

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2022
(UNAUDITED)

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KEY FINANCIAL HIGHLIGHTS

<i>(in RM'000 unless specified otherwise)</i>	<u>6 months ended 30 June</u>		<u>Variance</u>
	<u>2022</u>	<u>2021</u>	(%)
	unaudited	unaudited	#
Revenue	160,579	127,540	↑ 26
Gross profit	59,863	49,340	↑ 21
Profit before taxation (“PBT”)	34,807	32,897	↑ 6
Profit for the period	23,862	27,022	↓ 12
Earnings per share (“EPS”) (sen)	1.07	1.24	↓ 14
Dividends per share (sen)	3.30	3.30	-

approximate, to the nearest digit

- The Group posted revenue of RM160.58 million, an increase of 26% or RM33.04 million compared to the corresponding period attributable to higher revenue from all the existing business segments and revenue contribution from the newly acquired renewables segment referred to in Note A11. The renewables segment derives its revenue and profit from sales of electricity generated from solar photovoltaic plants and the entities’ results are consolidated into the Group.
- The increase in revenue in the water treatment, supply and distribution segment was primarily due to higher metered sales and electricity and chemical rebates from the Sungai Selangor Water Treatment Plant Phase 1 (“SSPI”) operations due to higher electricity and chemical cost in the current period. The higher electricity cost is mainly due to Imbalance Cost Pass-Through (“ICPT”) surcharge imposed by Tenaga Nasional Berhad (“TNB”) with effect from 1 February 2022. Apart from that, the increase in the Group revenue was also contributed by the toll business segment on account of higher Average Daily Traffic (“ADT”) as well as contribution from the Rasau Projects. As for the renewables segment, it contributed RM5.45 million to the Group revenue during the period from the date of acquisition to the end of this financial period.
- In line with higher revenue, the Group registered a higher gross profit by 21% or RM10.52 million.
- Due to the better revenue and gross profit performance, PBT also saw an increase by 6% or by RM1.91 million to RM34.81 million. However, the higher PBT was impacted by higher amortisation of intangible asset from toll business, share of losses from associates as well as lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL due to reduction in cash reserves over the past twelve months.
- Despite the higher PBT, profit for the period was lower by 12% or by RM3.16 million attributable to higher tax expense during the financial period due to expiry of tax waiver enjoyed by Grand Saga Sdn Bhd (“Grand Saga”) on 31 December 2021.
- EPS decreased by 14%, reflecting lower 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 approximately RM33.26 million in respect of the financial year ending 31 December 2022 to be payable on 30 September 2022.

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Jun 2022 RM'000 (Unaudited)	31 Dec 2021 RM'000 (Audited)
ASSETS			
Property, plant and equipment		117,882	6,133
Right-of-use assets		17,755	9,843
Investment properties		101	212
Intangible assets		1,002,233	1,016,966
Investment in joint venture		68,665	67,601
Investment in associates		146,598	153,123
Other investment		240	240
Goodwill on consolidation		132,654	129,385
Long-term other receivable		18,379	18,379
Deposits, cash and bank balances	B12	17,551	48,449
Total Non-Current Assets		1,522,058	1,450,331
Inventories		2,508	2,287
Amount due from contract customers		5,226	6,581
Trade receivables		54,554	50,523
Other receivables, deposits and prepayments		23,269	11,346
Tax recoverable		12,974	12,678
Investments designated at fair value through profit or loss	B12	148,045	346,443
Deposits, cash and bank balances	B12	77,065	62,228
		323,641	492,086
Assets held-for-sale	B13	804	694
Total Current Assets		324,445	492,780
TOTAL ASSETS		1,846,503	1,943,111
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Currency translation reserve		(152)	-
Retained earnings		454,872	537,949
Total Equity Attributable to Owners of the Company		821,574	904,803
Non-controlling interests		252,379	252,646
Total Equity		1,073,953	1,157,449
LIABILITIES			
Long-term borrowings	B7	298,722	328,540
Lease liabilities		19,777	9,950
Long-term trade payables		790	893
Provisions		37,622	24,952
Deferred income		77,790	77,790
Deferred tax liabilities		230,278	234,196
Total Non-Current Liabilities		664,979	676,321
Trade payables		26,238	41,516
Other payables and accruals		37,649	17,624
Provisions		126	563
Short-term borrowings	B7	30,000	30,000
Lease liabilities		1,878	2,675
Deferred income		7,493	14,864
Tax liabilities		4,187	2,099
Total Current Liabilities		107,571	109,341
TOTAL LIABILITIES		772,550	785,662
TOTAL EQUITY AND LIABILITIES		1,846,503	1,943,111

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	<u>3 Months ended</u>		<u>6 Months ended</u>	
		<u>30 Jun</u>		<u>30 Jun</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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>
Revenue	A4,B1	85,733	61,921	160,579	127,540
Cost of operations		(54,407)	(38,194)	(100,716)	(78,200)
Gross profit		31,326	23,727	59,863	49,340
Other operating income		3,041	2,812	5,506	5,535
Administrative and other expenses		(8,535)	(8,088)	(16,130)	(17,765)
Operating profit		25,832	18,451	49,239	37,110
Finance costs		(4,470)	(4,763)	(8,971)	(9,432)
Share of results of joint venture		517	207	1,064	608
Share of results of associates		(4,113)	2,275	(6,525)	4,611
Profit before tax	B4	17,766	16,170	34,807	32,897
Income tax expense	B5	(5,402)	(2,909)	(10,945)	(5,875)
Profit for the financial period		12,364	13,261	23,862	27,022
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(152)	-	(152)	-
Total comprehensive income for the financial period		12,212	13,261	23,710	27,022
Profit for the financial period attributable to:					
Owners of the Company		11,048	12,566	21,632	24,954
Non-controlling interests		1,316	695	2,230	2,068
		12,364	13,261	23,862	27,022

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>3 Months ended</u>		<u>6 Months ended</u>	
		<u>30 Jun</u>		<u>30 Jun</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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>
Total comprehensive income for the financial period attributable to:					
Owners of the Company		10,896	12,566	21,480	24,954
Non-controlling interests		1,316	695	2,230	2,068
		12,212	13,261	23,710	27,022
Basic and diluted earnings per share attributable to owners of the Company (sen per share)					
	B10	0.55	0.63	1.07	1.24

