Langkawi operations arising from the expiration of Taliworks Langkawi's privatisation contract, lesser demand for water in Langkawi as the number of tourists have dropped due to the outbreak of Covid-19 and lower metered sales both at SSP1 and the Langkawi operations.

For the SSP1 operations, metered sales were 3.7% lower at 347.59 million m^3 as compared to previous year's 360.98 million m^3, whereas for the Langkawi operations, the metered sales registered a significant reduction of 17.3% to 16.88 million m^3 from 20.41 million m^3 in the previous year. The SSP1 operations generated a revenue of RM172.90 million (2019: RM183.73 million) while the balance RM52.64 million (2019: RM63.21 million) came from Taliworks Langkawi, accounting for 77% and 23% respectively of the water treatment, supply and distribution division's total revenue.

For the engineering and construction segment, revenue was significantly lower by RM21.79 million. Compared to the previous year's revenue of RM34.46 million, this division only managed to achieve revenue of RM12.67 million due to the completion of two projects, namely the Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/ Wilayah Persekutuan Kuala Lumpur Package 7 for Pengurusan Aset Air Berhad and the construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur. Overall, the division contributed about 4% (2019: 11%) of the total revenue of the Group.

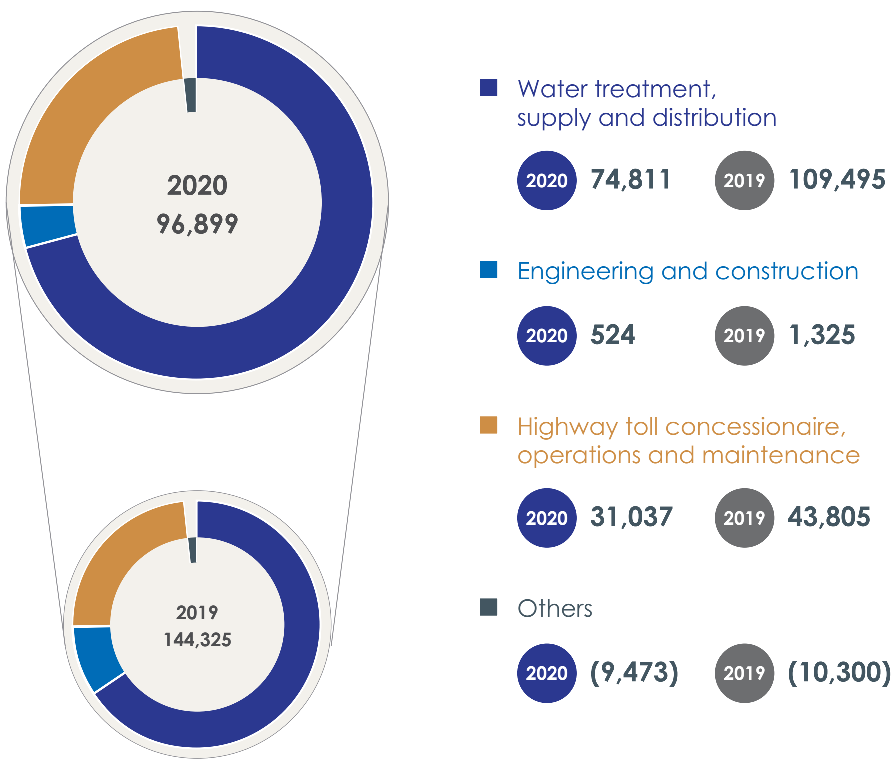
The revenue contribution from the highway toll concessionaire, operations and maintenance division is derived solely from Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway, more commonly known as the Grand Saga Highway. Revenue was substantially lower by 16.8% at RM74.41 million compared to RM89.45 million attained in the previous year, primarily due to the slump in the average daily traffic ("ADT") by 19.8% as the toll collections were affected by the travel restrictions imposed by the Federal Government to contain the Covid-19 pandemic. Revenue from toll operations of RM58.44 million (2019: RM72.11 million) and government compensation of RM15.97 million (2019: RM17.33 million) made up the division's revenue for the year.

COMMENTARY ON THE PROFIT OF THE GROUP



The Group reported a full year PBT of RM78.52 million, considerably lower than the RM109.55 million achieved a year ago. The profit performance for 2019 was mainly contributed by several one-off transactions ("One-off Income"), namely the gain on derecognition of trade receivables, gain on derecognition of trade payables, waivers granted by certain trade creditors and loss on disposal of receivables, totalling a net RM27.53 million, the details of which had been explained in the last year's Management Discussion and Analysis. However, the decrease in operating profit and PBT in the current year were mitigated by higher dividend income, gain on redemption from investments designated at fair value through profit or loss ("FVTPL"), fair value gain arising on financial assets measured at FVTPL and interest income, net of fair value losses arising on financial assets measured at FVTPL and loss on redemption of investment designated at FVTPL, totalling RM14.74 million (2019: RM5.64 million), lower share of losses from associates and lower financing cost due to repayment of bank borrowings and repayment of the first tranche of the Islamic Medium-Term Notes ("IMTN") issued by a subsidiary, Cerah Sama Sdn. Bhd. ("Cerah Sama").

Segmental Information - Operating Profit (RM'000)



To better understand the impact of the One-Off Income on the financial performance over the two years, the following is the summarised position of the income and expenses included in Other Operating Income and Administrative and Other Expenses respectively for the two financial years:-

	2019 RM'000	2020 RM'000
Other Operating Income		
Gain on de-recognition of financial assets	41,140	-
Waivers granted by trade creditors	13,189	-
Gain on de-recognition of financial liabilities	2,774	-
Interest, dividend income and gain on redemption of investments	5,255	15,129
Reversal of loss allowance on trade receivables and amount due from contract customers	27	1,798
Others	4,903	3,082
Total Other Operating Income in the Statement of Comprehensive Income	**67,288**	**20,009**
Administrative and Other Expenses		
Loss on disposal of receivables	29,573	-
Retrenchment benefits and restoration costs	2,368	8,194
Reversal on gain on modification of trade creditors	-	1,833
Loss allowance on trade and other receivables	3,499	1,652
Others	35,393	35,090
Total Administrative and Other Expenses in the Statement of Comprehensive Income	**70,833**	**46,769**

The Group's share of results from joint venture is in respect of its investment in Pinggiran Muhibbah Sdn. Bhd., the parent company of Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway, also known as the Grand Sepadu Highway. For the current financial year, the Group's share of results from joint venture of RM4.69 million was comparatively lower than the RM5.28 million recorded in the previous year on account of a substantial drop in ADT by 18.8%, i.e. from 93,372 vehicles per day to 75,834 vehicles per day in the current year, as a result of travel restrictions under the various phases of the MCO. However, the impact was mitigated by higher toll compensation of RM16.97 million (2019: RM13.01 million), cost saving measurements undertaken by Grand Sepadu and lower finance costs from repayment of the first tranche of RM20.00 million of Grand Sepadu's issuance of Sukuk Murabahah of RM210.00 million.

The Group's share of losses from associates amounted to RM1.86 million (2019: RM15.08 million) and is primarily from its 35% stake in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of losses from SWMEH was RM3.40 million compared to RM16.80 million in the corresponding year due to higher PAT recorded in SWMEH of RM184.83 million (2019: RM158.69 million) and lower adjustments (including deduction of dividend on cumulative preferences shares held by parties other than the Group and adjustments made by the Group) of RM194.54 million (2019: RM206.69 million). The PAT of SWMEH is higher as a result of lower depreciation expenses as well as reduction in sub-contractors' costs in the current year. However, the PAT was mitigated by higher provision of loss allowance on trade receivables in the current year.

In terms of the segmental performances, the water treatment, supply and distribution division contributed an operating profit of RM74.81 million, lower than the previous year's operating profit of RM109.50 million from the lower BSR, payment of termination benefits and other payments, additional restoration costs in the Langkawi operations and the cessation of the Langkawi operations from 1 November in the current year. In the previous year, other than the higher revenue, the better financial performance was mainly boosted by the recognition of the One-Off Income. However, the division's lower operating profit was partially mitigated by, amongst others, higher other income of RM11.87 million (2019: RM0.65 million) primarily from interest and dividend income, gain on redemption of investments, net of fair value loss on investment at FVTPL and loss on redemption of investment designated at FVTPL, and lower electricity expenditure from incentives offered as part of the economic stimulus package announced by the Federal Government.

In the engineering and construction division, operating profit was lower at RM0.52 million (2019: RM1.33 million) due to lower revenue recorded and higher overhead expenses such as project incentive and staff costs.

As for the highway toll concessionaire, operations and maintenance division, the operating profit declined by RM12.77 million to RM31.04 million on the back of a decrease in revenue, coupled with a reversal in the provision for heavy repairs in 2019. The heavy repairs, due to be undertaken in 2021, were re-scheduled to 2022. The provision for heavy repairs in the previous year was RM1.39 million compared to an estimated RM4.17 million in 2020. However, the impact to the profitability was mitigated by lower operating costs from cost saving measures undertaken by the division, reduced finance costs from repayment of IMTN and lesser charges on amortisation of intangible assets on account of lower ADT in the current year.

Statement of Financial Position (RM'000)

Total assets	**2,075,015** 2019: 2,353,549	▼ 12%
Total liabilities	**867,283** 2019: 1,060,624	▼ 18%
Total Shareholders' Equity	**1,207,732** 2019: 1,292,925	▼ 7%
Net assets per share (sen)	**47.59** 2019: 51.24	▼ 7%

● *As at 31 Dec 2020* ● *As at 31 Dec 2019* ● *approximate, to the nearest digit*

(a) The Group's total assets dropped by 12% or RM278.53 million mainly due to lower investments designated at FVTPL, lower deposits, bank and cash balances of RM211.60 million due to the dividend payment to shareholders of RM157.23 million, repayments of borrowings of RM80.00 million, interest payments and payments to trade creditors during the financial year. Trade and other receivables also showed a decline of RM22.63 million, whereas the carrying amount of intangible assets reduced by approximately RM25.99 million due to amortisation charges.

(b) Total liabilities declined by 18% or RM193.34 million mainly due to lower trade and other payables as a result of scheduled debt repayments made by Sungai Harmoni Sdn. Bhd. to its trade creditors and redemption of the first tranche of the IMTN, which amounted to RM30.0 million. The Group's other borrowings were lower, arising from the repayment of RM50.00 million of revolving credit facilities. As at the end of the financial year, the Group does not have any outstanding borrowings other than the IMTN.

(c) Total shareholders' equity was 7% lower or RM85.19 million, in line with the higher dividends paid to shareholders of the Company and non-controlling interest offset by profit recorded for the financial year.

As at the end of the financial year, the Group's net assets per share decreased from 51.24 sen to 47.59 sen. Despite the profit recorded in the financial year, the reduction in the net assets per share arose from the payment of dividends to shareholders. For the current financial year, the Company declared a total of 6.60 sen per share or RM133.04 million to shareholders, higher than the previous year of 5.25 sen per share, which was equivalent to RM105.83 million. The payment of dividend was above the earnings per share of the Company of 2.95 sen per share and in excess of the dividend pay-out ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) as committed under the Company's dividend policy.

Key Audit Matter

As with the previous years, the auditors have highlighted the assessment on the impairment of goodwill relating to Cerah Sama as a Key Audit Matter in the Independent Auditors' Report. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. As of 31 December 2020, the carrying amount of goodwill amounted to RM129.39 million (2019: RM129.39 million) in comparison to the total assets employed by the Group. The auditors have indicated how the matter was addressed in their report.

Significant Corporate Developments

During the year, the Group announced its first foray into the renewable energy sector, which provides the Group with a platform to participate in future renewable energy related projects in Malaysia, as well as outside of Malaysia. The maiden entry into this sector compliments the existing "green" businesses within the Group and this is in line with the Group's investment strategy to acquire mature brownfield assets with sustainable recurring income and cash to support the Group's dividend policy.

Towards this, the Group through Taliworks Renewables Sdn. Bhd. entered into two separate conditional share sale and purchase agreements for the proposed acquisitions of 100% interest in four solar projects with an aggregate capacity of 19.0 megawatt peak within the vicinity of Kuala Lumpur International Airport for a total cash consideration of RM180.35 million which includes the purchase consideration and repayment of shareholders' loan. The proposed acquisitions have since been granted approval by the Sustainable Energy Development Authority Malaysia and is now pending the fulfilment of other conditions, including the approval from the Energy Commission of Malaysia. Once all approvals have been obtained, completion is expected to be within the financial year 2021.

Implementation of Anti-Bribery Adequate Procedures

With the introduction of corporate liability under section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act") which took effect on 1 June 2020, the Group has established the necessary procedures ("Adequate Procedures") pursuant to sub-section (5) of section 17A of the MACC Act to prevent employees of the Group and/ or associated persons from undertaking corrupt practices in relation to the business activities of the Group. In adopting the Adequate Procedures, the Group was guided by the five principles under the Guidelines on Adequate Procedures issued by the Prime Minister's Department in December 2018. Amongst the Adequate Procedures adopted are a corruption risk assessment to establish appropriate processes, systems and controls approved by the top-level management to mitigate the specific corruption risks that the business is exposed to and a whistleblowing channel which may be used anonymously, for internal and external parties to raise concerns in relation to real or suspected corruption practices involving the Group.

In compliance with the Main Market Listing Requirements of Bursa Malaysia, the Group has uploaded its Anti-Bribery Policy and Whistle-blowing Policy at https://taliworks.com.my/corporate-governance/ and made available a dedicated email address where reports can be channelled to the whistle-blowing committee. Further details on how the Group has implemented the Whistle-blowing Policy are elaborated under Practice 3.2 of the Corporate Governance Report 2020, a copy of which can be found at https://taliworks.com.my/corporate-governance/ under the Corporate Governance Report section.

Each business unit will have its own compliance function to ensure the proper implementation of the anti-bribery management system adopted by the Group.

> The Group announced its first foray into the renewable energy sector, which provides the Group with a platform to participate in future renewable energy related projects in Malaysia, as well as outside of Malaysia.

Impact of the Covid-19 Pandemic on the Group's Businesses

The outbreak of the Covid-19 pandemic became evident in Malaysia in the early parts of the year and since then, the Federal Government has instituted various measures to contain the outbreak, including enacting and enforcing laws and regulations to restrict movement, curtailment of non-essential business activities, temporary cessation of economic, social, religious events etc. These necessary but punitive measures not only resulted in disruptions to the daily lives of the general population but also the way businesses and operations are being run. By now, with the implementation of the safety and health protocols been made compulsory, almost everyone has adapted to the new norm of getting about their business.

In so far as the Covid-19 pandemic's impact on the Group's businesses, the severity varies from one business to another with the highway toll concessionaire, operations and maintenance division having to encounter a drastic fall in the number of vehicles commuting along the Grand Saga and Grand Sepadu highways. The financial performance of this division took a direct hit as with the Langkawi operations where the metered sales of treated raw water to consumers had tapered off due to the decline in the number of domestic and foreign tourists that would usually throng the island for a holiday. Other than these, there was minimal financial impact to the other operations as treatment, supply and distribution of water and waste management are considered essential services, whereas the impact of a disruption to the operations of the engineering and construction division would be minimal as its contribution to the Group is not significant.

With the planned roll-out of the National Covid-19 Immunisation Programme in phases throughout 2021, there is great optimism that the business sentiment and consumer confidence will slowly return, although it may take a while for economic growth to surpass the pre Covid-19 levels. In the meantime, in the absence of further curbs on movements by the Federal Government to control the Covid-19 outbreak, the impact on the toll highway would diminish and will not be as serious as compared to the periods when the travel movements were made more restrictive. With the gradual opening of inter-state travel to revive the tourism and hospitality sectors and resumption of more trade and commercial activities, the Group would be in a better position to capitalise on these positive outcomes to grow its businesses.

REVIEW OF BUSINESS DIVISIONS

The following is a review of the operating and financial performance of each of the operating business divisions of the Group.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

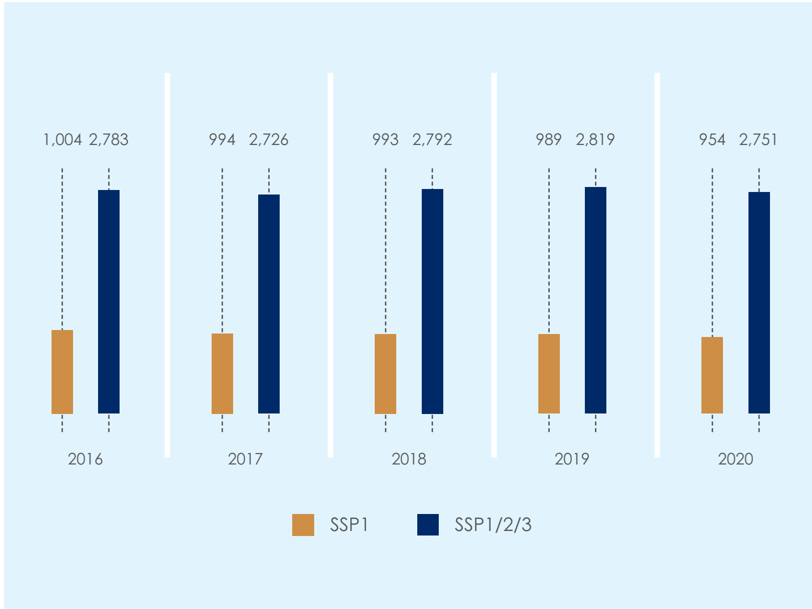
Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni")

Over the past five years, the average daily production from SSP1, operated and managed by Sungai Harmoni, continued to record a downward trajectory partly due to the gradual stabilisation in distribution and production from Phase 1 of the Langat 2 Water Treatment Plant ("WTP") in the areas supplied from the three WTPs operating along Sungai Selangor. In 2020, the average daily production from SSP1 recorded a decline of 3.5% (2019: 0.4%) to 954.10 million litres per day ("MLD") compared to the average daily production of 988.94 MLD recorded in the previous year. In terms of metered output, the amount of treated water produced from SSP1 was about 349.20 million m^3 over a period of 366 days compared to 360.96 million m^3 produced over a period of 365 days in 2019. This translated to a reduction in the metered output by about 3.3% whereas the metered output in 2019 was only marginally lower than the 362.35 million m^3 or by 0.4% recorded in 2018. During the five-year period, SSP1 produced well above its design capacity of 950 MLD to meet the overall demand for treated water to consumers particularly in the northern part of Kuala Lumpur, Petaling Jaya and certain areas of Gombak, Klang and Kuala Selangor. The gradual reduction in the metered output in SSP1 had help to minimise the incidence of unexpected breakdown of plant and equipment and wear and tear due to the WTP operating way beyond its design capacity.

Apart from SSP1, the other major WTPs operating along Sungai Selangor are the Sungai Selangor Water Treatment Works Phase 2 ("SSP2") and Sungai Selangor Water Treatment Works Phase 3 ("SSP3"). During the year, the total production from SSP1, SSP2 and SSP3, all of which are leased by Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") from Pengurusan Aset Air Berhad, was about 2,751 MLD, a decrease of

AVERAGE PRODUCTION IN MLD

The following is the historical metered output from SSP1 and the combined production from SSP1, SSP2 and SSP3 (tabulated from internal sources) for the past five years which reflects the consistent and sustained demand for treated water from consumers within the vicinity of the Klang Valley.



2019: 988.94 mil

954.10mil

LITRES PER DAY

AVERAGE DAILY PRODUCTION

2019: 360.96 mil

349.20mil

m^3

TREATED WATER PER YEAR

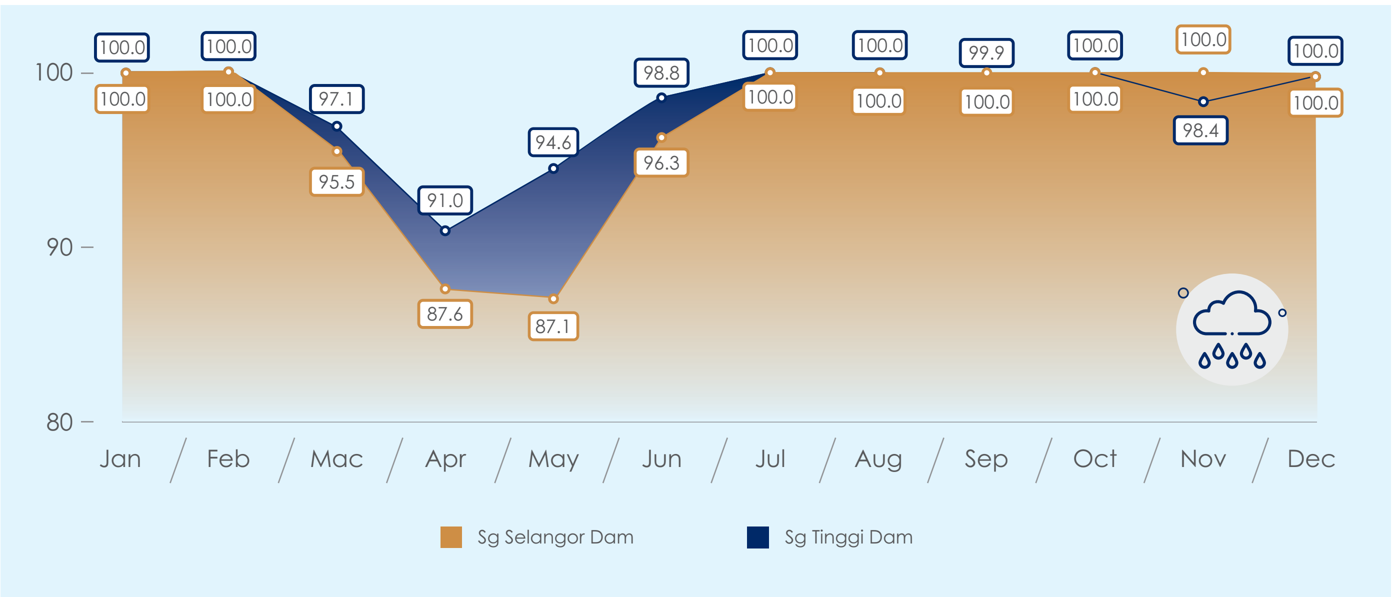
2.4% year-on-year. The decline in the production for treated raw water was in contrast to a 0.9% increase recorded in the previous year. This could be partly attributable to more water being channelled from Langat 2 WTP and to a certain lesser extent lower demand from industrial consumers arising from the disruptions to commercial activities as a result of the Covid-19 pandemic. Of the total combined production from the WTPs, SSP1 supplied slightly more than one-third of the treated water from the Sungai Selangor basin to Air Selangor, presently the only entity with the license to extract, treat and distribute treated potable water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya.

Once completed, the Langat 2 WTP will be the largest water supply scheme in Malaysia supplying 2,260 MLD of treated water to consumers in the Klang Valley. The project involves the large-scale construction of water treatment and distribution facilities for raw water transferred from the Pahang-Selangor Raw Water Transfer Project. It will be carried out through two phases, namely Phase 1 and Phase 2 with each phase capable of treating and distributing 1,130 MLD of water to the targeted demand centres. Stream B of Phase I is currently supplying about 430 MLD since its operations started in March 2020 with an additional 135 MLD to be supplied in the near term, giving a total of 565 MLD. This project, undertaken by Air Selangor, is crucial to ensure that the water reserve margin stays above desirable levels to mitigate any risk of water shortages in the Klang Valley. The demand for treated raw water is projected to grow due to demographic changes as the population within the Klang Valley is set to rise further and more industrial activities take place as Klang Valley maintains its pole position as the centre of economic hub for the whole country.

At the end of this 2020 "La Nina" year, dam levels at both the Sungai Tinggi Dam and Sungai Selangor Dam achieved full capacity due to continued heavy rainfalls over the catchment areas and the reduced regulated discharges of raw water to augment the higher river flow at Sungai Selangor. Other than the short intermittent dry spells experienced during the year, rainfall was in abundance over the catchment areas due to the La Nina phenomena and the risk of raw water shortages remained low throughout the year. The abstraction of raw water from Sungai Selangor for the first quarter of 2021 is therefore not likely to be impacted as the water levels at both the regulating dams are at full capacity and this will provide the necessary buffer during the dry seasons. At the state government level, the state agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN"), Air Selangor and Lembaga Urus Air Selangor ("LUAS") have been vigilantly monitoring the river flows and dam levels to ensure the supply of raw water for water treatment operations will not cause unnecessary disruption in water supply to consumers.

To ensure that consumers are assured of quality water that meets with the Ministry of Health standards and adequate supply of treated raw water at all times, Sungai Harmoni places great

DAM STORAGE LEVEL



> Sungai Harmoni places great importance in ensuring that all WTP equipment is kept under good and optimal working conditions and all preventive maintenance, rehabilitation, upkeep and maintenance programmes are strictly adhered to and promptly attended to.

importance in ensuring that all WTP equipment is kept under good and optimal working conditions and all preventive maintenance, rehabilitation, upkeep and maintenance programmes are strictly adhered to and promptly attended to. To comply with the licensing requirements imposed by Suruhanjaya Perkhidmatan Air Negara ("SPAN"), a body established under the SPAN Act 2006 to regulate the water industry in Peninsular Malaysia, Sungai Harmoni furnishes a three-year rolling business plan to SPAN detailing a comprehensive maintenance and rehabilitation programme to systematically refurbish all the major components of the WTP to improve and return them to as close as possible to the original design efficiencies. Sungai Harmoni has obtained the Individual License from SPAN to operate SSP1 from 13 September 2019 till 13 September 2022, the renewal of which will be subjected to compliance to all conditions stipulated in the Individual License.

It is part of Sungai Harmoni's risk mitigation plans to minimise any untoward incidences of major breakdowns and disruptions to its operations. Operations are run continuously throughout the day with three shifts. During the year, Sungai Harmoni increased the total expenditure on rehabilitation, upkeep and maintenance costs, including the purchase of critical spares to RM18.37 million from RM14.21 million a year ago. This expenditure accounted for approximately 16.5% (2019: 12.4%) of the total operating costs for the year. The following major rehabilitation, upkeep and maintenance activities have been undertaken during the year to ensure that SSP1 is able to operate at high levels of efficiency and reliability:-

- rehabilitation of raw water and treated water pumps and delivery valves;
- sludge management activities to control and to ensure that the effluents leaving the lagoons comply with environmental standards;
- transfer of settled sludge to the sludge depository, which is now in maintenance mode;
- rehabilitation of the sand filters to improve filtered water quality;
- refurbishment of pump motors that includes, the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc;
- refurbishment of the support structures of the lamella modules for the Stream B Pulsators;
- refurbishment of the chemical dosing systems, which includes, replacing aged dosing pumps, chemical preparation systems and pipe works;
- purchase of critical spares for major equipment to minimise downtime;
- replacement of PLC system for filter backwash system for Stream A and Stream B filters;
- replacement of SPM panel and sensors for protection of the 13 Nos treated water motors and pumps at the Treated Water Pumping Station; and
- programme for periodic monitoring of vibration, thermographic imaging, control of greasing for bearings based on ultrasound, partial discharge for the major motors, pumps, transformers and switchgear as a predictive precautionary measure to prevent major equipment breakdown.

"SSP1 has obtained certification under ISO/IEC 27001:2013 Information Security Management System for the Management of Information associated with the SCADA System."

Over the years, Sungai Harmoni undertook several research and development initiatives into technological improvement to its water supply operations. This included studies on the refurbishment of water treatment plants with alternative water treatment technologies such as membrane filtration and improvements in treatment process efficiencies and usage of alternative treatment chemicals especially in treatment of pollutant spikes that may occur from time to time. Sungai Harmoni is committed to a customer-focused service in providing high quality drinking water to the consumers. It also sets its sights on managing and preserving the environment in which it operates through relevant water industry research and development.

Sungai Harmoni continues to maintain its standards through the following accreditations: -

- in recognition of its operational and maintenance standards, SSP1 has been certified under MS.ISO 9001:2015 by SIRIM QAS International for operation and maintenance of water treatment plant
- the SSP1 has been accredited with ISO/IEC 17025:2017 under the Skim Akreditasi Makmal Malaysia ("SAMM")
- SSP1 has obtained certification under ISO/IEC 27001:2013 Information Security Management System for the Management of Information associated with the SCADA System
- SSP1 has been accredited by the Jabatan Pembangunan Kemahiran ("JPK") Malaysia as a National Dual Training System in-house company and training centre since end of 2016. This accreditation allows SSP1 to train internal staff to obtain the Malaysia Skills Certificate ("MSC") certified by JPK. Emphasis is placed by Sungai Harmoni on training and developing its human resources to achieve the full potential of its staff. Sungai Harmoni is proud to be one of the few water operation specialists in Malaysia to have gained such certification

In 2020, the various JPK programmes were interrupted by the Covid-19 pandemic. Currently, a total of eighteen production staff have been certified under the scheme and it is Sungai Harmoni's plans to have more of its staff achieving higher competency levels and skill through continuous trainings. In 2019, SSP1 took the initiative to recognise the experience and skills of the supervisory staff under JPK's Recognition of Prior Achievement (RPA) programme. Six supervisory staff were awarded the Sijil Kemahiran Malaysia (SKM) Level 2 for Water Treatment Operation Service after excelling in their three-hour practical examination. A further six laboratory staff received their SKM Level 2 under the RPA programme in January 2020. SSP1 will continue with this programme until all the supervisory staff receive their SKM certification for Level 3 or higher.

As a major WTP operator currently producing close to 20% of the treated raw water requirements in the Klang Valley, Sungai Harmoni constantly monitors and tracks all possible operational risks ranging from deterioration of quality of raw water, breach of security, major breakdown of plant and equipment to unexpected interruptions to operations due to the Covid-19 pandemic which may lead to major disruptions in the treatment and supply of treated raw water. To mitigate these and other risks, Sungai Harmoni employs an enterprise risk management process to monitor, evaluate and escalate any potential risks to the attention of the top management so that appropriate actions can be taken expeditiously. Operational risks are assessed on a periodic basis and Sungai Harmoni is subjected to audits by regulators, external consultants, internal audit checks as part of its ISO accreditation as well as monitoring by Air Selangor on the compliance with the terms of the Bulk Water Supply Agreement which was executed on 13 September 2019 for the operations and maintenance of SSP1 until year 2036. Under the Bulk Water Supply Agreement, more stringent requirements are to be complied with by Sungai Harmoni to ensure that SSP1 is properly operated and managed to produce and supply the designated quantity and quality of treated water to Air Selangor. These include, amongst others maintaining the raw water monitoring systems at SSP1 and along Sungai Selangor to detect pollution and siltation, carrying out all scheduled rehabilitation and maintenance works as planned.

> "Sungai Harmoni employs an enterprise risk management process to monitor, evaluate and escalate any potential risks to the attention of the top management so that appropriate actions can be taken expeditiously."

During the year, there were five instances of serious incidences of raw water contamination that caused odour pollution, which resulted in major disruptions to the SSP1 operations i.e. on 16 April, 3 September, 19 October, 11 November and 8 December. This led to production shortfalls of 231 million litres ("ML"), 828 ML, 572 ML, 613 ML and 159 ML respectively. There was also one disruption due to a pipe burst within SSP1 that resulted in a 283 ML shortfall. Sungai Harmoni has been working closely with other regulators and SSP2 and SSP3 WTP operators to minimise plant interruption due to river pollution. Raw water quality surveillance programmes will continue to be implemented at regular intervals. The use of streaming current detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators have contributed significantly to improving the quality of the settled water since their introduction in 2013. Given the quality of raw water encountered, the treatment regime employed in the water treatment process has been found to be relatively effective.

Under the provisions of the Bulk Water Supply Agreement with Air Selangor, Sungai Harmoni is required to construct a mechanical dewatering plant by year 2024. The estimated cost was revised upwards to RM30 million from RM18 million previously, after preliminary design works by the appointed consultant which commenced in 2020 with the aim of completing the construction earlier. The construction of the mechanical dewatering plant will ensure the proper management, treatment and disposal of dried sludge or residuals, which is a necessary by-product of the water treatment process. SSP1 generated approximately 27,900 metric tonnes of residuals in 2020 and these are treated and deposited at the sludge lagoons within the vicinity of SSP1 before being transported to the nearby sludge depository area sanctioned by the Department of Environment ("DoE"). This method of handling and managing residuals have been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and environmental friendlier method in managing these residuals. Sungai Harmoni has switched its usage of primary coagulant from alum to poly aluminium chloride as part of its long-term plans to reduce the production of sludge and to improve the quality of settled water.

In terms of financial performance, Sungai Harmoni posted a PAT of RM48.44 million (2019: RM66.53 million) on the back of a lower revenue of RM172.90 million compared to RM183.74 million the year before. The revenue this year was significantly lower mainly due to the decrease in metered sales to 347.59 million m^3 from 360.98 million m^3 in 2019, translating to a drop of 3.7%, the reduction in the Bulk Sales Rate ("BSR") from RM0.46/m^3 to

RM0.41/m^3 and the decrease in electricity and chemical rebates to RM30.38 million from RM34.77 million in 2019. Included in the revenue for 2019 was a deduction of RM12.80 million pertaining to current year's invoice, which was deemed uncollectible and excluded from the determination of revenue and an amount of RM5.88 million in respect of the prior year's deduction but was subsequently collected and recognised as revenue.

Total operating expenditure incurred by Sungai Harmoni in operating SSP1 stood at RM111.44 million (2019: RM114.48 million) with electricity and chemical costs accounting approximately 66% (2019: 69%) of the total operating expenditure. Despite no changes in the TNB Special Industrial Tariff in January 2020, the electricity unit cost was 3.6% lower due to the reduction in Imbalance Cost Pass-Through of RM0.0135 per kWhr since January 2019 to RM0.0200 per kWHr in January 2020 and further reduced to RM0.00 per kWhr from July to December 2020. This is coupled with the 2% rebate in electricity billings from April to September 2020 as part of the Pakej Rangsangan Ekonomi.

Unit chemical cost was 1.8% lower, and this can be attributable to the overall improvement in raw water quality primarily from higher frequencies of overflow of good quality water from the regulating dams upstream and this is despite the increases in chlorine dosages requested by SPAN and Air Selangor to maintain higher residual chlorine in the distribution occasioned by the Covid-19 pandemic. As the quality of raw water improved, lower dosage of chemicals was required to be added to ensure the quality of treated water meets with the water quality standards prescribed by the Ministry of Health. Sungai Harmoni makes it a point to continuously monitor raw water quality and inflow at regular intervals by having a river surveillance programme in which it takes water samples from several locations within the catchment areas for analysis of pollution trends. A River Monitoring System ("RMS") will be completed in 2021 on one of the upstream tributaries of Sungai Selangor to monitor specific raw water quality parameters and give advance notification on changes in water quality or pollution. This system will be used in conjunction with the other RMS set up by Air Selangor, Gamuda Water Sdn. Bhd., the operator of SSP3, and LUAS in the Sungai Selangor catchment. If there are occurrences of quality changes to the raw water, appropriate adjustments to chemical dosing rate are made to optimise chemical dosage and improve the water treatment regime.

Sungai Harmoni posted a PBT of RM60.31 million compared to RM86.25 million in 2019. Other than the lower revenue achieved, the lower PBT was attributable to several one-off transactions in 2019 totalling RM27.53 million consisting of a gain on derecognition of trade receivables, gain on derecognition of trade payables, waivers granted by certain trade creditors and loss on disposal of receivables from an asset-backed securitisation exercise which was completed at the end of that year. However, the decrease in PBT in the current year was mitigated by a higher interest income, dividend and gain on redemption from investments, net of fair value loss on investment at FVTPL of RM11.75 million (2019: RM0.40 million) as Sungai Harmoni had raised substantial proceeds from the securitisation exercise.

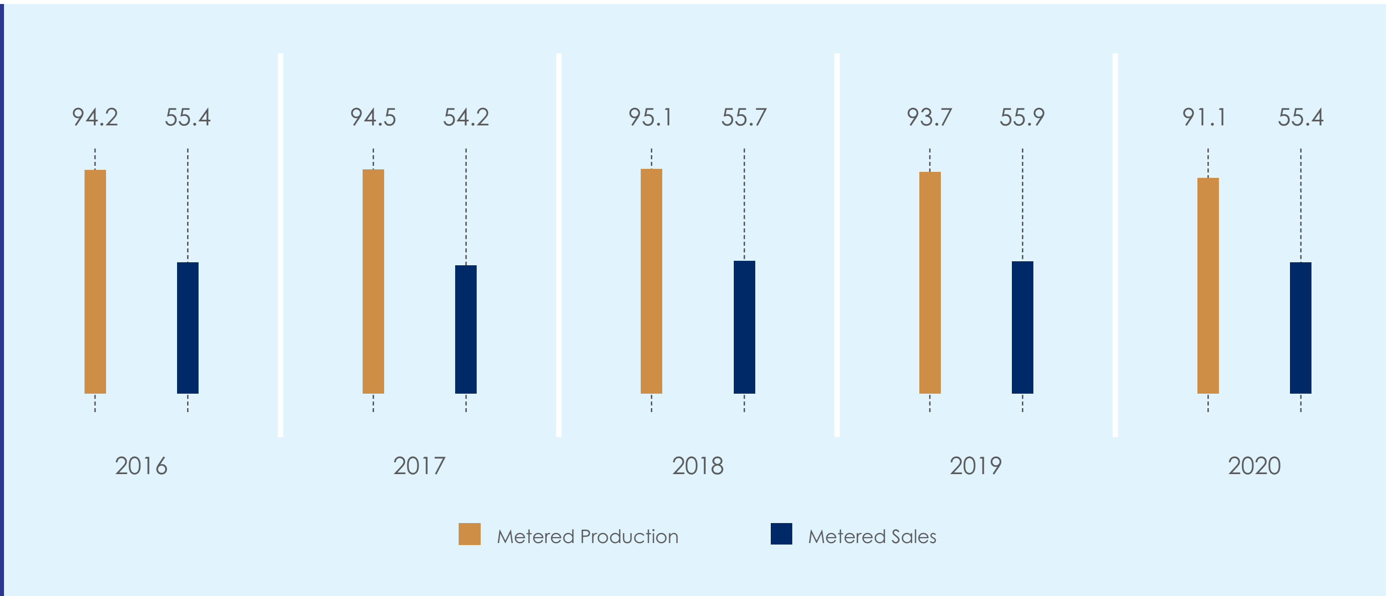
The commencement of the various MCOs imposed by the Federal Government in response to the Covid-19 pandemic has not affected the operations of SSP1 significantly as it is deemed an essential service. Site operations have implemented all the necessary Standard Operating Procedures and followed the health and safety protocols provided by the Ministry of Health. All staff are kept well informed of the steps and practices that need to be taken to avoid any possibility of infection including health checks, surveillance at the entrance of the WTP and intake and on-site practical training sessions for the mechanical, engineering and civil staffs as an immediate back-up to assist the production section during emergency situations or shortage of manpower in the event of a quarantine order. An Emergency Response Plan has been formulated and will be continuously updated to respond to the developments on the Covid-19 pandemic.

2019: RM66.53 million

RM48.44 million

PAT

AVERAGE MLD



Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi")

After having managed, operated and maintained the water supply system in Pulau Langkawi for the past twenty-five years, the privatisation contract made between Taliworks Langkawi and the Government of Kedah Darul Aman ("Privatisation Contract") has finally come to an end on 31 October 2020. Upon expiration of the Privatisation Contract, the operations were handed over to Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the State Government of Kedah.

For the first ten months of 2020, the Langkawi operations registered a significant reduction of 17.3% in metered sales to 16.88 million m^3 (2019: 20.41 million m^3). This is understandable considering the shorter billing period of 305 days, as well as the impact of lower tourist arrivals arising from the Covid-19 pandemic. This translated to an average metered sale of 55.36 MLD over a period of 305 days (2019: 55.93 MLD over a period of 365 days).

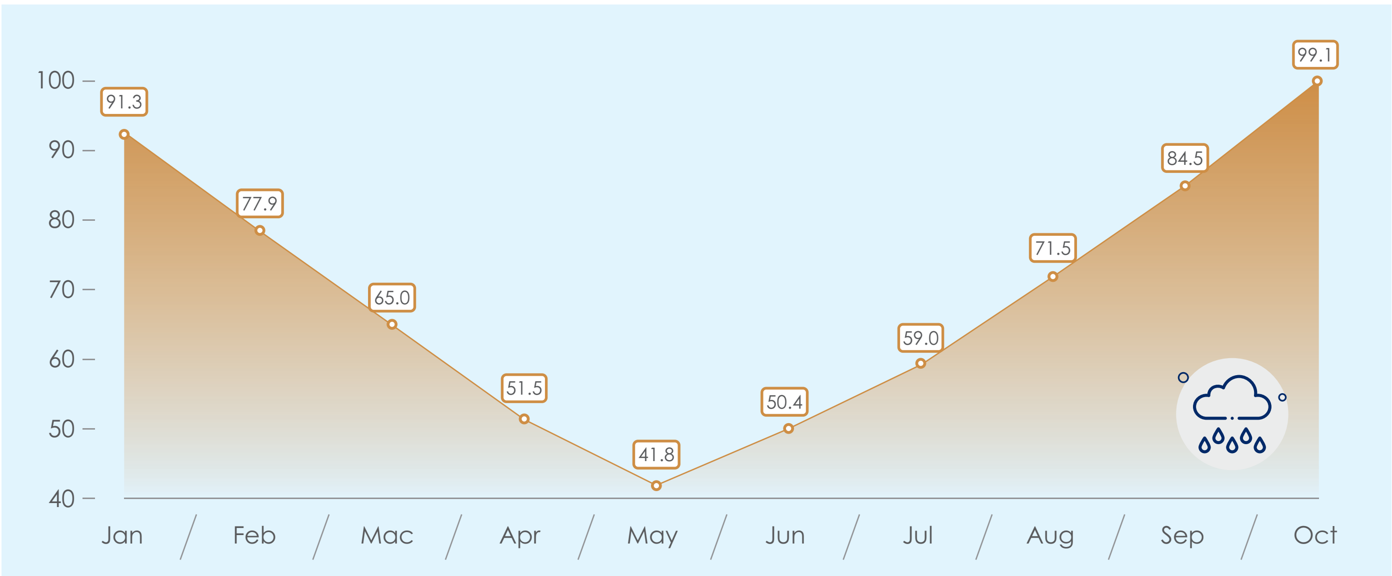
However, it should be noted that included in the 2020 billings of 16.88 million m^3 was an additional 0.914 million m^3 claimed due to the prorated sales from the November 2020 billing cycle, i.e. for the number of remaining days after the October billing cycle. Therefore, the average metered sales for the ten months of 2020 would be 52.34 MLD, lower by 6.4% primarily attributable to the slowdown in tourism activities. Demand for treated water in Langkawi is heavily reliant on the residential and commercial sectors, as well as from the hospitality sector. Based on the visitors' arrival statistics provided by the Langkawi Development Authority, the number of tourists arriving at Pulau Langkawi both from air and sea was approximately 1.80 million, a drastic reduction of almost 54%. This compared to a growth of 8% experienced in the year before. The outbreak of the Covid-19 pandemic in early 2020 and the subsequent imposition of the MCO in March 2020 have put a serious dent on both the domestic and foreign tourist arrivals. Although domestic arrivals picked up after the relaxation of the MCO restrictions, the second and third wave of Covid-19 infections affected both local and foreign arrivals significantly. Demand for treated water is presently mainly catered for the local consumption and domestic tourism. It is not expected to rise significantly until the Covid-19 pandemic can be sufficiently addressed for the economic activities to get back on its feet.

In terms of production, the total output from the five WTPs operated by Taliworks Langkawi stood at 91.09 MLD (2019: 93.68 MLD), representing a decrease of 2.8%. At this level, the combined production output exceeded the design capacity of the WTPs of 87.3 MLD by almost 4%. The overloading of the WTPs has been going on for several years due to the rising demand for treated water, which is hampered by inadequate water treatment facilities and insufficient capital expenditure in pipe replacement by SADA, high rate of Non-Revenue Water ("NRW") exacerbated by the scarcity of raw water sources in Langkawi. Other than raw water sourced from the island itself, close to 55% - 60% of treated water in Langkawi comes from Sungai Baru, on the Perlis mainland area. Raw water treated at the Sungai Baru WTP is transported via a 711 mm outer diameter submarine pipeline of approximately 35 kilometres in length to the Penarak booster pumping station on the island. To minimise the risks of unexpected major breakdown of plants and equipment, Taliworks Langkawi had incurred RM8.42 million up to October 2020 for rehabilitation, upkeep and maintenance (2019: RM9.34 million). As part of the hand-over of operations to SADA, Taliworks Langkawi has provided an estimated net provision of RM1.71 million for the cost of restoring the structures, pipe works, plants, equipment, tools and installations to a satisfactory operability condition ("Restoration Costs") in addition to the RM2.37 million provided in the previous financial year. The Restoration Costs form part of the total rehabilitation, upkeep and maintenance costs.

One of the major sources of raw water supply in Pulau Langkawi is the Malut Dam. Malut Dam is used as a storage facility and can hold up to 7.1 million m^3 of raw water. Water from this dam is consistently released in the quantum of 15 to 30 MLD to supplement the supply of raw water to the WTPs. The storage at the Malut Dam was at 93.4% capacity at the end of 2019, commenced its yearly drawdown from January to March to augment the raw water to Padang Saga 3 and Kemboja WTPs due to the yearly drought season. As in previous years, the Malut dam continued to be drawn during the second quarter but the break in the drought in mid-May allowed the Malut Dam to be refilled by pumping water from the Padang Matsirat Bunded Storage. The Malut dam level recovered in earnest after the repumping commenced and continued through to October to reach full capacity by November 2020. The dam was at its lowest on 7 May 2020 at 41.2% storage.

Although the water demand in Langkawi has tapered off since the start of the Covid-19 pandemic, Taliworks Langkawi was nevertheless confronted with a challenging task of managing an aging water production asset and expanding distribution network. The consumer base has grown by leaps and bounds from an initial 9,998 accounts when Taliworks Langkawi took over the operations back in 1995 to 24,372 and 5,392 domestic and commercial accounts respectively by October 2020. Domestic accounts grew by 1.7% (2019: 4.0%) whilst commercial accounts grew by 1.6% (2019: 0.3%). One of the major issues affecting the Langkawi operations is the non-replacement of the aging piping network and aged consumer meters which is the responsibility of SADA. Although there are efforts by SADA to arrest the high NRW e.g. replacement of water meters and other NRW works, these proved to be inadequate without a comprehensive programme that will involve substantial capital outlay. As a result of the non-replacement of the aging piping network and aged consumer meters, the NRW for

MALUT DAM STORAGE



> Taliworks Langkawi strives to improve its service level to ensure that the supply of water is being treated to the required quality standards that meet with water standards of the Ministry of Health and that adequate supply of water is made available.

Langkawi stood at a relatively high level of 42.1% as at October 2020 (2019: 40.3%). The high level of NRW contributes to the shortage of treated water (through undetected leaks, unscheduled burst in the piping network and theft) and increases the cost of production as more treated water needs to be produced to compensate for wastages and losses. To combat the NRW in the absence of capital investment by SADA, Taliworks Langkawi adopted several measures in handling the high level of NRW and these included, amongst others usage of Geographical Information System to identify pipelines with high leak frequencies, replacement of spoilt consumer meters, installation of additional Advance Pressure Management System, etc.

Despite the numerous challenges that it faces in meeting consumers' rising demand for treated raw water, Taliworks Langkawi strives to improve its service level to ensure that the supply of water is being treated to the required quality standards that meet with water standards of the Ministry of Health and that adequate supply of water is made available. Over the years, Taliworks Langkawi maintains the following accreditation:

ISO 9001:2015 for 'Management and Support Services for the Operation of four WTPs (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including the maintenance of the existing Distribution Network and Consumer Services;

ISO/IEC 27001:2013 Information Technology – Security Techniques for Information Security Management System for the Management of Information associated with the Monitoring and Operations for the Supply of Potable Water to Langkawi, covering the Treatment Processes, Water Distribution System and Consumer Affairs; and

SAMM ISO/IEC 17025:2017 for the Padang Saga and Sungai Baru treatment plant laboratories.

With the expiration of the Privatisation Contract, Taliworks Langkawi has handed back the entire Pulau Langkawi water supply system to SADA with a symbolic handing over ceremony between representatives from Taliworks Langkawi and SADA at 12.00 midnight on 31 October at the Padang Saga WTP. Prior to handing over the water supply system, an undertaking was made between Taliworks Langkawi and SADA to perform remedial works on identified components of water supply system back to their acceptable and operable conditions and the estimated costs therefore have been provided for. The remedial works are expected to be fully completed by first half of 2021. Except for a handful of staff who were retained, almost 93% of the workforce who applied for and were interviewed, has been employed by SADA and Taliworks Langkawi has paid termination benefits and other payments amounting to approximately RM6.48 million to employees who were not retained.

For the ten months ended 31 October 2020, Taliworks Langkawi posted a revenue of RM52.64 million compared to RM64.21 million in the previous year, comprising operating income of RM41.82 million (2019: RM50.43 million) with electricity and chemical rebates and others totalling RM10.82 million (2019: RM13.78 million). With the reduced revenue, PAT for the year was RM6.99 million compared to RM13.38 million a year ago. Electricity and chemicals costs totalling RM13.69 million (2019: RM16.62 million) took up almost 42% (2019: 42%) of the total operating expenditure of RM32.94 million (2019: RM39.91 million). The other major cost components comprised of rehabilitation, upkeep and maintenance costs which came up to RM8.42 million (2019: RM9.34 million) and operating staff costs of RM7.34 million (2019: RM9.54 million).

In line with the lower revenue and gross profit achieved, Taliworks Langkawi posted a PBT of RM9.94 million compared to RM17.62 million in 2019. The lower PBT compared to the previous year was mitigated by a reversal on loss allowance of RM1.65 million whereas in 2019, Taliworks Langkawi accounted for a loss allowance on trade receivables of RM0.38 million.

