

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

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

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## **KEY FINANCIAL HIGHLIGHTS**

<i>(in RM'000 unless specified otherwise)</i>	<u>12 months ended 31 December</u>		<u>Variance</u>
	<u>2020</u> unaudited	<u>2019</u> audited	(%) #
Revenue	317,880	377,112	(16)
Gross profit	117,487	147,870	(21)
Profit before taxation (PBT)	78,516	109,549	(28)
Profit for the period	63,531	86,451	(27)
Earnings per share (EPS) (sen)	2.95	3.78	(22)
Dividends per share (sen)	6.60	5.25	26

# approximate, to the nearest digit

- Revenue stood at RM317.9 million, a decrease of 16% or RM59.2 million compared to the corresponding year, attributable to lower revenue from all business segments. This includes lower metered sales from the Sungai Selangor Water Treatment Plant Phase 1 (“SSPI”) operation as well as Langkawi operations due to shorter billing period arising from expiration of Taliworks (Langkawi) Sdn Bhd’s privatisation contract with the State Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi on 31 October 2020; decrease in the Bulk Sales Rate from RM0.46/m<sup>3</sup> to RM0.41/m<sup>3</sup> in the SSP1 operation pursuant to the execution of the Bulk Water Sales Agreement with Air Selangor in September last year and effects to the toll business and lower metered sales recorded at the Langkawi operations from the various phases of the movement control orders (“MCO”) imposed by the Government to tackle the Covid-19 pandemic.
- As a result of the lower revenue, the gross profit decreased by 21% or RM30.4 million. For the current financial year, the Group incurred approximately RM6.587 million of termination benefits and other payments to employees arising from the expiry of Taliworks (Langkawi) Sdn Bhd’s privatisation contract as well as made an additional provision for restoration costs of RM1.6 million on top of the RM2.368 million provided in the previous financial year.
- In line with the lower revenue and gross profit, PBT saw a reduction by 28% or by RM31.0 million. It should be noted that the PBT in the previous financial year was higher from certain one-off transactions that had occurred in the said period namely; the gain on derecognition of trade receivables of RM41.1 million, gain on derecognition of trade payables of RM2.8 million, waivers granted by certain trade creditors totalling RM13.2 million, net of loss on Disposal of Receivables of RM29.6 million (*as disclosed in the previous Audited Financial Statements*). In contrast to these one-off gains, the Group recorded higher returns on its investments by RM9.9 million, lower interest expenses by RM3.8 million whereas share of results from associates came in higher by RM13.2 million.
- Profit for the year was lower by 27% or RM22.9 million in tandem with the lower PBT.
- EPS decreased by 22%, reflecting lower profit attributable to shareholders of the Company.
- The Board has declared a fourth interim single-tier dividend of 1.65 sen per ordinary share amounting to RM33.3 million in respect of the financial year ended 31 December 2020. The dividend pay-out for the year is 26% higher than the previous year. For the financial year, the Board had declared a total of 6.60 sen per share compared to 5.25 sen/share in the previous financial year.

**CONDENSED STATEMENTS OF FINANCIAL POSITION**

		31 Dec 2020	31 Dec 2019
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
<b>ASSETS</b>			
Property, plant and equipment		8,941	12,215
Investment properties		219	226
Intangible assets		1,044,806	1,070,798
Investment in joint venture		62,952	65,909
Investment in associates		160,347	166,537
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Right-of-use assets		12,304	14,765
Deferred tax assets		-	1,305
Long-term other receivable		21,910	26,086
Deposits, cash and bank balances	B12	53,231	58,184
<b>Total Non-Current Assets</b>		<b>1,494,335</b>	<b>1,545,650</b>
Inventories		2,901	1,167
Amount due from contract customers		11,991	15,838
Trade receivables		91,716	107,395
Other receivables, deposits and prepayments		11,825	14,594
Tax recoverable		11,304	11,320
Investments designated at fair value through profit or loss ("FVTPL")	B12	386,326	585,061
Deposits, cash and bank balances	B12	64,617	72,524
<b>Total Current Assets</b>		<b>580,680</b>	<b>807,899</b>
<b>TOTAL ASSETS</b>		<b>2,075,015</b>	<b>2,353,549</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		438,354	438,354
Reserves		520,993	594,550
<b>Total Equity Attributable to Owners of the Company</b>		<b>959,347</b>	<b>1,032,904</b>
Non-controlling interests		248,385	260,021
<b>Total Equity</b>		<b>1,207,732</b>	<b>1,292,925</b>
<b>LIABILITIES</b>			
Long-term borrowings	B7	358,159	427,612
Lease liabilities		12,625	15,330
Long-term trade payables		19,487	36,015
Long-term other payable		6,675	-
Provisions		23,539	19,371
Deferred income		92,641	108,133
Deferred tax liabilities		234,987	236,135
<b>Total Non-Current Liabilities</b>		<b>748,113</b>	<b>842,596</b>
Trade payables		42,404	87,856
Other payables and accruals		26,373	45,042
Provisions		2,207	2,368
Dividend payable		-	24,190
Short-term borrowings	B7	30,000	40,000
Lease liabilities		2,705	2,603
Deferred income		15,375	15,966
Tax liabilities		106	3
<b>Total Current Liabilities</b>		<b>119,170</b>	<b>218,028</b>
<b>TOTAL LIABILITIES</b>		<b>867,283</b>	<b>1,060,624</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,075,015</b>	<b>2,353,549</b>

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>Note</u>	<u>3 Months ended</u>		<u>12 Months ended</u>	
		<u>31 Dec</u>		<u>31 Dec</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>audited</u>	<u>unaudited</u>	<u>audited</u>
Revenue	A5,B1	<b>74,894</b>	<b>105,538</b>	<b>317,880</b>	<b>377,112</b>
Cost of operations		(49,499)	(67,959)	(200,393)	(229,242)
<b>Gross profit</b>		<b>25,395</b>	<b>37,579</b>	<b>117,487</b>	<b>147,870</b>
Other operating income		5,743	6,264	20,009	67,288
Administrative and other expenses		(13,188)	(43,280)	(40,597)	(70,833)
<b>Operating profit</b>		<b>17,950</b>	<b>563</b>	<b>96,899</b>	<b>144,325</b>
Finance costs		(5,246)	(6,984)	(21,212)	(24,972)
Share of results of joint venture		3,990	3,379	4,693	5,275
Share of results of associates		2,367	(6,390)	(1,864)	(15,079)
<b>Profit before tax</b>	B4	<b>19,061</b>	<b>(9,432)</b>	<b>78,516</b>	<b>109,549</b>
Income tax expense	B5	(3,749)	(6,641)	(14,985)	(23,098)
<b>Profit/(loss) for the financial period/ year/ Total comprehensive income</b>		<b>15,312</b>	<b>(16,073)</b>	<b>63,531</b>	<b>86,451</b>
<b>Profit/(loss) for the financial period/year/ Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		15,699	(18,808)	59,487	76,189
Non-controlling interests		(387)	2,735	4,044	10,262
		<b>15,312</b>	<b>(16,073)</b>	<b>63,531</b>	<b>86,451</b>
<b>Basic and diluted earnings/(loss) per share attributable to owners of the Company (sen per share)</b>	B10	0.78	(0.93)	2.95	3.78

