TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT 2021

STRENGTH THROUGH
RESILIENCE

2021 At A Glance

REVENUE
RM302.58
MILLION

PROFIT FOR THE FINANCIAL YEAR
RM102.36
MILLION

TOTAL SHAREHOLDERS' EQUITY
RM1,157.45
MILLION

Cover Rationale

Perpetrating on our commitment for sustainable growth, Taliworks has prevailed to favourably deliver and provide long term earnings and value to its stakeholders with strong resilience and agility.

"**STRENGTH THROUGH RESILIENCE**" has demonstrated our ability to overcome challenges and to remain focused on building resilience as we continue our efforts to capture opportunities to deliver sustainable growth development prospects. Even in trying times, Taliworks continues to thrive and is prepared to engage headwinds in its journey towards a sustainable future.

31ST Annual General Meeting

Wednesday
01 June 2022

11.00 a.m. local time
(GMT+8)

Online meeting platform at https://meeting.boardroomlimited.my
(Domain Registration No. with MYNIC – D6A357657)

CONTENTS

Feature in this Annual Report

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

- Download the "QR Code Reader" on App Store or Google Play
- Run the QR Code Reader app and point your camera to the QR Code
- Get access to the documents related to Taliworks' Annual Report 2021 & 31st AGM

Corporate Information

BOARD OF DIRECTORS

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

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Senior Independent Non-Executive Director

Dato' Lim Yew Boon
Executive Director

Soong Chee Keong
Independent Non-Executive Director

Dato' Sri Amrin Bin Awaluddin
Independent Non-Executive Director

Ahmad Jauhari Bin Yahya
Independent Non-Executive Director

Datuk Roger Tan Kor Mee
Independent Non-Executive Director

Lim Chin Sean
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
- Soong Chee Keong

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

REMUNERATION COMMITTEE

Chairman
- Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members
- Soong Chee Keong
- Lim Chin Sean

NOMINATING COMMITTEE

Chairman
- Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members
- Ahmad Jauhari Bin Yahya
- Soong Chee Keong

COMPANY SECRETARIES

- Tai Yit Chan
  (SSM PC No.: 202008001023)
  (MAICSA 7009143)
- Chan Sau Leng
  (SSM PC No.: 202008002709)
  (MAICSA 7012211)

REGISTERED OFFICE

12th Floor, Menara Symphony,
No. 5, Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
T +603 7890 4800
F +603 7890 4650
E info.my@boardroomlimited.com
W www.boardroomlimited.com

PRINCIPAL OFFICE

Level 19, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
T + 60 3 2788 9100
F + 60 3 2788 9101
E info@taliworks.com.my
W www.taliworks.com.my

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
T +603 7890 4700
F +603 7890 4670
E bsr.helpdesk@boardroomlimited.com
W www.boardroomlimited.com

AUDITORS

Deloitte PLT
(LLP0010145-LCA)
Chartered Accountants
(AF 0080)
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
T + 60 3 7610 8888
F + 60 3 7726 8986

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market
- Bursa Malaysia Securities Berhad

Stock & Code :
- TALIWRK & 8524 (Utilities)

AGM HELPDESK

Contact Person:
- Catherina Yeoh
- Nur Adlina Izuddin

Corporate Communications

T +603 2788 9100
E catherina.yeoh@taliworks.com.my
adlina.izuddin@taliworks.com.my

BACKGROUND HISTORY

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

1 **Water Treatment, Supply and Distribution**

2 **Highway Toll Concessionaire, Operations and Maintenance Operator**

3 **Engineering and Construction**

4 **Waste Management**

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

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

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

2020 marked a major milestone for Taliworks when the Group proposed to acquire four (4) solar assets with an aggregate capacity of 19-megawatt peak, located within the vicinity of the Kuala Lumpur International Airport. This maiden venture will be an important step to establish Taliworks to become one of the prominent players in the renewable energy space.

Operating Capacity

950

Million Litres Per Day

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

WATER TREATMENT, SUPPLY AND DISTRIBUTION

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

The Group had previously operated and maintained Pulau Langkawi's entire water supply and distribution facilities under a 25-year concession, with the State Government of Kedah commencing on 7th October 1995 and ended on 31st October 2020 under the Langkawi Water Supply Privatisation Agreement.

Taliworks Langkawi was later granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission to undertake and carry out O&M activities from 1st February 2013 till 31st October 2020. All operations have since been handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the government of Kedah.

Sungai Harmoni Sdn. Bhd.

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

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

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

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

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

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

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

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

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

ISO9001
certified

ENGINEERING AND CONSTRUCTION

Taliworks' engineering and construction activities are undertaken by its wholly-owned subsidiary, Taliworks Construction Sdn. Bhd. ("Taliworks Construction"). Taliworks secured its first construction project in 2002 i.e. the RM120 million Projek Bekalan Air Kedah Tengah, which was implemented according to the design and build mode of delivery. The State Government of Kedah awarded another design and build water supply project to Taliworks known as the Padang Terap Water Supply Project at the contract sum of RM149 million in 2006.

In 2011, Taliworks made a foray into earthfill dam construction and completed the Mengkuang Dam Expansion Project at the final contract sum of RM273 million in 2017. The scope of works comprised site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. In December 2021, the Company achieved a noteworthy milestone by successfully procuring two (2) design and build packages with a total contract value of RM896 million under the overall project titled 'Proposed Development of Sungai Rasau Water Treatment Plant and Water Supply Scheme (Phase 1), Selangor Darul Ehsan'.

Taliworks Construction is ISO9001 certified, registered with the Construction Industry Development Board of Malaysia ("CIDB"), and accorded with the highest grade, Grade G7 license. Taliworks Construction also holds the Sijil Perolehan Kerja Kerajaan ("SPKK") license awarded by CIDB.

Corporate
Profile

28,500
Sq. Km Geographical Region

5,000
Tonnes of Waste Per Day

WASTE MANAGEMENT

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

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

As a waste management and public cleansing service provider, SWMEH, through SWME, services municipal authorities, as well as commercial and industrial sectors.

The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of the company's business. Currently, the company manages a fleet of about 700 collection vehicles and a workforce of over 2,000 dedicated employees to provide scheduled and timely collection services. SWME averages a collection of 130,000 tonnes of waste a month with an approximate total of 1.6 million tonnes of waste collected for the year 2021.

The public cleansing service, which includes grass cutting, drain cleaning, street sweeping, wet/ dry market cleaning and beach cleansing is an important part of the company's scope of work and plays a critical role for the benefit of the general public. A fleet of over 600 cleansing vehicles, machines and a workforce of over 6,000 employees are deployed for the cleansing services.

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

Corporate Milestones

2000

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

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

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

2002

Taliworks was named Forbes 100 Best Smaller-Sized Enterprises in the Asia Pacific.

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

2003

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

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

2004

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

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

2005

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

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

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

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

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

Corporate Milestones

2006

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

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

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

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

2007

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

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

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

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

2007

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

2008

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

2009

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

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

2010

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

2011

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

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

2012

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

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

2013

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

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

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

2014

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

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

2014

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

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

2015

Grand Sepadu issued a RM210 million Sukuk Murabahah.

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

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

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

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

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

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

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

Corporate Milestones

2016

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

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

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

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

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

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

2017

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

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

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

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

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

2018

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

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

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

The unexercised Warrants 2015/2018 that have lapsed were subsequently delisted (November).

2018

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

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

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

2019

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

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

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

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

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

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

2019

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

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

2020

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

Taliworks was ranked no. 53 out of the Top 100 Malaysian PLCs for Corporate Governance Disclosure 2020 by the Minority Shareholder Watchdog Group.

Taliworks entered into two separate Sales and Purchase Agreements to acquire four (4) solar assets with an aggregate capacity of 19-megawatt peak, located within the vicinity of the Kuala Lumpur International Airport (December).

2021

Taliworks was ranked no. 8 out of the top 10 mid-cap companies (RM1 billion to RM2 billion) of the inaugural Malaysia Board Diversity Study & Index, conducted by the Institute of Corporate Directors Malaysia in collaboration with Wills Towers Watson (April).

Taliworks received Letters of Award from Pengurusan Air Selangor Sdn. Bhd. for the proposed development of Sg. Rasau water treatment plant and water supply scheme (Phase 1), Selangor Darul Ehsan (a) Package 2 - Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works at a contract sum of RM602.4 million and (b) Package 3 – Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works at a contract sum of RM293.9 million (December).

Corporate And Financial Events 2021

ANNOUNCEMENTS/ EVENTS

12
MARCH 2021

Taliworks Renewables Sdn. Bhd. ("Taliworks Renewables") received two letters from the Sustainable Energy Development Authority ("SEDA"), which grants SEDA's conditional approval for the changes in shareholding in relation to the proposed acquisition of the entire equity interest in Sunedison Solar Holdings 1 Pte Ltd, Sunedison Solar Holdings 2 Pte Ltd, Sunedison Solar Holdings 3 Pte Ltd and TerraForm Global Operating (Malaysia) Sdn. Bhd. ("Proposed Acquisition I") and the proposed acquisition of the remaining equity interest in Fortune 11 Sdn. Bhd., Corporate Season Sdn. Bhd. and Silverstar Pavilion Sdn. Bhd. ("Proposed Acquisition II").

03
JUNE 2021

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

01
DECEMBER 2021

Taliworks Renewables, EM Holdings 1 LLC, EM Holdings 2 LLC, EM Holdings 3 LLC, TerraForm Global Palmares Holdings B.V. and TerraForm Global Operating LP have mutually agreed to extend the Long Stop Date of the Proposed Acquisition I to 15 March 2022.

02
DECEMBER 2021

Taliworks received a Letter of Award from Pengurusan Air Selangor for the proposed development of Sg. Rasau water treatment plant and water supply scheme (Phase 1), Selangor Darul Ehsan Package 3 – Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works at a contract sum of RM293.9 million.

16
DECEMBER 2021

The Proposed Acquisition II lapsed as the Long Stop Date has not been extended.

Taliworks received a Letter of Award by Pengurusan Air Selangor for the proposed development of Sg. Rasau water treatment plant and water supply scheme (Phase 1), Selangor Darul Ehsan Package 2 - Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works at a contract sum of RM602.4 million.

RELEASE OF FINANCIAL RESULTS

26
FEBRUARY 2021

Unaudited interim results for the 4th Quarter ended 31 December 2020.

13
APRIL 2021

Audited financial statements for the financial year ended 31 December 2020.

19
MAY 2021

Unaudited interim results for the 1st Quarter ended 31 March 2021.

23
AUGUST 2021

Unaudited interim results for the 2nd Quarter ended 30 June 2021.

15
NOVEMBER 2021

Unaudited interim results for the 3rd Quarter ended 30 September 2021.

DECLARATION OF DIVIDEND PAYMENT

26
FEBRUARY 2021

Fourth interim single-tier dividend of 1.65 sen per ordinary share on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2020, paid on 31 March 2021.

19
MAY 2021

First interim single-tier dividend of 1.65 sen per ordinary share on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2021, paid on 30 June 2021.

23
AUGUST 2021

Second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2021, paid on 30 September 2021.

15
NOVEMBER 2021

Third interim single-tier dividend of 1.65 sen per ordinary share on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2021, paid on 31 December 2021.

Corporate Structure

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

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

JOINT VENTURE

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

ASSOCIATES

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

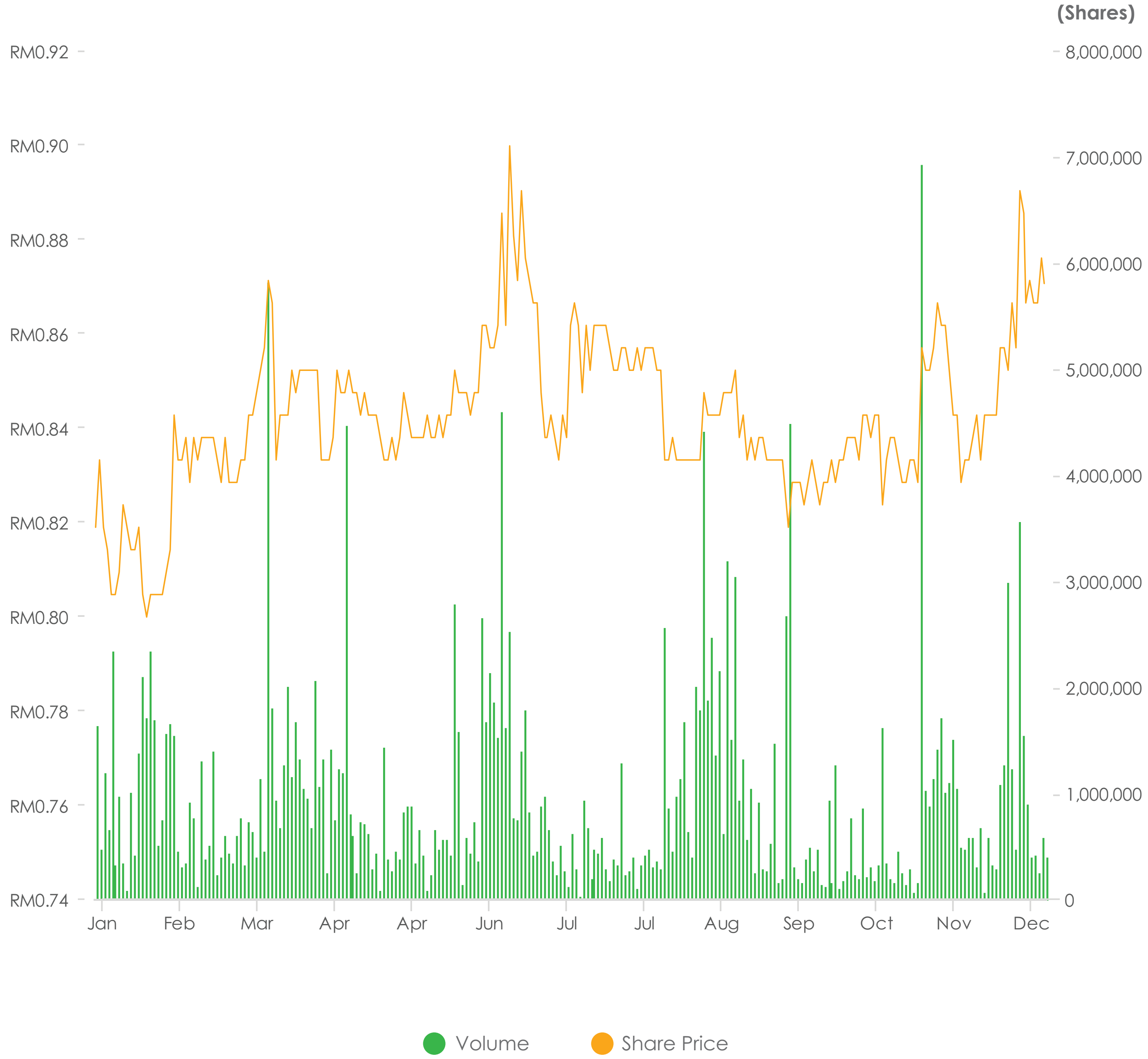
LEGEND

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

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

TALIWORKS DAILY SHARE PRICE AND VOLUME

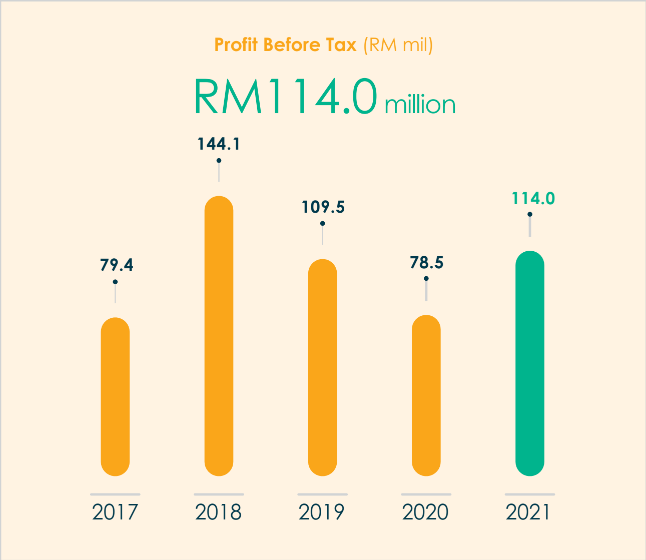
52W High – RM0.90 | **52W Low** – RM0.80 | **Year-end closing price** – RM0.87

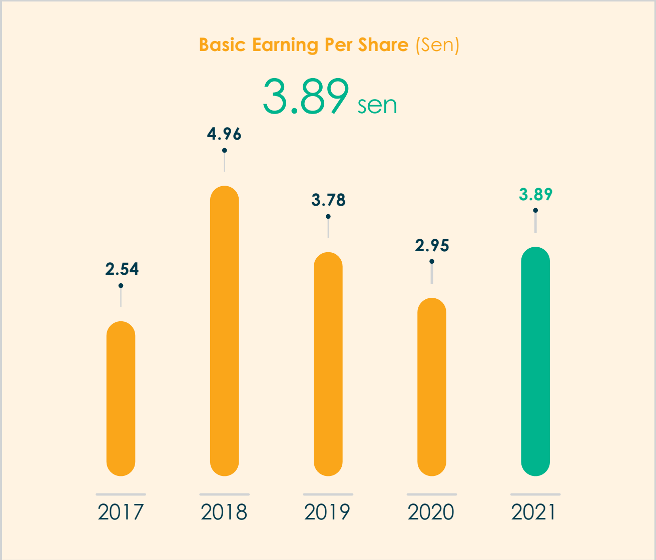


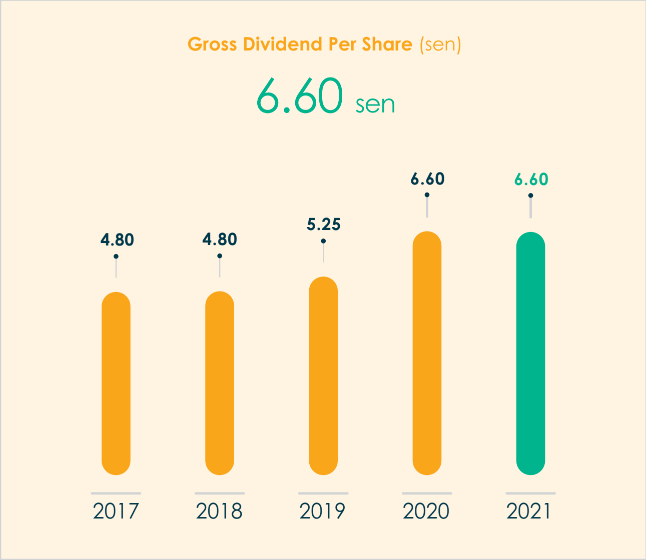
5-Year Financial Highlights

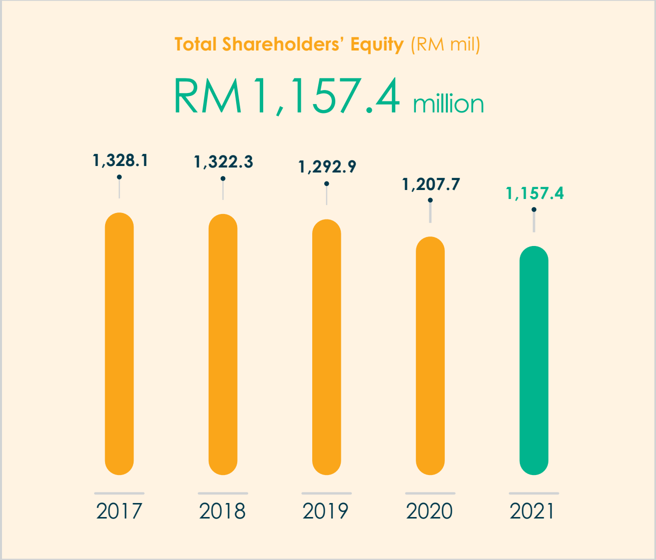
	2017 RM MIL	2018 RM MIL	2019 RM MIL	2020 RM MIL	2021 RM MIL
PROFITABILITY					
Revenue	374.1	374.2	377.1	317.9	302.6
EBITDA[i]	131.2	213.5	180.0	128.9	152.2
Profit Before Taxation	79.4	144.1	109.5	78.5	114.0
Profit for the Financial Year	64.5	109.3	86.5	63.5	102.4
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,371.9	2,443.9	2,353.5	2,075.0	1,943.1
Total Borrowings	416.7	447.1	467.6	388.2	358.5
Total Shareholders' Equity	1,328.1	1,322.3	1,292.9	1,207.7	1,157.4
No of Shares in issue	2,015.8[&]	2,015.8	2,015.8	2,015.8	2,015.8
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	231.5	239.5	247.9	225.5	169.1
- construction	51.7	42.5	34.5	12.7	14.8
- toll highway	85.6	86.9	89.4	74.4	113.7
- others	5.3	5.4	5.3	5.3	5.0
	374.1	374.2	377.1	317.9	302.6
Profit Before Taxation					
- water treatment, supply and distribution	65.5	152.1	108.8	74.8	58.6
- construction	2.6	0.2	1.4	0.5	(1.0)
- toll highway	28.2	20.4	22.8	11.2	51.7
- others	(20.3)	(13.8)	(13.6)	(10.8)	(9.7)
	76.0	158.8	119.4	75.7	99.7
- share of results of joint venture	2.7	1.0	5.3	4.7	6.0
- share of results of associates	0.6	(15.7)	(15.1)	(1.9)	8.3
	79.4	144.1	109.6	78.5	114.0
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	4.80[&]	4.80	5.25	6.60	6.60
Net Assets per share (sen)	52.27 [&]	52.43	51.24	47.59	44.89
Earnings per share (sen)					
- basic	2.54 [&]	4.96	3.78	2.95	3.89
- fully diluted	2.54 [&]	4.96	3.78	2.95	3.89
Return on Equity (%)[ii]	4.73	8.24	6.61	5.08	8.66
Return on Assets Employed (%)[iii]	2.67	4.54	3.60	2.87	5.09
Dividend payout ratio (%)[iv]	149.92	88.56	122.42	209.42	129.98
Net Debt to Equity ratio (%)	19.22	25.41	-	-	-

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









Notes:

& adjusted for the effects of bonus shares issued

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

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

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

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

CHAIRMAN'S STATEMENT

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Independent Non-Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Audited Financial Statements of Taliworks Corporation Berhad ("Taliworks") and its subsidiaries ("the Group") for the financial year ended 31 December 2021 ("FYE2021").

REVENUE
RM302.58
MILLION
2020: RM317.88 million

PROFIT AFTER TAX
RM102.36
MILLION
2020: RM63.53 million

DIVIDEND
6.60 sen
PER SHARE
2020: 6.60 sen per share

"WE HAVE SECURED CONTRACTS WORTH A TOTAL OF RM896.3 MILLION FROM AIR SELANGOR TO DEVELOP TWO PACKAGES UNDER PHASE 1 OF THE SUNGAI RASAU WATER TREATMENT PLANT AND WATER SUPPLY SCHEME."

Taliworks has been resilient. While COVID-19 left an indelible mark in our history, leaving many institutions and individuals reeling from the effects of the pandemic, we were fortunate, and through persistence and perseverance, we had a successful year.

There is no denying that rising commodity prices, inflation, regional tensions and resulting supply shortages are emerging risks for 2022. Moreover, the resurgence in COVID-19 cases led by Omicron and its sub-variants continues to be a cause for concern. The global outlook remains weak, where the International Monetary Fund projected (in Jan 2022, before the war in Ukraine) that global economic growth will moderate from 5.9% in 2021 to 4.4% in 2022. In comparison, Malaysia is in a better position, with Bank Negara Malaysia projecting the economy to grow between 5.3% and 6.3%, supported by continued expansion in global demand, relaxation of containment measures, reopening of international borders, improvement in labour market conditions and recovery in private investment.

The government's proactive efforts, including the implementation of eight economic stimulus packages totalling RM530 billion, such as the PRIHATIN package, National Economic Recovery Plan, KITA PRIHATIN and the recently announced revival of the MRT3 project, help drive these growth projections. Furthermore, the re-opening of economic and industrial sectors since the end of 2021, the reopening of our borders on 1 April 2022, and Malaysia's high vaccination rates (79.6% of population aged 5 and above, as of the writing of this Annual Report) will help Malaysia return to pre-pandemic trends in the short term, and provide a more resilient outlook over the longer horizon.

FINANCIAL PERFORMANCE

The Group's financial performance remained strong and sustainable during the financial year under review as Malaysia's economic activities gathered pace.

Whilst revenue experienced a 5% year-on-year decline to RM302.58 million mainly due to the expiry of Langkawi water privatisation contract in October 2020, and to a lesser extent, lower electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 operation due to lower electricity costs, I am pleased to report that profit after tax for the Group increased by 61% year-on-year to RM102.36 million, attributable to higher contributions from our toll division and higher share of results from joint ventures and associates. Full analysis of our financial performance is provided in the Management Discussion and Analysis section of this Annual Report.

GROWTH THROUGH NEW PROJECTS AND VENTURES

Under our engineering and construction division, we are delighted to have secured contracts worth a total of RM896.3 million from Pengurusan Air Selangor Sdn. Bhd. to develop two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme ("Rasau Projects"). The award of the Rasau Projects reflects the market's trust in our reliability in executing critical infrastructure.

On the renewable energy front, we achieved a significant milestone in 2020 when we entered into two separate conditional Share Purchase Agreements ("SPA") to acquire four solar assets with an aggregate capacity of 19-megawatt peak, within the vicinity of the Kuala Lumpur International Airport. As of the writing of this Report, regulatory approvals for the acquisition have been obtained, while other conditions are close to being satisfied. Once completed, we expect the solar assets to positively contribute to revenue and earnings for the Group moving forward.

PROGRESSING ON OUR SUSTAINABILITY JOURNEY

As a provider of public utilities and operator of civil infrastructure, we are conscious of the role we play in contributing to a sustainable environment. This journey began in 2017, where we established our Sustainability Steering Committee to ensure accountability for our sustainable goals and performance.

Today, we are proud to have in place a Sustainability Framework, supported by four pillars, "*Better Business Through Innovation*", "*Impact-Positive Environmental Practices*", "*Valued Human Capital*", and "*Enriched Communities*". This Framework lays down our ambitions and time-bound goals and focuses the Group's long-term approach to the fast-evolving sustainability agenda.