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

<u>Note</u>	<u>Attributable to Owners of the Company</u>					<u>Non-controlling interests</u>	<u>Total Equity</u>
	<u>Share capital</u>	<u>Merger deficit</u>	<u>Currency translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2022	438,354	(71,500)	-	537,949	904,803	252,646	1,157,449
Profit for the financial period	-	-	-	21,632	21,632	2,230	23,862
Other Comprehensive Income:							
Currency translation differences	-	-	(152)	-	(152)	-	(152)
Total comprehensive income for the financial period	-	-	(152)	21,632	21,480	2,230	23,710
Transactions with owners of the Company:							
Dividends paid	A7	-	-	(66,522)	(66,522)	-	(66,522)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(2,450)	(2,450)
Non-controlling interest arising from business combination		-	-	-	-	(978)	(978)
Changes in ownership interests in subsidiaries	A11(b)(ii)	-	-	(38,187)	(38,187)	-	(38,187)
Reduction in non-controlling interest arising from increase in stake in subsidiaries	A11(b)(ii)	-	-	-	-	931	931
Total transactions with owners of the Company		-	-	(104,709)	(104,709)	(2,497)	(107,206)
As of 30 June 2022 (unaudited)		438,354	(71,500)	(152)	454,872	252,379	1,073,953

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to Owners of the Company</u>				<u>Non- controlling interests</u>	<u>Total Equity</u>
	<u>Share capital</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000		
As of 1 January 2021	438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the financial period	-	-	24,954	24,954	2,068	27,022
Total comprehensive income for the financial year	-	-	24,954	24,954	2,068	27,022
Transactions with owners of the Company:						
Dividend paid	-	-	(66,522)	(66,522)	-	(66,522)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(5,880)	(5,880)
Total transactions with owners of the Company	-	-	(66,522)	(66,522)	(5,880)	(72,402)
As of 30 June 2021 (unaudited)	438,354	(71,500)	550,925	917,779	244,573	1,162,352

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

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM'000</u> <u>unaudited</u>
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	34,807	32,897
Adjustments for:		
Non-cash items	17,869	802
Interest income	(1,151)	(732)
Finance costs	8,971	9,432
Operating Profit Before Working Capital Changes	60,496	42,399
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(10,699)	28,663
Net decrease in trade and other payables and deferred income	(1,013)	(40,843)
Cash Generated From Operations	48,784	30,219
Income tax paid	(11,855)	(5,983)
Income tax refunded	39	-
Net Cash From Operating Activities	36,968	24,236
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	1,287	759
Property, plant and equipment:		
- Proceeds from disposal	116	102
- Purchases	(2,593)	(79)
Dividend received from an associate	-	60
Investments designated at FVTPL:		
- Purchase	(92,403)	(26,000)
- Proceeds from redemption	293,043	71,805
Payment for acquisition of non-controlling interests (<i>Note A11(b)(i)</i>)	(37,256)	-
Net cash inflow from acquisition of subsidiaries (<i>Note A11(a)(iii)</i>)	32,588	-
Withdrawals of deposits pledged as security	30,903	29,847
Net Cash From Investing Activities	225,685	76,494
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(9,699)	(10,330)
Repayment of borrowings	(42,121)	(30,098)
Repayment of previous shareholder' loans owing by subsidiaries (<i>Note A11(a)(i)</i>)	(125,614)	-
Repayment of lease liabilities	(1,415)	(1,206)
Dividends paid (<i>Note A7</i>)	(66,522)	(66,522)
Dividends paid by a subsidiary to non-controlling interests	(2,450)	(5,880)
Net Cash Used In Financing Activities	(247,821)	(114,036)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,832	(13,306)
Effect of Exchange Rate Changes	6	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	62,227	64,617
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	77,065	51,311

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM'000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</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	60,755	57,506
Cash and bank balances	33,861	17,322
Total deposits, cash and bank balances	94,616	74,828
Less: Deposits pledged as security	(17,551)	(23,517)
	<u>77,065</u>	<u>51,311</u>

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

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

A1 – Basis of Preparation

These interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Board Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and guidance communication notes issued by Bursa Securities.

These interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries (“**Group**”) for the financial year ended 31 December 2021 (“**Audited Financial Statements**”). The selected explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

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

In the current financial period, the Group adopted all the amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial years beginning on or after 1 January 2022.

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

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

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

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

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9-Comparative Information
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

A1 – Basis of Preparation (continued)

(ii) Adoption of significant accounting policies arising from the acquisitions of subsidiaries referred to in Note A11

Right-of-Use Assets and Lease Liability

The Group holds the entire equity interest in three (3) Feed-In Approval Holders (“**FIAHs**”) i.e. TR Sepang Sdn. Bhd. (f.k.a. “Fortune 11 Sdn. Bhd.”) (“**TR Sepang**”), TR Saterm Sdn. Bhd. (f.k.a. “Corporate Season Sdn. Bhd.”) (“**TR Saterm**”) and TR Cpark Sdn. Bhd. (f.k.a. “Silverstar Pavillion Sdn. Bhd.”) (“**TR Cpark**”). The FIAHs entered into land lease agreements with a landlord in which the FIAHs lease lands for the purpose of installing solar photovoltaic plants to generate electricity. The FIAHs has the right-of-use over the leased spaces and accordingly, recognised a right of use assets and a corresponding lease liability in the statement of financial position pursuant to MFRS 16: Leases.

The amount recognised is based on the remaining payment obligations from existing operating leases which are discounted using the incremental borrowing rate. The right-of-use assets are depreciated on a straight-line basis over the remaining period of the lease term. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

Revenue recognition

The FIAHs entered into Renewable Energy Power Purchase Agreements (“**REPPAs**”) with off-takers to generate and supply renewable energy for 21 years from the commencement date. The revenue is derived from the REPPAs whereby the FIAHs recognise revenue from the sale of electricity at the point in time as and when each energy output of electricity is sold to the off-takers in accordance with MFRS15: Revenue from Contract with Customers.

