

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2020
(UNAUDITED)

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KEY FINANCIAL HIGHLIGHTS

<i>(in RM'000 unless specified otherwise)</i>	<u>6 months ended</u>		<u>Variance</u> (%) #
	<u>2020</u> unaudited	<u>30 June</u> <u>2019</u> unaudited	
Revenue	160,335	177,951	(10)
Gross profit	60,249	69,944	(14)
Profit before taxation (PBT)	36,859	35,481	4
Profit for the period	29,498	27,354	8
Earnings per share (EPS) (sen)	1.37	1.11	23
Declared dividends per share (sen)	3.30	2.40	38

- Revenue stood at RM160.3 million, a decrease of 10% or RM17.6 million compared to the corresponding period, attributable to lower revenue from all business segments. The decrease was mainly from the toll and construction businesses as a result of the various phases of the movement control orders imposed by the Government since 18 March 2020 in response to the Covid-19 pandemic in the country. In addition, water treatment, supply and distribution business recorded a lower revenue 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 operations pursuant to the execution of the Bulk Water Sales Agreement with Air Selangor last year as well as from the reduction in tourism activities in Langkawi which lowered the demand for supply of treated water in the Langkawi operations.
- Gross profit decreased by 14% or RM9.7 million with lower contribution from all business segments, particularly from the water treatment, supply and distribution segment primarily from the provision for termination benefits payable to employees arising from the cessation of Taliworks (Langkawi) Sdn Bhd's concession by 31 October of this financial year.
- Despite the lower revenue and gross profit, PBT was higher by 4% due to higher returns from investments designated at fair value through profit or loss and lower share of losses from associates. In addition, the Group had incurred expenses such as MFRS 15 Deduction (*as further elaborated in Note B1*) and late penalty charges on outstanding bills payable to Tenaga Nasional Berhad in the corresponding quarter.
- Profit for the period was higher by 8% or RM2.1 million in tandem with the higher PBT.
- EPS increased by 23%, reflecting higher profit attributable to shareholders of the Company.
- The Board is pleased to declare a second interim single-tier dividend of 1.65 sen per ordinary share amounting to RM33.3 million in respect of the financial year ending 31 December 2020. The dividend pay-out is 38% higher than the corresponding quarter.

approximate, to the nearest digit

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Jun 2020 RM'000 unaudited	31 Dec 2019 RM'000 audited
ASSETS			
Property, plant and equipment		10,481	12,215
Investment properties		223	226
Intangible assets		1,060,585	1,070,798
Investment in joint venture		66,106	65,909
Investment in associates		162,191	166,537
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Right-of-use assets		13,535	14,765
Deferred tax assets		2,361	1,305
Long-term other receivable		26,086	26,086
Deposits, cash and bank balances	B12	27,931	58,184
Total Non-Current Assets		1,499,124	1,545,650
Inventories		2,246	1,167
Amount due from contract customers		9,687	15,838
Trade receivables		111,402	107,395
Other receivables, deposits and prepayments		15,033	14,594
Tax recoverable		9,796	11,320
Investments designated at fair value through profit or loss ("FVTPL")	B12	424,852	585,061
Deposits, cash and bank balances	B12	66,419	72,524
Total Current Assets		639,435	807,899
TOTAL ASSETS		2,138,559	2,353,549
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Reserves		555,634	594,550
Total Equity Attributable to Owners of the Company		993,988	1,032,904
Non-controlling interests		255,543	260,021
Total Equity		1,249,531	1,292,925
LIABILITIES			
Long-term borrowings	B7	387,883	427,612
Lease liabilities		15,330	15,330
Long-term trade payables		35,531	36,015
Provisions		21,455	19,371
Deferred income		108,133	108,133
Deferred tax liabilities		235,838	236,135
Total Non-Current Liabilities		804,170	842,596
Trade payables		33,163	87,856
Other payables and accruals		33,987	45,042
Provisions		8,368	2,368
Dividend payable		-	24,190
Short-term borrowings	B7	-	40,000
Lease liabilities		1,303	2,603
Deferred income		8,027	15,966
Tax liabilities		10	3
Total Current Liabilities		84,858	218,028
TOTAL LIABILITIES		889,028	1,060,624
TOTAL EQUITY AND LIABILITIES		2,138,559	2,353,549
Net assets attributable to owners of the Company (sen per share)		49.31	51.24