As part of these efforts, we continue to work on instilling the economic, environmental, and social ("EES") aspects of sustainability across Taliworks by connecting these EES aspects to the relevant stakeholders. Our efforts have started to bear fruit and as an example, we have achieved the Malaysia Green Highway Index certification. This year, we enhanced the transparency of our climate-related disclosures by aligning with the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD").

Throughout 2021, we focused on securing the occupational safety, health, and wellness of our employees, which remains paramount, particularly in the face of an ongoing global health crisis. We strengthened our efforts to ensure employees remain well-protected in the workplace through the provision of Personal Protection Equipment, amongst other preventive measures, to mitigate the spread of COVID-19. Furthermore, we believe it is crucial to embed a culture of safety amongst our employees through training and development, in order to lead in our role as a public utilities and infrastructure provider for all.

With regards to our Corporate Social Responsibility efforts, we have focused on helping the community in Malaysia, and as such have partnered with several non-governmental organisations such as MERCY Malaysia and Yayasan Food Bank Malaysia to provide the necessary resources to alleviate the plight of the underserved, elderly, children, and communities in need.

Going forward, we will continue to deepen our efforts in integrating sustainability into the heart of our business. More details of our endeavours and various initiatives to address environmental, social, and governance ("ESG") issues are included in the Sustainability Statement section of this Annual Report.

REWARDING SHAREHOLDERS

Against the backdrop of the challenging operating environment, our performance continues to be robust enough for us to meet our commitment to reward our shareholders. For FYE2021, Taliworks has maintained its dividend distribution of 6.60 sen per share totalling RM133.04 million, the same as in the previous year. This translates to a dividend yield of 7.3% based on the closing price of RM0.90 on 11 April 2022. We are pleased that we have not only maintained, but consistently surpassed, our dividend policy of paying out 75% of our normalised profit after tax.

"FOR FYE2021, TALIWORKS HAS MAINTAINED ITS DIVIDEND DISTRIBUTION OF 6.6 SEN PER SHARE. WE HAVE CONSISTENTLY OUTPERFORMED OUR DIVIDEND POLICY OF PAYING OUT 75% OF OUR NORMALISED AFTER TAX PROFITS."

OUR STRATEGIC FOCUS MOVING FORWARD

Our businesses have been resilient amidst the challenges brought about by the COVID-19 pandemic. The water treatment, supply and distribution business remains our core profit contributor while our highway toll concessionaire, operations and maintenance, and waste management divisions fared considerably well to boost our bottom-line.

The first of our strategic focuses moving forward is to consistently perform our obligations under our existing contracts safely, securely, and efficiently. These contracts together will be critical to support the dividend payout to our shareholders in the near term. We will proactively monitor our businesses to ensure our operations run smoothly, and we will also ensure our procedures are in line with international standards and best practices.

Our second strategic focus is to grow our businesses by seeking new contracts and merger & acquisition opportunities. With the water industry being one of the Government's priorities, we foresee new infrastructure opportunities in this sector which the Group can readily tap into, be it construction, operations and maintenance, or build-operate-transfer contracts. The Group also hopes to secure new waste management contracts in other jurisdictions or explore new waste management services. For the existing waste management and cleansing concession agreement, we are actively pursuing a resolution on tariff negotiations with the relevant government agencies. As for our renewable energy initiative, we remain active in exploring value-accretive opportunities, including solar and waste-to-energy projects.

Moving forward, in line with our objective to maximise shareholders' value, we will continue to focus on expanding into mature operational cash-generating utilities and infrastructure businesses with the intention of being an established infrastructure company with capabilities to design, build and operate infrastructure projects, and providing end-to-end solutions to prospective customers.

ACKNOWLEDGEMENTS

From our colleagues to our customers, each person plays a significant role in growing Taliworks to where we are today. We recognise and appreciate the importance and efforts of all our stakeholders, and we will always endeavour to create value for all of you.

I would like to take this opportunity to express my sincere appreciation to my fellow Board members for their astute leadership, valuable counsel, and their steadfast commitment to Taliworks through these unprecedented times. Furthermore, our achievements would not have been possible without the dedication of our management team and all our colleagues' commitment and support throughout this difficult period.

My gratitude also goes to all our customers, suppliers, business partners, regulators, and financiers. I would like to thank you for your unwavering support, trust and the immense cooperation given to the Group during this challenging chapter.

Last, but certainly not least, I would like to thank you, our valued Shareholders, for your confidence in Taliworks. We are passionate about making a significant positive impact in everything we do, and as we grow our business, we will strive to deliver sustainable value for all stakeholders.

Thank you and stay safe.

Tunku Ali Redhauddin Ibni Tuanku Muhriz
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

The following is the summary of the financial performance of the Group for the year ended 31 December 2021 as compared to the previous financial year.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM302.58 million, a 5% decrease from RM317.88 million in the previous year. PBT stood at RM113.98 million (2020: RM78.52 million) while PAT for the year was RM102.36 million (2020: RM63.53 million). The lower revenue was primarily due to the lower revenue recorded from the water treatment, supply and distribution division. This was attributable to the expiration of Taliworks (Langkawi) Sdn. Bhd.'s ("TLSB") privatisation contract with the State Government of Kedah Darul Aman, on 31 October 2020, for the management, operations and maintenance of the water supply system in Pulau Langkawi, in which the company contributed a revenue of RM52.64 million and an operating profit of RM11.19 million in the corresponding year. The lower revenue was also attributable to lower electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") operations due to lower electricity cost. The lower electricity cost was the result of the Imbalance Cost Pass-Through ("ICPT") rebate offered by Tenaga Nasional Berhad ("TNB") to all its customers from January 2021.

FINANCIAL RESULTS (in RM'000)

	2021	2020
Revenue	**302,577**	317,880
Gross Profit	**139,695**	123,659
Operating Profit	**118,765**	96,899
Profit before Tax ("PBT")	**113,975**	78,516
Profit after Tax ("PAT")	**102,361**	63,531
Total Assets Employed	**1,943,111**	2,075,015
Total Shareholders' Equity	**1,157,449**	1,207,732

KEY FINANCIAL RATIOS

	2021	2020
Basic and diluted EPS (sen)	**3.89**	2.95
Net Assets per share (sen)	**44.89**	47.59
Return on Equity (%) (a)	**8.7**	5.1
Return on Assets Employed (%) (b)	**5.1**	2.9
Net Debt-to-Equity (%) (c)	**-**	-

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

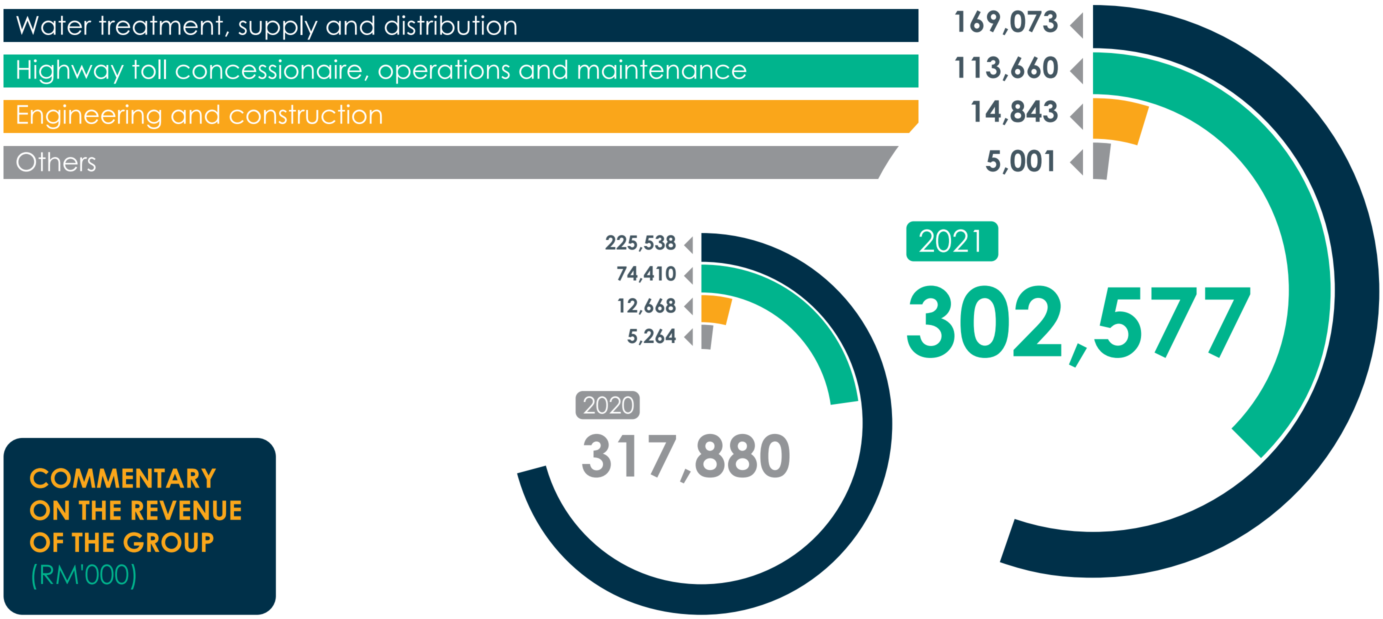
(b) The Return on Assets Employed is calculated by dividing the profit for the year with the average of the opening and closing balance of Total Assets Employed.

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

Whilst the Group recorded a lower revenue, gross profit increased by 13% to RM139.70 million from RM123.66 million a year ago. The receipt of the RM43.50 million by Grand Saga Sdn. Bhd. ("Grand Saga") from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020 ("Toll Compensation") and to a lesser extent, a RM2.76 million write back of over-provision of heavy repairs recognised in prior years, arising from the deferment of major heavy repairs scheduled in 2022 to 2023 led to the higher gross profit. However, the higher gross profit was impacted by lower contribution from the construction division, mainly due to a downward revision to the estimated project margin from an on-going project, namely, the 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan ("CRJ4 Project") on account of higher cost of materials.

In line with the higher gross profit, PBT increased by 45% or RM35.46 million to RM113.98 million. The higher PBT was also attributable to higher share of results from joint venture and associates; higher gain on disposal of property, plant and equipment and sundry income in TLSB, as well as lower financing costs. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at fair value through profit or loss ("FVTPL") due to reduction in cash reserves from a year ago. It should be noted that the lower PBT in the corresponding year was also due to, amongst others, a provision made for staff termination benefits of RM6.84 million in relation to the expiration of the TLSB's privatisation contract.

Based on the higher profit achieved for the year, the basic and diluted earnings per share was 3.89 sen (2020: 2.95 sen).



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

The water treatment, supply and distribution business' revenue recorded a decline from RM225.54 million in the previous year to RM169.07 million or by a substantial 25%, principally due to expiration of TLSB's privatisation contract and to a lesser extent, lower electricity rebates recorded from the SSP1 operations. The latter was due to lower electricity cost on account of the ICPT rebate offered by TNB. On the other hand, the share of contribution from the toll management division noticeably rose to 38% from 23% a year ago due to receipt of the Toll Compensation. Nonetheless, as in the prior years, the water treatment, supply and distribution business still remain as the single largest revenue contributor to the Group accounting close to 56% (2020: 71%) of the Group's total revenue.

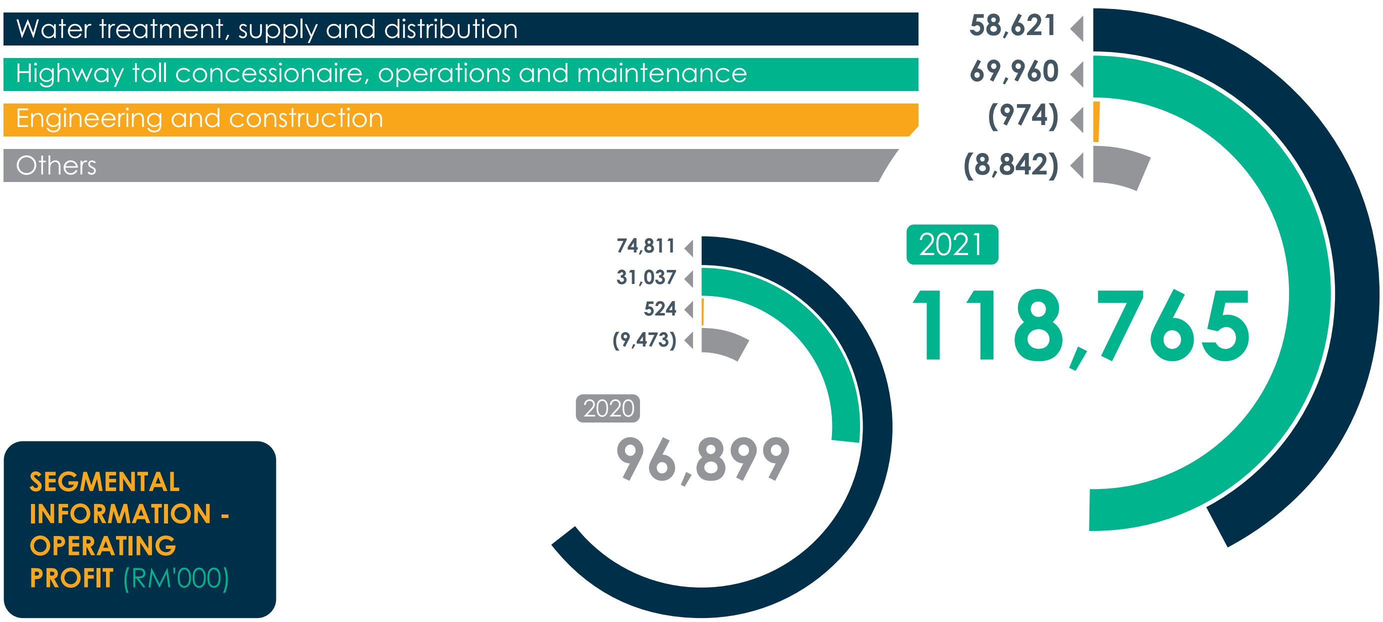
For the SSP1 operations, metered sales were marginally higher by 0.3% at 348.69 million m3 as compared to the previous year's 347.59 million m3, generating a revenue of RM169.07 million (2020: RM172.90 million). Despite the higher metered sales, revenue was lower due to lower electricity rebate of RM20.90 million (2020: RM24.78 million). Prior to the expiry of TLSB's privatisation contract at the end of October 2020, TLSB posted a revenue of RM52.64 million, which was 23% of the water treatment, supply and distribution division's revenue.

For the engineering and construction segment, revenue was higher at RM14.84 million, as compared to the previous year's revenue of RM12.67 million. This was due to the upward adjustment of the contract sum for the Mengkuang Dam Expansion Project upon issuance of final account. This project commenced in 2011 and had since been completed at a final contract price of RM271.45 million. Most of the revenue for this year and the last were recognised from the CRJ4 Project, which is the only on-going project for the Group. Overall, the division accounted for about 5% (2020: 4%) of the Group's total revenue. However, with the securing of the two packages, close to RM896 million, under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme towards the end of 2021, the share of contribution from the construction division for the next three years will increase exponentially. Based on the projected schedule of work, revenue contribution for 2022 from the existing three projects is expected to be in the region of RM166 million.

The revenue contribution from the highway toll concessionaire, operations and maintenance division was derived solely from Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway, more commonly known as the Grand Saga Highway. The Toll Compensation was credited for the 53% revenue hike to RM113.66 million compared to RM74.41 million attained in the previous year, despite the lower average daily traffic ("ADT") by 7% as the toll collections were still severely affected by the travel restrictions imposed by the Federal Government to contain the COVID-19 pandemic. Revenue from toll operations of RM54.63 million (2020: RM58.44 million) and government compensation of RM59.04 million (2020: RM15.97 million) made up the division's total operating revenue for the year.

INCOME STATEMENT (RM'000)

	2021	2020
Revenue	**302,577**	317,880
Cost of operations	**(162,882)**	(194,221)
Gross Profit	**139,695**	123,659
Other operating income	**13,997**	20,009
Administrative and other expenses	**(34,927)**	(46,769)
Operating Profit	**118,765**	96,899
Finance cost	**(19,105)**	(21,212)
Share of results of joint venture	**5,999**	4,693
Share of results of associates	**8,316**	(1,864)
Profit before tax	**113,975**	78,516



SEGMENTAL INFORMATION - OPERATING PROFIT (RM'000)

THE GROUP REPORTED A FULL YEAR PBT OF RM113.98 MILLION, CONSIDERABLY HIGHER THAN THE RM78.52 MILLION ACHIEVED A YEAR AGO.

The Group reported a full year PBT of RM113.98 million, considerably higher than the RM78.52 million achieved a year ago. The improved performance was mainly attributable to the receipt of the Toll Compensation, higher share of results from joint venture and associates, as well as lower financing costs principally from the gradual redemption of the RM420 million nominal value of Islamic Medium-Term Notes ("IMTN") Programme issued by Cerah Sama Sdn. Bhd.. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL included in Other Income due to the reduction in cash reserves as compared to a year ago. It should be noted that the lower PBT in the previous year was also due to, amongst others, a provision made for staff termination benefits of RM6.84 million in relation to the expiration of TLSB's privatisation contract. The lower Administrative and other expenses for this year of RM34.93 million compared to RM46.77 million was mainly attributable to the staff termination benefits as well as a significant reduction in general expenses incurred by TLSB in the current year with the expiry of TLSB's privatisation contract.

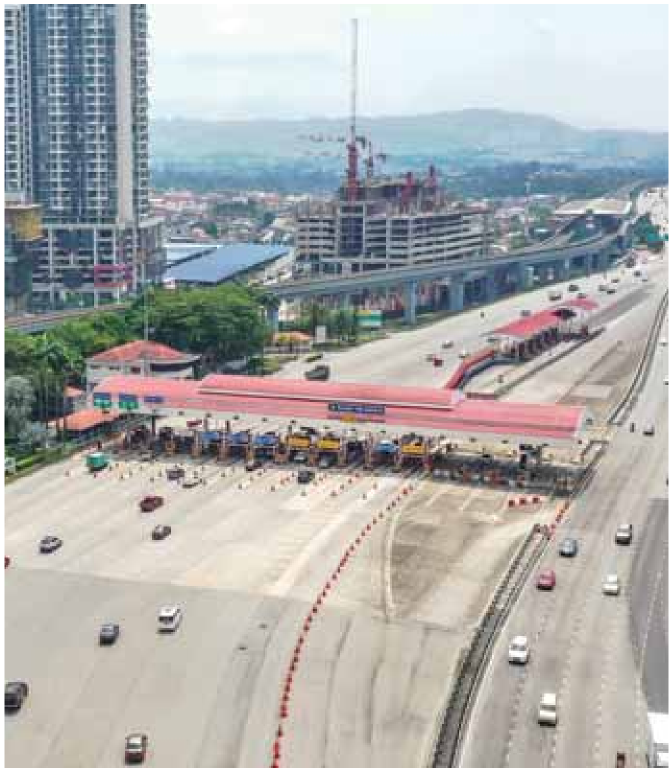
The Group's share of results from joint venture is in respect of its investment in Pinggiran Muhibbah Sdn. Bhd., the parent company of Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway, also known as the Grand Sepadu Highway. For the current financial year, the Group's share of results from joint venture was RM6.00 million, higher than the RM4.70 million recorded in the previous year attributable to higher toll compensation received of RM19.83 million (2020: RM16.97 million), write back of overprovision for heavy repairs and lower finance costs from the gradual repayment of the company's issuance of Sukuk Murabahah of RM210.00 million. Despite a 3.2% drop in the overall ADT, revenue from toll collections increased by 2.4% as a result of more commercial vehicles plying the highway, especially at the Kapar and MOC A toll plazas. Nonetheless, the share of profits was impacted by higher repair and maintenance expenses incurred as well as amortisation of intangible assets.

The Group's share of profit from associates amounted to RM8.32 million reflected a significant turnaround from a share of loss of RM1.86 million the year before. The Group's share of results of associates was primarily derived from its 35% stake in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of profit from SWMEH was RM6.91 million compared to share of loss of RM3.40 million in the corresponding year due to higher PAT recorded by SWMEH and lower adjustments (including deduction of dividend on cumulative preferences shares held by parties other than the Group and adjustments made by the Group) made by the Group of RM194.02 million (2020: RM194.54 million) to SWMEH's PAT. The PAT of SWMEH was higher at RM213.75 million as compared to RM184.85 million mainly due to higher revenue from both solid waste collection and public cleansing services, coupled with lower depreciation expenses. The higher PAT, however, was impacted by higher subcontractor related costs as a result of a write back of over-provision of subcontractor related costs recognised in prior years in the preceding year.

In terms of the segmental performance, the water treatment, supply and distribution division contributed an operating profit of RM58.62 million, lower than previous year's operating profit of RM74.81 million. Other than the decrease in revenue as a result of the cessation of TLSB's operations, the operating profit was also impacted by lower net returns of RM5.69 million (2020: RM12.13 million) from interest income, dividend, and net gain on redemption from investments designated at FVTPL, as well as higher provision for loss allowance on receivables in the current year. However, the lower operating profit was mitigated by lower rehabilitation and maintenance expenses incurred in SSP1 and gain on disposal of property, plant and equipment and sundry income totalling RM2.74 million recognised by TLSB in the current financial year.

In spite of the higher revenue of RM14.84 million compared to RM12.67 million a year ago, the engineering and construction division recorded an operating loss of RM0.97 million against the previous year's operating profit of RM0.52 million. This was due to a downward revision in the project margin for the CRJ4 Project as a result of higher raw material prices and additional overheads incurred. The additional overheads were due to temporarily suspension of the project during certain periods of the year caused by the COVID-19 pandemic. Nonetheless, contribution from this division is not significant in comparison to the other business divisions in the current financial year.

As for the highway toll concessionaire, operations and maintenance division, the operating profit increased by RM38.92 million to RM69.96 million on the back of a higher revenue, coupled with a write-back of over-provision for heavy repairs arising from the deferment of major heavy repairs scheduled in 2022 to 2023. However, the higher operating profit was impacted by lower interest income and higher expenses such as amortisation of intangible asset and repairs and maintenance expenses in the current financial year.



Statement of Financial Position

	As at 31 Dec 2020 RM'000	As at 31 Dec 2021 RM'000
Non-current assets	1,494,334	1,450,331
Current assets	580,691	492,780
Total Assets	**2,075,015**	**1,943,111**
Non-current liabilities	745,665	676,321
Current liabilities	121,618	109,341
Total liabilities	**867,283**	**785,662**
Total shareholders' equity	**1,207,732**	**1,157,449**
Net assets per share (sen)	47.59	44.89

(a) The Group's total assets declined by 6% or approximately RM131.90 million mainly due to lower investments designated at FVTPL and cash and bank balances of approximately RM47.05 million. Dividend payments to shareholders of RM133.04 million, dividends paid by a subsidiary to non-controlling interests of RM19.60 million, repayments of borrowings and interest expenses of RM48.42 million, predominantly the IMTN and payments to trade and other payables during the financial year inevitably reduced the Group's cash and bank balances. However, the receipt of the Toll Compensation contributed positively to the cash reserves.

Trade receivables and amount due from contract customers also shown a decline of approximately RM46.60 million mainly due to the collection of outstanding trade receivables in TLSB amounted to RM42.79 million whereas the carrying amount of intangible assets reduced by approximately RM27.84 million due to amortisation charges. The carrying amount of investment in associates decreased by approximately RM7.23 million mainly due to receipt of dividend totalling RM15.60 million from associates in the current year. The Group has approximately RM408.63 million of cash and bank balances as at the end of the year where it intends to set aside about RM200 million for the proposed acquisitions of the four solar projects (including post-acquisition expenses) as well as payment obligations to trade and other creditors, repay bank borrowings and pay dividends to shareholders as and when declared by the Company.

Out of the total assets of RM1.94 billion, intangible assets and goodwill comprised approximately RM1.15 billion with investments designated at FVTPL and deposits plus cash and bank balances at RM0.46 billion. Both of these asset classes accounted for close to 83% of total assets of the Group for 2021. The intangible assets comprised of a concession awarded to Grand Saga for the upgrade and maintenance of the Grand Saga Highway.

(b) As a result of the high cash reserves and healthy operating cashflows, total liabilities declined by 9% or approximately RM81.62 million to RM785.66 million mainly due to payments made to trade and other payables. Total borrowings were lower from the redemption of the second tranche of the IMTN of RM30.0 million. In comparison to the total shareholders' equity of RM1.16 billion, total borrowings of the Group are at a comfortable level of RM358.54 million, thus enabling the Group to gear up to invest into other potential infrastructure projects. Group borrowings with deferred tax liabilities of RM234.20 million accounted close to 75% of total liabilities of the Group.

(c) Total shareholders' equity was lower by 4% or about RM50.28 million, in line with dividends paid to shareholders of the Company mitigated by profits recorded for the financial year. As the Company had paid dividends of 6.60 sen per share for the financial year exceeding the EPS of 3.89 sen, the net assets per share had accordingly reduced from 47.59 sen to 44.89 sen as of 31 December 2021.

Key Audit Matters

As with the previous years, the auditors have highlighted the assessment on the impairment of goodwill relating to Cerah Sama as a Key Audit Matter in the Independent Auditors' Report. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. As of 31 December 2021, the carrying amount of goodwill remained unchanged at RM129.39 million. The auditors have indicated how the matter was addressed in their report.

