

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2020
(UNAUDITED)

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CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Mar 2020 RM'000	31 Dec 2019 RM'000 <u>Audited</u>
ASSETS			
Property, plant and equipment		11,393	12,215
Investment properties		225	226
Intangible assets		1,064,500	1,070,798
Investment in joint venture		66,065	65,909
Investment in associates		163,153	166,537
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Right-of-use assets		14,150	14,765
Deferred tax assets		1,017	1,305
Long-term other receivable		26,086	26,086
Deposits, cash and bank balances	B12	28,297	58,184
Total Non-Current Assets		1,504,511	1,545,650
Inventories		3,171	1,167
Amount due from contract customers		9,290	15,838
Trade receivables		109,435	107,395
Other receivables, deposits and prepayments		16,833	14,594
Tax recoverable		10,839	11,320
Investments designated at fair value through profit or loss ("FVTPL")	B12	438,313	585,061
Deposits, cash and bank balances	B12	69,119	72,524
Total Current Assets		657,000	807,899
TOTAL ASSETS		2,161,511	2,353,549
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Reserves		577,194	594,550
Total Equity Attributable to Owners of the Company		1,015,548	1,032,904
Non-controlling interests		255,217	260,021
Total Equity		1,270,765	1,292,925
LIABILITIES			
Long-term borrowings	B7	387,746	427,612
Lease liabilities		15,330	15,330
Long-term trade payables		35,528	36,015
Provisions		20,413	19,371
Deferred income		108,133	108,133
Deferred tax liabilities		235,583	236,135
Total Non-Current Liabilities		802,733	842,596
Trade payables		35,693	87,856
Other payables and accruals		32,276	45,042
Provisions		2,368	2,368
Dividend payable		-	24,190
Short-term borrowings	B7	3,700	40,000
Lease liabilities		1,953	2,603
Deferred income		11,996	15,966
Tax liabilities		27	3
Total Current Liabilities		88,013	218,028
TOTAL LIABILITIES		890,746	1,060,624
TOTAL EQUITY AND LIABILITIES		2,161,511	2,353,549
Net assets attributable to owners of the Company (sen per share)		50.38	51.24

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>3 Months Ended</u>	
		<u>31 Mar</u>	
		<u>2020</u>	<u>2019</u>
		<u>RM'000</u>	<u>RM'000</u>
			<u>(unaudited)</u>
Revenue	B1	84,252	88,874
Cost of operations		(49,166)	(53,918)
Gross profit		35,086	34,956
Other operating income		5,725	2,397
Administrative and other expenses		(10,823)	(10,887)
Operating profit		29,988	26,466
Finance costs		(5,607)	(5,776)
Share of results of joint venture		156	70
Share of results of associates		(3,384)	(2,284)
Profit before tax	B4	21,153	18,476
Income tax expense	B5	(3,682)	(4,366)
Profit for the financial period/ Total comprehensive income		17,471	14,110
Profit for the financial period/ Total comprehensive income attributable to:			
Owners of the Company		15,905	11,650
Non-controlling interests		1,566	2,460
		17,471	14,110
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.79	0.58

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

<u>Note</u>	<u>Attributable to owners of the Company</u>				<u>Non-</u>	<u>Total</u> <u>Equity</u> RM'000
	<u>Share</u>	<u>Merger</u>	<u>Retained</u>	<u>Total</u>	<u>controlling</u>	
	<u>capital</u>	<u>deficit</u>	<u>earnings</u>		<u>interests</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	
As of 1 January 2020	438,354	(71,500)	666,050	1,032,904	260,021	1,292,925
Profit for the financial period	-	-	15,905	15,905	1,566	17,471
Total comprehensive income for the financial period	-	-	15,905	15,905	1,566	17,471
Transactions with owners of the Company:						
Dividend paid	-	-	(33,261)	(33,261)	-	(33,261)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(6,370)	(6,370)
Total transactions with owners of the Company	-	-	(33,261)	(33,261)	(6,370)	(39,631)
As of 31 March 2020	438,354	(71,500)	648,694	1,015,548	255,217	1,270,765

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non- controlling interests</u> RM'000	<u>Total Equity</u> RM'000
As of 1 January 2019	438,354	(71,500)	686,621	1,053,475	265,443	1,318,918
Profit for the financial period	-	-	11,650	11,650	2,460	14,110
Total comprehensive income for the financial period	-	-	11,650	11,650	2,460	14,110
Transactions with owners of the Company:						
Dividend paid	-	-	(24,190)	(24,190)	-	(24,190)
Total transactions with owners of the Company	-	-	(24,190)	(24,190)	-	(24,190)
As of 31 March 2019 (unaudited)	438,354	(71,500)	674,081	1,040,935	267,903	1,308,838