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended		6 Months ended	
		30 Jun		30 Jun	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
		unaudited	unaudited	unaudited	unaudited
Revenue	A5,B1	76,103	89,077	160,355	177,951
Cost of operations		(50,940)	(54,089)	(100,106)	(108,007)
Gross profit		25,163	34,988	60,249	69,944
Other operating income		4,920	1,936	10,645	4,333
Administrative and other expenses		(8,289)	(11,007)	(19,112)	(21,894)
Operating profit		21,794	25,917	51,782	52,383
Finance costs		(5,167)	(5,949)	(10,774)	(11,725)
Share of results of joint venture		41	1,344	197	1,414
Share of results of associates		(962)	(4,307)	(4,346)	(6,591)
Profit before tax	B4	15,706	17,005	36,859	35,481
Income tax expense	B5	(3,679)	(3,761)	(7,361)	(8,127)
Profit for the financial period/ Total comprehensive income		12,027	13,244	29,498	27,354
Profit for the financial period/ Total comprehensive income attributable to:					
Owners of the Company		11,701	10,712	27,606	22,362
Non-controlling interests		326	2,532	1,892	4,992
		12,027	13,244	29,498	27,354
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.58	0.53	1.37	1.11

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	-	-	27,606	27,606	1,892	29,498
Total comprehensive income for the financial period	-	-	27,606	27,606	1,892	29,498
Transactions with owners of the Company:						
Dividend paid	-	-	(66,522)	(66,522)	-	(66,522)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(6,370)	(6,370)
Total transactions with owners of the Company	-	-	(66,522)	(66,522)	(6,370)	(72,892)
As of 30 June 2020 (unaudited)	438,354	(71,500)	627,134	993,988	255,543	1,249,531

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non- controlling interests	Total Equity
	<u>Share capital</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000		
As of 1 January 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 of 1 January 2019, as restated	438,354	(71,500)	686,621	1,053,475	265,443	1,318,918
Profit for the financial period	-	-	22,362	22,362	4,992	27,354
Total comprehensive income for the financial period	-	-	22,362	22,362	4,992	27,354
Transactions with owners of the Company:						
Dividend paid	-	-	(24,190)	(24,190)	-	(24,190)
Dividend payable	-	-	(24,190)	(24,190)	-	(24,190)
Dividend paid by a subsidiary to non-controlling interest	-	-	-	-	(5,880)	(5,880)
Capital distribution from liquidation of a subsidiary	-	-	-	-	(4)	(4)
Total transactions with owners of the Company	-	-	(48,380)	(48,380)	(5,884)	(54,264)
As of 30 June 2019 (unaudited)	438,354	(71,500)	660,603	1,027,457	264,551	1,292,008

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>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2019</u> <u>RM'000</u> <u>unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,859	35,481
Adjustments for:		
Non-cash items	10,364	14,359
Interest income	(1,486)	(1,754)
Finance costs	10,774	11,725
Operating Profit Before Working Capital Changes	56,511	59,811
Net increase/(decrease) in inventories, amount due from contract customers, trade and other receivables	273	(42,896)
Net (decrease)/increase in amount due to contract customers, trade and other payables and deferred income	(67,109)	5,947
Cash (Used in)/Generated From Operations	(10,325)	22,862
Income tax paid	(5,866)	(5,860)
Income tax refund	272	-
Repayment of operating lease interest	-	(510)
Net Cash (Used in)/From Operating Activities	(15,919)	16,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,909	1,515
Property, plant and equipment:		
- Proceeds from disposal	25	-
- Purchase	(157)	(254)
Dividend income from joint venture	-	4,500
Investments designated at FVTPL:		
- purchase	(18,000)	(19,300)
- proceeds from redemption	185,864	31,668
Withdrawal of deposits pledged as security	30,058	170
Net Cash From Investing Activities	199,699	18,299
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	-	21,000
Interest paid	(11,503)	(11,446)
Repayment of borrowings	(80,094)	-
Repayment of lease liabilities	(1,206)	(1,054)
Dividends paid (<i>Note A7</i>)	(90,712)	(48,380)
Dividend paid by a subsidiary to non-controlling interest	(6,370)	(5,880)
Capital distribution paid by a subsidiary to non-controlling interest	-	(4)
Net Cash Used In Financing Activities	(189,885)	(45,764)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(6,105)	(10,973)
Effects of foreign exchange rate changes	-	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	72,524	89,835
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	66,419	78,861

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2019</u> <u>RM'000</u> <u>unaudited</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	72,602	91,328
Cash and bank balances	21,748	14,528
Total deposits, cash and bank balances	94,350	105,856
Less: Deposits pledged as security	(27,931)	(26,995)
	66,419	78,861

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

These interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Board Listing Requirements of Bursa Securities Sdn Bhd (“**Bursa Securities**”), the guidance and recommendations set out in Issues Communication – Guidance on Disclosures in Notes to Quarterly Report (“ICN 1/2017”) and Issuers Communication - Disclosure Guidance on Covid-19 Related Impacts and Investments (ICN 1/2020”) issued by Bursa Securities.