2019: 148,161

118,836

VEHICLES PER DAY

OVERALL ADT

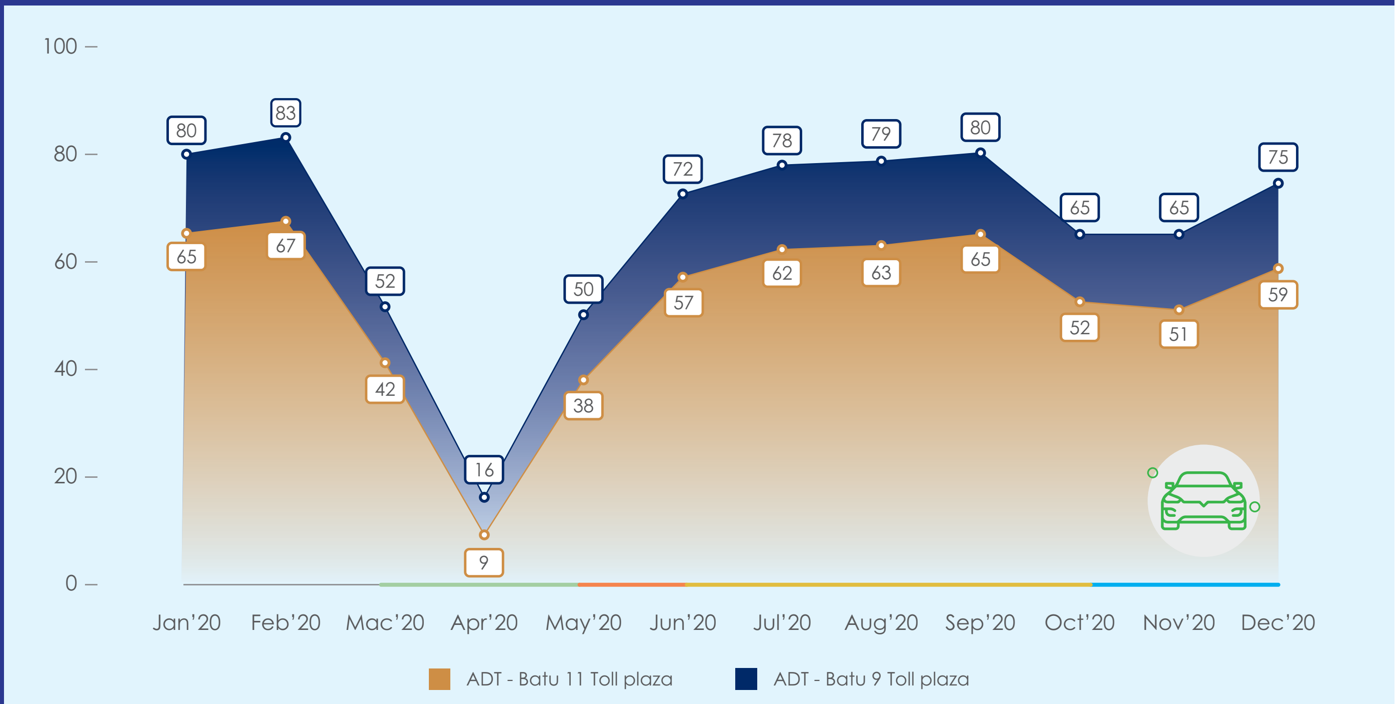
HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Grand Saga Sdn. Bhd. ("Grand Saga")

For the year 2020, the Covid-19 pandemic greatly impacted the number of vehicles travelling along the Grand Saga Highway. This can be seen from the substantial fall in the overall ADT in both the Batu 9 and Batu 11 toll plazas. Batu 9 experienced a decline in the ADT from 81,375 vehicles per day to 66,282 vehicles per day or by 18.5%, whereas at the Batu 11 toll plaza, ADT dropped by 21.3% i.e. to 52,554 vehicles per day from 66,786 vehicles per day in the previous year.

Traffic levels at both the toll plazas were affected by the various phases of the MCO imposed by the Federal Government. Despite being allowed to operate its tolled highway operations as an essential service since the commencement of the MCO, the traffic volume was down almost 54% during the MCO period between March and May 2020 against the previous year's corresponding period. For the first week of April 2020, the ADT slumped by a staggering 84% compared to pre-MCO ADT. Nevertheless, the subsequent implementation of the Conditional Movement Control Order ("CMCO") on 4 May 2020 and the Recovery Movement Control Order ("RMCO") on 10 June 2020 had a positive impact on the ADT, as more restrictions were relaxed with more businesses, schools, institutions of higher learning, social and religious activities are permitted to be conducted.

AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



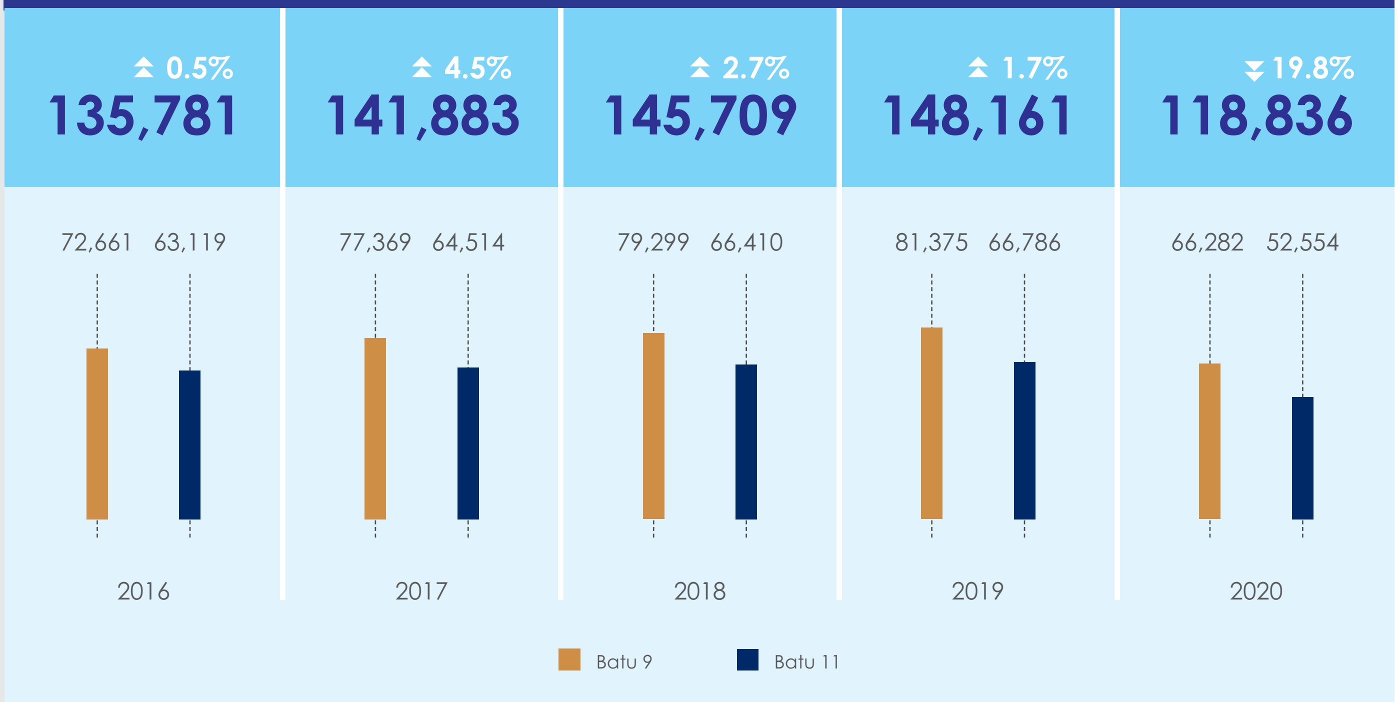
Summary of Movement Restrictions imposed by the Federal Government

- MCO: 18 Mar 2020 to 3 May 2020
- CMCO: 4 May 2020 to 9 June 2020
- RMCO: 10 June to 13 Oct 2020
- CMCO: 14 Oct to 31 Dec 2020

With the easing of movement restrictions under the RMCO, traffic rebounded strongly between June and September 2020 reaching volumes just 5% - 6% below the levels in the corresponding period in 2019. Subsequently, traffic numbers began to dip again as the CMCO was reimposed on 14 October 2020. However, impact to the ADT was less severe as compared to the earlier CMCO between 4 May to 9 June due to relaxation of many of the travel restrictive conditions during this CMCO. The ADT for the period October to December declined by approximately 20% compared to the same period in 2019.

Of the two toll plazas, the Batu 11 toll plaza experienced a sharper decline in ADT. This was attributable to the congestion along the Kuala Lumpur bound traffic during the morning and evening peak hours caused by the on-going road repairs and maintenance works outside the Highway by Dewan Bandaraya Kuala Lumpur ("DBKL") and the intensified construction works of the Sungai Besi-Ulu Klang Elevated Expressway ("SUKE") at the edge of the Highway's Right of Way (which continued when the MCO was lifted in May 2020). Despite the MCO being in place, Grand Saga implemented the contra flow operations whenever permitted, for the Kuala Lumpur bound traffic in the mornings and for the Kajang bound traffic in the evenings with the collaboration of DBKL and the Kuala Lumpur Traffic Police. This is the fourteenth year running that the daily contra flow operations have been in place to ensure a smoother ride for road users as part of Grand Saga's service commitment. Grand Saga maintains a close working relationship with the relevant stakeholders, including project owners, contractors and authorities in ensuring traffic and safety issues are adhered to promptly and at all times.

THE FOLLOWING IS A 5-YEAR HISTORICAL DATA ON THE ADT FOR THE BATU 9 AND BATU 11 TOLL PLAZAS AND OVERALL GROWTH OF THE GRAND SAGA HIGHWAY:-



Significant developments

2016

substantial completion of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT") project ground works along the affected stretches of the highway around the third quarter of 2016 alleviating congestion

2017

commencement of service of KVMRT on 17 July 2017

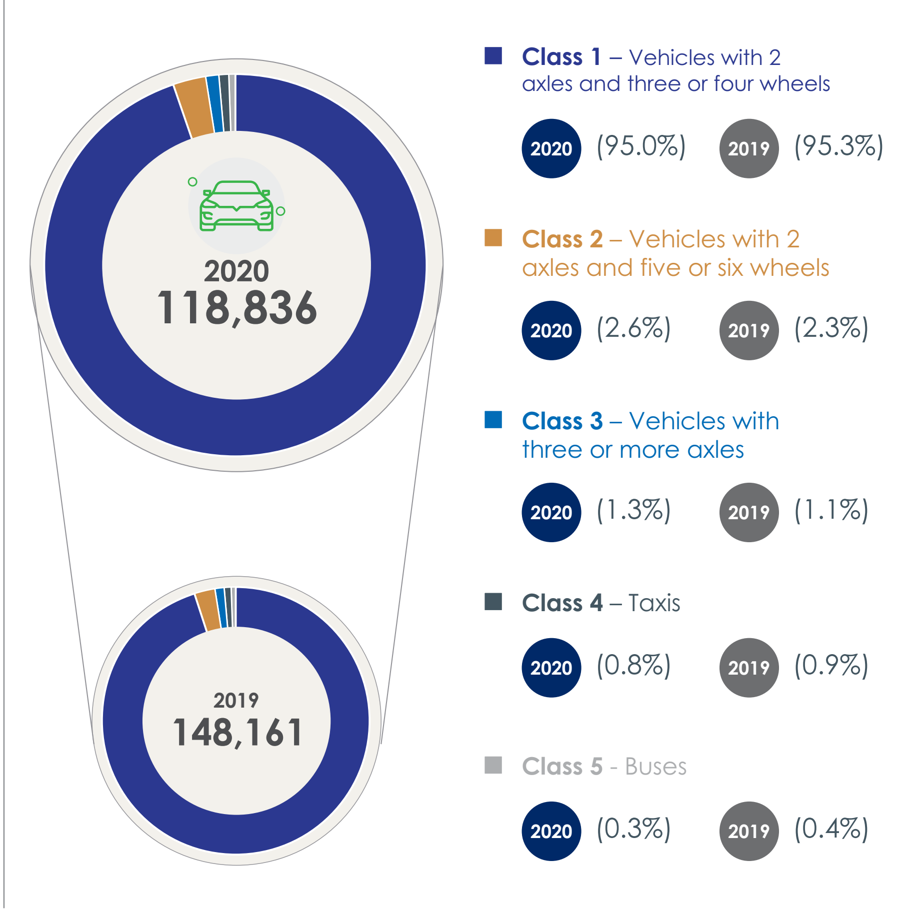
2020

various MCOs imposed by the Federal Government to contain the Covid-19 pandemic

Prior to the Covid-19 pandemic, the major business risks confronting Grand Saga was the potential loss of revenue and traffic caused by alternate mode of transportation, mainly from the commencement of the KVMRT operations in July 2017. However, there was not much of a negative impact as evident in the ensuing years save that the contraction of the ADT in 2020 due to the Covid-19 pandemic. In the longer term, the KVMRT service is expected to complement the Grand Saga Highway's growth by providing connectivity and strong impetus for further development of new townships in its vicinity.

In terms of the percentage breakdown of ADT between the two toll plazas and the classes of vehicles traversing through the toll plazas, the ratios have remained relatively consistent throughout the years. Being a mature intra-urban highway, 95% of the traffic that passes through both the toll plazas constitute Class 1 motor vehicles (vehicles with 2 axles and three or four wheels). However, the implementation of MCO and CMCO did result in a marginal decrease in the percentage of Class 1 traffic volume by 0.3%, mainly due to the new norm of working from home. Conversely, the percentage of Classes 2 and 3 vehicles which consist mainly of commercial type vehicles increased by 0.3% and 0.2% respectively. The percentage of Class 4 (taxis) declined by a small percentage of 0.1% compared to 2019, due to the growing use of e-hailing services by the public as a preferred mode of transportation.

Breakdown of Classes of Vehicles



With the imposition of the various MCOs in year 2020, the Grand Saga Highway faced unprecedented and drastic reduction in its toll collection which caused an adverse impact to its financial performance. When the Federal Government announced the MCO in the middle of March 2020, the number of road users began to drop sharply. As there was no visibility then as to how the Covid-19 pandemic will pan out, Grand Saga sprang into action and put together an aggressive approach to manage cost and conserve cash ("Cost Management Programme"). The programme aimed to ensure that the toll operations remain financially viable whilst striving to limit the impact to its stakeholders. Amongst the initiatives implemented by Grand Saga included the following: -

- limiting all operational activities to the minimum required to operate the highway, such as closure of Touch N' Go reload lanes;
- re-organisation of staff workload to reduce salary costs, overtime and other claims;
- narrowing the scope of repairs and maintenance work to critical work required only, issuing stop work order for non-essential maintenance works and rescheduling of all maintenance work sub-contracted out to reduce frequency of such tasks.

In maintaining a high level of service and excellence, Grand Saga provides regular patrolling and break down services along the highway, including free towing and emergency first aid assistance. Grand Saga maintains other quality related services and amenities such as the Rest & Service stop at the Bukit Dukong area, which has petrol stations, restaurants and a post office for the convenience of road users. Grand Saga also leverages on the social media platforms in the likes of Facebook and Twitter to provide regular information on the highway. Road users are also notified of traffic updates and other messages at two video messaging gantries strategically located at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound.

> "To enhance its service and operational excellence, Grand Saga maintains the ISO9001:2015 Quality Management System as certified by INTERTEK Certification during the year."

Being a responsible toll road operator, Grand Saga prioritises road safety as a great concern as road fatalities cause significant losses of productivity with deep social and economic repercussions. Considerable efforts are made to ensure road safety and comfort remain as some of the key areas of the highway operations. During the year, despite the cost reduction measures put in place, Grand Saga incurred a total repair and maintenance bill of RM1.94 million (2019: RM2.84 million) or RM169,000 per km of highway (2019: RM247,000 per km). This included remedial works carried out on certain portions of the pavements for better travel comfort based on the independent assessment carried out by a consultant. Notwithstanding the major heavy repairs that are carried out periodically every seven years, such assessment and subsequent requisite repair works are conducted annually to ensure that the road pavement are always maintained to the required standards and quality. Even though the repair and maintenance costs incurred was relatively lower than the year before, Grand Saga spared no efforts to ensure that its safety record is intact. In 2020, the number of road accidents recorded was 2.46 accidents per one million vehicles (2019: 2.31) which was well below the limit of 3.15 accidents per one million vehicles set by the Malaysian Highway Authority for highways operating in Peninsular Malaysia. Grand Saga will continue to prioritise road safety to lower the accident rate at its highway. To enhance its service and operational excellence, Grand Saga maintains the ISO9001:2015 Quality Management System as certified by INTERTEK Certification during the year. The scope of the certification is for the provision of Highway Maintenance and Toll Collections.

In 2019, Grand Saga installed the new Radio Frequency Identification Tag ("RFID") system with one lane each bound at its two toll plazas as an alternative method of toll collection. The current rate of RFID transactions at the highway has been encouraging and it has grown to approximately 30% as at end of 2020 compared to a mere 5% at the end of 2019. The RFID system which was expected to have been implemented nationwide in 2020 with more RFID lanes, was delayed due to the Covid-19 pandemic and it is now expected to be implemented by the middle of 2021. This will facilitate seamless travel within toll highways, particularly reducing traffic congestion at toll plazas, moving towards the eventual implementation of the Multi Lane Free Flow system at all tolled highways in Malaysia in the near future.

Currently, the plans by the Federal Government to re-structure the whole of the toll industry remains uncertain with the change of the government in February 2020. An independent consultant had been appointed to study the future direction of the toll industry and initiatives to be taken to make tolls affordable. In August of last year, the Federal Government announced that it is in the process of studying a proposal to place all the thirty-five tolled highways, including six that are currently under construction, under one highway trust body. It is left to be seen what direction will be taken by the Federal Government with regards to the toll industry. Despite the challenges and uncertainties faced, Grand Saga will continue to work with the Federal Government through the Malaysian Highway Authority to assist in working out an amicable solution that will benefit all stakeholders. Since the last toll rate hike in 2015, the toll rate for Class 1 vehicles at RM1.30 at each of the two

toll plazas has remained unchanged. Pending a decision on the future of the toll industry, the next toll hike which was scheduled for 1 January 2020 has been put on hold by the Federal Government. Nevertheless, the compensation that is payable by the Government for the deferment of the toll rate hike will be determined in 2021 in accordance with the provisions of the Concession Agreement.

In terms of financial performance, Grand Saga posted an operating revenue of RM74.41 million compared to RM89.45 million achieved a year ago whilst PAT came in at RM20.87 million, lower than the PAT of RM 34.91 million in 2019. The lower revenue was primarily due to the lower ADT as a result of a significant decrease in the number of traffic volume. Operating revenue comprises toll collection of RM58.44 million (2019: RM72.11 million) and deferred income of prior and current year's government compensation of RM15.97 million (2019: RM17.33 million) arising from amongst others, the closure of one-bound traffic in March 2012, opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings.

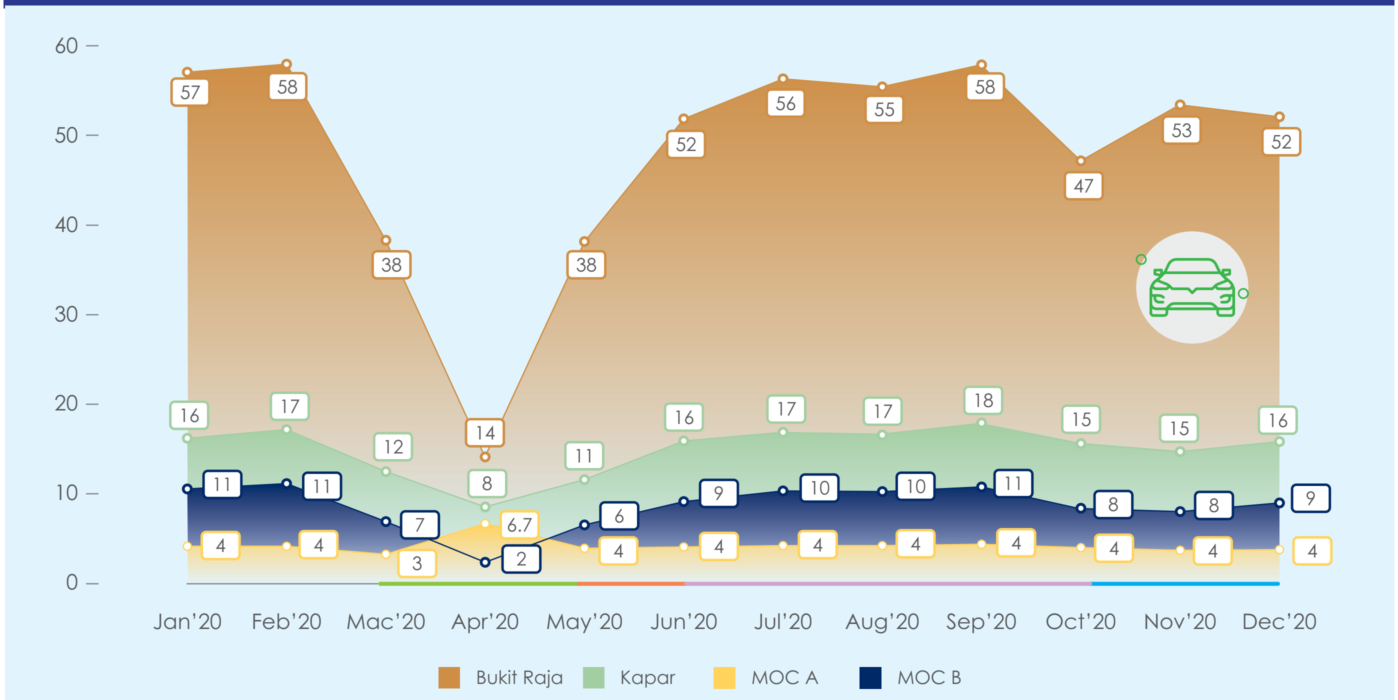
Total operating expenditure of RM12.68 million (2019: RM11.90 million) was comparatively higher than the year before on account of a reversal in the provision for heavy repairs in 2019 as heavy repairs, which were due to be undertaken in 2021, were re-scheduled to year 2022 instead. Other than this, staff costs and repair and maintenance expenditure fell to RM5.53 million from RM7.01 million a year ago from the Cost Management Program instituted. Depreciation and amortisation accounted for RM13.79 million (2019: RM15.98 million) whereas finance charges from the issuance of the RM420.00 million IMTN stood at RM19.83 million compared to RM21.01 million last year due to the repayment of RM30.00 million IMTN principal sum in 2020. Other income was down by RM1.95 million to RM3.84 million primarily from lower investment income due to lesser cash held. Consequently, Grand Saga recorded a PBT of RM20.40 million as compared to RM34.06 million in 2019.

Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

As with the Grand Saga highway, the Grand Sepadu Highway was also severely impacted by the various MCOs implemented by the Federal Government. On a year-on-year, ADT had fallen drastically by over 18.8% to 75,834 vehicles per day from 93,372 vehicles per day in 2019. At the worst level, in the fourth week of March 2020, the ADT decreased by approximately 70% compared to pre-MCO ADT.

However, with the flattening of the Covid-19 curve and the imposition of the RMCO, more economic, social and religious activities took place, and this had a profound impact on the ridership on the highway and the ADT gradually recovered to almost 100% of pre-MCO levels by end of September 2020. Nevertheless, the subsequent re-imposition of the second CMCO that begun in the middle of October in Selangor and the Federal Territory of Kuala Lumpur had expectedly resulted in a downward trajectory in the number of road users. Consequentially, the ADT recorded a sharp drop of almost 26% in the initial weeks of the second CMCO although the impact was less acute as compared to the MCO period.

AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



Summary of Movement Restrictions imposed by the Federal Government

- MCO: 18 Mar 2020 to 3 May 2020
- CMCO: 4 May 2020 to 9 June 2020
- RMCO: 10 June to 13 Oct 2020
- CMCO: 14 Oct to 31 Dec 2020

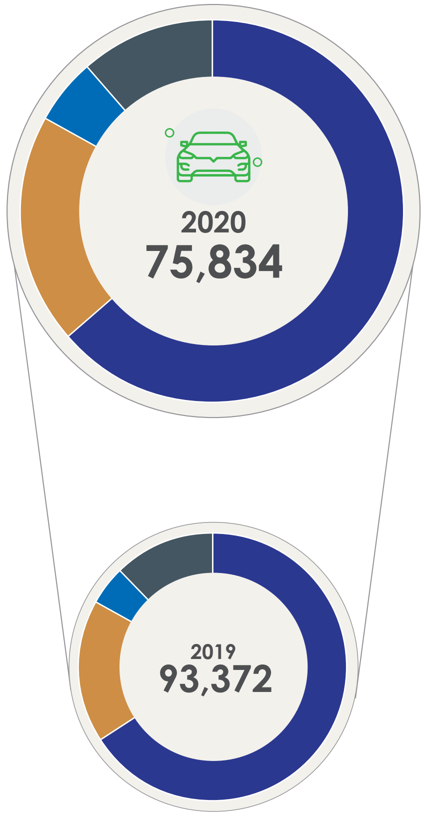
The Covid-19 pandemic and the resultant movement restrictions imposed by the Federal Government had substantially affected the traffic flow at the Bukit Raja and MOC B toll plazas as the traffic at these plazas were predominantly Class 1 commuter traffic (vehicles with 2 axles and three or four wheels). The traffic at Bukit Raja and MOC B declined by almost 75.5% and 79.7% respectively in April 2020 compared to the ADT in February 2020. However, with the higher volume of traffic flow during the CMCO and RMCO phases, the overall decline in ADT at these two toll plazas were 21.5% and 24.9% respectively compared to a year ago. With the existence of numerous essential service operations around the vicinity of the Grand Sepadu Highway and the Northport and Westport operations, the adverse impact of the MCO has been mitigated to some extent at the Kapar and MOC A toll plazas. The ADT at Kapar toll plaza only shrunk by 8.0% due to the higher mix of commercial vehicles. Likewise, the ADT at the MOC A toll plaza was less impacted, with only 3.7% reduction in ADT compared to 2019. In addition, the closure of the old North Klang Straits Bypass toll free road by the police for a month due to high incidence of Covid-19 positive cases during CMCO period saw traffic being diverted to the highway, passing through MOC A and Kapar toll plazas.

For the year, the total traffic throughput at the Grand Sepadu Highway was recorded at 27.76 million (2019: 34.08 million) paying vehicles with the Bukit Raja toll plaza accounted to 63.6% of the total ADT compared to 65.9% in 2019, primarily attributable to lesser number of Class 1 motor vehicles as road users commuted less, given, amongst others, the new norm of working from home, temporary closure of schools, disruption to social activities, etc. The other toll plaza that had experienced a drop is MOC B, which contributed 11.2% (2019: 12.2%) of the total ADT whilst the higher patronage by the commercial traffic traversing the Kapar and MOC A toll plazas contributed to a higher percentage traffic volume compared to the year before.

Average Daily Traffic (ADT) by Plaza for Year 2019 and 2020

The following is a 5-year historical data on the ADT for all the 4 toll plazas and the overall growth at the Grand Sepadu highway: -

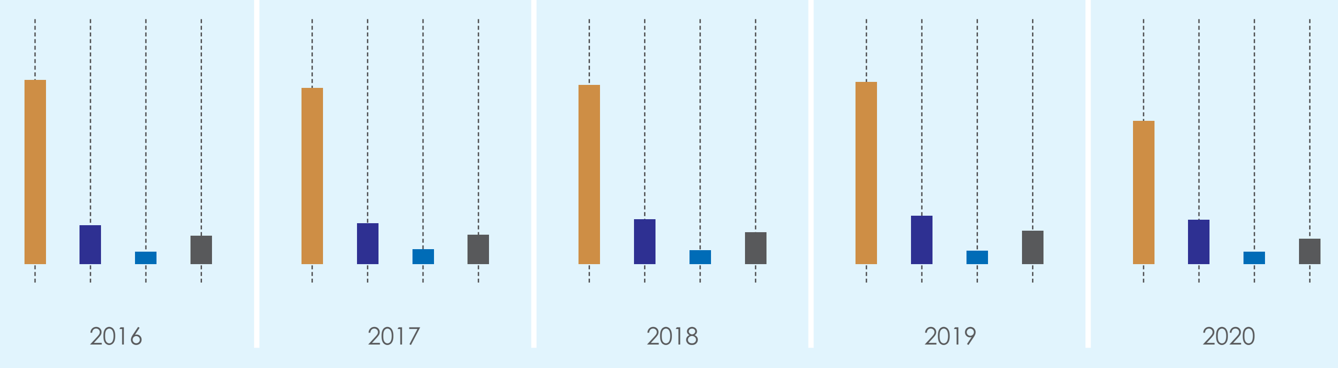
Average Daily Traffic (ADT) by Plaza for Year 2019 and 2020



Plaza	2020	2019
Bukit Raja	(63.6%)	(65.9%)
Kapar	(19.7%)	(17.4%)
MOC A	(5.5%)	(4.6%)
MOC B	(11.2%)	(12.1%)

AVERAGE DAILY TRAFFIC (ADT) '000

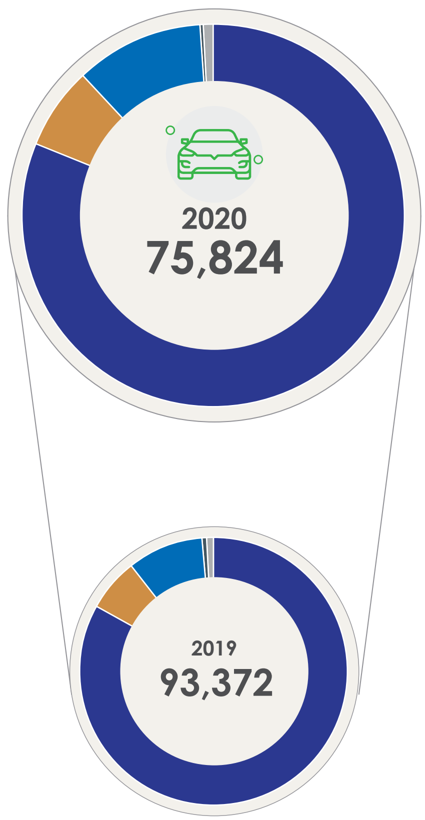
Year	Growth	Total	Bukit Raja	Kapar	MOC A	MOC B
2016	▲ 0.9%	88,528	62,013	12,985	4,193	9,338
2017	▼ 0.9%	87,691	59,238	13,730	4,748	9,975
2018	▲ 3.6%	90,823	60,432	15,008	4,587	10,795
2019	▲ 2.8%	93,372	61,504	16,201	4,327	11,341
2020	▼ 18.8%	75,834	48,251	14,895	4,167	8,521



The Grand Sepadu Highway is linked to major highways, including Federal Highway Route 2 and the North Klang Valley Expressway connecting developments in Klang, Bandar Bukit Raja, Bandar Sultan Sulaiman Industrial Zone, Northport and Westport. Given the above, the opening of the Hj. Sirat Interchange in June 2018 provided a direct access into the Grand Sepadu highway and a shorter route to the ports with increasing patronage by commercial vehicles. Since the Grand Sepadu highway was taken over by the existing management in 2014, traffic growth up to 2019 had been encouraging partly due to the tremendous efforts in improving the quality of services and creating awareness of the highway.

In terms of the percentage breakdown of ADT between the toll plazas and the classes of vehicles traversing through the toll plazas, the number of commercial vehicles was generally higher than those at the Grand Saga highway. Nevertheless, Class 1 was still comparatively high at 81.2% (2019: 83.1%) followed by Class 2 and 3 commercial vehicles at 17.8% (2019: 15.7%). With Class 2 and Class 3 commanding a higher toll rate, this contributed positively to the toll collections.

Breakdown of Classes of Vehicles



	2020	2019
Class 1 – Vehicles with 2 axles and three or four wheels	(81.2%)	(83.1%)
Class 2 – Vehicles with 2 axles and five or six wheels	(6.9%)	(6.3%)
Class 3 – Vehicles with three or more axles	(10.9%)	(9.4%)
Class 4 – Taxis	(0.3%)	(0.5%)
Class 5 - Buses	(0.7%)	(0.7%)

As with the past years, Grand Sepadu has renewed efforts to carry out various measures to increase traffic throughout the highway. These included continuation of marketing strategies such as the installation of promotional buntings, Frequent Travelers Program, coordination with Northport Association and intensive promotion via social media like Facebook and Twitter. Apart from that, Grand Sepadu has implemented initiatives to improve road user experience through improvement of pavement condition, safety features and enhancement of plaza management to facilitate smoother traffic flow. In order to ensure greater safety for road users and to minimise the rate of accidents, Grand Sepadu had initiated upgrading programmes, including installation of warning signs and rumble strips.

Additionally, the Bukit Raja traffic improvement programme has continued with the assistance of Traffic Police Klang Utara to manage traffic flow movement during peak periods. The implementation of the traffic police assistance program during peak periods has shown an uptick in traffic volume up to the end of December 2020 by 5.2% in the mornings and 3.3% in the evenings respectively, compared to before the commencement of the programme and during MCO enforcement period.

Having to face the same situation as the Grand Saga, Grand Sepadu has also implemented its own Cost Management Programme to cushion the adverse financial impact and these included deferring non-critical expenditure, pursuing with the

developer of the West Coast Expressway ("WCE") to replace selected high masts from High Pressure Sodium Vapor ("HPSV") to energy saving Light Emitting Diodes ("LED") high masts and installation of soffit lights under its elevated structures as part of the interface requirements in the construction of the WCE ramp-up at the Grand Sepadu Highway. Likewise, the contractor for Light Rail Transit 3 ("LRT3") had also agreed to replace the selected high masts from HPSV to LED mini high mast at the Bukit Raja Toll Plaza area as part of LRT3 construction along the Grand Sepadu Highway.

Safety issue and par excellence service level continue to be the hallmark of Grand Sepadu. It was, therefore, a proud achievement for Grand Sepadu to have been accorded a 4-Star Expressway Performance Indicator Rating by the Malaysian Highway Authority ("MHA") for two consecutive years for excellence in highway maintenance performance that covers building and civil maintenance, mechanical and electrical, including toll equipment maintenance, hard and soft landscaping, scheduled pavement rehabilitation and drainage system maintenance. In terms of traffic accident statistics, the rate of 1.44 accidents per million vehicles (2019: 0.79) was fairly below the threshold of 3.15 accidents per million vehicles set by the MHA and this was achieved on the back of traffic safety improvement programme implemented along the highway. Grand Sepadu is also accredited with ISO9001:2015 Quality Management System certification by SIRIM QAS International with the scope of the certification for the Provision of Highway Operations and Maintenance Works.

For the financial year, Grand Sepadu recorded a total toll revenue of RM44.13 million (2019: RM50.34 million) with Bukit Raja contributing RM11.45 million (2019: RM14.45 million), Kapar at RM23.91 million (2019: RM25.43 million), MOC A at RM3.88 million (2019: RM4.07 million) and MOC B at RM4.89 million (2019: RM6.38 million). During the year, Grand Sepadu received a cash compensation of RM16.97 million from the Federal Government being advance compensation for year 2020 and the balance compensation for 2019 as a result of deferment of toll increase due in year 2016 and 2020. In the previous year, Grand Sepadu had received cash compensation of RM13.01 million. The toll revenue and cash compensation added up to Grand Sepadu recognising total operating revenue of RM61.10 million as compared to RM63.35 million in the corresponding period. The decline in toll revenue by 12.3% is understandably attributed to the reduction of the overall ADT by over 18.8% due to the Covid-19 pandemic. However, the higher percentage of Classes 2 and 3 vehicles plying the highway had helped to soften the impact from the lower ADT as the toll rates are comparatively higher than other classes of vehicles.

As for the operating expenditure of RM10.88 million for the year, it was much lower than the previous year's of RM12.06 million, primarily due to cost cutting measures initiated by Grand Sepadu, which included a lower repair and maintenance of RM1.97 million (2019: RM3.05 million) as non-critical repair and maintenance were deferred. During the year, Grand Sepadu repaid a principal sum of RM20.00 million towards reducing the RM210.00 million Sukuk Murabahah, thus Grand Sepadu managed to reduce the finance charges by RM0.93 million to RM8.20 million. Coupled with lower operating expenses and depreciation and amortisation expenses, Grand Sepadu achieved a PBT of RM24.57 million (2019: RM25.56 million) and PAT of RM15.12 million (2019: RM16.42 million). With its cash reserves and having met all its loan covenants, Grand Sepadu paid out dividends of RM17.0 million (2019: RM24.0 million) to its shareholders.

ENGINEERING AND CONSTRUCTION

In the year 2020, the construction sector was adversely affected by the Covid-19 pandemic. Upon imposition of the MCO in March, construction projects were temporary halted. Only those projects having achieved 70% and above in progress and construction companies registered with the Ministry of International Trade and Industry ("MITI") were allowed to resume work, on condition that they had obtained the approval for their Standard Operating Procedures ("SOPs") from MITI and secured the requisite work permit from the local authorities concerned. It was only with the commencement of the CMCO in May and subsequently the RMCO in June that the construction sector was allowed to reopen when the pandemic situation somewhat improved with the number of Covid-19 cases under controlled.

Nevertheless, the Covid-19 pandemic has far reaching impact on the entire construction sector. Apart from the delays in completing on-going projects, new projects rolling out for tender had also slowed down. As such, there was a significant reduction in the number of new projects awarded. The other unfavourable effect brought about by the Covid-19 pandemic was the higher prices of basic raw materials like steel bars and pipes, primarily attributable to the disruption to the supply chain covering the operations of iron ore mines, steel bar and pipe manufacturing plants and transportation logistics. As a result, on-going projects that required large quantity of such raw materials incurred higher cost, thus are suffering losses. Companies that had participated in tenders in the middle of the year risk seeing that the projects awarded towards the end of the year, becoming less profitable or at worst, turning to be an unprofitable venture.

While the sector was expected to get off to a better footing with the commencement of the CMCO and the RMCO, the situation turned sour towards the later part of the year when mass Covid-19 screening revealed numerous Covid-19 positive cases amongst workers at construction sites, largely due to the poor living conditions at the staff quarters. New infection clusters were discovered and this gave rise to further challenges within the industry to ensure that the SOPs are strictly and rigorously adhered to in order to avoid a temporary cessation of construction activities and incurring costs and penalties that would further erode margins. For many years, the industry has been a huge source of employment for low-skilled foreign workers as Malaysians chose to stay away from the profession which they deemed as being dirty, dangerous and difficult. The construction sector itself employs approximately 21.3% of the foreign workers in Malaysia as compared to manufacturing (35.5%) and services (15.2%) sectors. The heavy reliance on lowly-skilled foreign workers is not expected to change in the next few years due to the nature of the construction industry that relies extensively on manual labour. As a direct consequence of complying to stringent SOPs, the cost of arranging for proper accommodation for the workers and other directly attributable expenditure as a result of the Covid-19 pandemic, might just provide the industry with the impetus to innovate and reduce dependency on foreign workers over the longer term. But for the moment, the industry will have no other alternatives but to be saddle with the ever-increasing costs whilst struggling to remain competitive.

Like other sectors that have been greatly impacted by the Covid-19 pandemic, the construction industry was not spared either although the impact would be considered lesser compared to the tourism and hospitality sectors. According to the Economic Outlook Report 2021 released by the Ministry of Finance in November 2020, the construction sector contracted by 25.9% in the first half of 2020 and is expected to shrink by 11.8% in the second half with all segments declining significantly. At the same time, prolonged property overhangs continue to weigh down the performance of the sector. However, the civil engineering and specialised construction activities sub-sectors are expected to improve gradually, cushioned by various measures under the economic stimulus packages announced by the Federal Government. Overall, the sector is estimated to contract by 18.7% before it is projected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering sub-sector will continue to be the main driver of the construction sector.

The following are the progress of on-going projects undertaken by the Group.

Construction and Completion of the Ganchong Water Treatment Works, Main Distribution Pipeline, Booster Pump Stations and Associated Works in Pekan, Pahang Darul Makmur for the East Coast Economic Region Development Council (Package 3a – Main Distribution Pipeline, Main Buildings and Associated Works at Tanjung Agas with a contract sum of RM73.12 million)

This project, which commenced in September 2016, was awarded to an unincorporated joint venture between the Company and a third party, with approximately 49% of the works, amounting to RM36.28 million, allocated to the Company. The works to be undertaken by the Company has been sub-contracted to Taliworks Construction Sdn. Bhd. ("TCSB"), which is a wholly owned subsidiary. Under the terms of the contract, the project, comprising of laying main distribution pipeline, construction of pump station, suction and elevated tanks and associated works, was to be completed within a period of twenty-six months i.e. by September 2018. As the project progressed, it became apparent that delay is inevitable as the employer subsequently requested for a structural change in the design of the Sungai Pahang Crossing, to adhere to the specifications laid down by the local authorities. To compensate for the delay arising from the change in the design, the employer had in August 2018 agreed to grant an extension of time ("EOT") of fifteen months to complete the project by December of 2019. However, there was no revision made to the contract price resulting in the project margin being severely impacted as additional resources and overheads were incurred during the extended completion date. As the terms of the contract only permitted certain expenditure to be claimed as loss and expense, inevitably the project suffered losses. Overall, the project is estimated to make a gross loss of approximately RM1.0 million. The project has been completed and the Certificate of Practical Completion was issued in January 2020 and a Liquidated Ascertained Damage ("LAD") of approximately RM354,000 has been imposed on this project in which the joint venture partners had agreed to share equally pending the outcome of an appeal made to the principal to waive the LAD.

Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/ Wilayah Persekutuan Kuala Lumpur Package 7 for Pengurusan Aset Air Berhad with a contract sum of RM75.89 million

This project was awarded to LGB Taliworks Consortium Sdn. Bhd, a 20% associate, with approximately 69% of the contract costs being sub-contracted to TCSB. Physical construction work commenced in October 2016 with the initial completion date being July 2018 for stage 1 and January 2019 for stage 2 of the project. These have been subsequently extended to 21 September 2020 due to delays in other packages by other contractors employed by the client, which prevented this project from being completed as scheduled. This project entails the construction of a 92-million litre reinforced concrete balancing reservoir and forms a component of the overall Langat 2 Water Supply Project that is envisaged to become the major source of water supply for the state of Selangor up to year 2025. The project has since been completed and the Certificate of Practical Completion was subsequently issued in September 2020. Nevertheless, our associate had submitted a Loss and Expense claim on the grounds of extension granted by the client due to the concurrent and dominate delay of other work packages. Due to the uncertainty in the claim being approved, it was not recognised.

Construction and completion of 76 Ml R.C. Reservoir R4 and related ancillary works at Cyberjaya Flagship Zone in Selangor for Setia Haruman Sdn. Bhd. for a contract sum of RM42.36 million.

This project, undertaken by TCSB, commenced in November 2018 and was initially due to be completed in November 2021. This, however, was subsequently extended to April 2022 due to the delay by the client in securing approval of the consultant's design with the authorities. The contract sum was previously revised downwards to RM36.67 million at the end of 2019 before an upward revision was made to the contract sum to RM37.99 million at the end of 2020, after taking into account adjustments made to quantity and prices of certain raw materials to be used in the project.

At the end of the year, the actual progress of the works was 53% (2019: 26%) against planned progress of 72% (2019: 36%). The delay was mainly attributed to the various phases of the MCO imposed and for this reason another application for EOT was made, the outcome of which is still pending. As this project utilises quite a fair bit of steel pipes and bars, we were fortunate to have locked in the cost on steel pipes well before the imposition of the MCO. In respect of steel bars, we only managed to purchase 63% of our requirements by end 2020. However, we foresee that the impact to the overall project cost will not be significant.

The construction industry is notably highly competitive given the numerous players, with different strengths and capabilities. It is also a sector that is fraught with tremendous high risks, ranging from, amongst others, completion delay, insufficient operating cash flow, compliance with regulations etc. To be able to survive the keen competition and staying afloat, the division has several strategies in place, including having the requisite ISO accreditation to provide it with a competitive edge over others. Presently, this division has been accorded the ISO 9001:2015 under SGS United Kingdom and Malaysia for Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts, which is valid until year 2023. Other business strategies include providing propositions on viable infrastructure projects to be considered by the State Governments. Although the division has only one on-going project left, nevertheless, it will continue with its endeavours to selectively tender for infrastructure projects to replenish its order book. One of the sizeable projects that the division intends to tender would be the first phase of the 700 million litre per day Rasau WTP valued at about RM4 billion, to be called by Pengurusan Air Selangor Sdn. Bhd. in 2021.

In terms of financial performance, the construction division reported a revenue of RM12.67 million as compared to a year ago of RM34.46 million. This is expected as there is only one on-going project remaining. On the back of a reduction in revenue, the operating profit was lower at RM0.52 million (2019: RM1.33 million).

WASTE MANAGEMENT

SWM Environment Holdings Sdn. Bhd. (“SWMEH”)

The year 2020 threw up new challenges for the waste management division. From having to adopt to the new norm in the way it manages its operations, the division had to take on additional tasks in assisting the Federal Government and its agencies, namely the Fire and Rescue Department under the Ministry of Housing and Local Government to provide disinfecting and public sanitising services in areas which it serves, as well as the Covid-19 quarantine centres. The division had the inevitable task of having to manage the proper disposal of mountains of used face masks and huge increases in household waste generated from home deliveries and spring-cleaning activities as more residents chose to stay and work from home during the various MCOs.

Despite the various challenges which affected several aspects of the operations over the past year, the division was able to make great strides in applying smart technology to develop and maintain a number of integrated systems with Solid Waste and Public Cleansing Management Corporation (“SWCorp”). SWCorp is a regulatory body established under the Ministry of Housing and Local Government to implement the National Solid Waste Management Policy. The strategic collaboration with SWCorp enables enhancement to operational efficiencies to be achieved via the following: -

- integrated Inventory Data Centre System (PDIB – Sistem Pusat Data Inventori Bersepadu) for capturing inventories of our scheme and service areas, and on the ground with the improvement in sump measurement;
- intelligent Work Scheduling System (“i-jadual”);
- online Work Completion Report (“LSK” – Laporan Siap Kerja), which integrates with i-jadual, Automatic Vehicle Locator System (“AVLS”) and SWCorp’s online payment system (“SPBP” – Sistem Pengurusan Bayaran Perkhidmatan) that facilitates prompt billings and accelerate online payments process;
- online ticketing system by SWCorp to monitor and report work performance on the ground which can also be accessed by concessionaires through Sistem Pemantauan Kawalan Kebersihan (“SPKK”) where Notice to Correct (“NTC”) or Key Performance Index (“KPI”) is issued by SWCorp for immediate rectification; and
- continuous enhancement of mResponz system to ease the process of completing the LSK, for our supervisors to submit online reporting of work done to SWCorp.

More importantly, the division's continued partnership with SWCorp and other concessionaries through the Command, Control, Communications, Computers and Intelligence (C4i) Centre in Cyberjaya, has enabled the parties concerned to monitor the entire waste management and public cleansing operations more efficiently and maintain higher level of services for the waste management industry as a whole.

SWMEH is involved in a labour-intensive industry having to provide solid waste collection and public cleansing services in the southern states of Peninsular Malaysia, namely Negeri Sembilan, Melaka and Johor. Presently, its operations, covering a sizeable area of 28,500 square km, involve the participation of twenty-seven municipalities, with a headcount of almost 8,000 staff, comprising largely of operations workforce, mostly local and some foreign workers. Being in a service-oriented business, the key challenge faced by the waste management division is having to manage the different expectations of a myriad of stakeholders ranging from its own employees, consumers, the local communities and local councils. Towards this end, SWMEH is actively involved in sustainability initiatives and various community programmes, which include its 3R Troopers, KITARecycle and mutual cooperation with other organisations, including the involvement of the local communities and students from various schools and institutions of higher learning. Further details of the waste management division's sustainability credentials can be found in the Sustainability Report within this Annual Report.

> "The division's continued partnership with SWCorp and other concessionaries through the Command, Control, Communications, Computers and Intelligence (C4i) has enabled the parties concerned to monitor the entire waste management and public cleansing operations more efficiently and maintain higher level of services for the waste management industry as a whole."

Effective employee engagement is one of the core activities undertaken by the human resource department and this has continued to be given emphasis by the division. In its continuous effort to develop knowledge, skills and capabilities of its workforce, SWMEH has conducted over 500 training programmes during the year, which benefited over 7,000 employees. The training hours that have been clocked in are aimed to raise the performance standards of its human resources to be adequately skilled and equipped. SWMEH has been working closely with SWCorp and the Department of Skills Development under the Ministry of Human Resources to continue with the National Dual Training System ("NDTS") programme. This highly successful "Trainer-Driver" programme involves appointing a trained and experienced driver in each region to retrain and coach other drivers. This resulted in a marked reduction in the number of accident cases involving company vehicles for the second half of the year. One of the trainers has also been featured as Trucker of the Month in the Asian Trucker Magazine's issue (No.55 Sept/ Oct 2020). As part of the efforts to support the Government's call to the private sector to provide gainful employment amongst the youths, SWMEH continued with the Management Trainee Programme, where 14 candidates were posted into the recruitment pipeline to take on the role of operation supervisors.

SWMEH is proud that the untiring hard work and dedication of its employees in diligently serving the communities did not go unappreciated. In this respect, 4 of our employees from the Negeri Sembilan operations were bestowed the Pingat Jasa Kebaktian service medals by DYMM Yang Di-Pertuan Besar Negeri Sembilan Tuanku Muhriz Ibni Almarhum Tuanku Munawir, in conjunction with the 72nd birthday celebration of His Majesty. The awards serve to further galvanise and motivate the operation staff who are mainly on the ground to give their utmost best in carrying out their duties and responsibilities.

> SWMEH has made considerable efforts to manage the direct operational costs coupled with the on-going implementation of integrated systems which translated into a better operational efficiency in terms of faster and accurate monitoring and costs control over the manpower utilisation both for in-house employees and sub-contractors.