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2020</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2019</u> <u>RM'000</u> (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,153	18,476
Adjustments for:		
Non-cash items	4,490	6,499
Interest income	(896)	(861)
Finance costs	5,607	5,776
Operating Profit Before Working Capital Changes	30,354	29,890
Net increase in inventories, amount due from contract customers, trade and other receivables	(389)	(14,389)
Net decrease in amount due to contract customers, trade and other payables and deferred income	(61,086)	(2,040)
Cash (Used in)/Generated From Operations	(31,121)	13,461
Income tax paid	(2,504)	(2,931)
Income tax refund	291	-
Net Cash (Used in)/From Operating Activities	(33,334)	10,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,366	840
Property, plant and equipment:		
- Proceeds from disposal	25	-
- Purchase	(126)	(145)
Dividend income from joint venture	-	4,500
Investments designated at FVTPL:		
- purchase	-	(19,300)
- proceeds from redemption	150,614	24,274
Withdrawal of deposits pledged as security	30,059	-
Net Cash From Investing Activities	181,938	10,169
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,238)	(11,245)
Repayment of borrowing	(80,000)	-
Repayment of lease liabilities	(650)	(527)
Dividends paid (<i>Note A6</i>)	(57,451)	(24,190)
Dividend paid by a subsidiary to non-controlling interest	(6,370)	-
Net Cash Used In Financing Activities	(155,709)	(35,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,105)	(15,263)
Effects of foreign exchange rate changes	-	(2)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	72,524	89,835
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	65,419	74,570

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2020</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2019</u> <u>RM'000</u> (unaudited)
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	62,941	88,909
Cash and bank balances	34,475	12,644
Total deposits, cash and bank balances	97,416	101,553
Less: Deposits pledged as security	(28,297)	(26,983)
Less: Overdrafts	(3,700)	-
	<u>65,419</u>	<u>74,570</u>

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying significant events and transactions attached to these interim financial statements.

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

A1 – Basis of Preparation

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

These interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries (“**Group**”) for the financial year ended 31 December 2019 (“**Audited Financial Statements**”). The significant events and transactions attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

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

In the current financial year, the Group adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2020.

MFRSs, Amendments to MFRSs and IC Interpretation

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 application of these amendments to MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

Standards in issue but not yet effective

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

MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

A2 – Comments about the Seasonal or Cyclicity of Interim Operations

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

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

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

A4 – Accounting Estimates

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

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

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

A6 – Dividends Paid

The total dividends paid to shareholders during the financial year amounted to RM57,450,800 (2019: RM24,189,811) as follows:

- (i) On 27 November 2019, the Board declared a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2019. The dividends amounting to RM24,189,812 were paid on 25 February 2020; and
- (ii) On 27 February 2020, the Board declared a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2019. The dividends amounting to RM33,260,988 were paid on 27 March 2020.

A7 – Material Subsequent Events

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

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the financial period, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinued operations.

A9 – Other Significant Events and Transactions

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

A10 - Operating Segments

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

3 months ended 31 Mar	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	61,600	62,999	1,945	8,353	14,231	15,833	78,018	78,384	1,316	1,316	157,110	166,885	(72,858)	(78,011)	84,252	88,874
EBITDA(i)	24,011	22,474	(135)	166	10,812	15,300	20,097	23,534	(1,576)	(1,599)	53,209	59,875	(15,396)	(24,948)	37,813	34,927
Depreciation and amortisation	(19)	(238)	(44)	(165)	(5,041)	(5,704)	(5,623)	(7,613)	(916)	(685)	(11,643)	(14,405)	3,818	5,944	(7,825)	(8,461)
Operating profit	23,992	22,236	(179)	1	5,771	9,596	14,474	15,921	(2,492)	(2,284)	41,566	45,470	(11,578)	(19,004)	29,988	26,466
Finance costs	-	-	-	(40)	(3,343)	(6,118)	(6,256)	(6,268)	(648)	(654)	(10,247)	(13,080)	4,640	7,304	(5,607)	(5,776)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	156	70	156	70
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(3,384)	(2,284)	(3,384)	(2,284)
Profit before tax	23,992	22,236	(179)	(39)	2,428	3,478	8,218	9,653	(3,140)	(2,938)	31,319	32,390	(10,166)	(13,914)	21,153	18,476
Income tax expense	(3,895)	(4,555)	-	-	(264)	(470)	(4,563)	(4,977)	-	-	(8,722)	(10,002)	5,040	5,636	(3,682)	(4,366)
Profit after tax	20,097	17,681	(179)	(39)	2,164	3,008	3,655	4,676	(3,140)	(2,938)	22,597	22,388	(5,126)	(8,278)	17,471	14,110
EBDA(ii)	20,116	17,919	(135)	126	7,205	8,712	9,278	12,289	(2,224)	(2,253)	34,240	36,793	(8,944)	(14,222)	25,296	22,571
Capex(iii)	62	57	-	69	63	50	1,538	1,522	26	-	1,689	1,698				