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

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

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

In the current financial period, the Group adopted all 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.

Amendments to MFRSs

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 MFRS 16	Covid-19-Related Rent Concessions
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.

(ii) 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

On 1 January 2014, the Group entered into a lease arrangement for 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 up to 31 December 2025. The lease payments are adjusted every term, based on the then prevailing market rental rate agreed by both parties. During the current quarter, the Group 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 imposed by the Government due to Covid-19 pandemic, whilst other terms and conditions of the lease contract remained the same.

The rental rebate has met all the conditions set out in paragraph 46B of the Amendment. Hence, the Group has made use of the practical expedient available in paragraph 46A of the Amendment not to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modification, and instead account for those rent concessions as if they were not lease modification.

A1–Basis of Preparation (continued)

(ii) 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 (continued)

The Group applied the practical expedient to all its rent concessions during the financial quarter. As a result of the application, the Group has recognised an income from the waiver of rental in the current quarter amounting to RM167,196 as disclosed in Note B4 to reflect changes in lease payments that arose from the rent concession.

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
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts
Annual Improvement to MFRS Standards 2018-2020	

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 and financial period.

A4 – Accounting Estimates

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

A5 – Revenue

The disaggregation of revenue were as follows:

	<u>3 Months ended</u>		<u>6 Months ended</u>	
	<u>30 Jun</u>		<u>30 Jun</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>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Revenue from contracts with customers:</i>				
Management, operations and maintenance of water treatment plants	57,698	60,083	119,298	118,415

	<u>3 Months ended</u>		<u>6 Months ended</u>	
	<u>30 Jun</u>		<u>30 Jun</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>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Toll revenue and operator fee	9,848	5,318	25,557	12,478
Revenue from construction contracts	3,272	18,054	4,929	35,861
Management fees	1,316	1,316	2,632	2,632
	<u>72,134</u>	<u>84,771</u>	<u>152,416</u>	<u>169,386</u>
<i>Revenue from other sources:</i>				
Deferred income	<u>3,969</u>	<u>4,306</u>	<u>7,939</u>	<u>8,565</u>
Revenue as per Condensed Statement of Comprehensive Income	<u>76,103</u>	<u>89,077</u>	<u>160,355</u>	<u>177,951</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>				
At a point in time	67,546	65,401	144,855	130,893
Over time	<u>4,588</u>	<u>19,370</u>	<u>7,561</u>	<u>38,493</u>
	<u>72,134</u>	<u>84,771</u>	<u>152,416</u>	<u>169,386</u>

A6 – Issuance, Repurchases and Repayments of Debt and Equity Securities

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

A7 – Dividends Paid

The total dividends paid to shareholders during the financial period amounted to RM90,711,788 (2019: RM48,379,624) were 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;
- (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; and
- (iii) On 13 May 2020, the Board declared a first 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 2020. The dividends amounting to RM33,260,988 were paid on 19 June 2020.

A8 – Material Subsequent Events

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

A9 - Contingent Liabilities

There were no material contingent liabilities since the last Audited Financial Statements.

A10 – Changes in Composition of the Group

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

A11 – Other Significant Events and Transactions

The Group's performance for the current quarter and financial period to date has taken into account of the following:

The water treatment, supply and distribution system in Pulau Langkawi, is managed by a wholly owned subsidiary, Taliworks (Langkawi) Sdn. Bhd ("**TLSB**"), under a 25-year concession which expires in October 2020. Upon expiration of the concession on 1 November 2020, the operations will be handed over to Syarikat Air Darul Aman Sdn. Bhd. Consequently, the Group issued conditional termination notice to all the TLBSB's employees and a provision for termination benefits amounting to RM6.0 million was made in these interim financial statements.

Other than the above, there are no other transactions and events that are significant to the understanding of the changes in the financial position and performance of the Group since the latest Audited Financial Statements.