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

REVIEW OF BUSINESS DIVISIONS

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

WATER TREATMENT, SUPPLY AND DISTRIBUTION

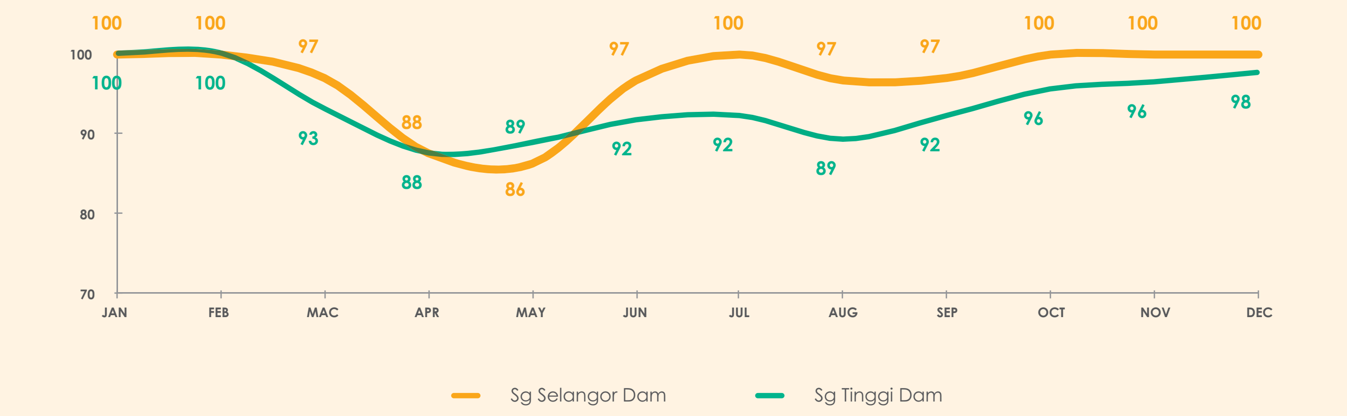
Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni")

Compared to a year ago, the average daily production from the Sungai Selangor Water Treatment Works Phase 1 ("SSP1"), operated and managed by us, registered an increase of 1.7% as compared to a contraction of 3.5% in 2020. The higher average daily production for this year could be attributable to more economic activities being undertaken as we entered into the second year of the COVID-19 pandemic. For 2021, the average daily production was 969.8 million litres per day ("MLD") as compared to the average daily production of 954.1 MLD recorded in the previous year. In terms of metered output, the amount of treated water produced by SSP1 was about 352.54 million m3 over a period of 365 days compared to 349.20 million m3 produced over a period of 366 days in 2020. This translated to an increase in the metered output by about 1.0% whereas the metered output in 2020 was lower than the 360.96 million m3 (or by 3.2%) recorded the year before. During the five-year period from 2017 to 2021, SSP1 produced well above its design capacity of 950 MLD to meet the overall demand for treated water to consumers particularly in the northern part of Kuala Lumpur and Petaling Jaya plus certain areas of Gombak, Klang and Kuala Selangor. The gradual stabilisation in the metered output from SSP1 had helped to minimise incidences of unexpected breakdown of plant and equipment and increases in wear and tear as SSP1 has been operating way beyond its design capacity. Although SSP1 is currently operating at 102% of its design capacity, it is still able to minimise incidences of unintended breakdown by having in place a comprehensive maintenance schedule which is submitted to Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), and to the regulator, the Suruhanjaya Perkhidmatan Air Negara or in short, SPAN, a body established under the SPAN Act 2006 to regulate the water industry in Peninsular Malaysia. Air Selangor is presently the only entity with the license to extract, treat and distribute treated potable water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya. In 2019, we and Air Selangor executed the Bulk Water Supply Agreement for us to manage, operate and maintain SSP1 until 2036.

Other than SSP1, other major Water Treatment Plants ("WTPs") operating along Sungai Selangor include Sungai Selangor Water Treatment Works Phase 2 ("SSP2") operated by Air Selangor and Sungai Selangor Water Treatment Works Phase 3 ("SSP3") operated by Gamuda Waters. During the year, the total production from SSP1, SSP2 and SSP3 was about 2,814 MLD, an increase of 2.3% year-on-year. The production of treated water from the three WTPs had registered a decline of 3.5% in 2020 and this could be partly attributable to lesser demand from commercial and industrial consumers as a result of the COVID-19 pandemic. The treatment of raw water for consumption is considered an essential service and as such, the fluctuation in demand for treated water during the last two years was not unexpected, although the contraction was in contrast to the steady growth in water demand in the prior three years. Of the total combined production from all the three WTPs, SSP1 supplied slightly more than one-third of the treated water from the Sungai Selangor basin to Air Selangor.

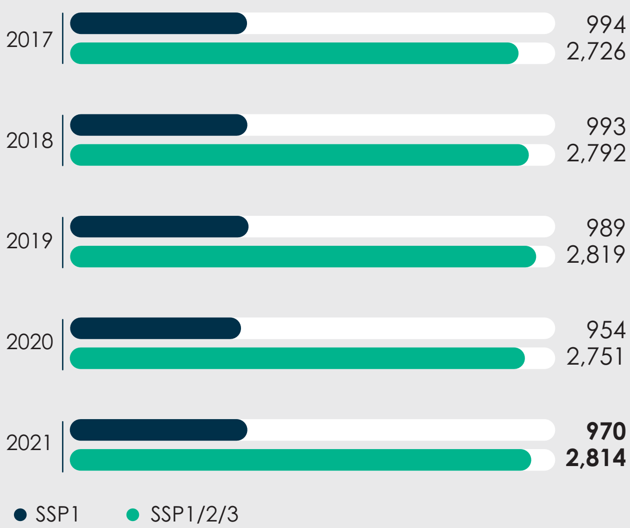
Management Discussion and Analysis

DAM STORAGE LEVEL



AVERAGE PRODUCTION IN MLD

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



With the continuation of the "La Nina" phenomena since 2020, weather conditions for the Klang Valley have been quite unpredictable with occasional thunderstorms and incessant heavy rain occurring at periods outside the normal weather pattern. The wetter than usual occurrences could also be linked to climate change which has caused sporadic floodings and rivers overflowing in low lying areas. Due to heavy rainfall over the catchment areas and reduced regulated discharges of raw water to augment the higher river flow at Sungai Selangor, the dam levels at both the Sungai Tinggi Dam and Sungai Selangor Dam achieved almost full capacity for extended periods of the year. Other than the short intermittent dry spells experienced during the year, rainfall was in abundance over the catchment areas and the risk of raw water shortages remained low throughout the year. Based on the current weather conditions, the abstraction of raw water from Sungai Selangor for the rest of 2022 is not foreseeable to be impacted as the water levels at both the regulating dams are at full capacity and this will provide the necessary buffer during the drier seasons. At the state government level, state agencies, namely the Unit Perancang Ekonomi Negeri, Air Selangor and Lembaga Urus Air Selangor have been vigilantly monitoring the river flows and dam levels to ensure sufficient supply of raw water for water treatment operations so as not to cause unnecessary disruption in water supply to consumers.

"

TO ENSURE THAT CONSUMERS ARE ASSURED OF CLEAN WATER THAT MEETS THE MINISTRY OF HEALTH'S STANDARDS AND ADEQUATE SUPPLY OF TREATED RAW WATER AT ALL TIMES, WE PLACE GREAT IMPORTANCE IN ENSURING THAT OUR WTP AND EQUIPMENT ARE KEPT UNDER GOOD AND OPTIMAL WORKING CONDITIONS AND THAT THE PREVENTIVE REHABILITATION, UPKEEP AND MAINTENANCE PROGRAMMES ARE STRICTLY COMPLIED WITH AND PROMPTLY ATTENDED TO.

"

To ensure that consumers are assured of clean water that meets the Ministry of Health's standards and adequate supply of treated raw water at all times, we place great importance in ensuring that our WTP and equipment are kept under good and optimal working conditions and that the preventive rehabilitation, upkeep and maintenance programmes are strictly complied with and promptly attended to. To comply with the licensing requirements imposed by SPAN, we are required to furnish a three-year rolling business plan to SPAN detailing a comprehensive maintenance and rehabilitation programme to systematically refurbish all the major components of the WTP to improve and to return them to as close as possible to the original design efficiencies. We have obtained the Individual License from SPAN to operate SSP1 from 13 September 2019 to 12 September 2022, the renewal of which will be subjected to compliance to all the conditions stipulated in the Individual License. We submitted the application for the second Licensing Period from 13 September 2022 to 12 September 2025 in September 2021, together with the second Rolling Business Plan at the end of 2021. Other than the Water Services Industry Act 2006 and its subsidiary legislations, SSP1 operations are also required to comply with regulations imposed by, amongst others, the Ministry of Health and the Department of Environment.

Over the years, we undertook several research and development initiatives, such as technological improvement to enhance our water supply operations. This included studies on the refurbishment of water treatment plants with alternative water treatment technologies such as membrane filtration and improvements in treatment process efficiencies and usage of alternative treatment chemicals especially in treatment of pollutant spikes that may occur from time to time. We are committed to a customer-focused service in providing high quality drinking water to the consumers. We also set our sights on managing and preserving the environment which we operate in through relevant water industry research and development, strict adherence to environmental regulations e.g. proper treatment and disposal of our water treatment residuals to minimise harm to the surrounding areas where birds might congregate. Our WTP intake plant is located upstream of the firefly colonies at Kampung Kuantan and we will have to ensure that the release of sufficient water downstream to maintain the firefly ecosystem during the drought season.

As a company that upholds high standards in the production of treated water, we are proud to have received several notable achievements including the Brandlaureate Best Brand Awards 2011-2012 for Best Brands in Industrial - Water Treatment. We continue to maintain our standards through several accreditations which include MS.ISO 9001:2015 for operation and maintenance of SSP1, ISO 17025:2017 for the SSP1 Laboratory, Matang Pagar Reservoir and Bukit Mayong Reservoir laboratories, ISO/IEC 27001:2013 Information Technology – Security Techniques. SSP1 has also been accredited by the Jabatan Pembangunan Kemahiran Malaysia ("JPK") as a National Dual Training System in-house company and training centre since 2016. This accreditation allows us to train our internal staff to obtain the Malaysia Skills Certificate certified by JPK. We place emphasis on training and developing our talent and we are proud to be one of

the few water operations specialists in Malaysia to have gained such certification. Since the inception, a total of eighteen production staff have been certified under the scheme and it is our plans to have more of our staff achieving higher competency levels and skills through continuous trainings. Back in 2019, we took the initiative to recognise the experience and skills of our supervisory staff under the Recognition of Prior Achievement ("RPA") programme conducted by JPK. Six supervisory staffs were awarded the Sijil Kemahiran Malaysia (SKM) Level 2 for Water Treatment Operation Service after excelling in their practical examination. A further six laboratory staffs received their SKM Level 2 under the RPA programme in January 2020. However, the onslaught of the COVID-19 pandemic disrupted our efforts for this year. Nevertheless, we intend to continue with this programme until all our supervisory staffs receive their SKM certification for Level 3 or higher.

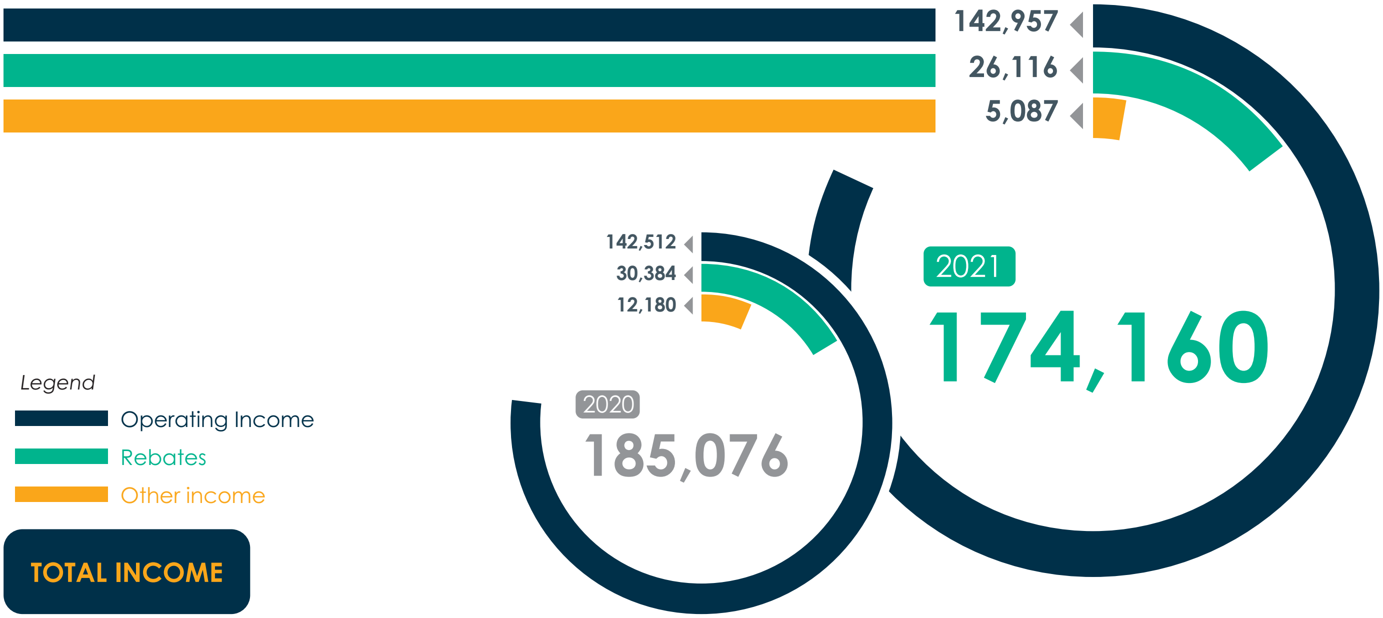
As a major WTP operator currently serving close to a fifth of the consumers in Selangor, we are constantly monitoring and tracking all potential and emerging operational risks ranging from deterioration of quality of raw water, breach of security, major breakdown of plant and equipment to unexpected interruptions to operations due to the COVID-19 pandemic, which may lead to major disruptions in the treatment and supply of treated water. We have also been assessing the impact of environmental, social and governance ("ESG") risks, particularly climate change which would have an effect on the scarcity of raw water. To mitigate these and other risks, we have undertaken an enterprise risk management process to monitor, evaluate and escalate any such risks to the attention of our top management so that appropriate actions can be taken expeditiously and where remedial actions can only be taken over the long term, to have such actions in our long-term business planning. Operational risks are assessed on a periodic basis and we are subjected to audits by regulators, external consultants, internal audit checks as part of our ISO accreditation as well as monitoring by Air Selangor on the compliance with the terms of the Bulk Water Supply Agreement executed with Air Selangor. Under the said agreement, more stringent requirements are to be complied with to ensure that SSP1 is operated and managed properly to produce and supply the designated quantity and quality of treated water to consumers at large. These include, amongst others, maintaining raw water monitoring systems at SSP1 and along Sungai Selangor to detect pollution and siltation, carrying out all rehabilitation and maintenance works as planned. It is part of our risk mitigation plans to minimise any untoward incidences of major breakdowns and disruptions to our operations. Operations are run continuously throughout the day with three shifts. During the year, we increased the total expenditure on rehabilitation, upkeep and maintenance costs including the purchase of critical spares to RM19.57 million from RM18.43 million a year ago. This expenditure accounted for approximately 18% (2020: 17%) of the total operating expenditure for the year.

During the year, there were no instances of serious incidences of raw water pollution that resulted in major disruptions to our operations, compared to the five major incidences that occurred in 2020. We are always working closely with other regulators, SSP2 and SSP3 WTP operators to minimise plant interruption due to river contamination, particularly incidences of odour pollution from commercial

developments and agriculture production upstream from where we operate. To provide river pollution alert in advance, raw water quality surveillance programmes undertaken with all the WTP operators along the Sungai Selangor will continue to be implemented at regular intervals including sharing of information with them. We make it a point to continuously monitor raw water quality and inflow at regular intervals by having a river surveillance programme in which water samples were taken from several locations within the catchment areas for analysis of pollution trends. A River Monitoring System ("RMS") which was supposed to be commissioned in 2021 at one of the upstream tributaries of Sungai Selangor could not proceed as planned, due to land matters pending resolution between Air Selangor and the state agencies involved. The RMS's role is to monitor specific raw water quality parameters and give advance notification on changes in water quality or pollution. This system when completed, will be used in conjunction with the other RMS set up by Air Selangor, Gamuda Water and Lembaga Urus Air Selangor ("LUAS") in the Sungai Selangor catchment. If there are occurrences of quality changes to the raw water, appropriate adjustments to chemical dosing rate will be made to optimise chemical dosage and improve the water treatment regime. The use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators at SSP1 have contributed significantly to improving the quality of the settled water since their introduction in 2013. Given the quality of raw water, the treatment regime employed in the water treatment process has been found to be relatively effective as shown by our high compliance rate of above 99% for the past three years. We test the quality of treated water on a bi-hourly basis for compliance with water quality parameters set by the Ministry of Health through our in-house laboratories which work round the clock.

Under the provisions of the Bulk Water Supply Agreement with Air Selangor, we are required to construct at our own cost, a mechanical residual dewatering plant by 2024. Based on the progress to-date, the dewatering plant is on schedule for completion and commissioning by then. The construction of the dewatering plant is estimated at about RM30 million after preliminary design works by the appointed consultant in 2020 and the conceptual design report having been presented to Air Selangor for their concurrence. The construction of the dewatering plant will ensure the proper management, treatment and disposal of dried sludge or residuals, which are necessary by-products from the water treatment process. SSP1 generated approximately 30,891 metric tonnes of residuals in 2021 and these are treated and deposited at the sludge lagoons within the vicinity of SSP1 before being transported to the nearby sludge depository area sanctioned by the Department of Environment ("DoE"). This method of handling and managing residuals have been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and environmental friendlier method in managing these residuals.

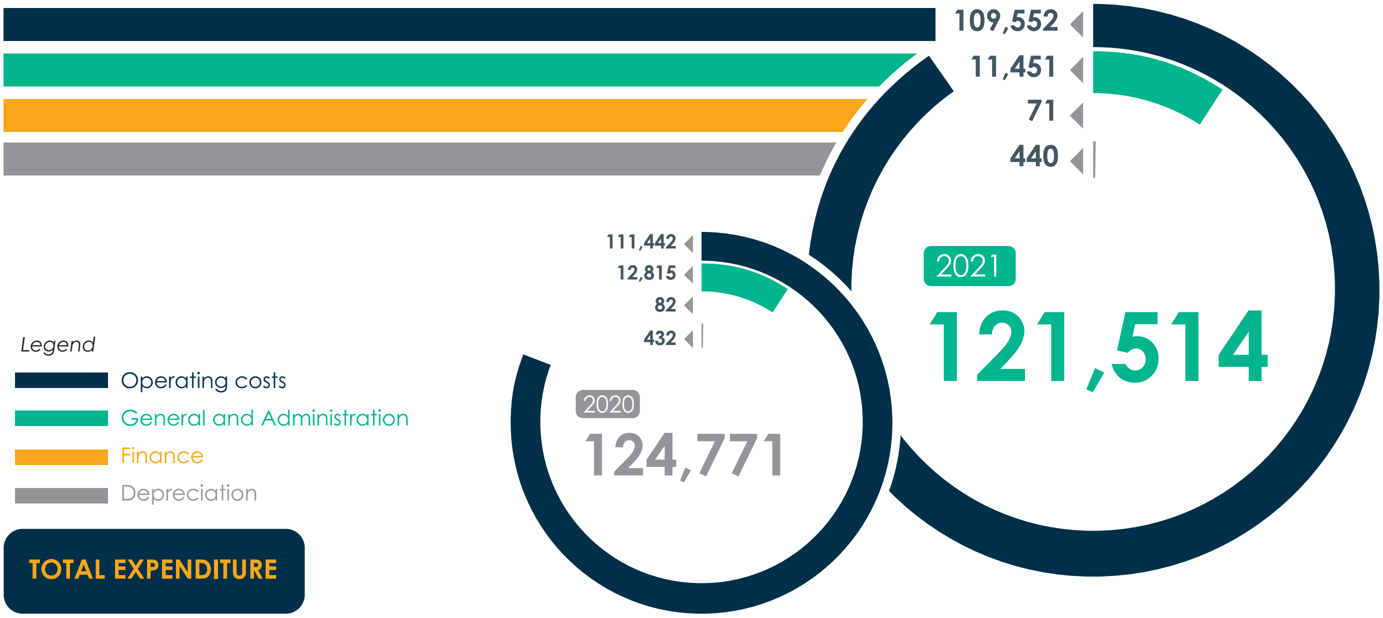
The commencement of the various movement control orders imposed by the Federal Government in response to the COVID-19 pandemic has not affected the operations of SSP1 significantly as it is deemed an essential service. Site operations have implemented all the necessary Standard Operating Procedures and following strictly the health and safety protocols provided by Ministry of Health. All staff are kept well informed of the steps and practices that need to be taken to avoid any possibility of infection including conducting health check and surveillance at the entrance of the WTP and Intake, and conducting on-site practical training sessions for our mechanical, electrical and civil staffs as an immediate back-up to assist the production section during emergency situations or shortage of workforce in the event of a quarantine order. An Emergency Response Plan has been formulated and will be continuously updated to respond to the developments on the COVID-19 pandemic. To-date, our staff has been fully vaccinated with two doses of vaccines. Part of our policy is to have our staff under our employment to be fully vaccinated to ensure that our operations are not duly compromised.



In terms of financial performance, Sungai Harmoni posted a PAT of RM41.53 million (2020: RM48.44 million) on the back of a lower revenue of RM169.07 million compared to RM172.90 million the year before. Despite the increase in metered sales billings of 348.68 million m3 from 347.59 million m3 in 2020, the revenue for the year was lower mainly attributable to the lower electricity rebate of RM20.90 million from RM24.78 million in 2020 as a result of lower electricity cost due to the ICPT rebate offered by TNB to all its customers in 2021. The bulk sale rate remains at RM0.41 per m3 and the next increase to RM0.42 per m3 is scheduled for 2023 under the terms of the Bulk Water Supply Agreement.

Total operating expenditure incurred stood at RM109.55 million (2020: RM111.44 million) with electricity and chemical costs accounted approximately 63% (2020: 66%) of the total operating expenditure. Unit electrical cost was lower by 7% despite no changes in the TNB Special Industrial Tariff in January 2021. This was primarily due to the change in ICPT to a rebate of RM 0.02 per kWHr in January 2021 as compared to a surcharge of RM0.02 per kWHr in January 2020 and was subsequently reduced to RM0.00 per kWhr from July to December 2020. There was also a 2% rebate in electricity billings from April to September 2020 as part of the Pakej Rangsangan Ekonomi, a stimulus package announced by the Federal Government to assist the economic sectors to combat the impact of the COVID-19 pandemic.

Unit chemical costs recorded a decrease by 7% and this can be attributed to the further overall improvement in raw water quality primarily due to higher frequencies of overflow of good quality water from the regulated dams upstream, despite the increases in chlorine dosages requested by SPAN and Air Selangor to maintain higher residual chlorine in the distribution occasioned by the COVID-19 pandemic. As the quality of raw water improved, lower dosage of chemicals was required to be added to ensure the quality of treated water meets with the water quality standards prescribed by the Ministry of Health.



The company posted a PBT of RM53.09 million compared to RM60.31 million in 2020, a decrease of RM7.22 million. Other than the lower revenue achieved, the lower PBT was mainly attributable to lower dividend and net gain on redemption from investments designated at FVTPL of RM5.07 million compared to RM11.64 million in 2020. During the year, Sungai Harmoni declared dividends of RM362.30 million to the holding company which resulted in a significant reduction in its cash reserves.

In the previous year, the company disclosed a contingent liability of a penalty imposed by the Royal Malaysian Customs Department ("RMCD") on Sungai Harmoni amounted to RM4.07 million for late payment on Goods and Services Tax ("GST"). We had disagreed with the tax penalty imposed and have accordingly appealed against the penalty. During the year, the RMCD announced that taxpayers are eligible to apply for remission of late payment penalty for any GST and penalty due but has not been remitted to the RMCD on condition that the taxpayer must make full payment of outstanding GST to RMCD within the period from 1 May 2021 to 31 August 2021. We subsequently made the application, and it has been approved by the RMCD.

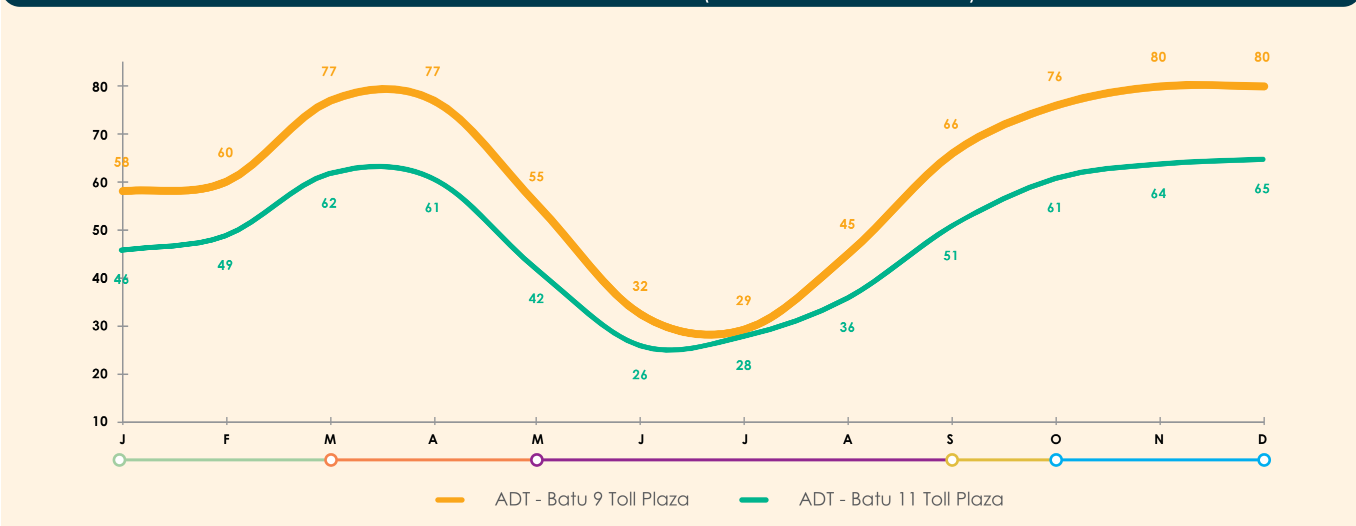
HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

GRAND SAGA SDN. BHD. ("GRAND SAGA")

During the year, the COVID-19 pandemic continued to affect the number of vehicles travelling along the Grand Saga Highway. This was due to the re-imposition of the Movement Control Order ("MCO") which was necessitated by the increasing number of COVID-19 cases in late 2020 and continued well into the following year. The Average Daily Traffic ("ADT") at the Batu 9 toll plaza declined from 66,282 vehicles in 2020 to 61,318 or by 7.5%, whereas for the Batu 11 toll plaza, ADT dropped by 6.0% to 49,417 vehicles from 52,554 in the previous year. The decline in the ADT has somewhat eased compared to a significant contraction of 18.5% and 21.3% experienced at Batu 9 and Batu 11 toll plazas respectively in the previous year.