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>Share</u>	<u>Merger</u>	<u>Retained</u>	<u>Total</u>	<u>controlling</u>		<u>Equity</u>
	<u>capital</u>	<u>deficit</u>	<u>earnings</u>		<u>interests</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As of 1 January 2020</b>	<b>438,354</b>	<b>(71,500)</b>	<b>666,050</b>	<b>1,032,904</b>	<b>260,021</b>	<b>1,292,925</b>	
Profit for the financial year	-	-	59,487	59,487	4,044	63,531	
<b>Total comprehensive income for the financial year</b>	-	-	59,487	59,487	4,044	63,531	
<b>Transactions with owners of the Company:</b>							
Dividends paid	-	-	(133,044)	(133,044)	-	(133,044)	
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(15,680)	(15,680)	
<b>Total transactions with owners of the Company</b>	-	-	(133,044)	(133,044)	(15,680)	(148,724)	
<b>As of 31 December 2020 (unaudited)</b>	<b>438,354</b>	<b>(71,500)</b>	<b>592,493</b>	<b>959,347</b>	<b>248,385</b>	<b>1,207,732</b>	

## **CONDENSED STATEMENTS OF CHANGES IN EQUITY**

	<u>Attributable to owners of the Company</u>				<u>Non- controlling interests</u> RM'000	<u>Total Equity</u> RM'000
	<u>Share capital</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000		
<b>As of 1 January 2019</b>	<b>438,354</b>	<b>(71,500)</b>	<b>689,995</b>	<b>1,056,849</b>	<b>265,443</b>	<b>1,322,292</b>
Effects of adoption of MFRS 16	-	-	(3,374)	(3,374)	-	(3,374)
<b>As of 1 January 2019, as restated</b>	<b>438,354</b>	<b>(71,500)</b>	<b>686,621</b>	<b>1,053,475</b>	<b>265,443</b>	<b>1,318,918</b>
Profit for the financial year	-	-	76,189	76,189	10,262	86,451
<b>Total comprehensive income for the financial year</b>	-	-	76,189	76,189	10,262	86,451
<b>Transactions with owners of the Company:</b>						
Dividends paid	-	-	(72,570)	(72,570)	-	(72,570)
Dividend payable	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(15,680)	(15,680)
Capital distribution from winding-up of a subsidiary	-	-	-	-	(4)	(4)
<b>Total transactions with owners of the Company</b>	-	-	(96,760)	(96,760)	(15,684)	(112,444)
<b>As of 31 December 2019 (Audited)</b>	<b>438,354</b>	<b>(71,500)</b>	<b>666,050</b>	<b>1,032,904</b>	<b>260,021</b>	<b>1,292,925</b>

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>12 Months</u> <u>ended</u> <u>31 Dec 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>12 Months</u> <u>ended</u> <u>31 Dec 2019</u> <u>RM'000</u> <u>audited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	78,516	109,549
Adjustments for:		
Non-cash items	7,217	6,374
Interest income	(2,728)	(3,898)
Finance costs	21,212	24,972
Operating Profit Before Working Capital Changes	104,217	136,997
Net decrease in inventories, amount due from contract customers, trade and other receivables	28,700	593,548
Net decrease in amount due to contract customers, trade and other payables and deferred income	(77,426)	(70,258)
Cash Generated From Operations	55,491	660,287
Income tax paid	(12,670)	(18,490)
Income tax refund	272	956
<b>Net Cash From Operating Activities</b>	<b>43,093</b>	<b>642,753</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,926	3,898
Property, plant and equipment:		
- Proceeds from disposal	99	89
- Purchases	(451)	(3,403)
Dividend income from		
- Joint venture	7,650	10,800
- Associates	4,326	850
Investments designated at FVTPL:		
- purchases	(45,000)	(598,800)
- proceeds from redemption	255,746	77,384
Withdrawals/(Placement) of deposits pledged as security	946	(31,356)
<b>Net Cash From/(Used in) Investing Activities</b>	<b>226,242</b>	<b>(540,538)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	-	30,000
Interest paid	(21,725)	(24,972)
Repayment of borrowings	(80,191)	(10,000)
Repayment of lease liabilities	(2,412)	(2,108)
Dividends paid ( <i>Note A7</i> )	(157,234)	(96,760)
Dividends paid by a subsidiary to non-controlling interests	(15,680)	(15,680)
Capital distribution paid by a subsidiary to non-controlling interest	-	(4)
<b>Net Cash Used In Financing Activities</b>	<b>(277,242)</b>	<b>(119,524)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,907)</b>	<b>(17,309)</b>
Effects of foreign exchange rate changes	-	(2)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR</b>	<b>72,524</b>	<b>89,835</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR</b>	<b>64,617</b>	<b>72,524</b>

## **CONDENSED STATEMENTS OF CASH FLOWS**

	<u>12 Months</u> <u>ended</u> <u>31 Dec 2020</u> <u>RM'000</u> <u>unaudited</u>	<u>12 Months</u> <u>ended</u> <u>31 Dec 2019</u> <u>RM'000</u> <u>audited</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	87,020	109,010
Cash and bank balances	30,828	21,698
Total deposits, cash and bank balances	117,848	130,708
Less: Deposits pledged as security	(53,231)	(58,184)
	<b><u>64,617</u></b>	<b><u>72,524</u></b>

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 year, 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 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 financial year, 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 (“**MCO**”) imposed by the Government due to the Covid-19 pandemic, whilst other terms and conditions of the lease contract remained unchanged.

The rental rebate has met all the conditions set out in paragraph 46B of the Amendment. Hence, the Group made use of the practical expedient available in paragraph 46A of the Amendment. Pursuant to paragraph 46A, the Group may elect not to assess whether a rent concession that meets the conditions in paragraph 4B is a lease modification. Instead, the Group shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying the MFRS 16 Leases if the change were not a lease modification.