A12 - Operating Segments

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

3 months ended 30 Jun unaudited	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	57,698	64,927	3,351	6,255	10,369	17,622	77,310	79,801	1,316	1,316	150,044	169,921	(73,941)	(80,844)	76,103	89,077
EBITDA(i)	18,373	23,083	27	(213)	7,583	11,978	20,264	19,596	(1,302)	(2,311)	44,945	52,133	(17,713)	(17,686)	27,232	34,447
Depreciation and amortisation	(296)	(133)	(44)	5	(3,404)	(5,806)	(4,561)	(6,848)	(913)	(667)	(9,218)	(13,449)	3,780	4,919	(5,438)	(8,530)
Operating profit	18,077	22,950	(17)	(208)	4,179	6,172	15,703	12,748	(2,215)	(2,978)	35,727	38,684	(13,933)	(12,767)	21,794	25,917
Finance costs	-	-	-	40	(3,296)	(943)	(6,609)	(6,345)	(264)	(830)	(10,169)	(8,078)	5,002	2,129	(5,167)	(5,949)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	41	1,344	41	1,344
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(962)	(4,307)	(962)	(4,307)
Profit before tax	18,077	22,950	(17)	(168)	883	5,229	9,094	6,403	(2,479)	(3,808)	25,558	30,606	(9,852)	(13,601)	15,706	17,005
Income tax expense	(3,910)	(3,940)	-	(28)	(123)	(871)	(4,907)	(4,196)	-	-	(8,940)	(9,035)	5,261	5,274	(3,679)	(3,761)
Profit after tax	14,167	19,010	(17)	(196)	760	4,358	4,187	2,207	(2,479)	(3,808)	16,618	21,571	(4,591)	(8,327)	12,027	13,244
EBDA(ii)	14,463	19,143	27	(201)	4,164	10,164	8,748	9,055	(1,566)	(3,141)	25,836	35,020	(8,371)	(13,246)	17,465	21,774
Capex(iii)	23	71	9	13	1	10	2,168	1,013	-	18	2,201	1,125				

<u>6 months</u> <u>ended 30 Jun</u> unaudited	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	119,298	127,926	5,296	14,608	24,600	33,455	155,328	158,185	2,632	2,632	307,154	336,806	(146,799)	(158,855)	160,355	177,951
EBITDA(i)	42,384	45,557	(108)	(47)	18,395	27,278	40,361	43,130	(2,878)	(3,910)	98,154	112,008	(33,109)	(42,634)	65,045	69,374
Depreciation and amortisation	(315)	(371)	(88)	(160)	(8,445)	(11,510)	(10,184)	(14,461)	(1,829)	(1,352)	(20,861)	(27,854)	7,598	10,863	(13,263)	(16,991)
Operating profit	42,069	45,186	(196)	(207)	9,950	15,768	30,177	28,669	(4,707)	(5,262)	77,293	84,154	(25,511)	(31,771)	51,782	52,383
Finance costs	-	-	-	-	(6,639)	(7,061)	(12,865)	(12,613)	(912)	(1,484)	(20,416)	(21,158)	9,642	9,433	(10,774)	(11,725)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	197	1,414	197	1,414
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(4,346)	(6,591)	(4,346)	(6,591)
Profit before tax	42,069	45,186	(196)	(207)	3,311	8,707	17,312	16,056	(5,619)	(6,746)	56,877	62,996	(20,018)	(27,515)	36,859	35,481
Income tax expense	(7,805)	(8,495)	-	(28)	(387)	(1,341)	(9,470)	(9,173)	-	-	(17,662)	(19,037)	10,301	10,910	(7,361)	(8,127)
Profit after tax	34,264	36,691	(196)	(235)	2,924	7,366	7,842	6,883	(5,619)	(6,746)	39,215	43,959	(9,717)	(16,605)	29,498	27,354
EBDA(ii)	34,579	37,062	(108)	(75)	11,369	18,876	18,026	21,344	(3,790)	(5,394)	60,076	71,813	(17,315)	(27,468)	42,761	44,345
Capex(iii)	85	128	9	82	64	60	3,706	2,535	26	18	3,890	2,823				

A12 - Operating Segments (continued)

- (i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation (and excludes share of results of associates and joint venture).
(ii) EBDA is defined as earnings before depreciation and amortisation.
(iii) CAPEX is defined as capital expenditure based on the Group's proportionate share on capital expenditure incurred for the financial 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 makers 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 16 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 30 Jun unaudited	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000	<u>2020</u> RM'000	<u>2019</u> RM'000
Segment assets	571,979	803,517	150,513	164,960	26,308	31,149	1,354,457	1,422,042	35,302	32,864	2,138,559	2,454,532
Segment liabilities	(88,232)	(227,567)	-	-	(13,521)	(22,770)	(767,853)	(814,829)	(19,422)	(97,358)	(889,028)	(1,162,524)
Net segment assets	483,747	575,950	150,513	164,960	12,787	8,379	586,604	607,213	15,880	(64,494)	1,249,531	1,292,008