The Federal Government imposed MCO 2.0 on 13 January 2021 to combat the alarming increase in daily COVID-19 cases. The MCO 2.0 lasted until 4 March and was replaced by the Conditional MCO ("CMCO") whereby the traffic recovered. However, the imposition of MCO 3.0 on 6 May with full lockdown from 1 June, had a severe impact on the ADT which fell to its lowest point since the first MCO back in March 2020. The graphs below depict the performance of the ADT at various points of the MCO implementation during the year.

AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



Summary of Movement Restrictions imposed by the Federal Government in 2021

- MCO (2.0): 13 Jan 2021 to 4 Mar 2021
- CMCO: 5 Mar 2021 to 5 May 2021
- MCO (3.0): 6 May 2021 to 9 Sep 2021
- Moved into Phase 2 and Phase 3 of NRP: 10 Sep 2021 and 1 Oct 2021 respectively
- Phase 4 of NRP: 18 October 2021 onwards

The Federal Government commenced the nationwide vaccination programme in February 2021. With factors such as the general public been vaccinated gradually increasing, re-opening of certain businesses from 20 August plus Kuala Lumpur and Selangor moving into Phase 2 and 3 of the National Recovery Plan ("NRP") on 10 September and 1 October respectively, the traffic along our Highway has vastly improved. The ADT increased further after October with Kuala Lumpur and Selangor moving into Phase 4 of the NRP, with the ADT peaking at about 80,000 and 65,000 vehicles at the Batu 9 and Batu 11 toll plazas respectively by end of December. Timely implementation of the booster dose of vaccine further contributed to the decline of daily infections in January 2022. The whole country subsequently moved into Phase 4 of the NRP on 3 January 2022. However with emergence of the new Omicron variant, daily positive cases have since spiked again. Nonetheless, as the Federal Government did not impose further lockdowns, the ADT has remained resilient.

Unlike the previous year, the Batu 9 toll plaza experienced higher decline in ADT compared to Batu 11 toll plaza. This was mainly due to strict enforcements of the MCO restrictions by the police via roadblocks placed at the Kajang bound side of our Highway. Furthermore, the construction works of the Sungai Besi-Ulu Klang Elevated Expressway ("SUKE") at the edge of our Highway's Right of Way (KL bound) is almost completed. This caused less disruptions to traffic flow during the year. Despite the MCO being in place, we continued with the contra flow operations for the convenience of road users whenever permitted, for the Kuala Lumpur bound traffic in the mornings and for the Kajang bound traffic in the evenings with the collaboration of Dewan Bandaraya Kuala Lumpur and the Kuala Lumpur Traffic Police. The scheduled opening of the SUKE in 2022 is expected to further complement traffic flow on our Highway.

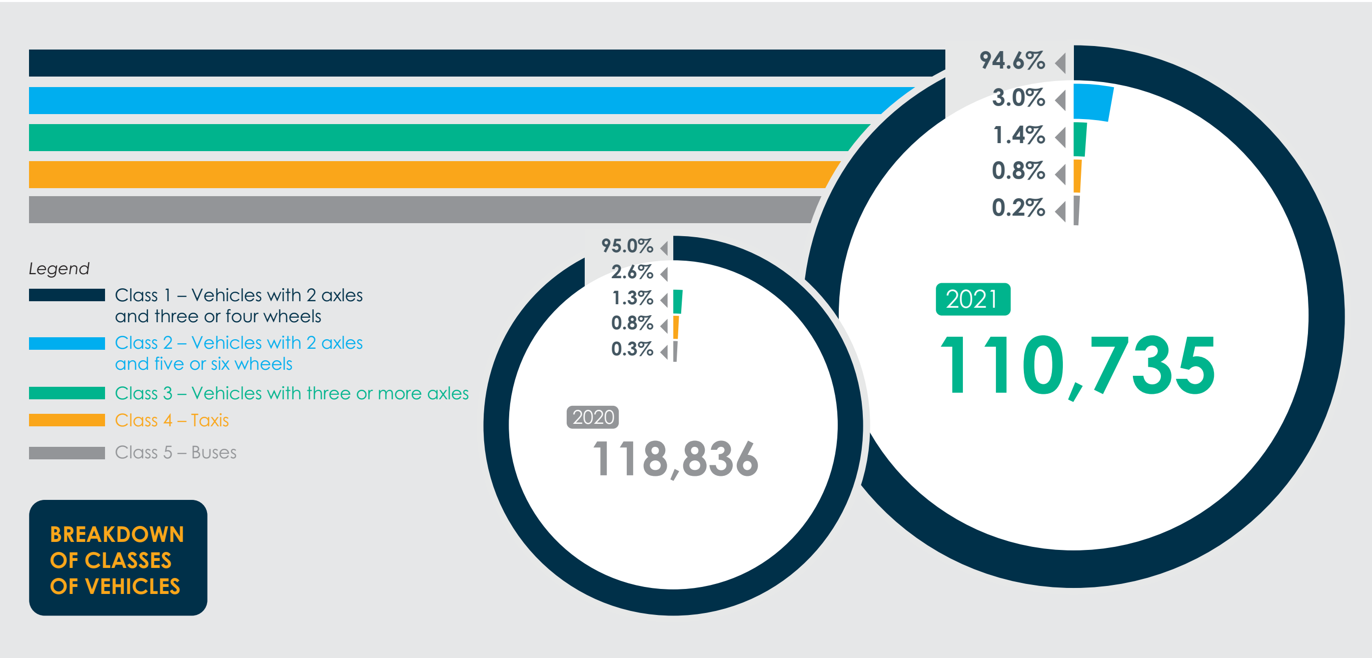
THE FOLLOWING IS A 5-YEAR HISTORICAL DATA ON THE ADT FOR THE BATU 9 AND BATU 11 TOLL PLAZAS AND OVERALL GROWTH AT OUR HIGHWAY: -

Year	Total	Growth	BATU 9	BATU 11
2017	141,883	+4.5%	77,369	64,514
2018	145,709	+2.7%	79,299	66,410
2019	148,161	+1.7%	81,375	66,786
2020	118,836	-19.8%	66,282	52,554
2021	110,735	-6.8%	61,318	49,417

● BATU 9 ● BATU 11

Classes 2 and 3 vehicles (commercial vehicles) that traversed through the Batu 9 and Batu 11 toll plazas has seen a higher percentage by 0.5 percentage point compared to the previous year While Class 1 vehicles (mainly passenger cars) in turn declined by 0.31 percentage point. This is consistent with the periods when the various MCOs were enforced during the year whereby only essential businesses were allowed to operate coupled with the new norm of working remotely from home. The percentage of Class 4 (taxis) and Class 5 (buses) remained almost comparatively the same as in the previous year due to the growing usage of e-hailing services as a preferred mode of transportation and availability of Mass Rapid Transit ("MRT") services.

The other major risk is the continued uncertainty of the Federal Government's proposal to re-structure the toll industry. In 2020, the Federal Government announced a proposal to place all the thirty-five (35) tolled highways, including six (6) that are currently under construction, under one highway trust body and in 2021 also instructed all highway concessionaires to recommend restructuring of individual highway's toll rates with emphasis that new toll rates are not burdensome to road users and that concession periods may be extended in lieu of cash compensations. In April 2022, the Works Minister reported that a private trust company has been set up to acquire 100% equity of four tolled highways operating in the Klang Valley. Whilst the details of the proposed takeover have yet to be finalised, it is understood that there will be no further



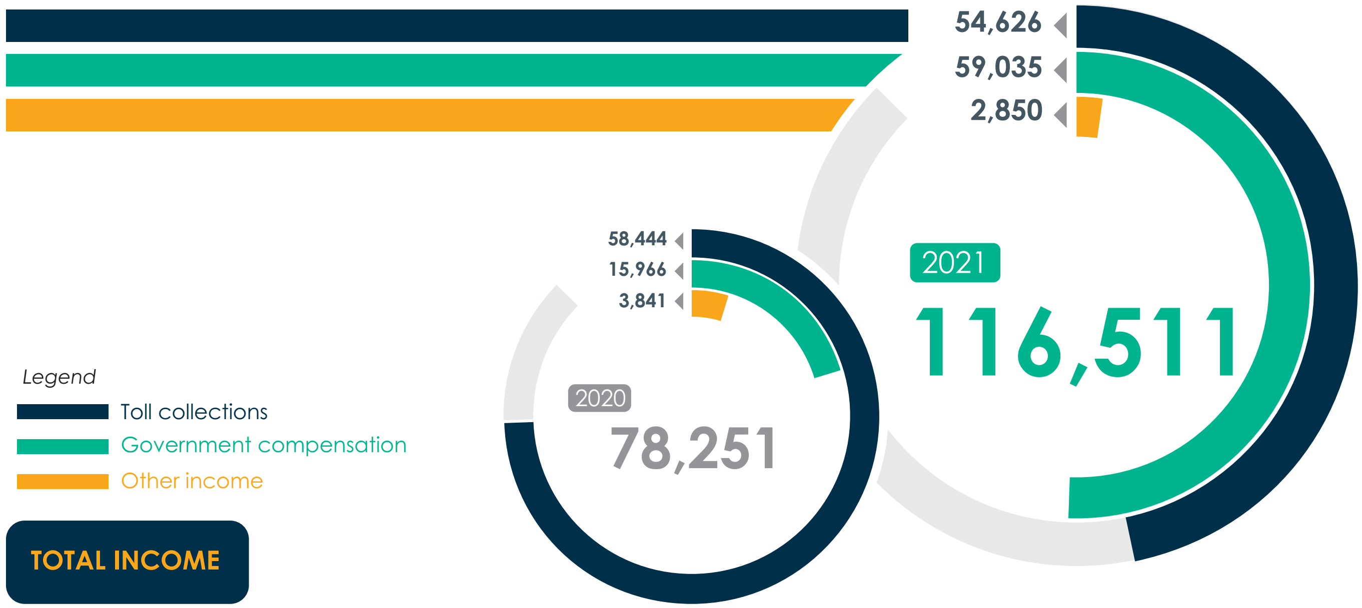
In terms of overall risk factors, the potential of traffic disruptions, which may cause a reduction of toll collections, remains one of our most significant risks. Despite the improved situation related to the COVID-19 pandemic, the sluggish economic recovery process, post COVID-19, may result in the proposed development projects along our Highway which were anticipated to improve future traffic flow, being delayed. However, as the Federal Government is poised to move into the endemicity stage of the COVID-19 pandemic from 1 April 2022, we are quite optimistic that the ADT would be able to achieve the 2019 pre-MCO levels in 2022. As a comparison, the 2019 ADT was 81,375 and 66,786 vehicles at the Batu 9 and Batu 11 toll plazas respectively.

increase in the toll rates until end of concession of the four highways and no future compensations will be paid by the Federal Government. The Minister also clarified that similar restructuring scheme may be applied to other tolled highways. However, we draw comfort from the statement by the Federal Government of its continued commitment to the sanctity of the concession agreements and the rights of investors and shareholders. The Federal Government has yet to approve our scheduled toll hike due on 1 January 2020 but we have been compensated accordingly up to 2020. The anticipated adverse impact caused by alternate modes of transportation, namely the commencement of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT") operations in July

2017 connecting Sungai Buloh to Kajang and traversing the Kuala Lumpur city centre has yet to be seen. However, we now treat the KVMRT service as a complement to our Highway's growth in the longer term by providing connectivity and strong impetus for further development of new townships in its vicinity. We are also cognisant of the ESG risks in particular the health and safety of our road users. As part of our service commitment, we provide regular patrolling and break down services along our Highway, including free tow truck services to the road users. We also maintain other quality related amenities such as the Rest and Service stop at the Bukit Dukong area, which has petrol stations, restaurants and a post office for the convenience of our road users. To provide regular information on our Highway, we leverage on the social media platforms in the likes of Facebook and Twitter. Our road users are also notified of traffic updates and other messages at two video messaging gantries strategically located at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound.

During the year, we installed an additional Radio Frequency Identification Tag ("RFID") system lane at each of the toll plazas as part of the initiative to increase RFID lanes, in line with the directive of the Federal Government to eventually implement the barrier-free gantry based Multi Lane Free Flow system. This would facilitate seamless travels within toll highways to reduce traffic congestion at toll plazas. The RFID system was fully implemented nationwide in January 2022 with the North-South Expressway (PLUS) opening RFID lanes at all its toll plazas. The Federal Government plans to eventually replace the existing Touch N Go and SmartTag tolling system over the next 3 years with the RFID Multi Lane Free Flow system and road users will be allowed to pay for toll using their choice of digital payment.

Confronted with back-to-back years of traffic disruptions due to the MCOs which materially impacted the toll collections, we have continued with our initiatives to contain cost, balancing expectations of our stakeholders and the level of service expectations by our road users. Considerable efforts were made to ensure road safety and riding comfort remain as some of the key social considerations of our highway operations. During the year, we incurred higher repair and maintenance cost of RM2.71 million compared to RM1.94 million in the previous year or RM236,000 per km of highway (2020: RM169,000 per km). The repair works included pavement repair works which amounted to RM0.36 million. This was carried out on certain portions of the pavements for better travel comfort based on the independent assessment conducted by our consultant. Notwithstanding the major heavy repairs that are carried out periodically every seven years, such assessment and subsequent requisite repair works are conducted annually to ensure that the road pavements are always maintained to the required standards and quality. This year saw the number of road accidents coming down to 2.05 per million vehicles compared to 2.46 per million in 2020.

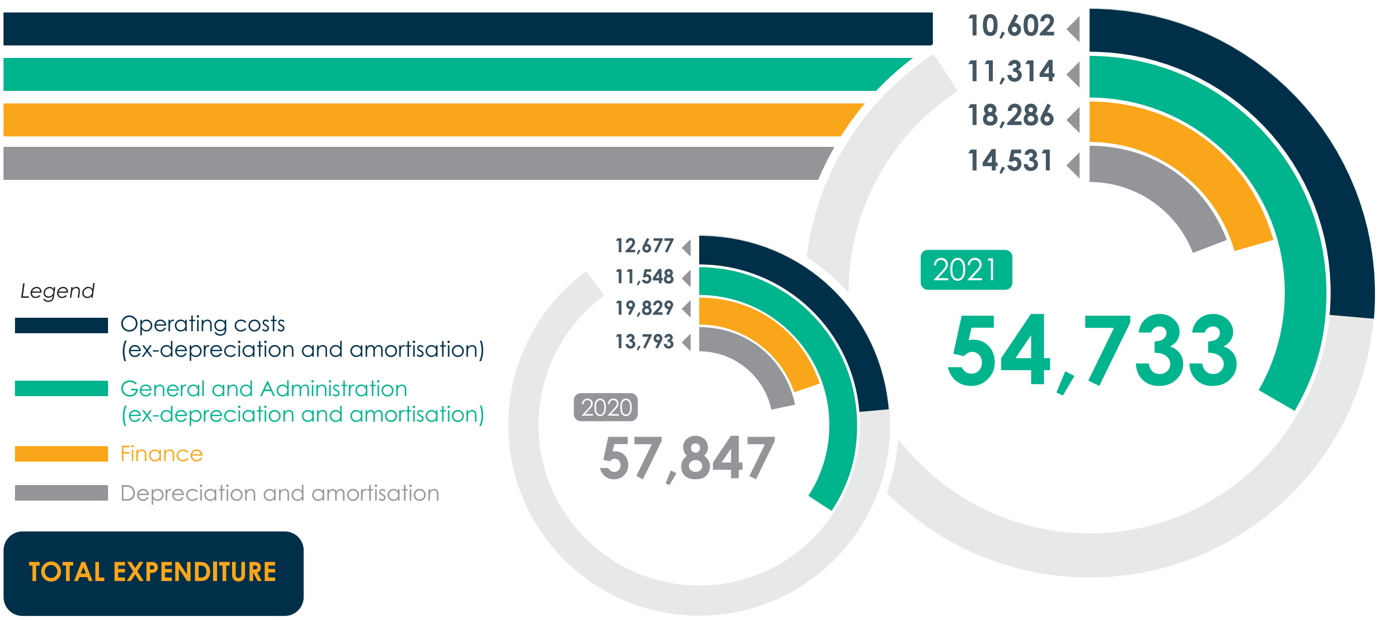


Management Discussion and Analysis

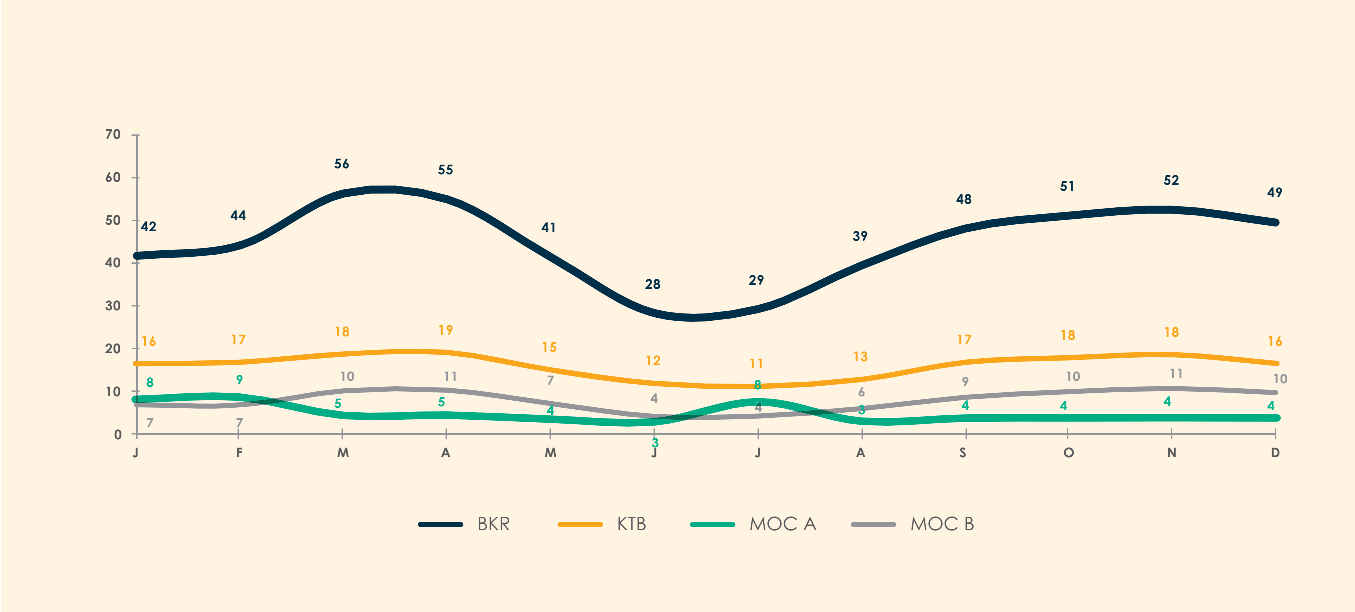
This was significantly lower than the threshold of 3.15 per million vehicles set by the Malaysian Highway Authority ("MHA") for highways operating in Peninsular Malaysia. Additionally, to enhance our service and operational excellence, we have maintained the ISO9001:2015 Quality Management System as re-certified by INTERTEK Certification during the year. The scope of the certification is for the provision of Highway Maintenance and Toll Collections.

In terms of financial performance, Grand Saga posted an operating revenue of RM113.66 million compared to RM74.41 million achieved a year ago whilst PAT came in at RM61.79 million, higher than the PAT of RM20.87 million in 2020. Despite the decline in the actual toll collections by RM3.81 million as a result of lower traffic volume, the higher revenue was primarily due to the receipt of government compensation of RM43.50 million for the non-increase of toll rates in 2020, in accordance with the provisions of the Concession Agreement. Operating revenue comprises toll collection of RM54.63 million (2020: RM58.44 million), deferred income of prior years' compensations arising from amongst others, the closure of one-bound traffic in March 2012, opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings of RM15.38 million (2020: RM15.97 million) and current year's total government compensation of RM43.66 million (2020: Nil)

Total operating cost (excluding depreciation and amortisation) of RM10.60 million (2020: RM12.68 million) was comparatively lower than the prior year despite higher repair and maintenance costs by RM0.76 million due to adjustment in provision for heavy repairs in the current year. Heavy repairs were rescheduled to 2023 instead of in 2022 as originally planned. Actual provision for heavy repairs, nett of reversal of over provision, was RM1.41 million (2020: RM4.17 million). Depreciation and amortisation accounted for RM14.53 million (2020: RM13.79 million) whereas finance charges from the issuance of the IMTN stood at RM18.30 million compared to RM19.83 million last year due to further repayment of RM30.00 million IMTN principal sum during the year. Other income was down by RM0.99 million to RM2.85 million primarily from lower investment income. With the receipt of the government compensation during the year, Grand Saga recorded a PBT of RM61.77 million as compared to RM20.40 million in 2020.



AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



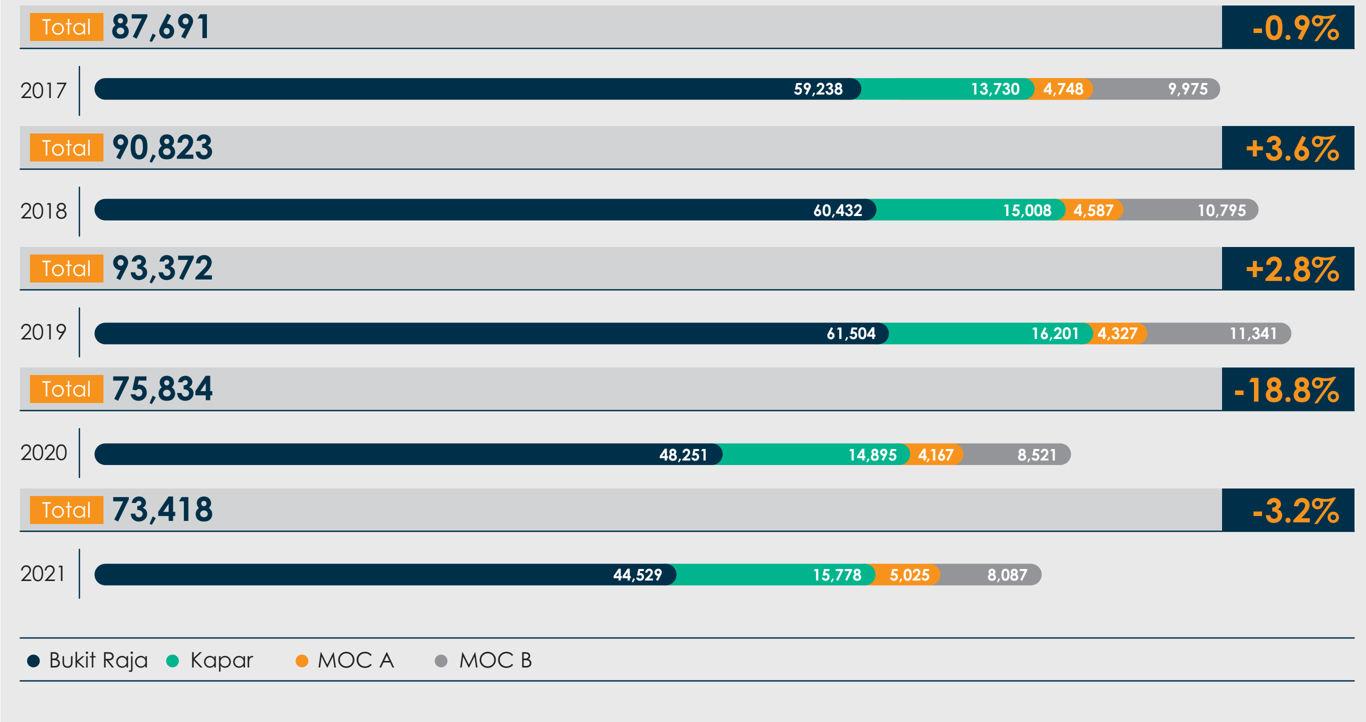
GRAND SEPADU (NK) SDN. BHD. ("Grand Sepadu")

Just like Grand Saga, the Grand Sepadu Highway too had suffered a contraction in the ADT due to the various MCOs imposed during the year. However, the contraction was not as profound when compared to the year before of over 18.8% at the onset of the COVID-19 pandemic in early 2020. The overall ADT dipped by a mere 3.2% year-on-year as the Grand Sepadu Highway benefited from improved commercial activities particularly the port bound traffic with ADT for the year recording a daily average of 73,418 vehicles passing through our four toll plazas. With the implementation of a full MCO lockdown on 1 June, the ADT was at its lowest level in the first week of June, equivalent to 43% of the pre-MCO ADT levels in 2020. ADT rebounded back up in the subsequent months as Kuala Lumpur and Selangor entered into higher phases of the NRP.

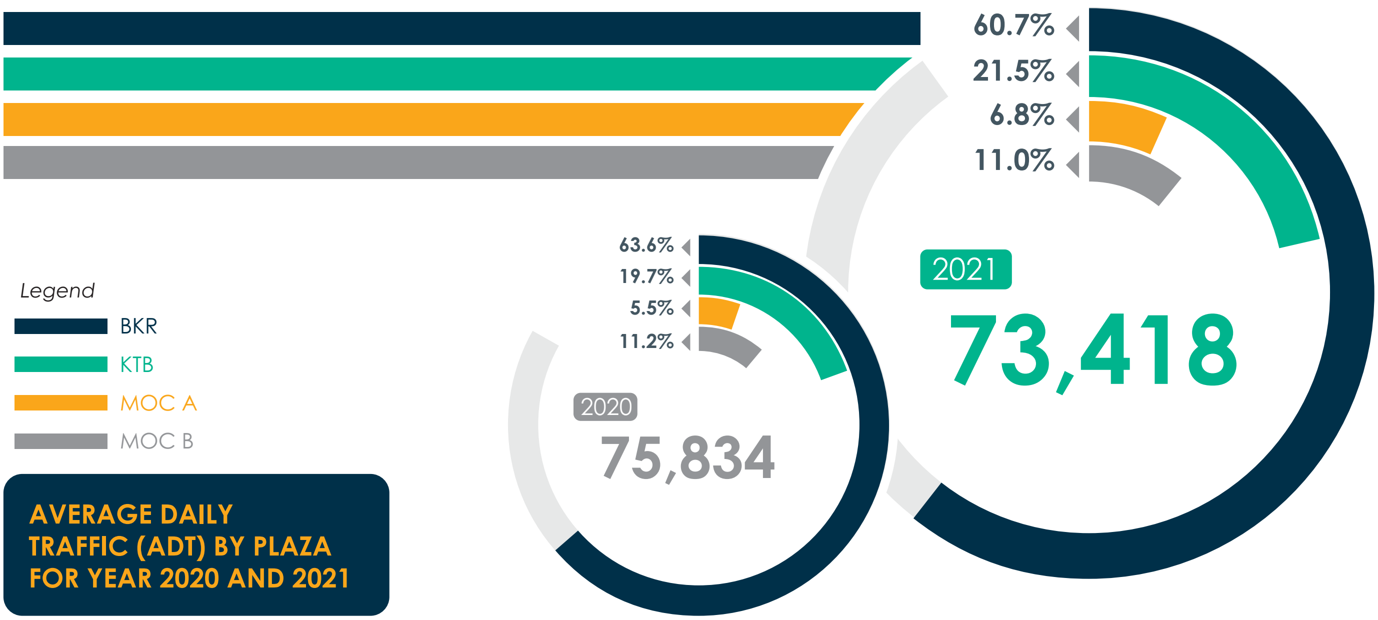
The prolonged COVID-19 pandemic and the resultant MCOs imposed by the Federal Government had substantially affected the traffic flow at the Bukit Raja and MOC B toll plazas as the traffic at these plazas was primarily office bound Class 1 commuter traffic. The ADT at Bukit Raja and MOC B was 50% and 58% lower respectively in June during the MCO 3.0 compared to the ADT in March during the CMCO period. As restrictions were gradually lifted from late August, the overall reduction settled at 7.7% and 5.1% respectively at the two toll plazas compared to 2020.