(iii) The principal closing rate used in translation of foreign currency amounts were as follows:

<u>Foreign currency</u>	<u>30 Jun 2022</u>
	<u>RM</u>
1 US Dollar (USD)	4.41

A2 – Comments about the Seasonal or Cyclical of Interim Operations

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

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

Except for the consolidation of the newly acquired subsidiaries referred to in Note A11, there are no other 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 – Disaggregation of Revenue

The disaggregation of revenue was as follows:

	<u>3 Months ended</u>		<u>6 Months ended</u>	
	<u>30 Jun</u>		<u>30 Jun</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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	46,181	42,103	91,404	84,220
Toll revenue and operator fee	17,642	12,045	34,577	26,420
Revenue from construction contracts	11,508	2,690	19,281	6,616
Management fees	1,250	1,250	2,500	2,500
Sales of electricity	5,446	-	5,446	-
	<u>82,027</u>	<u>58,088</u>	<u>153,208</u>	<u>119,756</u>
<i>Revenue from other sources:</i>				
Deferred income	<u>3,706</u>	<u>3,833</u>	<u>7,371</u>	<u>7,784</u>
Revenue as per Condensed Statement of Comprehensive Income	<u>85,733</u>	<u>61,921</u>	<u>160,579</u>	<u>127,540</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>				
At a point in time	69,269	54,148	131,427	110,640
Over time	<u>12,758</u>	<u>3,940</u>	<u>21,781</u>	<u>9,116</u>
	<u>82,027</u>	<u>58,088</u>	<u>153,208</u>	<u>119,756</u>

A5 – 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.

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 RM66,522,000 (2021: RM66,522,000) as follows: -

- (a) On 22 February 2022, the Board declared a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ended 31 December 2021 which was paid on 25 March 2022; and
- (b) On 26 May 2022, the Board declared a first interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ending 31 December 2022 which was paid on 30 June 2022.

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.

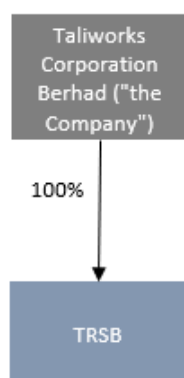
A9 - Contingent Liabilities

There are no material contingent liabilities as at the end of the current financial period and up to 17 August 2022 (being a date not earlier than 7 days from the date of these interim financial statements).

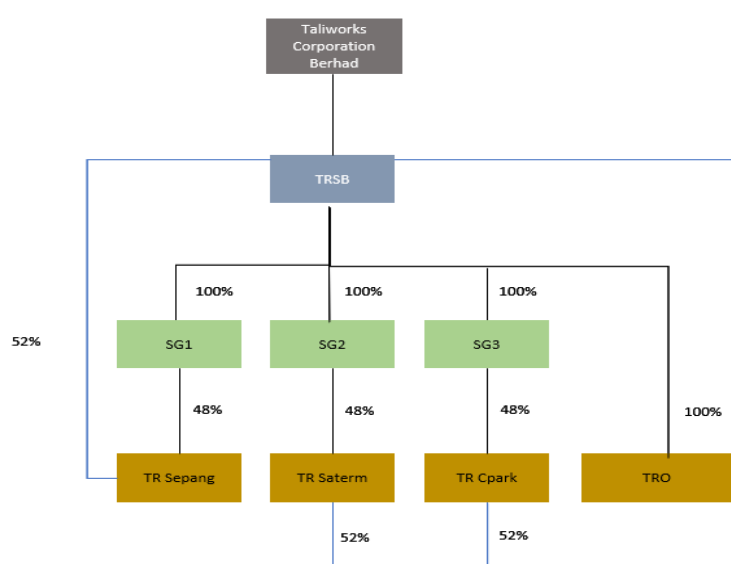
A10—Changes in Composition of the Group

Save and except for the changes in the Group’s structure arising from the completion of the acquisitions referred to in Note A11(a) and (b) below, there were no other 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:

Before the acquisitions



After the acquisitions



Upon completion of the acquisitions,

- the Group held the entire equity interest in the three (3) FIAHs. The FIAHs are solar asset companies operating under the Feed-in-Tariff programme administered by the Sustainable Energy Development Authority (“SEDA”), and operate four solar projects with an aggregate capacity of 19MWp within the vicinity of the Kuala Lumpur International Airport; and
- TR (SG1) Pte. Ltd. (f.k.a “Sunedison Solar Holdings 1 Pte. Ltd.”) (“SG1”), TR (SG2) Pte. Ltd. (f.k.a “Sunedison Solar Holdings 2 Pte. Ltd.”) (“SG2”), TR (SG3) Pte. Ltd. (f.k.a “Sunedison Solar Holdings 3 Pte. Ltd.”) (“SG3”) and Taliworks Renewables Operations Sdn. Bhd. (f.k.a. “Terraform Global Operating (Malaysia) Sdn. Bhd.”) (“TRO”) became indirect subsidiaries of the Company via direct ownership in Taliworks Renewables Sdn. Bhd. (“TRSB”), a wholly-owned subsidiary. TRO provides end-to-end operations and maintenance services to the FIAHs.

A11 – Other Significant Events and Transactions

Save and except as disclosed below, there are no other transactions and events that are significant to the understanding of the changes in the financial position and performance of the Group since the Audited Financial Statements: -

- (a) the completion of acquisition of the majority equity interest in FIAHs via direct acquisition of the entire equity interest in SG1, SG2 and SG3; and TRO, for a purchase consideration of RM144.1 million on 21 April 2022

Arising from the acquisition, the Group gained control over the FIAHs and TRO and therefore, they are accounted for using the acquisition method in accordance with MFRS 3: Business Combinations and MFRS 10: Consolidated Financial Statements, which resulted in a goodwill on consolidation to the Group amounting to RM3,269,000.

The analysis of the above acquisition is as follows: -

- (i) Consideration transferred

	<u>Group</u> <u>2022</u> <u>RM'000</u> <u>unaudited</u>
Aggregate Transaction Sum	144,050
Adjustments*	<u>(16,217)</u>
	127,833
Settlement of previous shareholders' loans to the vendor	<u>(125,614)</u>
	2,219
Equity Consideration paid in cash	<u><u>2,219</u></u>

* The equity consideration was adjusted downward by RM16.22 million as mutually agreed upon by the vendor and the Group pursuant to the Conditional Share Sale and Purchase Agreement (“SPA”) executed by the parties.