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

B1 – Overall Review of Group’s Financial Performance

Part A – Review of Statement of Financial Position

	As at 30 June 2020 (unaudited) RM’000	As at 31 Dec 2019 (audited) RM’000	Variance (%) #
Total assets	2,138,559	2,353,549	(9)
Total liabilities	889,028	1,060,624	(16)
Total equity	1,249,531	1,292,925	(3)
Return on equity (%)*	2.9	8.3	

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

approximate, to the nearest digit

The Group’s total assets decreased by 9% or approximately RM215 million mainly due to lower deposits, bank and cash balances and investments designated at FVTPL, principally due to the dividend payments to shareholders, repayments of borrowings and payments to trade creditors during the financial period.

Total liabilities decreased by 16% or approximately RM172 million mainly due to lower trade and other payables as a result of 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 was lower by RM80.0 million as a result of repayment of RM50.0 million of revolving credit facilities and the redemption of the first tranche of the IMTN amounting to RM30.0 million.

Total equity attributable to owners of the Company was lower by 3% or about RM43 million in line with higher dividends paid to shareholders of the Company and non-controlling interest offset by profit recorded for the financial period.

Part B – Review of Income Statement

	<u>3 Months ended 30 Jun 2020 RM’000 unaudited</u>	<u>3 Months ended 30 Jun 2019 RM’000 unaudited</u>	<u>6 Months ended 30 Jun 2020 RM’000 unaudited</u>	<u>6 Months ended 30 Jun 2019 RM’000 unaudited</u>
<i>Revenue</i>				
Water treatment, supply and distribution	57,698	64,927	119,298	127,926
Construction	3,272	5,318	4,929	12,478
Toll highway	13,817	22,360	33,496	44,426
Others	1,316	1,316	2,632	2,632
	76,103	93,921	160,355	187,462
Less: Adjustment to revenue (Note 1)	-	(4,844)	-	(9,511)
Revenue as per Condensed Statement of Comprehensive Income	76,103	89,077	160,355	177,951

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

Part B – Review of Income Statement (continued)

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.

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Jun 2019</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2019</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	18,062	18,056	42,054	36,268
Construction	(168)	(267)	(362)	(239)
Toll highway	6,080	10,969	14,764	21,665
Others	(2,180)	(2,841)	(4,674)	(5,311)
Operating profit	21,794	25,917	51,782	52,383
Finance cost	(5,167)	(5,949)	(10,774)	(11,725)
Share of results of joint venture	41	1,344	197	1,414
Share of results of associates	(962)	(4,307)	(4,346)	(6,591)
Profit before tax for the financial period	15,706	17,005	36,859	35,481

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

Overall Summary

The Group recorded a decrease in revenue by RM13.0 million from RM89.1 million to RM76.1 million mainly attributable to the lower revenue from all the business segments. The decrease was mainly from the toll and construction businesses as a result of the various phases of the movement control orders imposed by the Government including the Movement Control Order, the Conditional Movement Control Order and the Recovery Movement Control Order (in short referred to as “**MCO**”) since 18 March 2020 in response to the Covid-19 pandemic in the country. In addition, water treatment, supply and distribution business recorded a lower revenue 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 (“**SSPI**”) operations pursuant to the execution of the Bulk Water Sales Agreement with Air Selangor last year (“**BSR Reduction**”) as well as from the reduction in tourism activities in Langkawi which lowered the demand for the supply of treated water in the Langkawi operations.

On the Group’s profit before taxation (“**PBT**”), the Group registered a lower PBT of RM15.7 million compared to RM17.0 million in the corresponding quarter in line with the decrease in revenue and provision of termination benefits as disclosed in Note A11. However, the decrease was mitigated by the following:-

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

Part B – Review of Income Statement (continued)

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

- (a) Water treatment, supply and distribution segment - higher dividend and gain on redemption from investments designated at FVTPL of RM3.6 million (2019:RM303,000) in the current quarter. The Group completed the disposal of receivables for RM660 million (referred to in Note 25(b) of the Audited Financial Statements) which increased the cash reserves of the Group substantially.

In addition, there were expenses recognised in the corresponding quarter such as MFRS 15 Deduction and late penalty charges on outstanding bills payable to Tenaga Nasional Berhad (“TNB”) of RM1.45 million;

- (b) Toll segment - lower amortisation of intangible assets due to lower traffic volume;
- (c) lower share of losses from an associate, SWM Environment Holdings Sdn Bhd (“SWMEH”); and
- (d) Others segment - lower overhead expenses and rental rebates for office premise (referred to in Note A1(ii)).