A10 - Operating Segments (continued)

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

Notes

- The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, waste management, construction and toll highway. Others refer to investment holding and other non-core businesses.*
- The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the 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.*
- The comparative segmental information on the water treatment, supply and distribution division excludes the effects of adoption of MFRS 15 as further elaborated in Note 1 on page 11 to better assess the operational performance of the division.*
- The income statement in the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of EBITDA and EBDA), are solely from the concession business, after the proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

As at 31 Mar	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment assets	587,732	777,957	151,923	169,724	29,827	33,139	1,352,136	1,425,582	39,893	34,243	2,161,511	2,440,645
Segment liabilities	(83,388)	(217,706)	-	-	(16,824)	(18,147)	(766,239)	(812,883)	(24,295)	(83,071)	(890,746)	(1,131,807)
Net segment assets	504,344	560,251	151,923	169,724	13,003	14,992	585,897	612,699	14,688	(48,828)	1,270,765	1,308,838

**PART B – DISCLOSURES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1 – Overall Review of Group’s Financial Performance

Part A – Review of Statement of Financial Position

Notably, the Group’s trade and other payables had decreased substantially from RM168.9 million as at the end of the latest financial statements to RM103.5 million mainly due to scheduled debt repayments made by a subsidiary, Sungai Harmoni Sdn Bhd to its trade creditors and payment of interests on the Islamic Medium-Term Notes (“**IMTN**”) under a RM420 million IMTN Programme issued by a subsidiary, Cerah Sama Sdn Bhd. The Group’s borrowings saw a reduction from RM467.6 million to RM391.4 million due to repayment of RM50 million of revolving credit facilities and the redemption of the first tranche of the IMTN amounting to RM30 million.

Investments designated at FVTPL, deposits, bank and cash balances totalled RM535.7 million, down from RM715.8 million principally due to the dividend payments to shareholders, repayments of borrowings and payments to trade creditors, offsetted by net cash generated from investing activities.

Part B – Review of Income Statement

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2020</u> <u>RM’000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2019</u> <u>RM’000</u> <u>(unaudited)</u>
<i>Revenue</i>		
Water treatment, supply and distribution	61,600	62,999
Construction	1,657	7,160
Toll highway	19,679	22,066
Others	1,316	1,316
	84,252	93,541
Less: Adjustment to revenue (<i>Note 1</i>)	-	(4,667)
Revenue as per Condensed Statement of Comprehensive Income	84,252	88,874

Note 1

*This amount represents a deduction by 10% on the revenue in the water treatment, supply and distribution segment pertaining to the invoices to Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“**SPLASH**”) which is deemed uncollectable pursuant to the termination and settlement agreement with Pengurusan Air Selangor Sdn Bhd (“**Air Selangor**”) and SPLASH in the prior year and therefore excluded from revenue in accordance with MFRS 15 (“**MFRS 15 Deduction**”). According to the Group’s Accounting Policy on Revenue referred to in Note 3 of the Audited Financial Statements, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For the purposes of providing a more detailed analysis on the performance of the revenue of the respective business segments of the Group, this amount is shown as a separate line item instead of being excluded from revenue as required under MFRS 15. For more details on the corporate developments leading to the termination and settlement agreement, please refer to Note 25 of the Audited Financial Statements.*

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2020</u> <u>RM’000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2019</u> <u>RM’000</u> <u>(unaudited)</u>
Water treatment, supply and distribution	23,992	18,212
Construction	(194)	28
Toll highway	8,684	10,696
Others	(2,494)	(2,470)
Operating profit	29,988	26,466
Finance cost	(5,607)	(5,776)
Share of results of joint venture	156	70
Share of results of associates	(3,384)	(2,284)
Profit before tax for the financial period	21,153	18,476

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

Overall Summary

The Group recorded a decrease in revenue by RM4.6 million from RM88.9 million to RM84.3 million mainly attributable to the lower revenue recognised from the construction business and to a certain extent the toll business resulted from the Government’s Movement Control Orders (“MCO”) since 18 March 2020.