For the financial year, the waste division recorded a 2.3% drop in revenue as a result of the discontinuation of public cleansing in areas under the jurisdiction of Jabatan Kerja Raya Malaysia. This compares to a 2.5% increase achieved in the previous year, which was mainly attributable to new service areas from new townships. Even though there was an overall decline in revenue, solid waste collection's revenue was 2.4% higher (2019: 2.9%), whereas revenue from public cleansing recorded a drop of 4.9% as compared to an increase of 4.5% in 2019. Being in an industry that has been categorised as essential services, the financial performance of the division was not severely impacted by the Covid-19 pandemic as demonstrated by the resilience in its revenue and operating profits.

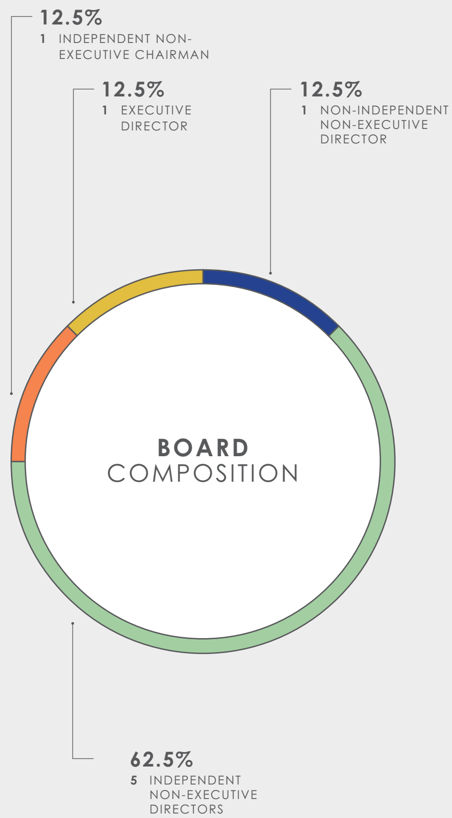
Although there was a 2.3% decline in revenue, direct operating expenditure reduced significantly by 12.7% or approximately RM71.4 million. The decline was mainly due to a reduction in sub-contractors' costs in respect of cleansing services and lower depreciation charges as a substantial number of vehicles and machineries have been fully depreciated over their useful life and lesser capital expenditure incurred to replace current fleet of aging vehicles. SWMEH's plan to increase capital expenditure to upgrade its current fleet of vehicles, has been put on hold pending the second cycle tariff negotiations with the Federal Government. Nevertheless, based on present requirements, the number of the vehicles in use is sufficient and the operations were not hampered in any way or the service level being duly affected. SWMEH has made considerable efforts to manage the direct operational costs coupled with the on-going implementation of integrated systems which translated into a better operational efficiency in terms of faster and accurate monitoring and costs control over the manpower utilisation both for in-house employees and sub-contractors.

Out of the total operating expenditure of RM490.9 million (2019: RM562.4 million), direct staff and sub-contractor costs accounted for 80% of total operating expenditure as compared to 76% in 2019. Overall, the total wages and staff-related costs expended by SWMEH increased by 8.3%, which is in line with SWMEH's efforts on the staff retention programme and lesser costs incurred on engaging temporary sub-contractors in the year.

Other than managing the repercussions arising from the Covid-19 pandemic, the overdue tariff rate review for the second cycle of the concession period remained as one of the key agendas that will put SWMEH on a better financial footing, once the tariff increase is approved. On-going negotiations have been protracted with the change in the Federal Government and the MCO has also hampered the continuation of negotiations as the Government put other priorities ahead of this issue. Nevertheless, SWMEH is hopeful that negotiations between the Ministry of Housing and Local Government together with all the concessionaires can proceed and be concluded as soon as the Covid-19 pandemic subsides.

BOARD OF DIRECTORS

From left to right
Ahmad Jauhari Bin Yahya, Dato' Lim Yew Boon, YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz, Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, Lim Chin Sean



From left to right
Soong Chee Keong, Dato' Sri Amrin Bin Awaluddin, Datuk Roger Tan Kor Mee

DIRECTORS' PROFILE

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz

Independent Non-Executive Chairman

Malaysian	44	Male

Date of appointment
27 November 2019

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz ("Tunku Ali") holds a BA (Hons) in History and Social & Political Sciences from the University of Cambridge and a Masters in Public Administration from the John F Kennedy School of Government, Harvard University.

Tunku Ali brings over 20 years of corporate experience to the board, combining active participation and advisory work across many sectors, with significant strategy consulting and principal investing knowledge.

He is a Senior Advisor to TPG Capital, a global private equity firm. In addition, Tunku Ali is Chairman of Bumi Armada Berhad, and sits on the boards of Bangkok Bank Berhad and Sun Life Malaysia Assurance Berhad, as well as several TPG portfolio companies such as Cardiac Vascular Sentral (Kuala Lumpur) Sdn. Bhd., Columbia Asia Healthcare Sdn. Bhd. and Pathology Asia Holdings Pte Ltd.

He is Chairman and Founding Trustee of Teach For Malaysia, Chairman of WWF Malaysia, Chairman of the Board of Governors of Marlborough College Malaysia, and Pro Chancellor of Universiti Sains Islam Malaysia. He is also Chairman of Yayasan Munarah and a Trustee of Amanah Warisan Negara.

Previously, Tunku Ali was a Director of Investments at Khazanah Nasional Berhad and prior to that he was a management consultant at McKinsey & Company.

He has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

Dato' Lim Yew Boon

Executive Director

Malaysian	62	Male

Date of appointment
1 March 2010

Dato' Lim Yew Boon ("Dato' Lim") holds a diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over twenty six years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Apart from Taliworks, Dato' Lim also sits on the board of several private limited companies, namely Grand Saga Sdn. Bhd., SWM Environment Sdn. Bhd. and a few others. Prior to his appointment to the Board, he served as the Group Chief Operating Officer in the LGB Group of Companies.

Dato' Lim sits on the board of Parkwood Holdings Berhad (formerly known as Amalgamated Industrial Steel Berhad) since his appointment in 2003.

Dato' Lim is the cousin to both Mr. Lim Chin Sean, a director and major shareholder of the Company and Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the listed issuer and has not been convicted for any offences within the past 5 years other than traffic offences. He has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Lim has attended all the Board meetings of the Company held during the financial year.

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Senior Independent Non-Executive Director

Malaysian	72	Female

Date of appointment
2 July 2015

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin ("Raja Datuk Zaharaton") serves as the Chairman of the Remuneration Committee and the Nominating Committee of the Company.

She holds a Bachelor Degree in Economics from University of Malaya and a Masters in Economics in 1979 from the University of Leuven, Belgium.

Raja Datuk Zaharaton has served the Government of Malaysia in various capacities for 34 years from 1971 to 2005. Principally her main task has been policy analyses and financial evaluation. Her last post in the Government was the Director General of the Economic Planning Unit (EPU), Prime Minister's Department.

Upon her retirement, the Government of Malaysia appointed her as Chairman of Technology Park Malaysia Corporation Sdn. Bhd. from January 2006 to December 2008. Subsequent to that, the Government appointed her as Chairman of Ninebio Sdn. Bhd. from January 2009 for a two year period. Beginning 24 June 2014, she was appointed as Chairman of Global Maritime Ventures Berhad, a subsidiary of Bank Pembangunan Malaysia Berhad.

Raja Datuk Zaharaton also currently sits on the board of Media Prima Berhad and Yinson Holdings Berhad as well as Areca Capital Sdn. Bhd.. She is also a Director of her family owned company Kumpulan RZA Sdn. Bhd. and its subsidiary Raza Sdn. Bhd..

She has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. She has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She has attended all the Board meetings of the Company held during the financial year.

Dato' Sri Amrin Bin Awaluddin

Independent Non-Executive Director

Malaysian	54	Male

Date of appointment
15 September 2014

Dato' Sri Amrin Bin Awaluddin ("Dato' Sri Amrin") serves as a member of the Audit and Risk Management Committee of the Company.

He holds a Bachelor of Business Administration (Honours) from Acadia University, Canada and Master of Business Administration (Finance) with Distinction from University of Hull, England. He is a member of the Chartered Institute of Management Accountants, United Kingdom as well as a member of the Malaysian Institute of Accountants.

He is currently the Chief Executive Officer of Lembaga Tabung Angkatan Tentera. He assumed several senior roles in the past being the Group Managing Director of Sime Darby Property Berhad and the Group Managing Director of Media Prima Berhad. He was also the Managing Director of Boustead Holdings Berhad from May 2019 till December 2020. Throughout his working career he holds several key positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

Dato' Sri Amrin is also board members of Universiti Kebangsaan Malaysia and Alhijrah Media Corporation ("TV Hijrah"). He was a board member of CIMB Bank Berhad and the Deputy President of Kuala Lumpur Business Club.

He has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

Directors' Profile

Ahmad Jauhari Bin Yahya

Independent Non-Executive Director

Malaysian	**66**	**Male**

Date of appointment
2 July 2015

Encik Ahmad Jauhari Bin Yahya ("Encik Ahmad Jauhari") serves as a member of the Nominating Committee of the Company.

He holds a Bachelor of Science (Hons) Degree in Electrical and Electronic Engineering from University of Nottingham, United Kingdom.

Encik Ahmad Jauhari started his career with ESSO Malaysia Berhad (1977-1979) and worked in The New Straits Times Press (M) Berhad (1979-1991), Time Engineering Berhad (1992) and Malaysian Resources Corporation Berhad (1993). In 1994, he joined Malakoff Berhad to lead its growth to become Malaysia's leading independent power producer. He retired from Malakoff Berhad in 2010.

Encik Ahmad Jauhari was appointed Group Chief Executive Officer of Malaysia Airlines on 19 September 2011 and was a member of the Board Tender Committee and sat on the boards of several subsidiaries within the Malaysia Airlines group of companies. He resigned as the Group Chief Executive Officer and directors of subsidiaries of Malaysia Airlines in April 2015 but remains as a director in Malaysia Airlines until 31 December 2015. He became a Director of Malaysia Airport Holdings Berhad ("MAHB") and Chairman of Destination Resorts and Hotel Sdn. Bhd. prior to his appointment at Malaysia Airlines. He resigned from MAHB in 2011.

Encik Ahmad Jauhari sits on the board of Sapura Resources Berhad since his appointment in 2016. He was appointed as the Deputy Chairman of Minconsult Sdn. Bhd. since 1 March 2020 and has been promoted to the Chairman of the said Company with effective from 1 January 2021. He was also appointed as the Executive Director of Cenergy SEA Sdn. Bhd. since 12 August 2016.

He has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

Soong Chee Keong

Independent Non-Executive Director

Malaysian	**51**	**Male**

Date of appointment
25 April 2013

Mr. Soong Chee Keong ("Mr. Soong") serves as the Chairman of the Audit and Risk Management Committee and as a member of the Remuneration Committee and the Nominating Committee of the Company.

He is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Mr. Soong started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

Mr. Soong then joined Abric Berhad in February 1999 as the General Manager of Corporate Finance and was subsequently appointed to the Board of Abric Berhad on 16 February 2000 as an Executive Director. He resigned from the said company on 31 May 2017.

He has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

Lim Chin Sean

Non-Independent Non-Executive Director

Malaysian	39	Male

Date of appointment
23 May 2011

Mr. Lim Chin Sean ("Mr. Lim") serves as a member of the Audit and Risk Management Committee as well as the Remuneration Committee of the Company.

He holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services.

He sits on the board of Parkwood Holdings Berhad (formerly known as Amalgamated Industrial Steel Berhad) since 2007.

Mr. Lim is a major shareholder of the Company and cousin to Dato' Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Dato' Lim Chee Meng, a major shareholder of the Company. Other than being a director and major shareholder of LGB Engineering Sdn. Bhd. ("LGBE"), which is involved in the construction industry, he has no other conflict of interest with the Company. LGBE has a 0.06% direct interest in the Company.

He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended five (5) out of six (6) Board meetings of the Company held during the financial year.

Datuk Roger Tan Kor Mee

Independent Non-Executive Director

Malaysian	59	Male

Date of appointment
27 November 2019

Datuk Roger Tan Kor Mee ("Datuk Roger Tan") serves as a member of the Audit and Risk Management Committee of the Company.

Datuk Roger Tan holds a Bachelor of Laws (Honours) from Queen Mary College, University of London. He was admitted as a barrister-at-law of the Gray's Inn, London. He was admitted as an advocate and solicitor in Singapore and Malaya. Datuk Roger Tan also holds a Master of Laws degree from the National University of Singapore. He is also a Notary Public and Commissioner for Oaths.

Datuk Roger Tan is the managing partner of Messrs Roger Tan & Partners. He was an elected member of the Malaysian Bar Council between 2004-2008. He rejoined the Bar Council in March 2018 until now. At the Bar Council, he has chaired various committees, notably the Conveyancing Practice Committee. He was also a Board Member of the Advocates & Solicitors Disciplinary Board (July 2013-June 2015 and July 2017-June 2019).

In June 2009, he was appointed as a Commissioner of the National Water Services Commission (SPAN); a position he held for eight years until May 2017. At SPAN, he chaired the Disciplinary Committee (for Director General & Senior Executive level) and the Licensing, Enforcement & Legal Affairs Committee.

He was also a Board Member of the Solid Waste Management and Public Cleansing Corporation (SWCorp) from March 2009 to March 2015. At SWCorp, he chaired its Licensing Committee. He is one of the founders of Waste Management Association of Malaysia, and is now an Executive Committee member.

Datuk Roger Tan is also a president of the Strata Management Tribunal since 2015. He was appointed as a trustee of TARC Education Foundation on 26 November 2020.

He writes regularly in local and international news media, and has a column with The Sunday Star entitled, 'With All Due Respect'.

He has no family relationship with any directors and/ or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

SUSTAINABILITY AT TALIWORKS

As an organisation that provides essential infrastructure and services for the growth of our nation, Taliworks has a significant responsibility to ensure that our work is contributing towards a sustainable future. Incorporating key **Economic**, **Environmental** and **Social ("EES")** considerations into our growth trajectory allows us to generate long-term stakeholder value and lay the foundation for a sustainable society. To ensure that we hold ourselves accountable to our goals, we are committed to transparency in our reporting. This provides our stakeholders with insight into Taliworks' progress against its sustainability benchmarks.

This Sustainability Statement has been prepared in accordance with the sustainability reporting guidelines in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Malaysia") and is guided by the Global Reporting Initiative ("GRI") Standards. It covers the reporting period between 1 January 2020 and 31 December 2020, and encompasses Taliworks' key operations, its main subsidiaries, major joint ventures and associate companies - all located within the geographical scope of Malaysia.

OUR SUSTAINABILITY STRATEGY

Taliworks aims to place sustainability at the heart of our business practices as we generate economic value. Given the broad scope of our operations, we hope to create areas of synergy between our business goals and the well-being of the community, environment and economy in a meaningful and consistent manner. Our approach to sustainability focuses on the aspects of our business that we and our stakeholders have identified as areas of greatest opportunity for the creation of shared sustainable value.

In 2020, Taliworks undertook the development of a sustainability framework to guide our efforts in incorporating sustainability into our business practices. This framework is being developed in line with Taliworks' sustainability capabilities, practices and philosophy and benchmarked against sustainability best practices in industries both within and beyond the scope of Taliwork's operations. Through this framework, our business divisions and the organisation will be empowered to act collectively in creating time-bound goals that are strategically aligned with their relevant United Nations Sustainable Development Goals ("UN SDG") targets.

OUR ROADMAP

Aligning with the UN SDGs

Given the extensive scope of our operations, we recognise the significant role we play in our progress towards achieving the UN SDGs. Aligning our efforts with the UN SDGs, including the specific targets laid out under each goal, was central to the work we carried out in 2020 to develop our strategic Sustainability Framework. As we move forward with the official launch of our strategic sustainability approach in the coming years, we will remain focused on understanding our contributions to the UN SDGs at a target-based level.

2017

Laying the groundwork

Identified sustainability issues and established performance indicators

2018-2019

Instilling sustainability

Guided our divisions in identifying relevant EES aspects and stakeholders, as well as how sustainability could spur growth, productivity and minimise risk

2020-2021

Guiding future direction

Initiated the development of a Group-wide sustainability framework to centre our approach using core pillars and action plans, with finalisation taking place in 2021

2022 AND BEYOND

Activating sustainability

To activate our sustainability framework, accelerating our EES journey

STAKEHOLDER ENGAGEMENT

At Taliworks, we are committed to meaningful discourse with those impacted by our business. Our stakeholders comprise multiple entities, are varied with differing perspectives and priorities, and are diverse in their needs. Thus, constructive dialogue allows us to shape our business strategies and execute them in a manner that safeguards the best interests of this group, while delivering long-term economic value.

We engage our stakeholders via multiple channels to obtain a comprehensive understanding of their views. The table below provides an overview of our standard engagement mechanisms for each stakeholder group. Due to the impacts of the Covid-19 pandemic in 2020, the use of in-person engagement channels was limited during the past year.

Stakeholder Group	Engagement Mechanisms	Our Engagement Strategy
Employees	• Code of ethics • Employment handbook • Community programmes • Training, conferences, workshops • Newsletters • Surveys • Internal communications • Team meetings • Town hall meetings • Webinars • Interviews • Face-to-face and virtual meetings • Peer reviews • Performance appraisals • Whistle-blowing channels	Various engagement policies are in place to ensure employee satisfaction, which in turn contributes towards the organisation's growth and performance. We strive to provide employees with benefits that are relevant and catered to their needs, while ensuring that we protect employee rights. Workplace safety and work-life balance are prioritised to maintain employee welfare and we provide career development opportunities to further the professional development of our employees. As we provide equal workplace opportunities, employees of all backgrounds are able to find a place to grow and thrive within the organisation.
Customers	• Social media • Suggestion box • Surveys • Service hotline • Face-to-face and virtual meetings • Mobile and email communication • Town hall meetings • Whistle-blowing channels	Our customer engagement efforts centre around providing competitive pricing, prompt responses and excellent service quality. These efforts build and strengthen the level of credibility, reliability and trust placed in Taliworks, while ensuring that we adhere to the established best practices. Ultimately, our goal is to meet and exceed customer expectations in all our deliverables, while providing exceptional customer service.
Government	• Physical and virtual conferences, exhibitions, talks • Periodical reports • Face-to-face and virtual meetings • Press releases • Peer reviews	It is important that we develop and maintain meaningful relationships with our government stakeholders. In addition to providing regulatory oversight and leadership, they remain part of our customer base. In order to remain a trusted service partner and responsible corporate citizen, we ensure that we provide an excellent quality of service, while maintaining competitive pricing and full regulatory compliance.

Stakeholder Group	Engagement Mechanisms	Our Engagement Strategy
Regulators	• Periodic reports • Conferences • Face-to-face and virtual meetings • Town hall meetings • Press releases • Peer reviews	As an infrastructure conglomerate, our operations span multiple industries and regulatory bodies. We comply fully with the established rules and regulations, through monitoring proper standard operating procedures and corporate governance practices.
Shareholders, Investors, Financiers and Analysts	• Physical and virtual conferences • Press releases • Face-to-face and virtual meetings • Annual general meetings • Fund managers' and analysts' briefings • Dedicated email channels • Public announcements to the stock exchange • Annual Reports	We provide shareholders, investors, financiers, and analysts with ongoing updates of Taliworks' business plans and strategies, financial performance, project and business operations updates, as well as information on corporate exercises undertaken. This provides insight into the Group's financial and operational performance, strategy and risk management, as well as Taliworks' environmental, social, and government practices.
Local Communities	• Community programmes • Press releases • Surveys • Town hall meetings • Face-to-face meetings • Whistle-blowing channels	We engage local communities by providing updates on relevant project developments, as well as investing thoughtfully in their growth and well-being. To do so, we handle environmental hazards in a safe and responsible manner as well as provide routine updates on projects and expansion plans. We also take a proactive approach to health and safety issues, while handling complaints and feedback effectively.
Suppliers	• Face-to-face and virtual meetings • Reply to queries • Tender briefings • Town hall meetings • Requests for proposal/ quotations • Site visits • Mobile and email communication • Whistle-blowing channels	We hold ourselves accountable to our suppliers by maintaining fair procurement practices and providing an informative and transparent tendering process. We also uphold health and safety practices and keep our suppliers updated on our current business standing.
Media	• Advertising • Community programmes • Face-to-face and virtual meetings • Press releases • Mobile and email communication • Social gatherings	Meaningful engagement with the media ensures that the broader public receives timely and accurate information on the performance of our organisation. We engage our media stakeholders by routinely providing updates on Taliworks' business direction, impact, and financial performance.

MATERIALITY

Our approach to managing sustainability is shaped by the EES topics that the Group and our stakeholders identify as the most significant across our diverse business divisions. These material topics were first identified in 2017 and further refined through a comprehensive review carried out in 2019 to ensure that the topics accurately reflected the interests and impacts of the Group and its stakeholders. In 2020, these topics were reviewed against industry trends and our value chain. We were able to review and confirm the continued relevance of the topics, making minor changes to include compliance and innovation in the topics of business ethics and digitisation, respectively.

Our Material Topics

Economic Growth

- Business Ethics and Compliance
- Product Stewardship
- Customer Management
- Digitisation and Innovation
- Supply Chain Practices

Environmental Management

- Noise Management
- Resources Management
- Greenhouse Gas Emissions
- Waste and Effluent Management
- Ecological Impact

Social Contribution and Human Capital

- Engaging Workplace
- Health and Safety at Work
- Contribution to the Community

GOVERNANCE AND ETHICS

At Taliworks, we believe that strong governance, good business ethics and efficient policies form the keystone of our sustainability efforts. We are committed to continued enhancement of our internal governance systems as we strengthen internal controls and maintain sound Group leadership.

Sustainability Governance

Taliworks upholds high standards of corporate governance and transparency to generate long-term growth whilst safeguarding stakeholder interests. To preserve business resilience and agility, our EES policies have been designed to manage risks and opportunities. We recognise the importance of providing adequate disclosure of our sustainability efforts to maintain accountability. The governance and reporting of the Group's sustainability-related matters fall under the purview of our Sustainability Steering and Sustainability Working Committees, which were established in 2017 to uphold the Board's commitment towards transparency, integrity and enterprise in the discharge of its duties.

The Group's sustainability focus is guided and implemented by the Sustainability Steering Committee, with the support of the Sustainability Working Committee. Our group's structure and governance standards were established to equip each business division with the means to address its specific EES risks in a manner that is consistent with the group's sustainability and business priorities. Implementation and management of sustainability initiatives at the business division level is led by the respective business heads. The Sustainability Steering Committee in turn provides an annual update on these initiatives to the Board.

To strengthen our management of EES risks and opportunities, Taliworks initiated the development of a Group-wide sustainability framework in 2020, the purpose of which was to lay out a strategic approach for effectively embedding sustainability within our operations. The framework, which is currently being finalised, is expected to be formally launched in 2021, and will further strengthen Taliworks' oversight of sustainability.

The Corporate Governance Overview Statement on pages 106 to 128 of this Annual Report contains information on the Group's corporate governance framework, including detailed context on the sustainability governance structure's position within the Group's overall governance structure. Meanwhile, the Statement of Risk Management and Internal Controls included on pages 98 to 105 of this Annual Report details the Group's risk management practices.

"To strengthen our management of EES risks and opportunities, Taliworks initiated the development of a Group-wide sustainability framework in 2020."

Managing EES Risk

Effective risk management is key to protecting business resilience and operational agility. Our Group's governance structure empowers business divisions to manage EES risks on a subsidiary level to maximise the effectiveness of risk management policies. To maintain a level of oversight over the Group's ability to manage EES risks, major risk factors have been identified. These will be incorporated into the Enterprise Risk Management Framework in 2021.

Strengthening Diversity

As an inclusive and sustainable organisation, Taliworks embraces diversity in managing our human capital. To drive diversity from the top, in 2020, the Board Diversity Policy was enhanced to always require the membership of at least one woman on the Board. This ensures that the interests and needs of women within our organisation are represented at the highest level. These amendments have also been reflected in the Taliworks Board Charter.

Taliworks' New Normal

Throughout 2020, the world has seen the devastating effects of the global Covid-19 pandemic, which will likely continue in the coming year. In response to this crisis, Taliworks acted with agility, pragmatism and compassion to keep our business, our workforce and our community safe.

Protecting Our Workforce

We have implemented swift and robust responses to maintain business continuity and keep our employees safe during this time. This included enacting work from home measures across the group to ensure that our non-essential workers were able to safely practice physical distancing and reduce their exposure to the general public. We provided those who were required to work in the office with hand sanitiser and personal protective equipment ("PPE"), encouraged the use of virtual meetings and ensured that all our working locations were sanitised routinely.

We acclimatised to remote working and online platforms with relative ease, conducting many of our various community programmes remotely. Programmes such as the Iskandar Malaysia Ecolife Challenge ("IMELC"), still garnered the participation of over 50,000 students with over 200 tonnes of recyclable materials collected, despite being completely online. Any events that were held in-person were strictly compliant to physical distancing practices.

We balanced our commitment to protecting the health and safety of our essential workers, and our commitment to reducing negative environmental impacts by encouraging our workforce to utilise single-use PPE such as disposable masks only when necessary, and by providing reusable PPE such as cotton masks and reusable gloves to our essential workers where possible.

Keeping Customers Safe

As an essential services provider, business continuity is especially important to Taliworks, as our services have a significant impact on our stakeholders. This was particularly true in 2020 with the onset of the Covid-19 pandemic and the elevated need to ensure the safe operations of our business for our customers.

To ensure the safety of our road users and minimise instances of close human contact, we implemented fully-automated toll-collection systems on the Grand Sepadu and Grand Saga highways. All areas such as at our headquarters and at the rest and service areas ("RSA") along the Grand Saga and Grand Sepadu highways were outfitted with temperature screening facilities, the requisite *MySejahtera* QR codes and clearly labelled physical distancing demarcations.

In supporting national mitigation measures, we assisted the authorities in various ways. Efforts include displaying the government's "New Normal Campaign to Fight Covid-19" visuals on our billboards, participating in public sanitation efforts in red zones, facilitating travel across Covid-19 red zones, and providing packed lunches for policemen conducting roadblocks along our managed highways.

Our waste management and public sanitation efforts were also key to mitigating the spread of the disease. Taliworks was involved in public sanitation efforts as instructed by the Ministry of Housing and Local Government at the red and orange zone areas declared by the Ministry of Health in Melaka, Negeri Sembilan, and Johor during the MCO that took place from March to June 2020.

Supporting Those in Need

Recognising the significant hardship wrought by Covid-19 on the communities in which we operate, Taliworks also stepped up to contribute to the community at large through philanthropic contributions for those in need. Understanding the considerable sacrifices made by our frontliners to keep the nation safe, Taliworks donated RM1 million to The Edge Media Group's Covid-19 Equipment Fund to purchase medical equipment such as protective suits, masks and ventilators. To further alleviate the difficulties caused by the pandemic, we also channelled RM5,000 to the Osimal Foundation. These funds were used to purchase PPE and reagent testing kits to assist frontliners in Sabah.

Additionally, to support the Bestari Jaya community located near the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1"), our water treatment, supply and distribution division conducted a "Food Basket" programme, making contributions to the *asnaf* group and various orphanages, homeowners and retired former employees around our plant operations, as well as supporting community events.

BETTER BUSINESS

From the provision of safe drinking water and reliable waste collection services to the development and operation of critical infrastructure, the work that we undertake is vital to both economic growth and quality of life. It is therefore essential that we conduct our operations with a focus on quality, reliability, and longevity. This not only extends to strict adherence to regulations, but also efforts to provide end users with more sustainable business offerings of the highest quality. Reflecting the diversity of our operations, each of our business divisions adopts a unique approach to creating value for our stakeholders, with every division's efforts collectively driving the sustainability of our Group.

In 2020, the importance of business continuity and the ability to remain a trusted provider of services was more important than ever considering the impact of the Covid-19 pandemic. Relying on a strong foundation of corporate governance and service quality, Taliworks remained dedicated to ensuring that we met the needs of our clients and the community during the year.

BUSINESS ETHICS AND COMPLIANCE

Our service delivery is grounded in responsible business practices underpinned by a strong corporate culture and business strategy. We are committed to full compliance with applicable business regulations and protocols and are guided by the following codes and policies, *inter alia*:

Code of Business Conduct and Ethics for Directors	Sets out the general principles and standards of business conduct and ethical behaviour for the Directors.
Code of Conduct	Contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in discharging their duties and responsibilities.
Whistleblowing Policy	Channel for any individual to report concerns they may have on any suspected or known improper conducts, wrongdoings, corruption, fraud or abuse in accordance with the procedures as provided under the policy.
Anti-Bribery Policy	Established in 2020 to set out guidelines which ensure that all business activities and operations within the Group are free from all forms of bribery.

We understand the importance of embedding ethical business practices across our entire organisational structure and took several steps to enhance our culture of integrity this year. In 2020, the Code of Business Conduct and Ethics for Directors was also extended to the board members of Taliworks, promoting a greater sense of alignment between business divisions and the Group's goals. Additionally, in June 2020, a comprehensive Anti-Bribery Management System ("ABMS") was implemented across the group, including an ABMS Manual and Procedures, ABMS Policy, and ABMS Objectives. Several education and support initiatives were introduced across Taliworks to ensure that employees understand and adhere to anti-bribery policies, via channels such as training sessions, internal booklets, presentations, and awareness videos. All employees are expected to have completed training in the new ABMS by mid-2021. Moving forward, anti-bribery training modules will be incorporated into annual employee training sessions as part of the ABMS guidelines.

The Anti-Bribery and Whistleblowing policies are available on the Taliworks Corporate Website.

PRODUCT STEWARDSHIP

Delivering essential public utilities and infrastructure, the services provided by Taliworks have a profound impact on the lives of end users. This is a responsibility we take seriously, which is why we make product stewardship a top business priority - one that drives our efforts to go above and beyond in the provision of services.

To do so, our divisions are committed to the highest quality of product stewardship, from project conceptualisation to the operation of our services, and continued responsibility towards our stakeholders. Across our business divisions' respective value chains, we ensure full compliance with regulatory standards and endeavour to provide the best possible user experience.

Water Treatment, Supply and Distribution

GUIDED BY
ISO 9001:2015

GUIDED BY
MS ISO/IEC 17025:2017

GUIDED BY
ISO/IEC 27001:2013

National Dual Training System ("NDTS"):

CM-060-2:2014 and CM-021-2:2014

Practical Assessment Centre for Recognition of Prior Achievements:

CM-060-2:2014, CM-021-2:2014,
C-331-033 2017, and E-360-002 2016

For our water treatment, supply and distribution division, our product stewardship efforts focus primarily on monitoring the quality and quantity of water that reaches our customers, as these metrics serve as an important indicator of the level of service provided. Key challenges that impact our performance in these areas include consistently meeting customer demand for treated water, managing water loss in our systems, and adhering to health and quality standards of consumption. We take a proactive approach in managing these challenges with comprehensive risk management and regulatory compliance.

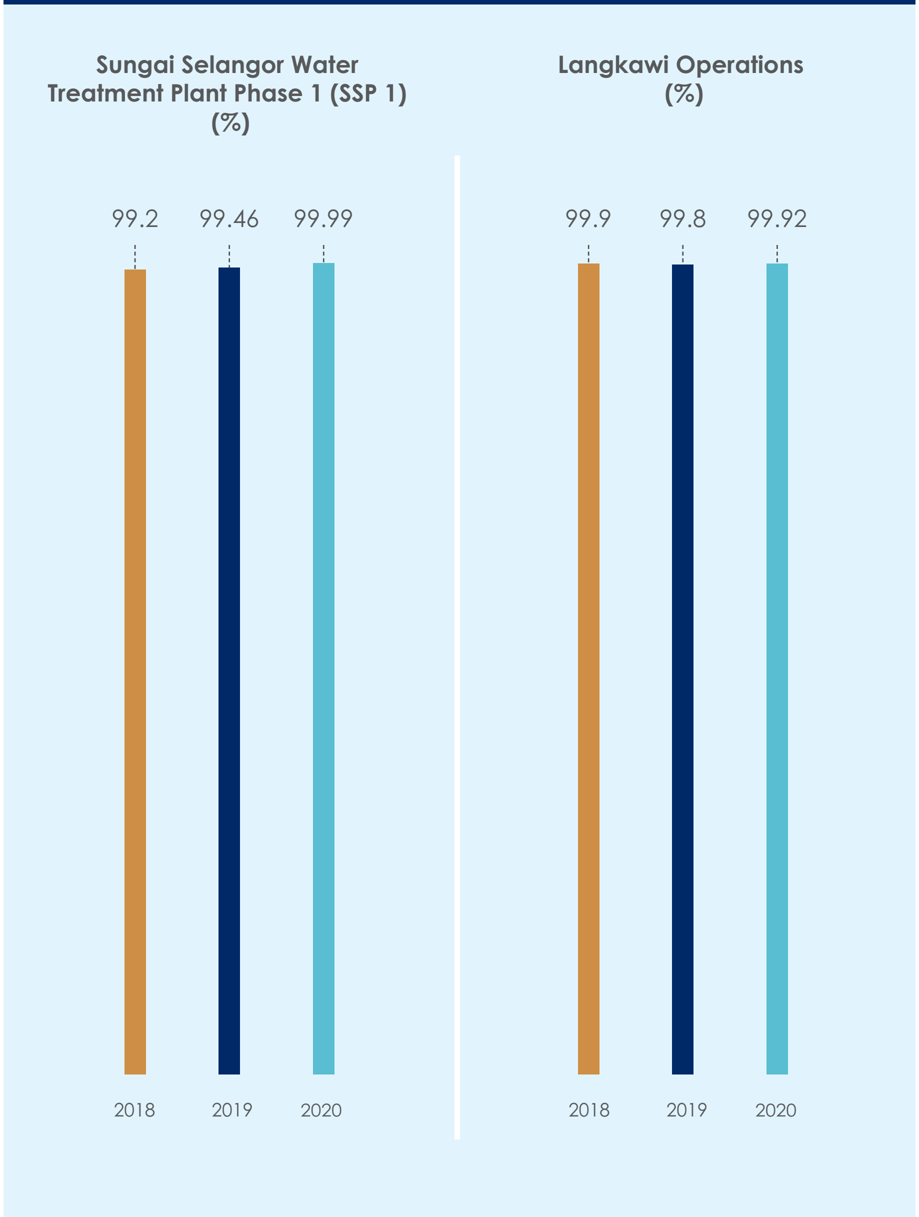
Ensuring Quality of Water

To provide our end users with water of the highest quality, we collaborate with the Ministry of Health ("MOH") and other stakeholders to meticulously monitor the water quality in our reservoir and catchment areas. We make a proactive effort to determine water quality at its source, as the early detection of deteriorated raw water allows for optimal chemical treatment. Doing so minimises our operational costs and risks, and also enhances our ability to comply with regulatory standards in treated water quality. To strengthen our ability to achieve compliance with water quality standards, we introduced a chlorine booster station in 2020 at Matang Pagar, to ensure water quality compliance with the Bulk Water Supply Agreement.

Consistency is key in water quality management, and we regularly undertake maintenance of our plants to ensure full compliance with regulatory standards. We also test treated water from our facilities on a bi-hourly basis to maintain water quality parameters based on the MOH's National Drinking Water Quality Standards. Ultimately, our goal is to provide our end users with water of the highest quality, as we understand the impact this has on their day-to-day lives.

In 2020, eight disruptions occurred at SSP1 due to odour-related issues at the raw water source that were unrelated to any of the 11 indicators monitored by Taliworks. While we do not have control over the management of our water sources, we continue to work together with relevant authorities for static river quality monitoring in order to identify and mitigate contamination incidents as effectively as possible. We are also working to enhance our raw water monitoring systems to reduce the risk of future disruption.

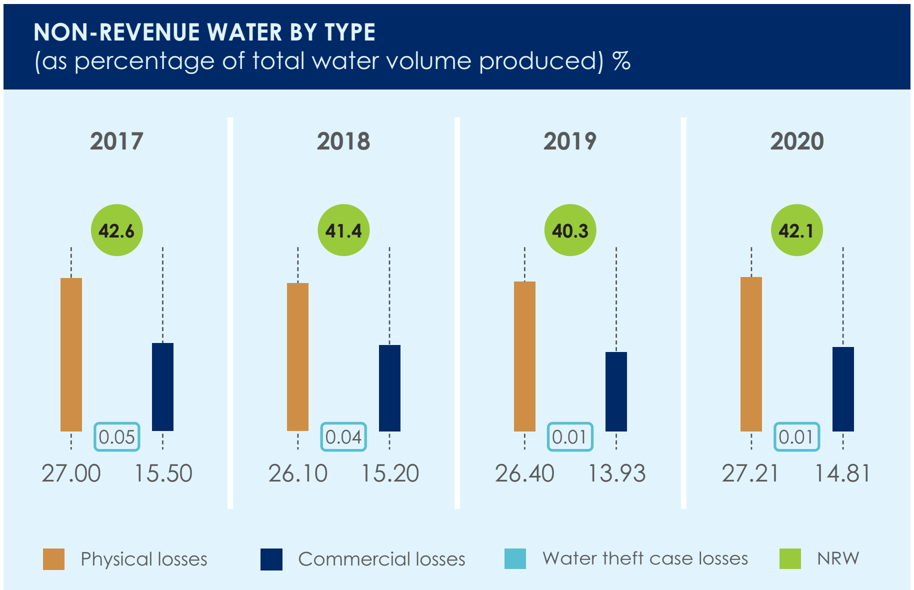
COMPLIANCE RATES FOR SELECTED WATER QUALITY PARAMETERS
Based On 2-hourly Daily Treated Water Samples Taken

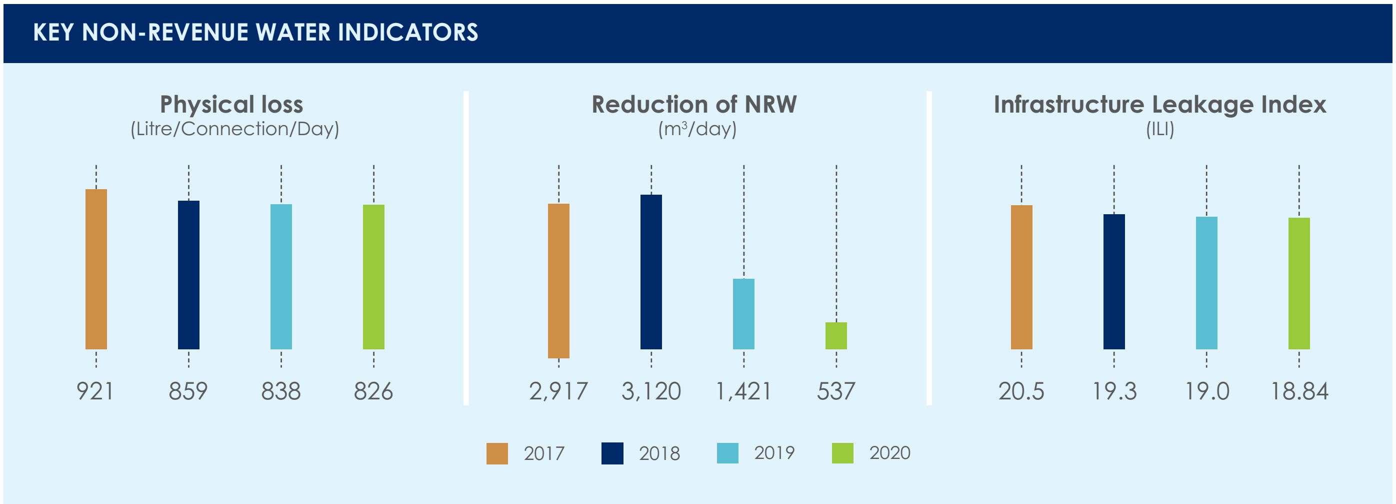


As part of our core commitment towards sustainable growth, we strive to provide treated water of the highest quality to our consumers, while preserving the environment surrounding our operations by conducting extensive research. Over the years, improvements in the water treatment process have been made as a direct result of research findings, such as by using alternative treatment chemicals to remedy occasional pollutants.

Water Quantity Parameters

An additional metric used to evaluate the quality of our water services is Non-Revenue Water ("NRW"), or water which is lost before reaching customers due to physical losses caused by leaks and burst pipes, and commercial losses caused by faulty meters, incorrect billing, and water theft cases. To minimise NRW, we make consistent efforts to improve our processes via technical applications such as Active Leakage Control, Hydraulic Modelling, pressure and pipe management. We encourage employees and customers to contact our Customer Service personnel to lodge reports on leakages and disruptions. In 2020 we recorded a significant reduction in our NRW indicators compared to 2019.





Customer Service

Across our water treatment, supply and distribution division, we engage regularly with our customers to assess their satisfaction with our services and make changes, as necessary. For our Sungai Harmoni operations, we evaluate our customer service through regular engagement with Air Selangor, including through operation and maintenance meetings, remedial meetings and new project meetings that involve SSP1.

October 2020 marked the conclusion of Taliworks Langkawi's contract for water treatment, supply, and distribution in Pulau Langkawi. Therefore, our customer service resources were directed towards ensuring a successful handover of the water supply system back to the state. To ensure a smooth transition, Taliworks Langkawi established a TLSB Disengagement Team, which oversaw the development and execution of a disengagement plan and engaged with *Syarikat Air Darul Aman Sdn. Bhd.* ("SADA") for joint inspections, to resolve issues relating to the transition of employees, and to manage the disposal of fixed assets and remedial repairs of assets.

While acting as the operator of the Langkawi water treatment plant, Taliworks also made an active effort to engage with customers and industry stakeholders and has participated in community programmes organised by the Kedah state government and SADA. These programmes allowed members of the public to glean insight into the water treatment process and allowed our water treatment, supply and distribution division to share its efforts in supplying clean and safe water every day.

Highway Toll Concessionaire, Operations and Maintenance Operator

GUIDED BY
ISO 9001:2015
MS ISO 9001:2015

GUIDED BY
MHA Guidelines and Operating Procedures

VERIFIED BY
Two external audits and one internal audit carried out in 2020

In managing the Grand Saga and Grand Sepadu Highways, our highway division aims to provide end users with the best possible road user experience. While we take multiple approaches in achieving this goal, our primary focus lies in enhancing road safety and reducing traffic congestion.

Road Safety

One of our key mandates as a highway toll operator is to provide a safe and secure experience for highway users. To do so, we routinely undertake maintenance works at our toll plazas, such as ensuring proper signage, painting clear demarcations, upgrading guard rails, rehabilitating pavements, maintaining bridges, and improving drainage. In a testament to the success of our efforts, our safety performance met, and surpassed regulatory requirements established by the Malaysian Highway Authority ("MHA") of not exceeding 3.15 accidents per 1 million vehicles.

In 2020, we spent almost RM6 million on highway maintenance for Grand Saga and Grand Sepadu to ensure the safety of our roads. Our highways undergo monthly inspections by the MHA as a part of the quality assurance process.

HIGHLIGHT SAFETY MEASURES

20 cameras installed along our highways provide 24-hour monitoring and allow real-time updates on road conditions to commuters via electronic message boards and social media.

Standard Operating Procedures require contractors and suppliers to provide temporary traffic management throughout the duration of their work.

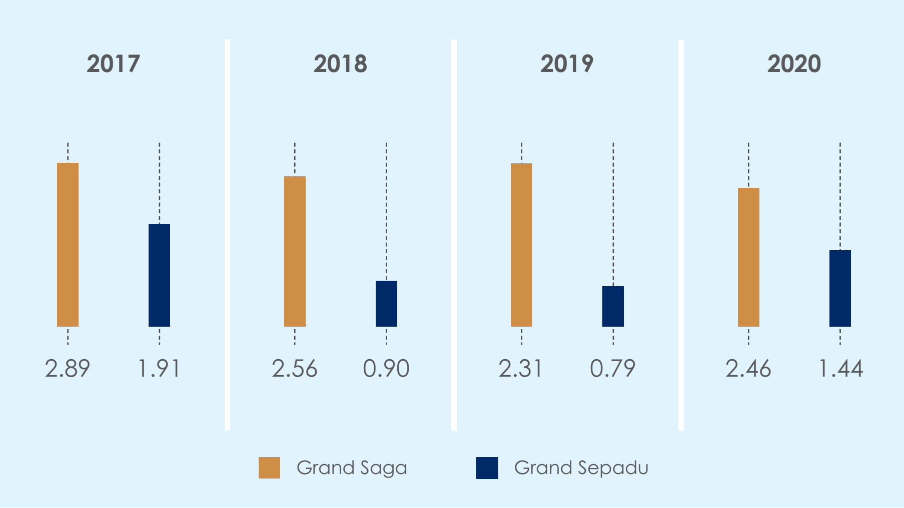
Our 24-hour highway patrol teams respond to incidents on our highways, providing first aid, traffic direction and coordination of emergency services, including free tow truck services.

As a highway operator, road safety is one of our key priorities. Over the Chinese New Year festive season in 2020, we collaborated with government agencies to conduct safety awareness programmes at the Grand Saga and Grand Sepadu highways. With the movement restrictions associated with Covid-19 preventing widespread travel for the remainder of 2020, safety programmes for festive seasons falling later in the year were deferred until restrictions are lifted.

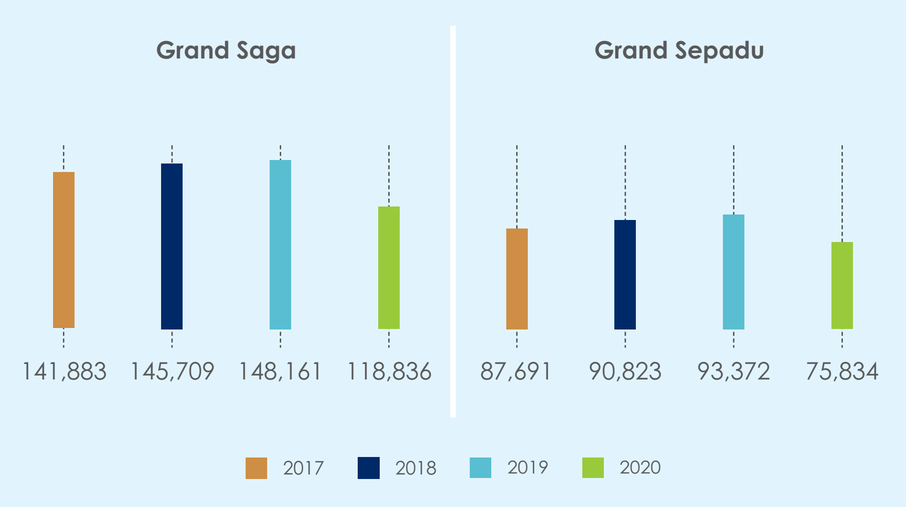
Ease of Use

Managing traffic congestion remains Taliworks' primary consideration in improving our customer experience, particularly as our highways generally see increased use year-on-year. To do so, we have collaborated with *Polis Diraja Malaysia* ("PDRM") on several initiatives: Implementing contraflow systems during peak hours, adjusting traffic signal timing, and raising the efficiency of toll collection using electronic systems supported by 24-hour standby teams. In addition, we provide traffic reports based on information collected by our 24-hour patrol team to enable users to plan their journey. We also supplement our efforts by providing shelter for motorcyclists, RSAs, petrol stations, and pedestrian overpasses along our highway. All these initiatives continued in 2020, despite the reduced number of road users due to Covid-19 movement restrictions.

HIGHWAY SAFETY PERFORMANCE
(accidents per million vehicles)



HIGHWAY USER PERFORMANCE
(vehicles per day)



Caring for Our Road Users

We strive to provide our road users with a seamless and safe experience on our highways. In 2020, we saw a significant decline in the number of complaints received regarding both the Grand Saga and Grand Sepadu Highways due to a decrease in road traffic as a result of the Covid-19 related movement restrictions.

We also saw a decline in road user satisfaction rates at our Grand Saga highway. Pre-pandemic surveys took place in a face-to-face setting, giving us the opportunity to respond to questions or queries immediately. This decline may be attributed to the fact that the survey was conducted fully online in 2020, removing the opportunity to engage in personal conversation.

To resolve all road user complaints effectively, our dedicated team manages a 24-hour hotline, multiple social media platforms, and a customer service email account.

We are grateful for the continuous support of our road users, and endeavour to showcase our gratitude in our business practices. Prior to the escalation of the Covid-19 pandemic, in 2020, we offered a festive season discount on all our tolls during Chinese New Year, resulting in a grand total of RM61,613 in user savings.

	2018	2019	2020
Road user satisfaction rates (%)			
Grand Saga	86	91	68
Grand Sepadu	62	54	79
Complaints received			
Grand Saga	99	52	40
Grand Sepadu	19	29	15

Complaints resolved within 15 working days (%)

Grand Saga

Grand Sepadu

100%

Ratings and Recognition

Maintained four out of **four star rating** from the MHA for both **Grand Saga** and **Grand Sepadu Highways** in 2020.

EXPRESSWAY PERFORMANCE INDICATOR

Grand Sepadu has been certified **Silver Rating** since 2019, while Grand Saga is awaiting the results of its audit conducted in 2019.

MALAYSIA GREEN HIGHWAY INDEX

Engineering and Construction

GUIDED BY
ISO 9001:2015

GUIDED BY
Quality Policy

GUIDED BY
Project Quality Plan

VERIFIED BY
One external audit conducted in 2020 for ISO 9001: 2015 re-certification

Product stewardship, as defined by our engineering and construction division, means providing top-notch customer service to our clients at every stage of a project, from project commencement to the expiration of the defects liability period. Our engineering and construction division specialises in water-related infrastructure projects, and the complex nature of our projects makes product stewardship especially important, as quality workmanship ensures functionality of the works as per the design and protects the safety of end users.