Water treatment, supply and distribution

Operating revenue (without taking consideration the accounting impact from the MFRS 15 Deduction) recorded a decrease from RM64.9 million to RM57.7 million due to the BSR Reduction and the lower metered sales in SSP1 and Langkawi operations.

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

Metered Sales – (million m3)	Q2 - 2020	Q2 - 2019	Decrease
SSP1	87.2	89.4	(2.5%)
Langkawi	4.45	5.26	(15.4%)
No of billing days	91	91	
Average MLD	Q2 - 2020	Q2 - 2019	Decrease
SSP1	958.2	982.4	(2.5%)
Langkawi	48.90	57.80	(15.4%)

The metered sales in Langkawi saw a drastic reduction as a result of the MCO where there was a significant reduction in the number of tourists to Langkawi. Despite the lower revenue, the operating profit were almost similar to the corresponding period mainly due to the higher dividend and gain on redemption from investments designated at FVTPL in the current quarter; as well as TNB’s late penalty charges and MFRS 15 Deduction recognised in the corresponding quarter. However, the increase was offset by provision of termination benefits in TLSB.

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

Part B – Review of Income Statement (continued)

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

Construction

Revenue was lower at RM3.3 million compared to RM5.3 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. During the current quarter, the revenue contribution mainly came 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**”). Due to the low revenue achieved, the segment recorded operating losses in both the quarters.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd (“**Grand Saga**”), the operator of the Cheras-Kajang highway, was lower by RM8.5 million as compared to the corresponding quarter due to lower Average Daily Traffic (“**ADT**”) by about 46% i.e. 80,464 vehicles per day compared to 148,942 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 RM5.0 million in line with the reduction in revenue. However, the impact was mitigated by lower 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**”) decreased compared to the corresponding quarter due to lower ADT by approximately 39% i.e. 57,550 vehicles per day compared to 94,005 vehicles per day in the corresponding quarter due to travel restrictions imposed under the MCO. The decrease was also attributable to toll compensation of RM4.125 million from the Government for the non-increase in scheduled toll rate hike on 1 January 2016 recognised in the corresponding quarter. However, the impact was mitigated by lower amortisation of intangible assets, financing costs and tax expenses in the current quarter.

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 RM1.4 million compared to a loss of RM4.8 million in the corresponding quarter due to higher PAT recorded by SWMEH and lower adjustments made by the Group of RM47.6 million (2019: RM51.6 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is higher at RM43.6 million as compared to RM37.9 million due to lower depreciation expense of the assets reaching their lifespan and reduction in subcontractor costs.

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

Overall Summary

The Group recorded a significant decrease in revenue by RM17.6 million from RM178.0 million to RM160.3 million in the current financial period mainly attributable to lower contribution from all business segments, which included the impact from BSR Reduction and from the MCO mentioned above.

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

Part B – Review of Income Statement (continued)

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

Despite the lower revenue, the Group registered a higher PBT of RM36.9 million compared to RM35.5 million in the corresponding period mainly attributable to the following: -

- (a) Water segment - higher dividend and gain on redemption from investments designated at FVTPL of RM8.0 million (2019: RM713,000) recognised in current financial period. In addition, the Group accounted for the MFRS 15 Deduction and late penalty charges on outstanding bills from TNB of RM3.37 million in the corresponding period;
- (b) Toll segment - lower amortisation of intangible assets due to lower traffic volume;
- (c) lower share of losses from SWMEH; and
- (d) Others segment- lower overhead expenses and rental rebates for office premises.

However, the increase was negatively impacted by lower profit contribution from toll division and provision of termination benefits in TLSB.

Water treatment, supply and distribution

At the operating level without taking into consideration the accounting impact from the MRFS 15 Deduction, revenue from water treatment, supply and distribution business recorded a decrease from RM127.9 million to RM119.3 million due to the BSR Reduction and lower metered sales in Langkawi’s operation.

Metered Sales – (million m3)	YTD 2020	YTD 2019	Increase/ (Decrease)
SSP1	176.6	176.2	0.2%
Langkawi	9.78	10.54	(7.2%)
No of billing days	182	181	
Average MLD			Increase/ (Decrease)
	Q2 - 2020	Q2 - 2019	
SSP1	970.3	973.5	(0.3%)
Langkawi	53.74	58.23	(7.7%)

The metered sales in Langkawi saw a drastic reduction as a result of the MCO where there was a significant reduction in the number of tourists to Langkawi. Despite the decrease in revenue, the segment operating profit was higher at RM42.1 million compared to RM36.3 million a year ago due to higher dividend and gain on redemption from investments designated at FVTPL in the current quarter; as well as late penalty charges from TNB and MFRS 15 Deduction recognised in the corresponding period. However, the higher operating profit was offset by the provision of termination benefits in TLSB.