- (ii) Identifiable assets, liabilities and goodwill on consolidation arising from the acquisitions as at the date of acquisition were as follows:

	<u>Group</u> <u>2022</u> <u>RM'000</u> <u>unaudited</u>
Non-current assets	121,785
Current assets	53,732
Current liabilities	(157,560)
Non-current liabilities	<u>(19,985)</u>
Total identifiable net liabilities	<u><u>(2,028)</u></u>
Proportionate share of identifiable net liabilities	(1,050)
Less: Equity consideration transferred	<u>(2,219)</u>
	(3,269)
Goodwill on consolidation	<u><u>(3,269)</u></u>

A11 – Other Significant Events and Transactions (continued)

The Group will be engaging an independent firm to undertake a purchase price allocation exercise to determine the fair values to be assigned to the acquired entities' identifiable assets and liabilities pursuant to the requirements on MFRS 3: Business Combinations. Upon finalisation of this exercise, the resulting goodwill on consolidation will be adjusted accordingly.

(iii) Net cash inflow on acquisition of subsidiaries

	<u>Group</u> <u>2022</u> <u>RM'000</u> <u>unaudited</u>
Consideration paid in cash	(2,219)
Less: Cash and cash equivalents acquired	<u>34,807</u>
	<u>32,588</u>

(b) the completion of acquisition of the remaining equity interest in four solar projects referred to in Note 48(b) to the Audited Financial Statements not held by SG1, SG2 and SG3 for a purchase consideration of RM37.5 million on 15 June 2022

(i) Consideration transferred

	<u>Group</u> <u>2022</u> <u>RM'000</u> <u>unaudited</u>
Aggregate Transaction Sum	37,500
Less: Settlement of dividends owing to a minority shareholder pursuant to the share sale and purchase agreement between the parties	<u>(244)</u>
Equity Consideration paid in cash	<u>37,256</u>

(ii) The financial effects of the acquisition of non-controlling interests are as follows:

	<u>Group</u> <u>2022</u> <u>RM'000</u> <u>unaudited</u>
Proportionate share of the carrying amount of the net liabilities at date of acquisition	(931)
Less: Consideration paid	<u>(37,256)</u>
Positive movement in equity	<u>(38,187)</u>

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 June unaudited	Water		Waste management		Construction		Toll highway		Renewables		Others		Total		Reconciliation		Amount as per Statement of	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	46,181	42,103	82,512	80,170	11,508	2,690	15,769	12,092	5,446	-	1,250	1,250	162,666	138,305	(76,933)	(76,384)	85,733	61,921
EBITDA(i)	17,474	15,074	13,190	22,698	804	(28)	12,257	8,609	2,194	-	(1,064)	(1,659)	44,855	44,694	(8,164)	(19,979)	36,691	24,715
Depreciation and amortisation	(78)	(113)	(1,176)	(2,391)	(131)	(9)	(5,943)	(4,077)	(152)	-	(895)	(898)	(8,375)	(7,488)	(2,484)	1,224	(10,859)	(6,264)
Operating profit	17,396	14,961	12,014	20,307	673	(37)	6,314	4,532	2,042	-	(1,959)	(2,557)	36,480	37,206	(10,648)	(18,755)	25,832	18,451
Finance costs	-	-	(7,110)	(6,680)	-	-	(2,704)	(3,022)	(94)	-	(167)	(203)	(10,074)	(9,905)	5,604	5,142	(4,470)	(4,763)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	517	207	517	207
Share of results of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,113)	2,275	(4,113)	2,275
Profit before tax	17,396	14,961	4,904	13,627	673	(37)	3,610	1,510	1,948	-	(2,126)	(2,760)	26,406	27,301	(8,640)	(11,131)	17,766	16,170
Income tax expense	(3,768)	(3,168)	(7,038)	(5,886)	-	-	(1,411)	(222)	(18)	-	-	-	(12,237)	(9,276)	6,835	6,367	(5,402)	(2,909)
Profit for the financial year	13,628	11,793	(2,134)	7,741	673	(37)	2,199	1,288	1,930	-	(2,126)	(2,760)	14,169	18,025	(1,805)	(4,764)	12,364	13,261
EBDA(ii)	13,706	11,906	(958)	10,132	804	(28)	8,142	5,365	2,082	-	(1,231)	(1,862)	22,544	25,513	679	(5,988)	23,223	19,525
Capex(iii)	82	24	1,285	594	1,306	25	64	23	101	-	5	5	2,843	671	-	-	-	-

A12 - Operating Segments (continued)

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.

6 Months ended 30 June unaudited	Water		Waste management		Construction		Toll highway		Renewables		Others		Total		Reconciliation		Amount as per Statement of Comprehensive Income	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	91,404	84,220	164,399	159,244	19,281	6,616	30,908	26,029	5,446	-	2,500	2,500	313,938	278,609	(153,359)	(151,069)	160,579	127,540
EBITDA(i)	33,226	29,717	27,655	45,567	908	(1,274)	24,021	18,888	2,194	-	(1,376)	(3,374)	86,628	89,524	(18,025)	(38,927)	68,603	50,597
Depreciation and amortisation	(157)	(243)	(2,523)	(4,983)	(192)	(17)	(11,507)	(8,850)	(152)	-	(1,791)	(1,805)	(16,322)	(15,898)	(3,042)	2,411	(19,364)	(13,487)
Operating profit	33,069	29,474	25,132	40,584	716	(1,291)	12,514	10,038	2,042	-	(3,167)	(5,179)	70,306	73,626	(21,067)	(36,516)	49,239	37,110
Finance costs	-	-	(14,193)	(13,176)	-	-	(5,491)	(6,016)	(94)	-	(334)	(407)	(20,111)	(19,599)	1,140	10,167	(8,971)	(9,432)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,064	608	1,064	608
Share of results of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,525)	4,611	(6,525)	4,611
Profit before tax	33,069	29,474	10,939	27,408	716	(1,291)	7,023	4,022	1,948	-	(3,501)	(5,586)	50,195	54,027	(15,388)	(21,130)	34,807	32,897
Income tax expense	(7,311)	(6,417)	(13,691)	(11,853)	-	-	(2,967)	(544)	(18)	-	-	-	(23,989)	(18,814)	13,044	12,939	(10,945)	(5,875)
Profit for the financial year	25,758	23,057	(2,752)	15,555	716	(1,291)	4,056	3,478	1,930	-	(3,501)	(5,586)	26,206	35,213	(2,344)	(8,191)	23,862	27,022
EBDA(ii)	25,915	23,300	(229)	20,538	908	(1,274)	15,563	12,328	2,082	-	(1,710)	(3,781)	42,528	51,111	698	(10,602)	43,226	40,509
Capex(iii)	123	30	2,722	829	2,311	25	111	25	101	-	21	5	5,389	914				