The execution of our projects is guided by a Project Quality Plan ("PQP") throughout the construction phase to ensure the quality of our completed projects. The PQP serves as a foundational reference point for us as we tailor our processes to meet the unique specifications of individual projects. Broadly, the PQP contains information such as client particulars, work process layout, and quality assurance procedures.

The main goal of adhering to the PQP is to provide deliverables that meet clients' requirements. We will rectify all defects that become patent during the Defects Liability Period ("DLP"). Upon expiration of the DLP and once all patent defects have been addressed to the client's satisfaction, the client will normally issue a Certificate of Making Good Defects to mark the end of our contractual obligations as to DLP. This systematic approach results in a better client experience and enhances the credibility of our organisation.

How We Ensure Project Quality and Satisfaction

- Submit Work Programme detailing planned sequence of activities for approval
- Monitor progress against Work Programme
- Engage regularly with clients to understand their needs and expectations
- Submit materials or component samples for approval
- Appoint only approved external providers with proven track record

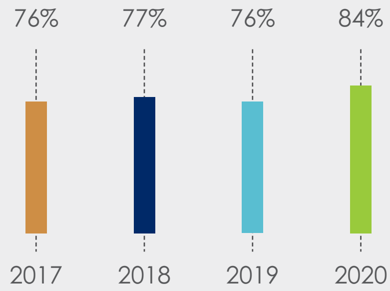
As a service-oriented organisation, Taliworks is committed to accommodating the unique needs of our clients. We understand that unforeseen circumstances require agility on our part to adapt to the changing needs of our clients. This was especially important in 2020, as we needed to work with clients to manage the business disruptions caused by the Covid-19 pandemic. This included deferring critical activities to accommodate delays by the client and slowing down construction activities to a pace that matched our client's limited cash flow.

Client Satisfaction

Client satisfaction is of paramount importance to Taliworks, and we are committed to developing transparent relationships that ultimately result in mutual trust. To do so, we provide multiple channels for open dialogue with clients and partners of our engineering and construction division, inviting feedback on project management, service quality and delivery aspects.

Client Satisfaction Surveys are also conducted, with a goal of achieving at least a 65% satisfaction rating. These efforts allow us to ensure that customer satisfaction is maintained throughout the lifecycle of a project. In 2020, we far surpassed our internal target, achieving an average client satisfaction score of 84%, which is the highest score we have received in recent years. Moving forward, we will continue to provide our clients with excellent service.

Average client satisfaction score



Waste Management

GUIDED BY
ISO 9001:2015

GUIDED BY
ISO 14001:2015

GUIDED BY
Quality and Environmental Policy

GUIDED BY
Occupational Safety and Health Policy

VERIFIED BY
Three internal audits in 2020, in addition to routine biannual scheduled waste management audits and quarterly health and safety inspections

Our waste management division recognises that the role we play in developing an effective waste management system includes not only the provision of reliable services, but also the cultivation of improved societal participation in sustainable patterns of consumption and disposal. Ultimately, through delivering both engagement and infrastructure, we hope to bring about sustainable practices in waste management across all levels of society.

Managing Our Operations

Taliworks' waste management operations span 28,500 km^2 and employs over 8,000 workers. The large scale of our operations demands that we manage them according to the highest regulatory and business standards. To do so, we ensure that our waste management fleet runs according to a set of specific mechanisms. We also use a command, control, communications, computers and intelligence ("C4I") system to manage our inventory, 'live' track our fleet, plan resources, fulfil our customers' collection and cleansing schedules and monitor our contractual agreements. To meet our business goals, we employ risk-based decision-making, daily monitoring, proactive action, incentive systems, and strategic target-setting to guide our daily activities.

Strengthening Nationwide Recycling Culture

Improving the public's perception towards waste management is crucial in our sustainability efforts, as effective waste separation and widespread participation is essential for strong recycling systems. SWM Environment strives to empower the community to improve their surrounding environments and enhance their well-being through several initiatives.

SINCE JANUARY 2020

317
STAKEHOLDER ENGAGEMENT ACTIVITIES

1,213
PUBLIC AWARENESS PROGRAMMES

23,707
PARTICIPANTS FOR STAKEHOLDER ENGAGEMENT ACTIVITIES

27,550
PARTICIPANTS FOR PUBLIC AWARENESS PROGRAMMES

RM6.7 million
VALUE IN PUBLICITY GENERATED

2,489
KITARecycle REGISTRATIONS

186,611
REWARD POINTS CAPTURED UNDER KITARecycle

88,488
KILOGRAMMES OF KITARecycle COLLECTION

3R Troopers

The 3R Troopers is a public educational programme created as part of a collaborative effort between Taliworks, the local government authority and the Ministry of Education. As part of this programme, talks, exhibitions, and workshops on reducing, reusing and recycling were conducted in schools, malls, and public areas to raise public awareness on the importance of waste separation at source. In 2020, 51,257 participants attended 317 3R Trooper engagement activities, collecting 331,232 kg of recyclable materials.

In responding to the Covid-19 pandemic, our 3R Troopers were equipped with the necessary Personal Protective Equipment ("PPE") including hand sanitisers, masks, safety shoes and gloves. We utilised remote conferencing platforms to conduct public awareness talks, and also maximised the use of social media platforms to conduct competitions. Any in-person awareness programmes held were compliant with *Majlis Keselamatan Negara* ("MKN")'s SOPs.

KITARecycle

The KITARecycle programme, originally launched as KITAR3cycle, operates via a mobile app with the aim of cultivating recycling habits by allowing users to exchange recyclable items for Recycling Points, which can be used to redeem goods. Launched in November 2008, as a strategic partnership with government agencies, industrial players, religious institutions, hotels and commercial spaces, the programme provides users with unique identity barcode stickers which can be attached to bags of separated recyclable items before depositing them at KITARecycle bins. Participants then receive Recycling Points in exchange for the recycled items, which they can cash out via e-Wallets and online banking platforms to be used at participating merchants.

Given the success of this programme and our intention to expand its capabilities using the digital platform, we launched an enhanced version of the KITARecycle app in May 2020. Administrative functions were brought in-house, with plans for performance improvements in the pipeline. We also expect to engage with numerous additional strategic partners in 2021. Under the KITARecycle programme, 88,488 kg of recyclable materials were collected in 2020 with 186,611 Recycling Points awarded to users in the database this year.

Zero Waste Community ("ZeComm")

In July 2018, we started collaborating with *Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam* ("SWCorp") to promote waste separation in low-cost housing communities within our network. Residents were taught to separate waste at the source prior to disposal and rewarded with stamps to redeem daily necessities at their respective housing communities' collection centre. As of 2020, the ZeComm Programme with SWCorp is ongoing, but collection centres were temporarily closed in February 2020 due to the Covid-19 pandemic.

Iskandar Malaysia Ecolife Challenge ("IMELC")

SWM Environment formed a partnership with the Iskandar Regional Development Authority ("IRDA"), *Universiti Teknologi Malaysia* ("UTM"), and *Jabatan Pendidikan Negeri Johor* ("JPNJ") in 2013 to raise recycling awareness among students in Johor. This initiative is part of IMELC's broader efforts to educate students on the importance of low carbon consumption. During the Covid-19 pandemic, the IMELC was conducted virtually via online platforms. School briefings, informational talks on environmental awareness, pre-judging, and final judging were all conducted using video conferencing and social media platforms. In 2020, the IMELC programme successfully collected 230 tonnes of recyclable materials via the participation of 546 schools and 55,000 students from across Johor.

World Clean-Up Day 2020

SWM Environment collaborated with SWCorp this year to organise simultaneous cleaning activities at service areas in Negeri Sembilan, Melaka and Johor. In addition, we partnered with Coca-Cola Malaysia at beaches across the country, in which 2,639 volunteers from government agencies, the private sector, learning institutions and non-governmental agencies participated to collect 8,070 kg of recyclable materials.

Pertandingan Kitar Semula Sekolah-Sekolah ("PerKISS")

In 2019, SWM Environment partnered with SWCorp and *Jabatan Pendidikan Negara* to host PerKISS in schools located in Johor, Negeri Sembilan, and Melaka. As part of this collaboration, SWM conducted recycling awareness and education campaigns, and collected recyclable materials from participating schools. In 2020, 14 schools in Negeri Sembilan participated in the PerKISS programme, with 12,956 kg of recyclable materials collected.

Caring for Our Customers

Waste management services have a profound impact on public health and safety, which is why we provide multiple channels for the public to voice complaints, lodge reports, or provide feedback on our services. These channels include email, a hotline call centre, social media platforms, and a national forum for waste-specific complaints. Customer feedback is managed by our *mResponz* Customer Relationship Management ("CRM") team, which uses pre-existing guidelines and frameworks for determining the legitimacy of a complaint and identifying appropriate solutions.

We establish target thresholds for the number of complaints received over the course of a year. These figures are revised annually based on historical data and input by our management and operations committee. Branch performances are assessed monthly against these targets based on threshold reports presented by the CRM at EXCO meetings, following which the operations committee will provide detailed feedback and action plans for improvement. In 2020, our goal was to stay within the target threshold of 1,061 public complaints. We met that goal by a large margin, recording only 720 complaints over the course of the year.

	2017	2018	2019	2020
Complaints received	- *	1,366	668	720
Complaints resolved within two-day period (%)	86%	80%	86%	98%

** Data for number of complaints received unavailable for 2017*

DIGITISATION AND INNOVATION

We recognise that investing in digitisation and innovation is crucial in ensuring sustainable business growth for Taliworks.

Digital technologies provide important tools to advance our services, drive sustainability within our operations and provide enhanced customer experience. We constantly work with stakeholders such as clients and regulators to identify avenues for digital strategies in areas such as data science, the Internet of Things, and cloud computing. These technological strategies allow us to generate long-term value for our stakeholders, while enhancing the resilience of our business.

Innovation, whether through business expansion, new product development or operational process improvements are vital aspects required for business evolution and growth. Taliworks' planned venture into the renewables market reflects our desire to pursue business growth with sustainability in mind.

In 2020 we made several enhancements to our digital network. These efforts include upgrading our security systems and providing new digital solutions such as virtual conferencing software and cloud storage, to allow our employees to safely work from home throughout the Covid-19 pandemic.

Renewable Energy

Taliworks' commitment towards driving sustainability is reflected in Taliworks' decision to venture into the renewables energy market. We recognise that renewable energy is very much a strategic opportunity that sits at the intersection where innovation, technology, sustainability, and business growth meet.

In 2020, Taliworks, through its wholly-owned subsidiary, Taliworks Renewables Sdn. Bhd. ("TRSB"), entered into conditional share sale and purchase agreements with respective vendors to acquire the entire economic interests in four solar projects in Selangor, Malaysia with an aggregate capacity of 19.0 Megawatt-peak.

The investment marks Taliworks' first foray into the renewable energy sector and will ultimately become a platform for the group to participate in future renewable energy-related projects.

Water Treatment, Supply and Distribution

Our water treatment, supply and distribution division focuses on adopting digital technology and innovation to enhance the efficiency of its operations. Currently, we are working with regulators and authorities to upgrade our management system, which will allow us to monitor our treatment plants in real time and quickly detect any instances of water quality non-compliance or reservoir overflows. We are also installing leak sensors throughout the water supply network to reduce water loss within our systems, which will lead to an overall improvement in distribution network efficiency.

Highway Toll Concessionaire, Operations and Maintenance Operator

Taliworks is actively working towards realising Malaysia's goal of implementing Multi-Lane Free Flow systems at all tolled highways in the country, with a particular focus on Radio Frequency Identification ("RFID") technology.

As part of the RFID toll collection system, road users are provided with RFID car stickers that contain a radio frequency chip. These chips are each registered to a specific vehicle and owner. As these vehicles pass through a toll, overhead scanners read the radio frequency emitted by each chip and deduct the corresponding toll fare from the vehicle owner's e-Wallet.

The RFID programme was first introduced to our highways in 2017 as part of a pilot programme and is now fully operational. At the Grand Saga Highway, a total of two RFID lanes are currently available at toll plazas. Meanwhile, the Grand Sepadu Highway has installed nine RFID lanes across four toll plazas.

Protecting Our Customers from Digital Risk

The emergence of new digital technologies presents exciting business opportunities, as well as new risks. To protect our customers and business against cybersecurity and other digital threats, Taliworks maintains a comprehensive set of information technology ("IT") policies aimed at managing and mitigating digital risks. New employees are informed about our IT policies as part of the induction process with additional IT security awareness briefings provided on a yearly basis. Group IT also routinely shares guidelines and advice for managing security-related IT issues and carries out simulation exercises to evaluate our employees' IT security awareness.

Waste Management

Our Waste Management division has continued its strategic collaboration with Solid Waste Management and Public Cleansing Corporation Malaysia ("SWCorp"), a regulatory body under the Ministry of Housing and Local Government. Efforts are underway to implement the National Solid Waste Management Policy via technology through the Command, Control, Communications, Computers and Intelligence ("C4i") Centre in Cyberjaya.

Implementing these technologies has enhanced our efforts to improve our waste management processes, enabling us to track our trucks in real-time and manage our operations with an integrated supplier payment. The C4i centre operates to provide important insight to monitor public complaints more effectively, enhance productivity along our value chain and ultimately contribute towards fostering the growth and sustainability of the waste management industry in Malaysia.

Our efforts to drive operational efficiencies saw continued progress this year. We undertook the following efforts to enhance the integrated technology systems we operate in partnership with SWCorp:

- Introduced the Integrated Inventory Data Centre System to strengthen inventory capture and improve sump measurement
- Implemented the Intelligent Work Scheduling System *("ijadual")*
- Developed Online Work Completion Report: integrating *ijadual* with the Automatic Vehicle Locator System and SWCorp's digital payment system
- Embedded an online ticketing system for work performance, monitoring and reporting
- Enhanced *mResponz* system to facilitate reporting to SWCorp

SUPPLY CHAIN

As part of Taliworks' commitment towards comprehensive regulatory compliance across our entire value chain, we maintain high expectations of supplier quality and integrity. Suppliers are selected through a stringent selection process that aims to build continued partnerships while facilitating healthy competition. Our Sustainability Procurement Policy encompasses responsible procurement in purchasing corporate equipment, encourages energy-efficient and environmentally friendly services, and advocates for the responsible disposal of products.

Quality in Our Supply Chain

Service Quality

Our suppliers are prequalified for criteria encompassing technical capacity, inventory, and past performance with regular assessments to gauge current performance upon approval

Competitiveness of Suppliers

We look for the most competitively priced materials, without compromising on regulatory compliance

Efficient Management

Our suppliers are expected to deliver according to plan, adapt to changes, and cooperate

TOTAL SUPPLIERS

2020 1,187

2019 987

PROPORTION OF SUPPLIERS THAT ARE LOCAL (%)

2020 100%

2019 99.5%

* *All suppliers for the year were local, ensuring that all procurement spending for the financial year directly benefited local businesses. Data for 2020 excludes Waste Management Division due to unavailability of data.*

Supplier Assessments

In order to maintain the quality of our operations and protect ourselves from risk, it is important that our contractors, sub-contractors and suppliers are equally committed to our quality, environmental and occupational safety standards. Our business divisions practise regular screening of suppliers according to their specific needs and business practices.

Division	Screening Practices	2020 Assessments
Group	All suppliers are assessed annually on their product and service quality and associated administrative services. Suppliers who do not meet our exacting requirements for service standards are identified and will not be engaged with.	47 suppliers assessed. Of these, one did not meet our expectations and was flagged as not acceptable for the awarding of any contract.
Water Treatment, Supply And Distribution	In evaluating suppliers' regulatory compliance, our water and engineering division upholds section 129 of the Water Services Industry Act 2006, requiring any supplier that provides equipment, devices and materials for use in water supply and sewerage services to list and register its products with *Suruhanjaya Perkhidmatan Air Negara* ("SPAN"). The division also requires that suppliers comply with all regulatory standards, including health and safety requirements, and provide a certificate of analysis. Suppliers are audited for their compliance with these requirements.	Five audits conducted in 2020.
Highway Toll Concessionaire, Operations and Maintenance Operator	Suppliers and contractors are assessed annually and rated as performing or underperforming based on criteria such as compliance to specifications, efficiency of delivery, response times, cooperation and support, as well as price competitiveness. In 2021 we will be enhancing the evaluation criteria to include occupational health and safety assessments.	216 suppliers were assessed in 2020, of which only two were identified as underperforming. Taliworks immediately ceased the request for quotation process from the underperforming vendors.
Engineering and Construction	Suppliers and contractors are subject to a pre-qualification exercise to assess a range of criteria, with performance assessments carried out regularly, depending on performance and completion of contract.	42 companies were assessed in 2020. Of these, five did not meet expectations and were either accorded with conditional approval or dropped from the List of Approved Sub-Contractors and Suppliers.
Waste Management	Prior to their engagement, suppliers and sub-contractors are evaluated based on general criteria during a site visit to suppliers' locations of operation. Sub-contractors are also monitored and evaluated on a periodical basis to ensure their performance according to concession agreement requirements. The objective of this evaluation is to assist the sub-contractors in improving their performance and meeting the national solid waste management and public cleansing privatisation objectives.	No audit was carried out for any suppliers in 2020. Instead, we carried out monthly evaluations to sub-contractors for collection and public cleansing services to ensure continued compliance to our internal criteria.

Environmental Purchasing Practices

At Taliworks, we believe that the decisions we make along our supply chain create multiple opportunities for us to act in accordance with our sustainability goals as an organisation. In making purchasing decisions, we endeavour to select products and services that leave a minimal environmental footprint, with examples of green purchasing activities across our supply chain including:

- Procuring paper with green certifications and made from elemental chlorine-free pulp
- Using biodegradable plastic bags
- Purchasing energy efficient light fixtures in line with Malaysia Green Highway Index ("MyGHI") guidelines.
- Purchasing energy-efficient equipment such as lighting pumps and motors

Taliworks continued to place sustainability at the heart of its decisions as we managed the Covid-19 pandemic. To reduce waste, the waste management division took a strategic approach by providing employees with washable, reusable cotton face masks instead of supplying disposable masks. This simple sustainable change meant Taliworks reduced mask consumption from an estimated 2,500,000 units of disposable face masks, to just 45,000 units of cotton face masks used over the course of 2020.

ENVIRONMENTAL PRACTICES

Taliworks is committed to minimising the environmental impact of our operations, and in line with our sustainability goals, we strategically manage our environmental footprint to create long-term value for our stakeholders and enhance our operational efficiency. Taliworks advocates for the efficient use of environmental resources in the procurement, production, and maintenance processes of our subsidiary companies, while making efforts to lead by example. Compliance lies at the heart of this commitment, ensuring that our operations meet the environmental stipulations outlined in our agreements with different regulatory bodies and authorities. These regulations serve as the foundation for our sustainability-related efforts, as they allow us to maintain the quality, safety, and reliability of our services. Regulations also hold us accountable to the environmental impact of our operations, by ensuring that we monitor and control parameters that measure direct and indirect environmental consequences.

Taliworks incorporates environmental management in the life cycle of every project, along the value chain of our operations, and across the Group's subsidiaries. The following represents the Group's top material issues pertaining to environmental management:

Noise Management
Monitoring and managing noise emission from Taliworks' operations

Resources Management
Tracking and maintaining efficient use of resources, such as energy and water, across all areas of operations and managing impacts in surrounding environments

Greenhouse Gas Emissions
Implementing environmental practices to manage and minimise air pollution and greenhouse gas ("GHG") emissions from across all areas of operations

Waste and Effluent Management
Monitoring and managing Taliworks' waste and effluents generated from Taliworks' business operations

Ecological Impact
Avoiding or reducing potential harm to sensitive species, habitats and ecosystems

Climate-related Disclosures

Guided by our key material topics, Taliworks understands the need to work towards more effective climate-related disclosure for greater transparency and to integrate this insight to better inform our longer-term decision-making processes. For maximum impact, actions we take must be aligned with the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD") as endorsed by Bursa Malaysia. Moving forward, our Sustainability Framework is being developed which incorporates aspects designed to better strengthen our sustainability oversight through enhanced governance and improved strategy towards climate-related matters. While we do not have a formal climate risk management process, climate change-related issues have been recognised as part of our risk identification processes at the division level.

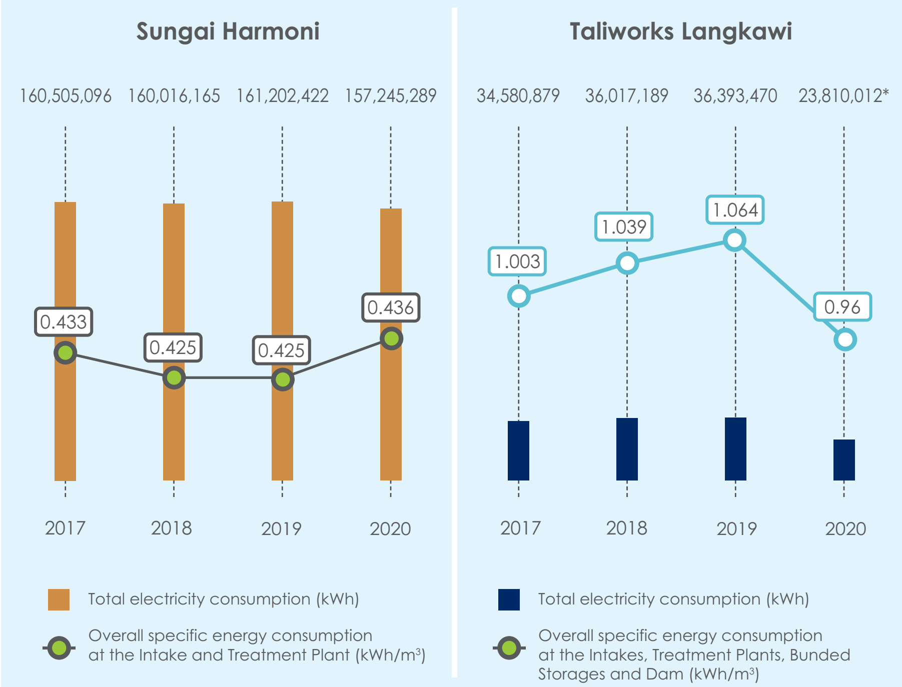
WATER TREATMENT, SUPPLY AND DISTRIBUTION

To ensure a reliable and consistent supply of water along the value chain, our water treatment plants require a continuous supply of energy and produce a regular output of water treatment residuals. To manage the environmental impact of our operations, our water treatment, supply and distribution division continuously monitors and manages our electrical consumption and effluent disposal practices at the Sungai Harmoni water treatment plant. We maintained these responsible practices until the point at which the Langkawi water treatment plant contract expired, and operational responsibility formally reverted back to the state.

Water Treatment Energy Consumption

Our water treatment plants operate on a round-the-clock schedule in order to provide our stakeholders with an uninterrupted supply of potable water. We recorded a slight increase in our specific energy consumption at Sungai Harmoni in 2020 and a decrease in specific energy consumption at Taliworks Langkawi.

WATER TREATMENT ENERGY CONSUMPTION



* Consumption from January 2020 to August 2020 only

Management of Water Plant Effluent

One of our top priorities at our water treatment plants is to manage the effluents and residuals released in the water treatment process in an environmentally responsible manner. Given the scale of our operations, we are committed to protecting local bodies of water and ensuring the wellbeing of the surrounding community in our operations. Our plants are fully compliant with the Department of Environment's ("DOE") effluent quality requirements, obtaining a Standard B rating. In addition, we also adhere to the waste disposal regulations and best practices outlined by the local authorities. Taliworks is fully committed to self-regulated compliance based on DOE requirements and is in the process of switching flocculants from alum to Polyaluminium Chloride as part of our efforts to reduce sludge production.

Extensive monitoring is frequently conducted to ensure compliance and reports on our effluent quality are regularly submitted to the DOE to ensure full transparency and accountability. In 2020 we recorded no incidents of non-compliance with effluent quality requirements.

All effluents and residuals generated as part of our water treatment process are disposed of efficiently at our in-house depository, or at approved external sites. In 2020, 100% of residue was disposed of at approved sites.

Description	2017	2018	2019	2020
Residue generated (MT)				
Taliworks Langkawi	969	1,253	1,159	1,191*
Sungai Harmoni	20,925	25,366	24,780	27,894
Effluent discharged (m^3) **				
Sungai Harmoni			4,739,069	1,351,642

* *Residue generated from January 2020 to September 2020 only, due to the handover of the water supply system in Pulau Langkawi back to the state.*

** *Effluent discharged data for Taliworks Langkawi in 2020 is omitted from disclosure due to the handover of the water supply system in Pulau Langkawi back to the state.*

Enhancing our Effluent Management

As part of our commitment towards effective effluent management, Taliworks is currently undertaking a RM18 million project to construct a mechanical dewatering plant at our SSP1 location, which is scheduled for completion in 2024. The mechanical dewatering plant will remove the water from the effluent generated at the SSP1 water treatment plants, allowing the residual material to be more safely transported for disposal and the water to be recycled for further use. As of 2020, we are in the midst of finalising the plant's design.

Monitoring Biodiversity

Our SSP1 plant serves as a habitat for the local ecosystem. Taliworks makes it a priority that our operations are carried out in harmony with the species that live there as part of our commitment towards sustainable and responsible growth. In order to find a solution for managing bird droppings, a site visit was conducted in November 2019. A total of 11 different species of water and open country birds were observed, indicating that our facility continues to serve as a functional habitat for the local ecosystem.

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

As a highway operator, one of our key mandates is to provide drivers and commuters with a positive user experience. We do so by ensuring that our service maintenance vehicles are sufficient in number and well-maintained, and by conducting annual air emissions analyses of our generator sets. We also perform monthly maintenance work on highway drainage systems to maintain efficiency, while ensuring that all effluents are tested and disposed of at MHA and DOE-compliant plants. All sewerage treatment plants meet regulatory requirements with effluent discharge readings tested on a monthly basis and reported to MHA as part of DOE requirements. Our highway maintenance protocols also include efforts to regulate and minimise any externalities that may be generated as a result of our operations.

Managing Highway Noise

One of the key externalities to arise from highway operations comes in the form of rising noise levels. The noise level of our highways is regularly monitored to minimise and control its impact on the surrounding communities. We also invest heavily in highway maintenance and routinely build infrastructure such as concrete noise barriers, to minimise the noise impact of our highways. In 2020, we invested slightly more than RM237,000 in pavement rehabilitation to replace worn-out pavements that generate more friction and noise.

Energy-Efficient Highway Fixtures

We are on the constant lookout for ways to introduce energy-efficient infrastructure into our highway operations. One area of opportunity we have identified is to replace all highway and toll plaza light fixtures with energy-efficient alternatives. Currently, we are installing energy-efficient LED lights across all our highways in phases. In 2020, Grand Saga awarded a contract to implement solar-powered systems at the Batu 11 Toll Supervision Building. Currently, we are submitting applications to the relevant authorities for approval in relation to the income tax exemption and investment tax allowance for Green Technology Project tax incentives before installation.

ENGINEERING AND CONSTRUCTION

A sustainable approach to engineering and construction enhances the efficiency of the Group's projects while minimising our impact on surrounding ecosystems. We take a proactive approach to managing the environmental impact of our construction activities, while making sure to execute projects that exceed client expectations.

Managing Construction Waste, Effluent and Surface Runoff

To guide our efforts as we undertake sustainable construction practices, the division has established performance targets to track and manage resource waste within our operations. In 2018, we created an internal target to maintain construction waste levels at below 5%. We continue to look for opportunities to reduce construction material wastage, such as by proposing steel bar layouts that minimise the use of resources without compromising on structural integrity.

Managing effluent and surface runoff forms another tenet of our sustainable construction strategy. In order to do so, we institute siltation and sedimentation controls by constructing silt fences, covering exposed slopes, and by monitoring the quality of storm water discharge at our construction sites to ensure that they meet standards established by the DOE and client. In 2020, we recorded zero incidents of effluent discharge exceeding compliance quality requirements.

Managing Construction Noise

Noise is yet another factor to consider as we monitor the environmental impact of our construction projects. In order to comply with DOE regulations, noise and vibration measuring stations are placed at project site boundaries, with measurements taken over a 24-hour cycle on a monthly or quarterly basis. The goal of noise and vibration level monitoring is to ensure that these externalities do not exceed regulatory limits. In 2020, the highest recorded noise and vibration levels of our construction projects were well below regulatory thresholds. This was further reflected in that fact that we received no noise complaints across all our projects over the course of the year.

Mitigating Ecological Impact

To manage the ecological impact of our construction projects, we create and implement a bespoke Environmental Management Plan ("EMP") for each project site. To ensure effective monitoring, baseline parameters for air, noise, and water quality are measured and recorded prior to the commencement of physical construction work. Adherence to the EMP is overseen by an Environmental Officer, with the support of workers who are trained to monitor and manage the aspects outlined in the plan. The CJR4 project also employs an independent professional consultant to carry out environmental monitoring at site. The consultant is additionally tasked with submitting Environmental Quality Report at prescribed intervals and conducts environmental audit twice a year.

Creating and following the guidelines of an EMP is an end-to-end process that takes place in phases over the course of a project's life cycle. In the pre-construction phase, site surveys are conducted to establish baselines, assess areas of potential impact, and determine placement of controls. During the construction process, the EMP oversight encompasses site supervision, controls management, and parameter monitoring. Control measures are in place to ensure proper adherence to the EMP. In the event of non-compliant readings, corrective actions are undertaken to mitigate any risks of further damage. We will endeavour to conduct a final environmental audit just prior to project handover as an assurance that the completed works are in compliance with environmental standards stipulated in statute or in the contract. Upon the completion of a project, our team conducts a thorough site cleaning to remove any debris and construction waste materials present on-site. A Project Closure Audit is then prepared to provide a full summary of environmental considerations and monitoring results obtained as part of the project.

Before physical work commenced at our CJR4 project site, a qualified arborist was hired to study the trees and other plants that would be impacted by our pipeline construction work in the township of Cyberjaya. To preserve the landscape ecosystem, the arborist recommended replanting of trees of the same species that would be felled during the pipelaying works.

WASTE MANAGEMENT

Responsible waste management is crucial in maintaining the health, safety and well-being of the communities in which we operate. To ensure that our efforts generate long-term value for our stakeholders without undue ecological impacts, our waste management division makes a concerted effort to minimise the environmental footprint of its operations. Our waste management operations largely take place on-the-road, particularly where it involves household waste collection.

Reducing Emissions

In order to minimise the emissions produced by our vehicles, we ensure that our collection fleet is frequently maintained according to its service schedule. Our regular fleet maintenance schedule is supplemented by our efforts to select lubricant oil and tires that provide optimum performance. This allows our fleet to operate with maximum fuel efficiency.

We leverage GPS technology to plan fleet routes and enhance operational efficiency. GPS systems have been installed in 1,130 waste collection vehicles. Fuel sensors have also been installed to allow us to monitor inefficient or hazardous driving patterns such as harsh braking and speeding. To optimise fleet efficiency, fuel skid tanks are positioned at strategic locations within our operating areas to allow vehicles to refuel along routes and maximise our waste collection coverage area.

Vehicle Leachate Management

Managing vehicle leachate is also crucial in our efforts to meet our environmental objectives. Our waste management division has established a zero public complaints target to manage leachate spillage from our collection vehicles. A dedicated team has been established to monitor and manage leakages from our subcontractors' fleets and ensure that leachate spillage does not occur along our collection routes. In the event of a leachate spillage, water jetters are used to clean up the spill, while a backup vehicle is dispatched to replace the vehicle that encountered leachate spillage.

Preventing Vehicle Leachate

Daily inspections of vehicle and leachate tank conditions. As part of our waste collection operating protocols, drivers are required to inspect vehicle and leachate tank conditions at the start of every working day

Daily vehicle washing to ensure leachate on waste trucks is removed and managed according to environmental regulations.

Regularly inspecting aging bins for leaks or cracks

HUMAN CAPITAL

At Taliworks, we are committed to caring for our employees. We consider employee welfare our foremost priority, making sure to create a safe, rewarding work environment that brings out the best in every individual employee. To create a happy and committed workforce, we provide our employees with comprehensive benefits, fair and competitive remuneration, and a supportive workplace to maintain their well-being. Understanding that growth is invaluable in one's career, we also provide every employee with equal opportunities to grow in their respective careers, regardless of their gender, age, or ethnicity. Safety comes first at Taliworks, and this is reflected in our commitment towards maintaining a safe workplace by minimising exposure to health and safety hazards.

ENGAGING WORKPLACE

As an organisation that cares for its employees, we believe that an engaging workplace is a central component of employee welfare, as it creates a sense of purpose and belonging for every individual. This in turn allows employees to derive greater happiness from their careers and to better support the vision of our organisation. To that end, we take an active approach in creating an engaging workplace that facilitates the personal and professional development of every single employee.

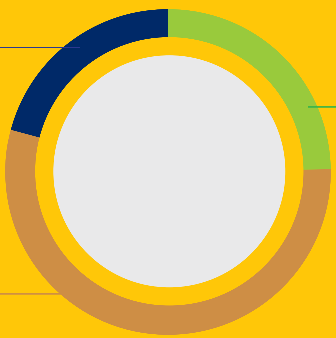
TOTAL NUMBER OF EMPLOYEES 8,630

Employees by gender

1,223
14%
FEMALE

7,407
86%
MALE

Percentage of employees by age group (%)



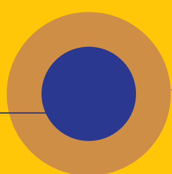
1,776
20.6%

2,144
24.8%

4,710
54.6%

- <30
- 30-50
- >50

Percentage of women in management by position (%) at Board Level and Senior Management (General Manager and above)



BOARD
12.5%

SENIOR MANAGEMENT
21.7%

Diversity and Inclusion

Taliworks is an infrastructure conglomerate with multiple areas of operations. As such, we believe in bringing out the diverse talents of our employees, regardless of their backgrounds. We strive to provide employment opportunities to individuals of all personal and professional backgrounds, including gender, age, race, technical skills and prior experience. Our motivated, vibrant, and qualified workforce illustrate the positive impact of our equal opportunity practices, merit-based hiring and career progression opportunities. These policies are based on standards established by the relevant authorities and adapted to the specific needs of our group.

Employee Engagement

Taliworks believes that employee welfare is essential to both employee well-being and the productivity of our workforce. To build a happier and stronger workforce, we therefore ensure that our employees benefit from initiatives that promote a healthy work-life balance, improve workplace cohesion, raise retention rates, and strengthen both management-operations and peer-to-peer relationships. Open communication is encouraged and frequently conducted over digital channels and in-person via engagement sessions and face-to-face discussions. To ensure that our employees enjoy benefits that are relevant, the human resources department of each division manages employee incentives based on their respective needs. In 2020 we recorded attrition rates of 12.5% and 17.0% for our female and male employees, respectively.

To support employees and to encourage a stronger sense of community, particularly throughout the Covid-19 pandemic in 2020, Taliworks launched Project Inspire, an e-newsletter that focuses on personal growth and well-being. Intended to inspire, educate and connect employees, Project Inspire covered a broad range of topics, such as ideas on how to stay connected despite being physically apart, cancer awareness, fitness tips, and career growth avenues. These topics were thoughtfully curated to empower employees with the means and knowledge needed to take charge of their personal development and happiness.

Training and Development

To equip employees with the skills needed to contribute productively within a rapidly evolving industry, we frequently provide training opportunities for our employees by enrolling them in industry-specific training programmes. To adhere to quality management standards, relevant employees are provided with training on ISO 9001, ISO 17025, and ISO 14001. Furthermore, we recognise the importance of career development for our employees and make efforts to provide training opportunities that promote internal knowledge transfer between the four key divisions of our Group.

Group-wide training efforts are centred around cultivating a sense of purpose in our employees to contribute towards the overall growth of our organisation. Functional, behavioural, and leadership programmes are carried out as part of these efforts, while individual divisions conduct supplementary training programmes to meet their specific needs.

In 2020, Taliworks Langkawi oversaw the handover of the water supply system in Pulau Langkawi back to the state. For the Disengagement Team, which oversaw the transition, supporting our employees during this period of transition was key. The Disengagement Team worked closely with SADA to resolve employee-related issues, and was able to ensure that most employees were retained by SADA. Individuals who were not able to remain were provided termination benefits in accordance with the provisions of the Employment Act.

Training Highlights

As much of our training requires hands-on engagement, there were limited opportunities in 2020 for employee training owing to our mandatory compliance with social distancing requirements. As the pandemic continues, we aim to optimise training and development through utilising digital-learning platforms in the coming year. This will allow employees to take ownership of their professional development. Emphasis will be placed on improving soft skills, thinking skills, and digital skills.

The following table presents an overview of the standard training themes covered by our divisions in typical years.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Employees are trained according to the key performance indicators set by SPAN and ISO.

Types of training include Confined Space Competency Programme, NDTS, regulatory, operational, and ISO Certification.

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Employees are trained in Health & Occupational Safety modules, safety awareness and basic occupational first aid to be able to administer care during emergencies.

Customer service training is also conducted for employees, while contractors undergo annual refresher courses on relevant topics.

ENGINEERING AND CONSTRUCTION

Employees are trained in the areas of leadership development and/ or technical aspects.

Technical training includes construction contract management, engineering design (elementary level), management systems, and effective communication.

Environmental, safety and health training such as environment management, project safety planning and explosive blasting management planning are typically conducted on-site.

WASTE MANAGEMENT

Employees are trained in customer service including the use of the *mResponz* app as well as in basic management and ISO standards awareness.

In technical aspects, employees learn software development skills, business intelligence, and are also certified with professional industry certifications such as the Course for Certified Environmental Professionals in Leachate Treatment Plant Operations ("CePLTPO").

Safety and health training encompasses basic first aid and CPR, emergency preparedness and response, safety talks, fire drills, and chemical spillage and evacuation.

The technical nature of Taliworks' operations offers ample opportunities to upskill our workforce and provide them with the tools needed to contribute effectively to the Group's performance. For example, our water treatment, supply and distribution division and our waste management division participate in NDTS, which allows its employees to develop their technical capacity and industry preparedness through a combination of theoretical information and real-world experience in the workforce. Upon successful completion of the programme, team members receive the Malaysian Skills Certificate from the Department of Skills Development, which provides them with formal recognition of their expertise. In 2020, Sungai Harmoni and Taliworks Langkawi successfully trained 18 employees via NDTS and 13 employees via the *Pengiktirafan Pencapaian Terdahulu* accreditation scheme.

We also make an active effort to recognise efforts made by our employees to enhance their knowledge and skills and are appointed as a Practical Assessment Centre ("PAC") by the Department of Skills Development for their Recognition of Prior Achievements ("RPA") programme, whenever necessary. In January 2020, six lab employees undertook the practical exams.

In 2020, our Waste Management division introduced a Trainer-Driver programme, appointing a trained and experienced driver in each region to coach all employed drivers within their geographical remit. With the guidance provided by the trained and experienced mentor, drivers were better able to carry out their roles safely, resulting in a reduction of accident cases involving company vehicles during the second half of the year.

Training and Development Statistics

	2019	2020
Employee training and development expenditure (RM)	1,071,434	99,982*
Employee attendances at training programmes	5,680	7,855
Employees who received performance review (%)	>90%	>90%
Total number of training hours completed	30,097	30,114
Average training hours per employee	5.29	3.83

* *Reduction in training expenditure in 2020 was largely due to the impact of the Covid-19 pandemic, as most training must be conducted in person for hands-on experience. Many external training providers postponed their training sessions due to restrictions enacted in response to the pandemic.*

HEALTH AND SAFETY AT WORK

For Taliworks, the health and safety of our employees and contractors is our number one priority. To keep our employees safe, we comply with regulations established by the Department of Safety and Health ("DOSH"), as well as relevant global standards and systems (refer to the Ethics section on page 67 within this Sustainability Statement for list of standards). Our robust health and safety practices are enforced through regular monitoring and review. In the event of any protocol violations, corrective action is taken immediately to mitigate risks.

To ensure that all employees are prepared for fire-related emergencies, the Building Management team at our Group corporate office frequently conduct fire and evacuation drills. Regular site inspections are also carried out to ensure that our premises comply with the Fire Department's safety standards.

Water Treatment, Supply and Distribution

The water treatment process releases effluents and residuals that present health and safety risks to different stakeholders across our value chain. To minimise these risks and challenges, we ensure that our health and safety practices are fully compliant with the regulations established by SPAN, DOE, MOH, and DOSH. We also review our internal procedures and protocols on an annual basis to ensure continued relevance and effectiveness.

Highway Toll Concessionaire, Operations and Maintenance Operator

In 2017, a Safety and Health Committee was established to monitor the effectiveness of the division's health and safety processes and provide regular updates to the management committee. The Committee collaborates with the management team to address potential areas of concern and ensure that the division's health and safety practices remain fully compliant with MHA's regulatory requirements.

Employees who work on-site on highways (be it traffic personnel or toll booth operators) are provided with PPE and provisions that safeguard their well-being at work. In 2020, the Group's total PPE expenses totalled RM3,296 at Grand Saga, and RM5,525 at Grand Sepadu.

As part of our commitment towards health and safety, we have moved beyond minimum compliance towards more extensive efforts to maintain the safety of our employees. In 2019, we began conducting safety briefings at the start of each working day as part of our operations control protocol. We also make a conscious effort to minimise the amount of time contractors spend on busy highway sites by providing extensive safety briefings prior to the commencement of a project. Annual training sessions are conducted to provide contractors with updates on safety requirements, while refresher courses are conducted bi-annually. We also routinely provide external training programmes for senior employees to strengthen the culture of health and safety within the organisation.

Ensuring Contractor Safety

Taliworks takes health and safety seriously across all aspects of its operations and has implemented internal controls to ensure contractor safety over the course of the pandemic. To do so, we ensure that all work conducted along the highway complies with the Temporary Traffic Management Guidelines enacted by the MHA. Contractors are also required to submit an application to the Maintenance and Engineering Department containing details on their insurance policy, traffic management plan, work programme, and work methodology. Workers are also required to attend daily road safety briefings and adhere to MOH guidelines while working on-site.

Engineering and Construction

Taliworks' commitment to workplace safety and regulatory compliance is outlined in our Health, Safety, and Environmental Policy. This commitment extends to include all employees and subcontractors at all our project sites. The engineering and construction division implements safety measures based on regulatory requirements, with compliance enforced by trained safety supervisors and officers at our construction sites. Safety and Health Committee meetings are conducted monthly to ensure that all projects uphold health and safety regulations. These efforts are supplemented by periodic independent checks by the DOSH, as well as regular internal audits conducted by trained safety personnel.

Our safety personnel ensure complete adherence to safety protocols on all our projects. This is accomplished through the creation of project-specific safety manuals, effective monitoring, and by providing regular updates to our internal stakeholders and clients. Employees who work on-site are provided with appropriate channels to voice their feedback and recommendations to the management team, which are then used to enhance our work safety practices. All recommendations are highlighted during our Toolbox Meetings and in our monthly reports. We also frequently organise health and safety engagement sessions to serve as an additional communications platform. Our health and safety programme covers Cyberjaya Reservoir ("CJR4"), Langat 2 Package 7 ("L2P7") in Selangor and Ganchong Package 3A ("GP3A") in Pahang.

Waste Management

To ensure that all employees and subcontractors in our waste management division are updated and compliant with health and safety regulations, safety briefings are frequently conducted. Efforts to maintain stringent health and safety standards throughout the organisation are overseen by 31 safety committees (OSHE Committees), comprising 30 sub committees at the regional or district level and one OSHE Main Committee based at our headquarters in Kuala Lumpur. The OSHE Committees meet once per quarter to provide updates on relevant incidents, share key takeaways, and collaborate on creating division-wide health and safety best practices. The OSHE Committees report regularly to the OSHE Main Committee.

Key activities carried out by the OSHE Committees in 2020 included noise and chemical health risk assessments, pilot projects to trial safer workflows, and workplace inspections. In 2020, we conducted 82 health and safety sessions encompassing on-site briefings, emergency drill training, in-house training, and safety-at-work with some programmes conducted by reputable external parties. We also carried out site inspections, contractor safety audit programmes and quarterly workplace inspection at every regional office, district office and depot as required by OSHA 1994.

Beyond making efforts to enhance the safety of our work processes, we also work closely with the Social Security Organisation ("SOCSO") in Malaysia to boost employee awareness on potential hazards at the waste collection fleet's depot. This year, we organised the MKN Standard Operating Procedures ("SOP")-compliant road safety event in partnership with SOCSO in Kluang, Johor, while quarterly inspections continued, with a total of 125 workplaces inspected.

Safety Performance

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Description	2018	2019	2020
Sungai Harmoni			
Cumulative Man-hours without Lost Time Injury (hours)	321,200	315,360	341,114
Lost Time Injury Rate ((number of injuries/ number of hours worked)x200,000)	0	0	0.59
Number of Injuries	0	0	1
Number of Lost Days	0	0	41*
Fatalities	0	0	0
Taliworks Langkawi			
Cumulative Man-hours without Lost Time Injury (hours)	376,673	422,372	688,097.25
Lost Time Injury Rate ((number of injuries/ number of hours worked)x200,000)	0.53	1.42	0
Number of Injuries	1	3	0
Number of Lost Days	6	182**	0
Fatalities	0	0	0

* *One minor injury occurred during cleaning works.*
** *One minor injury occurred within the water treatment plant and two road accidents occurred outside of the water treatment plant, collectively contributing to the high rate in 2019.*

ENGINEERING AND CONSTRUCTION

Description	2018		2019		2020*		
	L2P7	GP3A	L2P7	GP3A	CJR4	L2P7	GP3A
Cumulative man-hours without lost time injury (hours)	360,744	381,136	541,168	563,824	109,200	557,904	563,824
Lost Time Injury Rate ((number of injuries/ number of hours worked)x200,000)	1.11	0	0.37	0	0	0	0
Number of Injuries	2	0	1	0	0	0	0
Number of Lost Days	0	0	0	0	0	0	0
Fatalities	0	0	0	0	0	0	0

* *Safety performance for L2P7 and GP3A remain as reported in 2019 as there were no physical works done in 2020.*

WASTE MANAGEMENT

Description	2018	2019	2020
Cumulative Man-hours without Lost Time Injury (hours)	15,176	8,640	12,832
Lost Time Injury Rate ((number of injuries/ number of hours worked)x200,000)	-*	-*	1.21
Injury Rate (case rate per 1,000 employees)	19.3	15.3	15.1
Lost Day Rate (day rate per 1,000,000 hours)	106.3	56.1	78.6
Fatalities	0	0	0

* *Data not tracked in 2018 and 2019.*

COMMUNITY CONTRIBUTION

Taliworks cares deeply about the communities in which it operates and makes an active effort to contribute towards these communities in impactful and meaningful ways. We understand that fostering long-lasting relationships is crucial towards bettering the community as a whole, which in turn allows Taliworks to grow in a sustainable and responsible manner. Taliworks contributes to the communities surrounding our operations by identifying areas of synergy between each division's unique area of influence and the needs of the community. Given the broad geographical and industrial scope of our operations, we are able to give back to multiple communities, driving shared value and growth.

Community Engagement Highlights

OVER **RM1.6 million** TOTAL COMMUNITY INVESTMENT 2020

RM1 million Donated to The Edge Media Group's Covid-19 Equipment Fund

Employee Volunteering Hours

948 hours

by **5,057** total volunteers participating in community initiatives in 2020

Offered toll discounts amounting over
RM60,000
for road users

Distributed **mandarin oranges** to road users during the Chinese New Year festive season

Ran a **"Food Basket" programme to** provide nutritional meals to benefit the underprivileged

Contributed
RM27,200
worth of cattle in conjunction **with *Hari Raya Aidiladha* celebration**

Contributed food related items to nine different homes benefitting **750 orphans and elderly folk**

EMPOWERING VOLUNTEERISM

SWM Kasih is SWM Environment's corporate social responsibility entity that makes contributions to local communities through volunteer work, as well as material and monetary contributions.

Taliworks believes in the importance of volunteerism as a means of bringing our employees and the community together. We facilitate employee participation in volunteerism by hosting various community programmes over the course of a year. Through these events, we hope to promote generosity and empathy as an organisation-wide practice. Examples of such efforts included the Books for Love Book Drive, through which funds were raised for four children's homes in Selangor via a book drive and sale. A book donation event was also hosted at the Good Samaritan Home in Klang. In December late 2019 and early 2020, towards the beginning of the Covid-19 pandemic, additional books and care packages, consisting of face masks and hand sanitiser were delivered to three other children's homes including House of Joy in Puchong, Trinity Children's Home in Petaling Jaya, and *Rumah Bakti Nur Ain* in Bangi.

In 2020, SWM Kasih recorded a total of 948 hours contributed by 5,057 volunteers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad which requires the Board to include in this Annual Report a statement about the state of risk management and internal controls of the Company and its subsidiaries ("Group").

To enable the Group to achieve its objectives; the Group has over the years established written and formal processes, policies and structures in governance, risk management and internal control. Risk management and internal control are embedded within the governance framework.

1.0 GOVERNANCE

- The Board is responsible for identifying and managing principal risks (both current and emerging) by establishing a sound risk management framework and in maintaining an appropriate system of internal controls within the Group including ensuring the effectiveness, adequacy and integrity of this system.

- Because of the inherent limitations, the risk management framework and system of internal control were designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the risk management framework and the system of internal control can only provide reasonable but not absolute assurance against any failure by the Group to meet its business objectives or to detect material errors, losses, fraud or breaches of laws, rules or regulations.

- Accompanying the maintenance of an appropriate system of internal control, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and is generally in line with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which is intended to guide directors of listed issuers in making disclosures concerning risk management and internal control in their company's annual report.

- The assessment of both the risk management and internal control are undertaken by the Audit and Risk Management Committee ("ARMC") which reports its findings to the Board. Whilst the ARMC has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by the Group Internal Audit, an in-house internal audit function which provides an independent assessment and relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review.