Construction

Revenue decreased substantially to RM4.9 million from RM12.5 million due to the two on-going projects which were substantially completed as at the end of 2019, save for minor works. The revenue in the current period was mainly contribution from the CRJ4 Project. In line with lower revenue, the segment recorded higher operating losses compared to the corresponding period.

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

Part B – Review of Income Statement (continued)

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

Toll operations-Subsidiary

Revenue contribution from the Cheras-Kajang highway decreased to RM33.5 million from RM44.4 million due to the substantial drop in ADT by 29% from 148,743 vehicles per day to 104,955 vehicles per day as a result of the travel restrictions imposed under the MCO. The segment’s operating profit was lower by RM6.9 million in line with the decrease in revenue. However, the impact was mitigated by lower charges on amortisation of intangible assets on account of lower ADT in the current financial period.

Toll operations -Share of results of joint venture

The Group’s share of results in Grand Sepadu was lower compared to the corresponding period on account of lower ADT and toll compensation received in the previous financial period. In terms of overall ADT, there was a decrease of 26% i.e. 93,177 vehicles per day compared to 68,482 vehicles per day in the current financial period as result of travel restrictions under the MCO.

Waste management –Share of results of associate

The Group’s share of losses from SWMH was RM5.1 million compared to RM7.4 million in the corresponding period due to higher PAT recorded in SWMEH and lower adjustments made by the Group to SWMEH’s PAT. The PAT of SWMEH is higher at RM85.7 million as compared to RM81.6 million due to lower depreciation expenses in the current period. The adjustments made by the Group) to the SWMH’s PAT amounted to RM100.2 million (2019: RM102.8 million).

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

Revenue

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	57,698	61,600
Construction	3,272	1,657
Toll highway	13,817	19,679
Others	1,316	1,316
Total revenue as per Condensed Statement of Comprehensive Income	76,103	84,252

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

Part B – Review of Income Statement (continued)

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

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	18,062	23,992
Construction	(168)	(194)
Toll highway	6,080	8,684
Others	(2,180)	(2,494)
Operating profit	21,794	29,988
Finance cost	(5,167)	(5,607)
Share of results of joint venture	41	156
Share of results of associates	(962)	(3,384)
Profit before tax for the financial period	15,706	21,153

The Group recorded a decrease in revenue from RM84.3 million to RM76.1 million mainly due to lower contribution from water and toll businesses, offset by higher revenue from construction division.

The toll division’s revenue was impacted by the MCO with the ADT at the Cheras-Kajang Highway continue to drop from previous quarter, i.e. from 129,446 vehicles per day to 80,464 vehicles per day (or 38%), whilst the ADT at the Grand Sepadu Highway saw a reduction from 79,413 vehicles per day to 57,550 vehicles per day (or 27%). The segment’s operating profit was lower in line with the lower revenue.

Likewise, the revenue from water treatment, supply and distribution business is lower due to the drop in metered sales recorded in SSP1 and Langkawi operations. The segment operating profit was lower in line with the lower revenue and from the provision of termination benefits recognised in the current quarter. The metered sales and the average MLD of metered sales recorded in SSP1 and Langkawi operations were as follows:-

Metered Sales – (million m3)	Q2 - 2020	Q1 - 2020	Decrease
SSP1	87.2	89.4	(2.5%)
Langkawi	4.45	5.32	(16.4%)
No of billing days	91	91	
Average MLD	Q2 - 2020	Q1 - 2020	Decrease
SSP1	958.2	982.4	(2.5%)
Langkawi	48.9	58.49	(16.4%)

On the other hand, the construction division’s revenue was higher compared to previous quarter due to contribution from CRJ4 Project. Nevertheless, the segment recorded operating losses for both the quarters due to low revenue achieved. The Group’s share of losses from SWMEH is lower in the current quarter due to lower depreciation expenses.

Part C – Review of Statement of Cash Flow

	<u>6 Months ended</u> <u>30 June 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months ended</u> <u>30 June 2019</u> <u>RM'000</u> <u>unaudited</u>	Variance (%)
Net cash (used in)/from operating activities	(15,919)	16,492	(>100)
Net cash from investing activities	199,699	18,299	>100
Net cash used in financing activities	(189,885)	(45,764)	(>100)

Net cash generated from operating activities was lower by RM32.4 million as compared to last year due to scheduled debt repayments made during the financial period by a subsidiary to its trade payables amounting to RM41.0 million.