Collectively, the four toll plazas experienced a 3.2% decline in ADT in 2021. Nonetheless, the port bound traffic at both the Kapar and MOC A toll plazas witnessed an uptrend in the ADT when compared to a year ago. Economic activities particularly those related to the Northport/ Westport operations contributed to the resurgence in the ADT where the ADT at the Kapar toll plaza increased by 5.9% whereas the ADT at MOC A surged by 20.6% compared to 2020. Furthermore, the closure of the old New North Klang Straits Bypass Expressway toll free road by the police for a month due to high incidence of COVID-19 cases during the MCO period saw traffic being diverted to our Highway through MOC A Toll Plaza.

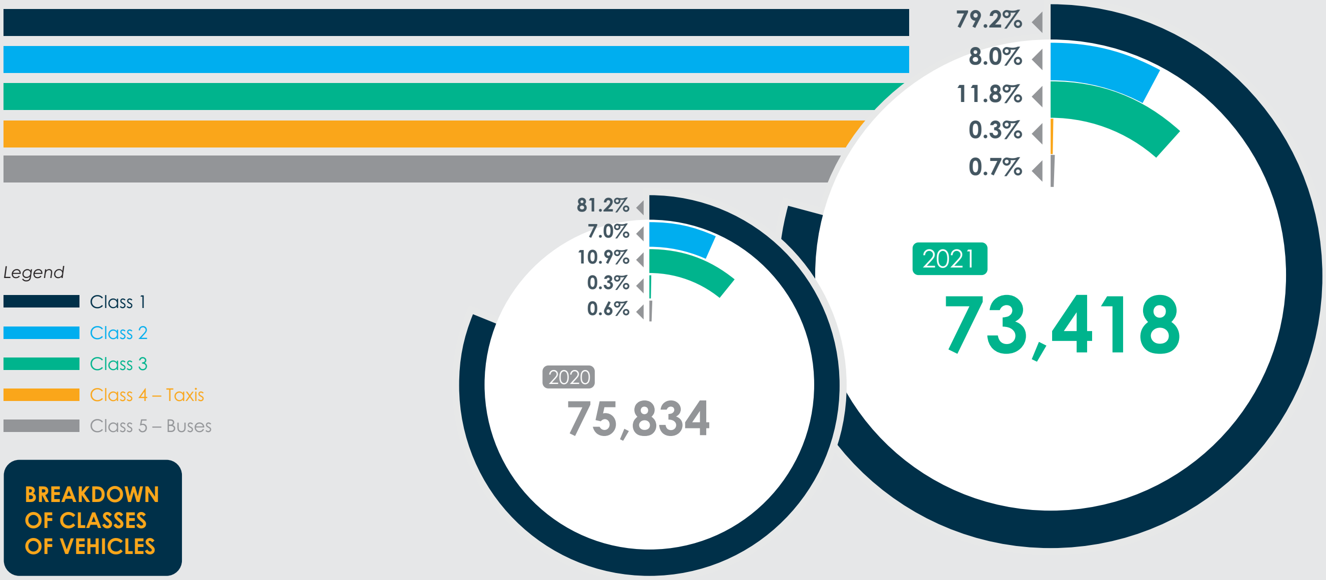
YEARLY AVERAGE DAILY TRAFFIC (ADT) BY PLAZA FROM 2017 – 2021



During the year, the total traffic throughput at our Highway was 26.80 million (2020: 27.76 million) paying vehicles with Bukit Raja Toll Plaza accounted for approximately 61% of the total ADT compared to 64% in 2020. Kapar Toll Plaza and MOC B accounted for 22% and 11.0% compared to 20% and 11% respectively in 2020.



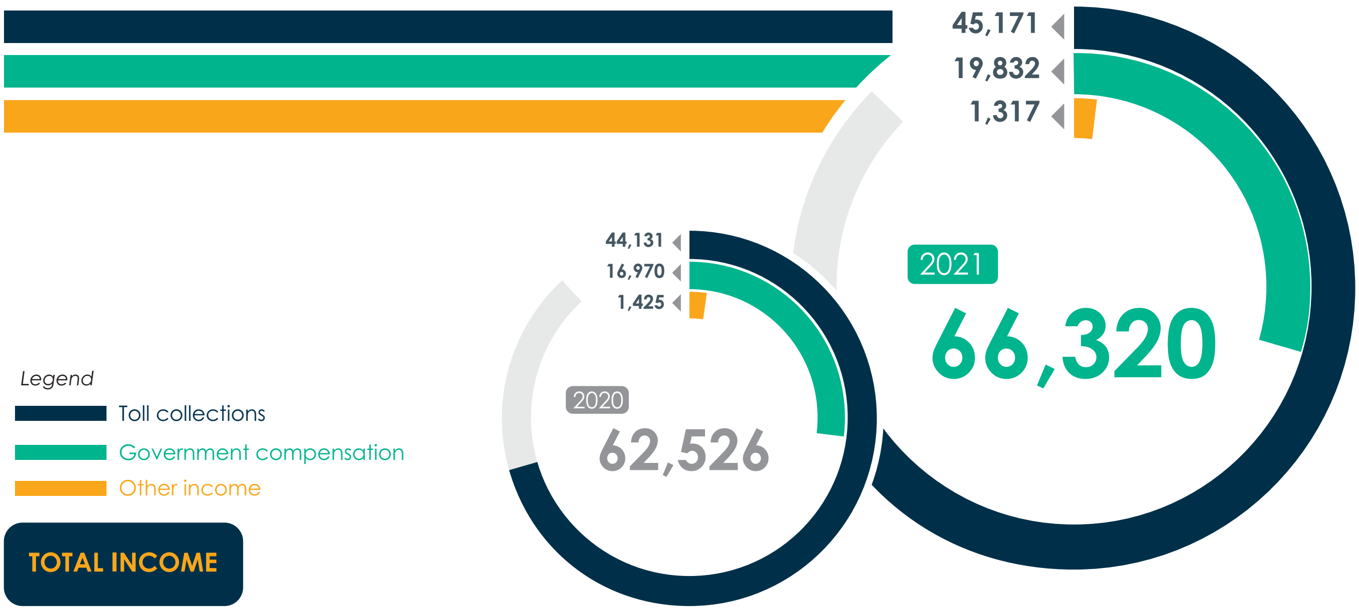
AVERAGE DAILY TRAFFIC (ADT) BY PLAZA FOR YEAR 2020 AND 2021



Our Highway is linked to major highways in the Klang Valley including Federal Highway Route 2 and PLUS (NKVE) connecting developments in Klang, Bandar Bukit Raja, Bandar Sultan Sulaiman Industrial Zone, Northport and Westport. Given the construction and opening of the Hj. Sirat Interchange in June 2018 at a cost of RM11.5 million, road users, particularly commercial traffic, have direct access to our Highway and a shorter route to the ports. This has boosted patronage by Class 2 and Class 3 commercial traffic, comprising 8.0% and 11.8% respectively of the total traffic compared to 6.9% and 10.9% a year ago, a trend of increasing commercial traffic which started in 2019. With Class 2 and Class 3 vehicles commanding higher toll rates, this has contributed positively to the toll revenue for the year and expectedly so, in the years ahead.

In order to increase traffic throughout our Highway, we have embarked on various initiatives which included continuation of our marketing strategies such as installation of buntings, Frequent Travellers Programme and intensive promotion on Facebook and Twitter social media including liaison with the North Port Association in discussing matters of mutual benefit including usage of our Rest and Service Area facilities. Additionally, we have been collaborating with the traffic police of Klang Utara to manage traffic flow during peak periods particularly around the Bukit Raja and Jalan Meru areas to ensure a smoother travelling experience for our road users. The efforts taken have resulted in a positive outcome as can be seen from the higher volume of traffic passing through the Kapar and MOC A toll plazas. As the COVID-19 pandemic continued well into 2021, we were required to overcome numerous challenges to optimise our Highway operations' service level whilst coping with increases in costs. Nonetheless, we did not compromise on our performance standards but continued to achieve excellence in the rating of highway maintenance based on criteria set by the MHA. We are indeed proud to have been again awarded the 4-Star Rating for another year from January to December 2021. In terms of traffic safety, we implemented numerous traffic safety improvement programmes along our Highway and the accidents reported at our Highway of 1.57 vehicles per million (2020: 1.44) is well below the 3.15 benchmark set by MHA. To enhance our service and operation excellence, we have implemented the ISO9001:2015 Quality Management System by SIRIM QAS International since 2018 and we will continue to maintain our accreditation as a commitment to our stakeholders particularly those who travel on our Highway. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

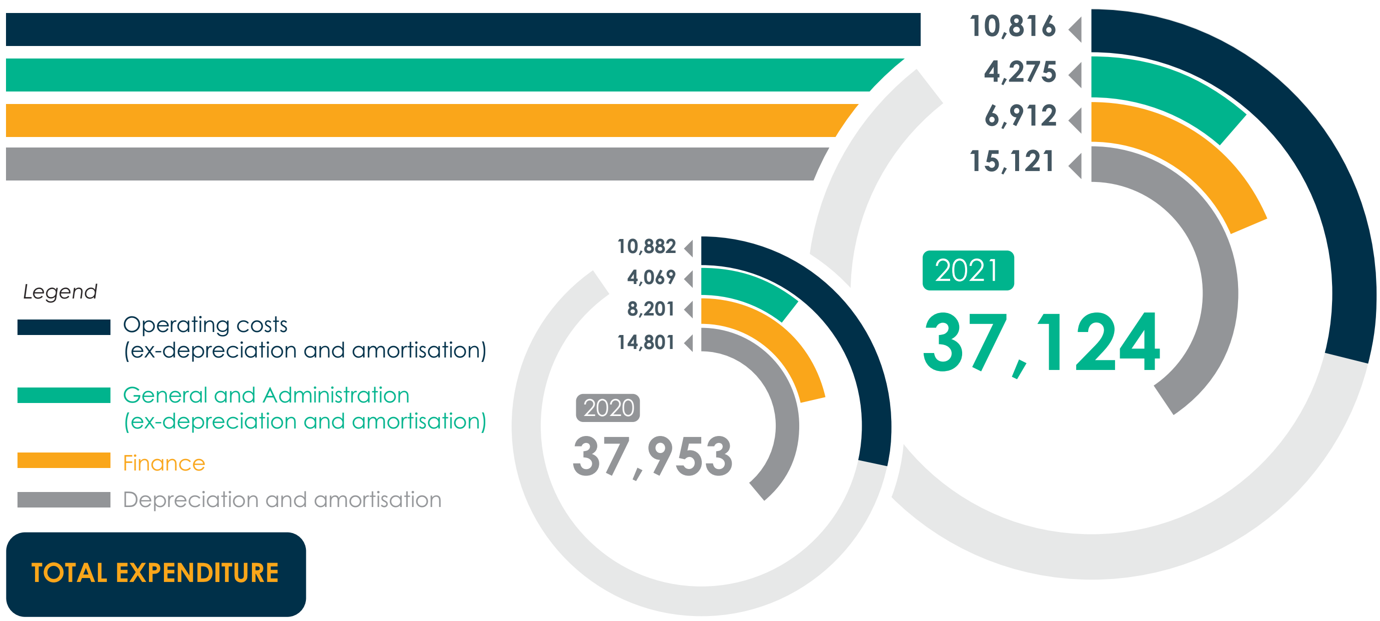
With the COVID-19 pandemic situation prevailing in 2021, stringent actions were taken to enforce SOPs to protect our staff, crew members and to ensure the continuity of our operations. To avoid exposure to the risk of close contact among the front liners and our road users, operational procedures are reviewed and if necessary revised from time-to-time, to comprise protocols to include, amongst others, the use of personal protection equipment, taking of temperature at office entrance and the practice of social distancing. On top of these measures, hand gloves, face masks, test kits and hand sanitisers were provided to our staff. As vaccinations are being encouraged by the



Ministry of Health, the Highway division staff, including those from Grand Saga, has received two doses of the vaccination and with more than half of them also having received their booster shots.

With the unpredictable and extreme weather conditions, flooding at our Highway remains a great concern to us. We have taken the requisite risk mitigation to manage incidences of flooding as certain stretches of our Highway, being situated in low lying areas, are flood prone. Amongst actions taken are working together with local authorities on flood mitigation efforts especially within the Jabatan Kerja Raya ("JKR") and Majlis Perbadanan Klang ("MPK") areas by deepening existing retention ponds, routine cleaning and inspections along the drainage system and liaising with JKR. We are also upgrading the drain infrastructures with the construction of additional U drains at flood prone areas to improve drainage. Despite these efforts, the Klang Valley witnessed a heavy thunderstorm on 18 December. This led to major flash floods at KM11-KM12, KM13-KM14, Meru interchange and the surrounding Kapar and Klang areas which crippled traffic movement for a period of 3 days on our Highway. Fortunately, the flood receded and our operations were able to resume with minimal impact to the integrity of our Highway infrastructure.

In terms of financial performance, Grand Sepadu managed to post an operating revenue of RM65.00 million, an increase of RM3.90 million. In tandem with the higher revenue, PAT came in at RM18.77 million, higher than the PAT of RM15.12 million in 2020. Despite average traffic volume having declined by 3.2%, revenue from toll collections was comparatively higher, attributable to the higher number of commercial vehicles plying the Kapar and MOC A toll plazas and the higher receipt of Government compensation of RM19.83 million (2020: RM16.97 million) for the non-increase of toll rates in 2016 and 2020, in accordance with the provisions of the Concession Agreement. Operating revenue comprises of toll collection of RM45.17 million (2020: RM44.13 million) and the Government compensation. Other income which comprises mainly of interest income was lower on account of a reduction in the cash reserves to pay the principal and interest expenses of the RM210 million nominal amount of Sukuk Murabahah issued.



Total operating costs (excluding depreciation and amortisation) was recorded at RM10.82 million, slightly lower than RM10.88 million in 2020. We incurred total repair and maintenance costs of RM3.65 million (2020: RM1.97 million) whilst provision for heavy repairs in the current year was adjusted to take into account the re-scheduling of heavy repairs to 2023 instead of in 2022 as originally planned. Depreciation and amortisation accounted for RM15.12 million (2020: RM14.80 million) whereas finance charges from the issuance of the Sukuk Murabahah stood at RM6.91 million compared to RM8.20 million last year due to further repayment of a principal sum of RM30.00 million Sukuk Murabahah during the year. The Sukuk Murabahah issued in 2015 carried a rating of AA-is with stable outlook by the Malaysian Rating Corporation Berhad. The outstanding unpaid Sukuk Murabahah is RM120 million with a further principal sum repayment of RM30 million made in January 2022.

ENGINEERING AND CONSTRUCTION

In 2021, disruptive effect to the construction sector from the COVID-19 pandemic continued unabated. Prices of basic construction materials escalated as a result of global supply chain disruptions, higher manufacturing and logistic costs in adhering to stringent SOPs and regulations issued by the relevant authorities particularly, the Ministry of International Trade and Industry and Ministry of Health. The higher costs rendered many on-going projects no alternative but to hold back their progress with some of the worst-off being shelved. Some newly awarded projects were unable to commence largely due to cost over-runs that overwhelmed the project budget. As the construction industry is vital to the national economy, quite a number of important and critical infrastructure projects require assistance from the government in the form of Variation Order of Price ("VOP") in supplemental agreements to kick start these projects after they had been successfully awarded.

Whilst most of the foreign construction workers have benefited under the national vaccination programme, the prolonged freeze in entry permit of foreign workers has led to foreign workers who left the country not being able to return or being replaced. As such, the shortage of foreign construction workers is greatly felt in the entire industry. The shortage of foreign construction workers, if left unattended will eventually undermine the government's effort in rolling out new construction projects to stimulate the economy. But with the expectations of better global health performance and gradual opening of country borders, greater cross-border labour mobility is anticipated. Hence, the number of foreign workers is projected to increase with the acceleration of construction and main projects that were temporarily suspended during the pandemic. Nonetheless, the government continues to encourage productivity improvements through automation and digitalisation, particularly in labour-intensive industries. These efforts are expected to reduce the dependence on migrant workers, thus allowing for more job opportunities in the market for Malaysians. To enhance project performance and productivity, technological applications are adopted such as the usage of drone to capture the progress of works for accurate and speedy reporting and customised software for recording and filing of documents in some of the projects undertaken.

According to the Economic Outlook Report 2022 released by the Ministry of Finance in October 2021, the construction sector contracted by 19.4% in 2020 and 0.8% in 2021 with the value of construction projects awarded declining by 22.6% to RM86.7 billion for 2020 compared with RM112 billion for the year before as reported by the Construction Industry Development Board. The domestic economy is forecasted to expand between 5.5% and 6.5% in 2022, while construction sector is expected to grow 11.5% on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects. Nevertheless, the favourable outlook is predicated on strong economic fundamentals and a diversified structure, including the successful containment of the COVID-19 pandemic, effective implementation of the National COVID-19 Immunisation Programme and strong global economic prospects.

For the whole of 2021, we have only one active on-going project i.e. construction and completion of the CRJ4 Project at Cyberjaya Flagship Zone in Selangor for a contract sum of RM42.36 million. This project commenced in November 2018 and was initially due to complete in November 2021. This, however, was subsequently extended to April 2022 due to the delay by our client in securing approval of the consultant's design with the authorities. The completion date has since been further extended to November 2022 due to the delay caused by the MCOs imposed by the government. The contract sum for this project was previously revised downwards to RM37.99 million at the end of 2020 after taking into consideration adjustments made to the quantity and prices of certain raw materials to be used in the project. After an assessment was made during the year, the contract sum was revised upwards to RM41.30 million at the end of 2021 in view of actual quantity becoming more apparent. At the end of the year, the actual progress of works was 81% (2020: 53%) against the planned progress of 86% (2020: 72%). The delay in the progress of the project was mainly attributable to further MCO and restrictions on the number of workers working at any one time imposed by the government. On this reason we have made a third application for extension of time to complete the project by the first quarter of 2023, the outcome of which is still pending approval. As this project utilises quite a fair quantity of steel pipes and bars, we were fortunate to have locked in the price of steel pipes well before the imposition of the MCO. In respect of steel bars, we have purchased 94% of our required quantity by the end of 2021. We foresee that the overall project cost will not be significant impacted.

The construction industry is notably highly competitive given the numerous players with different strengths and capabilities. It is also a sector that is fraught with tremendous risks ranging from, amongst others, delay in completion, insufficient operating cash flow and compliance with environmental, health and safety regulations. To be able to survive the keen competition and staying afloat, we have several strategies in place, including having the financial strength, adequate banking facilities and requisite ISO accreditation to provide us with a competitive edge. At present, we have been accorded the ISO 9001:2015 under SGS United Kingdom and Malaysia for Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts, which is valid until 2023. Other business strategies include providing propositions on viable infrastructure projects to be considered by the state governments.

In terms of financial performance, we achieved a revenue of RM14.84 million as compared to a year ago of RM12.67 million. Despite the increase in revenue, we posted an operating loss of RM0.97 million against an operating profit of RM0.52 million in 2020 on account of a downward revision in the estimated project margin for the CRJ4 Project due principally to the increases in prices of steel bars at the end of 2020. Nonetheless, 2021 was an eventful year for us as our persistent efforts in tendering for new projects has borne fruits where in the last quarter of 2021, we managed to secure two packages of the 700 MLd Phase 1 of Rasau Water Supply Scheme from Air Selangor of about RM896 million on an open tender basis. These newly secured projects will contribute positively to our financial performance for the next three years from 2022 to 2024.

“

2021 WAS AN EVENTFUL YEAR FOR US AS OUR PERSISTENT EFFORTS IN TENDERING FOR NEW PROJECTS HAS BORNE FRUITS WHERE IN THE LAST QUARTER OF 2021, THESE NEWLY SECURED PROJECTS WILL CONTRIBUTE POSITIVELY TO OUR FINANCIAL PERFORMANCE FOR THE NEXT THREE YEARS FROM 2022 TO 2024.

”

WASTE MANAGEMENT

SWM Environment Holdings Sdn. Bhd. ("SWMEH")

As with the other business divisions of our Group, our waste management division too, had its fair share of challenges as the COVID-19 pandemic continued to affect business sentiments. The enforcement of MCOs and the NRP have had dire consequences on the economic sector, particularly those that are engaged in the retail and hospitality sectors. However, when compared to most of the other segments of industries, our waste management business was fortunate not to be severely impacted by the pandemic, as waste management is categorised as one of the sectors that provides essential services to the public and therefore, was allowed to operate without much undue limitations. As part of the health and safety measures and precaution to prevent the widespread of COVID-19, amongst our staff, including the frontliners, strict SOPs have been put in place requiring our staff both at the head office and our operational sites at Negeri Sembilan, Melaka, Johor to wear face masks, minimising physical contact via online meeting, adhering to social distancing protocols and regular disinfection of the workplace including all of the vehicles and equipment that we use for our daily operations.

Other than the rollout of the national vaccination programme by the Ministry of Health, we are also working closely with several other government agencies namely, the COVID-19 Immunisation Task Force and district offices under respective local councils to ensure every of our staff employee receive receives the COVID-19 vaccination promptly. Presently, all of our employees have been fully vaccinated with double doses whilst a number of them have either obtained or in the midst of getting their booster shots.

Maintaining a safe and healthy environment at work is one of our top priorities under our ESG considerations as we value the contribution of a large base of our employees of over 8,000 personnel. We take pro-active actions to prevent and minimise the number of workplace accidents by promoting the "Jom Kerja Selamat" campaign by conducting a total of sixty-four health and safety awareness activities during the year including creating and disseminating operational manuals, implementing safety training programmes, as well as establishing and enforcing hazardous materials handling policies. We are proud that we do not have any fatalities recorded at our workplace attributable to inadequate safety procedures.

As the operations are highly labour intensive involving both the waste collection and public cleansing activities, shortage of manpower, especially the operatives, is one of the key issues for us as the recruitment of foreign workers has been frozen and the hiring of local workers remains an uphill task as the notion of waste management being perceived to be in the 3D sector i.e. dirty, dangerous and difficult, is strongly engrained amongst the local workers. Currently, foreign workers account for up to 10% of our total workforce, down from 15% previously. Nevertheless, were able to mitigate the shortage of operating manpower from 410 headcount in 2020 to 306 headcounts in 2021. With the high unemployment rate brought about by the economic downturn, more hiring of locals took place these past two years, thus temporarily easing the manpower shortage with higher numbers of recruits and lower manpower turnover rate of less than 2%. However, with the gradual improving economic situation expected in 2022, it is anticipated that attrition rate would progressively rise again. To reduce dependency on the use of labour over the long term, we will be introducing as part of operational optimisation, new mechanisation for the labour-intensive cleansing activities particularly in grass cutting and drain cleansing.

"OUR HUMAN RESOURCE DEPARTMENT HAS BEEN KEPT CONSIDERABLY OCCUPIED WITH DRIVING CONTINUOUS EFFORT IN DEVELOPING KNOWLEDGE, SKILLS, COMPETENCIES AND CAPABILITIES OF OUR WORKFORCE BY EXPOSING THEM TO APPROPRIATE AND CONSISTENT TRAINING WITH THE OBJECTIVE OF BOOSTING PERFORMANCE AND PRODUCTIVITY AT THE WORKPLACE."

As most industries are progressing towards technological advancement and innovation, our human resource department has been kept considerably occupied with driving continuous effort in developing knowledge, skills, competencies and capabilities of our workforce by exposing them to appropriate and consistent training with the objective of boosting performance and productivity at the workplace. Towards this end, we have conducted 649 training programmes during the year which benefited about 3,700 of our employees and a total of 8,335 training hours was logged. In line with the fifth cluster of the National Hygiene Policy - Empowering Human Capital Capacity through strategies to improve the productivity and quality of workers through continuous training towards highly skilled workers, we have been working closely with Solid Waste and Public Cleansing Management Corporation ("SWCorp") and the Skills Development Department to roll out the National Dual Training System ("SLDN"). Through this initiative, 388 of our staff from Negeri Sembilan, Melaka and Johor offices who participated in the upskilling programme related to solid waste collection, public cleaning, treatment and disposal of solid waste were awarded the Malaysian Skills Certificate Level 2 at the first SWCorp Convocation Ceremony held towards the end 2021. SWCorp is a government body under the Ministry of Local Government and Housing tasked with the responsibility to regulate solid waste management and public cleansing in the seven states in Peninsular Malaysia that adopt the Solid Waste Management and Public Cleansing Act 2007 (Act 672).