- In respect of the risk management function, this role is undertaken by the Risk Management Working Group ("RMWG") which reports its findings directly to the ARMC. In accordance to its terms of reference, the RMWG is chaired by the personnel designated as the chief executive officer or the executive director of the company and shall consist of no fewer than three other members, comprising the following: -

  (i) the personnel designated as the chief financial officer of the Group; and

  (ii) such any other directors and officers of the company and/ or the Group as may be determined by the Board and/ or the ARMC.

  For the year under review, members of the RMWG comprise the Executive Director as the chairperson, a non-Executive Director, the Chief Investment Officer and the General Manager, Group Finance.

1.0 GOVERNANCE (CONT'D)

- The ARMC reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the Group Internal Audit. The RMWG is also tasked to evaluate the risk management policies and processes adopted and risk management reports submitted by the joint ventures.
- In situations where the Group does not have full management control over associates that contribute significantly to the Group, the Group Internal Audit will seek the collaboration of the internal audit function of the associates to evaluate the system of internal control of said associates. Presently, risk management reports by major associates are submitted to the RMWG for deliberation and review.

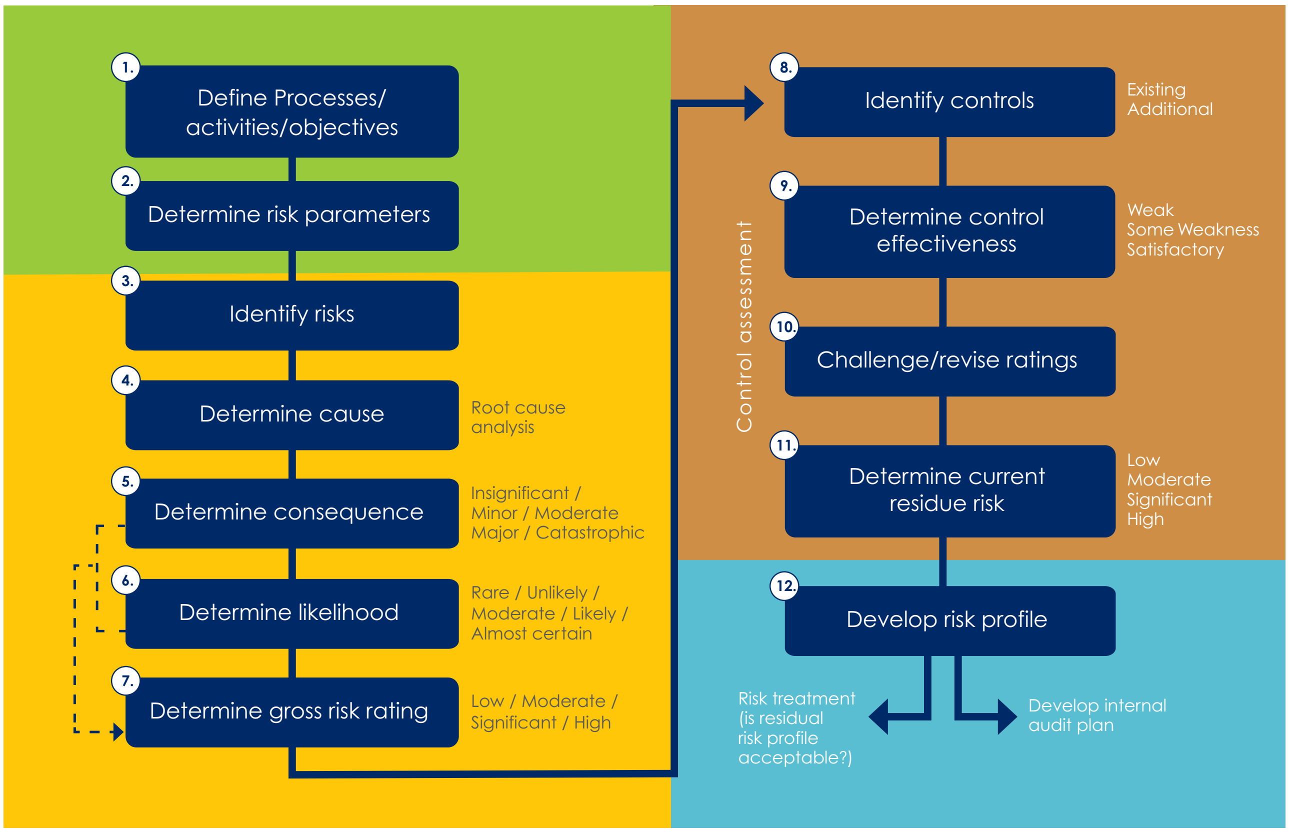
2.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK

(a) Adoption of an Enterprise Risk Management ("ERM") Framework

The Board has established the ERM Framework for the Group by adopting the Risk Management Policy and Guidelines Document. This framework consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially undermine the achievement of the Group's business objectives both now and into the future.

(b) The Key Steps Undertaken in the Risk Management Process

The following summarises the key steps undertaken by the Group in identifying, measuring, controlling, monitoring and reporting of risks under the ERM Framework: -



2.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

(b) The Key Steps Undertaken in the Risk Management Process (Cont'd)

- Risk Profile and Risk Register are prepared for the purposes of identifying, evaluating, monitoring, managing and reporting of risks. In this respect, risk owners are responsible to determine the risk parameters, identify the risks, determine the causes, consequences and likelihood of occurrence to arrive at the Gross Risk Rating.

  Thereafter, risk owners will identify appropriate controls that are in place and any additional controls to be implemented and determine their effectiveness to arrive at the Residual Risk Rating. Risk owners will then decide on the risk tolerance level to either terminate, reduce, accept or pass on the risks. Where appropriate, the Group Internal Audit will develop their internal audit plans around the risks identified.

- The Risk Profile and Risk Register are updated by the risk owners twice in a year to ensure that the risk management process remain robust and the Risk Profiles and Risk Registers remain relevant. Risk owners will update in the Risk Register the action plans taken or to be taken to mitigate the risks identified.

- The risk owners, who are normally at the operational level, will report the status of risks to the head of business units who then collates and summarises the risks to be briefed to the RMWG on a bi-annually basis.

- This risk management process is an on-going process undertaken by the Group and such process has been in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

(c) Main Features of the ERM Framework

- The main features of the Group's ERM Framework involve the following key processes: -

  (i) The management develops, operates and monitors the system of internal controls to address the various risks faced by the Group and its major joint-ventures and associates;

  (ii) A database of all risks and controls is maintained and updated, and the information filtered to produce detailed Risk Registers and individual Risk Profiles. Key risk areas are identified and scored for likelihood of the risks occurring and the magnitude of the impact;

  (iii) Risk assessment reports are submitted bi-annually and briefed by the various heads of business units to the RMWG in a meeting where the following are reported: -

    (a) the current status or new developments in any of the risks identified;

    (b) any changes to the Risk Profile including new or removal of risks that were previously reported and the reason(s) thereof;

    (c) any new or additional controls that have been put in place to mitigate the risks; and

    (d) the status of action plans to address each of the risks by the risk owners. Specific action plans and the timeline for the action plans to be implemented are documented in the Risk Registers by the risk owners.

2.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

(c) Main Features of the ERM Framework (Cont'd)

The head of the Group Internal Audit attends such briefings.

(iv) The meetings of the RMWG are held prior to the ARMC meetings. The RMWG, through the General Manager, Group Finance, reports its findings to the ARMC which then reports to the Board;

(v) All updated Risk Profiles and Risk Registers are tabled to the ARMC after they had been considered and deliberated by the RMWG;

(vi) Annual re-assessment of risks is conducted selectively at operational sites by the General Manager, Group Finance, representing the RMWG together with the risk owners where existing controls are verified to ensure their validity and evaluations are conducted to determine their effectiveness.

- Currently, risk management covers the all core businesses of the Group (including its major joint-ventures and associates) namely the operation, treatment and maintenance of water treatment plants and distribution facilities, engineering and construction division, toll management division and waste management.

(d) Risk Matrix

To ensure that the assessment of risk management can be applied consistently across all core businesses, the RMWG has adopted the following Risk Matrix. No revisions were made to the Risk Matrix during the year.

Risk Rating					
Impact / Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Significant	Significant	High	High	High
Likely	Moderate	Significant	Significant	High	High
Moderate	Low	Moderate	Significant	High	High
Unlikely	Low	Low	Moderate	Significant	High
Rare	Low	Low	Moderate	Significant	Significant

Likelihood of Occurrence	
Description	**Risk Likelihood Description**
Almost Certain	Happens frequently
Likely	Likely to occur
Moderate	Might occur. Happened before but very rare
Unlikely	Unlikely to occur. Happened before but extremely rare
Rare	Has never occurred before and is not expected to occur

2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(d) Risk Matrix (Cont'd)

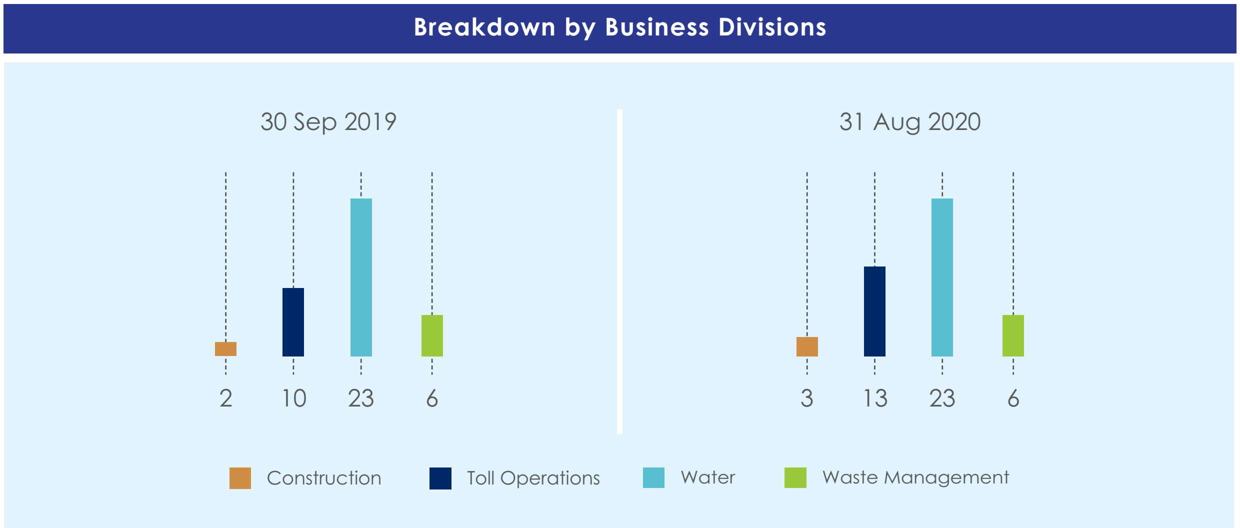
Magnitude of Impact		
Description	**Financial Considerations** % of Budgeted EBITDA	**Non-Financial Considerations**
Catastrophic	> 75%	• Reputation/ Image • Service/ operations disruption • Business continuity • Project delay • Damage to life, property, environment • Management involvement
Major	50-75%	
Moderate	25-50%	
Minor	5-25%	
Insignificant	< 5%	

Although the assessment of the Likelihood of Occurrence and Magnitude of Impact maybe subjective in nature, nevertheless the description thereto provide guidance to the risk owners to ascertain according to their best judgement and knowledge (i) the likelihood that a risk event will occur or has occurred and (ii) the level of impact of the risk based on both financial and non-financial considerations.

There may be certain circumstances where the non-financial criteria of a particular risk was given higher consideration than the financial considerations e.g. where it involves reputational risk which is hard to quantify. Once the Likelihood of Occurrence and Magnitude of Impact have been ascertained, they will be mapped to determine the Risk Rating.

(e) Specific Risks Identified

- During the year under review, the risk profile of the Group as at 31 August 2020, being the latest date for a risk assessment was undertaken, is summarised below:



The increase in the number of risks was mainly due to the additional risk on the Covid-19 pandemic impacting the relevant business divisions.

2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(e) Specific Risks Identified (Cont'd)

- At the Group level, the individual risks at the business divisions are re-assessed to determine the Group Corporate Risks. The Group Corporate Risks which are strategic in nature provide the Board and the ARMC with visibility on the criteria risk areas across the Group. These risks are most likely to have a significant impact to the financials and prospects of the Group.

  As at 31 August 2020, being the latest date for a risk assessment to be undertaken by the Group, the Group has identified six (6) risk areas with two (2) flagged as high risks, one (2) significant risk, one (1) moderate and one (1) low risk as follows:-

Impact / Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain					
Likely				1	
Moderate		1	1		
Unlikely		1		1	1
Rare					

  In respect of the two high risks that were identified, the Group is monitoring the developments closely and ensuring that the existing controls that are in place are working accordingly and mitigation plans, if any, are implemented to mitigate these risks in accordance with the ERM Framework.

3.0 ANTI-BRIBERY RISK ASSESSMENT

- In compliance with Paragraph 15.29(1)(c) of the MMLR, the Group has incorporated corruption risks as part of its annual risk assessment towards the Group's efforts in supporting the authorities' call to combat corruption. Towards this end, the Group through the respective risk owners have prepared the anti-bribery risk registers to comply with Principle II – Risk Assessment as promulgated under the Guidelines on Adequate Procedures issued pursuant to subsection (5) of section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Act 694) as stated in the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

- The Group had earlier, as part of its implementation of an Anti-Bribery Management System ("ABMS") which had since been approved by the Board and adopted by the Group, identified, analysed, assessed and prioritise the bribery risks from all its business divisions and functions, in particular those that pose more than a low risk of bribery.

- The risk assessment will be undertaken by the anti-bribery compliance function together with the risk owners. The compliance function reports its findings to the RWMG.

4.0 INTERNAL AUDIT FUNCTION

- The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies. To ensure the governance, risk management and internal control processes are effective, the internal audit function conducts regular reviews and appraisals on the business operations of the Group according to the Internal Audit Plan as approved by the ARMC.

4.0 INTERNAL AUDIT FUNCTION (CONT'D)

- The key role of the Group Internal Audit is to assess the management's adherence to established policies and procedures as well as acting as an independent sounding board to the ARMC concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

- Further details on the functions of the Group Internal Audit is found in the Report of the ARMC included in this Annual Report.

5.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS

Other key elements of governance, risk management and control established by the Group, amongst others, are as follows:-

(a) clearly defined governance structure with the respective terms of reference, duties and responsibilities as described in the Corporate Governance Overview Statement;

(b) clearly defined delegation of responsibilities to the Board Committees and to management, including appropriate authorisation levels in the form of a written Limits of Authority to assist the Board and the management in discharging their duties;

(c) a budgetary process whereby the Executive Committee approves the operating and capital budgets of the key operating units and the Board approves the operating and capital budgets of the Group on a consolidated basis;

(d) review of operational and financial performance by the operating unit's management at a monthly management meeting attended by the Executive Committee, heads of department and business units. At these meetings, relevant operational, financial and strategic issues are discussed and followed up by management;

(e) briefing by the Executive Director to the Board on the operational performance of the Group on a quarterly basis;

(f) briefing by the General Manager, Group Finance to the ARMC and to Board on the financial performance of the Group on a quarterly basis;

(g) a yearly assessment undertaken by the External Auditors to identify any significant risks affecting the preparation of the financial statements;

(h) briefing by the head of Group Internal Audit to the ARMC on a quarterly basis on the internal audit findings together with any follow up actions taken or to be taken to remedy any significant failings or weaknesses identified from the internal audit findings. Private sessions are held by the Group Internal Audit with the ARMC without the presence of management;

(i) the existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns related to, amongst others, fraud, financial irregularity, corruption, bribery, serious breaches of the Employees Code of Conduct and Ethics, non-compliance with laws and regulations or company policies, illegal, unethical or questionable practices etc. (collectively referred to as "Misconduct") to be raised or reported, investigated and where necessary, appropriate action to be taken to resolve such issues promptly and effectively within the Group. The Misconduct can be raised the Executive Director, the Head of Group Human Resource (on staff related matters), Head of Group Internal Audit, the Senior Independent Director and/ or to the Chairman of the ARMC. The whistle-blowing policy is uploaded to the Company's website at https://taliworks.com.my/corporate-governance under the caption "Whistle-blowing Policy";

(j) the provision of a dedicated email address to the Whistle-blowing Committee at we_hear@lgb.com.my for reporting of Misconduct;

5.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS (CONT'D)

(k) the provision of a dedicated email address to the Senior Independent Director at SID@taliworks.com.my and to the Chairman of the ARMC at ARMC@taliworks.com.my for shareholders and other stakeholders to communicate with them on matters relating to the Group;

(l) a Code of Business Conduct and Ethics for Directors which sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company;

(m) a Board Charter that constitutes, and forms, an integral part of each Director's duties and responsibilities;

(n) a Code of Conduct contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in discharging their duties and responsibilities.

6.0 MANAGEMENT'S ASSURANCE

In accordance with Paragraph 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers), the Executive Director and the General Manager, Group Finance, representing the Management, are of the view that the Group's risk management process and internal control systems are operating adequately and effectively in all material aspects primarily based on: -

(a) the risk management model adopted by the Group;

(b) similar written assurance given by the respective heads of operations;

(c) formal feedback on the adequacy of risk management and internal control from the head of Group Internal Audit which is based primarily on the scope and coverage of internal audit's remit for the year under review.

7.0 REVIEW BY THE EXTERNAL AUDITORS

- As required by paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement. Their review was performed in accordance with Audit & Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.

- Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

- AAPG 3 does not require the External Auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

8.0 AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT TOGETHER WITH THE CORPORATE GOVERNANCE REPORT PROVIDE AN OVERVIEW OF THE BOARD'S COMMITMENT TOWARDS A HIGH STANDARD OF CORPORATE GOVERNANCE PRACTICES, VALUES AND ETHICAL BUSINESS CONDUCTS BY DISCLOSING THE APPLICATIONS OF EACH PRACTICE SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017") PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD. THE CORPORATE GOVERNANCE OVERVIEW STATEMENT SHOULD BE READ IN TANDEM WITH THE CORPORATE GOVERNANCE REPORT WHICH HAS BEEN UPLOADED ON THE COMPANY'S WEBSITE.

- In today's dynamic business landscape and heightened stakeholders' expectations, demand for greater accountability and transparency are expected from the Board in discharging its fiduciary duties in delivering long term value proposition to shareholders as well as upholding the rights of other stakeholders. As a direct consequence thereof, greater internalisation of enterprise-wide culture of good corporate governance practices, maintenance of a sound system of internal control, embedding risk management practices and policies into the day-to-day operations, business sustainability issues as well as adherence to regulatory requirements are key challenges for the Board.

- Corporate governance is about making the business operates more efficiently whilst controlling risks and assuring compliance. Good corporate governance practices underpin a successful and sustainable business. To succeed in the long-term, companies are required to build and maintain successful relationships with a wide range of stakeholders. Accordingly, a company should promote integrity and openness and be responsive to the views of the stakeholders at large. The board of directors ("Board") is entrusted by stakeholders to ensure that business strategies are inflected by compliance and risks are adequately managed with the appropriate internal control processes in place.

- The Board recognises the importance of applying the Principles and Practices stipulated in the MCCG 2017 published by the Securities Commission of Malaysia in April 2017 and is committed to ensuring that good corporate governance is observed, practised and enhanced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and that of the other stakeholders such as its employees, customers, suppliers, society and the communities in which the Group conducts its businesses.

- Since the introduction of the first Malaysian Code on Corporate Governance in 2000, the Board has continuously made efforts and avail resources to strengthen the corporate governance framework and practices within the Group; to not only attract but also retain amongst others, long term investors and other valued stakeholders. The Board recognises that good ethical conduct and a high level of accountability are important criteria to support the sustainable development and growth trajectory of the Group's businesses. Needless to say, good corporate governance is a shared responsibility, with the various stakeholders having equal duty and responsibility to protect and advance their own interests by exercising the rights accorded to them to ensure that the Group is well governed and driven by the basic tenets of good governance.

- Pursuant to paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements"), the Group has disclosed in a prescribed format the extent of how it has applied and complied with the Principles and Practices specified in the MCCG 2017 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report 2020 ("CG Report") which is available on the Company's website at http://taliworks.com.my/corporate-governance/ under the caption "Corporate Governance Report".

- Intended Outcomes are designed to provide a line of sight on what companies will achieve through implementing the Practices. On the other hand, Practices are actions, procedures, or processes which a company is expected to adopt to achieve the Intended Outcome.

- The Group is currently categorised as a Non-Large Company under the MCCG 2017. Large Companies are defined as companies on the FTSE Bursa Malaysia Top 100 Index or companies with a market capitalisation of RM2 billion and above; at the start of the companies' financial year.

- During the year, the Group has applied all the Practices except as follows:-

  (a) Practice 7.2 - The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000; and

  (b) Practice Note 11.2 - Large companies are encouraged to adopt integrated reporting based on a globally recognised framework. It should be noted however that the Company is not categorised as a Large Company.

- For the Practices where the Group has not complied, the explanation for the departures is provided and supplemented with a commentary on the alternative measures to achieve the Intended Outcome, and where appropriate, measures that the Group has taken or intends to take as well as the intended timeframe for adoption to achieve the application of the prescribed Practice.

- Taliworks has been ranked amongst the top 10 companies by market capitalisation (RM1 billion -2 billion) in the inaugural "The Malaysia Board Diversity Study and Index" by the Institute of Corporate Directors Malaysia (ICDM) in collaboration with Willis Towers Watson. ICDM serves as the national institute of directors to promote corporate governance excellence in Malaysia.

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES

1.1 Clear Roles and Responsibilities

- The business and affairs of the Group are managed by or under the direction of the Board. The role of the Board is to collectively allocate resources and set the strategic direction of the Group, inculcate healthy corporate governance practices within the Group by aligning the governance practices to meet expectations of stakeholders while exercising oversight on the management's performance.

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others: -

  (a) overseeing the conduct of the Group's existing business. In this regard, the Board meets quarterly together with the management, namely the Executive Director, Chief Investment Officer, the General Manager, Group Finance and the Company Secretaries to discuss and deliberate on the several agendas put forth at the Board meetings. The important agenda that would be deliberated are the reports from the various Board Committees together with the Executive Director's Quarterly Operational Report and the Quarterly Financial Interim Report detailing the operations of each of the business divisions and the financial performance of the Group;

  (b) reviewing and adopting a strategic plan for the Group's future growth and expansion with a view to support long term value creation for the shareholders. The investment strategies and business proposal plans are jointly prepared by the Executive Director and the Chief Investment Officer. The Board will deliberate on the strategic direction and economics of each proposal before it is implemented;

  (c) reviewing the Group's effort in driving and implementing sustainable business practices covering economic, environmental and social considerations. The Group has established a Sustainability Steering Committee to manage, guide and drive implementation of the Group's sustainability agenda;

  (d) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. To undertake these dual responsibilities, the Board has delegated both the risk management and internal audit functions to the Audit and Risk Management Committee. Detailed descriptions of these functions are elaborated in the Statement of Risk Management and Internal Controls and the Audit and Risk Management Committee's Report included in this Annual Report;

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.1 Clear Roles and Responsibilities (Cont'd)

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others (Cont'd):-

  (e) succession planning to provide for a clear and orderly succession and ensure that all candidates appointed for a particular position are of calibre. To assist the Board in discharging these responsibilities, the Board has adopted the Succession Planning Policy for Board, Chairman of the Audit and Risk Management Committee and Senior Management as promulgated by the Corporate Human Resource;

  (f) overseeing the development and implementation of a shareholder communications policy for the Group to enable effective communication with the shareholders and other stakeholders. In this respect, the Group has established an investors' relationship function helmed by the Chief Investment Officer and several channels and communication platforms (including a Company website) where shareholders and other stakeholders will be able to communicate with the Company and vice versa;

  (g) reviewing the adequacy and the integrity of the Group's management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. In discharging these responsibilities, the Board has established an internal audit function to assess the adequacy and the integrity of the internal control systems. The Board has also at its disposal the services of the Group Legal Advisor and the Company Secretaries to advise the Board on matters relating to regulatory and statutory issues that concern the Group.

- The roles played by the Board and the management are separate and distinct whereby the Board provides the stewardship role whereas the management is given the mandate and authority to implement the strategic directions of the Board. The Board fulfils its fiduciary role by overseeing that the management has undertaken its responsibilities in executing the policies and strategies adopted by the Board and the Board being adequately kept informed of matters relating to the Group's business and financial performance at the Board meetings which are held at every quarter of the year. Where there are important issues that require the Board's immediate attention e.g. major corporate exercises, the Board may convene a special Board meeting.

- The Company and its subsidiaries have established their respective Limits of Authority that defines the authority given to management to act on specific matters and any matters that require the approval of the Board or Executive Committee of the Company or the board of the subsidiaries, as the case maybe. The Limits of Authority of the Company was last reviewed in March 2017.

- To further assist the Board in its oversight role, the Board, through the Nominating Committee, has established the Key Performance Indicators ("KPI") for the Executive Director that are linked to the Group's financial performance, employee engagement and compliance with terms and conditions of concession agreements and requirements of government and statutory bodies. In the Remuneration Committee meeting held in January 2021, it was concluded that all the KPIs have been met by the Executive Director in respect of the financial year ended 31 December 2020.

- The Board is also guided by the new Guidelines on Conduct of Directors of Listed Issuers and Their Subsidiaries ("Guidelines") issued by the Securities Commission ("SC") on 30 July 2020 in discharging their fiduciary duties. The Guidelines set out guidance on duties and responsibilities of the Board in company group structure and requirements for the establishment of a groupwide framework to enable among others, oversight of the group performance and the implementation of corporate governance policies.

PRINCIPLE A | **BOARD LEADERSHIP AND EFFECTIVENESS**

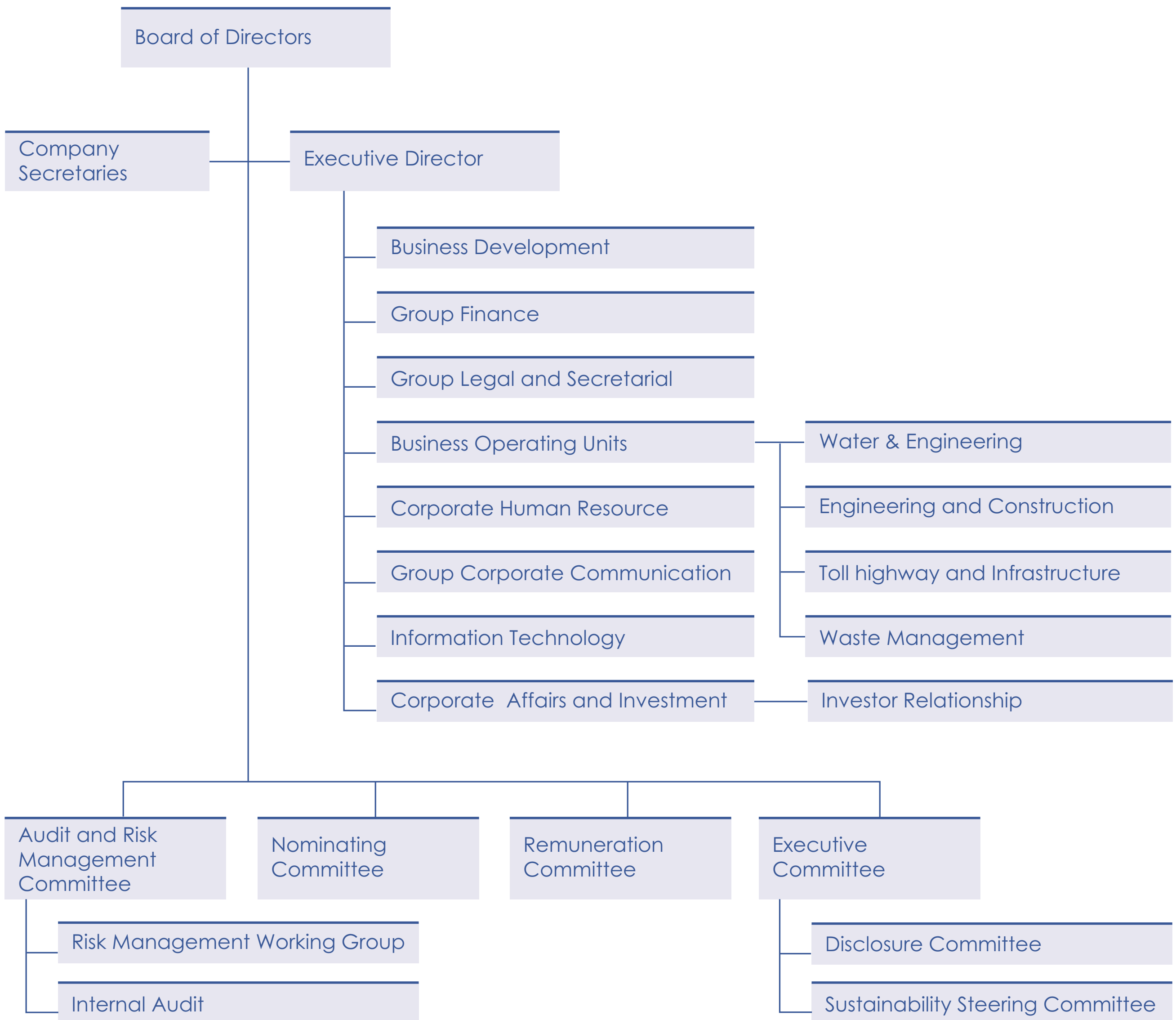
1.0 BOARD RESPONSIBILITIES (CONT'D)

1.1 Clear Roles and Responsibilities (Cont'd)

- The Group has adopted an Anti-Bribery and Whistle-Blowing Policy which is disseminated to employees and is made available for reference on the Group's intranet. The Anti-Bribery and Whistle-Blowing Policy which states the appropriate communication and feedback channels to facilitate whistle-blowing can also be accessed at the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Anti-Bribery Policy" and "Whistle-Blowing Policy" respectively.

1.2 Governance Structure

The current governance structure of the Group is as follows:



PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.3 Executive Committee

- The Board delegates to the Executive Director to manage the Group's business and day-to- day management to achieve the Group's corporate targets and plans.

- To assist the Executive Director in executing the mandates from the Board, an Executive Committee has been established to speed up the decision-making process on issues that are routine and administrative in nature or on matters that do not require the immediate attention of the Board including approving non-material announcements to the stock exchange.

- Delegation of mandates to the Executive Committee is subject to defined limits of authority and monitoring by the Board.

- Members of the Executive Committee together with other senior management and business divisional heads meet monthly to review the operational issues of the Group, financial performance, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the day-to-day management of the Group's business affairs.

1.4 Board Composition

- At the end of the year, the Board, led by YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz, a Non-Executive Chairman, is made up of eight members (including the Chairman) comprising:

  (a) one Executive Director;

  (b) one Non-Independent Non-Executive Director; and

  (c) six Independent Non-Executive Directors.

- As stated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board are such that it facilitates the making of informed and critical decisions. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. Where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The Board views that it has the right balance of skills and experience appropriate for the requirements of the business, that no individual dominated the decision-making process and that the Board has operated effectively throughout the year and is confident that it will continue to do so.

- Members of the Board come from varied background and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group.

- The Board, through the Nominating Committee, having reviewed the size and complexity of the Group's operations, is of the view that the number of members in the Board is appropriate. Nevertheless, the Board acknowledges the importance of gender diversity in the Board and continuous effort will be made to nominate more female directors to the Board.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.5 Board to comprise a Majority of Independent Directors

- As stated in the Board Charter, where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The current Chairman of the Company, YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz, is an Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

1.6 Role of the Chairman

- The role of the Chairman is spelt out in Clause 4.1 of the Board Charter, which is available on the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Board Charter".

1.7 Role of the Executive Director

- The Executive Director, who is a paid employee of the Company, with assistance from the Executive Committee, is tasked to develop, in conjunction with the Board, the Group's strategic plans for existing businesses and future growth expansion plans and is also responsible for its implementation. Other than that, the Executive Director is responsible to carry out all the directions of the Board and ensuring that they are implemented and that adequate actions have been taken to follow up on significant outstanding matters on a timely basis.

- In connection therewith, the Executive Director keeps the Board informed of the overall operations and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

- The Executive Director is accountable to the Board and he oversees all the business and corporate divisions within the Group.

1.8 Role of the Non-Independent Non-Executive Directors

- The Non-Independent Non-Executive Director do not actively participate in the day-to-day management of the Group. However, they contribute to areas such as policy and strategy, performance monitoring, as well as improving governance and controls. They are expected to provide constructive input and where required, provide the requisite guidance to the Executive Director when faced with the challenges in running the day-to-day affairs of the Group.

1.9 Role of the Independent Non-Executive Directors

- The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision-making process of the Board.

- Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretaries in the Board minutes.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.10 Independent Directors

- Independent Directors bring independent and objective judgment to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties. Nevertheless, the existence of Independent Directors on the Board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members or major shareholders.

- The Nominating Committee undertakes an assessment of the Independent Directors annually.

- Other than fully complying with the definition of an "independent director" set out in the criteria listed in Section 1.1 (a) to (g) of Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for Accounts by the stock exchange, the Independent Directors have themselves self-assessed in the Independent Directors' Self-Assessment Checklist including the application of subjective assessments pursuant to the definition of independent directors in the Listing Requirements which is then submitted to the Nominating Committee.

1.11 Tenure of Independent Directors

- The tenure of Independent Directors of the Company as at the end of the year is as follows: -

As of 31 December 2020	<1-3 years	>3-4 years	>4-5 years	>5-6 years	>6-8 years
Independent Non-Executive Directors	2	-	2	-	2

- Under the MCCG 2017, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- Under the Company's Board Charter, the tenure of an Independent Director shall not exceed a cumulative term limit of nine years.

- Nevertheless, in the event where any Independent Director has served the Board for a cumulative term of nine years, the Nominating Committee will assess and decide whether he/ she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide justification to the shareholders in a general meeting to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the nine-year tenure.

- In the event where an Independent Director has served the Board for a cumulative term of twelve years, the Nominating Committee will assess and decide whether he/ she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide justification to the shareholders in a general meeting to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the twelve-year tenure. Under these circumstances, the Board will seek shareholders' approval under a two-tier voting process.

- Where the Board has determined that the said Independent Director shall not remain as an Independent Director, then he/ she will be re-designated as a Non-Independent Director accordingly.

- As at the end of the year, none of the Independent Directors has served on the Board for more than nine years.

PRINCIPLE A **BOARD LEADERSHIP AND EFFECTIVENESS**

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.12 Appointments to the Board

- The Nominating Committee is responsible for reviewing the Board's composition and recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.

1.13 Re-Election of Directors

- Pursuant to Clause 77 of the Company's Constitution, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one- third, shall retire from office (who have been longest in office since their last election) shall retire by rotation. In addition, the Listing Requirement requires that all directors of listed companies shall retire once at least every three years. The directors retiring by rotation shall be eligible for re-election.

- The Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. Pursuant to Clause 77 of the Company's Constitution, the Directors who are due to retire by rotation at the forthcoming Annual General Meeting are Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, Soong Chee Keong and Dato' Sri Amrin Bin Awaluddin. The Board, with the exception of the retiring Directors, has approved the recommendation of the Nominating Committee that the names of the retiring directors be put forth for shareholders' approval at the forthcoming Annual General Meeting for re- election.

- Pursuant to Clause 82 of the Company's Constitution, any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election.

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile				Skill-set		
	Male	Female	30-40 years	41-50 years	51-70 years	71-80 years	Finance related	Engineering related	Others
Executive Director	1		-	-	1	-	-	1	-
Independent Non-Executive Directors	5	1	-	1	4	1	2	1	3
Non-Independent Non-Executive Directors Total	1		1	-	-	-	-	-	1

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.14 Board Diversity, Age Profile and Skill-set (Cont'd)

- The Board does not have a policy on board composition having regard to the age and mix of skills required to meet the needs of the Group. Under the Board Diversity Policy, the Group sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and in maintaining a competitive advantage. A truly diverse Board should be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The composition of the members of the Board should comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group. All Board appointments will be based on meritocracy.

- The Board acknowledges the promotion of diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors and believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment. The Board has provided in the Board Charter a target of having at least one woman director at all times or to reach 30% of women represented in the Board.

1.15 Time Commitment

- Under the Board Charter: -

  (a) the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the number as may be prescribed by the Listing Requirements. In this respect, based on the disclosure in the Directors' Profile, none of the Company's Board members holds more than five directorships in listed issuers in compliance with paragraph 15.06(1) of the Listing Requirements.

  (b) the Directors should devote sufficient time to the Company and observe the following policies and procedures: -

    (i) to disclose to the Board, through the Nominating Committee, at the time of his/ her appointment, and in a timely manner for any change, the number and nature of office held in public companies or organisations and any other significant commitments;

    (ii) to notify the Chairman and the Board before accepting any new directorships and provide an indication of the time that will be spent in the new appointment which should include the time required to prepare and attend board and board committee meetings, general meetings, continuous training programmes, site visitation and major company events. At the beginning of each calendar year, a schedule for Board and Board Committee meetings will be prepared and distributed to all Board Members for their reference. Each Board Member should allocate sufficient time for these meetings and attend all the scheduled meetings. If a Board Member is unable to attend any of the scheduled meetings, he/ she should notify the Board, through the Company Secretary, as early as practicable;

    (iii) to ensure that sufficient time and attention is allocated to the Company and that other commitment does not affect the effectiveness of their contribution or the time available in the discharge of their duties and responsibilities; and

    (iv) to take an interest in the affairs of the Group, obtain a general understanding of its businesses and follow up on all the unusual transactions that come to his/ her attention.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.15 Time Commitment (Cont'd)

- The dates for the Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/ or Board Committee meetings including that of the Annual General Meeting.

- The Board and Board Committee members are expected to attend these meetings which have been scheduled well in advance. In the situation where any of them will not be available, they will inform the Company Secretaries who accordingly will endeavour to re-schedule to another date where all other members would be able to attend.

- Directors who are unable to attend meetings in person may join the meeting by teleconferencing or by other means of telecommunication devices or modes.

1.16 Access to Training

- The Board recognised the importance of training and development for the Directors to enhance their skills and knowledge to meet the challenges of the Board. The role to review the training and development needs of the Directors has been delegated to the Nominating Committee which then reports its findings to the Board.

- During the year, all the Directors had attended various training programmes, seminars and workshops externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

- There are no restrictions as to the type of training programmes, courses, seminars, conferences, talks, briefings to be attended by the Directors and these could inter alia, be on areas relating to corporate leadership and governance, finance, economic trends, risk management, latest technologies, sustainable development and implementation of new regulations by the regulators.

- Directors are also kept informed of the latest statutory and regulatory developments by the Company Secretaries at every Board meetings.

- The Company does not have a formal arrangement to provide any in-house orientation or education programmes for new appointees to the Board. Members of the Board are encouraged to participate in relevant training programmes on their own at the Company's expense to keep themselves updated on developments that are current and relevant.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.16 Access to Training

- The following were the training attended by the Directors during the year: -

Name of Director	Course Title/ Organiser
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	Corporate Liability, Adequate Procedures and ISO 37001
	Corporate Liability Provision Under Section 17A MACC Act
	Covid-19 Regulatory Compliance Requirements in Malaysia
	AMLA 2001 – Risk, Challenges, Governance & Transparency in Managing Business & Compliance
	Covid-19 Series - Cybersecurity
	Optimising Risk and Resilience Planning to Manage Disruptions
	Intercultural Communication in Global Business Setting Under the Framework of BRI
	China Economic Growth and Great Bay Area Opportunities
	US China Trade Disputes and the New World Order
	Tsinghua – The History of China's Capital Market
	Tsinghua – Legal Issues in Cross Border M&A
	Tsinghua World Economy in the Era of Pandemics
	Strategy & Plans – Market Outlook
Dato' Lim Yew Boon	Corporate Liability, Adequate Procedures and ISO 37001
	Optimising Risk and Resilience Planning to Manage Disruptions
Lim Chin Sean	Connected Transactions
	Optimising Risk and Resilience Planning to Manage Disruptions
	Notifiable Transaction Rules
Soong Chee Keong	Corporate Liability, Adequate Procedures and ISO 37001
	Optimising Risk and Resilience Planning to Manage Disruptions
	(i) Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries, issued by the Securities Commission ("SC") Malaysia (ii) Summary of Audit Oversight Board's Annual Inspection Report 2019 (iii) Taliworks's Level of Compliance with The Malaysian Code on Corporate Governance & SC Guidelines
Dato' Sri Amrin Bin Awaluddin	Anti-Bribery Management System
	Pharmaniaga Berhad Board Retreat
	Seminar on Financial Restructuring during Covid-19
	Corporate Liability, Adequate Procedures and ISO 37001
	Dialogue Session with YB Tengku Dato' Sri Zafrul Tengku Abdul Aziz – "Re-inventing the Malaysian Business Landscape Post-MCO"
	Indonesia Recovery Measures Post Covid-19
	Dialogue Session with Tan Sri Dr. Jemilah Mahmood and Tan Sri Azman Haji Mokhtar

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.16 Access to Training (Cont'd)

- The following were the training attended by the Directors during the year (Cont'd):-

Name of Director	Course Title/ Organiser
Dato' Sri Amrin Bin Awaluddin (Cont'd)	Turnaround and Restructuring: The Banker's Perspective (Debt and Operational Restructuring)
	Dialogue Session with Hon. Mr. Heng Swee Keat, Singapore Deputy Prime Minister, Coordinating Minister for Economic Policies and Minister for Finance
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	Corporate Liability, Adequate Procedures and ISO 37001
	The New Normal and Future of Renewable Energy
	Optimising Risk and Resilience Planning to Manage Disruptions
	The Strategic Value of Sustainability
	(i) Guideline on Conduct of Directors of Listed Corporation and Their Subsidiaries, issued by the Securities Commission ("SC") Malaysia (ii) Summary of Audit Oversight Board's Annual Inspection Report 2019 (iii) Taliworks' Level of Compliance with The Malaysian Code on Corporate Governance & SC Guidelines
	Board of Directors' Workshop (i) Presentation on New Section 17A of the Malaysian Anti-Corruption Commission Act (ii) Strategic Risks under Board's Responsibility
Ahmad Jauhari Bin Yahya	Corporate Liability, Adequate Procedures and ISO 37001
	Optimising Risk and Resilience Planning to Manage Disruptions
Datuk Roger Tan Kor Mee	Legal Practice "In the New Normal"
	Impact of MCO Vacant Possession Handover and Strata Management Issues – The Practical Solutions
	Force Majeure & Frustration
	Adequacy of Our Laws on Stratified Properties During and Post MCO
	Adaptation of Circular Economy Concepts in Water Industry
	Corporate Liability, Adequate Procedures and ISO 37001
	Strategic Approach on Civil Litigation and Writing Impactful Submissions
	ASEAN Perspective Waste Management in Times of Covid-19
	(i) Guidelines on Conduct of Directors of Listed Corporation and Their Subsidiaries, issued by the Securities Commission ("SC") Malaysia (ii) Summary of Audit Oversight Board's Annual Inspection Report 2019 (iii) Taliworks' Level of Compliance with The Malaysian Code on Corporate Governance & SC Guidelines
	Hazardous Waste Perspective from Asia
	SWITCH – Singapore Week of Innovation & Technology
	ISWA Beacon Conference: Waste Management the New Norm

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

1.0 BOARD RESPONSIBILITIES (CONT'D)

1.16 Access to Training (Cont'd)

- The list of training programmes attended by the Directors for the year was presented to the Nominating Committee whereby the committee had opined that the current training attended by the Directors, though adequate, could be further enhanced to up-skill their knowledge and add value to the Board and the Board Committees. The Nominating Committee had proposed that a repeat session on the new Malaysian Anti-Corruption Commission Act on corporate liability and the changes to the framework by Bank Negara Malaysia on financing loans be organised.

1.17 Access to Information and Services from the Company Secretary and External Parties

- The Directors have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors: -
  (a) where any member of the Board makes a request to the management to engage the services of independent professional advisors, the request is then communicated by the Company Secretaries to other Board members for concurrence;

  (b) where necessary, the Chairman will convene a special Board meeting to discuss the matter and where a concurrence from a majority of the Directors is obtained, the management will be directed to procure suitable independent professional advisors acceptable to the Board; and

  (c) the independent professional advisors will report their findings to the Board.

2.0 BOARD COMMITTEES

- The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, that include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business, interests and/ or assets, consideration of significant financial matters and announcements of financial results, changes to the composition of the Board and the Board Committees as well as control structure within the Group.

- In order for the Board to operate efficiently and give the right level of attention and consideration to relevant matters, the Board has delegated certain of its duties and responsibilities to the various Board Committees namely: -

  (a) Audit and Risk Management Committee;

  (b) Nominating Committee; and

  (c) Remuneration Committee

- The primary objectives of establishing the Board Committees are amongst others, to allow Board members to make better use of their limited time and resources, allow more focus to be given to complex issues and recommending any course of action; and reinforcing the role of Independent Directors in monitoring the activities of the Group.

- Each of the Board Committees operates under its own Terms of Reference as approved by the Board. At every Board meeting, the Board Committee Chairman shall report to the Board, any significant developments and deliberations conducted at the Board Committee level.

PRINCIPLE A **BOARD LEADERSHIP AND EFFECTIVENESS**

2.0 BOARD COMMITTEES (CONT'D)

- The delegation by the Board does not diminish nor abdicate its responsibilities and the Board remains responsible for all the actions of the Board Committees with regards to the execution of the delegated responsibilities. To ensure proper delegation, the Board formulates, establishes and approves the appropriate terms of reference; defining the responsibilities and authority of the said Board Committees.

2.1 Composition of Key Board Committees

- The composition of the key Board Committees as at the end of the year was as follows: -

Name of Director	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Independent Non-Executive Directors			
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	Chairman	Chairman
Soong Chee Keong	Chairman	Member	Member
Dato' Sri Amrin Bin Awaluddin	Member	-	-
Ahmad Jauhari Bin Yahya	-	Member	-
Datuk Roger Tan Kor Mee (Note 1)	Member	-	-
Non-Independent Non-Executive Directors			
Lim Chin Sean	Member	-	Member

Note: -
1. Appointed as member of the Audit and Risk Management Committee on 27 February 2020

2.2 Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

- The Audit and Risk Management Committee comprises at least three members, a majority of whom are Independent Directors. All members of the Audit and Risk Management Committee are Non-Executive Directors.

- No alternate director is to be appointed as a member of the Audit and Risk Management Committee.

- The Audit and Risk Management Committee oversees and is mainly responsible for the financial reporting, internal controls, internal audit function, external audit reports and related party transactions.

- The terms of reference, function and activities undertaken by the Audit and Risk Management Committee is elaborated in the Audit and Risk Management Committee's Report set out in this Annual Report.

- The terms of reference of the Audit and Risk Management Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Audit and Risk Management Committee". The Terms of Reference were last revised in November 2019.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

2.0 BOARD COMMITTEES (CONT'D)

2.2 Functions, Duties and Responsibilities of the Board Committees (Cont'd)

(b) Nominating Committee

- The Nominating Committee comprises no less than three members made up exclusively of Non-Executive Directors, all of whom are Independent Directors.

- The terms of reference of the Nominating Committee are available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Nominating Committee". The Terms of Reference were last revised in November 2019.

- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 4.6 and 5.1 of the CG Report.

- The Nomination Committee met once during the year in January 2020. In January 2021, the Nomination Committee convened a meeting and the following matters were considered and deliberated: -

  (a) to review the Assessment Report on Individual Director and make appropriate recommendation to the Board;

  (b) to review the Independent Director Self-Assessment Report and make appropriate recommendation to the Board;

  (c) to review the effectiveness of the Board and Board Committees and make appropriate recommendation to the Board;

  (d) to review the composition of the Board and Board Committees and make appropriate recommendation to the Board;

  (e) to review the term of office and performance of the Audit and Risk Management Committee and each member and make appropriate recommendation to the Board;

  (f) to discuss training requirements for Directors;

  (g) to recommend the retirement and re-election of the Directors at the forthcoming Thirtieth Annual General Meeting in accordance with Clause 77 of the Constitution of the Company;

  (h) to consider and if thought fit, to recommend the appointment of a stand-in Board Chairman and Audit and Risk Management Committee Chairman for the calendar year 2021 to the Board of Directors for approval; and

  (i) to consider and if thought fit, to recommend to the Board of Directors for approval, to retain Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Soong Chee Keong who have served in the Remuneration Committee for a term of more than five years as members of Remuneration Committee.

(c) Remuneration Committee

- The Remuneration Committee comprises no less than three members made up exclusively of Non-Executive Directors, a majority of whom are Independent Directors.

- The terms of reference of the Remuneration Committee are available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Remuneration Committee". The Terms of Reference were last revised in February 2020 to include a provision to ensure that the evaluation process for senior management is fair and equitable.

- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 below.

PRINCIPLE A | **BOARD LEADERSHIP AND EFFECTIVENESS**

2.0 BOARD COMMITTEES (CONT'D)

2.3 Record of Attendance at Board and Board Committee Meetings

- Under paragraph 15.05(3)(c) of the Listing Requirements, the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a year. In this respect, the Board is satisfied with the level of time commitment given by all the Board members towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board Meetings by attending most of the Board meetings held during the year. Their meeting attendance at Board and Board Committee's meetings as evidenced by the attendance record set out in the table below.

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Dates of meetings held during the year	17 Feb 07 Apr 13 May 19 Aug 01 Sep 16 Nov	17 Feb 07 Apr 13 May 19 Aug 16 Nov	20 Jan	20 Jan
Total meetings held during the year	6	5	1	1
EXECUTIVE DIRECTORS				
Dato' Lim Yew Boon	6/6	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS				
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	6/6	N/A	N/A	N/A
Soong Chee Keong	6/6	5/5	1/1	1/1
Dato' Sri Amrin Bin Awaluddin	6/6	5/5	N/A	N/A
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	6/6	N/A	1/1	1/1
Ahmad Jauhari Bin Yahya	6/6	N/A	1/1	N/A
Datuk Roger Tan Kor Mee (Note 1)	6/6	4/4	N/A	N/A
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lim Chin Sean	5/6	4/5	N/A	1/1

Note: -

1. *Appointed as member of the Audit and Risk Management Committee on 27 February 2020*

- Board meetings are normally held at the principal office located in Kuala Lumpur, Malaysia. However, in view of the Covid-19 pandemic, board meetings were mostly held virtually during the year.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

3.0 REMUNERATION (CONT'D)

3.1 Remuneration Committee

- The Remuneration Committee, comprising Non-Executive Directors, is headed by an Independent Non-Executive Director, Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin.