## **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 year. As a result of the application, the Group recognised an income from the waiver of rental in the financial year amounting to RM167,000 as disclosed in Note B4 to reflect changes in lease payments that arose from the rent concessions.

### **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 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2
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 year.

## **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 year.

## A5 – Disaggregation of Revenue

The disaggregation of revenue were as follows:

	<u>3 Months ended</u>		<u>12 Months ended</u>	
	<u>31 Dec</u>		<u>31 Dec</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>audited</u>	<u>unaudited</u>	<u>audited</u>
<i>Revenue from contracts with customers:</i>				
Management, operations and maintenance of water treatment plants	49,794	63,064	225,538	247,943
Toll revenue and operator fee	15,272	18,089	58,444	72,113
Revenue from construction contracts	4,499	18,655	12,668	34,459
Management fees	1,316	1,316	5,264	5,264
	<u>70,881</u>	<u>101,124</u>	<u>301,914</u>	<u>359,779</u>
<i>Revenue from other sources:</i>				
Deferred income	4,013	4,414	15,966	17,333
Revenue as per Condensed Statement of Comprehensive Income	<u>74,894</u>	<u>105,538</u>	<u>317,880</u>	<u>377,112</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>				
At a point in time	65,066	81,153	283,982	320,056
Over time	5,815	19,971	17,932	39,723
	<u>70,881</u>	<u>101,124</u>	<u>301,914</u>	<u>359,779</u>

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

During the current quarter and financial year, 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 year amounted to RM157,233,764 (2019: RM96,758,248) 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;
- (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; and
- (iv) On 19 August 2020, the Board declared a second 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 30 September 2020.

#### **A7 – Dividends Paid (continued)**

- (v) On 16 November 2020, the Board declared a third 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 31 December 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 save and except for a penalty imposed by the Royal Malaysian Customs Department's ("Customs") on Sungai Harmoni Sdn Bhd ("**SHSB**"), a wholly-owned subsidiary of the Company, amounting to RM4,068,000 for late payment of GST liability. SHSB disagreed with the tax penalty imposed and have accordingly appealed against the penalty. Based on internal assessment, the Group is of the view that there are merits for the penalty to be waived and therefore, no provision has been made in these interim financial statements.

#### **A10 – Changes in Composition of the Group**

There were no changes to the composition of the Group during the financial year, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinued operations save and except for the following:-

- (a) incorporation of Taliworks Renewables Sdn. Bhd ("**TRSB**"), a wholly-owned subsidiary of the Company with an issued share capital of RM2 on 20 October 2020 under the Companies Act, 2016; and
- (b) cessation of operations by Taliworks (Langkawi) Sdn Bhd due to the expiry of its privatisation contract with the State Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi on 31 October 2020.

#### **A11 – Other Significant Events and Transactions**

There are no other transactions and events that are significant to the understanding of the changes in the financial position and performance of the Group since the latest Audited Financial Statements except for the following:-

- (i) The water treatment, supply and distribution system in Pulau Langkawi, which was managed by a wholly owned subsidiary, Taliworks (Langkawi) Sdn. Bhd. ("**TLSB**"), under a 25-year privatisation contract with the State Government of Kedah Darul Aman, had expired on 31 October 2020 ("**Expiration of the Privatisation Contract**"). On 1 November 2020, TLSB had handed over the operations to Syarikat Air Darul Aman Sdn. Bhd. ("**SADA**"), a corporatized body under the Kedah state government.

As a result of the expiry of the privatisation contract, TLSB had incurred an estimated RM6.587 million of termination benefits and other payments to the employees. In addition, as part of the terms of the privatisation contract, the company had also provided an estimated RM1.6 million for the cost of restoring the structures, pipe works, plants, equipment, tools and installations in sound condition of operability and performance ("**Restoration Costs**") in addition to RM2.368 million provided in the previous financial year; and

- (ii) On 15 October 2020, Grand Sepadu Sdn Bhd ("**Grand Sepadu**"), the operator of the Grand Sepadu Highway, received a toll compensation from the Government of Malaysia for non-increase of toll rates, which comprises of RM12.31 million advance compensation for the year 2020 and RM4.66 million for the remaining balance of toll compensation in respect of 2019 compared to RM13.01 million received in the previous year.

## A12 - Operating Segments

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

3 Months ended 31 Dec unaudited	Water treatment, supply and distribution		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per Condensed 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	49,794	63,064	4,863	19,475	20,518	19,645	79,252	81,556	1,316	1,316	155,743	185,056	(80,849)	(79,518)	74,894	105,538
EBITDA(i)	15,763	19,856	1,098	2,047	16,945	17,021	21,592	4,481	(1,727)	(1,880)	53,671	41,525	(25,479)	(30,867)	28,192	10,658
Depreciation and amortisation	(134)	(166)	(39)	(51)	(7,339)	(5,978)	(4,062)	(6,065)	(905)	(876)	(12,479)	(13,136)	2,237	3,041	(10,242)	(10,095)
Operating profit	15,629	19,690	1,059	1,996	9,606	11,043	17,530	(1,584)	(2,632)	(2,756)	41,192	28,389	(23,242)	(27,826)	17,950	563
Finance costs	-	(649)	-	-	(3,288)	(3,554)	(5,979)	(6,135)	(235)	(982)	(9,502)	(11,320)	4,256	4,336	(5,246)	(6,984)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	3,990	3,379	3,990	3,379
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	2,367	(6,390)	2,367	(6,390)
Profit before tax	15,629	19,041	1,059	1,996	6,318	7,489	11,551	(7,719)	(2,867)	(3,738)	31,690	17,069	(12,629)	(26,501)	19,061	(9,432)
Income tax expense	(2,918)	(4,814)	-	(348)	(2,349)	(873)	(4,081)	(3,132)	(164)	(13)	(9,512)	(9,180)	5,763	2,539	(3,749)	(6,641)
Profit after tax	12,711	14,227	1,059	1,648	3,969	6,616	7,470	(10,851)	(3,031)	(3,751)	22,178	7,889	(6,866)	(23,962)	15,312	(16,073)
EBDA(ii)	12,845	14,393	1,098	1,699	11,308	12,594	11,532	(4,786)	(2,126)	(2,875)	34,657	21,025	(9,103)	(27,003)	25,554	(5,978)
Capex(iii)	110	287	5	-	37	194	2,504	2,689	13	463	2,669	3,633				