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 five main business divisions namely water treatment, supply and distribution, waste management, construction, toll highway and renewables. Others refer to investment holding and other non-core businesses.*
- The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Condensed Statements of Comprehensive Income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.*
- The income statement in the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of EBITDA and EBDA), are solely from the concession business, after the proportionate deduction of dividends on cumulative preferences shares held by parties other than the Group.*

As at 30 June unaudited	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Renewables</u>		<u>Others</u>		<u>Total</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Segment assets	126,299	458,615	133,560	152,652	44,036	21,325	1,262,572	1,288,194	138,810	-	141,226	32,457	1,846,503	1,953,242
Segment liabilities	(23,764)	(37,912)	-	-	(36,730)	(9,309)	(679,866)	(726,523)	(23,194)	-	(8,996)	(17,146)	(772,550)	(790,890)
Net segment assets	102,535	420,703	133,560	152,652	7,306	12,016	582,706	561,671	115,616	-	132,230	15,311	1,073,953	1,162,352

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

B1 – Overall Review of Group’s Financial Performance

Part A – Review of Statement of Financial Position

	As at 30 June 2022 (unaudited) RM’000	As at 31 Dec 2021 (audited) RM’000	Variance (%) #
Total assets	1,846,503	1,943,111	↓ 5
Total liabilities	772,550	785,662	↓ 2
Total shareholders’ equity	1,073,953	1,157,449	↓ 7
Return on equity (%)*	2.1	8.7	↓ 76
Net assets per share (sen)	40.76	44.89	↓ 9

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

approximate, to the nearest digit

- (a) The Group’s total assets dropped by 5% or approximately RM96.60 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM214.46 million principally due to the full settlement of previous shareholder’s loans and external bank borrowing owing by the FIAHs totalling RM137.73 million pursuant to the SPA, dividend payments to shareholders, repayments of the Islamic Medium-Term Notes (“**IMTN**”) under a IMTN (Sukuk) Programme issued by Cerah Sama Sdn Bhd (“**Cerah Sama**”), interest payments and payments to trade and other payables during the financial period. In addition, the carrying amount of intangible assets reduced by approximately RM14.73 million due to amortisation charges. Nevertheless, the decrease in total assets was mitigated by the impact of consolidation of assets, primarily Property, Plant and Equipment, with a net book value of RM112.49 million, arising from the acquisition of solar power projects.
- (b) Total liabilities decreased by 2% or approximately RM13.11 million mainly due reduction of borrowings on account of redemption of the third tranche of the IMTN of RM30.00 million. Nevertheless, the decrease in total liabilities was mitigated by the impact of consolidation of liabilities assumed by the Group arising from the acquisition of solar power projects.
- (c) Total shareholders’ equity was lower by 7% or about RM83.50 million on account of dividends paid to shareholders of the Company and the impact of the acquisition of equity interest from the minority shareholder of FIAHs (referred to Note A11(b)). The decrease was however mitigated by profit recorded for the financial period. Correspondingly, the net assets per share stood at 40.76 sen compared to 44.89 sen as of 31 December 2021.

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

Part B – Review of Income Statement

The breakdown of the revenue by business segment below should be read in conjunction with Note A4 – Disaggregation of Revenue above.

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>
<i>Revenue</i>				
Water treatment, supply and distribution	46,181	42,103	91,404	84,220
Construction	11,508	2,690	19,281	6,616
Toll highway	21,348	15,878	41,948	34,204
Renewables	5,446	-	5,446	-
Others	1,250	1,250	2,500	2,500
Revenue as per Condensed Statement of Comprehensive Income	85,733	61,921	160,579	127,540

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months</u> <u>ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	15,955	14,960	31,628	29,473
Construction	678	(379)	716	(1,299)
Toll highway	9,122	6,426	18,025	14,114
Renewables	2,041	-	2,041	-
Others	(1,964)	(2,556)	(3,171)	(5,178)
Operating profit	25,832	18,451	49,239	37,110
Finance cost	(4,470)	(4,763)	(8,971)	(9,432)
Share of results of joint venture	517	207	1,064	608
Share of results of associates	(4,113)	2,275	(6,525)	4,611
Profit before tax for the financial period	17,766	16,170	34,807	32,897

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

Overall Summary

For the current quarter, the Group recorded revenue of RM85.73 million, an increase of RM23.81 million from RM61.92 million in the corresponding quarter. The increase in the revenue was attributable to higher revenue from all the business segments. SSP1 operations, the sole-source of revenue for the water treatment, supply and distribution segment, recorded higher metered sales as well as higher electricity and chemical rebates due to higher electricity during the current quarter. The higher electricity cost was due to ICPT surcharge imposed by TNB with effect from 1 February 2022.

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)

The higher Group revenue also benefitted from higher ADT recorded at the Grand Saga highway as well as contribution from two projects to develop two packages under Stage 1 of the Sungai Rasau water supply scheme. The projects are (a) Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to Existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works (Package 2); and (b) Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works (Package 3) (collectively referred to as the “**Rasau Projects**”). Apart from that, renewables segment also contributed to the Group revenue, by way of sales of electricity generated from solar photovoltaic plants.

In line with the higher revenue, the Group registered an increase in PBT of RM17.77 million compared to RM16.17 million in the corresponding quarter. The higher PBT was also attributable to the following: -

- (a) insurance claims received included in sundry income as disclosed in Note B4; and
- (b) lower financing costs of RM4.47 million (Q2FY21: RM4.76 million) as well as reversal of gain on modification on other payable of RM0.41 million recognised in the corresponding quarter;

However, the increase in PBT was impacted by, amongst others, higher amortisation of intangible assets from the toll division, fair value loss of RM0.92 million (Q2FY21: fair value gain of RM0.02 million) recognised from mark-to-market valuation of the Group’s investments designated at FVTPL, as well as share of losses from an associate, SWM Environment Holdings Sdn Bhd (“**SWMEH**”) of RM4.49 million as compared to share of profit of RM1.88 million in the corresponding quarter.