Being an important stakeholder, we work and collaborate closely with SWCorp in implementing the National Solid Waste Management Policy. Optimization of operational efficiencies, via integrated system such as The Integrated Inventory Data System ("PIDB" – Sistem Pusat Data Inventori Bersepadu) to capture inventories as well as on ground improvement in sump measurement were used extensively to provide updated data. Similarly, for the Intelligent Work Scheduling System ("i-jadual") which is integrated seamlessly with the Online Job Completion Report ("LSK"- Laporan Siap Kerja), Automatic Vehicle Locator system ("AVLS") and SWCorp's online payment ("SPBP" – System Pengurusan Bayaran Perkhidmatan) that facilitates prompt billing and expedites online payment process. In addition, the online ticketing system through Sistem Pemantauan Kawalan Kebersihan ("SPKK") which can also be accessed by all the concessionaires in monitoring and reporting work performance on the ground KPI issued by SWCorp are immediately remedied while enhancement efforts made to the mResponz to alleviate the LSK completion process for supervisors to submit online reporting of work done to SWCorp. More importantly, the strategic partnership with SWCorp and other concessionaires in utilising the Command, Control, Communications, Computers, and intelligence (C4i) Centre located at Cyberjaya towards effective monitoring of solid waste and public cleansing activities has greatly elevated the level of service for the whole waste management industry. We are also working

Management Discussion and Analysis

towards automating and digitising some of our processes to further improve on our operational and costs efficiencies such as the Internal Complaint and KPI Monitoring Application (SPEED Apps) to identify any non-compliance to work quality on the ground, eNTC System for sub-contractors to rectify work quality issues before any KPI penalty is issued.

Other than our core business activities, we have been actively organising sustainability initiatives and participating in various community programmes as part of our Corporate Social Responsibility ("CSR"). Consistent communication, education and public awareness ("CEPA") initiatives on environmental and recycling benefits had resulted in the birth of the KITARecycle programme in 2018. This programme aims to encourage the general public to undertake recycling activities under the 3R concept of "Reduce, Reuse and Recycle" to reduce the amount of waste illegally dumped or that ends up in the sanitary landfills. The objective of this programme is also aim at gradually making it a habit, as well as the opportunity for the public to earn and collect Recycling Point ("RP") that can be redeemed for cash through online banking. Further details of our sustainability credentials can be found in the Sustainability Statement within this Annual Report.

"OTHER THAN OUR CORE BUSINESS ACTIVITIES, WE HAVE BEEN ACTIVELY ORGANISING SUSTAINABILITY INITIATIVES AND PARTICIPATING IN VARIOUS COMMUNITY PROGRAMMES AS PART OF OUR CORPORATE SOCIAL RESPONSIBILITY ("CSR")."

The concession under the division prescribes for a tariff review after 7 years into the concession i.e. by September 2018. However, the tariff review negotiations have not been concluded although there had been numerous ongoing discussions and meetings over the years. As a result of the delay in resolving this issue, our waste management division's financial position does not afford an ability to replace its entire aging fleet of vehicles and equipment. Currently, approximately 40% of the vehicles and equipment require replacement to ensure our service levels are maintained. Despite the shortcomings, the management have been able to ensure that the fleet and equipment availability is met through increased efforts in preventive and scheduled maintenance.

Despite a challenging year, the total operating expenditure for the year recorded a slight decrease of 1.4% on the back of a 2.6% rise in operating revenue. Pending the second cycle concession tariff negotiations with the Federal Government, we have deferred our plan to replace the entire existing fleet of aging vehicles and other plant, equipment and machineries and this translated in a substantially lower depreciation charge of RM32.32 million (2020: RM53.95 million) for the year. As we have not incurred the budgeted capital expenditures, we focused instead on the replacement and refurbishment where required basis which resulted in an increase of 12% in repair and maintenance costs. Payroll and

"

FOR THE CURRENT FINANCIAL YEAR, THE COMPANY DECLARED A TOTAL OF RM133.04 MILLION OF DIVIDENDS TO SHAREHOLDERS, THE SAME QUANTUM AS IN THE PREVIOUS YEAR.

"

subcontractor costs accounted for a large component of total direct operating expenditure at 83% (2020: 80%). Attention is particularly directed at these cost considerations and continuous efforts in various staff retention programmes, rationalisation of overtime and staff allowances aimed towards managing the operational efficiency and productivity had resulted in a cost increase of 2.0% and 2.5% respectively in the management of staff and sub-contractor costs.

DIVIDEND POLICY

In 2015, the Group announced its dividend policy of a pay-out ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) subject to a number of considerations including the earnings, capital commitments, general financial conditions, distributable reserves and other factors. For the financial years ended 2015 to 2018, the Company declared total dividends of 4.80 sen per share for each of the financial year, before it gradually increased to 6.60 sen per share from the fourth quarter of 2019. For the current financial year, the Company declared a total of RM133.04 million of dividends to shareholders, the same quantum as in the previous year.

CORPORATE DEVELOPMENTS

Towards the end of 2020, the Group announced that it was venturing into the renewable energy sector, a move that is in line with the Group's ambitions to broaden its footprint in the infrastructure space. The venture involves the proposed acquisition of 100% interest in four solar projects with an aggregate capacity of 19.0-megawatt peak within the vicinity of Kuala Lumpur International Airport for a total cash consideration of RM181.60 million. This amount to be financed from our internal funds includes the purchase consideration and repayment of shareholders' loan. This acquisition complements our existing concession-based businesses where we seek to strengthen our capacity to provide steady and sustainable income to our shareholders. The acquisition represents a small but important step in our endeavour to grow this segment into a business that will contribute to the growth trajectory of our Group. The proposed acquisitions are expected to be completed by the second quarter of 2022.

ANTI-BRIBERY

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

Each business unit has its own compliance function to ensure the proper implementation of the Anti-Bribery Management System ("ABMS") adopted by the Group. In compliance with the Main Market Listing Requirements of Bursa Malaysia, we have uploaded our Anti-Bribery and Whistle-blowing Policies at https://taliworks.com.my/corporate-governance/. We have also made available a dedicated email address where reports can be channelled to the Whistle-Blowing Committee. Further details on how we have implemented the Whistle-blowing Policies are elaborated under Practice 3.2 of the Corporate Governance Report 2021, a copy of which can be found at https://taliworks.com.my/corporate-governance/ under the Corporate Governance Report section.

IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S BUSINESSES

Save for the highway toll concessionaire, operations and maintenance division which encountered a drastic reduction in the number of vehicles commuting along our highways for the past two years and the temporary suspension of construction activities from the imposition of the MCOs, the financial performance of the other two business divisions were minimally impacted as they are in the essential services sectors. The financial performance of the water treatment, supply and distribution business was in line with our expectations whilst the waste management division performed reasonably well despite the various operational challenges arising from the COVID-19 pandemic.

As the country move towards normalcy by the second quarter of 2022, it is envisaged that there will be a gradual recovery in the national economy as business sentiments return. Traffic numbers at both of our highways have rebounded fairly strongly with the ADT almost achieving the pre-COVID-19 traffic numbers. Whilst there are current concerns raised on the emergence of COVID-19 virus variants, at this juncture, the government has indicated that it is unlikely to be re-imposing a total lockdown which is more likely to cause considerable damage to the economic recovery. As such, we foresee that the impact of the COVID-19 will diminish in 2022 and the impact on us will be less severe as compared to the previous two years.

"

WITH THE AWARD OF CONTRACTS FROM AIR SELANGOR FOR THE DEVELOPMENT OF THE TWO PACKAGES UNDER PHASE 1 OF THE SUNGAI RASAU WATER TREATMENT PLANT AND WATER SUPPLY SCHEME, A LOT OF ATTENTION WILL BE PLACED ON OUR CONSTRUCTION DIVISION. THESE SIGNIFICANT CONTRACTS WILL CONTRIBUTE POSITIVELY TO THE REVENUE AND PROFIT OF OUR GROUP OVER THE NEXT 3 YEARS.

"

PROSPECTS

In March 2022, Bank Negara Malaysia reported that the Malaysian economy expanded by 3.1% in 2021, a rebound from a contraction of 5.6% last year, supported by the easing of movement curbs and higher vaccination. Bank Negara Malaysia further asserted that real gross domestic product for 2022 is expected to grow between 5.3% and 6.3%, underpinned by stronger global trade and the reopening of international borders. The central bank also indicated that it would remain focused on facilitating a sustainable economic recovery in 2022 against the backdrop of fast-evolving conditions and uncertainties surrounding COVID-19 developments, geopolitical conflicts and supply chain disruptions, among others.

In terms of the prospects of our Group for 2022, the water treatment, supply and distribution and the highway toll concessionaire, operations and maintenance divisions will continue to contribute significantly to our profits and cash flows. Our cash flow position is projected to remain relatively healthy from cash generated from these operations. Demand for treated raw water is expected to remain robust whilst revenue from toll collections is expected to improve in line with the higher ADT. However, the waiver of income tax for ten years from the year of assessment 2012 granted to Grand Saga for the discontinuation of toll collections at the Kuala Lumpur bound lane at Batu 9 toll plaza and the Kajang bound lane at Batu 11 toll plaza of the Cheras-Kajang Highway with effect from 2 March 2012, ended at the end of 2021. As such, statutory income generated from Grand Saga will be subjected to corporate tax from 2022 and this will result in a lower profit contribution from the company. As for the waste management division, SWMEH is expected to continue to grow its revenue from both solid waste collection and public cleansing services. In 2021, revenue grew by over 2.6% as more areas were serviced. As SWMEH is still in negotiations with the Federal Government on the second cycle tariff review, we are hopeful for a definite resolution which will put the waste management division in a better financial position.

With the award of contracts from Air Selangor for the development of the two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme, a lot of attention will be placed on our construction division. The commencement of work has begun with earnest and completion is expected by end of 2024. These significant contracts will contribute positively to the revenue and profit of our Group over the next 3 years. Whilst 2022 will see some contribution from these projects, a major portion of the revenue and profit will be realised in 2023 and 2024. Although we would be pre-occupied with these projects, the division will continue to pursue other infrastructure projects as we intend to build up our order book to achieve better economy of scales and cost advantage.

With the Federal Government's recent announcement to increase minimum wage to RM1,500 per month effective 1 May 2022, the Group will remain vigilant in terms of our cost optimisation strategy to mitigate the impact of the anticipated higher labour costs, especially in our waste management division. The minimum wage may also increase our cost in doing business if our suppliers and service providers were to pass on the higher cost to us. Current geopolitical tensions may also heightened the risk of price escalation of goods and services particularly utility, fuel and chemical costs.

OUR COMMITMENT TO STAKEHOLDERS

We strive to be an established infrastructure company with capabilities to design, build and operate an infrastructure project; providing end-to-end solutions to prospective customers

1 To provide sustainable and consistent return to our shareholders supported by existing long-term contracts and cash balances

2 To drive market capitalisation and dividend growth via value enhancing mergers and acquisitions (M&A) and new contracts

3 To perform all existing contracts efficiently while meeting all required KPIs under the contracts, in accordance to best practices and guided by international standards

4 To further develop and strengthen policies on environmental, social and governance (ESG) matters as well as risk management practices

5 To promote human resource capital development to enhance the worth of employees as an individual and as a valuable asset to the organisation

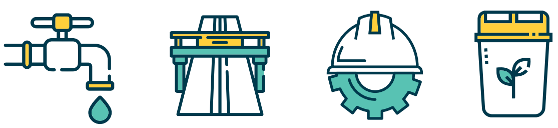
BUSINESS FOCUS AND STRATEGIES

We have identified the following strategic focus which will preserve and create long term value for our shareholders.

FOCUS

To perform obligations under existing contracts

DIVISION



GOALS

- To generate stable income by performing obligations under the contracts safely, securely, and efficiently
- To support the dividend-payout to our shareholders with cashflows from our existing contracts and the outstanding cash balances of the Group

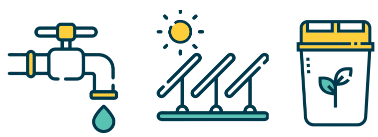
STRATEGIES

- To ensure operation is conducted efficiently by proactively monitoring and managing any potential issues
- To review and ensure operation procedures are in line with international standards and best practices
- To maintain ISO accreditations

FOCUS

To seek out new contracts and M&A opportunities

DIVISION



GOALS

- To tap into potential new infrastructure opportunities within the water industry via Construction, Operation & Maintenance, or Build-Operate-Transfer contracts, given the water industry is one of the Government's priority
- To establish a presence in the renewable energy space, such as solar (commercial & industrial) and waste-to-energy
- To secure new waste management contracts in other states or explore new waste management services
- To seek for brownfield infrastructure opportunities via M&A

STRATEGIES

- To engage in bilateral negotiations with Government by providing solutions to improve water distribution and production in selected targeted states and to actively participate in any tenders call by the Government
- To continue exploring opportunities in the renewable energy space, such as solar and waste-to-energy.
- To actively engage the relevant local government authorities, states and federal government

WE WILL DRAW UPON THE FOLLOWING RESOURCES TO ACHIEVE OUR STRATEGIC FOCUS

1 FINANCIAL CAPITAL

As at 31 Dec 2021, Taliworks has net assets of RM904.8 million and cash balances of RM457.1 million

Taliworks's PAT for FYE2021 is RM102.4 million

Taliworks has healthy cash balances and ability to gear up to pursue new contracts

2 MANUFACTURED CAPITAL

Each division has the necessary assets and infrastructure to perform its obligation under the contracts and is undertaking digitalisation efforts to increase efficiencies in their operations

For example, our water division utilises a Computerised Maintenance Management System (CMMS) and river monitoring system

Our waste division has the most physical assets, with a Fleet of approximately 1,600 mainly Compactors, ROROs and Suction Basin Cleaner fitted with GPS and fuel sensor for efficiency monitoring, and 27 in-house workshops and mobile tyre unit to ensure fleet and machines are in best working conditions

3 INTELLECTUAL CAPITAL

Each division has operating procedures which are guided by international standards

As part of Taliworks's efforts to be in the forefront of the water industry, the water division has a R&D team which explores new technology to be adopted in Malaysia (one of it being the membrane technology)

4 HUMAN CAPITAL

The group has a staff strength of over 9,000 staff

Each division is led by senior management team with multiple decades of experience

All employees are trained in areas of leadership development, technical aspects (relevant to their roles), occupational safety and health

5 SOCIAL AND RELATIONSHIP CAPITAL

Each division maintains strong relationship with the relevant authorities, contractors/ suppliers and the local communities it operates in

At Taliworks, there are also constant engagement with our shareholders, financiers, the investment community and the press

6 NATURAL CAPITAL

In line with Taliworks's Sustainability Framework, all divisions are working hard to minimise environmental impact of its operations

For more details, please refer to our Sustainability Statement included in this Annual Report.

OVERVIEW OF OUR STRENGTHS, OPPORTUNITIES, RISKS AND CHALLENGES

Business Strengths

1. Strong recurring income from water and toll division
2. Strong balance sheet with healthy cash balances and ability to gear up
3. Highly experienced senior management team
4. Established track record in the water infrastructure industry
5. Nature of business which have proven to be resilient against economic downturn

Industry Landscape

Identified opportunities and strategic priorities

The water industry has been identified as one of the Government's priorities

- As part of the 12th Malaysian Plan, the Water Sector Transformation 2040 was established to set strategic direction to ensure the water sector is a dynamic growth driver while ensuring water supply for all.
- We foresee new infrastructure opportunities in this sector which the group can readily tap
  - Resolving non-revenue water (NRW) issues, aging water infrastructure, scarcity of potable water in certain states, deteriorating raw water quality where new water treatment technology will be required

With the increased in the importance of environmental, social and governance (ESG) and Malaysia's commitment to achieve 31% of renewable target mix by 2025, and 40% by 2035, we believe there are opportunities for Taliworks to tap into the renewable energy space

To achieve resolution for the tariff negotiations for our waste and toll concession agreements

To further develop and strengthen policies on environmental, social and governance (ESG) matters and risk management practices in line with Malaysia's target of becoming a carbon-neutral nation by as early as 2050 and its commitments to reduce the greenhouse gas emissions intensity of gross domestic product (GDP) by 45% in 2030, as tabled under the 12th Malaysia Plan

Risk and Challenges

Taliworks's businesses engage in highly competitive markets with finite number of projects, and hence introduce risks in our ability to secure new projects

Given that Taliworks's businesses are all regulated businesses, Taliworks is susceptible to volatility of the political landscape in the country

Taliworks is susceptible to Inflationary pressures from rising cost supplies and raw materials, and shortage and higher cost of labour

Growing ESG awareness introduces new market standards and requirements which Taliworks has to adapt to.

The on-going COVID-19 pandemic introduces potential risk of operational interruptions for certain divisions

Board of Directors

Soong Chee Keong | Dato' Sri Amrin Bin Awaluddin | YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz | Dato' Lim Yew Boon

BOARD COMPOSITION

1 Independent Non-Executive Chairman

1 Executive Director

1 **Senior Independent Non-Executive Director**

4 **Independent Non-Executive Directors**

1 **Non-Independent Non-Executive Director**

Directors' Profile

Independent Non-Executive Chairman

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Date of appointment
27 November 2019

Malaysian | Age 45 | Male

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

Tunku Ali brings over 20 years of corporate experience to the board with extensive governance, strategy consulting and principal investing knowledge across different sectors.

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

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

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

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

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

Senior Independent Non-Executive Director

RAJA DATUK ZAHARATON BINTI RAJA DATO' ZAINAL ABIDIN

Date of appointment
2 July 2015

Malaysian | Age 73 | Female

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin ("Raja Datuk Zaharaton") was appointed as a Senior Independent Director on 17 February 2020. She also serves as the Chairman of the Remuneration Committee and the Nominating Committee of the Company since 13 February 2018 and 27 August 2019 respectively. As part of succession planning of the Company, she has been appointed as stand-in Chairman for the Board on 18 January 2018.

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

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

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

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

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

Executive Director

DATO' LIM YEW BOON

Date of appointment
1 March 2010

Malaysian | Age 63 | Male

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

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

Dato' Lim is currently the Executive Director of Parkwood Holdings Berhad and sits on the board since his appointment in 2003.

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

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

Independent Non-Executive Director

SOONG CHEE KEONG

Date of appointment
25 April 2013

Malaysian | Age 52 | Male

Mr. Soong Chee Keong ("Mr. Soong") serves as the Chairman of the Audit and Risk Management Committee since 15 September 2014 and as a member of the Remuneration Committee and the Nominating Committee of the Company since 2 July 2015 and 27 August 2019 respectively.

He is a member of the Association of Chartered Certified Accountants ("ACCA") and the Malaysian Institute of Accountants ("MIA").

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

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

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

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

Directors' Profile

Independent Non-Executive Director

DATO' SRI AMRIN BIN AWALUDDIN

Date of appointment
15 September 2014

Malaysian | Age 55 | Male

Dato' Sri Amrin Bin Awaluddin ("Dato' Sri Amrin") serves as a member of the Audit and Risk Management Committee of the Company since 15 September 2014.

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

He is currently the Group Managing Director and the Chief Executive Officer of Lembaga Tabung Haji. He was the Chief Executive Officer of Lembaga Tabung Angkatan Tentera until April 2021. He assumed several senior roles in the past being the Group Managing Director/ Chief Executive Officer of Sime Darby Property Berhad and the Group Managing Director of Media Prima Berhad. He was also the Managing Director of Boustead Holdings Berhad. Throughout his working career he holds several key positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

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

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

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

Independent Non-Executive Director

AHMAD JAUHARI BIN YAHYA

Date of appointment
2 July 2015

Malaysian | Age 67 | Male

Encik Ahmad Jauhari Bin Yahya ("Encik Ahmad Jauhari") serves as a member of the Nominating Committee of the Company since 2 July 2015.

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

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

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

Encik Ahmad Jauhari sits on the board of Cenergi SEA Sdn. Bhd. and Sapura Resources Berhad since his appointment in 2015 and 2016 respectively. He was appointed as the Deputy Chairman of Minconsult Sdn. Bhd. since 1 March 2020 and has been promoted to the Chairman of the said Company with effect from 1 January 2021.

He was appointed Nominee Director of Composites Technology Research Malaysia Sdn. Bhd. (CTRM) on 1 May 2021 to 30 June 2021 and Chairman/ Nominee Director on 1 July 2021 and also Director and Chairman of DRB-HICOM Defence Technologies Sdn. Bhd. (DEFTECH) on 1 May 2021. He was also appointed as Director of Perusahaan Otomobil Nasional Sdn. Bhd. and Proton Holdings Berhad on 13 December 2021.

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

He has attended four (4) out of five (5) Board meetings of the Company held during the financial year.

Independent Non-Executive Director

DATUK ROGER TAN KOR MEE

Date of appointment
27 November 2019

Malaysian | Age 60 | Male

Datuk Roger Tan Kor Mee ("Datuk Roger Tan") serves as a member of the Audit and Risk Management Committee of the Company since 27 February 2020.

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

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

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

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

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

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

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

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

Non-Independent Non-Executive Director

LIM CHIN SEAN

Date of appointment
23 May 2011

Malaysian | Age 40 | Male

Mr. Lim Chin Sean ("Mr. Lim") serves as a member of the Audit and Risk Management Committee as well as the Remuneration Committee of the Company since 15 September 2014 and 13 February 2018 respectively.

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

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

He sits on the board of Parkwood Holdings Berhad since 2007.

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

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

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

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT TALIWORKS

To ensure a progressive and inclusive future for all while looking out for business opportunities and risks, Taliworks (or the "Group") has incorporated key Economic, Environmental and Social ("EES") considerations into our operations, focusing on sustainability as a roadmap for shared success. As a provider of essential infrastructure and services, we believe these considerations will enable us to generate long-term shareholder value, lay the foundation for a sustainable society while playing an important role in advancing the interest of other stakeholders.

At Taliworks, we seek to create synergy between business goals and the wellbeing of the community, environment and the economy through the broad scope of our operations. We work hard to manage our EES activities while being guided by our corporate vision to leverage the long-term integration of sustainability into our business while generating positive economic results.

We strive to continue creating meaningful value for all our stakeholders and in that spirit, we have developed and introduced our Sustainability Framework as a result of thoroughly assessing our operations and sustainability ambitions. The Sustainability Framework will propel our sustainability journey and lay the foundation for the next phase of growth in which sustainability is embedded into our core business focus.

Reporting Period and Scope

We are committed to transparent reporting in order to ensure that we hold ourselves accountable to our goals. This Sustainability Statement, which covers the reporting period between 1 January 2021 and 31 December 2021 unless otherwise specified, encompasses Taliworks' key operations, its main subsidiaries, major joint ventures and associate companies - all located within the geographical scope of Malaysia. This Statement has been prepared in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Malaysia") related to Sustainability Statements in Annual Reports and is guided by the Global Reporting Initiative ("GRI") Standards.

OUR ROADMAP

2022 and Beyond

Operationalising Sustainability
Advancing our EES journey by driving high impact initiatives and further integrating sustainability into our core business practices

2021

Activating Sustainability
Accelerated our EES journey through the formalisation of our Sustainability Framework and setting in motion our progress through calibrating and setting internal time-bound targets

2020

Guiding Future Direction
Initiated the development of a Group-wide Sustainability Framework to centre our approach using core pillars and action plans

2018-2019

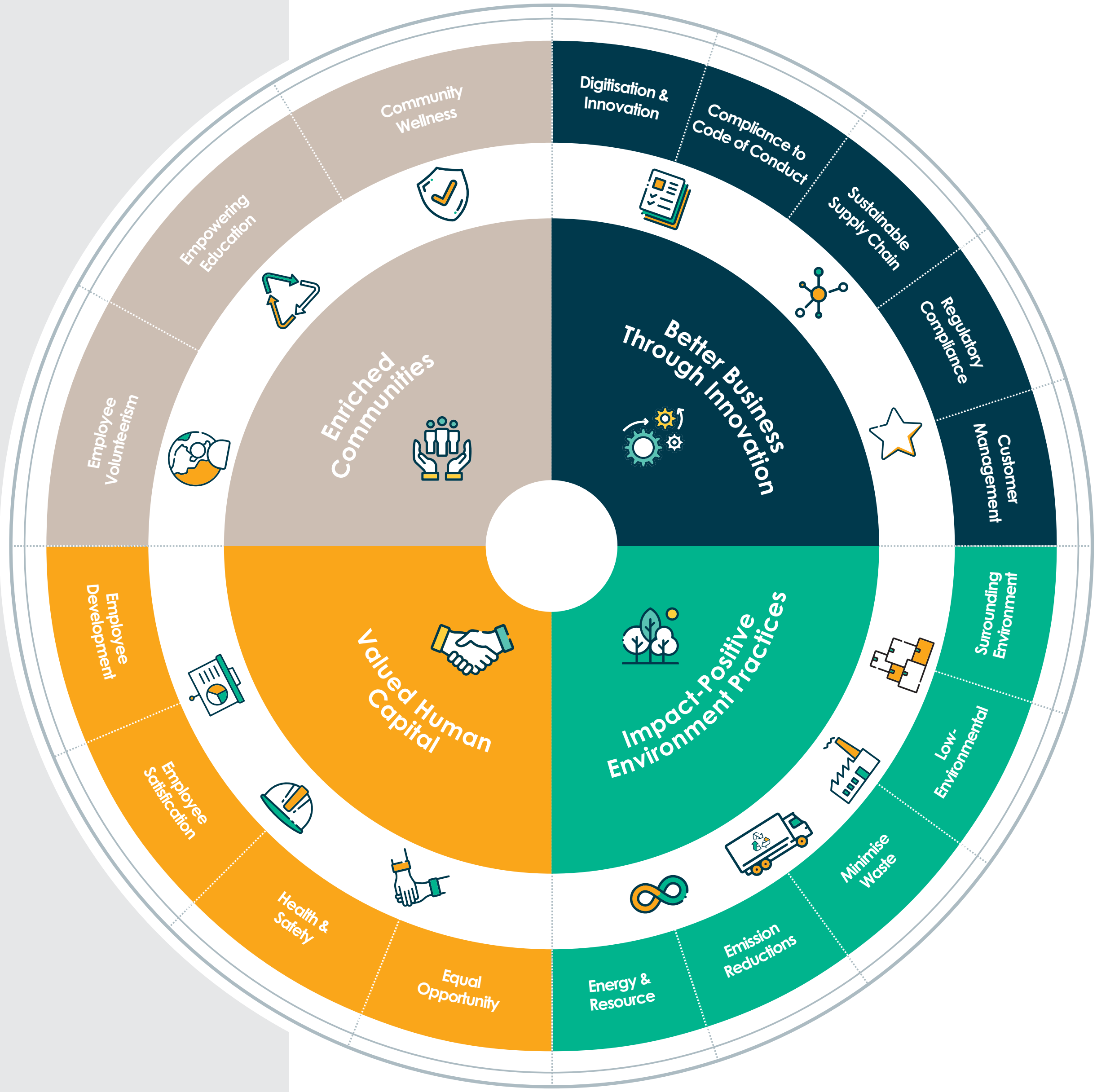
Instilling Sustainability
Guided our divisions in identifying relevant EES aspects and stakeholders, as well as how sustainability could spur growth, productivity and minimise risk

2017

Laying the Groundwork
Identified sustainability issues and established performance indicators

OUR SUSTAINABILITY FRAMEWORK

Throughout the years, we progressively laid the foundation to embed sustainability in our business, which has been a steep learning curve for all of us. This year, we are formalising our Sustainability Framework that will serve as a guide towards Taliworks' vision of delivering positive impact for the business, environment and communities in locations where we operate by incorporating sustainability practices into our business operations.