Net cash generated from investing activities was higher by RM181.4 million primarily due to the higher proceeds from redemption of investments designated at FVTPL as well as decrease in deposits pledged as security during the financial period.

Net cash outflow from financing activities was higher by RM144.1 million mainly due to repayment of borrowings and dividends payment to shareholders during the financial period.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. With the completion of the disposal of receivables due from Air Selangor to a special purpose vehicle under an asset-backed securitisation exercise in December 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.

In the construction segment, CRJ4 Project is the only remaining on-going project undertaken by the Group. Should there be 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 to 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 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. Nevertheless, the traffic volume as at the date of this report has gradually recovered to almost pre-MCO levels with the resumption of various economic and social activities by the Government since 4 May 2020. 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. In addition, 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.

B2 – Current Year Prospects (continued)

As the Group is predominantly involved in businesses that provide essential services to the public, the Covid-19 outbreak does not materially impact the business outlook, liquidity, financial position or financial performance of the Group save for the toll and construction businesses and the significant reduction in metered sales recorded in the Langkawi operations. In order to sustain the business operations and to enable the Group to continue as a going concern in the post Covid-19 environment, the Group has implemented several strategies and steps to address the impact of Covid-19, amongst others:

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

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

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>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</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>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Other operating income:</i>				
Interest income on fixed deposits with licensed banks	590	893	1,486	1,754
Dividend from investments designated at FVTPL	3,024	303	6,779	696
Rental income	307	129	389	259
Gain on redemption of investments designated at FVTPL	527	-	1,220	17
Gain on foreign exchange (unrealised)	1	-	5	-
Interest income imputed on retention sum	-	42	-	62
Fair value changes	18	257	115	398
Reversal of loss allowance on trade receivables and amount due from contract customers	11	-	11	620
Waiver of rental (<i>Note A1(ii)</i>)	167	-	167	-

B4 – Profit before tax (continued)

Cost of operations, administrative and other expenses:

Depreciation and amortisation	(5,438)	(8,530)	(13,263)	(16,991)
Provision of termination benefits (Note A11)	(6,000)	-	(6,000)	-
Imputed interest on borrowing	(137)	(137)	(272)	(272)
Gain/(Loss) on redemption of investments designated at FVTPL	6	(33)	(57)	(74)
Gain/(Loss) on fair value changes	213	(12)	(402)	(22)
Gain/(Loss) on foreign exchange (unrealised)	6	1	-	(1)
Loss allowance on trade and other receivables and amount due from contract customers	(130)	(18)	(141)	(28)
Reversal of interest income imputed on retention sum	56	-	(16)	-

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

B5 – Income Tax Expense

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

	<u>3 Months ended 30 Jun</u>		<u>6 Months e 30 Jun</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>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Income tax:				
-Current year tax	4,769	3,392	8,715	8,720
-Deferred tax expense	(1,090)*	369	(1,354)	(593)
Total income tax expense	<u>3,679</u>	<u>3,761</u>	<u>7,361</u>	<u>8,127</u>

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

B6 – Status of Corporate Proposals Announced but not Completed

As at 12 August 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: -

	←-----Short Term-----→			←-----Long Term-----→		
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
IMTN	-	-	-	387,883	-	387,883
As at 30 Jun 2020 (unaudited)	-	-	-	387,883	-	387,883
As at 30 Jun 2019 (unaudited)	14	31,000	31,014	417,335	20,000	437,335

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 financial period.

B8 – Changes in Material Litigations

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

B9 – Dividends

The Board is pleased to declare a second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM33,260,988, in respect of the financial year ending 31 December 2020, to be payable on 30 September 2020.

For the financial year ending 31 December 2020, the Board has declared a total single-tier dividend of 3.3 sen to shareholders amounting to RM66,521,976 (2019: 2.4 sen per share amounting to RM48,379,622).

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>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Profit for the financial period attributable to owners of the Company (RM'000)	11,701	10,712	27,606	22,362
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817	2,015,817	2,015,817
Basic earnings per share (sen)	<u>0.58</u>	<u>0.53</u>	<u>1.37</u>	<u>1.11</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 RM519.2 million are approximately: -

- (i) RM27.9 million held as securities for banking facilities secured by the Group; and
- (ii) RM66.1 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B13 – Authorisation for Release

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

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