Water treatment, supply and distribution

The division’s operating revenue recorded an increase from RM42.10 million to RM46.18 million due to higher metered sales of RM37.09 million (Q2FY21: RM35.43 million) and electricity and chemical rebates of RM9.09 million (Q2FY21: RM6.67 million) in the SSP1 operations.

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

SSP1	Q2 - 2022	Q2 - 2021	Variance (%)
Metered Sales (million m ³)	90.5	86.4	↑ 4.7
Number of billing days	91	91	
Average MLD	994	950	↑ 4.7

In line with the increase in revenue, the segment operating profit also showed an increase to RM15.96 million from RM14.96 million recorded in the corresponding quarter. The higher operating profit in current quarter was also due to lower rehabilitation and maintenance expenses in the current quarter of RM3.25 million (Q2FY21: RM4.11 million) as well as reversal of gain on modification on other payable recognised in corresponding quarter of RM0.41 million. Higher operating profit was however impacted by lower net returns from interest income, dividend and gain on redemption from investments designated at FVTPL of RM0.12 million (Q2FY21: RM1.94 million).

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

Part B – Review of Income Statement (continued)

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

Construction

The construction revenue for the current quarter was higher by RM8.82 million as compared to the corresponding quarter mainly due to contribution from the Rasau Projects, whilst the contribution from Proposed Construction and Completion of 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan (“**CRJ4 Project**”) was not materially different from the corresponding quarter. In line with increase in revenue, the segment recorded an operating profit of RM0.68 million as compared to an operating loss of RM0.38 million in the corresponding quarter.

Toll highway - Subsidiary

Average Daily Traffic	Q2 - 2022	Q2 - 2021	Variance (%)
Grand Saga Highway	147,992	97,817	↑ 51

Revenue contribution from Grand Saga, was higher by RM5.47 million as compared to the corresponding quarter due to higher ADT by 51%. Toll collections came in at RM17.64 million (Q2FY21: RM12.05 million) whereas government compensation was recorded at RM3.71 million (Q2FY21: RM3.83 million). In line with higher revenue, the segment registered higher operating profit by RM2.70 million as compared to the corresponding quarter. However, the operating profit was impacted by higher amortisation of intangible assets of RM7.61 million (Q2FY21: RM4.86 million). There were no significant variances in operating and other costs.

Toll highway – Share of results of joint venture

ADT	Q2 - 2022	Q2 - 2021	Variance (%)
Grand Sepadu Highway	88,451	67,780	↑ 31

In line with higher ADT by 31%, the Group’s share of results in Grand Sepadu (NK) Sdn Bhd (“**Grand Sepadu**”) was slightly higher by RM0.3 million as compared to the corresponding quarter. The higher share of results was due to higher revenue of RM13.02 million (Q2FY21: RM10.65 million) and lower financing costs of RM1.49 million (Q2FY21: RM1.86 million). However, share of results was impacted by higher amortisation of intangible assets of RM3.83 million (Q2FY21: RM2.89 million) and higher tax expenses on account of higher profit in the current quarter.

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)

Waste management - Associate

The Group’s share of results of associates is mainly contributed by SWMEH. The Group’s share of losses from SWMEH was RM4.49 million as compared to share of profit of RM1.88 million in the corresponding quarter due to lower PAT recorded by SWMEH and higher adjustments made by the Group of RM59.51 million (Q2FY21: RM48.41 million) to SWMEH’s PAT due to higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing 1 January 2022. At SWMEH’s company level, the revenue from both solid waste collection and public cleansing services was higher by 2.9% compared to the corresponding quarter mainly attributable to handing over of new areas by its customer as well as resuming of cleansing activities at certain areas upon transition to endemic phase on 1 April 2022. Nevertheless, the company recorded a lower PAT at RM46.68 million as compared to RM53.79 million mainly due to higher expenses incurred during the quarter, amongst others, payroll related costs due to upward revision in minimum wages from RM1,200 to RM1,500 with effect from 1 May 2022, provision for loss allowance on receivables, finance costs and taxes. However, these were offset by lower depreciation due to certain assets having been fully depreciated and lower sub-contract costs.

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

Overall Summary

The Group recorded a significant increase in revenue by RM33.04 million to RM160.58 million from RM127.54 million in the preceding financial period mainly attributable to higher contribution from all existing business segments as well as contribution from the renewables segment following the completion of acquisition.

In line with the increase in revenue, the Group registered a higher PBT of RM34.81 million as compared to RM32.90 million achieved in the corresponding period. The higher PBT was also attributable to, amongst others, reversal of gain on modification on trade and other payables amounting to RM1.35 million recognised in corresponding period (as disclosed in Note B4), higher share of results from joint venture and lower finance costs.

The higher PBT was however also impacted by the following: -

- (a) higher amortisation of intangible asset from the toll division of RM14.73 million (YTD Q2FY21: RM10.65 million) in the current financial period;
- (b) lower net returns of RM3.29 million (YTD Q2FY21: RM4.42 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL; and
- (c) Higher share of losses from associate amounting to RM6.53 million as compared to share of profit of RM4.61 million in 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)

Water treatment, supply and distribution

At the operating level, water treatment, supply and distribution business recorded a revenue of RM91.40 million, which is higher than RM84.22 million achieved a year ago due to higher metered sales, electricity and chemical rebates in the SSP1 operations as follows: -

SSP1	YTD Jun 2022	YTD Jun 2021	Variance (%)
Metered Sales (million m ³)	180.4	173.7	↑ 3.9
Number of billing days	181	181	
Average MLD	997	960	↑ 3.9

The segment operating profit was higher at RM31.63 million compared to RM29.47 million a year ago in line with the increase in revenue. In addition, the increase in segment’s operating profit was also contributed by lower rehabilitation and maintenance expenses in the current financial period as well as reversal of gain on modification on trade and other payable in the corresponding financial period. However, the higher operating profit was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL of RM0.35 million (YTD Q2FY21: RM3.74 million).

Construction

The segment recorded a significant increase in the revenue of RM19.28 million as compared to RM6.62 million achieved in the corresponding period, mainly due to contribution from Rasau Projects of approximately RM15.01 million. In contrast, the CRJ4 Project recorded a revenue of RM4.25 million in the current financial period, lower than RM6.62 million achieved in the corresponding period. In line with the increase in revenue, the segment also recorded operating profit of RM0.72 million as compared to operating loss of RM1.30 million in the corresponding period. The operating loss in the corresponding period was attributable to the downward revision in the projected construction margin for the CRJ4 Project mainly due to increase in prices of steel bars.