<u>12 Months</u> <u>ended 31 Dec</u>															<b>Amount as per</b>	
	<b>Water treatment, supply and distribution</b>		<b>Construction</b>		<b>Toll highway</b>		<b>Waste management</b>		<b>Others</b>		<b>Total</b>		<b>Reconciliation</b>		<b>Condensed Statement of Comprehensive Income</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>audited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>audited</b>
Revenue	225,538	254,861	13,636	38,048	60,862	69,374	313,032	320,301	5,264	5,264	618,332	687,848	(300,452)	(310,736)	317,880	377,112
EBITDA(i)	77,259	103,452	889	1,683	48,092	57,395	82,786	70,206	(5,868)	(7,464)	203,158	225,272	(74,235)	(45,287)	128,923	179,985
Depreciation and amortisation	(600)	(720)	(171)	(270)	(21,343)	(23,308)	(18,111)	(26,862)	(3,645)	(2,943)	(43,870)	(54,103)	11,846	18,443	(32,024)	(35,660)
Operating profit	76,659	102,732	718	1,413	26,749	34,087	64,675	43,344	(9,513)	(10,407)	159,288	171,169	(62,389)	(26,844)	96,899	144,325
Finance costs	-	(649)	-	(1)	(13,188)	(14,139)	(25,587)	(25,230)	(1,382)	(3,313)	(40,157)	(43,332)	18,945	18,360	(21,212)	(24,972)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	4,693	5,275	4,693	5,275
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(1,864)	(15,079)	(1,864)	(15,079)
Profit before tax	76,659	102,083	718	1,412	13,561	19,948	39,088	18,114	(0,895)	(13,720)	119,131	127,837	(40,615)	(18,288)	78,516	109,549
Income tax expense	(14,812)	(21,918)	-	(263)	(3,141)	(2,467)	(18,727)	(17,520)	(187)	(13)	(36,867)	(42,181)	21,882	19,083	(14,985)	(23,098)
Profit after tax	61,847	80,165	718	1,149	10,420	17,481	20,361	594	(11,082)	(13,733)	82,264	85,656	(18,733)	795	63,531	86,451
EBDA(ii)	62,447	80,885	889	1,419	31,763	40,789	38,472	27,456	(7,437)	(10,790)	126,134	139,759	(30,579)	(17,648)	95,555	122,111
Capex(iii)	212	600	14	57	137	285	6,945	6,287	118	3,013	7,426	10,242				

## A12 - Operating Segments (continued)

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

### Notes

- The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, waste management, construction and toll highway. Others refer to investment holding and other non-core businesses.*
- The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Condensed Statements of Comprehensive Income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.*
- The 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 31 Dec	<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>
	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>
Segment assets	531,069	697,608	148,691	155,587	27,027	34,364	1,332,790	1,402,352	35,438	63,638	2,075,015	2,353,549
Segment liabilities	(70,931)	(135,745)	-	-	(13,885)	(26,866)	(763,947)	(806,806)	(18,520)	(91,207)	(867,283)	(1,060,624)
Net segment assets	<b>460,138</b>	<b>561,863</b>	<b>148,691</b>	<b>155,587</b>	<b>13,142</b>	<b>7,498</b>	<b>568,843</b>	<b>595,546</b>	<b>16,918</b>	<b>(27,569)</b>	<b>1,207,732</b>	<b>1,292,925</b>

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

**B1 – Overall Review of Group’s Financial Performance**

**Part A – Review of Statement of Financial Position**

	As at 31 Dec 2020 (unaudited) RM’000	As at 31 Dec 2019 (audited) RM’000	Variance (%) #
Total assets	2,075,015	2,353,549	(12)
Total liabilities	867,283	1,060,624	(18)
Total equity	1,207,732	1,292,925	(7)
Return on equity (%)*	6.4	8.3	(23)
Net assets per share (sen)	47.59	51.24	(7)

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

# approximate, to the nearest digit

- (a) The Group’s total assets dropped by 12% or approximately RM279 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM212 million principally due to the dividend payments to shareholders, repayments of borrowings, interest payments and payments to trade creditors during the financial year. Trade and other receivables also shown a decline of approximately RM23 million whereas the carrying amount of intangible assets reduced by approximately RM26 million due to amortisation.
- (b) Total liabilities declined by 18% or approximately RM193 million mainly due to lower trade and other payables as a result of scheduled debt repayments made by SHSB to its trade creditors and redemption of the first tranche of the IMTN amounting to RM30.0 million on the Islamic Medium-Term Notes (“IMTN”) under a RM420 million IMTN Programme issued by a subsidiary, Cerah Sama Sdn Bhd. The Group’s other borrowings were lower from repayment of RM50.0 million of revolving credit facilities.
- (c) Total equity attributable to owners of the Company was lower by 7% or about RM85 million in line with higher dividends paid to shareholders of the Company and non-controlling interest offset by profit recorded for the financial year. Correspondingly, the net assets per share stood at 47.59 sen, a reduction of 7% from 51.24 sen a year ago.

**Part B – Review of Income Statement**

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

	<u>3 Months ended 31 Dec 2020 RM’000 unaudited</u>	<u>3 Months ended 31 Dec 2019 RM’000 audited</u>	<u>12 Months ended 31 Dec 2020 RM’000 unaudited</u>	<u>12 Months ended 31 Dec 2019 RM’000 audited</u>
<i>Revenue</i>				
Water treatment, supply and distribution	49,794	63,064	225,538	254,861
Construction	4,499	18,655	12,668	34,459
Toll highway	19,285	22,503	74,410	89,446
Others	1,316	1,316	5,264	5,264
	74,894	105,538	317,880	384,030
Less: Adjustment to revenue (Note 1)	-	-	-	(6,918)
<b>Revenue as per Condensed Statement of Comprehensive Income</b>	<b>74,894</b>	<b>105,538</b>	<b>317,880</b>	<b>377,112</b>



## 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. However, 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.

#### Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Dec 2019</u> <u>RM’000</u> <u>audited</u>	<u>12 Months</u> <u>ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>12 Months</u> <u>ended</u> <u>31 Dec 2019</u> <u>RM’000</u> <u>audited</u>
Water treatment, supply and distribution	13,796	(9,923)	74,811	109,495
Construction	1,116	1,965	524	1,325
Toll highway	5,630	11,123	31,037	43,805
Others	(2,592)	(2,602)	(9,473)	(10,300)
<b>Operating profit</b>	<b>17,950</b>	<b>563</b>	<b>96,899</b>	<b>144,325</b>
Finance cost	(5,246)	(6,984)	(21,212)	(24,972)
Share of results of joint venture	3,990	3,379	4,693	5,275
Share of results of associates	2,367	(6,390)	(1,864)	(15,079)
<b>Profit/(loss) before tax for the financial period/year</b>	<b>19,061</b>	<b>(9,432)</b>	<b>78,516</b>	<b>109,549</b>

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

##### Overall Summary

For the current quarter, the Group recorded revenue of RM74.9 million, a reduction of RM30.6 million from RM105.5 million in the corresponding quarter. The lower revenue was primarily attributable to lower contribution from the water treatment, supply and distribution as well as construction business, and to a certain extent from toll business. Both the SSP1 and Langkawi operations showed lower metered sales in the current quarter, particularly from Langkawi operations which had shorter billing period of 31 days compared to 92 days in corresponding quarter due to the Expiration of the Privatisation Contract. The lower revenue from the construction business was mainly due to the completion of its projects whereas the toll division was affected by the re-imposition of the Conditional Movement Control Order (“**CMCO**”) in Selangor, Federal Territory and Putrajaya from 14 October 2020 by the Government in response to the Covid-19 pandemic.

Despite the decrease in revenue, the Group posted a profit before taxation (“**PBT**”) of RM19.1 million in the current quarter as opposed to a loss before taxation (“**LBT**”) of RM9.4 million in the corresponding quarter. The LBT was mainly attributable to the loss on Disposal of Receivables amounting to RM29.6 million (referred to in Note 25(b) of the Audited Financial Statements). In contrast, the better financial performance in the current quarter was mainly attributable to 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)

- (i) higher share of profits from an associate, SWM Environment Holdings Sdn Bhd (“SWMEH”); and
- (ii) lower financing cost due to repayment of bank borrowings and the redemption of the first tranche of the IMTN.

However, the PBT was mitigated by an additional provision of RM1.6 million of Restoration Costs and effects of the CMCO on toll segment profits.

#### Water treatment, supply and distribution

The division’s operating revenue recorded a decrease from RM63.1 million to RM49.8 million attributable to lower metered sales in both the water treatment plants.

For the SSP1 operations, metered sales were lower by 7.1% due to 70.5-hour disruption in the operations arising from an odour pollution in Sungai Selangor which affected millions of consumers in the Klang Valley. For Langkawi operations, metered sales were tremendously declined by 51.9% due to shorter billing period arising from Expiration of the Privatisation Contract in the current quarter.

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

<b>Metered Sales – (million m3)</b>	<b>Q4 - 2020</b>	<b>Q4 - 2019</b>	<b>Decrease</b>
SSP1	86.0	92.6	7.1%
Langkawi	2.46	5.11	51.9%

  

<b>Number of billing days</b>	<b>Q4 - 2020</b>	<b>Q4 - 2019</b>
SSP1	92	92
Langkawi	31	92

  

<b>Average MLD</b>	<b>Q4 - 2020</b>	<b>Q4 - 2019</b>	<b>Decrease</b>
SSP1	934.8	1,006.5	7.1%
Langkawi	49.77#	55.54	10.4%

# *The metered supply of treated water to consumers of Langkawi for October 2020 was assessed at 1.543 million cubic metres as the TLSB privatisation contract had expired on 31 October 2020. Nevertheless, there was an additional 0.914 million cubic meters claimed due to the prorated sales from the November 2020 billing cycle i.e. for the no. of remaining days after the October billing cycle. The average MLD has been adjusted to exclude the additional reading for November 2020.*

Despite the decrease in revenue, the segment recorded an operating profit of RM13.8 million compared an operating loss of RM9.9 million in corresponding quarter. The operating loss was mainly attributable to the loss on Disposal of Receivables recognised in previous year. The operating profits in the current quarter were derived from dividend from investments designated at FVTPL and reversal of loss allowance on trade receivables, net off the additional provision for Restoration Costs recognised.

## **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 decreased significantly by RM14.2 million due to completion of the Langat 2 - Package 7 Balancing Reservoir Project (“**Langat 2-Package 7 Project**”) during the current quarter, pending account to be finalised whereas the Ganchong – Package 3A Main Distribution Pipeline Project was substantially completed as at the end of 2019, save for minor works. During the current quarter, revenue was contributed 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**”) and the upward revision of construction revenue in the Langat 2-Package 7 Project. For the current quarter, the segment recorded an operating profit of RM1.1 million on the back of the said upward revision. Likewise, in the corresponding quarter, the segment’s profit was contributed from the upward revision of the construction revenue for Mengkuang Dam Project which had been completed.

##### Toll highway - Subsidiary

Revenue contribution from Grand Saga Sdn. Bhd (“**Grand Saga**”), the operator of the Cheras-Kajang highway, was lower by RM3.2 million as compared to the corresponding quarter due to lower Average Daily Traffic (“**ADT**”) by about 17.0% i.e. 122,513 vehicles per day compared to 147,596 vehicles per day recorded in the corresponding quarter as a result of the impact from the travel restrictions under the CMCO. On the other hand, the segment’s operating profit was much lower by RM5.5 million. It should be noted that in the previous financial quarter, there was a reversal of provision for heavy repairs amounting to RM1.7 million as the company had re-scheduled the heavy repairs to be undertaken in year 2022 instead of year 2021 compared to a provision of RM1.0 million made in the current quarter.

##### Toll highway – Share of results of joint venture

Grand Sepadu recorded a decrease in ADT by approximately 16.6% i.e. 78,150 vehicles per day compared to 93,712 vehicles per day in the corresponding quarter as a results of travel restrictions under the CMCO. Nevertheless, the Group’s share of results in Grand Sepadu has increased to RM4.0 million from RM3.4 million recorded in corresponding quarter. This was mainly due to higher toll compensation of RM16.97 million received in the current quarter received as compared to RM8.89 million in the corresponding quarter. As a result of the reduction in ADT, the company had undertaken several cost savings measures which saw a decline in repairs and maintenance expenses. Nevertheless, it was noted that the company provided higher amortisation of intangible assets during the quarter of RM5.4 million compared to RM2.8 million in the corresponding quarter due to the significant reduction in the projected traffic volume due to the MCO.

##### Waste management - Associate

The Group’s share of results of associates was mainly contributed by SWMEH. The Group’s share of profit from SWMEH is RM2.0 million as compared to a share of losses of RM6.8 million in the corresponding quarter due to higher PAT recorded by SWMEH and lower adjustments made by the Group of RM47.2 million (2019: RM51.9 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is higher at RM53.0 million as compared to RM32.4 million mainly due to lower depreciation expense of the assets reaching their lifespan as well as from reduction in capital expenditure and reduction in subcontractors’ related costs.