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees for the previous financial year are to be approved by shareholders at the Annual General Meeting before any payment of fees are made to the Directors. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

- The Remuneration Committee met once during the year in January 2020. In January 2021, the Remuneration Committee convened a meeting and the following matters were considered and deliberated: -

  (a) to recommend the remuneration packages for the Company's Executive Director for 2021 to the Board for approval;

  (b) to recommend the Directors' Fees with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022 to the Board for recommendation of the same to the shareholders for approval at the Annual General Meeting;

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022 to the Board for approval;

  (d) to recommend the remuneration packages for the Senior Management for the year ending 31 December 2021 to the Board of Directors for approval;

  (e) proposed extension of employment on fixed term basis for Executive Director from 1 January 2021 to 31 December 2021; and

  (f) to recommend to the Board of Directors to retain Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Soong Chee Keong who have served in the Remuneration Committee for a term of more than five years as members of Remuneration Committee.

3.3 Directors' Remuneration

- The Group recognises that in order to attract and retain Directors is to have a fair and comprehensive remuneration package that commensurate with their experience, skills and responsibilities as well as benchmarking against the industry's standards. In view of this, the remuneration package for Executive Director and directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant position with similar industry and business size.

- The remuneration of the Executive Director is based on the terms of his employment contract and his remuneration package is structured to link rewards to corporate and individual performance. The performance and remuneration package of the Executive Director is subject to evaluation of the Remuneration Committee. Other than his employment income, he is also remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for his attendance at the Board meetings.

PRINCIPLE A **BOARD LEADERSHIP AND EFFECTIVENESS**

3.0 REMUNERATION (CONT'D)

3.3 Directors' Remuneration (Cont'd)

- The Board, through the Nominating Committee, has established the Key Performance Indicators for the Executive Director.

- Non-Executive Directors are remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for their attendance at the Board or Board Committee meetings. The remuneration for the chairman of the Board and the Audit and Risk Management Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairman of the other Board Committees is also accorded a higher meeting allowance.

- The members of the Board are also covered under a Directors' and Officers' Liability Insurance Policy of up to an amount of RM10 million against any liability incurred by them in discharging their duties while holding office as directors of the Company and this is recognised as a non-financial benefit to directors.

- The tables below are the Directors' fees (which are not performance related) and meeting allowances in respect of the financial year ended 31 December 2020, subject to the approval of shareholders at the forthcoming Annual General Meeting. The fees and allowances were effective since January 2016.

	DIRECTORS' FEES RM PER ANNUM
Chairman	200,000
Chairman of the Audit and Risk Management Committee	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

Meeting allowances (RM per Meeting)

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

3.0 REMUNERATION (CONT'D)

3.3 Directors' Remuneration (Cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: -

NAME OF DIRECTORS	Salaries,Bonus, Defined Contribution, Benefit In Kind and Fees (RM)	Meeting Allowances (RM)	Allowances (RM)	Total for 2020 (RM)	Total for 2019 (RM)
Tunku Ali Redhauddin Ibni Tuanku Muhriz • Independent Non-Executive Chairman	200,000	-	9,600	209,600	19,178
Dato' Lim Yew Boon • Executive Director	144,000 (Note 1)	458,835 (Note 2)	6,000	608,835	656,501
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin • Senior Independent Non-Executive Director • Chairman of the Remuneration Committee • Chairman of Nominating Committee	120,000	-	9,200	129,200	129,400
Soong Chee Keong • Independent Non-Executive Director • Chairman of Audit and Risk Management Committee • Member of Remuneration Committee • Member of Nominating Committee	160,000	-	16,000	176,000	175,000
Dato' Sri Amrin Bin Awaluddin • Independent Non-Executive Director • Member of Audit and Risk Management Committee	120,000	-	11,000	131,000	129,000
Ahmad Jauhari Bin Yahya • Independent Non-Executive Director • Member of Nominating Committee	120,000	-	7,000	127,000	126,000

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

3.0 REMUNERATION (CONT'D)

3.3 Directors' Remuneration (Cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: -

NAME OF DIRECTORS	Salaries,Bonus, Defined Contribution, Benefit In Kind and Fees (RM)	Meeting Allowances (RM)	Allowances (RM)	Total for 2020 (RM)	Total for 2019 (RM)
Datuk Roger Tan Kor Mee • Independent Non-Executive Director • Member of Audit and Risk Management Committee (Appointed on 27 February 2020)	120,000	-	10,000	130,000	11,507
Lim Chin Sean • Non-Independent Non-Executive Director • Member of Audit and Risk Management Committee • Member of Remuneration Committee	120,000	-	10,000	130,000	129,000
Total Non-Executive Directors	960,000	-	72,800	1,032,800	719,085
TOTAL	1,104,000	458,835	78,800	1,641,635	1,375,586

Note: -

1. *Include directors' fees received from the Company of RM120,000 (2019: RM120,000) and RM24,000 (2019: RM24,000) from a subsidiary in which he is a director.*
2. *Include bonus allowance received of RM4,000 (2019: RM4,000) from a subsidiary in which he is a director.*

3.4 Remuneration of Key Senior Management

- At the end of the year, there are six key senior management personnel disclosed on the Company's website at http://www.taliworks.com.my/corporate-information/ under the caption "Key Senior Management".

- Key senior management staff are those primarily responsible for managing the business operations and corporate divisions of the Group.

- A remuneration policy for the key senior management as disclosed in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Remuneration Policy" has been established by the company.

PRINCIPLE A	BOARD LEADERSHIP AND EFFECTIVENESS

3.0 REMUNERATION (CONT'D)

3.4 Remuneration of Key Senior Management (Cont'd)

- The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 is as follows: -

Range of Remuneration	
RM400,001 to RM450,000	3
RM550,001 to RM600,000	2

PRINCIPLE B	EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 AUDIT AND RISK MANAGEMENT COMMITTEE

- The Audit and Risk Management Committee of the Company comprises four members, two of whom are members of professional accounting bodies.
- The Audit and Risk Management Committee is headed by Soong Chee Keong, who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee is spelt out in its Terms of Reference.
- The performance of the Audit and Risk Management Committee and each of its members is assessed annually by the Nominating Committee, one of them is a member of the Audit and Risk Management Committee and he has abstained accordingly. The Nominating Committee also assesses on an annual basis the effectiveness of the Audit and Risk Management Committee in carrying out its responsibilities.

5.0 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

- The Board acknowledges its responsibility in maintaining a robust risk management framework and a sound system of internal controls.
- The Statement on Risk Management and Internal Controls included in this Annual Report provides a detailed description of the state of risk management and internal controls as implemented by the Group.

6.0 COMMUNICATION WITH STAKEHOLDERS

6.1 Corporate Disclosure Policies and Procedures

- Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and to enhance transparency and accountability, the Group has formulated the Corporate Disclosure Policies and Procedures that sets out the general principles and standards of disclosure of information in relation to the business, operations and financial performance of the Group.
- The Corporate Disclosure Policies and Procedures were last revised in November 2019 and a copy of the document is published on the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Corporate Disclosure Policies and Procedures".

PRINCIPLE C	INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 COMMUNICATION WITH STAKEHOLDERS (CONT'D)

6.1 Corporate Disclosure Policies and Procedures (Cont'd)

- The Group has established a Disclosure Committee, reporting to the Executive Committee, to administer, implement and interpret the Company's Corporate Disclosure Policies and Procedures. The members of the Disclosure Committee comprise the following: -

  (a) the chief executive officer of the Company;

  (b) the chief financial officer of the Company;

  (c) the chief regulatory officer of the Company;

  (d) the chief investment officer of the Company; and

  (e) such any other directors and officers of the Company as may be determined by the Executive Committee.

6.2 Maintenance of Company Website

- The Group leverages on the use of information technology for effective dissemination of information by maintaining a website at https://taliworks.com.my/ which shareholders or other stakeholders can access for information. All information released to the stock exchange is posted on the Investor Relations section of the website.

- Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at: https://www.bursamalaysia.com/market_information/announcements/company_announcement.

- Included in the Company's website are matters relating to: -

  (a) corporate information and profile of the Group business activities;

  (b) investor relations including financial information (financial statements, factsheet ratios, financial highlights and dividend policy), stock information, reports (annual reports, quarterly reports and analysts reports), Bursa announcements, information request (email alert subscription and investor relation contact), general meeting (minutes of shareholders' meeting);

  (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, Corporate Disclosure Policies & Procedures, Terms of Reference of Board Committees, Corporate Governance Report, Remuneration Policy, Constitution of the Company, Whistle-Blowing Policy, Anti-Bribery Policy.

6.3 Integrity in Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Management Discussion and Analysis and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit and Risk Management Committee and approved by the Board prior to public release.

- For the year under review, the Group had announced its quarterly results and published its audited financial statements within the timeframe as required under the Listing Requirements.

- In releasing the unaudited full year's results, the Audit and Risk Management Committee will meet with External Auditors who summarises all the principal matters that have arisen from the audit that may have a material impact on the Group results. The Audit and Risk Management Committee also engages the External Auditors on financial disclosures and the accounting judgments made in preparing the financial statements.

PRINCIPLE C	INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 COMMUNICATION WITH STAKEHOLDERS (CONT'D)

6.3 Integrity in Financial Reporting (Cont'd)

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

- The Directors have considered in preparing the latest set of financial statements, that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

7.0 CONDUCT OF GENERAL MEETINGS

7.1 Annual General Meeting ("AGM")

- The AGM which is held once a year is the principal forum for dialogue with shareholders. In line with good corporate governance practice, the Notice of AGM was issued at least 28 days prior to the date of the meeting. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

- At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern to the Chairman of the Company or to the chairman of the Board Committees. Management personnel are also present to respond to any enquiries from the shareholders.

- The External Auditors of the Company will be invited to attend the AGM and are available to answer questions from the shareholders on the conduct of the statutory audit and the preparation and content of the audited financial statements.

- Where a transaction is required to be approved by shareholders, interested Directors will abstain from deliberation and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

- The minutes of the AGM are posted at the Company's website at https://taliworks.com.my/general-meeting/ under the caption "Minutes of Shareholders' Meeting".

7.2 Poll Voting

- The polling process will be conducted via electronic polling by an external party as the Poll Administrator and an Independent Scrutineer will also be engaged to oversee the conduct of the poll and verify the results of the poll. Before shareholders proceed to conduct the poll voting, the Poll Administrator will brief the shareholders on the poll procedures.

AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Corporate Governance Overview Statement and the Corporate Governance Report for inclusion in this Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1.0 COMPOSITION

- The Audit and Risk Management Committee ("ARMC") comprises four non-executive directors, the majority of whom are independent, as follows: -

  Chairman

  - Soong Chee Keong (Independent Non-Executive Director) - appointed on 25 Apr 2013

  Members

  - Lim Chin Sean (Non-Independent Non-Executive Director) - appointed on 23 May 2011
  - Dato' Sri Amrin Bin Awaluddin (Independent Non-Executive Director) - appointed on 15 Sept 2014
  - Datuk Tan Kor Mee (Independent Non-Executive Director) - appointed on 27 Feb 2020

- The composition of the ARMC meets the requirements of Paragraphs 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- The Chairman of the ARMC, Soong Chee Keong, is a member of the Malaysian Institute of Accountants. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the Main Market Listing Requirements have been complied with.

2.0 TERMS OF REFERENCE

- A copy of the Terms of Reference ("TOR") of the ARMC is published in the Company's website at http://taliworks.com.my/corporate-governance/
- The TOR were last revised on 27 November 2019. The Board shall review and reassess the adequacy of these Terms of Reference at least once in every three years or as and when required.

3.0 MEETINGS

- The ARMC convened five (5) meetings during the year and the attendance of each member was as follows:

ARMC members	17 Feb	7 Apr	13 May	19 Aug	16 Nov	Total
Mr. Soong Chee Keong	✓	✓	✓	✓	✓	5/5
Mr. Lim Chin Sean	✓	✓	✗	✓	✓	4/5
Dato' Sri Amrin Bin Awaluddin	✓	✓	✓	✓	✓	5/5
Datuk Tan Kor Mee		✓	✓	✓	✓	4/4

3.0 MEETINGS (CONT'D)

The meetings were held on the following dates and the main agenda are summarised as follows: -

17 February 2020	to review, approve and recommend for the approval of the Board (where applicable) the following: (i) unaudited quarterly financial results for the fourth quarter ended 31 December 2019; (ii) ARMC Report for inclusion in the 2019 Annual Report; (iii) Statement of Risk Management and Internal Controls for inclusion in the 2019 Annual Report; (iv) Internal Audit reports; (v) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature; (vi) quarterly report on the recurrent related party transactions ("RRPTs") of a revenue or trading nature; (vii) quarterly report on the provision of non-audit services.
	to review the performance of the internal audit function including evaluating the performance and approving the remuneration of the Head of the internal audit function.
	to note the "Review Procedures and Guidelines in relation to RRPT" as outlined in section 2.6 of the RRPT circular and to approve the "Statement by the Company's Audit and Risk Management Committee" as outlined in section 2.7 of the RRPT circular.
7 April 2020	to review, approve and recommend for the approval of the Board the audited financial statements for the financial year ended 31 December 2019.
	to review the performance of the External Auditors, and if thought fit, to recommend to the Board to seek shareholders' approval on the re-appointment of External Auditors at the forthcoming Annual General Meeting.
13 May 2020	to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the first quarter ended 31 March 2020; (ii) report from the Risk Management Working Group on its risk assessment of the Group as at 6 May 2020; (iii) Internal Audit reports; (iv) quarterly report on the RRPTs of a revenue or trading nature; (v) quarterly report on the provision of non-audit services.
19 August 2020	to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the second quarter ended 30 June 2020; (ii) Internal Audit reports; (iii) quarterly report on the RRPTs of a revenue or trading nature; (iv) quarterly report on the provision of non-audit services.

3.0 MEETINGS (CONT'D)

The meetings were held on the following dates and the main agenda are summarised as follows: -

16 November 2020	to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the third quarter ended 30 September 2020; (ii) External Auditors' Professional Services Planning Memorandum 2020 (subject to further negotiation of audit fees); (iii) negotiated external audit fees of the Group; (iv) Internal Audit Plan 2020/ 2021; (v) Internal Audit Budget and Resource Plan for 2021; (vi) Internal Audit reports; (vii) report from the Risk Management Working Group on its risk assessment of the Group as at 4 Nov 2020; (viii) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature; (ix) quarterly report on the RRPTs of a revenue or trading nature; (x) quarterly report on the provision of non-audit services and the provision of Planned Non-Audit Services for 2021;
	to note the key observations on the effectiveness of internal audit function: thematic review findings and key takeaways published by Bursa Securities.

- The ARMC held the meetings without the presence of other Directors and management, except when the ARMC requested their attendance. The General Manager of Group Finance was invited to all ARMC meetings to facilitate and provide clarification on financial issues and risk management. The Head of the Group Internal Audit ("GIA") attended four (4) ARMC meetings to table the respective Internal Audit reports and ARMC report for inclusion in the Annual Report.

- To ensure that the audited financial statements complied with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's and Group's financial statements before they were presented to the ARMC for review and approval. They were then recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit.

- The ARMC had one (1) private session with the GIA on 17 February 2020 and the External Auditors on 16 November 2020 separately without presence of the Management to discuss any issues that were of concern to the GIA and the External Auditors respectively.

- Subsequent to the meetings of the ARMC, the Chairman of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The Chairman of the ARMC conveys to the Board, matters of significant concern as and when raised by the Management, External Auditors and the GIA. Minutes of each ARMC meeting were recorded by the Company Secretaries and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

4.0 TRAINING

The trainings attended by members of the ARMC during the year are disclosed in the Corporate Governance Overview Statement included in this Annual Report.

5.0 SUMMARY OF ACTIVITIES

The ARMC's activities during the year comprised the following: -

5.1 Financial Reporting

- Reviewing and approving the financial results of the Group

  The ARMC reviewed and approved the quarterly financial statements for the fourth quarter ended 31 December 2019, first quarter ended 31 March 2020, second quarter ended 30 June 2020 and third quarter ended 30 September 2020 at the respective ARMC meetings. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters: -

  (a) changes in or implementation of major accounting policies changes;

  (b) significant and unusual events; and

  (c) compliance with accounting standards and other regulatory requirements.

- On 7 April 2020, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2019 with the External Auditors in attendance.

- All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Market Listing Requirements and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by Bursa Malaysia Securities Berhad.

- The ARMC's recommendations were presented for approval at the Board meeting following the conclusion of the ARMC meeting.

5.2 External Audit

5.2.1 Overseeing the work of the External Auditors

- On 17 February 2020, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2019 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2019 (which was presented earlier to the ARMC on 27 August 2019). The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing its work, and they had received full cooperation from Management with unrestricted access to information.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.1 Overseeing the work of the External Auditors (Cont'd)

- On 7 April 2020, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2019 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval. Besides, the ARMC recommended to the Board to seek shareholders' approval for the re-appointment of the External Auditors at the forthcoming Annual General Meeting after having assessed the performance of the External Auditors. The assessment of the External Auditors was done through a written questionnaire covering questions encompassing the following:

  (a) Section A: Calibre of external audit firm

  (b) Section B: Quality processes/ performance

  (c) Section C: Audit team

  (d) Section D: Independence and objectivity

  (e) Section E: Audit scope and planning

  (f) Section F: Audit fees

  (g) Section G: Audit communications

  A copy of the completed Questionnaire has been filed with the Company Secretaries for record purposes.

- On 16 November 2020, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2020 which encompasses the following salient points: -

  (a) Auditor's responsibilities;

  (b) Client service team;

  (c) Materiality;

  (d) Significant risks and areas of audit focus;

  a total of three (3) significant risks and one (1) area of audit focus were identified

  (e) Internal control plan;

  (f) Involvement of internal auditors, internal specialists and audit data analytics;

  the External Auditors do not expect to use the work of the internal audit function to modify the nature of timing, or reduce the extent, of audit procedures to be performed

  (g) Timing of audit;

  (h) Financial reporting;

  (i) Fraud responsibilities and representations; and

  (j) Engagement quality control, independence policies and procedures.

- Having considered the above and after having further discussion with the External Auditors, the ARMC approved the External Auditors' Professional Services Planning Memorandum 2020 subject to further negotiation of audit fees.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.2 Assessing the Independence and Suitability of the External Auditors

- Under the Independence policies and procedures set out in the External Auditors' Professional Services Planning Memorandum 2020, the ARMC noted the following:-

  (a) that the External Auditors complied with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants ("By-Laws"). In this respect, the External Auditors have provided a written assurance to the ARMC on their independence.

  (b) that the External Auditors have developed policies and important safeguards and procedures to address threats to their independence and objectivity including: -

    (i) assessment is made to the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement;
    (ii) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System;
    (iii) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients; and
    (iv) periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with their policies and professional and regulatory requirements.

- that the External Auditors have issued detailed ethical standards and independence policies to all partners and employees whom are required to confirm their compliance annually. They are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things, these policies:-

  (a) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any the audit clients (unless otherwise expressly permitted);

  (b) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;

  (c) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and

  (d) provide safeguards against potential conflicts of interest.

- the External Auditors' independence policy requires them to communicate in writing to the ARMC all breaches of independence set out in the By-Laws on a timely basis and all insignificant breaches on an annual basis as well as to obtain concurrence from the ARMC on actions taken to satisfactorily address any consequence of any identified breach.

- Upon due consideration on the External Auditors' past performance, client service team, engagement quality control, independence policies and procedures as set out in the External Auditors' Professional Services Planning Memorandum 2020 as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors were suitable to be engaged to undertake the statutory audit and are satisfied that their independence had not been compromised.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.3 Internal Audit

- The GIA team conducted the audit activities as per two risk-based annual Internal Audit Plans i.e. year 2020 and year 2021 approved by the ARMC on 27 Nov 2019 and 16 November 2020 respectively. The Head of GIA presented the internal audit reports in four (4) ARMC meetings during the year. These reports contain: -

  (a) status and progress of internal audit assignments including summaries of the audit reports issued;

  (b) effects/ potential risks and audit recommendations provided by the GIA;

  (c) Management's responses to audit recommendations and their committed action plans; and

  (d) status of follow-up audits on Management's committed action plans.

- The risk-based Internal Audit Plans are reviewed on a yearly basis and as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of sixteen (16) full internal audits and six (6) follow-up internal audits were conducted during the year focusing on the following eighteen (18) key areas: -

(a)	Business Development & Corporate Affairs	(j)	Operation
(b)	Contract Administration	(k)	Project Management
(c)	Finance – Payment	(l)	Related Party Transaction
(d)	Finance Reporting/ Management	(m)	Risk Management
(e)	Fixed Asset Management	(n)	Tender & Purchasing
(f)	General Administration	(o)	Toll Operations and Toll Monitoring
(g)	Information Technology	(p)	Toll System Support
(h)	Inventory Management	(q)	Traffic & Safety
(i)	Maintenance & Engineering	(r)	Transfer Pricing

- On 16 November 2020, the ARMC reviewed and approved: -

  (a) the annual Internal Audit Plan 2021 that covers all core operations including water treatment, highway management, construction and waste management; and

  (b) the Internal Audit Budget and Resource Plan 2021 with the view that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year.

  In addition, ARMC noted the annual Declaration of Independence from GIA for the financial year then ending 31 December 2020.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.4 Risk Management

- The ARMC reviewed the report of the Risk Management Working Group presented bi-annually by the General Manager of Group Finance on 6 May 2020 and 4 November 2020 that covered risk profiles of the following divisions:-

  (a) Engineering and Construction;

  (b) Water and Engineering Division – Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd.;

  (c) Toll Highway Division - Grand Saga Sdn. Bhd. and Grand Sepadu (NK) Sdn. Bhd.;

  (d) Waste Management Division; and

  (e) Group Strategic Risks

- The Risk Profile indicated the impact, likelihood and residual risk rating of every risks identified for the divisions. It is supported by Risk Registers that detailed the description, cause, consequences, control and its effectiveness etc for each and every identified risk.

- The ARMC presented a summary of the Risk Management Working Group reports at the subsequent Board meetings for notation.

5.5 Recurrent Related Party Transactions ("RRPTs") and Related Party Transactions ("RPTs")

- In accordance with the Main Market Listing Requirements, the ARMC contemplated and reviewed the RRPTs tabled at the every ARMC meetings to ensure that they are: -

  (a) at arm's length;

  (b) on normal commercial terms;

  (c) on terms not more favourable to the Related Party than those generally available to the public;

  (d) in its opinion, are not detrimental to the minority shareholders; and

  (e) in the best interest of the Company.

- The ARMC (except for interested director(s)) thereafter recommended the RRPTs for approval at the subsequent Board meetings.

5.6 Fraud

There was no major incidence of fraud or wrongdoings during the year reported to the ARMC by the Executive Director or to the Chairman of the ARMC under the Company's whistle-blowing policy.

The Chairman of the ARMC has also not received any reports requiring further investigation sent to his dedicated email at ARMC@taliworks.com.my.

6.0 INTERNAL AUDIT FUNCTION

- The internal audit functions by assisting a company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The internal audit function provides assessments as to whether risks, which may hinder the company from achieving its objectives, are being adequately evaluated, managed and controlled. It further evaluates the effectiveness of the governance, risk management and internal control framework (including RPTs) and facilitates enhancement, where appropriate.

- In this respect, the ARMC is supported by an in-house GIA in the discharge of its duties and responsibilities. The ARMC is guided by the Guidelines on Internal Audit Function issued by the Internal Auditors Malaysia and the Internal Audit Charter that provides the framework for the efficient and effective functioning of the internal audit function.

- The GIA maintains its independence and objectivity through reporting directly to the ARMC and not involving in any operational responsibilities. The GIA carries out its role in accordance with the Institute of Internal Auditors International Professional Practices Framework. The GIA is responsible to independently review, appraise and recommend improvements to the governance, risk management and internal control systems established by the Management. The GIA provides timely and impartial advice to the ARMC and the respective Management as to whether activities reviewed are: -

  (a) in accordance with the Group's policies and direction;

  (b) in compliance with prescribed laws and regulations; and

  (c) achieving the desired results effectively and efficiently.

- On a quarterly basis, the GIA submits audit reports to the ARMC for review and action.

- The GIA performs risk-based*, ad-hoc and routine audits in accordance with the Internal Audit Plans as approved by the ARMC. Root-cause analysis was conducted as part of the IA work to enable relevant recommendations to address the weaknesses noted. The audit results were discussed with the respective Management and action plans were put in place to complete the necessary preventive and corrective actions before presenting to ARMC for review. Where applicable, the GIA conducts follow up audits to ensure that Management's commitment on corrective actions were fulfilled timely and appropriately. Internal audit engagements carried out by the GIA include operational, financial and compliance reviews.

  * high priority risk areas based on risk evaluations including risk management profile.

- GIA assisted the Management in the preparation and implementation of Anti-Bribery and Corruption Policy, in response to the corporate liability provision under the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

- In addition, the GIA plays an advisory role to the Management in the course of performing its internal audit activities. In turn, the Management supports the internal audit function by: -

  (a) inviting the Head of GIA as an observer to the monthly management meetings and meetings of the Risk Management Working Group to keep abreast of any important developments on business, operations, strategies, risks, controls etc;

  (b) providing unrestricted access to information, records and to the Management and making available adequate resources including personnel which are relevant to the internal audit function;

  (c) ensuring that the auditees implement all the internal audit recommendations to improve the effectiveness of governance, risk management, and internal control processes;

6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- In addition, the GIA plays an advisory role to the Management in the course of performing its internal audit activities. In turn, the Management supports the internal audit function by (cont'd):-

  (d) requiring all the heads of department in the Group to indicate in their annual appraisal form the status of all outstanding internal audit findings; and

  (e) not placing any restrictions on the scope of the internal audit undertaken by the GIA.

- The GIA provides internal audit services covering the Company, its operating subsidiaries and major associated companies. The total costs for the year incurred by the GIA were approximately RM647,500 (2019: RM711,000).

- The GIA is headed by a Senior Manager (Lee Chee Leong, Henry) who is a fellow member of the Association of Chartered Certified Accountants with double degrees in Applied Accounting and Applied Science with Computing. He was appointed as the Head of GIA since December 2011. He is well qualified to provide the necessary assurances to the ARMC and Management; having over twenty years of experience in internal audit and various other functions (i.e. compliance, information technology, risk management, quality management, finance and credit control) involving multiple industries including merchant banking, investment banking, both life and general insurance, property development and construction.

- As at 31 December 2020, the Head of GIA is supported by a team of five (5) members.

- There is adequate mix of knowledge, skills and other competencies needed to perform the internal audit function. The qualification of the GIA team members and their working experience can be categorised respectively as follows:-

Highest Qualification	No of internal auditors	%
Professional	2	33
Post Graduate	1	17
Degree	2	33
Diploma	1	17
Total	**6**	**100**

Years of working experience**	No of internal auditors	%
0 – 5	1	17
> 5 – 10	2	33
> 10 – 15	nil	0
> 15	3	50
Total	**6**	**100**

** Total of all functions including internal audit, external audit, compliance, finance etc.

- To enhance the competency of the GIA, team members are provided with internal and external trainings throughout the year that include on-the-job trainings in auditing, report writing, presentation and communication skills, as well as external trainings in cyber threats / security awareness, anti-bribery awareness and management, virtual meeting tools e.g. Microsoft Team, task organization and staff management etc.

- Internal reviews are performed by the GIA on a routine basis to appraise the quality of work performed.

7.0 AUDIT AND RISK MANAGEMENT COMMITTEE'S REPORT

The ARMC had approved this Audit and Risk Management Committee Report for inclusion in this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Part A of Appendix 9C of the Main Market Listing Requirements, the following are additional information to be disclosed in this Annual Report: -

1.0 Profile of Directors, Chief Executive and Key Senior Management

(a) The profile of the Directors and Chief Executive of the Company are stated under the Directors' Profile in this Annual Report.

(b) The profile of key senior management of the Group is disclosed in the Company's website at http://taliworks.com.my/corporate-information/ under the caption "Key Senior Management". Key Senior Management include (i) those who are charged with the Company's governance and management collective decision making and (ii) those who are primarily responsible for the business operations of the Group's core businesses.

2.0 Audit and Non-Audit Fees

(a) The amount of audit fees paid or payable by the Company and its subsidiaries to the External Auditors, Deloitte PLT, are as follows:

(i) Company – RM100,130 (2019: RM105,400)
(ii) Group – RM316,350 (2019: RM333,000)

(b) The non-audit fees paid or payable for services rendered to the Company and its subsidiaries by the External Auditors, Deloitte PLT, or a firm or corporation affiliated to it, are as follows:

(i) Company – RM13,600 (2019: RM63,700)
(ii) Group – RM48,200 (2019: RM99,400)

The non-audit fees are mainly in relation to the provision of company taxation services.

The above fees exclude Sales and Service Tax and out-of-pocket expenses.

3.0 Status of Utilisation of Proceeds

There are no proceeds raised in a corporate proposal.

4.0 Material Contracts

Save as disclosed in the Notes to the Financial Statements on the Significant Related Party Transactions, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

5.0 Recurrent Related Party Transactions

Pursuant to Paragraph 3.1.5 of Practice Note 12, the Recurrent Related Party Transactions entered into by the Company and its subsidiaries with related parties pursuant to a shareholders' mandate were as follows:

Related Parties	Type of the Recurrent Related Party Transactions	Aggregate value of Recurrent Related Party Transactions made during the financial year (RM'000)
Exitra Sdn. Bhd. and Exitra Solutions Sdn. Bhd.;	Services rendered to the Company and Group by the related parties in relation to the provision of information technology services, broadband and maintenance, sales of hardware and software either as vendor or re-seller	1,936
SWM Environment Holdings Sdn. Bhd.	Management services rendered by the Company to the related party.	3,800

6.0 Properties of the Group

Particulars of the properties of the Company or its subsidiaries have not been separately disclosed as their respective net book value represent less than 5% of the consolidated total assets of the Group as at the end of the financial year.

7.0 Employee Share Options Scheme ("ESOS")

There is no ESOS implemented by the Company which is subsisting as at the end of the financial year.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of **TALIWORKS CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	78,516	183,471
Income tax expense	(14,985)	(187)
Profit for the financial year	63,531	183,284
Profit attributable to:		
Owners of the Company	59,487	183,284
Non-controlling interests	4,044	-
	63,531	183,284

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

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2019 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 1.65 sen per share paid on 27 March 2020	33,261
In respect of the financial year ended 31 December 2020:	
First interim single-tier dividend of 1.65 sen per share paid on 19 June 2020;	33,261
Second interim single-tier dividend of 1.65 sen per share paid on 30 September 2020; and	33,261
Third interim single-tier dividend of 1.65 sen per share paid on 31 December 2020	33,261
	133,044

Subsequent to the end of the financial year, on 26 February 2021, the directors declared the payment of a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares, amounting to approximately RM33,260,990 in respect of the current financial year to be paid on 31 March 2021. This dividend has not been included as a liability in the statements of financial position as of 31 December 2020. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

The directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

There were no new shares or debentures issued during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

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

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
Dato' Lim Yew Boon
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Dato' Sri Amrin Bin Awaluddin
Soong Chee Keong
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
Lim Chin Sean

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

Abdul Razak Bin Hashim
Chee Lean Thong
Chew Hoong Cheong
Chin Soong Jin
Datin Lee Li May
Dato' Lim Chee Meng
Dato' Lim Yew Boon
Lim Siew Ling
Mohamad Hafiz Bin Kassim
Norsam @ Norsamsida Binti Hassan
Phang Kwai Sang
Teh Siok Wah
Wang Kwee Luan
Wong Voon Leong
Wong Wai Meng
Zulfikri Bin Suboh
Azrina Binti Mohd Isa (alternate director to Mohamad Hafiz Bin Kassim)
Vijay Vijendra Sethu (removed on 21 May 2020)
Seow Hooi Ju (appointed on 20 October 2020)

DIRECTORS' INTERESTS

The interest in shares and options over shares in the Company and in the related corporation of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares			
	Balance as at 1.1.2020	**Bought**	**Sold**	**Balance as at 31.12.2020**
Shares in the Company				
Direct interest				
Dato' Lim Yew Boon	625,000	-	-	625,000
Lim Chin Sean	250,006	-	-	250,006
Indirect interest				
Lim Chin Sean#	1,006,833,333	-	-	1,006,833,333

Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of his interest in the Company, he is also deemed to have an interest in the shares of all the Company's subsidiaries to the extent the Company has an interest pursuant to Section 8(4) of the Companies Act, 2016.

Other than disclosed above, none of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares and options over shares in the Company or its related corporation during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions between the Company and/or its subsidiaries and companies in which certain directors of the Company or persons connected with such directors have an interest as disclosed in Note 44 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides indemnity coverage for the directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM15,380 (inclusive of Sales and Service Tax and stamp duty).

There were no indemnities given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 47 to the financial statements.

SUBSEQUENT EVENT

Significant event subsequent to the end of the financial year are disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount payable as remuneration to the auditors for the financial year ended 31 December 2020 is disclosed in Note 9 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
23 March 2021

STATEMENT BY DIRECTORS

The directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
23 March 2021

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG VOON LEONG**, the officer primarily responsible for the financial management of **TALIWORKS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **PETALING JAYA** this 23rd day of March, 2021.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA
No. 71-1, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 154 to 258.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad
(Incorporated In Malaysia)

Key Audit Matters (Cont'd)

Key audit matters	How the matter was addressed in the audit
Impairment assessment of goodwill	
As at 31 December 2020, the Group has goodwill of RM129,385,000 relating to Cerah Sama Sdn. Bhd. ("CSSB") which arose from a restructuring exercise in August 2015. The goodwill is allocated to the Toll Highway cash generating unit (the "Toll CGU"). In performing the impairment assessment of goodwill, management is required to estimate the recoverable amount of the Toll CGU. The recoverable amount is calculated based on an estimation of the present value of the future cash flows expected to be generated ("value-in-use model"). The key bases and assumptions used in the value-in-use model involve a significant degree of management judgements and estimates, such as the traffic volume, which was projected by an external traffic expert engaged to assist management. Refer to key bases and assumptions used as disclosed in Note 23.	Our audit procedures, amongst others, included the following: • Performed inquiries with the management to understand and evaluate the process and controls in developing the value-in-use model; • Evaluated the appropriateness of the methodology of the management's value-in-use model, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management judgements and estimates; • Performed retrospective review of the cash flow projections used in the value-in-use model to assess the reliability of the management's estimates; • Involved our internal valuation specialists in assessing the appropriateness of the value-in-use model and the discount rate used; • Evaluated the work of our internal valuation specialists which includes the relevance and reasonableness of their findings or conclusions; • Challenged the reasonableness of the key bases and assumptions underpinning the value-in-use model, such as the traffic volume growth rate and the discount rate used; • Performed sensitivity analysis on the key assumptions to assess if any reasonably possible change in these assumptions can lead to an impairment loss; • Assessed the results of the impairment assessment by comparing the recoverable amount of the Toll CGU to its carrying amount; and • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad
(Incorporated In Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

Other Matter

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

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2022 J
Chartered Accountant

Kuala Lumpur
23 March 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Revenue	6	317,880	377,112	198,821	69,569
Cost of operations	7	(194,221)	(229,242)	(11,267)	(20,381)
Gross profit		123,659	147,870	187,554	49,188
Other operating income	8	20,009	67,288	1,458	1,300
Administrative and other expenses	9	(46,769)	(70,833)	(4,159)	(4,526)
Finance costs	10	(21,212)	(24,972)	(1,382)	(3,313)
Share of results of joint venture		4,693	5,275	-	-
Share of results of associates		(1,864)	(15,079)	-	-
Profit before tax		78,516	109,549	183,471	42,649
Income tax expense	13	(14,985)	(23,098)	(187)	(13)
Profit for the year/Total comprehensive income		63,531	86,451	183,284	42,636
Profit for the year/Total comprehensive income for the year attributable to:					
Owners of the Company		59,487	76,189	183,284	42,636
Non-controlling interests		4,044	10,262	-	-
		63,531	86,451	183,284	42,636
Earnings per share attributable to owners of the Company (sen)					
Basic and diluted	14	2.95	3.78		

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	8,941	12,215	2,130	3,213
Right-of-use assets	16	12,304	14,765	12,304	14,765
Investment properties	17	219	226	219	226
Intangible assets	18	1,044,806	1,070,798	-	-
Investment in subsidiaries	19	-	-	319,507	319,507
Investment in joint venture	20	62,952	65,909	67,173	67,173
Investment in associates	21	160,347	166,537	230,724	230,724
Other investment	22	240	240	-	-
Goodwill on consolidation	23	129,385	129,385	-	-
Deferred tax assets	24	-	1,305	-	-
Long-term other receivable	29	21,909	26,086	-	-
Deposits, cash and bank balances	26	53,231	58,184	4,613	4,572
Total Non-Current Assets		1,494,334	1,545,650	636,670	640,180
Current Assets					
Inventories	27	2,901	1,167	-	-
Amount due from contract customers	28	11,991	15,838	3,984	5,682
Trade receivables	25	91,716	107,395	-	9
Other receivables, deposits and prepayments	29	11,826	14,594	1,405	1,030
Tax recoverable		11,304	11,320	-	266
Investment designated at fair value through profit or loss	31	386,326	585,061	5	26,505
Deposits, cash and bank balances	26	64,617	72,524	6,118	6,142
Total Current Assets		580,681	807,899	11,512	39,634
TOTAL ASSETS		2,075,015	2,353,549	648,182	679,814

Statements of Financial Position

As at 31 December 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	32	438,354	438,354	438,354	438,354
Merger deficit	33	(71,500)	(71,500)	-	-
Retained earnings	34	592,493	666,050	188,022	137,782
Total Equity Attributable to Owners of the Company		959,347	1,032,904	626,376	576,136
Non-controlling interests		248,385	260,021	-	-
Total Equity		1,207,732	1,292,925	626,376	576,136
Deferred and Non-Current Liabilities					
Long-term borrowings	35	358,159	397,612	-	10,000
Lease liabilities	36	12,625	15,330	12,625	15,330
Long-term trade payables	37	17,039	36,015	-	-
Long-term other payables	40	6,675	-	-	-
Provisions	38	23,539	19,371	809	809
Deferred income	39	92,641	108,133	-	-
Deferred tax liabilities	24	234,987	236,135	-	-
Total Deferred and Non-Current Liabilities		745,665	812,596	13,434	26,139
Current Liabilities					
Trade payables	37	44,853	87,856	-	-
Other payables and accruals	40	26,372	45,042	2,436	4,156
Amount due to subsidiaries	30	-	-	3,125	6,590
Provisions	38	2,207	2,368	-	-
Dividend payable	41	-	24,190	-	24,190
Short-term borrowings	35	30,000	70,000	-	40,000
Lease liabilities	36	2,705	2,603	2,705	2,603
Deferred income	39	15,375	15,966	-	-
Tax liabilities		106	3	106	-
Total Current Liabilities		121,618	248,028	8,372	77,539
Total Liabilities		867,283	1,060,624	21,806	103,678
TOTAL EQUITY AND LIABILITIES		2,075,015	2,353,549	648,182	679,814

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Distributable reserve Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2019		438,354	(71,500)	689,995	1,056,849	265,443	1,322,292
Effects of adoption of MFRS 16		-	-	(3,374)	(3,374)	-	(3,374)
As at 1 January 2019, as restated		438,354	(71,500)	686,621	1,053,475	265,443	1,318,918
Profit for the year/Total comprehensive income for the year		-	-	76,189	76,189	10,262	86,451
Total comprehensive income for the year		-	-	76,189	76,189	10,262	86,451
Transactions with Owners of the Company:							
Dividend payable	41	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	41	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(15,680)	(15,680)
Capital distribution from winding-up of a subsidiary	19	-	-	-	-	(4)	(4)
Total transactions with Owners of the Company		-	-	(96,760)	(96,760)	(15,684)	(112,444)
As at 31 December 2019		438,354	(71,500)	666,050	1,032,904	260,021	1,292,925

Statements of Changes in Equity

For the Year Ended 31 December 2020

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Distributable reserve Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2020		438,354	(71,500)	666,050	1,032,904	260,021	1,292,925
Profit for the year/Total comprehensive income for the year		-	-	59,487	59,487	4,044	63,531
Total comprehensive income for the year		-	-	59,487	59,487	4,044	63,531
Transactions with Owners of the Company:							
Dividends paid	41	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(15,680)	(15,680)
Total transactions with Owners of the Company		-	-	(133,044)	(133,044)	(15,680)	(148,724)
As at 31 December 2020		438,354	(71,500)	592,493	959,347	248,385	1,207,732

The Company	**Note**	**Share capital RM'000**	**Distributable reserve- Retained earnings RM'000**	**Total equity RM'000**
As at 1 January 2019		438,354	195,280	633,634
Effects of adoption of MFRS 16		-	(3,374)	(3,374)
As at 1 January 2019, as restated		438,354	191,906	630,260
Profit for the year/Total comprehensive income for the year		-	42,636	42,636
Total comprehensive income for the year		-	42,636	42,636
Transactions with Owners of the Company:				
Dividend payable	41	-	(24,190)	(24,190)
Dividends paid	41	-	(72,570)	(72,570)
Total transactions with Owners of the Company		-	(96,760)	(96,760)
As at 31 December 2019		438,354	137,782	576,136
As at 1 January 2020		438,354	137,782	576,136
Profit for the year/Total comprehensive income for the year		-	183,284	183,284
Total comprehensive income for the year		-	183,284	183,284
Transactions with Owners of the Company:				
Dividends paid	41	-	(133,044)	(133,044)
As at 31 December 2020		438,354	188,022	626,376

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	78,516	109,549	183,471	42,649
Adjustments for:				
Net loss/(gain) arising on financial assets measured at fair value through profit or loss	325	(460)	-	5
Net loss/(reversal of) allowance on receivables and amount due from contract customers	(146)	3,472	(70)	(27)
Amortisation of intangible assets	25,992	29,964	-	-
Finance costs	21,212	24,972	1,382	3,313
Depreciation of:				
Property, plant and equipment	3,697	3,600	1,178	671
Investment properties	7	7	7	7
Right-of-use assets	2,461	2,266	2,461	2,266
Provision for heavy repairs	4,168	1,392	-	-
Provision for restoration cost	2,093	2,368	-	-
Impairment of:				
Amount owing from a subsidiary	-	-	50	-
Write off of:				
Property, plant and equipment	27	2	24	-
Amount owing from a former subsidiary	-	-	-	43
Amount owing from a former associate	-	38	-	38
Inventories	-	-	-	-
Unrealised foreign exchange loss/(gain) – net	(5)	2	1	1
Interest expense imputed in borrowings	547	548	-	-
Loss on winding-up of a subsidiary	-	-	-	11
Interest income/ (Reversal of interest income) imputed in retention sums	65	(63)	-	-
Deferred income recognised:				
Government compensation	(15,966)	(17,273)	-	-
Rental and maintenance fee	(117)	(118)	-	-
Interest income	(2,728)	(3,898)	(249)	(401)
Share of results of:				
Joint venture	(4,693)	(5,275)	-	-
Associates	1,864	15,079	-	-
Reversal of foreseeable losses from a construction contract	-	(244)	-	-
Investment designated at fair value through profit or loss:				
Dividend income	(11,222)	(1,296)	(96)	(39)
Loss/(Gain) on redemption	(1,114)	16	(36)	(12)
(Gain)/Loss on disposal of:				
Property, plant and equipment	(98)	(86)	(4)	(77)
Receivables	-	29,573	-	-
Gain on striking off of associates	-	(35)	-	-
Waiver of debts	-	(13,189)	-	-
Covid-19 related rent concessions	(167)	-	(167)	-
Gain on derecognition of financial assets	-	(41,140)	-	-
Gain on derecognition of financial liabilities	(408)	(2,774)	-	-
Reversal of gain on modification on trade creditors	1,833	-	-	-
Dividend income	-	-	(185,546)	(47,050)

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Operating Profit Before Working Capital Changes	106,143	136,997	2,406	1,398
Decrease/(Increase) in:				
Inventories	(1,734)	91	-	-
Amount due from contract customers	3,986	(22)	1,768	(1,461)
Trade and other receivables	22,632	593,479	(366)	2,047
Decrease in:				
Trade and other payables	(74,735)	(70,258)	(1,720)	(10,912)
Provisions	(2,254)	-	-	-
Cash Generated From/(Used In) Operations	54,038	660,287	2,088	(8,928)
Income tax paid	(15,198)	(18,490)	(87)	(7)
Income tax refunded	272	956	272	-
Net Cash From/(Used In) Operating Activities	39,112	642,753	2,273	(8,935)

CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Interest received	2,728	3,898	249	401
Net decrease in amount due from subsidiaries and associates	-	-	(3,515)	60,680
Property, plant and equipment:				
Proceeds from disposal	99	89	4	77
Purchases #	(451)	(3,403)	(119)	(2,627)
Capital distribution from winding-up of a subsidiary	-	-	-	5
Dividends received from:				
Subsidiaries	-	-	173,570	35,400
Joint venture	7,650	10,800	7,650	10,800
Associates	4,326	850	4,326	850
Investment designated at fair value through profit or loss:				
Purchase	(45,000)	(598,800)	(6,000)	(41,000)
Proceeds from redemption	255,746	77,384	32,632	19,006
(Placement)/Withdrawals of deposits pledged as security	4,953	(31,356)	(41)	(34)
Net Cash From/(Used In) Investing Activities	230,051	(540,538)	208,756	83,558

Statements of Cash Flows

For the Year Ended 31 December 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(21,725)	(24,972)	(1,382)	(3,313)
Dividends paid		(157,234)	(96,760)	(157,234)	(96,760)
Dividends paid by a subsidiary to non-controlling interests		(15,680)	(15,680)	-	-
Repayments of borrowings		(80,000)	(10,000)	(50,000)	(10,000)
Drawdowns of borrowings		-	30,000	-	30,000
Capital distribution paid by a subsidiary to non-controlling interest		-	(4)	-	-
Repayment of lease liabilities		(2,436)	(2,108)	(2,436)	(2,050)
Net Cash Used In Financing Activities		(277,075)	(119,524)	(211,052)	(82,123)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,912)	(17,309)	(23)	(7,500)
Effects of foreign exchange rate changes		5	(2)	(1)	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		72,524	89,835	6,142	13,643
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	26	64,617	72,524	6,118	6,142

\# During the financial year, the Group and the Company purchased property, plant and equipment through the following arrangement:

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Payment by cash	451	3,403	119	2,627
Consideration recorded in other payables	-	387	-	387
Total (Note 15)	451	3,790	119	3,014

The accompanying Notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company are presented in their functional currency which is Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 23 March 2021.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of revised MFRSs

In the current financial year, the Group and the Company adopted all the amendments to MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2020 as follows:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of these amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Early adoption of Amendment to MFRS 16 Leases - Covid-19 Related Rent Concessions ("the Amendment") which is effective for annual reporting periods beginning on or after 1 June 2020

As disclosed in Note 16, the Company entered into a lease arrangement of an office premises with the landlord on 1 January 2014 for a tenure of 3 years with the option for renewal of 3 terms of 3 years per term. The lease payments are adjusted every term, based on the then prevailing market rental rate agreed by both parties. During the financial year, the Company was offered a rebate for rental incurred during the period covering 18 March 2020 to 17 May 2020 as a direct consequence of the Movement Control Order ("MCO") imposed by the Government due to the Covid-19 pandemic, whilst other terms and conditions of the lease contract remained unchanged.

The rental rebate has met all the conditions set out in paragraph 46B of the Amendment. Hence, the Company made use of the practical expedient available in paragraph 46A of the Amendment. Pursuant to paragraph 46A, the Company may elect not to assess whether a rent concession that meets the conditions in paragraph 4B is a lease modification. Instead, the Company shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying the MFRS 16 *Leases* if the change were not a lease modification.

The Company applied the practical expedient to all its rent concessions during the financial year. As a result of the application, the Company recognised an income from the waiver of rental in the financial year amounting to RM167,000 as disclosed in Note 8 to reflect changes in lease payments that arose from the rent concessions.

MFRSs and Amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these 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 and the Company are as listed below:

MFRS 17	Insurance Contracts[3]
Amendments to MFRS 17	Insurance Contracts[3]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current[3]
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform-Phase 2[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 3	Reference to the Conceptual Framework[2]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to MFRS 137	Onerous Contracts[2]
Annual Improvement to MFRS Standards 2018-2020[2]	

[1] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced by MASB.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the aquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the aquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are re-measured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is initially recognised and measured as set out in "Business Combinations".

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in "Investments in Associates and Joint Venture".

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its shares of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (Cont'd)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the costs of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Group classifies to profit or loss the proportion of the gain or loss that had previously been recognised in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profit or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

Revenue is recognised when a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Performance obligations by segment are as follows:

<u>Construction segments</u>

The Group constructs infrastructure facilities under a specific/individual contract with customers. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Construction segments (Cont'd)

The Group becomes entitled to invoice customers for construction claims at the end of every calendar month. The customer is sent a statement showing the amount of work executed and supporting documents and an invoice for the related progress billing. The Group will previously have recognised an "amount due from contract customer" for any work performed, of which it will be reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billings exceed the revenue recognised to date under the cost-to-cost method, then the Group recognises an "amount due to contract customer" for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the progress billing is always less than one year.