On the Group’s profit before taxation (“PBT”), the Group registered a higher PBT of RM21.2 million compared to RM18.5 million in the corresponding quarter mainly due to higher dividend from investments designated at FVTPL of RM3.4 million (2019: RM33,000); absence of MFRS 15 Deduction in the current quarter and late penalty charges on outstanding bills payable to Tenaga Nasional Berhad (“TNB”) in the corresponding quarter amounting to RM1.9 million in the water division.

However, the higher PBT was negatively impacted by lower contribution from the toll division and higher share of losses from an associate, SWM Environment Holdings Sdn Bhd (“SWMEH”).

Water treatment, supply and distribution

Despite the increase in metered sales in both the water treatment plants, the segment reported a lower operating revenue in the current quarter (without taking consideration the accounting impact from the MFRS 15 Deduction) of RM61.6 million compared to corresponding quarter of RM63.0 million. This was due to the decrease in the Bulk Sales Rate from RM0.46/m³ to RM0.41/m³ in the Sungai Selangor Water Treatment Plant Phase 1 (“SSP1”) operations commencing 1 September 2019 pursuant to the execution of the Bulk Water Sales Agreement with Air Selangor last year.

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

Part B – Review of Income Statement (continued)

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

Metered Sales – (million m3)	Q1 - 2020	Q1 - 2019	Increase
SSP1	89.4	86.8	3.0%
Langkawi	5.32	5.28	0.8%

No of billing days	91	90	
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Average MLD	Q1 - 2020	Q1 - 2019	Increase/ (Decrease)
SSP1	982.4	964.3	1.9%
Langkawi	58.49	58.65	(0.3%)

Despite lower revenue, the segment reported a higher operating profit of RM24.0 million compared to RM18.2 million mainly due to the higher dividend income from investments designated at FVTPL in the current quarter and TNB’s late penalty charges and MFRS 15 Deduction recognised in the corresponding quarter.

Construction

The construction revenue was considerably lower at RM1.7 million compared to RM7.2 million achieved a year ago as two on-going projects i.e. Langat 2 - Package 7 Balancing Reservoir Project and the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works were substantially completed as at the end of 2019, save for minor works. In addition, the revenue contribution from the Proposed Construction and Completion of 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan (“**CRJ4 Project**”) was marginal due to cessation of construction activities during the MCO. In line with lower revenue, the segment recorded an operating loss at RM0.2 million compared to operating profit RM0.03 million in the corresponding quarter.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd (“**Grand Saga**”), the operator of the Cheras-Kajang highway, was lower by RM2.4 million as compared to the corresponding quarter due to lower Average Daily Traffic (“**ADT**”) by about 13% i.e. 129,446 vehicles per day compared to 148,542 vehicles per day recorded in the corresponding quarter as a result of the travel restrictions imposed under the MCO. The segment’s operating profit was lower by RM2.0 million in line with the decrease in ADT despite lower charges on amortisation of intangible assets in the current quarter.

Toll highway – Share of results of joint venture

The Group’s share of results in Grand Sepadu Sdn Bhd (“**Grand Sepadu**”) was marginally higher compared to the corresponding quarter due to lower charges on amortisation of intangible assets, financing costs and tax expenses which have offsetted the impact from the decrease in ADT in the current quarter. In terms of ADT, there was a drop by approximately 14% i.e 79,413 vehicles per day compared to 92,339 vehicles per day in the corresponding quarter due to travel restrictions imposed under the MCO.

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

Part B – Review of Income Statement (continued)

Waste management - Associate

The Group’s share of results of associates was mainly contributed by SWMEH. The Group’s share of losses from SWMEH is RM3.7 million compared to RM2.7 million loss in the corresponding quarter due to lower PAT recorded in the SWMEH and higher adjustments made by the Group amounting to RM52.6 million (2019: RM51.2 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is lower at RM42.1 million as compared to RM43.6 million due to higher contractor related costs attributable to the imposition of service tax on cleansing services, net off by lower depreciation expense due to assets reaching their lifespan and reduction in capital expenditure.