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

### Part B – Review of Income Statement (continued)

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

##### Overall Summary

For the current financial year, the Group reported revenue of RM317.9 million, a significant drop from RM377.1 million in the previous year mainly attributable to lower contribution from all business segments. This includes lower metered sales from SSP1 operations as well as Langkawi operations due to shorter billing period arising from Expiration of the Privatisation Contract as well as from the significant reduction in tourism activities in Langkawi which lowered the demand for treated water supply, reduction in the Bulk Sales Rate from RM0.46/m<sup>3</sup> to RM0.41/m<sup>3</sup> in the SSP1 operations pursuant to the execution of the Bulk Water Sales Agreement with Air Selangor in September of last year (“**BSR Reduction**”) and effects from the various phases of the MCO on the toll business.

The Group reported a full year PBT of RM78.5 million, considerably lower than RM109.5 million achieved in previous year in line with the decrease in revenue, coupled with the accrual of termination benefits and other payments of RM6.587 million as well as the additional Restoration Costs of RM1.6 million in the Langkawi operations. The higher PBT in the previous year were mainly attributable to one-off income totalling RM27.4 million recognised which consists of gain on derecognition of trade receivables of RM41.1 million, gain on derecognition of trade payables of RM2.8 million, waivers granted by certain trade creditors of RM13.1 million, net of loss on Disposal of Receivable of RM29.6 million (collectively known as “**One-Off Income**”). However, the decrease in PBT in the current year was mitigated by the following:-

- (a) higher dividend and gain on redemption from investments designated at FVTPL of RM12.4 million (2019:RM1.4 million) recognised in current financial year;
- (b) lower share of losses from SWMEH; and
- (c) lower financing cost due to repayment of bank borrowings and IMTN.

##### 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 RM254.9 million to RM225.5 million due to the BSR Reduction and lower metered sales in SSP1 and Langkawi operations.

<b>Metered Sales – (million m3)</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>(Decrease)</b>
SSP1	347.6	361.0	3.7%
Langkawi	16.89	20.41	17.2%

  

<b>Number of billing days</b>	<b>YTD 2020</b>	<b>YTD 2019</b>
SSP1	366	365
Langkawi	305	365

  

<b>Average MLD</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>Decrease</b>
SSP1	949.7	989.0	3.9%
Langkawi	52.34#	55.92	6.4%

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

### **Part B – Review of Income Statement (continued)**

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

##### Water treatment, supply and distribution (continued)

# *The metered supply of treated water to consumers of Langkawi for October 2020 was assessed at 1.543 million cubic metres as the TLSB privatisation contract had expired on 31 October 2020. Nevertheless, there was an additional 0.914 million cubic meters claimed due to the prorated sales from the November 2020 billing cycle i.e. for the no. of remaining days after the October billing cycle. The average MLD has been adjusted to exclude the additional reading for November 2020.*

The segment’s operating profit was lower at RM74.8 million compared to RM109.5 million a year ago mainly from the recognition of One-Off Income in previous year as well as from the accrual of termination benefits and other payments, the additional Restoration Costs in the Langkawi operations and the cessation of the Langkawi operations from 1 November in the current year. However, the division’s lower operating profit was partially offset by: (i) higher other income of RM10.6 million compared to RM0.3 million primarily from interest earned from proceeds from the Disposal of Receivables; and (ii) the 2% electricity rebate from April to September offered as part of the Pakej Rangsangan Ekonomi saw a reduction in electricity costs from RM76.4 million to RM69.4 million in the current financial year.

##### Construction

Revenue decreased substantially to RM12.7 million from RM34.5 million mainly due to completion of projects. The revenue in the current year was mainly contributed by the CRJ4 Project and Langat 2 – Package 7 Project from upward revision of its construction revenue. The segment recorded a lower operating profit than previous year due to higher overhead expenses such as project incentive and staff costs.

##### Toll operations-Subsidiary

Revenue contribution from the Cheras-Kajang highway decreased by RM15.0 million to RM74.4 million due to the substantial drop in ADT by 19.8% from 148,161 vehicles per day to 118,836 vehicles per day as a result of the travel restrictions imposed under the MCO. The segment’s operating profit declined by RM12.9 million on the back of decrease in revenue and higher provision for heavy repairs in the current year of RM4.2 million (2019:RM1.4 million). However, the impact was mitigated by lower operating costs from cost saving measurements undertaken by the company and lower finance costs from repayment of IMTN and lower charges on amortisation of intangible assets on account of lower ADT in the current year.

##### Toll operations -Share of results of joint venture

The Group’s share of results in Grand Sepadu was marginally lower compared to a year ago on account of substantial drop in ADT by 18.8% from 93,372 vehicles per day to 75,834 vehicles per day in the current year as result of travel restrictions under the MCO. However, the impact was mitigated by higher toll compensation of RM16.79 million compared to RM13.01 million received in the previous financial year, lower operating costs from cost saving measurements undertaken by the company and lower finance costs from repayment of first tranche of RM20 million of its Sukuk Murabahah of RM210 million in June 2020.

## 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)

##### Waste management –Share of results of associate

The Group’s share of losses from SWMEH was RM3.4 million compared to RM16.8 million in the corresponding year due to higher PAT recorded in SWMEH and lower adjustments of RM194.5 million (2019: RM206.7 million) made by the Group to SWMEH’s PAT. The PAT of SWMEH is higher at RM184.8 million as compared to RM158.7 million due to lower depreciation expenses as well as reduction in subcontractors’ costs in the current year. However, the PAT was mitigated by higher provision of loss allowance on trade receivables in the current year.

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

##### Revenue

	<u>3 Months ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	49,794	56,446
Construction	4,499	3,240
Toll highway	19,285	21,629
Others	1,316	1,316
<b>Total revenue as per Condensed Statement of Comprehensive Income</b>	<b>74,894</b>	<b>82,631</b>

##### Profit Before Tax

	<u>3 Months ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	13,796	18,961
Construction	1,116	(230)
Toll highway	5,630	10,643
Others	(2,592)	(2,207)
<b>Operating profit</b>	<b>17,950</b>	<b>27,167</b>
Finance cost	(5,246)	(5,192)
Share of results of joint venture	3,990	506
Share of results of associates	2,367	115
<b>Profit before tax for the financial period</b>	<b>19,061</b>	<b>22,596</b>

The Group recorded decrease in revenue from RM82.6 million to RM74.9 million mainly due to lower contribution from the water treatment, supply and distribution business and toll business. However, the decrease was mitigated by a higher contribution from construction business given that upward revision of construction revenue in the Langat 2 – Package 7 Project.