Toll operations - Subsidiary

ADT	YTD Jun 2022	YTD Jun 2021	Variance (%)
Grand Saga Highway	143,988	107,815	↑ 34

Revenue contribution from the Grand Saga Highway has increased significantly to RM41.95 million from RM34.20 million due to the increase in ADT by 34% as compared to corresponding period. In line with increase in revenue, the segment’s operating profit was also higher by RM3.91 million. However, the operating profit was impacted by higher amortisation of intangible asset during the financial 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 - Share of results of joint venture

ADT	YTD Jun 2022	YTD Jun 2022	Variance (%)
Grand Sepadu Highway	85,586	73,750	↑ 16

The Group’s share of results in Grand Sepadu was marginally higher compared to the corresponding period on account of higher ADT by 16% and lower financing costs of RM3.02 million (YTD Q2FY21: RM3.77 million). Nevertheless, the share of results was impacted by higher amortisation of intangible assets and tax expenses incurred during the financial period.

Waste management - Share of results of associate

The Group’s share of losses from SWMH was RM7.34 million compared to share of profit of RM3.96 million in the corresponding period due to lower PAT recorded in SWMEH and higher adjustments made by the Group of RM118.64 million (YTD Q2FY21: RM96.46 million) to SWMEH’s PAT due to higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing 1 January 2022. The PAT of SWMEH is lower at RM97.68 million as compared to RM107.78 million due to higher expenses, amongst others, payroll related costs, provision for loss allowance on receivables, finance costs and taxes. The lower of PAT is however mitigated by lower depreciation expense and sub-contract cost.

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

Revenue

	<u>3 Months ended</u> <u>30 Jun 2022</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Mar 2022</u> <u>RM'000</u> <u>unaudited</u>
Water treatment, supply and distribution	46,181	45,223
Construction	11,508	7,773
Toll highway	21,348	20,600
Renewables	5,446	-
Others	1,250	1,250
Total revenue as per Condensed Statement of Comprehensive Income	85,733	74,846

Profit Before Tax

Water treatment, supply and distribution	15,955	15,673
Construction	678	38
Toll highway	9,122	8,903
Renewables	2,041	-
Others	(1,964)	(1,207)
Operating profit	25,832	23,407
Finance cost	(4,470)	(4,501)
Share of results of joint venture	517	547
Share of results of associates	(4,113)	(2,412)
Profit before tax for the financial period	17,766	17,041

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 Group recorded an increase in revenue by RM10.88 million from RM74.85 million to RM85.73 million mainly due to higher contribution from all existing business segments as well as contribution from the renewables segment. The Group PBT increased in line with the higher revenue achieved and supported by higher net returns of RM2.31million (Q1FY22: RM0.97 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL in the current quarter. However, the higher PBT was impacted by higher share of losses from associates as well as fair value loss of RM0.92 million (Q1FY22: fair value gain of RM1.04 million) recognised from mark-to-market valuation of the Group’s investments designated at FVTPL during the current quarter.

The water treatment, supply and distribution division recorded higher operating revenue comprises metered sales of RM37.09 million (Q1FY22: RM36.86 million) and electricity and chemical rebates of RM9.09 million (Q1FY22: RM8.36 million). The metered sales and the average MLD of metered sales recorded in SSP1 operations were as follows: -

SSP1	Q2 - 2022	Q1 - 2022	Variance (%)
Metered Sales (million m ³)	90.5	89.9	↑ 0.7%
Number of billing days	91	90	
Average MLD	994	999	↓ 0.5%

In line with marginal increase in revenue, the segment operating profit also marginally higher by RM0.28 million in the current quarter.

The construction division’s revenue was higher as compared to preceding quarter as the division is picking up on the progressive contribution from the Rasau Projects. The PBT was also higher in line with increase in revenue and the upward revision in the projected construction margin for both CRJ4 Project and Rasau Projects in the current quarter.

For Grand Saga Highway, revenue contribution increased by RM0.75 million due to improvement in ADT by 5.8%. Despite the higher ADT, profit contribution merely increased marginally by RM0.22 million mainly due to higher repair and maintenance expenses of RM0.45 million (Q1FY22: RM0.35 million) and amortisation of intangible assets of RM3.96 million (Q1FY22: RM3.73 million). As for Grand Sepadu Highway, the share of results for this quarter was slightly lower despite the improvement in ADT, attributable to higher expenses, amongst others, amortisation of intangible assets, repair and maintenance and taxes.

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

ADT	Q2 - 2022	Q1 - 2022	Variance (%)
Grand Saga Highway	147,992	139,940	↑ 5.8
Grand Sepadu Highway	88,451	82,689	↑ 7.0

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 Group’s share of losses from SWMEH was RM4.49 million as compared to RM2.85 million in the preceding quarter due to due to lower PAT recorded in SWMEH and higher adjustments made by the Group of RM59.51 million (Q1FY22: RM59.14 million) to SWMEH’s PAT. At SWMEH’s company level, the revenue from both solid waste collection and public cleansing services was higher by 0.8%. However, the company recorded lower PAT at RM46.68 million as compared to RM51.01 million due to higher expenses, amongst others, payroll related costs, provision for loss allowance on receivables and taxes.

Part C – Review of Statement of Cash Flow

	<u>6 Months ended</u> <u>30 Jun 2022</u> <u>RM’000</u> <u>unaudited</u>	<u>6 Months ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>	Variance (%)
Net cash from operating activities	36,968	24,236	↑ 53
Net cash from investing activities	225,685	76,494	> ↑ 100
Net cash used in financing activities	(247,821)	(114,036)	> ↑ 100

Net cash from operating activities was higher by RM12.73 million primarily attributable to the higher profit generated for the current financial period and lower repayments by the Group to its trade and other payables as compared to corresponding period. However, the increase in net cash from operating activities was offsetted by lower collections from trade and other receivables as compared to the corresponding period.

Net cash from investing activities was higher by RM149.19 million primarily due to the higher net proceeds from redemption of investments designated at FVTPL as compared to corresponding quarter and net cash inflow contributed by the acquisitions of subsidiaries referred to in Note A11. However, the increase in net cash from investing activities was offsetted by payment of acquisition of non-controlling interests.