The directors have performed assessment on the following projects and related findings are disclosed below:

(a) *The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur*

The Group has performed assessment that sectional completion is indicated in the contract. Thus, a separate performance obligation has been identified due to separate defects liability periods for each section and the customer may benefit from them on each distinct section. Each section's transaction price has been allocated from the overall contract price for this contract by first determining the relative revenue attributable for the respective sections of the construction work, and thereafter assign the proportionate percentage of revenue to the total estimated construction costs to derive the estimated contract costs for each section. The Group had a process in place in capturing and tracking the actual costs incurred for each distinct section in relation to revenue recognition. Revenue is recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the assessment of the above, the Group estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

(b) *The proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur*

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the directors consider the nature of the service being offered and the purpose of the payment terms. The Group received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

Toll segment

The revenue from toll segment is derived from toll collection and Government compensation.

The Group recognises revenue from toll collection at a point-in-time as and when toll is chargeable for the usage of its highways.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Water treatment, supply and distribution segment

The revenue from water treatment, supply and distribution segment operated by subsidiaries is derived from the operations and maintenance contract for the Sungai Selangor Water Treatment Plant Phase 1 that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and the water treatment, supply and distribution system for the entire Pulau Langkawi in Kedah.

The Group recognises revenue from water treatment, supply and distribution segment at a point-in-time as and when each cubic meter of treated water is sold to the customers.

Other revenue

Revenue from other sources are recognised as follows:

(i) interest income is recognised on an accrual basis using the effective interest method;

(ii) dividend income is recognised when the right to receive payment is established;

(iii) management fee income is recognised on an accrual basis, by reference to the agreements entered into; and

(iv) rental income is recognised on a straight-line basis over the tenure of the lease.

Deferred Income

Deferred income comprises the following:

(i) Fees received by a subsidiary from third parties for the use of ancillary facilities along the Cheras-Kajang Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received by a subsidiary as a result of changes made to the terms and conditions of the concession agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statement of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

Government Grant

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the expenses incurred are recognised in profit or loss on a systematic basis over the year necessary to match them with the related costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred with no future related costs are recognised in the profit or loss in the period in which they become receivable. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Differences arising in the retranslation of investment designated at fair value through other comprehensive income ("FVTOCI") or a financial instrument designated as a hedge of currency risk are recognised in other comprehensive income.

Employee Benefits

(i) Short-term employee benefit

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

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to a statutory pension scheme, the Employees Provident Fund.

(iii) Termination benefit

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation

Income tax expense for the year comprises current and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

(iii) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

Depreciation of other property, plant and equipment is computed based on a straight-line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the financial year except for in 2019, the Group remeasured the lease liability when the lease payment change due to changes in the expected rental rate by discounting the revised lease payments using an unchanged discount rate. Arising thereof, the Group made an adjustment to the right-of-use assets and lease liabilities in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of Tangible and Intangible Assets Other Than Goodwill" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "administrative and other expenses" in profit or loss.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents the advertisement billboards, rest and services area along its highways to business operators or retailers.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Properties

Investment properties, comprising buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight-line basis to write off the cost of the assets over their estimated useful lives.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is taken to profit or loss in the period of the retirement or disposal.

Intangible Assets

Intangible assets comprising concession rights under the intangible asset model, as defined in IC Interpretation 12, are stated at cost less accumulated amortisation and impairment losses.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognises profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with MFRS 15 *Revenue from Contract with Customers*.

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of MFRS 123 *Borrowing Costs*.

Following the adoption of Amendments of MFRS 116 and MFRS 138: *Clarification of Acceptable Methods of Depreciation and Amortisation* on 1 January 2016, the Group has adopted prospectively the traffic volume method for amortisation of its intangible assets, comprising the cost of its highway development expenditure based on the following formula:

$$\frac{\text{Cumulative traffic volume from 1.1.2016}}{\text{Cumulative traffic volume from 1.1.2016 plus projected traffic volume till end of concession}} \times \text{Opening Net Book Value as of 1.1.2016 plus Additions to-date}$$

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Costs of materials on site are determined using the first-in first-out method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation by the end of the reporting period and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial Instruments

Financial assets and liabilities are recognised when, and only when, the Group become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets (Cont'd)

(i) *Amortised cost and effective interest method (Cont'd)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated investment in redeemable preference shares of an equity instruments in a subsidiary and a joint venture that are not held for trading as at FVTOCI on initial application of MFRS 9 (see Notes 19 and 20).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets (Cont'd)

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated investment in quoted unit trust and other investment as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "administrative and other expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables, amount due from contract customers, other receivables and refundable deposits as well as deposits, cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and amount due from contract customers. The ECL on these financial assets are estimated using a credit loss rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date that is available without undue cost or effort, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12–month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12–month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the financial statements

For the Year Ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty;
- having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12–month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity (Cont'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

Statements of Cash Flows

The Group adopts the indirect method in the preparation of the statements of cash flows.

Cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value, net of outstanding bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as financial assets at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) **Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(c) Amortisation of Intangible Assets

The intangible assets are amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total traffic volume for subsequent financial years to 2045 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economic conditions. Changes in the expected traffic volume could impact future amortisation charges.

(d) Provision for Heavy Repairs

Heavy repairs of highway are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

(e) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

(f) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(g) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(h) Construction Contracts

The Group recognises contract revenue and cost over time based on the percentage of completion method. The stage of completion is referred to as the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, the Group relies on past experience.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(i) Impairment of Trade Receivables and Amount Due From Contract Customers

Significant estimates are required in determining the impairment of trade receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for trade receivables and amount due from contract customers by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amount due from contract customers are disclosed in Notes 25 and 28.

(j) Lease Term of Agreements with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option to renew the lease of the office premises for an additional term of three years. The extension option is exercisable only by the Group and not by the lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the right-of-use asset. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group includes the renewal period as part of the lease term for its lease of premises due to the significance of the right-of-use assets to its operations.

(k) Estimating the Incremental Borrowing Rate on Leases

The Group is unable to readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ("IBR") as the discount rate to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(l) Gain on Derecognition of Financial Assets and Financial Liabilities

On initial recognition, financial assets and financial liabilities are classified and measured at amortised cost. Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

When an existing financial asset/liability is replaced by another borrower/lender with substantially different terms or the terms of an existing asset/liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset/liability and the recognition of a new asset/liability. The carrying amount of respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the new effective interest rate. The Group has applied judgement and assumptions in determining the effective interest rate of the respective financial instruments. Any changes arising from the derecognition of original asset/liability and recognition of a new asset/liability are recognised in profit or loss.

The impact of modifications of financial assets and financial liabilities are disclosed in Note 25, Note 37 and Note 40.

5. SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee entrusted to make decisions and performance review:

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management	Solid waste collection and public cleansing management and other related activities.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Operations and maintenance of toll highways.
Others	Investment holding and other non-core businesses other than the above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the statements of profit or loss and other comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. SEGMENT REPORTING

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of profit or loss and other comprehensive income	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	225,538	254,861	13,636	38,048	60,862	69,374	313,032	320,301	5,264	5,264	618,332	687,848	(300,452)	(310,736)	317,880	377,112
EBITDA(i)	77,259	103,452	889	1,683	48,092	57,395	82,786	70,206	(5,868)	(7,464)	203,158	225,272	(74,235)	(45,287)	128,923	179,985
Depreciation and amortisation	(600)	(720)	(171)	(270)	(21,343)	(23,308)	(18,111)	(26,862)	(3,645)	(2,943)	(43,870)	(54,103)	11,846	18,443	(32,024)	(35,660)
Operating profit/(loss)	76,659	102,732	718	1,413	26,749	34,087	64,675	43,344	(9,513)	(10,407)	159,288	171,169	(62,389)	(26,844)	96,899	144,325
Finance costs	-	(649)	-	(1)	(13,188)	(14,139)	(25,587)	(25,230)	(1,382)	(3,313)	(40,157)	(43,332)	18,945	18,360	(21,212)	(24,972)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	4,693	5,275	4,693	5,275
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(1,864)	(15,079)	(1,864)	(15,079)
Profit/(Loss) before tax	76,659	102,083	718	1,412	13,561	19,948	39,088	18,114	(10,895)	(13,720)	119,131	127,837	(40,615)	(18,288)	78,516	109,549
Income tax (expense)/ credit	(14,812)	(21,918)	-	(263)	(3,141)	(2,467)	(18,727)	(17,520)	(187)	(13)	(36,867)	(42,181)	21,882	19,083	(14,985)	(23,098)
Profit/(Loss) for the year	61,847	80,165	718	1,149	10,420	17,481	20,361	594	(11,082)	(13,733)	82,264	85,656	(18,733)	795	63,531	86,451
EBDA(ii)	62,447	80,885	889	1,419	31,763	40,789	38,472	27,456	(7,437)	(10,790)	126,134	139,759	(30,579)	(17,648)	95,555	122,111

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results (Cont'd)

The following is an analysis of the Group's revenue and results by reportable segment: (Cont'd)

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Addition of property, plant and equipment (Note 15)	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capex(iii)	212	600	14	57	137	285	6,945	6,287	118	3,013	7,426	10,242	(6,975)	(6,452)	451	3,790

(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 year.

Notes

1. The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, construction, toll highway and waste management. Others refer to investment holding and other non-core businesses. Goodwill has been allocated to reportable segments as described in Note 23.

2. The segmental information on the water treatment, supply and distribution, construction and other divisions excluded the effects of the expected credit losses adjustments made. This is to better assess the operational performance of these divisions.

3. The segmental information on 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 the EBITDA and EBDA), are solely from the concession business, after proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.

5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

As of 31 December	Water		Construction		Toll highway		Waste management		Others		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Segment assets	531,069	697,608	27,027	34,364	1,332,790	1,402,352	148,691	155,587	35,438	63,638	2,075,015	2,353,549
Segment liabilities	(70,931)	(135,745)	(13,885)	(26,866)	(763,947)	(806,806)	-	-	(18,520)	(91,207)	(867,283)	(1,060,624)
Net segment assets	460,138	561,863	13,142	7,498	568,843	595,546	148,691	155,587	16,918	(27,569)	1,207,732	1,292,925

Geographical segments

No geographical segment information is presented as the Group's revenue is all derived from Malaysia based on the location of services delivered.

Information about major customers

Included in revenue arising from Water segment are revenue of RM172,896,000 and RM52,642,000 (2019: RM183,736,000 and RM64,207,000) from SPLASH (prior to 13 September 2019)/Air Selangor(with effect from 13 September 2019) and SADA respectively as described in Note 25 which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue in either 2020 or 2019.

6. REVENUE

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers	301,914	359,779	13,275	22,519
Revenue from other sources:				
Deferred income (Note 39)	15,966	17,273	-	-
Government compensation	-	60	-	-
Dividend from subsidiaries, associates and joint venture (Note 44)	-	-	185,546	47,050
	317,880	377,112	198,821	69,569

The Group recognised its revenue from contracts with customers from the following reportable segments:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Management, operations and maintenance of water treatment plants	225,538	247,943	-	-
Toll revenue and operator fee	58,444	72,113	-	-
Revenue from construction contracts	12,668	34,459	(23)	8,972
Management fees (Note 44)	5,264	5,264	13,298	13,547
	301,914	359,779	13,275	22,519
Timing of revenue recognition:				
At a point in time	283,982	320,056	-	-
Over time	17,932	39,723	13,275	22,519
	301,914	359,779	13,275	22,519

Included in revenue for the management, operations and maintenance of water treatment plants segment is a deduction of RM Nil (2019: RM12,802,000) pertaining to current year's invoices to a customer which is deemed uncollectible and therefore excluded from revenue in accordance with MFRS 15. An amount of RM Nil (2019: RM5,884,000) in respect of prior year's deduction was collected and is recognised as revenue in the current year.

6. REVENUE (CONT'D)

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from construction contracts	20,110	29,810	-	-

The Group and the Company expect revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Year 2020	-	23,203	-	-
Year 2021	15,515	6,607	-	-
Year 2022	4,595	-	-	-
	20,110	29,810	-	-

7. COST OF OPERATIONS

The cost of operations for the year has been arrived at after charging/(cediting):

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract costs recognised/(over-recognised)	9,770	31,545	(23)	8,883
Amortisation of intangible assets (Note 18)	25,992	29,964	-	-
Provision for restoration cost (Note 38)	2,093	2,368	-	-
Provision for heavy repairs (Note 38)	4,168	1,392	-	-
Depreciation of property, plant and equipment (Note 15)	1,399	1,445	-	-
Provision/(Reversal) for foreseeable losses (Note 28)	-	(244)	-	-
Hire of plant and machinery	79	77	-	-

8. OTHER OPERATING INCOME

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on derecognition of:				
Financial assets (Note 25)	-	41,140	-	-
Financial liabilities (Note 37)	-	2,774	-	-
Waiver of debts (Note 37)	-	13,189	-	-
Covid-19 related rent concessions (Note 2)	167	-	167	-
Interest income on fixed deposits with licensed banks	2,728	3,898	249	236
Investment designated at FVTPL:				
Dividend income	11,222	1,296	96	39
Gain on redemption	1,179	61	36	12
Rental income	647	468	14	12
Income from subleasing right-of-use assets	-	-	749	717
Interest income on amount due from subsidiaries	-	-	-	165
Gain on disposal of property, plant and equipment	98	86	4	77
Gain on striking off of an associate (Note 21)	-	35	-	-*
Unrealised gain on foreign exchange	6	-	-	-
Fair value gain arising on financial assets measured at FVTPL (Note 31)	64	472	-	-
Recognition of rental and maintenance fee (Note 39)	117	118	-	-
Interest income imputed in retention sums (Note 37)	-	63	-	-
Gain on modification in other payables (Note 40)	408	-	-	-
Reversal of loss allowances on trade receivables and amount due from contract customers (Notes 25 and 28)	1,798	27	70	27

* Less than RM1,000

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss on disposal of receivables (Note 25)	-	29,573	-	-
Reversal of gain on modification on trade creditors (Note 37)	1,833	-	-	-
Loss allowance on trade and other receivables and amount due from contract customers (Notes 25, 28 and 29)	1,652	3,499	-	-
Fair value loss arising on financial assets measured at FVTPL (Note 31)	389	12	-	5
Depreciation of right-of-use assets (Note 16)	2,461	2,266	2,461	2,266
Depreciation of property, plant and equipment (Note 15)	2,165	1,978	1,178	671
Expense relating to short-term leases:				
Office premises	-	10	-	-
Others	182	209	57	53
Unrealised loss on foreign exchange	1	2	1	1
Auditors' remuneration of:				
Statutory audit	316	357	100	116
Other services β	39	129	12	64
Interest expense imputed in borrowings (Note 35)	547	548	-	-
Write off of:				
Property, plant and equipment	27	2	24	-
Amount owing from a former subsidiary	-	-	-	43
Amount owing from a former associate	-	38	-	38
Depreciation of investment properties (Note 17)	7	7	7	7
Loss on winding-up of a subsidiary	-	-	-	11
Loss on redemption of investment designated at FVTPL	65	77	-	-
Reversal of interest income imputed in retention sums (Note 37)	65	-	-	-
Impairment on amount owing from a subsidiary	-	-	50	-

β Other services included tax-related services rendered to the Group and the Company amounting to RM39,000 and RM12,000 (2019: RM95,000 and RM64,000) respectively which were paid or payable to a firm affiliated to the Group's auditors.

10. FINANCE COSTS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense:				
IMTN	19,829	21,009	-	-
Lease liabilities	943	1,023	943	1,022
Revolving credit	405	2,210	405	2,210
Others	35	730	34	81
	21,212	24,972	1,382	3,313

11. STAFF COSTS

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	38,901	34,795	7,698	8,537
Defined contribution plan	3,174	3,518	747	839
Other employee benefits	1,006	980	135	118
	43,081	39,293	8,580	9,494

Included in the staff costs of the Group is RM6,484,000 termination benefits and other payments to employees arising from the expiration of the Privatisation Contract on 31 October 2020 referred to in Note 25(a).

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,642,000 (2019: RM1,518,000) and RM1,614,000 (2019: RM1,490,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM149,000 (2019: RM255,000) and RM96,000 (2019: RM185,000) respectively.

12. DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:

Non-executive Directors

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Dato' Sri Amrin Bin Awaluddin
Soong Chee Keong
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
Lim Chin Sean

Executive Director

Dato' Lim Yew Boon

12. DIRECTORS' REMUNERATION (CONT'D)

The aggregate amount of emoluments receivable by directors of the Company during the financial year are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-executive Directors:				
Fees	960	802	960	802
Other emoluments	73	59	73	59
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	396	441	396	441
Defined contribution plan	16	38	16	38
Other emoluments	53	34	49	30
	1,642	1,518	1,614	1,490

13. INCOME TAX EXPENSE

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysian income tax:				
Current year	14,768	6,503	183	13
Under/(Over)provision in prior years	60	(147)	4	-
	14,828	6,356	187	13
Deferred tax (Note 24):				
Current year	157	16,742	-	-
	14,985	23,098	187	13

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

13. INCOME TAX EXPENSE (CONT'D)

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	78,516	109,549	183,471	42,649
Taxation at statutory tax rate	18,844	26,292	44,033	10,236
Tax effects of:				
Non-deductible expenses	11,177	9,004	506	454
Non-taxable income	(7,153)	(3,423)	(44,391)	(11,293)
Tax waiver on statutory income of a subsidiary @	(8,651)	(9,606)	-	-
Deferred tax assets not recognised	708	978	35	616
Utilisation of deferred tax assets previously not recognised	-	-	-	-
Under/(Over)provision of income tax expense in prior years	60	(147)	4	-
Income tax expense recognised in profit or loss	14,985	23,098	187	13

@ A subsidiary, Grand Saga Sdn. Bhd. has been granted tax waiver on its statutory income from 2012 to 2021 in consideration of it agreeing to the cessation of toll collections and the discontinuance of operations of two toll plazas at the Cheras-Kajang Highway.

14. EARNINGS PER SHARE

Basic and diluted earnings per share attributable to owner of the Company are computed by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2020 RM'000	2019 RM'000
Profit for the year attributable to owners of the Company	59,487	76,189
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	2.95	3.78

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

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2020	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2020	280	700	2,319	2,058	12,079	8,809	6,810	21,723	26	54,804
Additions	-	-	33	-	296	53	-	69	-	451
Disposals	-	-	(13)	-	(12)	(477)	-	-	-	(502)
Write offs	-	-	(16)	-	(1,082)	-	(8)	-	-	(1,106)
As of 31 December 2020	280	700	2,323	2,058	11,281	8,385	6,802	21,792	26	53,647
Accumulated depreciation										
As of 1 January 2020	-	258	1,823	2,057	9,167	6,913	6,500	15,852	19	42,589
Charge for the year	-	14	134	1	1,189	814	143	1,400	2	3,697
Disposals	-	-	(13)	-	(12)	(476)	-	-	-	(501)
Write offs	-	-	(16)	-	(1,058)	-	(5)	-	-	(1,079)
As of 31 December 2020	-	272	1,928	2,058	9,286	7,251	6,638	17,252	21	44,706

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 2019	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2019	280	700	2,122	2,058	9,414	8,814	6,810	21,645	26	51,869
Additions	-	-	293	-	2,805	613	-	78	1	3,790
Disposals	-	-	(2)	-	(128)	(618)	-	-	-	(748)
Write offs	-	-	(94)	-	(12)	-	-	-	(1)	(107)
As of 31 December 2019	280	700	2,319	2,058	12,079	8,809	6,810	21,723	26	54,804
Accumulated depreciation										
As of 1 January 2019	-	244	1,794	2,057	8,466	6,506	6,347	14,406	19	39,839
Charge for the year	-	14	125	-	836	1,025	153	1,446	1	3,600
Disposals	-	-	(2)	-	(125)	(618)	-	-	-	(745)
Write offs	-	-	(94)	-	(10)	-	-	-	(1)	(105)
As of 31 December 2019	-	258	1,823	2,057	9,167	6,913	6,500	15,852	19	42,589
Net book value										
As of 31 December 2020	280	428	395	-	1,995	1,134	164	4,540	5	8,941
As of 31 December 2019	280	442	496	1	2,912	1,896	310	5,871	7	12,215

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company 2020	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
As of 1 January 2020	16	1,773	7,546	1,298	5,426	16,059
Additions	-	-	119	-	-	119
Disposals	-	-	-	(28)	-	(28)
Write off	(16)	-	(975)	-	-	(991)
As of 31 December 2020	-	1,773	6,690	1,270	5,426	15,159
Accumulated depreciation						
As of 1 January 2020	16	1,773	5,104	686	5,267	12,846
Charge for the year	-	-	941	155	82	1,178
Disposals	-	-	-	(28)	-	(28)
Write off	(16)	-	(951)	-	-	(967)
As of 31 December 2020	-	1,773	5,094	813	5,349	13,029
2019						
Cost						
As of 1 January 2019	17	1,773	5,058	1,494	5,426	13,768
Additions	-	-	2,592	422	-	3,014
Disposals	(1)	-	(104)	(618)	-	(723)
As of 31 December 2019	16	1,773	7,546	1,298	5,426	16,059
Accumulated depreciation						
As of 1 January 2019	17	1,769	4,717	1,212	5,183	12,898
Charge for the year	-	4	491	92	84	671
Disposals	(1)	-	(104)	(618)	-	(723)
As of 31 December 2019	16	1,773	5,104	686	5,267	12,846
Net book value						
As of 31 December 2020	-	-	1,596	457	77	2,130
As of 31 December 2019	-	-	2,442	612	159	3,213

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM317,000 and RM317,000 respectively (2019: RM401,000 and RM401,000).

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Depreciation charges for the financial year consist of:

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Capitalised in amount due from contract customers	28	133	177	-	-
Included in statements of profit or loss and other comprehensive income:					
Cost of operations	7	1,399	1,445	-	-
Administrative and other expenses	9	2,165	1,978	1,178	671
		3,564	3,423	1,178	671
		3,697	3,600	1,178	671

16. RIGHT-OF-USE ASSETS

On 1 January 2014, the Company entered into a lease arrangement of an office premises with the landlord for a tenure of 3 years with the option for renewal of 3 terms of 3 years per term. The lease payments are adjusted every term, based on the then prevailing market rental rate agreed by both parties.

At the inception, the Company classified the lease as an operating lease under MFRS 117. At the date of initial application of MFRS 16, the remaining non-cancellable period of the lease is one year. Considering the location of the office premises and other factors, the Company now considers that it is reasonably certain to exercise the renewal options up to 31 December 2025.

The following table shows the movements in right-of-use assets in accordance with the cumulative catch-up approach set out in MFRS 16:

	The Group and The Company 2020 RM'000	The Group and The Company 2019 RM'000
Cost:		
As of 1 January	28,360	-
Adjustment upon application of MFRS 16	-	27,189
As of 1 January, as restated	28,360	27,189
Addition	-	1,171
As of 31 December	28,360	28,360

16. RIGHT-OF-USE ASSETS (CONT'D)

The following table shows the movements in right-of-use assets in accordance with the cumulative catch-up approach set out in MFRS 16: (Cont'd)

	The Group and The Company	
	2020 RM'000	2019 RM'000
Accumulated depreciation:		
As of 1 January	13,595	-
Adjustment upon application of MFRS 16	-	11,329
As of 1 January, as restated	13,595	11,329
Charge for the year (Note 9)	2,461	2,266
As of 31 December	16,056	13,595
Net book value:		
As of 1 January, as restated	14,765	15,860
As of 31 December	12,304	14,765

17. INVESTMENT PROPERTIES

	The Group and The Company	
	2020 RM'000	2019 RM'000
Cost:		
As of 1 January/As of 31 December	369	369
Accumulated depreciation:		
As of 1 January	117	110
Charge for the year (Note 9)	7	7
As of 31 December	124	117
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26
Net book value:		
As of 31 December	219	226
Representing:		
Freehold building	106	109
Leasehold building	113	117
	219	226

17. INVESTMENT PROPERTIES (CONT'D)

Fair value of the investment properties of the Group and of the Company as of 31 December 2020 is estimated at RM547,000 (2019: RM542,000) based on directors' assessment of the current prices in an active market for the respective properties within the vicinity.

Details of the Group's and the Company's investment properties, all of which are located in Malaysia, and information about the fair value hierarchy as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2020				
Freehold building	-	-	266	266
Leasehold building	-	-	281	281
2019				
Freehold building	-	-	272	272
Leasehold building	-	-	270	270

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and of the Company is 73 years (2019: 74 years).

18. INTANGIBLE ASSETS

	The Group	
	2020 RM'000	2019 RM'000
Cost:		
As of 1 January/As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	192,105	162,141
Charge for the year (Note 7)	25,992	29,964
As of 31 December	218,097	192,105
Carrying amount:		
As of 31 December	1,044,806	1,070,798

The intangible assets of the Group at the end of the reporting period consist of a concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn. Bhd. to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway. The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

19. INVESTMENT IN SUBSIDIARIES

	The Company 2020 RM'000	The Company 2019 RM'000
Unquoted investment in preference shares		
- at FVTOCI	238,012	238,012
Unquoted investment in ordinary shares - at cost:		
As of 1 January	81,495	81,511
Additions	- ^	-
Capital distribution from winding-up of a subsidiary	-	(5)
Derecognition from strike-off of a subsidiary	-	- *
Derecognition from winding-up of a subsidiary	-	(11)
As of 31 December	81,495	81,495
Carrying amount	319,507	319,507

* Less than RM1,000
^ Issued share capital of RM2

There are no measurement impacts to the carrying amount of investment in preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

The investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Country of incorporation	Proportion of ownership interest held by the Group 2020 %	Proportion of ownership interest held by the Group 2019 %	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd.	Malaysia	100	100	Management, operations and maintenance of water treatment plants for a concession period expiring in December 2036.
Taliworks (Langkawi) Sdn. Bhd.	Malaysia	100	100	The concession for management, operations and maintenance of water treatment plants and water distribution systems has expired on 31 October 2020. Upon expiration of the concession, the operations have been handed over to Syarikat Air Darul Aman Sdn. Bhd., ("SADA"), a corporatised body under the state government of Kedah.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2020 %	2019 %	Principal activities
Held directly by the Company: (Cont'd)				
Taliworks Renewables Sdn. Bhd.@ ("TRSB")	Malaysia	100	-	Investment holding.
Taliworks Technologies Sdn. Bhd.	Malaysia	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks Meruan (Sarawak) Sdn. Bhd. €	Malaysia	-	-	Provision of construction, development, management, operation and maintenance of water supply schemes, solid waste disposal facilities. The company has been placed under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018. The company was subsequently dissolved on 12 December 2019 under Section 459(5) of the Companies Act, 2016.
Taliworks Construction Sdn. Bhd.	Malaysia	100	100	General construction.
TEI Sdn. Bhd.	Malaysia	51	51	Investment holding.
TE Overseas Ventures Sdn. Bhd.	Malaysia	-	-	Investment holding company. The company has been struck off from the register of companies on 22 November 2019 under Section 551(3) of the Companies Act, 2016.
Held through TE Overseas Ventures Sdn. Bhd.:				
TE Overseas Ventures Pte. Ltd.	Singapore	-	-	Investment holding company. The company has been struck off from the register of Accounting and Corporate Regulatory Authority on 4 June 2019 pursuant to Section 344A of the Singapore Companies Act (Chapter 50).

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2020 %	2019 %	Principal activities
Held through TEI Sdn. Bhd.:				
Trinitywin Sdn. Bhd.	Malaysia	51	51	Investment holding.
Cerah Sama Sdn. Bhd.	Malaysia	51	51	Investment holding.
Held through Cerah Sama Sdn. Bhd.:				
Trupadu Sdn. Bhd. #	Malaysia	51	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd. #	Malaysia	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Europlex Consortium Sdn. Bhd. #	Malaysia	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Grand Saga Sdn. Bhd. #	Malaysia	51	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period expiring in September 2045.

The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium-Term Notes borrowings as disclosed in Note 35.

€ In 2019, the liquidator of this subsidiary returned the issued capital of the company equivalent to RM0.02 per ordinary share to the Group and non-controlling interest amounting to RM5,000 and RM4,000 respectively.

@ TRSB was incorporated on 20 October 2020 as a wholly-owned subsidiary of the Company with an issued share capital of RM2. No statutory audit has been performed for the financial period 20 October 2020 to 31 December 2020 as the company's intended first financial period is from 20 October 2020 to 31 December 2021.

During the current financial year, TRSB has entered into two conditional share sale agreements in relation to the proposed acquisition of equity interest in renewable energy related business, which formed part of the significant events in the current financial year as disclosed in Note 47. The proposed acquisition would not have any effect on the earnings and cash flows of the Group for the current financial year as it is expected to be completed in the financial year ending 31 December 2021.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2020	Number of wholly-owned subsidiaries 2019	Number of non-wholly-owned subsidiaries 2020	Number of non-wholly-owned subsidiaries 2019
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2	-	-
Provision of management and technical services relating to waste management	Malaysia	1	1	-	-
General construction	Malaysia	1	1	-	-
Investment holding	Malaysia	1	-	-	-
Toll highway	Malaysia	-	-	7	7
		5	4	7	7

Details for non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests 2020 %	Proportion of ownership interests held by non-controlling interests 2019 %	Profit allocated to non-controlling interests 2020 RM'000	Profit allocated to non-controlling interests 2019 RM'000	Accumulated non-controlling interest 2020 RM'000	Accumulated non-controlling interest 2019 RM'000
TEI Sdn. Bhd.	49%	49%	4,044	10,271	248,385	260,021
Other individually immaterial subsidiaries	-	-	-	(9)	-	-
			4,044	10,262	248,385	260,021

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	2020 RM'000	2019 RM'000
Non-current assets	1,205,043	1,231,899
Current assets	42,379	82,127
Current liabilities	(57,097)	(58,990)
Non-current liabilities	(683,417)	(724,382)
Net assets	506,908	530,654
Equity attributable to owners of the Company	258,523	270,633
Non-controlling interest	248,385	260,021
Revenue	74,410	89,446
Expenses	(66,156)	(68,484)
Profit for the year	8,254	20,962
Profit attributable to owners of the Company	4,210	10,691
Profit attributable to non-controlling interest	4,044	10,271
Net cash generated from/(used in):		
Operating activities	41,713	53,982
Investing activities	25,536	23,581
Financing activities	(82,342)	(83,596)
Net change in cash and cash equivalents	(15,093)	(6,033)

20. INVESTMENT IN JOINT VENTURE

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
Group's share of post-acquisition reserve, net of dividend	(4,221)	(1,264)
	62,952	65,909

	The Company	
	2020	**2019**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
	67,173	67,173

There are no measurement impacts to the carrying amount of investment in redeemable preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

These investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	**Proportion of ownership interest held by the Group 2020 %**	**2019 %**	**Principal activities**
Pinggiran Muhibbah Sdn. Bhd.	50	50	Investment holding in Grand Sepadu (NK) Sdn. Bhd. which is engaged in the operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period ending in December 2032.

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

20. INVESTMENT IN JOINT VENTURE (CONT'D)

Pinggiran Muhibbah Sdn. Bhd.	2020 RM'000	2019 RM'000
Summarised statement of financial position		
Non-current assets	338,670	348,289
Current assets	5,619	20,723
Current liabilities	(4,690)	(4,309)
Non-current liabilities	(171,301)	(191,928)
Non-controlling interests	(42,394)	(40,958)
Net assets	125,904	131,817
Summarised statement of profit or loss and other comprehensive income		
Revenue	61,101	63,352
Profit for the year	9,386	10,550

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

	2020 RM'000	2019 RM'000
Net assets		
Carrying amount of the investment in joint venture	125,904	131,817
Proportion of the Group's ownership interest in the joint venture	50%	50%
	62,952	65,909

21. INVESTMENT IN ASSOCIATES

	The Group	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	247,811	247,811
Compensation	(17,087)	(17,087)
Share of post-acquisition reserve, net of dividend	(70,377)	(64,187)
	160,347	166,537

21. INVESTMENT IN ASSOCIATES (CONT'D)

	The Company	
	2020 **RM'000**	**2019** **RM'000**
Unquoted shares, at cost	247,811	247,811
Compensation	(17,087)	(17,087)
	230,724	230,724

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

Name	Proportion of ownership interest held by the Group 2020 %	2019 %	Principal activities
LGB Taliworks Consortium Sdn. Bhd.	20	20	General construction.
SWM Environment Holdings Sdn. Bhd.	35	35	Investment holding with its principal investment in a company managing and carrying on solid waste collection and public cleansing management and other related activities for a concession period until 31 August 2033.
Aqua Flo Sdn. Bhd.	24	24	Trading in chemical products.
LGB & TCB JV Sdn. Bhd. $	-	-	General construction. Application to strike off was made under Section 550 of the Companies Act, 2016 on 17 December 2018. On 5 July 2019, the company has been struck off from the register of the companies pursuant to Section 551(3) of the Companies Act, 2016.

All the associates are audited by a firm other than Deloitte PLT.

$ On 5 July 2019, the company was struck off from the register of companies pursuant to Section 551(3) of the Companies Act, 2016. The striking off resulted in a gain to the Group of RM35,000 (Note 8).

21. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group	2020 RM'000	2019 RM'000
Summarised statement of financial position		
Non-current assets	2,715,159	2,913,954
Current assets	673,379	620,919
Current liabilities	(255,903)	(238,338)
Non-current liabilities	(1,565,444)	(1,627,359)
Non-controlling interest	(1,095,634)	(1,177,911)
Net assets	471,557	491,265
Summarised statement of profit or loss and other comprehensive income		
Revenue	894,391	915,160
Profit for the year	184,834	158,690
Less:		
Deduction of the dividend on the cumulative preferences shares held by parties other than the Group	(126,660)	(156,993)
Group consolidation adjustments	(67,877)	(49,700)
Loss for the year	(9,703)	(48,003)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the material associate recognised in the financial statements of the Group is as follows:

	2020 RM'000	2019 RM'000
Net assets	471,557	491,265
Proportion of the Group's ownership interest in the associate	35%	35%
	165,043	171,940
Compensation	(17,087)	(17,087)
Adjustment for stamp duties paid	735	735
Carrying amount of the investment in the associate	148,691	155,588

21. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of other individually immaterial associates is set out below.

The Group	Others 2020 RM'000	Others 2019 RM'000
Summarised statements of financial position		
Non-current assets	3,650	3,416
Current assets	87,235	90,313
Current liabilities	(37,834)	(43,641)
Non-current liabilities	(3,818)	(3,805)
Net assets	49,233	46,283
Summarised statements of profit or loss and other comprehensive income		
Revenue	128,901	135,353
Profit for the year	7,328	7,297

22. OTHER INVESTMENT

	The Group 2020 RM'000	The Group 2019 RM'000
Financial assets carried at FVTPL:		
Golf membership	240	240

There are no measurement impacts to the carrying amount of other investment at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

23. GOODWILL ON CONSOLIDATION

	The Group 2020 RM'000	The Group 2019 RM'000
As of 1 January/As of 31 December	129,385	129,385

Goodwill on consolidation arose from the acquisition of a subsidiary, Cerah Sama Sdn. Bhd. pursuant to a restructuring exercise in 2014 under the toll highway segment.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the directors by comparing the recoverable amount of the cash generating unit (the "CGU") of the toll highway segment. The recoverable amount was determined based on value-in-use calculations, which uses cash flow projections based on the financial budgets approved by the directors covering the remaining concession period.

23. GOODWILL ON CONSOLIDATION (CONT'D)

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

(a) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 2.55% and 3.53% (2019: 1.59% and 2.35%) respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3.0% (2019: 3.0%) annually;

(c) Commissions to be paid to Touch & Go and Smart Tag are estimated at a fixed rate of 1.3% (2019: 1.3%) of total toll revenue collected; and

(d) Pre-tax discount rate of 10.86% (2019: 10.86%) applied to the cash flow projections is derived from a subsidiary, Grand Saga Sdn. Bhd.'s weighted average cost of capital.

The recoverable amount of the abovementioned goodwill have been estimated by the directors based on the abovementioned bases and assumptions as to future events which the directors expect to take place and actions which the directors expect to take place as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the goodwill were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and do not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amount.

24. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group	
	2020 RM'000	2019 RM'000
Deferred tax assets	-	1,305
Deferred tax liabilities	(234,987)	(236,135)
	(234,987)	(234,830)

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements during the financial year are as follows:

	The Group 2020 RM'000	The Group 2019 RM'000
As of 1 January	(234,830)	(218,088)
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	66	11
Intangible assets	(886)	562
Right-of-use assets	59	-
Trade receivables	(85)	(18,814)
Other receivables, deposits and prepayments	398	736
Provision for heavy repairs	1,000	741
Trade payables	440	(666)
Other payables and accruals	(581)	120
Provision for restoration costs	(568)	568
	(157)	(16,742)
As of 31 December	(234,987)	(234,830)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group 2020 RM'000	The Group 2019 RM'000
Deferred tax assets (before offsetting)		
Tax effects of deductible temporary differences arising from:		
Trade receivables	-	398
Other receivables, deposits and prepayments	1,134	736
Other payables and accruals	497	980
Right-of-use asset	59	-
Deferred income	95	95
Provision for restoration costs	-	568
Provision for heavy repairs	5,455	4,455
	7,240	7,232
Offsetting	(7,240)	(5,927)
Deferred tax assets (after offsetting)	-	1,305

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following: (Cont'd)

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Deferred tax liabilities (before offsetting)		
Tax effects of taxable temporary differences arising from:		
Property, plant and equipment	659	725
Intangible assets	238,778	237,892
Trade receivables	2,463	2,776
Other receivables, deposits and prepayments	3	3
Trade payables	226	666
Other payables and accruals	98	-
	242,227	242,062
Offsetting	(7,240)	(5,927)
Deferred tax liabilities (after offsetting)	(234,987)	236,135

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	(450)	-
Right-of-use assets	2,861	2,812
Other payables and accruals	4,707	2,830
Unused tax losses	17,812	17,936
Unabsorbed capital allowances	10,175	8,573
	35,105	32,151

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows: (Cont'd)

	The Company	
	2020 RM'000	2019 RM'000
Temporary differences arising from:		
Property, plant and equipment	(396)	-
Right-of-use assets	2,860	2,812
Other payables and accruals	1,380	2,139
Unused tax losses	15,217	15,247
Unabsorbed capital allowances	9,763	8,480
	28,824	28,678

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's and the Company's unused tax losses with no expiry period amounting to RM16,777,000 and RM14,919,000 respectively as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unused tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025). These unutilised tax losses were classified as "no expiry period" in previous financial years. For tax losses incurred in subsequent years, it will be allowed to be carried for 7 consecutive years from the respective years of assessment.

25. TRADE RECEIVABLES

The analysis of trade receivables between non-current and current is as follows:

	The Group	
	2020 RM'000	2019 RM'000
Current:		
Trade receivables	91,716	109,054
Less: Loss allowance	-*	(1,659)
Net	91,716	107,395

* Less than RM1,000.

	The Company	
	2020 RM'000	2019 RM'000
Current:		
Trade receivables	-	10
Less: Loss allowance	-	(1)
Net	-	9

25. TRADE RECEIVABLES (CONT'D)

The Group and the Company apply a simplified approach in calculating loss allowances for trade receivables at an amount equal to lifetime ECL. The Group and the Company estimate the loss allowance on trade receivables by applying an ECL rate at each reporting date. The ECL rate reflects the historical time value loss rate which is computed based on the actual and projected amounts and timing of repayment from the trade receivables on current year billings and the historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. The Group and the Company review the ECL rate at each reporting date to re-measure the loss allowance amount. Changes in the above variables could impact future ECL charges. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9:

The Group	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2019	7	68,240	68,247
Net re-measurement of loss allowances	-	380	380
Write off	-	(66,968)	(66,968)
As at 31 December 2019/1 January 2020	7	1,652	1,659
Net re-measurement of loss allowances	(7)	(1,652)	(1,659)
As at 31 December 2020	-	-	-
The Company			
As at 1 January 2019	1	-	1
Net re-measurement of loss allowances	-	-	-
As at 31 December 2019/1 January 2020	1	-	1
Net re-measurement of loss allowances	(1)	-	(1)
As at 31 December 2020	-	-	-

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

Out of the Group's total trade receivables, RM89,586,000 (2019: RM103,605,000) is concentrated on two customers. These customers are Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the Kedah state government and Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), the only entity with the license to extract, treat and distribute water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya following the completion of the Water Restructuring Exercise as disclosed in Note 25(b).

25. TRADE RECEIVABLES (CONT'D)

(a) SADA

Taliworks (Langkawi) Sdn. Bhd.("Taliworks Langkawi") was awarded the Privatisation Contract by the State Government of Kedah to take-over, manage, operate and maintain the Langkawi Water Supply System (refer to as "the Privatisation Contract") on 7 October 1995 for a period of 25 years commencing from 1 November 1995 to 31 October 2020. Subsequently, on 1 January 2010, the function of the State Government of Kedah with respect to the Privatisation Contract had been taken over by SADA thereafter.

The Privatisation Contract has expired on 31 October 2020. Upon expiration of the contract, the operations have been handed over to SADA. The gross invoiced amount due from SADA to Taliworks Langkawi as of 31 December 2020 is RM47,010,000 (2019: RM58,319,000). The Group deemed the outstanding amounts to be current as it is expected to be fully repaid within the next 12 months by SADA and accordingly, the Group recognised a reversal of loss allowance of RM1,652,000 (2019: a provision for loss allowance of RM380,000) on trade receivables due from SADA pursuant to MFRS 9 as disclosed in Note 8 and 9.

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entities of the state government.

(b) Air Selangor

The gross invoiced amount due from Air Selangor as of 31 December 2020 is RM42,576,000 (2019: RM46,938,000).

On 21 August 2018, a subsidiary, Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni"), received a letter of offer from Air Selangor setting out the (i) key terms of settlement between Air Selangor, Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd.("SPLASH") and Sungai Harmoni relating to Sungai Harmoni's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") under the Operations and Maintenance Agreement with SPLASH dated 24 January 2000 ("OMA"); and the (ii) key terms in respect of the new bulk water supply agreement for the continued operations and maintenance of SSP1 between Air Selangor and Sungai Harmoni. On 27 August 2018, Sungai Harmoni accepted the offer and upon acceptance of the offer, the directors re-measured the ECL rate at 10% on the basis that SPLASH will settle the outstanding receivables at an amount equal to 90% of the outstanding receivables as at a date to be mutually agreed by the parties. Out of these 90% of the outstanding receivables, an upfront payment of 10% will be paid not later than 14 days from the date to be mutually agreed ("First Payment Date"); and subsequently, the remaining will be paid in 9 equal annual instalments commencing the first anniversary of the First Payment Date, with an interest of 5.25% per annum on the outstanding balance.

On 24 May 2019, Sungai Harmoni entered into the following agreements with SPLASH and Air Selangor:

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

(b) a bulk water supply agreement ("BWSA") with Air Selangor in relation to the appointment of Sungai Harmoni for the operations and maintenance of SSP1 and the supply of treated water until 2036; and

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

These agreements became unconditional and were completed on 12 September 2019. The accumulated outstanding amount payable under the OMA amounted to RM795,530,373.

25. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor (Cont'd)

Under the TSA, SPLASH will pay 90% of all the outstanding sums due and payable to Sungai Harmoni based on the monthly invoices issued by Sungai Harmoni to SPLASH under the OMA accumulated up to 12 September 2019, equivalent to RM715,977,336 ("Settlement Sum"). In addition to the Settlement Sum, SPLASH will pay Sungai Harmoni a sum equivalent to RM6,951,761, being the billing for the treated water supplied from 30 August 2019 to 12 September 2019 based on the reduced bulk supply water rate under the BWSA ("Cut-Over Sum").

On 26 September 2019, being the First Payment Date, SPLASH paid Sungai Harmoni an upfront sum equivalent to 10% of the Settlement Sum amounting to RM71,597,734 ("Upfront Sum"). Subsequently on 26 November 2019, SPLASH paid Sungai Harmoni a partial payment of the Cut-Over Sum amounting to RM2,898,138. The balance of the Settlement Sum and Cut-Over Sum totalling RM648,433,225 with interest of 5.25% per annum ("Receivables") will be payable in 9 annual instalments commencing the first anniversary of the First Payment Date. Arising from the modification of the SPLASH's original credit terms, the Group recognised a gain on derecognition of the amount due from SPLASH amounting to RM41,140,151 in the financial year ended 31 December 2019 as disclosed in Note 8.

On 18 December 2019, Sungai Harmoni entered into a conditional sale and purchase agreement with Starbright Capital Berhad ("Starbright") to dispose the Receivables for a total disposal cash consideration of RM660,000,000, which comprises an upfront cash consideration of RM626,054,000 and deferred consideration of RM33,946,000 ("Disposal of Receivables"). Starbright is a special purpose bankruptcy remote vehicle under the Companies Act, 2016, incorporated to undertake the asset-backed securitisation ("ABS") exercise which involved the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase of medium-term notes ("MTNs") of up to RM700,000,000 in nominal value arising from the securitisation of the Receivables. Starbright has issued RM665,000,000 nominal amount of MTNs to meet part of the purchase consideration of the Receivables. The upfront cash consideration was paid upon completion of the Disposal of Receivables on 27 December 2019. The deferred consideration, which has been classified as other receivable, will be receivable at the end of each reporting period over a 9-year term, subject to the projected cash flows of Starbright.

The Disposal of Receivables by Sungai Harmoni under the sale and purchase agreement was legally a "true sale" by way of an absolute legal assignment to Starbright of all of the Sungai Harmoni's rights, title, interests and benefits therein and in the proceeds thereof under the TSA. Arising from the Disposal of Receivables, the Group recognised a loss on disposal amounting to RM29,573,000 in the financial year ended 31 December 2019, being the difference between the disposal consideration and carrying amount of receivables as disclosed in Note 9.

The financial impacts from the Disposal of Receivables are as follows:

	The Group 2019 RM'000
Fair value of Receivables:	
Outstanding receivables from SPLASH	648,433
Gain on derecognition of financial asset	41,140
	689,573
Disposal consideration:	
Consideration received	626,054
Deferred consideration	33,946
	660,000
Loss on disposal	29,573

25. TRADE RECEIVABLES (CONT'D)

The ageing of the Group's and the Company's trade receivables which was past due but not impaired as of the end of the reporting period is as follows:

	SADA RM'000
The Group	
2020	
Past due up to 3 months	17,162
Past due 3 to 9 months	29,848
	47,010
2019	
Past due up to 3 months	14,941
Past due 3 to 9 months	31,224
	46,165

	The Company	
	2020 RM'000	2019 RM'000
Past due up to 3 months	-	-

Included in trade receivables of the Group are the following:

	The Group	
	2020 RM'000	2019 RM'000
An amount owing from an associate	-	3,289

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

Notes to the financial statements

For the Year Ended 31 December 2020

26. DEPOSITS, CASH AND BANK BALANCES

	The Group	
	2020 RM'000	2019 RM'000
Non-Current:		
Deposits with licensed banks	53,231	58,184
Current:		
Deposits with licensed banks	33,789	50,826
Cash and bank balances	30,828	21,698
	64,617	72,524
Total	117,848	130,708
Less: Deposits pledged as security	(53,231)	(58,184)
Cash and cash equivalents	64,617	72,524

	The Company	
	2020 RM'000	2019 RM'000
Non-Current:		
Deposits with licensed banks	4,613	4,572
Current:		
Cash and bank balances	6,118	6,142
Total	10,731	10,714
Less: Deposits pledged as security	(4,613)	(4,572)
Cash and cash equivalents	6,118	6,142

The currency profile of deposits, cash and bank balances is as follows:

	The Group	
	2020 RM'000	2019 RM'000
Ringgit Malaysia	117,781	130,639
United States Dollar	67	69
Total	117,848	130,708

26. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

	The Company	
	2020 RM'000	**2019 RM'000**
Ringgit Malaysia	10,664	10,645
United States Dollar	67	69
Total	10,731	10,714

Included in long-term deposits with licensed banks of the Group are the following:

(i) amounts totalling RM9,375,000 (2019: RM15,030,000) that are pledged as security for banking facilities to facilitate the issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operations and maintenance of water treatment plants and as security for a revolving credit facility as disclosed in Note 35; and

(ii) an amount of RM43,856,000 (2019: RM43,154,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium-Term Notes as disclosed in Note 35.

Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,613,000 (2019: RM4,572,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects and as security for a revolving credit facility as disclosed in Note 35.

The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 1.60% to 3.40% (2019: 2.05% to 3.60%) per annum and 1.60% to 1.90% (2019: 2.85% to 3.15%) per annum, respectively.

Deposits of the Group and of the Company have an average maturity ranging from 30 days to 365 days (2019: 14 days to 365 days) and from 30 days to 365 days (2019: 30 days to 365 days) respectively. Bank balances are deposits held at call with licensed banks.

27. INVENTORIES

	The Group	
	2020 RM'000	**2019 RM'000**
Consumable spares	1,364	1,167
Materials on site	1,537	-
	2,901	1,167

All of the Group's inventories are expected to be used within the next 12 months.

Materials on site are capitalised to construction work-in-progress when utilised.

Cost of inventories recognised as cost of sales during the year is RM18,273,000 (2019: RM19,395,000).

28. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2020 RM'000	2019 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	6,321	11,272
Retention receivables of construction contracts (b)	6,000	5,035
Less: Loss allowance	(330)	(469)
	11,991	15,838

	The Company	
	2020 RM'000	2019 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	2,289	4,057
Retention receivables of construction contracts (b)	1,814	1,813
Less: Loss allowance	(119)	(188)
	3,984	5,682

(a) Unbilled revenue included in contract assets represents the Group's and the Company's right to receive consideration for work completed but yet to be billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the Company and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group and the Company issue invoices for certified works performed.

(b) Retention receivables included in contract assets represent the Group's and the Company's right to receive consideration for work performed and yet to be billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group and the Company on the service quality of the construction work performed by the Group and the Company. The due dates for retention receivables are usually upon obtaining certificate of completion of making good defects.