The revenue from water treatment, supply and distribution business was lower due to the drop in metered sales in Langkawi operation as the billing period was shorter due to the Expiration of the Privatisation Contract.

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

### Part B – Review of Income Statement (continued)

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

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

Metered Sales – (million m3)	Q4 - 2020	Q3 - 2020	Increase/(Decrease)
SSP1	86.0	85.0	1.1%
Langkawi	2.46	4.65	(47%)

  

Number of billing days	Q4-2020	Q3 - 2020
SSP1	92	92
Langkawi	31	92

  

Average MLD	Q4 -2020	Q3 - 2020	Increase/(Decrease)
SSP1	934.8	923.6	1.2%
Langkawi	49.77#	50.54	(1.5%)

# *The metered supply of treated water to consumers of Langkawi for October 2020 was assessed at 1.543 million cubic metres as the TLSB privatisation contract had expired on 31 October 2020. Nevertheless, there was an additional 0.914 million cubic meters claimed due to the prorated sales from the November 2020 billing cycle i.e. for the no. of remaining days after the October billing cycle. The average MLD has been adjusted to exclude the additional reading for November 2020.*

The segment’s operating profit is lower on the back of lower revenue, coupled with the additional provision for Restoration Costs, provision of loss allowance on other receivables as well as loss in fair value in the current quarter.

The traffic volume for both the highways has been impacted by the re-imposition of CMCO in Selangor and Federal Territory and Putrajaya from 14 October 2020. For Cheras Kajang Highway, the ADT shrunk by 14.1% from 142,619 vehicles per day in previous quarter to 122,513 vehicles per day and thus the operating profit was lower in line with the lower revenue.

For Grand Sepadu Highway, although the ADT decreased by 11.3% from 88,063 vehicles per day to 78,150 vehicles per day in the current quarter, the impact was negated by higher share of results attributable to higher toll compensation of RM16.97 million received in the current quarter. It was noted that the segment recognised higher amortisation of intangible assets during the quarter due to significant reduction in the projected traffic volume due to the MCO.

The Group recorded a higher share of results from SWMEH in the current quarter due to lower depreciation expenses and reduction of subcontractors’ costs, net of higher provision of loss allowance on trade receivables.

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

### Part C – Review of Statement of Cash Flow

	<u>12 Months</u> <u>ended 31 Dec</u> <u>2020</u> <u>RM’000</u> <u>unaudited</u>	<u>12 Months</u> <u>ended 31</u> <u>Dec 2019</u> <u>RM’000</u> <u>audited</u>	Variance (%)
Net cash from operating activities	43,093	642,753	(93)
Net cash from/(used in) investing activities	226,242	(540,538)	>100
Net cash used in financing activities	(277,242)	(119,524)	(>100)

Net cash generated from operating activities was lower by RM599.7 million as compared to last year due to scheduled debt repayments made during the financial year by SHSB to its trade payables amounting to RM41.0 million. Higher net cash generated in previous year primarily from an upfront cash consideration of RM626 million received from the Disposal of Receivables under an asset-backed securitisation exercise.

Net cash generated from investing activities was higher by RM766.8 million primarily due to the higher redemption of investments designated at FVTPL compared to placement in investment designated at FVTPL in previous year.

Net cash outflow from financing activities was higher by RM157.7 million mainly due to repayment of borrowings and dividends payment to shareholders during the financial year.

## B2 – 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 and cash flows to the Group. The disposal of receivables due from Air Selangor to a special purpose vehicle under an asset-backed securitisation exercise completed in December of last year, had raised a considerable amount of cash to the Group, which in turn; provided the Group with opportunities to pursue its business strategies and to pay sustainable dividends to shareholders. In this respect, the Group had paid a total RM157.3 million in dividends this year, or 6.6 sen per share, an increase from 5.25 sen per share in 2019, partly from these proceeds as well as cash generated from operations. As disclosed in Note B6, the Group has also announced its maiden foray into the renewables sector by proposing to acquire the entire economic interests in four solar projects in Selangor, Malaysia with an aggregate capacity of 19.0 Megawatt-peak in which the Group will pay an aggregate transaction sum of approximately RM180.4 million from internally generated funds upon completion of the acquisition.

The cash flow position of the Group remains relatively strong from cash generated from SHSB as well from the toll operations. Payments from Air Selangor have been prompt and this ensures that SHSB is able to properly manage its working capital requirements to pay its creditors and to meet its obligations including the rehabilitation and maintenance of SSP1 are adequately attended to. However, the Group’s involvement in the Langkawi operations had ceased with the expiry of the privatisation of the Langkawi water supply contract on 31 October 2020. With the cessation of Langkawi operations, the revenue and profitability from the water treatment, supply and distribution segment will be impacted in the following financial year. For the ten months where TLSB was operating, it recorded an unaudited revenue and PBT of RM52.6 million and RM9.9 million respectively.



## **B2 – Prospects (continued)**

In the toll highway division, the impact of the various phases of the MCO had been severe to dent toll collections. ADT had dropped significantly at the onset of the MCO in March 2020, although it did somewhat recovered with the resumption of economic and social activities since 4 May 2020. For the three months ended 31 December 2020, the traffic volume for both the highways has been impacted by the re-imposition of CMCO in Selangor and Federal Territory and Putrajaya from 14 October 2020 and the Work from Home directive. The ADT for the three months ended 31 December 2020 at the Cheras-Kajang Highway stood at 122,513 vehicles/day compared to an ADT of 148,161 for the whole of 2019. Whereas, at the Grand Sepadu Highway, the ADT for the three months ended 31 December 2020 was recorded at 78,150 vehicles/day compared to an ADT of 93,372 for the whole of 2019. Over and above, the Government had further re-imposed the second phase of MCO in 6 states across Malaysia, including Selangor and Federal Territory from 13 January 2021. It is expected by the management that the traffic volume for both the highways will continue to be impacted, but not as severe as the previous MCO in March 2020 given that essential and critical economic sectors are still up and running. The financial performance for the toll business in 2021 will be highly dependent on the Covid-19 situation but given that the Government will need to balance the well-being of the rakyat against safety protocols and the eventual roll-out of the Covid-19 vaccine, the Group foresees that the impact of the MCOs to the ADT will gradually lessen and improved in tandem with the expected economic recovery next year.

In the waste management division, although SWMEH recorded a 2.3% drop year-on-year in revenue, primarily from public cleansing services, the division achieved better profit performance as a result of lower operating expenditure. This was mainly from lower depreciation charges from assets reaching their lifespan, lower fuel costs and reduction in subcontractors' costs. Revenue from solid waste collection increased 2.4% year-on-year and is expected to grow with the increasing areas to be serviced. 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. Once the tariff rates have been revised upwards, the contribution from SWMEH would increase considerably to the share of results to the Group.