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

Revenue

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2020</u> <u>RM’000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Dec 2019</u> <u>RM’000</u> <u>(unaudited)</u>
Water treatment, supply and distribution	61,600	63,064
Construction	1,657	18,655
Toll highway	19,679	22,503
Others	1,316	1,316
Total revenue as per Condensed Statement of Comprehensive Income	84,252	105,538

Profit/(Loss) Before Tax

Water treatment, supply and distribution	23,992	(9,923)
Construction	(194)	1,965
Toll highway	8,684	11,123
Others	(2,494)	(2,602)
Operating profit	29,988	563
Finance cost	(5,607)	(6,984)
Share of results of joint venture	156	3,379
Share of results of associates	(3,384)	(6,390)
Profit/(Loss) before tax for the financial period	21,153	(9,432)

The Group recorded decrease in revenue from RM105.5 million to RM84.3 million mainly due to lower revenue contribution from all business segments, particularly the construction business due to substantial completion of two projects at the end of 2019 and cessation of construction activities during the MCO. Likewise, the toll division was also impacted by the MCO with the ADT at the Cheras-Kajang Highway dropping from 147,596 vehicles per day to 129,446 vehicles per day (or 12.3%), whilst the ADT at the Grand Sepadu Highway saw a reduction from 93,712 vehicles per day to 79,413 vehicles per day (or 15.3%).

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

Part B – Review of Income Statement (continued)

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

Metered Sales – (million m3)	Q1 - 2020	Q4 - 2019	Increase/ (Decrease)
SSP1	89.4	92.6	(3.4%)
Langkawi	5.32	5.11	3.9%

No of billing days	91	92	
Average MLD	Q1 - 2020	Q4 - 2019	Increase/ (Decrease)
SSP1	982.4	1,006.9	(2.4%)
Langkawi	58.49	55.52	(0.3%)

The Group recorded a PBT of RM21.2 million compared to a loss before tax of RM9.4 million in the previous quarter mainly due to the Loss on Disposal of Receivable amounting to RM29.6 million (*referred to in Note 25 of the Audited Financial Statements*) in the previous quarter. In addition, the Group’s share of losses from SWMEH was lower in the current quarter due to higher loss allowance on trade receivables of RM17 million provided in previous quarter. However, the higher Group’s PBT in current quarter was negatively impacted by the lower share of results of joint venture from the receipt of toll compensation of approximately RM8.9 million recognised in the previous quarter.

Part C – Review of Statement of Cash Flow

The cash and cash equivalents decreased by RM7.1 million during the financial period.

Net Cash Used in Operating Activities was recorded at RM33.3 million compared to RM10.5 million generated a year ago mainly due to scheduled debt repayments by a subsidiary to its trade creditors.

Net Cash From Investing Activities totalled RM181.9 million compared to RM10.2 million a year ago due to decrease in deposits pledged as security and redemption of investments designated at FVTPL, primarily to fund the Financing Activities.

Net Cash Used in Financing Activities totalled RM155.7 million as compared to RM36.0 million a year ago due to the repayment of borrowings and dividends paid during the current quarter.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. With the completion of the disposal of receivables due from Air Selangor to a special purpose vehicle under an asset-backed securitisation exercise late of last year, the Group is in a strong cash position to seek investment opportunities and to pay sustainable dividends to shareholders. The continuation of the operations and maintenance of SSP1 under Air Selangor will provide a steady stream of recurring income and cash flow to the Group. However, the Group’s involvement in the Langkawi operations will cease when the concession ends in October 2020. With the cessation of Langkawi operations, the revenue and profitability of the Group will be impacted towards the last quarter of the year.

B2 – Current Year Prospects (continued)

In the construction segment, CRJ4 Project is the only on-going project undertaken by the Group. With no new projects being secured, the Group will see a dip in revenue contribution from the construction division for the year. However, the impact to profitability of the Group will not be significant as margins for construction projects are competitively priced. Nevertheless, the Group is continuing with its efforts to tender for more infrastructure projects to replenish its order book. The risk of exposure to liquidated ascertained damages as a result of the cessation of construction activities during the MCO is minimal as the current projects are entitled to an extension of time to complete the works.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the Grand Sepadu Highway is expected to continue to be moderate as they are matured highways. However, with the travel restrictions imposed under the MCO, the segment recorded significant reduction in the volume of traffic for both the highways. Despite the substantial reduction, it is expected that the impact will be temporary and would not affect the ability of the business to operate as a going concern. In respect of the proposed toll restructuring initiated by the previous Federal Government, there is no outcome as of to-date.