There are no provision for foreseeable losses recognised during the financial year (2019: reversal of provision for foreseeable losses of RM244,000).

Typical payment terms which impact the amount of contract assets recognised are as follows:

The Group's and the Company's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

The Group and the Company also typically agrees to a retention period ranging from 12 months to 24 months for 5% of the contract value. This amount is included in receivables until the end of the retention period at the Group's entitlement to this final payment is conditional on the issuance of certificate of making good defect by the customer.

28. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

The Group and the Company classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle ranging from 1 to 2 years.

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within 1 year	2,510	-	-	-
1 year to 2 years	1,814	1,813	1,814	1,813
More than 2 years	1,676	3,222	-	-
	6,000	5,035	1,814	1,813

Significant changes in contract assets during the year are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contract assets (other than retention sums) at the beginning of the period transferred to trade receivables	8,441	8,875	1,746	2,326
Retention sums receivables included in contract assets at the beginning of the period transferred to trade receivables	-	732	-	270

The Group and the Company apply an ECL rate, which is computed based on the historical time value loss rate from the timing of repayment of trade receivables, adjusted by forward-looking information that is available without undue cost or effort, to calculate the loss allowances for amount due from contract customers. At each reporting date, the Group and the Company review the ECL rate and re-measure the loss allowance amount.

The following table shows the movements in lifetime ECL that has been recognised for contract assets in accordance with simplified approach set out in MFRS 9.

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	469	449	188	215
Net re-measurement of loss allowances	(139)	20	(69)	(27)
At 31 December	330	469	119	188

28. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

Included in amount due from contract customers are the following:

	The Group 2020 RM'000	The Group 2019 RM'000
Depreciation of property, plant and equipment (Note 15)	133	177
Rental of site office	19	33
Letter of credit charges	75	124

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current:				
Other receivables	26,633	29,158	-	-
Less: Loss allowance	(4,724)	(3,072)	-	-
	21,909	26,086	-	-
Current:				
Other receivables	8,980	11,774	-	1
Interest receivables	160	61	-	-
Prepayments	476	1,205	86	135
Deposits	1,874	1,554	983	894
Amount due from an associate	336	-	336	-
	11,826	14,594	1,405	1,030
Total	33,735	40,680	1,405	1,030

Included in other receivables of the Group are the deferred consideration of RM30,810,000 (2019: RM33,946,000) due from Starbright pursuant to the Disposal of Receivables as disclosed in Note 25. Out of this amount, the Group expects that RM4,177,000 (2019: RM4,788,000) will be collected in the next 12 months and thus has been classified as current assets. The remaining balance of RM26,633,000 (2019: RM29,158,000) has been classified as long-term other receivables and it is expected to be collected during the year 2022 to 2028 (2019: year 2021 to 2028).

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	3,072	-	-	-
Net re-measurement of loss allowances	1,652	3,072	-	-
At 31 December	4,724	3,072	-	-

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

During the year, the Group measured the loss allowance for other receivables at an amount equal to the lifetime ECL amounting to RM1,652,000 (2019: RM3,072,000) on the deferred consideration due from Starbright as disclosed in Note 9. The loss allowance is computed based on the time value loss rate from the timing of repayment of deferred consideration, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the Group reviews the ECL rate and re-measures the loss allowance amount.

The amount due from an associate mainly arose from non-trade transactions which is interest free, unsecured and is expected to be repaid within the next 12 months.

30. AMOUNT DUE (TO)/FROM SUBSIDIARIES

	The Company	
	2020 RM'000	**2019 RM'000**
Non-current:		
Amount due from subsidiaries	3,465	3,415
Less: Loss allowance	(3,465)	(3,415)
	-	-
Current:		
Amount due to subsidiaries	(3,125)	(6,590)
	(3,125)	(6,590)

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due to subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

In 2019, the Company has given advances amounted to RM6,000,000 to Sungai Harmoni Sdn. Bhd., a subsidiary, which bears interest at rates ranging from 5.05% to 5.08% per annum. These advances have been fully repaid as at the end of the financial year ended 31 December 2019.

31. INVESTMENT DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

Investments designated at FVTPL comprise investments in quoted unit trusts in money market securities instruments that are not held for trading.

The movements in the investments designated at FVTPL during the financial year is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
As of 1 January	585,061	61,905	26,505	4,465
Additions	56,222	600,096	6,096	41,039
Disposals	(254,632)	(77,400)	(32,596)	(18,994)
Fair value changes recognised in profit or loss (Notes 8 and 9)	(325)	460	-	(5)
As of 31 December	386,326	585,061	5	26,505

32. SHARE CAPITAL

	The Group and The Company			
	2020		2019	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Issued and fully paid:				
As of 1 January/ As of 31 December	2,015,817	438,354	2,015,817	438,354

33. MERGER DEFICIT

	The Group	
	2020 RM'000	2019 RM'000
Merger deficit	71,500	71,500

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in the financial year ended 31 December 2000:			
Sungai Harmoni Sdn. Bhd.	47,000	(5,000)	42,000
Taliworks (Langkawi) Sdn. Bhd.	32,500	(3,000)	29,500
	79,500	(8,000)	71,500

34. RETAINED EARNINGS

The Company is currently under the single-tier income tax system.

The entire retained earnings of the Company as of the end of the reporting period are available for distribution as single-tier dividends under the single-tier income tax system. Under this system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax.

35. BORROWINGS

	The Group	
	2020 RM'000	2019 RM'000
Non-Current:		
Islamic Medium-Term Notes ("IMTN")	358,159	387,612
Revolving credit	-	10,000
	358,159	397,612
Current:		
Islamic Medium-Term Notes ("IMTN")	30,000	30,000
Revolving credit	-	40,000
	30,000	70,000
Total:		
IMTN (a)	388,159	417,612
Revolving credit (b)	-	50,000
	388,159	467,612

	The Company	
	2020 RM'000	2019 RM'000
Non-Current:		
Revolving credit	-	10,000
Current:		
Revolving credit	-	40,000
Total revolving credit (b)	-	50,000

The Group and the Company have a total of RM857,00,000 and RM75,000,000 (2019: RM890,500,000 and RM95,000,000) of credit facilities, respectively comprising revolving credit and other trade financing facilities granted by financial institutions and RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM809,000,000 (2019: RM822,500,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

35. BORROWINGS (CONT'D)

Facilities of the Company amounting to RM27,000,000 (2019: RM27,000,000) are secured by way of proceeds deposited into designated bank accounts and fixed deposits.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM20,000,000 (2019: RM67,315,000) issued to financial institutions for banking facilities secured by certain subsidiaries.

Weighted average interest/profit rates that were effective as of the end of the reporting period are as follows:

	The Group	
	2020 %	2019 %
Fixed rates:		
IMTN	4.48 to 5.39	4.48 to 5.39
Floating rates:		
Revolving credit	-	5.05 to 5.08

	The Company	
	2020 %	2019 %
Floating rates:		
Revolving credit	-	5.05 to 5.08

(a) IMTN

	The Group	
	2020 RM'000	2019 RM'000 (Restated)
As of 1 January	417,612	417,064
Redeemed	(30,000)	-
Interest imputed in borrowing (Note 9)	547	548
As of 31 December	388,159	417,612
Analysed as:		
Non-current liabilities	358,159	387,612
Current liabilities	30,000	30,000
	388,159	417,612

35. BORROWINGS (CONT'D)

(a) IMTN (Cont'd)

The non-current portion is repayable as follows:

	The Group	
	2020 RM'000	**2019 RM'000**
Between 1 to 2 years	29,925	29,648
Between 2 to 5 years	139,207	128,730
Over 5 years	189,027	229,234
As of 31 December	358,159	387,612

The Ringgit Malaysia denominated IMTN was issued by a subsidiary, Cerah Sama Sdn. Bhd. under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account as disclosed in Note 26;

(ii) the subsidiary's equity interest in ordinary shares of all of its subsidiaries as disclosed in Note 19; and

(iii) the subsidiary's revenue and income including but not limited to any dividends and distributions, whether income or capital in nature, from its group of companies.

The IMTN bears profit at rates ranging from 4.48% to 5.39% (2019: 4.48% to 5.39%) per annum. The weighted average profit rate that was effective as of the end of the reporting period is 5% (2019: 4.9%).

The RM420 million in nominal value IMTN is repayable over 11 annual instalments commencing 2020. During the year, the first tranche of the IMTN amounting to RM30,000,000 in nominal value was redeemed in full at maturity on 31 January 2020. The repayment terms of the remaining IMTN tranches are as follows:-

(i) a nominal value of RM120,000,000 in which each RM30,000,000 is repayable annually from 2021 to 2024;

(ii) a nominal value of RM120,000,000 in which each RM40,000,000 is repayable annually from 2025 to 2027; and

(iii) a nominal value of RM150,000,000 in which each RM50,000,000 is repayable annually from 2028 to 2030.

(b) Revolving credit

The revolving credit facility's limit was increased in the previous financial year ended 31 December 2019 from RM30,000,000 to RM60,000,000 and fully utilised by the Group. During the current financial year, the outstanding balance of the revolving credit was fully repaid.

35. BORROWINGS (CONT'D)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	As of 1 January RM'000	Drawdown/ (Repayments) RM'000	Others RM'000	As of 31 December RM'000
The Group				
2020				
Revolving credit	50,000	(50,000)	-	-
IMTN	417,612	(30,000)	547	388,159
Lease liabilities	17,933	(2,436)	(167)	15,330
	485,545	(82,436)	380	403,489
2019				
Revolving credit	30,000	20,000	-	50,000
IMTN	417,064	-	548	417,612
Lease liabilities, as restated	19,292	(2,108)	749	17,933
	466,356	17,892	1,297	485,545
The Company				
2020				
Revolving credit	50,000	(50,000)	-	-
Lease liabilities	17,933	(2,436)	(167)	15,330
	67,933	(52,436)	(167)	15,330
2019				
Revolving credit	30,000	20,000	-	50,000
Lease liabilities, as restated	19,234	(2,050)	749	17,933
	49,234	17,950	749	67,933

36. LEASE LIABILITIES

	The Group and The Company 2020 RM'000	2019 RM'000
Non-Current:		
Lease liabilities	12,625	15,330
Current:		
Lease liabilities	2,705	2,603
Total	15,330	17,933

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The lease liabilities are denominated in Ringgit Malaysia and comprises leases on office premises and obligations under finance lease on motor vehicles.

(a) Office premises

In 2019, the Group renewed the rental of its office premises. The rental tenure is for 3 years with the option for renewal of one term of 3 years up to 31 December 2025.

(b) Obligations under finance lease

The Group's and the Company's obligations under finance lease bore effective interest rate at 2.22% per annum.

The maturity analysis of the future lease payment at the reporting date are as follows:

	The Group and The Company 2020 RM'000	2019 RM'000
Maturity analysis:		
Year 1	2,705	2,603
Year 2	2,675	2,706
Year 3	3,147	2,675
Year 4	3,313	3,147
Year 5	3,490	3,313
Onwards	-	3,489
Present value	15,330	17,933

37. TRADE PAYABLES

	The Group	
	2020 RM'000	2019 RM'000
Non-Current:		
Trade payables (a)	16,043	34,599
Retention sums (b)	1,117	1,602
Less: Interest income imputed in retention sum	(121)	(186)
Net	17,039	36,015
Current:		
Trade payables (a)	37,662	79,813
Retention sums (b)	7,191	8,043
Net	44,853	87,856
Total	61,892	123,871

(a) The following transactions have taken place in the previous financial year ended 31 December 2019:

(i) Arising from the debt settlement arrangement between Sungai Harmoni and certain major trade creditors in 2019, the latter waived 10% on the gross outstanding payables totalling RM87,429,000, equivalent to RM8,743,000. Out of the remaining outstanding balance, the amount totalling RM56,060,000 was agreed to be repaid over a period of three (3) years, commencing from 31 March 2020 and ending on 31 March 2022. Accordingly, as at 31 December 2019, the non-current portion of the installments payable representing the 2nd and 3rd installments under the debt settlement arrangement amounted to RM37,373,000 were reclassified as long-term trade payables. Arising from the modification of the original credit terms, the Group recognised a gain on derecognition of the balance outstanding payables equivalent to RM2,774,000 as disclosed in Note 8; and

(ii) The Group recognised a waiver of late penalty charges on outstanding bills owing to Tenaga Nasional Berhad ("TNB") amounting to RM4,446,000 pursuant to the consent judgement received in 2019 as further disclosed in Note 47.

Consequently, the Group recognised a waiver of debts owing to trade creditors totalling RM13,189,000 in financial year ended 31 December 2019 as disclosed in Note 8.

As at the end of the financial year, the long-term portion of the amounts due under the debt settlement arrangement has reduced to RM16,984,000 which is due on 31 March 2022. The Group recognised the reversal of gain on the modification in the profit or loss of RM1,833,000 during the financial year ended 31 December 2020 as disclosed in Note 9.

(b) At the end of the financial year, the Group has a retention sum owing to contractors amounting to approximately RM8,308,000 (2019: RM9,645,000). Out of this amount, the Group anticipated that RM7,191,000 (2019: RM8,043,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM1,117,000 (2019: RM1,602,000) has been classified as long-term payables, and it is expected to be released to contractors in year 2022 and 2024 (2019: 2021 and 2022).

The directors consider that the carrying amount of trade payables approximate to their fair values.

37. TRADE PAYABLES (CONT'D)

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2020 **RM'000**	**2019** **RM'000**
Non-Current:		
As of 1 January	186	123
(Reversal)/Recognised in profit or loss (Notes 8 and 9)	(65)	63
As of 31 December	121	186

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

Included in trade payables of the Group are the following:

	The Group	
	2020 **RM'000**	**2019** **RM'000**
(i) an amount owing to a company in which a director and major shareholders have an interest	28,562	43,963
(ii) an amount owing to a company in which major shareholders have an interest	12,287	18,289
(iii) an amount owing to an associate	2,603	15,659

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

38. PROVISIONS

	The Group	
	2020 **RM'000**	**2019** **RM'000**
Provision for heavy repairs	22,730	18,562
Provision for restoration costs	3,016	3,177
	25,746	21,739
Current	2,207	2,368
Non-current	23,539	19,371
	25,746	21,739

38. PROVISIONS (CONT'D)

	The Company 2020 RM'000	The Company 2019 RM'000
Provision for restoration costs	809	809
Non-current	809	809

	The Group Provision for heavy repairs RM'000	Provision for restoration costs RM'000	Total RM'000
As of 1 January 2019	17,170	-	17,170
Provision for the year	1,392	3,177	4,569
As of 31 December 2019/1 January 2020	18,562	3,177	21,739
Provision for the year	4,168	2,093	6,261
Utilisation for the year	-	(2,254)	(2,254)
As of 31 December 2020	22,730	3,016	25,746

	The Company Provision for restoration costs RM'000
As of 1 January 2019/31 December 2019/1 January 2020/31 December 2020	809

Provision of heavy repairs of the Group represents management's best estimate of Grand Saga Sdn. Bhd., a subsidiary's obligation to perform heavy repairs for the concession of Cheras-Kajang Highway.

Provision for restoration costs of the Group represents management's best estimate of the liability to restore the concession assets under Taliworks Langkawi, a subsidiary as at the date of expiration of the Privatisation Contract on 31 October 2020 as disclosed in Note 25(a), and the liability to restore the leased office premises for the Group and the Company at the end of the lease term.

39. DEFERRED INCOME

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Rental and maintenance fee:		
As of 1 January	1,845	1,963
Recognised in profit or loss (Note 8)	(117)	(118)
As of 31 December	1,728	1,845
Government compensation:		
As of 1 January	122,254	139,527
Recognised in profit or loss (Note 6)	(15,966)	(17,273)
As of 31 December	106,288	122,254
Current	15,375	15,966
Non-current	92,641	108,133
Total deferred income	108,016	124,099

The description of deferred income has been disclosed in Note 3.

40. OTHER PAYABLES AND ACCRUALS

	The Group	
	2020	**2019**
	RM'000	**RM'000**
Non-Current:		
Other payables	6,675	-
Current:		
Other payables and accruals	18,021	36,178
Interest payables	8,351	8,864
Net	26,372	45,042
Total	33,047	45,042

	The Company	
	2020	**2019**
	RM'000	**RM'000**
Other payables and accruals	2,436	4,156

40. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in other payables and accruals are an outstanding Goods and Services Tax ("GST") payable owing to Royal Malaysian Customs Department ("Customs") by Sungai Harmoni amounting to RM10,625,000 (2019: RM16,372,000). The outstanding GST payables arose from the long outstanding receivables due from SPLASH under the OMA as further disclosed in Note 25(b).

During the current financial year, Sungai Harmoni received a statement of account from the Customs indicating the outstanding amount owing to Customs ("Amount owing to Customs") of RM18,366,000, which comprises GST payables of RM14,298,000 and GST penalty of RM4,068,000. Subsequently Sungai Harmoni paid RM3,673,000, which reduced the Amount owing to Customs to RM14,693,000. Sungai Harmoni has received notification from the Customs on 25 January 2021, setting out the terms of settlement of the Amount owing to Customs to be repaid over a period of 36 monthly installments of RM408,000 each, commencing from 28 January 2021 and ending on 28 December 2023.

Sungai Harmoni disagreed with the GST penalty imposed amounting to RM4,068,000 and has appealed against the penalty. Based on the Group's internal assessment, the Group is of the view that there are merits for the penalty to be waived and therefore, no provision has been made in the financial statements, except for the outstanding GST payables of RM10,625,000 which have been provided for in the financial statements. Out of this amount, Sungai Harmoni has classified the non-current portion of the installments payable amounting to RM7,083,000 as long-term other payables. Arising from the modification of the original credit terms, the Group recognised a gain on modification equivalent to RM408,000 as disclosed in Note 8 to the financial statements.

Included in other payables and accruals of the Group and of the Company are the following:

	The Group	
	2020 RM'000	2019 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	151	268

	The Company	
	2020 RM'000	2019 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	35	169

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

41. DIVIDENDS

Dividends declared and paid/payable in respect of the financial year are as follows:

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2020		
Dividends paid:		
In respect of the financial year ended 31 December 2019:		
Fourth interim single-tier dividend paid on 27 March 2020	1.65	33,261
In respect of the financial year ended 31 December 2020:		
First interim single-tier dividend paid on 19 June 2020	1.65	33,261
Second interim single-tier dividend paid on 30 September 2020	1.65	33,261
Third interim single-tier dividend paid on 31 December 2020	1.65	33,261
		133,044

On 26 February 2021, the directors declared a fourth interim single-tier dividend of 1.65 sen per share amounting to approximately RM33,260,990 in respect of the current financial year, to be paid on 31 March 2021. This dividend has not been included as a liability in the statements of financial position as of 31 December 2020. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

The directors do not recommend any final dividend in respect of the current financial year.

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2019		
Dividends paid:		
In respect of the financial year ended 31 December 2018:		
Fourth interim single-tier dividend paid on 27 May 2019	1.2	24,190
In respect of the financial year ended 31 December 2019:		
First interim single-tier dividend paid on 27 August 2019	1.2	24,190
Second interim single-tier dividend paid on 26 November 2019	1.2	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2019:		
Third interim single-tier dividend paid on 25 February 2020	1.2	24,190
		96,760

42. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and investments designated at FVTPL. Total capital is the "total equity attributable to owners of the Company" as shown in the statements of financial position.

The Group's and the Company's strategy, which was unchanged from the previous year, is to maintain the gearing ratio of less than 100%.

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Total borrowings (Note 35)	388,159	467,612	-	50,000
Less: Deposits, cash and bank balances (Note 26)	(117,848)	(130,708)	(10,731)	(10,714)
Less: Investments designated at FVTPL (Note 31)	(386,326)	(585,061)	(5)	(26,505)
Net debt	-	-	-	12,781
Total capital	959,347	1,032,904	626,376	576,136
Net gearing ratio	N/A	N/A	N/A	2%

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

42. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group 2020 RM'000	The Group 2019 RM'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	91,716	107,395
Other receivables and deposits (Note 29)	33,259	39,475
Deposits, cash and bank balances	117,848	130,708
Financial assets at FVTPL:		
Investment designated at FVTPL	386,326	585,061
Other investments	240	240
Financial assets at FVTOCI:		
Investment in redeemable preference shares of a joint venture (Note 20)	36,424	36,424
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	61,892	123,871
Other payables and accruals	33,047	45,042
Borrowings	388,159	467,612
Lease liabilities	15,330	17,933
Dividend payable	-	24,190

	The Company 2020 RM'000	The Company 2019 RM'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	-	9
Other receivables and deposits (Note 29)	1,319	895
Deposits, cash and bank balances	10,731	10,714
Financial assets at FVTPL:		
Investment designated at FVTPL	5	26,505
Financial assets at FVTOCI:		
Investment in redeemable preference shares of a subsidiary (Note 19)	238,012	238,012
Investment in redeemable preference shares of a joint venture (Note 20)	36,424	36,424

42. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (Cont'd)

	The Company	
	2020 RM'000	**2019 RM'000**
Financial liabilities		
Financial liabilities at amortised cost:		
Other payables and accruals	2,436	4,156
Amount due to subsidiaries	3,125	6,590
Borrowings	-	50,000
Lease liabilities	15,330	17,933
Dividend payable	-	24,190

Financial Risk Management Objectives

The Group's and the Company's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group and of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group and the Company do not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and the Company are not exposed to significant foreign currency risk as there are no transactions undertaken denominated in currencies other than the functional currencies of the entities.

Sensitivity analysis for foreign currency risk

The Group's and the Company's exposure to foreign currency risk is not material and hence, sensitivity analysis is not presented.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's and the Company's deposits and borrowings. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company closely monitor the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM3,011,000 and RM46,000 (2019: RM3,586,000 and RM454,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

42. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (Cont'd)

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group and the Company is concentrated in a few customers. The Group and the Company consider the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's and the Company's receivables. Further disclosure is made in Note 25.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations at the end of the reporting period.

Investments designated at FVTPL comprise investment in liquid securities primarily in quoted unit trusts in money market securities instruments managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia. The carrying amount of investments designated at FVTPL disclosed in Note 31 best represents their maximum exposure to credit risk.

The Group and the Company do not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

As disclosed in Note 25, the concentration of credit risk is in the two largest customers. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit quality of deposits, cash and bank balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits, cash and bank balances (Note 26):				
External credit rating				
(as rated by a rating agency in Malaysia):				
AAA	116,578	105,299	9,893	9,854
AA2	1,094	25,203	824	847
Without external credit rating	176	206	14	13
	117,848	130,708	10,731	10,714

42. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group and the Company seek to maintain flexibility in funding by keeping committed credit lines available. If required, the Group and the Company will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceed current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries to enable the subsidiaries to meet their liabilities as and when they fall due.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2020						
Non-interest bearing:						
Trade payables	-	18,975	-	-	-	18,975
Other payables and accruals	-	22,830	-	-	-	22,830
Interest bearing:						
Trade payables	5.3 to 8.0	25,878	17,662	439	-	43,979
Other payables	4.05	3,542	3,542	3,541	-	10,625
Borrowings	2.6 to 3.7	48,926	47,552	144,045	262,071	502,594
Lease liabilities	2.2 to 5.3	3,513	3,344	11,022	-	17,879
		123,664	72,100	159,047	262,071	616,882
2019						
Non-interest bearing:						
Trade payables	-	60,482	-	-	-	60,482
Other payables and accruals	-	45,042	-	-	-	45,042
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Trade payables	5.3 to 8.0	27,374	19,308	19,667	-	66,349
Borrowings	3.4 to 5.1	82,369	49,456	128,584	315,085	575,494
Lease liabilities	2.2 to 5.3	3,546	3,512	10,692	3,674	21,424
		243,003	72,276	158,943	318,759	792,981

42. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (Cont'd)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows. (Cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
2020						
Non-interest bearing:						
Other payables and accruals	-	2,436	-	-	-	2,436
Amount due to subsidiaries	-	3,125	-	-	-	3,125
Interest bearing:						
Lease liabilities	2.2 to 5.3	3,513	3,344	11,022	-	17,879
		9,074	3,344	11,022	-	23,440
2019						
Non-interest bearing:						
Other payables and accruals	-	4,156	-	-	-	4,156
Amount due to subsidiaries	-	6,590	-	-	-	6,590
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	3.4 to 5.1	42,650	10,530	-	-	53,180
Lease liabilities	2.2 to 5.3	3,546	3,512	10,692	3,674	21,424
		81,132	14,042	10,692	3,674	109,540

Financing Facilities

The Group and the Company have access to financing facilities as described in Note 35, of which RM445,375,000 and RM69,882,000 (2019: RM370,371,000 and RM25,678,000) were unused at the reporting date. The Group and the Company expect to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

43. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial assets that are measured at fair value

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2020				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	386,326	-	386,326
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2019				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	585,061	-	585,061
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
The Company				
2020				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	5	-	5
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

43. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (Cont'd)

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy: (Cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Company				
2019				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	26,505	-	26,505
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in unquoted unit trusts in general, fair values have been estimated by reference to quotes published by unit trust companies.

For investment in redeemable preference shares of a subsidiary and a joint venture, fair values have been estimated by discounting the projected cash flows of dividends to be distributed by the subsidiary and joint venture up to the expiry date of the concession agreements at cost of equity of the respective subsidiary and joint venture.

For investment in golf membership, the fair value is based on market comparison technique, comparing to quoted prices of other comparable golf club memberships.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2020				
IMTN	-	429,010	-	429,010
2019				
IMTN	-	451,708	-	451,708

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 2.55% to 3.69% (2019: 3.4% to 4.3%).

43. FAIR VALUE MEASUREMENT (CONT'D)

(c) Description of key inputs to valuation on the financial assets measured at Level 3

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
2020			
Long-term trade receivables: Lifetime ECL method	ECL rate	0.02	A decrease in the ECL rate used would result in an increase in the fair value.
2019			
Long-term trade receivables: Lifetime ECL method	ECL rate	0.12 to 10.35	An increase in the ECL rate used would result in a decrease in the fair value.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn. Bhd.	Common director and common major shareholders
Perangsang Water Management Sdn. Bhd.	Indirect common major shareholder
Exitra Sdn. Bhd.	Common director and indirect common major shareholder
Exitra Solutions Sdn. Bhd.	Common director and indirect common major shareholder
GSL Realty Sdn. Bhd.	Common director and indirect common major shareholder
LGB Management Services Sdn. Bhd.	Common director and indirect common major shareholder
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Aqua-Flo Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate
LGB Taliworks Consortium Sdn. Bhd.	Associate
Rayston Consortium (Butterworth) Sdn. Bhd.	Common director and indirect common major shareholders
SWM Greentech Sdn. Bhd.	Indirect common major shareholders

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant from:				
Aqua-Flo Sdn. Bhd.	18,831	19,722	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	6,764	6,570	-	-
Perangsang Water Management Sdn. Bhd. (a)	3,382	3,285	-	-
Contractual payments in respect of royalty fees to:				
Alam Ria Sdn. Bhd. (a)	2,632	3,210	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,789	1,938	321	457
Exitra Solutions Sdn. Bhd. (b)	147	156	97	100
Rental of office premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,344	3,038	3,344	3,038
Progress billings:				
LGB Taliworks Consortium Sdn. Bhd.	4,660	17,739	-	-
Utilities and management services:				
GSL Realty Sdn. Bhd. (b)	74	84	74	84
LGB Management Services Sdn. Bhd. (b)	20	82	20	82
Income from subleasing right-of-use assets:				
Sungai Harmoni Sdn. Bhd.	-	-	281	269
Taliworks Construction Sdn. Bhd.	-	-	468	448
Rayston Consortium (Butterworth) Sdn. Bhd. (b) & (c)	213	-	-	-
SWM Greentech Sdn. Bhd. (b)	43	-	-	-

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions: (Cont'd)

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	3,034	3,034
Taliworks (Langkawi) Sdn. Bhd.	-	-	1,245	1,494
Taliworks Construction Sdn. Bhd.	-	-	786	786
Grand Saga Sdn. Bhd.	-	-	2,969	2,969
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,464	1,464	1,464	1,464
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,800	3,800	3,800	3,800
Total (Note 6)	5,264	5,264	13,298	13,547
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	-	19,080
Sungai Harmoni Sdn. Bhd.	-	-	157,250	-
TEI Sdn. Bhd.	-	-	16,320	16,320
Joint venture:				
Pinggiran Muhibbah Sdn. Bhd.	-	-	7,650	10,800
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	-	-	3,500	-
Aqua Flo Sdn. Bhd.	-	-	826	850
Total (Note 6)	-	-	185,546	47,050

(a) The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. with Sungai Harmoni and Taliworks Langkawi. The contractual agreement in respect of technical support and management services between Sungai Harmoni and Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. was entered into in 2000. The contractual agreement in respect of royalty fees between Taliworks Langkawi and Alam Ria Sdn. Bhd. was originally entered into in 1996.

Lim Chin Sean is a director and major shareholder of the Company. He is also a director and major shareholder of Alam Ria Sdn. Bhd., and deemed a major shareholder in Perangsang Water Management Sdn. Bhd..

(b) Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd., GSL Realty Sdn. Bhd. and LGB Management Services Sdn. Bhd.. He is also deemed a major shareholder in these companies as well as in SWM Environment Holdings Sdn. Bhd., Rayston Consortium (Butterworth) Sdn. Bhd. and SWM Greentech Sdn. Bhd..

(c) Dato' Lim Yew Boon is a director of Rayston Consortium (Butterworth) Sdn. Bhd..

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fees	144	144	120	120
Wages, salaries and bonus	4,343	5,032	2,397	2,823
Defined contribution plan	392	560	227	314
Other emoluments	369	270	208	190
	5,248	6,006	2,952	3,447

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM609,000 (2019: RM657,000) and RM581,000 (2019: RM629,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM149,000 (2019: RM255,000) and RM96,000 (2019: RM185,000) respectively.

45. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

(a) Capital commitments not provided for in the financial statements are as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Authorised but not contracted for:				
Property, plant and equipment	3,847	3,262	1,610	397

45. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

Capital commitments (Cont'd)

(b) Non-cancellable short-term commitments:

Short-term lease for water supply installation and quarters:

	The Group	
	2020 RM'000	2019 RM'000
No later than 1 year	-	150
Later than 1 year but not later than 5 years	-	-
	-	150

The above lease payments relate to a subsidiary, Taliworks Langkawi's, non-cancellable operating lease for water supply installations and quarters for the waterworks staff under the Privatisation Contract. Upon the adoption of MFRS 16, the Group adopted the short-term lease exemption and hence was not included in the measurement of the lease liabilities. This expense is presented net of revenue in profit or loss pursuant to MFRS 15.

During the current year, the lease payments cease to be payable pursuant to the expiration of the Privatisation Contract entered into between Taliworks Langkawi Sdn. Bhd. and SADA on 31 October 2020 as further disclosed in Note 25(a).

Contingent liabilities

There are no other contingent liabilities except for the GST penalty amounting to RM4,068,000 as disclosed in Note 40 to the financial statements.

46. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties, the advertisement billboards, rest and services area along its highways to business operators or retailers. The Group entered into operating lease arrangements of between 1 to 5 years, with extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Year 1	262	440	803	803
Year 2	35	116	791	803
Year 3	3	32	-	791
Year 4	-	3	-	-
	300	591	1,594	2,397

47. SIGNIFICANT EVENTS

2019

(a) In March 2018, a subsidiary, Sungai Harmoni, received two writs of summons together with the corresponding statements of claim filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB.

TNB is claiming for the outstanding sums owed amounting to approximately RM8,015,000 ("Outstanding Sums 1") and RM27,693,000 ("Outstanding Sums 2") as of 31 January 2019, interest on Outstanding Sums 1 and 2 at the rate of 5% per annum calculated from 31 January 2019 until the date of full settlement, costs, and such other reliefs and/or order that the court deems fit and proper. The subsidiary is defending both suits and has engaged solicitors in connection therewith.

The subsidiary had on 29 March 2018 served two third party notices on each of TNB, SPLASH and the Shah Alam High Court for the purpose of making SPLASH a party to each respective suits.

In 2019, the subsidiary through its legal counsels with the agreement of TNB, filed a consent judgement with the Shah Alam High Court to record the settlement terms and conditions between the subsidiary and TNB in respect of the Suit and other related matters in connection therewith. Pursuant to the consent judgement, the Group recognised a waiver of late penalty charges on outstanding bills owing to TNB of approximately RM4,446,000 in the financial year as disclosed in Note 37 to the financial statements.

(b) In 2019, Sungai Harmoni entered into agreements relating to the termination and settlement of receivables from SPLASH and the disposal of such receivables to Starbright Capital Berhad under an asset-backed securitisation exercise as disclosed in Note 25(b).

Current Year

(a) Coronavirus pandemic

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its devastating impact on the lives of people, businesses and economies around the world. In response to the pandemic declaration by the WHO, the Malaysian Government had imposed the Movement Control Order ("MCO") from 18 March 2020 to curb the spread of the Covid-19 pandemic and has subsequently entered into various phases of MCO until December 2020. The MCO resulted in restrictions on businesses from operating except for those entities that were deemed as providing essential services.

The Group's operations are largely essential services and were allowed to operate throughout the MCO period, with strict adherence to Standard Operating Procedures issued by the government. Hence, it does not materially affected the business outlook, liquidity, financial position or financial performance of the Group except for the toll collections of two toll plazas at the Cheras-Kajang Highway and New North Klang Straits Bypass Expressway. However, the Group has performed an impairment review of the carrying value of the Intangible Assets and Goodwill On Consolidation at the end of the reporting period and concluded that there are no impairment to these carrying amounts as disclosed in Note 23.

The Group will closely monitor the situation of the outbreak and continuously assesses the impact to its operations, liquidity, the financial position and operating results of the Group. The Group is of the view that the Covid-19 pandemic will not adversely affect the fundamentals and going concern of its business operations and that it will continue to remain resilient.

(b) Expiry of the Privatisation Contract with SADA in Taliworks Langkawi

The water treatment, supply and distribution system in Pulau Langkawi, which was managed by Taliworks Langkawi under a 25-year Privatisation Contract with the State Government of Kedah Darul Aman, had expired on 31 October 2020. Upon expiration of the Privatisation Contract, Taliworks Langkawi had handed over the operations to SADA as disclosed in Note 25(a).

47. SIGNIFICANT EVENTS (CONT'D)

Current Year (Cont'd)

(c) Ventured into the renewable energy business

On 30 November 2020 and 15 December 2020, TRSB, a wholly-owned subsidiary of the Company, executed two (2) separate Conditional Share Sale and Purchase Agreements to acquire the entire equity interest in four solar projects held by feed-in approval holders namely Fortune 11 Sdn. Bhd. ("F11"), Corporate Season Sdn. Bhd. ("CS") and Silverstar Pavilion Sdn. Bhd. ("SP") (collectively known as "FIAHs"), with an aggregate capacity of 19MW within the vicinity of the Kuala Lumpur International Airport for an aggregate purchase consideration of RM180.4 million.

The proposed acquisition entails the following:-

(i) direct acquisition of the entire equity interest in Sunedison Solar Holdings 1 Pte. Ltd. ("SE1"), Sunedison Solar Holdings 2 Pte. Ltd. ("SE2"), Sunedison Solar Holdings 3 Pte. Ltd. ("SE3") and Terraform Global Operating (Malaysia) Sdn. Bhd. ("TGOM"). SE1, SE2 and SE3 held majority equity interest in FIAHs respectively; and

(ii) direct acquisition of the remaining equity interest in FIAHs not held by SE1, SE2 and SE3.

Upon completion of the proposed acquisition, SE1, SE2, SE3 and TGOM will become wholly-owned subsidiaries of TRSB. Accordingly, TRSB will hold the entire equity interest in FIAHs via direct ownership in SE1, SE2 and SE3. As at the date of report, the acquisition is not completed.

48. COMPARATIVE FIGURES

Certain comparative figures in the financial statements has been reclassified to conform with the current presentation:

	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
The Group			
Statement of financial position			
Non-Current Liabilities:			
Long-term borrowings	427,612	(30,000)	397,612
Current Liabilities:			
Short-term borrowings	40,000	30,000	70,000

49. SUBSEQUENT EVENT

There are no subsequent events other than the notification received from the Customs as disclosed in Note 40 to the financial statements and the current development of the Covid-19 pandemic on the Group. Following from the Coronavirus pandemic as disclosed in Note 47 to the financial statements, the Government has re-imposed second phase of MCO in 6 states across Malaysia, including Selangor and Federal Territory on 13 January 2021 due to the spike in the Covid-19 cases. Since then, the MCO were extended for several states or lifted to be replaced with the Conditional Movement Control Order ("CMCO") or Recovery Movement Control Order ("RMCO").

On 5 March 2021, Selangor, Federal Territory, Johor and Penang, being the last four states previously placed under MCO were lifted and replaced with the CMCO. Subsequently, the CMCO was extended from 19 to 31 March 2021 for Selangor, Federal Territory, Johor, Penang and Kelantan.

ANALYSIS OF SHAREHOLDINGS

AS AT 24 MARCH 2021

SHAREHOLDINGS STRUCTURE

The total number of issued shares of the Company stands at 2,015,817,574 ordinary shares, with voting right of one vote per ordinary share.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	334	6.05	10,459	0.00
100 – 1,000	632	11.46	380,922	0.02
1,001 – 10,000	2,501	45.35	13,653,191	0.68
10,001 – 100,000	1,651	29.94	50,154,426	2.49
100,001 to less than 5% of issued shares	392	7.11	903,555,243	44.82
5% and above of issued shares	5	0.09	1,048,063,333	51.99
Total	**5,515**	**100.00**	**2,015,817,574**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn. Bhd.	383,385,000	19.02
2.	Water Clinic Sdn. Bhd.	270,000,000	13.39
3.	Lembaga Tabung Haji	146,950,000	7.29
4.	Malar Terang Sdn. Bhd.	124,638,333	6.18
5.	Century General Water (M) Sdn. Bhd.	123,090,000	6.11
6.	Mal Monte Sdn. Bhd.	95,850,000	4.75
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	85,291,067	4.23
8.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for UBS AG Hong Kong (Foreign)	75,000,000	3.72
9.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	75,000,000	3.72
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	74,859,400	3.71
11.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)	42,669,583	2.12
12.	Lim Chee Meng	42,645,050	2.12
13.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Lim Chee Meng (PB)	41,666,666	2.07
14.	CIMB Group Nominees (Asing) Sdn. Bhd. Pledged Securities Account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)	31,250,000	1.55

Analysis of Shareholdings

As at 24 March 2021

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
15.	Ng Yim Hoo	18,063,333	0.90
16.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CPIAM EQ)	13,516,800	0.67
17.	Minhat Bin Mion	13,333,333	0.66
18.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Ka Ting (E-SS2)	12,900,000	0.64
19.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. Principal Islamic Asset Management Sdn. Bhd. for Lembaga Tabung Haji	12,850,033	0.64
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Principal 2)	10,718,800	0.53
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Ng Lee Ling (PB)	9,200,000	0.46
22.	Maybank Nominees (Tempatan) Sdn. Bhd. National Trust Fund (IFM Maybank) (412183)	9,124,700	0.45
23.	Century General Water (M) Sdn. Bhd.	8,745,000	0.43
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund	6,849,766	0.34
25.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Principal Dali Opportunities Fund	5,333,100	0.26
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Exempt AN for Maybank Islamic Asset Management Sdn. Bhd. (Resident) (475391)	5,268,200	0.26
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Maybank 2)	4,308,300	0.21
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for APEX DANA AL-SOFI-I (ADAS-I) (410325)	4,007,666	0.20
29.	Phang Wai Hoong	3,910,916	0.19
30.	Amir Aznawi Bin Ahmad Ishak	3,333,333	0.17
	TOTAL	**1,753,758,379**	**86.99**

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn. Bhd.	383,385,000	19.02	-	-	-
Water Clinic Sdn. Bhd.	270,000,000	13.39	-	-	-
Lembaga Tabung Haji	159,800,033	7.93	-	-	-
Century General Water (M) Sdn. Bhd.	131,835,000	6.54	-	-	-
Malar Terang Sdn. Bhd.	124,638,333	6.18	-	-	-
Vijay Vijendra Sethu	106,250,000	5.27	75,000,000	(a)	3.72
Anekawal Sdn. Bhd.	-	-	383,385,000	(b)	19.02
LGB Holdings Sdn. Bhd.	-	-	1,005,708,333	(c)	49.89
Adil Cita Sdn. Bhd.	-	-	515,220,000	(d)	25.56
Dato' Lim Chee Meng	84,311,716	4.18	1,006,833,333	(e)	49.95
Lim Chin Sean	250,006	0.01	1,006,833,333	(e)	49.95
GSL Development Sdn. Bhd.	-	-	131,835,000	(f)	6.54

Notes:-
(a) Indirect interest through a family trust.
(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn. Bhd..
(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd. and Mal Monte Sdn. Bhd..
(d) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn. Bhd. and Century General Water (M) Sdn. Bhd..
(e) Deemed interest by virtue of his substantial shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd., Mal Monte Sdn. Bhd. and LGB Engineering Sdn. Bhd..
(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn. Bhd..

Analysis of Shareholdings

As at 24 March 2021

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	-
Dato' Lim Yew Boon	625,000	0.03	-	-	-
Lim Chin Sean	250,006	0.01	1,006,833,333	(a)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-
Datuk Roger Tan Kor Mee	-	-	-	-	-

Notes:-

(a) *Deemed interest by virtue of his substantial shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd., Mal Monte Sdn. Bhd. and LGB Engineering Sdn. Bhd..*

By virtue of his interest in the Company pursuant to Section 8 of the Companies Act 2016, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

NOTICE OF FULLY VIRTUAL ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting ("30th AGM") of the Company will be held fully virtual at the broadcast venue at Training Hall 1 & 2, Level 3, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur on Thursday, 3 June 2021 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022. **(Resolution 1)** **(Please refer to Note 2)**

3. To approve the payment of Directors' benefits for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022. **(Resolution 2)** **(Please refer to Note 3)**

4. To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin **(Resolution 3)**
   (b) Soong Chee Keong **(Resolution 4)**
   (c) Dato' Sri Amrin Bin Awaluddin **(Resolution 5)**

   (Please refer to Note 4)

5. To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)** **(Please refer to Note 5)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

6. **AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **(Resolution 7)** **(Please refer to Note 6)**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby empowered to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed twenty per centum (20%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors of the Company may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company held after the approval was given;

(b) the expiration of the period within which the next Annual General Meeting is required to be held after the approval was given; or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/ or amendments as they may deem fit in the best interest of the Company and/ or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Resolution 8)**
(Please refer to Note 7)

"THAT subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/ or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 28 April 2021 ("the Circular") provided that such transactions are:

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate").

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said Annual General Meeting;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/ or amendment (if any) as may be imposed or permitted by the relevant authorities."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

WONG WAI FOONG
(SSM PC No.: 202008001472) (MAICSA 7001358)
TAN BEE HWEE
(SSM PC No.: 202008001497) (MAICSA 7021024)
Company Secretaries

Kuala Lumpur
Dated this 28th day of April, 2021

Explanatory Notes on Ordinary Business/ Special Business:

1. **Item 1 of the Agenda**
   To receive the Audited Financial Statements for the financial year ended 31 December 2020

   This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 2 of the Agenda**
   To approve the payment of Directors' fees for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022

   The proposed Ordinary Resolution 1, if passed, will give authority to the Company to pay the Directors' fees for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022, as and when their services are rendered. The quantum of the Directors' fees for each category of Directors remains unchanged as compared with the year 2020.

   The Directors' fees were calculated based on the rate of RM200,000 per year for Chairman of the Board, RM160,000 per year for Chairman of the Audit and Risk Management Committee and RM120,000 per year for other Directors.

3. **Item 3 of the Agenda**
   To approve the payment of Directors' benefits for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022

   The proposed Ordinary Resolution 2, if passed, will give authority to the Company to pay the Directors' benefits for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022.

   The Directors' benefits comprise the following and will be paid as and when incurred:

Benefits	Description	Amount
Meeting allowance	Chairman of the Board/ Board Committees	RM1,600 per meeting
	Members of the Board/ Board Committees	RM1,000 per meeting
Directors' and Officers' Indemnity Insurance	-	RM18,850

4. **Item 4 of the Agenda**
   To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:
   (a) Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
   (b) Soong Chee Keong
   (c) Dato' Sri Amrin Bin Awaluddin

   The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, Mr. Soong Chee Keong and Dato' Sri Amrin Bin Awaluddin and recommended for their re-election at the forthcoming Annual General Meeting of the Company. The Board endorsed the NC's recommendation that Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, Mr. Soong Chee Keong and Dato' Sri Amrin Bin Awaluddin be re-elected as Directors of the Company. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by the NC and the Board.

5. **Item 5 of the Agenda**
To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration

The Audit and Risk Management Committee ("ARMC") has conducted assessment on the performance of Deloitte PLT. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by ARMC.

6. **Item 6 of the Agenda**
Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("Proposed General Mandate")

Bursa Malaysia Securities Berhad ("Bursa Securities") had, among others, on 16 April 2020, introduced an interim measure which allows listed issuers to increase the general mandate limit for a new issue of securities from the existing 10% limit under Paragraph 6.03 of the Listing Requirements to not more than 20% of the total number of issued shares (excluding treasury shares) of the company, subject to compliance with certain conditions, which the 20% general mandate may be utilised by the company up to 31 December 2021.

The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Twenty-Ninth Annual General Meeting of the Company held on 16 June 2020, and if passed, will give the Directors authority to issue and allot shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares"), provided that the aggregate number of such New Shares to be issued and alloted pursuant to this resolution does not exceed 20% of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. Subsequent thereto, the Proposed 20% General Mandate will be reinstated to 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Listing Requirements. The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The 20% General Mandate granted by the shareholders at the Twenty-Ninth Annual General Meeting of the Company held on 16 June 2020 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the Proposed General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding current and/ or future investment project(s), working capital, acquisition(s) and/ or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors of the Company may deem fit in the best interest of the Company.

7. **Item 7 of the Agenda**
Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8 is intended to seek shareholders' mandate to renew the existing shareholders' mandate granted by the shareholders of the Company at the Twenty-Ninth Annual General Meeting held on 16 June 2020 for recurrent related party transactions. The Proposed Shareholders' Mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approvals as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 8 is set out in the Circular to Shareholders dated 28 April 2021.

Notice of Fully Virtual Annual General Meeting

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("Covid-19"), the 30th Annual General Meeting ("AGM") of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPV") facilities which are available on Boardroom Share Registrars Sdn. Bhd.'s website at Boardroom Smart Investor Online Portal at https://boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 30th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The venue of the 30th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The broadcast venue of the 30th AGM is to inform shareholders where the electronic AGM production and streaming would be conducted from. No shareholder(s)/ proxy(ies) from the public will be physically present at the broadcast venue.

3. In respect of deposited securities, only members/ shareholders whose names appear in the Record of Depositors on 21 May 2021 shall be eligible to attend the 30th AGM.

4. A member/ shareholder of the Company entitled to attend and vote at the 30th AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/ shareholder appoints two (2) proxies to attend and vote at the 30th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 30th AGM shall have the same rights as the member of the Company to speak at the 30th AGM.

5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

8. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty four (24) hours before the time for holding the 30th AGM, i.e. by 11.00 a.m. on Wednesday, 2 June 2021 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through the Share Registrar's website, Boardroom Smart Investor Online Portal at https://boardroomlimited.my before the proxy form lodgement cut-off time as mentioned above.

FORM OF PROXY

TALIWORKS CORPORATION
LGB Group

CDS Account No.	
No. of ordinary shares held	

*I/ We (full name) ____

bearing *NRIC No./ Passport No./ Company No. ____

of (full address) ____

being a shareholder of Taliworks Corporation Berhad ("the Company") (196501000264) (6052-V) hereby appoint:
First Proxy "A"

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings to be represented	
		No. of Shares	%
Full Address			

and/ or failing *him/ her,
Second Proxy "B"

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings to be represented	
		No. of Shares	%
Full Address			
			100%

or failing *him/ her, the *Chairman of the Meeting as *my/ our proxy to vote for *me/ us and on *my/ our behalf at the Thirtieth Annual General Meeting of the Company to be held fully virtual at the broadcast venue at Training Hall 1 & 2, Level 3, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur on Thursday, 3 June 2021 at 11.00 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy _____________ (one only) shall vote on *my/ our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/ her discretion.

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and the Auditors thereon.			
Ordinary Resolutions		**Resolution No.**	**For**	**Against**
2.	To approve the payment of Directors' fees for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022.	1		
3.	To approve the payment of Directors' benefits for the period with effect from 4 June 2021 until the next Annual General Meeting of the Company to be held in 2022.	2		
4. (a)	To re-elect Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered herself for re-election.	3		
4. (b)	To re-elect Soong Chee Keong who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered himself for re-election.	4		
4. (c)	To re-elect Dato' Sri Amrin Bin Awaluddin who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered himself for re-election.	5		
5.	To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	6		
Special Business				
6.	**Ordinary Resolution:** Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
7.	**Ordinary Resolution:** Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	8		

As witness my/ our hand(s) this day ________ of _____________, 2021.

____
*Signature/ Common Seal of Shareholder
Contact number/ Email Address:

____

** Strike out whichever not applicable.*

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("Covid-19"), the 30th Annual General Meeting ("AGM") of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPV") facilities which are available on Boardroom Share Registrars Sdn. Bhd.'s website at Boardroom Smart Investor Online Portal at https://boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 30th AGM in order to register, participate and vote remotely via the RPV facilities.
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7. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
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Affix Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (196501000264) (6052-V)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Section 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +60 3 7890 4700
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Then fold here

Fold this flap for sealing

Taliworks Corporation Berhad
[Company No. 196501000264 (6052-V)]

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Taman Tun Dr Ismail,
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