Four central pillars support the Sustainability Framework and ensure that all our operations are able to spur growth, enhance productivity and effectively minimise sustainability risks.

Better Business Through Innovation

Leveraging technology and innovation for the creation of products and services to increase sustainability of our business and value chain.

Impact-Positive Environmental Practices

Minimising the impact of our operations on the environment and proactively responding to climate change through positive actions.

Valued Human Capital

Creating a safe and healthy working environment.

Enriched Communities

Making meaningful contributions to the communities around us through service that enriches lives.

We have established 17 ambitions aligned to the EES aspects that come under these pillars to set the tone for our sustainability agenda and guide the development of the sustainability initiatives. Taking a co-development approach, we engaged with division heads and decision makers to calibrate and set purposeful internal time-bound targets for each ambition, as well as monitoring processes and high impact programmes to incorporate sustainability practices into the core of our business. Some of the material sustainability targets that we intend to follow closely are disclosed under the "What We Want to Achieve by 2025" section. The Sustainability Framework will guide the next stage of our sustainability journey through deepening our engagements and investments for a more sustainable future. Guided by the Sustainability Steering Committee ("SSC") after a stakeholder engagement exercise in early 2021, the Sustainability Framework was reviewed and endorsed by the Executive Committee ("EXCO") and received approval in March 2022 from the Board of Directors for adoption.

OUR AMBITIONS

PILLAR I

Better Business through Innovation

AMBITIONS

Digitisation and Innovation to Drive Business Growth

Invest in innovation and digitisation to drive business growth

Compliance With Taliworks' Code of Conduct

Enforce zero tolerance for non-compliance on Taliworks' Code of Conduct, including our whistleblowing, anti-corruption and anti-bribery policies

Reinforcing a Sustainable Supply Chain

Extend our Sustainability Procurement Policy by incorporating enhanced supplier screenings which our key suppliers will adhere to minimum good practices

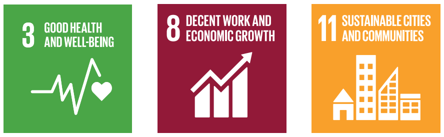
Ensure Regulatory Compliance

Committed to full compliance with applicable laws and regulations, as well as applicable business regulations and protocols

Enhance Customer Management

Achieve above average customer satisfaction rates across our business divisions

RELATED SDGS



PILLAR II

Impact-Positive Environmental Practices

AMBITIONS

Energy & Resource Efficiency

Improve water and energy consumption of our operations by increasing efficiency and the use of diversified energy sources

Towards Emissions Management

Continually innovate to manage emissions from our operations

Minimise Waste

Generating less waste at source and increasing recycling efforts

Towards Consumption of Low Environmental-Impact Materials

Increase use of low-environmental impact materials within our operations

Minimise Impacts on our Environmental Surroundings

Minimising the impacts of our operations on the surrounding ecosystems

RELATED SDGS

PILLAR III

Valued Human Capital

AMBITIONS

Advance Employee Development

Develop our valued employees' professional growth by ensuring our employees undergo structured performance reviews, supported by robust development plans and training

Enhance Employee Satisfaction

Positively engage our employees and achieve an employee satisfaction score of 80% and above

Prioritise Safety & Health

Prioritise our employees' safety and health through robust management plans, striving for zero fatality

Equal Opportunities Employer

Promote equal opportunity in our employment practices

RELATED SDGS

8 DECENT WORK AND ECONOMIC GROWTH

PILLAR IV

Enriched Communities

AMBITIONS

Volunteering to Uplift Communities

Encourage employees to volunteer in our community projects to uplift the communities in which we operate

Empower Communities Through Education

Empower our communities by focusing on education initiatives

Support Community Wellness

Support community wellness through our community projects

RELATED SDGS

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

WHAT WE WANT TO ACHIEVE BY 2025

With the Sustainability Framework as our compass, we have set out purpose-driven targets under each ambition of the four pillars. Our targets are time-bounded to keep progress on track through 2025. Below are our selected targets that we intend to follow closely to achieve the objectives of each ambition:

Compliance to Code of Conduct

TARGETS

- Formulate structured Anti-Corruption and Anti-Bribery e-learning modules
- Enhance existing Anti-Corruption and Anti-Bribery policies and practices

Ensure Regulatory Compliance

TARGETS

- Comply to relevant and applicable regulatory requirements and ensure no breach of compliance

Energy & Resource Efficiency

TARGETS

- Track water and energy consumption for relevant business divisions where material to the operations
- Increase energy saving initiatives and assess feasibility of supplementing existing energy sources with renewable energy and roll out plan

Prioritise Safety & Health

TARGETS

- Achieve annual occupational fatality rate below national annual rate, and Group-wide average of 400,000 man-hours without lost time injury

Advance Employee Development

TARGETS

- 100% of permanent employees will undergo yearly performance reviews
- Continue to drive training and development programmes focused on developing industry-related skills and building leadership capacity

Volunteering for Community Wellbeing

TARGETS

- Encourage employee participation in community programmes and to volunteer for company-approved community programmes
- Continue to strategically contribute to community investment initiatives

SUSTAINABLE DEVELOPMENT GOALS

Aligning with the UN SDGs

Our 17 ambitions under the respective pillars with internal time-bounded targets and specific goals are aligned towards meaningfully contributing to the achievement of the United Nations Sustainable Development Goals ("UN SDGs"). These UN SDG targets selected have been aligned in recognition of the broad scope of our operations and how we can progress towards achieving the UN SDGs.

STAKEHOLDER ENGAGEMENT

In our work and decision-making process, we encounter a diversity of perspectives from stakeholders who represent different and often, competing interests. We value these diverse perspectives and seek to understand what matters to stakeholders through building strong and constructive relationships while engaging them regularly. Our understanding of these interests and relationships are gathered through multiple channels of engagement, enabling us to identify and assess key risks and opportunities that can ensure long-term sustainable growth and economic value.

Multiple channels are used for engaging our stakeholders to obtain a comprehensive understanding of their views. Due to the COVID-19 pandemic, we continued to conduct virtual engagements where possible with limited in-person engagements. The table below is an overview of our engagement mechanisms for each stakeholder group.

Employees

Engagement Mechanisms

- Code of ethics
- Employment handbook
- Employee engagement programmes
- Internal training, webinars, workshops
- Newsletters
- Surveys
- Internal communications
- Team meetings
- Town hall meetings
- Interviews
- Peer reviews
- Performance appraisal
- Whistle-blowing channels

Our Engagement Strategy

Employees of all backgrounds can find a place to grow and thrive with us as we provide equal workplace opportunities. We provide employees with benefits that are relevant and cater to their needs. We respect their rights and prioritise workplace safety as well as work-life balance. To further their professional development, we provide career development opportunities.

Customers

Engagement Mechanisms

- Social media
- Suggestion box
- Surveys
- Service hotline
- Mobile and email communication
- Operational meetings
- Whistle-blowing channels
- Town halls

Our Engagement Strategy

Prompt responses, excellent service quality and competitive pricing form the core focus areas of our customer engagement efforts as they are important to building and strengthening Taliworks' credibility while ensuring adherence to best practices. Our end goal is to meet and exceed customer expectations in our deliverables and at the same time, provide exceptional customer service.

Government

Engagement Mechanisms

- Physical and virtual conferences, exhibitions, talks
- Periodical reports
- Face-to-face and virtual meetings
- Press releases
- Audits

Our Engagement Strategy

Developing and maintaining meaningful relationships with government stakeholders is important as they provide regulatory oversight and leadership while also being a part of our customer base. Ensuring excellent quality of service, competitive pricing and regulatory compliance is how we remain a trusted partner and responsible corporate citizen.

Regulators

Engagement Mechanisms

- Periodic reports
- Conferences
- Regulatory meetings
- Press releases
- Peer reviews

Our Engagement Strategy

As an infrastructure conglomerate with operations spanning multiple industries and regulatory bodies, we adhere strictly to the rules and regulations through monitoring proper standard operating procedures and corporate governance practices.

Shareholders, Investors, Financiers and Analysts

Engagement Mechanisms

- Physical and virtual conferences
- Press releases
- Face-to-face and virtual meetings
- Annual general meetings
- Fund managers' and analysts' briefings
- Dedicated email channels
- Public announcement to the stock exchange
- Annual Reports
- Company website
- Whistle-blowing channels

Our Engagement Strategy

We provide insight into the Group's financial and operational performance, strategy and risk management as well as environmental, social and governance practices through regular updates. These updates are provided to shareholders, investors, financiers, and analysts to give them an understanding of our business plans and strategies, financial performance, project and business operations updates, as well as information on corporate exercises undertaken.

Local Communities

Engagement Mechanisms

- Community programmes
- Press releases
- Community meetings
- Whistle-blowing channels
- Mobile and email communication

Our Engagement Strategy

We take care of the wellbeing of the local communities in which our projects and operations are located, providing them with updates and encouraging their participation in our engagement for the communities. We manage environmental hazards in a safe and responsible manner, take a proactive approach to health and safety issues, and manage complaints and feedback effectively.

Suppliers

Engagement Mechanisms

- Reply to queries
- Tender briefings
- Operational meetings
- Request for proposal/ quotation
- Site visits
- Mobile and email communication
- Whistle-blowing channels
- Performance Survey
- Performance Evaluation

Our Engagement Strategy

We maintain fair procurement practices and provide informative and transparent tendering processes for our suppliers. At the same time, we keep them abreast of our current business standing and uphold health and safety controls.

Media

Engagement Mechanisms

- Advertising
- Community programmes
- Face-to-face and virtual meetings
- Press releases
- Company website
- Mobile and email communication
- Social gatherings

Our Engagement Strategy

We provide timely and accurate information on our business direction, impact and financial performance to the public beyond our immediate stakeholders through meaningful engagements with the media.

MATERIALITY

As we focus on our sustainability journey and shape our approach to it through the EES topics, Taliworks endeavours to understand what matters most to stakeholders too. These stakeholders' priorities are considered alongside what has the biggest impact on the Group and our ability to create value. Together with our stakeholders, we are able to map our key EES topics across our diverse business operations.

To identify and prioritise material issues that are strategically important to the Group and our stakeholders, we conducted a high-level refreshed materiality assessment in January 2022 to guide our sustainability disclosure and further refine our Sustainability Framework. The assessment provides us a window into how important sustainability is to our stakeholders. Due to the pandemic restrictions, we opted to use an online survey to collate internal stakeholder input for this assessment.

Identify

Identified key material topics through analysis of current global and industry trends, business developments, our value chain, stakeholder engagements, and closer examination of the Group's priorities. We also took into consideration to start aligning with the pillars and ambitions under the Sustainability Framework.

Engage

Conducted an online survey with internal stakeholders to gauge their level of importance of each material topic.

Prioritise

Collated and analysed online survey results to identify material topics of greatest importance to stakeholders and Taliworks.

Based on the assessment and our analysis, we identified 15 material topics this year compared to 13 material topics in 2020. We were able to confirm that most material topics are still relevant in 2021 where we aligned the topic titles and topic descriptions with global trends as well as our sustainability progress and goals. In recognition of the transition to digitisation as part of The Fourth Industrial Revolution ("IR 4.0"), which has accelerated during the pandemic, we have introduced cybersecurity ("Data Protection and Privacy") as a material topic to safeguard the personal data of our employees and customers as well as prevent and manage cyber-attacks. In line with the industry focus on human capital development, employee training ("Advancing Training and Development") is now a standalone material topic.

We mapped the 15 material topics into the materiality matrix, gathering input on topic priority via the survey conducted with our most material stakeholders. From this mapping, "Prioritising Workplace Safety and Health" was identified as the most important material topic among stakeholders and to the Group, given the nature of Taliworks' operations, coupled with the challenges of business continuity during the pandemic. We address this topic by complying with regulatory requirements as well as implementing robust health and safety practices. The topic of "Business Ethics and Compliance", which aligns with our focus on integrity and responsibility in business practices, was also identified as highly important, followed by the new topics of "Data Protection and Privacy" and "Advancing Training and Development".

OUR MATERIAL TOPICS

Better Business Through Innovation

MATERIAL TOPICS

Business Ethics and Compliance

Enabling responsible leadership and governance through industry best practices and risk management whilst maintaining operations by building a culture of good business ethics and regulatory compliance amongst employees and throughout the value chain.

Product Stewardship

Responsible management of our products and services to ensure safety, quality and reliability of our solutions throughout their lifecycle.

Customer Management

Nurturing and maintaining positive customer relationships across the Group through customer service excellence.

Digitisation and Innovation

Adopting innovative strategies, digital solutions and new technologies for business growth and operational efficiency to streamline processes and improve our service quality.

Data Protection and Privacy

Upholding data protection practices to safeguard the security of customer and employee personal data.

Sustainable Supply Chain Practices

Responsible procurement practices through consideration of EES factors throughout the supply chain in order to acquire quality products and services to our customers. Responsible selection of suppliers to encourage compliance and adherence to our policies and procedures.

Enriched Communities

MATERIAL TOPICS

Community Investment

Investing in and empowering our communities by actively contributing to engagement programmes centred around community, environment and education activities.

Valued Human Capital

MATERIAL TOPICS

Engaging Our People

Building a productive, strong and inclusive workforce by regularly engaging with our people for a more harmonious work environment and culture.

Advancing Training and Development

Continuously equipping our people with the necessary skills to remain relevant in the workforce for the future.

Prioritising Workplace Safety and Health

Prioritising safe and healthy working conditions for our people to minimise the risks of accidents and injuries across our operations through strict adherence to the required Occupational, Safety and Health Standards.

Impact-Positive Environmental Practices

MATERIAL TOPICS

Noise management

Monitoring and managing noise emissions from Taliworks operations.

Resource Efficiency and Management

Monitoring and managing the consumption of water, energy and material resources to ensure its efficient use whilst mitigating its impacts to the surrounding environment.

Greenhouse Gas Emissions

Monitoring and tracking to manage greenhouse gas ("GHG") emissions in line with environmental regulations and service requirements.

Waste and Effluent Management

Responsible management of waste and effluents across our operations through close monitoring and tracking of waste generated by Taliworks from business operations to reduce waste to landfills and strengthen nationwide recycling culture.

Managing our Environmental Footprint

Minimising the impacts of our operations to avoid or reduce potential harm to the natural environment and the biodiverse species that live in it.

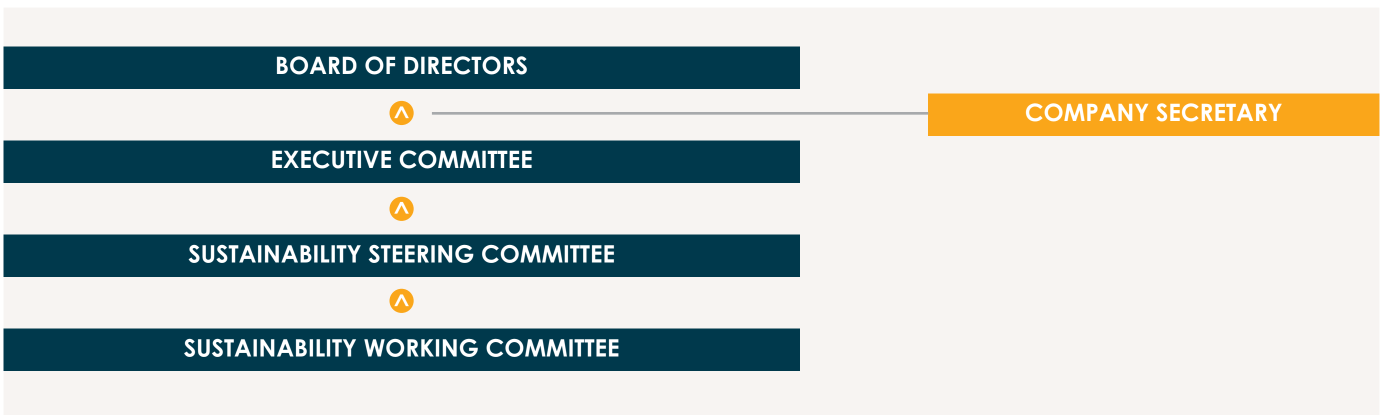
SUSTAINABILITY GOVERNANCE

Taliworks is focused on our sustainability commitments. This is ensured by the governance structures that we have in place, which not only enable us to deliver on the Group's sustainability agenda but also ensure that we are accountable and transparent. Our governance structure also ensures that the Board of Directors and senior management teams remain focused on sustainability - maintaining strong leadership to guide the Group through its sustainability journey.

We have a structured approach for the implementation of our sustainability initiatives, with the SSC guiding and implementing our sustainability measures, supported by the Sustainability Working Committee ("SWC"). At minimum, the SSC shall comprise five members, with composition in 2021 representing Group Finance, Corporate Communications, Group Administration, Group Human Resource and the waste management division. The Group's business divisions are equipped by our governance standards and Group structure - to help in addressing their unique EES risks in line with our sustainability and business priorities. The respective business heads of these divisions implement and manage these initiatives, with the SSC providing annual updates to the Board. The Board is responsible to review the Group's efforts in the implementation of sustainable business practices covering EES considerations.

In efforts to stay abreast with sustainability issues, members of our senior management attended an ESG risk management briefing in 2021 to learn and understand how to manage environmental, social and governance ("ESG") risks and opportunities. This briefing also illustrated methods for the implementation of sustainability practices across the Group's operations and the ways in which these risks and opportunities can be leveraged. We look forward to continuously learning and keeping on top of the ever-changing sustainability landscape.

Information on Taliworks' corporate governance framework, including detailed context on the sustainability governance structure's position within the Group's overall governance structure is contained in the Corporate Governance Overview Statement of this Annual Report. The Group's risk management practices are elaborated under Section 5.0 of the Statement of Risk Management and Internal Controls included in this Annual Report.



MANAGING OUR ESG RISKS

The Group is aware of the various ESG risks and concerns. This year, we have taken steps to manage these risks by having them incorporated into the Enterprise Risk Management ("ERM") practices of the Group where the impact of ESG risks are cross-mapped to the identified operational and other risks in the Risk Register. Our enhanced ERM practices enable us to drive sustainable outcomes for our business by enabling the identification, evaluation, monitoring and management of principal risks that can affect the Group's business objectives.

The ERM key practices to identify, measure, control, monitor and report risks are outlined as follows:

IDENTIFYING RISKS

PRIORITISING RISKS

RESPONDING TO PRIORITISED RISKS

For further details on the steps under the ERM practices, please refer to the Statement on Risk Management and Internal Control of this Annual Report.

The effective management of risks in Taliworks is carried out by the Audit and Risk Management Committee ("ARMC"). To ensure that the Group's systems, practices, and resources are continuously enhanced, the ARMC oversees risk management and internal control assessment, assisted by the Risk Management Working Group ("RMWG") for the risk management function and the Internal Audit department for internal control function. Management holds responsibility for the system of internal controls.

The RMWG ensures consistent assessment of risks by applying a risk-rating matrix which maps out the likelihood of risks and how they may affect the financial and non-financial considerations of the business based on each risk owners' best judgement and knowledge.

Taliworks is aware that climate change may have an impact on our business operations. Our Sustainability Framework is our compass to ensure we keep abreast of climate risks and manage them accordingly. This year, we took initial steps to enhance the transparency of our climate risk disclosure by cross-mapping our climate risk initiatives, working towards more comprehensive disclosures in subsequent Statements to be in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

For more information on how we aligned our actions with the recommendations of the Task Force on Climate-related Financial Disclosures, please refer to the Impact-Positive Environmental Practices section of this Statement.

BETTER BUSINESS THROUGH INNOVATION

We are enabling our business and value chain to evolve towards increased sustainability by investing in technology and innovation to create products and services that build a strong foundation for good conduct in our operations.

The work that we do plays an important role in nation-building. From providing safe drinking water to developing and maintaining critical infrastructure, we create significant value that contributes to the country's socio-economic development. As such, the focus on quality and reliability is essential to our operations. We adhere strictly to regulations and strive to provide end-users with sustainable business offerings of the highest quality. As the Group has diversified operations, each division has a unique approach to creating value for stakeholders, with their collective efforts driving our sustainability focus.

As a trusted service provider, it is important to us that we continue to meet the needs of our clients and community by maintaining our business resilience through the prolonged COVID-19 pandemic currently experienced globally. We leverage on our strong foundation of corporate governance, underpinned by our sound business ethics to continue our operations smoothly during this time of uncertainty.

BUSINESS ETHICS AND COMPLIANCE

We are committed to operating in an environment where all employees act with integrity and accountability, with responsible business practices being the cornerstone of our Group ethics and corporate culture. To ensure ethical business practices are upheld while aiming to prevent and manage fraudulent, unethical or illegal conduct among employees, we have related policies and procedures that prove our commitment to act responsibly and transparently. We have integrated compliance ambitions under Pillar I: Better Business Through Innovation of the Sustainability Framework - "Compliance With Taliworks' Code of Conduct" and "Ensure Regulatory Compliance" as we continue to incorporate sustainability deeper into our organisational structure.

We are guided by the following codes and policies:

Code of Business Conduct and Ethics for Directors

This outlines the Board of Directors' general principles and standards of business conduct and ethical behaviour.

In 2021: **The Code of Business Conduct and Ethics for Directors was revised to incorporate additional requirements from the Malaysian Code of Corporate Governance.**

Code of Conduct

The Code of Conduct ("CoC") is enclosed within the Employment Handbook and sets the policies and guidelines for employees on the standards and ethics to adhere to in the course of discharging their duties and responsibilities. The CoC is communicated to employees upon joining.

In 2021: **100% of employees are trained to adhere to the Code of Conduct.**

Whistle-Blowing Policy

This policy serves as a platform for any individuals who suspect or know of improper conduct, wrongdoing, corruption, fraud or abuse to channel and report their concerns.

Concerns can be raised by emailing the Whistle-Blowing Committee at we_hear@lgb.com.my where all access to information is treated with the strictest confidentiality.

Reported cases are informed by the Whistle-blowing Committee to the Executive Director, who then reports to the Board on a quarterly basis.

In 2021: **There were no cases involving bribery or corruption reported to the Whistle-Blowing Committee.**

Anti-Bribery Policy

The policy is the guiding principle on corporate liability for corruption aligned with the amendments to the Malaysian Anti-Corruption Commission Act 2009 in 2018, which includes a new Section 17A. It ensures that the Group's business activities and operations are free from all forms of bribery. Amongst the anti-bribery policies and procedures issued by Taliworks are:

- Conflict of Interest Procedures
- Donation and Sponsorship Procedures
- Facilitation and Extortion Procedures
- Gift, Entertainment and Hospitality Procedures
- Management of Business Associates Procedures
- Procurement and Tendering Procedures
- Whistle-blowing Procedures

The implementation of anti-bribery policies and procedures are undertaken by the Anti-Bribery Compliance function at each of the business divisions. All existing employees are trained annually on the Anti-bribery Policy while new employees are informed of the Anti-bribery Policy during their orientation.

We aim for all of our employees to have completed training in the Anti-Bribery Management System ("ABMS") that was introduced in 2020 to ensure they are aware of what constitutes bribery and corruption as well as how to manage potential or actual cases. As part of the ABMS guidelines, the anti-bribery training modules have also been incorporated into our annual employee training sessions this year.

In 2021: **100% of our employees completed training for the Policy**

To view our Anti-Bribery and Whistle-blowing Policies in detail, please visit https://taliworks.com.my/corporate-governance/

PRODUCT STEWARDSHIP

At Taliworks, we are proud to be trusted providers of services to our customers, from infrastructure development, water treatment, waste management to highway operations. Regulatory compliance is integral in our efforts to continuously enhance the stewardship of our services to add value and positively impact our end users. As part of our responsibility to our stakeholders, we take ownership and go above and beyond - to deliver the best possible quality of service for meaningful customer experiences across our four business divisions and value chain.

As a resilient business during the pandemic, we continued our operations as an essential service to ensure that our customers' needs are met and frontliners are able to travel smoothly to attend to those in need.

Water Treatment, Supply And Distribution

2021 HIGHLIGHTS

In process to obtain
ISO/IEC 17025
for the Sungai Harmoni Mini laboratories at Balancing Reservoirs

Participation in the
Hybrid Off River Augmented Storage
water quality monitoring with Air Selangor and Lembaga Urus Air Selangor to enhance water security

ZERO
water disruptions
at SSP1

Our Management Systems

- ISO 9001:2015
- ISO/IEC 17025:2017
- ISO/IEC 27001:2013
- National Dual Training System ("NDTS"): CM-060-2:2014 and CM-021-2:2014
- Practical Assessment Centre for Recognition of Prior Achievements: CM-060-2:2014, CM-021-2:2014, C331-033: 2017 and E-360-002: 2016

Regulations & Policies We Comply to:

- Water Services Industry Act 2006
- National Water Quality Standards for Malaysia
- Environmental Quality Act 1974 ("Act 127") - for all relevant regulations
- Occupational Safety and Health ("Act 1994")
- Prevention and Control of Infectious Diseases Act 1988
- Energy Commission Act 2001
- Factories and Machinery Act 1967
- Control of Supplies Act 1961

What does Product Stewardship mean to the Water Division?

With the conclusion of our contract for our operations in Pulau Langkawi in October 2020, we channelled all our efforts to the operations and management of the Sungai Selangor Water Treatment Plant Phase 1 ("SSP 1"). Business continuity for the water treatment, supply and distribution division over the last couple of years has proven critical because of the responsibility we hold to ensure continuous water supply to our customer and concessionaire agreement provider, Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"). We maintain this trust by monitoring the quality and quantity of water supplied as the metrics reflect the service levels provided. There were many challenges including consistently meeting customer demands for treated water and adhering to health and quality standards of consumption but the division took a proactive approach in managing these challenges with good risk management systems and regulatory compliance.