In the waste management division, SWMEH is expected to grow its business with the increasing areas to be serviced. With the current outbreak of the Covid-19 pandemic, the division has been increasing its services to provide sanitisation services in public areas. SWMEH is currently in the process of negotiating a tariff rate increase for its solid waste collection and public cleansing management services with the Federal Government under the terms of its concession agreement. Whilst the progress is on-going, there is still no outcome.

As the Group is predominantly involved in businesses that provide essential services to the public, the Group does not expect that the Covid-19 outbreak will materially impact the business outlook or financial performance of the Group. The Group will closely monitor the development of the Covid-19 and continuously assess the impact on its operations, the financial position and operating results of the Group. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and cannot be reliably estimated as of the date of these interim financial statements.

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

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months Ended</u>	
	<u>31 Mar 2020</u>	<u>31 Mar 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
		<u>(unaudited)</u>
<u>Other operating income:</u>		
Interest income on fixed deposits with licensed banks	896	861
Dividend from investments designated at FVTPL	3,755	393
Rental income	82	130
Gain on redemption of investments designated at FVTPL	693	17
Gain on foreign exchange (unrealised)	4	-
Interest income imputed on retention sum	-	20

Fair value changes	97	141
Reversal of loss allowance on trade receivables and amount due from contract customers	-	620
<i><u>Cost of operations, administrative and other expenses:</u></i>		
Depreciation and amortisation	(7,825)	(8,461)
Imputed interest on borrowing	(135)	(135)
Loss on redemption of investments designated at FVTPL	(63)	(41)
Loss on fair value changes (unrealised)	(615)	(10)
Loss on foreign exchange (unrealised)	(6)	(2)
Loss allowance on trade and other receivables and amount due from contract customers	(11)	(10)
Reversal of interest income imputed on retention sum	(72)	-

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

B5 – Income Tax Expense

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

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months Ended</u>	
	<u>31 Mar 2020</u>	<u>31 Mar 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Income tax:		<u>(unaudited)</u>
-Current year tax	3,946	5,328
-Deferred tax expense	(264)	(962)
Total income tax expense	<u>3,682</u>	<u>4,366</u>

B6 – Status of Corporate Proposals Announced but not Completed

As at 6 May 2020 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

B7 – Group Borrowings and Debt Securities

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

	<u>←-----Short Term-----→</u>			<u>←-----Long Term-----→</u>		
	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Overdraft	-	3,700	3,700	-	-	-
IMTN	-	-	-	387,746	-	387,746
As at 31 Mar 2020	-	3,700	3,700	387,746	-	387,746
As at 31 Mar 2019 (unaudited)	36	10,000	10,036	417,199	20,000	437,199

The decrease in the Group's borrowings was mainly due to repayment of revolving credit facilities and redemption of the first tranche of the IMTN upon maturity during the current quarter.

B8 – Changes in Material Litigations

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

B9 – Dividends

The Board is pleased to declare a first interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM33,260,990, in respect of the financial year ending 31 December 2020, to be payable on 19 June 2020.

For the financial year ending 31 December 2020, the Board has declared a total single-tier dividend of 1.65 sen to shareholders amounting to RM33,260,990 (2019: 1.2 sen per share amounting to RM24,189,811).

B10 – Earnings Per Share (“EPS”)

(a) Basic earnings per share

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

	<u>Current Quarter and Year-to-date</u> <u>3 Months Ended</u>	
	<u>31 Mar 2020</u>	<u>31 Mar 2019</u> <u>(unaudited)</u>
Profit for the financial period attributable to owners of the Company (RM'000)	15,905	11,650
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Basic earnings per share (sen)	<u>0.79</u>	<u>0.58</u>

(b) Diluted earnings per share

The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any convertible options as at the end of the financial period.

B11 – Auditors’ Reports

The auditors’ report on the financial statements of the Group and the Company for the most recent Audited Financial Statements were not subject to any qualification.

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

As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM535.7 million are approximately: -

- (i) RM28.3 million held as securities for banking facilities secured by the Group;
- (ii) RM65.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program;

B13 – Restatement and Reclassification of Comparatives

Certain comparatives may differ from the unaudited consolidated results announced for the fourth quarter of 2019 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2019. In addition, certain comparative figures in this interim financial statements has been reclassified to conform with the current period's presentation.

B14 – Authorisation for Release

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

By Order of the Board
Tan Bee Hwee (MAICSA 7021024)
Wong Wai Foong (MAICSA 7001358)
Company Secretaries
13 May 2020