In the construction segment, CRJ4 Project (with a revised project value of RM38.0 million) is the only remaining project undertaken by the Group as at the end of the year. Although the construction segment in general will be able to contribute to the top line growth, its contribution to the Group's profit is not expected to be significant given that the margins are thin and quite competitive and the duration taken to complete a project is likely to span over a period of years. Nevertheless, the Group is continuing with its efforts to tender for infrastructure projects to replenish its order book.

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.

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

As the Group is predominantly involved in businesses that provide essential services to the public, the Covid-19 outbreak does not materially impact the business outlook, liquidity, financial position or financial performance of the Group save for the toll businesses. The Group has undertaken an assessment on the possibility of impairment to the carrying amount of the Group's Intangible Assets and Goodwill amounting to RM1.04 billion and RM129 million respectively. Based on the key assumptions and discount rate applied, the Group has determined that there is no impairment to these carrying amounts.

## B2 – Prospects (continued)

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 pandemic and continuously assesses the impact to its operations, liquidity, the financial position and operating results of the Group.

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

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

## B4 – Profit before tax

	<u>3 Months ended 31 Dec</u>		<u>12 Months ended 31 Dec</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>audited</u>	<u>unaudited</u>	<u>audited</u>
<i>Other operating income:</i>				
Interest income on fixed deposits with licensed banks	697	1,231	2,728	3,898
Dividend from investments designated at FVTPL	2,090	400	11,222	1,296
Rental income	178	101	647	468
(Decrease in gain)/Gain on redemption of investments designated at FVTPL	(9)	40	1,156	61
(Decrease in gain)/Gain on foreign exchange (unrealised)	2	(1)	6	-
Interest income imputed on retention sum	-	63	-	63
Fair value changes	(41)	(9)	86	472
Reversal of loss allowance on trade receivables and amount due from contract customers	1,730	-	1,800	27
Waiver of rental ( <i>Note A1(ii)</i> )	-	-	167	-
Gain on derecognition of trade receivable	-	257	-	41,140
Gain on derecognition of trade payables	-	2,774	-	2,774
Waiver granted by trade payables	-	740	-	13,189

#### **B4 – Profit before tax (continued)**

*Cost of operations, administrative and other expenses:*

Depreciation and amortisation	(10,242)	(10,096)	(32,024)	(35,661)
Termination benefits and other payments	-	-	(6,587)	-
Imputed interest on borrowing	(138)	(138)	(548)	(548)
Decrease in loss/(Loss) on redemption of investments designated at FVTPL	1	-	(65)	(77)
Loss on fair value changes	(1,836)	(1)	(2,223)	(12)
Loss on foreign exchange (unrealised)	-	-	-	(2)
Loss allowance on trade and other receivables and amount due from contract customers	(1,372)	(3,460)	(1,652)	(3,502)
Loss on disposal of trade receivable	-	(29,573)	-	(29,573)
Reversal of interest income imputed on retention sum	8	60	(65)	-

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

#### **B5 – Income Tax Expense**

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

	<u>3 Months ended 31 Dec</u>		<u>12 Months ended 31 Dec</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>audited</u>	<u>unaudited</u>	<u>audited</u>
Income tax:				
-Current year tax	3,263	2,675	14,768	6,503
-Over provision in prior years	60	(1)	60	(147)
-Deferred tax expense*	426	3,967	157	16,742
Total income tax expense	<u>3,749</u>	<u>6,641</u>	<u>14,985</u>	<u>23,098</u>

\* Included in the deferred tax expense are the tax effects of the reversal of loss allowance on trade receivables.

#### **B6 – Status of Corporate Proposals Announced but not Completed**

As at 19 February 2021 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed save and except for two conditional share sale agreements executed by TRSB in relation to the proposed acquisition of the entire equity interest in companies involved in renewable energy related business.

## B6 – Status of Corporate Proposals Announced but not Completed (continued)

Details of the announcement by the Company can be downloaded from:-

- (a) [https://www.bursamalaysia.com/market\\_information/announcements/company\\_announcement/announcement\\_details?ann\\_id=3109940](https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3109940) (dated 30 November 2020); and
- (b) [https://www.bursamalaysia.com/market\\_information/announcements/company\\_announcement/announcement\\_details?ann\\_id=3113905](https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3113905) (dated 15 December 2020)

## B7 – Group Borrowings and Debt Securities

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

	<u>Long term</u> <u>RM'000</u>	<u>Short term</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>31 Dec 2020 (unaudited)</u>			
Secured			
- IMTN	<u>358,159</u>	<u>30,000</u>	<u>388,159</u>
<u>31 Dec 2019 (audited)</u>			
Secured			
- IMTN	417,612	-	417,612
Unsecured			
- Revolving credit	<u>10,000</u>	<u>40,000</u>	<u>50,000</u>
	<u>427,612</u>	<u>40,000</u>	<u>467,612</u>

The decrease in the Group's borrowings was due to repayment of revolving credit facilities amounting to RM50 million and redemption of the first tranche of the IMTN amounting to RM30 million during the financial year.

## 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 fourth 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 ended 31 December 2020, to be payable on 31 March 2021.

For the financial year ended 31 December 2020, the Board has declared a total single-tier dividend of 6.60 sen to shareholders amounting to RM133,043,952 (2019: 5.25 sen per share amounting to RM105,830,423).

## B10 – Earnings Per Share (“EPS”)

- (a) *Basic earnings per share*

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

**B10 – Earnings Per Share (“EPS”) (continued)****(a) Basic earnings per share (continued)**

	<u>3 Months ended 31 Dec</u>		<u>12 Months ended 31 Dec</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>unaudited</u>	<u>audited</u>	<u>unaudited</u>	<u>audited</u>
Profit/(loss) for the financial period/year attributable to owners of the Company (RM'000)	15,699	(18,808)	59,487	76,189
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817	2,015,817	2,015,817
Basic earnings/(loss) per share (sen)	<b><u>0.78</u></b>	<b><u>(0.93)</u></b>	<b><u>2.95</u></b>	<b><u>3.78</u></b>

**(b) Diluted earnings per share**

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

**B11 – Auditors’ Reports**

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

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

As at the end of the financial year, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM504.2 million are approximately: -

- (i) RM53.2 million held as securities for banking facilities secured by the Group; and
- (ii) RM40.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

**B13 – Restatement of Comparatives**

Certain comparatives may differ from the unaudited financial 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.

**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  
26 February 2021