Net cash outflow from financing activities was lower by RM133.79 million mainly due to repayment of previous shareholder’s loans and external bank borrowing owing by the FIAHs pursuant to the SPA during the financial period.

B2 – Prospects

The profitability of the Group is largely driven by the performance of the water treatment, supply and distribution from the SSP1 operations and the toll divisions as these segments contribute the bulk of the profits and cash flows to the Group. Demand for treated raw water is expected to remain robust for the year whilst the toll division is seeing significant improvements in traffic volume with the upturn in economic activities. The addition of the solar renewable business is testament of the Group's continuous efforts to expand and diversify its business portfolio to reduce reliance on the existing core businesses. The renewables business will provide sustainable earnings stream and improve the financial performance of the Group.

The cash flow position of the Group remains relatively strong from cash generated from the water treatment, supply and distribution business as well from the toll operations. Together with the available cash reserves in the Company, this has enabled the shareholders of the Company to continuously enjoy dividend payments over the past few quarters. Payments received by the water treatment, supply and distribution segment have been prompt and this ensures its ability to stream dividends to the Company whilst meeting its payment obligations.

In the toll highway division, revenue from toll collections has improved, in line with higher ADT as the country entered the endemicity stage beginning April of this year. With all business sectors now being permitted to operate, economic activities have also started to increase. However, with the lapse of tax waiver period enjoyed by Grand Saga on 31 December 2021, the statutory income of the company is taxable commencing this financial year and this has impacted the PAT of the Group.

In the waste management division, SWMEH registered higher revenue from both solid waste collection and public cleansing services mainly from increasing areas to be serviced. Nevertheless, the segment profitability is impacted by increases in operating expenditure due to the effects of the minimum wage increases from 1 May 2022 despite lower depreciation charges from assets reaching their lifespan. SWMEH is currently in discussion for a second cycle tariff review with the Federal Government under the terms of its concession agreement. The discussions are still on-going and whilst the negotiations have been protracted, the Group is hopeful that the an amicable resolution can be achieved in the near term.

In the construction segment, the Group has begun to recognise revenue and profit contribution from the Rasau Projects since the beginning of January of this year. We can expect the bulk of the revenue and profit recognition to materialise in 2023 and 2024. We are also regularly reviewing costs and looking for opportunities to enhance the profit margins of our projects e.g. through procurement of products and services through competitive tendering, monitoring of market prices of major raw materials, and putting in appropriate controls on significant business risks. Whilst the construction division is ensuring the construction projects, especially the Rasau Projects, are progressing on schedule, the division is nevertheless still looking to bid for new projects to build up its order book.

With the completion of the acquisition of the four solar projects in the second quarter of this year, the Group consolidated the financial results from the renewables division from the date of acquisition and expects to see full contribution from the division in the third quarter of this year. Efforts are made to integrate the solar operations into the Group which include enhancing existing cost efficiencies and streamlining the operations.

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

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

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

B4 – Profit before tax

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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><u>Other operating income:</u></i>				
Interest income on fixed deposits with licensed banks	745	415	1,151	732
Dividend from investments designated at FVTPL	498	1,861	806	3,710
Rental income	106	217	225	466
Gain on redemption of investments designated at FVTPL	1,164	19	1,430	27
Gain on foreign exchange (unrealised)	240	(1)	244	3
Interest income imputed on retention sum	-	20	-	23
Fair value changes	(879)	(13)	156	-
Reversal of loss allowance on trade receivables and amount due from contract customers	-	-	2	-
Gain on disposal of property, plant and equipment and sundry income	1,170	296	1,494	575
<i><u>Cost of operations, administrative and other expenses:</u></i>				
Depreciation and amortisation	(10,859)	(6,264)	(19,364)	(13,487)
Imputed interest on borrowing	(91)	(137)	(182)	(272)
Loss on redemption of investments designated at FVTPL	(94)	38	(101)	(49)
Loss on fair value changes	(43)	37	(48)	(46)
Loss allowance on trade and other receivables and amount due from contract customers	(25)	284	(25)	(53)
Loss on foreign exchange (unrealised)	(5)	-	(5)	-
Loss on foreign exchange (realised)	(11)	-	(11)	-
Reversal of interest income imputed on retention sum	21	-	(30)	-
Reversal of gain on modification on trade and other payables	-	(408)	-	(1,349)

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.

B5 – Income Tax Expense (continued)

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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	7,610	3,273	14,862	6,265
-Deferred tax expense	(2,208)	(364)	(3,917)	(390)
Total income tax expense	5,402*	2,909	10,945*	5,875

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

B6 – Status of Corporate Proposals Announced but not Completed

As of 17 August 2022 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

B7 – Group Borrowings and Debt Securities

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

	<u>Long term</u>	<u>Short term</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 Jun 2022 (unaudited)</u>			
Secured			
- IMTN	<u>298,722</u>	<u>30,000</u>	<u>328,722</u>
<u>30 Jun 2021 (unaudited)</u>			
Secured			
- IMTN	<u>328,294</u>	<u>30,000</u>	<u>358,294</u>

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

B8 – Changes in Material Litigations

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

B9 – Dividends

The Board is pleased to declare a second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000, in respect of the financial year ending 31 December 2022, to be payable on 30 September 2022.

For the financial year ending 31 December 2022, the Board has declared a total single-tier dividend of 3.30 sen to shareholders amounting to RM66,522,000 (2021: 3.30 sen per share amounting to RM66,522,000).

B10 – Earnings Per Share (“EPS”)

Basic and diluted earnings per share attributable to owners of the Company are computed by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

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

	<u>3 Months ended 30 Jun</u>		<u>6 Months ended 30 Jun</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</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)	11,048	12,566	21,632	24,954
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817	2,015,817	2,015,817
Earnings per share (sen)	<u>0.55</u>	<u>0.63</u>	<u>1.07</u>	<u>1.24</u>

B11 – Auditors’ Reports

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

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

As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM242.7 million are approximately: -

- (i) RM17.5 million held as securities for banking facilities secured by the Group; and
- (ii) RM4.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B13 – Assets Held-for-Sale

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

B14 – Authorisation for Release

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

By Order of the Board
Tai Yit Chan (MAICSA 7009143)
Chan Sau Leng (MAICSA 7012211)
Company Secretaries
24 August 2022