Ensuring High Quality Water

Due to the nature of our service, providing clean and potable water is our top priority. To ensure that water quality supplied to end users is of the highest quality for human consumption, we carefully monitor the water quality in our reservoir and catchment areas in partnership with the Ministry of Health ("MOH") and other stakeholders. Upholding our water quality standards is our top priority, hence we continuously make efforts to be proactive in the early detection of contaminated raw water. This ensures that any contaminated raw water receives the appropriate chemical treatment immediately to avoid further contamination, which can also reduce operational costs and risks.

To assist in ensuring water security and addressing water pollution in Selangor, we participated in the Hybrid Off River Augmented Storage ("HORAS") water quality monitoring with Air Selangor and Lembaga Urus Air Selangor ("LUAS") as part of the state government's initiative to increase the yield of raw water source for Sungai Selangor Water Supply Scheme (SSP1, 2 and 3). As part of our commitment to monitor water quality at Sungai Selangor, we will install a River Monitoring Station ("RMS") at Sungai Garing and continuously monitor the water quality.

We hold a responsibility to consistently and regularly conduct plant maintenance that ensures compliance with regulatory standards. As part of our procedures, testing of treated water produced is also done on a two-hourly basis to ensure we comply with the water quality parameters based on the MOH's National Drinking Water Quality Standards. The results of the water quality are shown in the chart below where we maintained a compliance rate of 99.99% in 2021.

COMPLIANCE RATE FOR SELECTED WATER QUALITY PARAMETERS
(Based on 2-hourly daily treated water samples taken)

Sungai Selangor Phase 1 Water Treatment Plant (SSP 1) (%)

2021	**99.99**
2020	99.99
2019	99.46
2018	99.20

Due to our diligent efforts adhering to regulatory standards and delivering consistently high quality water supply, we achieved zero disruptions reported at the SSP1 in 2021. We will continue our efforts to adhere to the regulatory standards to ensure that our water quality is maintained and future disruptions are avoided where possible.

Powered by our sustainable growth mindset, not only do we monitor our water quality, we owe our improvements in the water treatment process to the extensive research our division has conducted throughout the years, such as using alternative treatment chemicals to remedy occasional pollutants. In addition, we have started the process of obtaining ISO/IEC 17025, a microbiological accreditation, for the Sungai Harmoni laboratory.

Towards Operational Efficiency

We continue to actively pursue improving our systems to reduce plant water loss and boost operating efficiency through investing in various technical applications, such as the installation of power metre to enhance energy monitoring of all raw and treated water pumps, improvement of filter operation by upgrading the penstock mechanism and replacing the actuators, as well as actively monitoring all raw and treated water pumps performance. This resulted in a plant water loss of 3.74% in 2021, a reduction from 2020.

WATER LOSS AT PLANT

Plant water loss (%)

2021	**3.74**
2020	4.98
2019	7.62

Highway Toll Concessionaire, Operations and Maintenance Operator

2021 HIGHLIGHTS

6

external audits on certificate verification by the **MHA, toll collection system, and ISO 9001 recertification**

Maintained a

4 star rating

on Expressway performance indicator from the Malaysian Highway Authority for both Grand Saga and Grand Sepadu Highways

Approximately

RM6.36million

invested on highway maintenance

Our Management Systems

- ISO 9001:2015 for provision of Highway Maintenance and Toll Collections (Grand Saga)
- MS ISO 9001:2015 for Operation and Maintenance of Highway (Grand Sepadu)

Regulations & Policies We Comply to:

- Malaysian Highway Authority ("MHA") Guidelines for Monitoring on Operating Procedures
- MHA Guidelines for Monitoring on Operation and Maintenance, including the Assessment for Operation Control and Maintenance for the Environmental Aspect for Highway Currently Operating and Under Construction
- Standard Operating Procedures Guidelines
- Procedure Maintenance For Toll Collection System - MHA & Concessionaire
- Procedure on Toll Collection System
- Procedure on Compensation, Revenue Sharing And Research Contribution, Highway Training and Development
- Standard Operating Procedure; Traffic Management Plan ("TMP") Guidelines
- Guidelines and Performance Guidance (KPI); Highway Patrol Service
- Standard Operating Procedure; "Pengalihan Kenderaan di Lebuh Raya"
- Other various Guidelines & Policies Issued by MHA

What does Product Stewardship mean to the Highway Division?

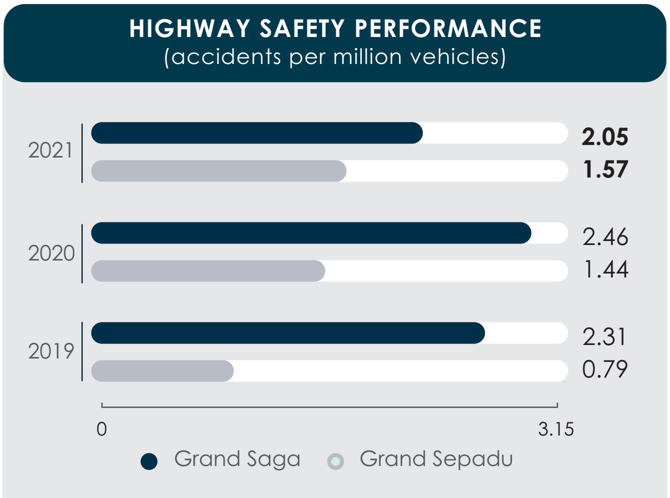
With highways forming the backbone of Malaysia's transportation infrastructure, Taliworks' highway division takes pride in the provision of the best possible road user experience to commuters of the Grand Saga and Grand Sepadu Highways. We do this by focusing on road safety and reduction in traffic congestion. It is through our highway network that we contribute to Malaysians' quality of life - through enabling faster travel times and commutes, efficient transportation of goods, and increased socioeconomic opportunities for income generation.

Securing the Safety of Our Road Users

As a highway toll operator, it is our responsibility to provide a safe and secure commuting experience for road users. We do this through conducting 24-hour monitoring and surveillance from our network of 20 CCTVs at strategic locations along the highways providing real-time updates on road conditions as well as daily routine inspections and on-site patrols by our Patrol Teams - Saga Ronda at Grand Saga and Sepadu Ronda at Grand Sepadu. We continue to collaborate with Dewan Bandaraya Kuala Lumpur ("DBKL") and the Kuala Lumpur Traffic Police for the implementation of the contra-flow operations for Kuala Lumpur-bound traffic in the mornings and for the Kajang-bound traffic in the evenings.

To ensure the safety of our highways, the MHA conducts monthly inspections as a part of the quality assurance process. For this year, we focused on the maintenance of our highways to take advantage of the reduced number of users due to the COVID-19 restrictions where we invested RM6.36 million to maintain the Grand Saga and Grand Sepadu Highways as part of measures to ensure road safety. Among the maintenance works we performed were the improvement of road markings, directional signages at selected areas, installation of LED lights at the toll canopy, pavement rehabilitation, installation of additional guard rail posts, upgrading drainage systems and installing four units of flashing amber warning lights.

We have increased efforts to ensure safety on the Grand Saga and Grand Sepadu Highways where the accident rate is well below the 3.15 per million vehicles requirement set by MHA. The Grand Saga had an accident rate of 2.05 accidents per million vehicles in 2021, a decrease from 2020 following increased efforts such as clearing road obstacles and objects, pavement rehabilitation and repainting of road markings. The Grand Sepadu had an accident rate of 1.57 accidents per million vehicles in 2021, an increase from 2020 partly due to the lower traffic volume throughout the year, which led to a higher accident rate ratio.

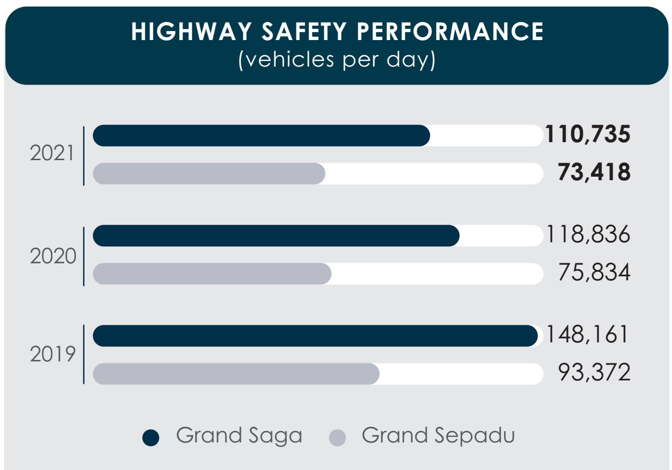


Managing Traffic Congestion

We have increased our efforts to give road users of our highways a safe and comfortable journey by collaborating with Polis Diraja Malaysia ("PDRM") in areas such as easing traffic congestion through leveraging on innovation, data and technology as usage increased on an annual basis. We have implemented contraflow systems during peak hours and adjusted traffic signal timing through our partnership. In our efforts to digitise with innovative solutions, our tolls are all fully automated with support from 24-hour teams.

We continued to provide services for road users of our highways as the COVID-19 pandemic began to subside by offering traffic reports collected from our 24-hour patrol team and supplemented these services with shelter for motorcyclists, Rest and Service Areas ("RSAs"), petrol stations, and pedestrian overpasses along our highways.

With the multiple lockdowns, new COVID-19 variants, and Movement Control Orders ("MCO"), many Malaysians transitioned to working from home arrangements. This led to a significant reduction in the number of users on our roads. Thus, we saw a decrease of 7.3% and 3.2% in the number of vehicles per day at the Grand Saga and Grand Sepadu respectively. We took this opportunity to enhance our safety measures at our highways by conducting various road works to improve the traffic flow and be ready for when our road users return to our highways.



For more information on how we care for our highway road users, please see the Customer Management section of this Statement.

Engineering and Construction

2021 HIGHLIGHTS

Project execution guided by a
Project Quality Plan

Annual internal quality audit conducted on
5 major areas

- the Management
- HR
- Quality
- Tendering
- Cyberjaya Reservoir R4 Project ("CJR4")

Our Management Systems

- ISO 9001:2015
- Anti-Bribery Management System - in compliance with adequate procedures pursuant to Subsection (5) of Section 17A of the Malaysian Anti-Corruption Commission Act 2009

Regulations & Policies We Comply to:

- Construction Industry Development Board ("CIDB") Act 1994 ("Act 520")
- Environmental Quality Act 1974 ("Act 127")
- Occupational Safety & Health Act 1994 ("Act 514")

What does Product Stewardship mean to the Engineering and Construction Division?

As a leading water-related infrastructure specialist helping in nation-building, we emphasise the importance of product ownership by striving to provide top-notch customer service to our clients at every stage, from project commencement to the expiration of the Defects Liability Period ("DLP"). Given the complex nature of our projects, quality is integral to the functionality of the infrastructure and ensures the safety of end-users.

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

The PQP's main goal is to ensure that the deliverables meet our clients' requirements. As part of our services to clients, we provide support during the DLP. Clients are invited to have a joint inspection of the infrastructure before the DLP ends to rectify any defects. We will follow up with the client on the issuance of Certificate of Making Good Defects after all defects are rectified at the end of DLP. We consider engagement with clients as of utmost importance as this results in greater client satisfaction and affirms our credibility while ensuring that our services are provided according to the design that clients want and free from defects at the end of the DLP.

Ensuring Project Quality and Satisfaction

SUBMIT

Submit Work Programme detailing planned sequence of activities for approval

Monitor progress against Work Programme

Engage regularly with clients to understand their needs and expectations

Submit materials or component samples for approval

Appoint only approved external providers with proven track record

The engineering and construction division faced a number of operational challenges in 2021 due to uncertainties from the prolonging of the COVID-19 pandemic and the implementation of MCOs. The disruptions affected the tender process, reconnaissance surveys, coordination and communications with clients and vendors, along with overall on-site construction progress. Thus, we needed to be flexible in accommodating the specific needs of clients who were affected by the pandemic. Being a service-oriented organisation, we worked with our clients to manage these disruptions and unforeseen circumstances, which included slowing down construction activities to a pace that matched their limited cash flow and deferring activities to accommodate clients' changed project deadlines.

Waste Management

2021 HIGHLIGHTS

Collected over
319,000 kg
of recyclable materials
through **KITARecycle**, almost
four times the amount from 2020

Collaboration with the
Iskandar Puteri City Council
in Johor in two initiatives to raise awareness of low-carbon lifestyle practices and collected over
18,800 kg
of recyclable materials

Collected close to
1,047,000 kg
of recyclable waste from responsible waste management initiatives for the communities

Our Management Systems

- ISO 9001:2015
- ISO 14001:2015

Regulations & Policies We Comply to:

- Quality and Environmental Policy
- Occupational Safety and Health Policy
- The Solid Waste and Public Cleansing Management Act 2007 (Act 672)

What does Product Stewardship mean to the Waste Management Division?

While the core focus of our operations is in providing reliable waste management services to customers, we also recognise the role we play in influencing societal participation in responsible waste consumption and disposal practices through behavioural change. We hope to bring education on sustainable practices in waste management across all communities as we look to empower future generations with an environmentally conscious mindset.

Managing Our Operations

Our waste management operations are vast, necessitating innovations in the employment of risk-based decision-making, daily monitoring, proactive action, incentive systems and strategic target-setting to meet business goals and guide daily activities. To help us effectively manage over 8,000 employees and with an operational area of 28,500 km^2, we have a Command, Control, Communications, Computers and Intelligence ("C4I") system. The C4I system enables us to manage inventory, 'live' track our waste management fleet, plan resources, fulfil customers' collection and cleansing schedules and monitor contractual agreements to the highest regulatory and business standards. The utilisation of this intelligence system is in line with Pillar I: Better Business through Innovation in our Sustainability Framework.

Strengthening Nationwide Responsible Waste Management Practices

Our sustainability efforts revolve around educating the public and changing their perception and behaviour towards waste management. It is critical that for strong waste recycling systems to thrive, the communities we serve also practise and participate in responsible waste separation, which contribute towards improving Malaysia's waste recycling rate. Aligned with Pillar IV: Enriched Communities of our Sustainability Framework, we have several initiatives that empower communities to improve their surrounding environments and enhance their wellbeing.

3R Troopers

We are part of a collaborative public educational programme to raise awareness on the importance of waste separation at source ("SAS") and 3R ("Reduce, Reuse, Recycle") as well as to promote KITARecycle. The programme, which also involves the local government authority and the Ministry of Education, includes talks, exhibitions, and workshops on reducing, reusing and recycling conducted in schools, malls, and public areas. We conducted 4,483 3R Troopers public awareness engagement activities in 2021 where over 45,000 participants attended the programme. With the participants' efforts, we collected 514,450 kg of recycle materials.

We overcame the obstacles from the surge in COVID-19 cases in 2021 by going online to deliver SAS and 3R communication, education and public awareness ("CEPA") talks to schools. We maximised the use of our social media platforms to engage with our participants via competitions while all physical programmes held were compliant with Malaysian National Security Council Standard Operating Procedures ("SOPs"). As waste management and public cleansing services are Essential Services, we operated as usual, allowing recyclable items to be collected without contact with school children. We hope to welcome the students back to physical waste recycling programmes as soon as it is safer to do so.

KITARecycle

We cultivate recycling habits through the KITARecycle programme, which was originally known as the KITAR3cycle programme when it was launched in November 2018, throughout our service areas including strategic partnership with government agencies, industrial players, religious institutions, hotels and commercial spaces. The programme operates through a mobile application ("app") in which users exchange recyclable items for Recycling Points that can be used to redeem cash through online banking.

The KITARecycle programme has become even more popular after enhancements were made to the KITARecycle app in 2020, with 143% increase in downloads of the app in 2021 resulting in over 319,000 kg of recyclable materials collected, almost four times the amount from 86,488 kg collected in 2020. We awarded a total of 635,475 Recycling Points to users in 2021, which is equivalent to over RM32,000. To reach a wider audience and have higher engagement rates while spreading awareness and education to the public on recycling practices, we collaborated with an additional 13 strategic partners from various industries including higher learning institutions, agri-business, construction, retail and tourism.

How the KITARecycle programme works

1. 
   Unique identity QR Code with membership number assigned to users are attached to bags of separated recyclable items
2. 

   Tagged bags are deposited to KITARecycle bins by users
3. 

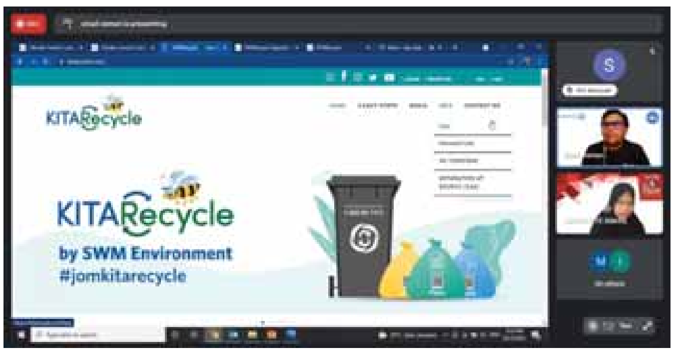
   In exchange for the recycled items, Recycling Points are received by users
4. 
   Users can redeem their Recycling Points for cash through online bank transfer using the KITARecycle app

For more information on the KITARecycle programme, please visit https://kitarecycle.com/

Towards Low Carbon Lifestyles at Iskandar Puteri

In 2021, we collaborated with the Iskandar Puteri City Council ("MBIP") to inculcate low carbon practices through education and community projects in the Iskandar Puteri area, Johor. We had a successful collaboration where we collected 18,800 kg of recyclable materials for both the Iskandar Puteri Low Carbon 1.0 Community Grant and the Iskandar Puteri Low Carbon Calendar Competition.

For more information on our contribution to the communities at Iskandar Puteri, please refer to the Enriched Communities chapter of this Statement.



Iskandar Malaysia Ecolife Challenge ("IMELC")

Education on low-carbon consumption remains a focal point in our sustainability efforts and we have continued these efforts through raising awareness on recycling among students in Johor through a partnership with the Iskandar Regional Development Authority ("IRDA"), University of Technology Malaysia ("UTM"), and Jabatan Pendidikan Negeri Johor ("JPNJ") since 2013. IMELC was held virtually in 2021 due to movement restrictions to contain the spread of the virus. The IMELC initiative collected 142,432 kg of recyclable materials via the participation of 906 schools and over 100,000 students, resulting in an estimate of over 395,400 kgCO_2e emissions avoided by participating students and families from across Johor in 2021.

Digital platforms and tools such as webinars and social media were useful in overcoming the challenges due to the pandemic restrictions. To be more effective, we replaced workbooks with an interactive website that improved content accessibility for discussions of IMELC and other modules while the Google Earth computer program was used in place of school visits to display projects.

World Clean Up Day 2021

We continued a meaningful partnership with SWCorp in 2021 following the successful collaboration of the previous year by organising simultaneous cleaning activities in Negeri Sembilan, Melaka and Johor service areas. A total of 100 volunteers from government agencies, the private sector, learning institutions and non-governmental agencies participated in this year's clean-up efforts. These volunteers collected 140 kg of recyclable materials.

Pertandingan Kitar Semula Sekolah-Sekolah ("PerKISS")

Through a partnership established between SWM Environment, SWCorp and Jabatan Pendidikan Negara ("JPN") since 2019, we continued our recycling awareness and education campaigns through the PerKISS programme. Through this partnership, we collected recyclable materials from 273 participating schools in Johor, Melaka and Negeri Sembilan and collected over 370,800 kg of recyclable materials in 2021. Engagements with schools were moved online to ensure the safety of the participating school students.

CUSTOMER MANAGEMENT

Mutual trust is important to business relationships, and at Taliworks we are committed to developing relationships that prioritise customer satisfaction. We have distinct groups of customers comprising both public end users and corporate clients in each of our business divisions but all the divisions share the same commitment to deliver excellent customer experience. Customers' needs are paramount and we are attentive to feedback to ensure that maximum value can be provided while at the same time, strengthening our reputation as a responsible business.

Under Pillar I: Better Business and Innovation of our Sustainability Framework, we endeavour to enhance customer management for all our divisions. This is how each division ensure customer satisfaction:

Water Treatment, Supply and Distribution

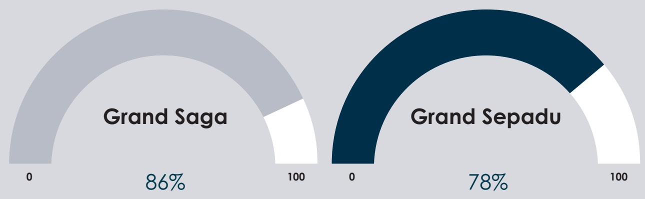
We gauge the satisfaction of our concessionaire agreement provider, Air Selangor, for the services provided by our water treatment, supply and distribution division by engaging them regularly. These engagements, which enable us to make changes to improve our services, among others are made via operation and maintenance meetings, remedial meetings and new project meetings that involve SSP1.

Highway Toll Concessionaire, Operations and Maintenance Operator

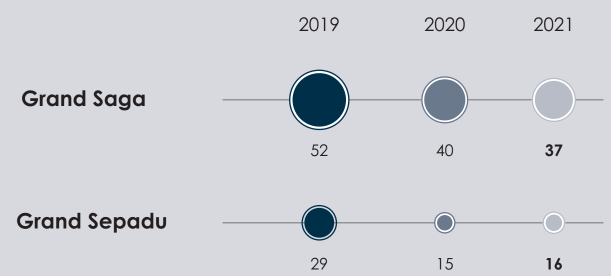
A seamless and safe experience on our highways is what we prioritise for users of our highways. Our team at the Grand Saga Highway provides free tow trucks services to road users of the Cheras – Kajang Highway.

We have a team managing a 24-hour hotline, multiple social media platforms, and a customer service email account to ensure that we can resolve all road user complaints effectively in support of highway users. Road user complaints and queries are submitted to respective departments within two days and there is a seven-day response period for the departments to address the issues. The team will respond to the user within two days of receiving inputs from the department concerned and we ensure that no complaints are outstanding for more than six months without valid reason. In 2021, we maintained our consistent record of resolving 100% of our complaints within 15 working days at both highways.

ROAD USER SATISFACTION



COMPLAINTS RECEIVED



The Grand Saga road user satisfaction rate increased to 86% in 2021 from 68% in 2020, with a decrease in the number of complaints received from 2020. This improvement is reflective of our strict compliance to the Standards of Procedure by the Highway Operation & Maintenance team, timely response on complaints across all platforms, as well as the completion of the Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE").

The Grand Sepadu Highway saw a slight decrease in road user satisfaction rates at 78% in 2021 from 79% in 2020 while complaints received increased due primarily to the major flash floods that occured at the end of the year along with high tides causing water backflow at the existing drainage system outside the maintenance area of the highway that resulted in stagnant water pooling on the highway. The safety of road users on our highways is our priority, and we are making continuous efforts to ensure that there are minimal disruptions and inconvenience if such events repeat.

In 2021, we received one report of flash flood at the Balakong interchange of Grand Saga Highway due to overflow of Sungai Langat from heavy rain in December 2021 while one report was made on flooding in the Klang area after continuous heavy rain and the high tide phenomenon. We provide hourly updates to the MHA and to the Group's senior management during flood events and monitor flood conditions closely. Road users are updated through social media and our Variable Management System ("VMS") to use alternative routes in the event of road closures while we are on standby to assist them and respond to flood emergencies. We have ramped up efforts to clean drains and desilt culverts to minimise future flash flood incidents following the major floods of December 2021.

Engineering and Construction

Client satisfaction is important to our engineering and construction division. We conduct surveys where the benchmark is a 65% satisfaction rating. In addition, to ensure customer satisfaction is maintained throughout a project timeline, we provide multiple channels for them to give feedback on project management, service quality and delivery aspects.

Waste Management

Members of the public and our customers provided multiple channels, including email, a hotline call centre, social media platforms, and a national forum for waste-specific complaints, to voice complaints, lodge reports, or provide feedback on our services as waste management services have a deep impact on public health and safety. The Customer Relationship Management ("CRM") team manages customer feedback using pre-existing guidelines and frameworks to determine the validity of complaints and identify the solutions. Target thresholds for the number of complaints received are established over the course of a year and are reviewed annually, depending on historical data and input by our management and operations committee.

The performance of our branches are assessed on a monthly basis against targets established from threshold reports presented by the CRM at monthly management and EXCO meetings. Improvements are then implemented following detailed feedback and action plans provided by the operations committee.

DIGITISATION AND INNOVATION

Taliworks has embarked on a digital journey by implementing various digitisation initiatives across our organisation in order to keep in step with the evolution of technology while ensuring sustainable business growth. We invest in digitisation to provide enhanced customer experiences while driving sustainability of the organisation's operations and advancing our services.

Our digital strategies are the result of engagements with stakeholders on what technologies work best, be it data science, the Internet of Things, and cloud computing. These engagements are important as innovation, whether through business expansion, new product development or operational process improvements, are vital aspects required for business evolution and growth. We have enhanced our security network in 2021 and are working towards upgrading our WiFi infrastructure to improve connectivity performance in the next year. We are in the midst of developing an e-forms process maker to automate forms according to an approval-driven workflow. As we work towards generating long-term value for our stakeholders and enhancing business resilience, we are focused on investing in digital opportunities for growth through Pillar I: Better Business Through Innovation of our Sustainability Framework.

Water Treatment, Supply and Distribution

The adoption of digital technology has enhanced the efficiency of the water treatment, supply and distribution division as it enables us to monitor our treatment plants in real time and quickly detect any instances of water quality non-compliance or reservoir overflows. We upgraded our computerised maintenance management system ("CMMS") and installed a digital power metre to enhance energy monitoring of the pumping system. The division continues to seek opportunities to enhance operational efficiencies and is in constant communications with regulators on management system upgrades.

Highway Toll Concessionaire, Operations and Maintenance Operator

We prioritise a safe and seamless experience on our highways and are working actively to realise the country's goal of implementing the Multi-Lane Free Flow systems with a focus on Radio Frequency Identification ("RFID") technology. As the Multi-Lane Free Flow system is being implemented for all tolled highways, RFID car stickers that contain a radio frequency chip, which are each registered to a specific vehicle and owner, are being provided to all road users. Vehicles passing through a toll will have the radio frequency emitted by the chips read by overhead scanners and the toll fare will then be deducted from the vehicle owner's e-Wallet.

Introduced in 2017 as part of a pilot programme, the RFID programme is now fully operational. The Grand Saga Highway has two RFID lanes operating at toll plazas while the Grand Sepadu Highway has nine RFID lanes across four toll plazas. We are working towards making RFID accessible to all class vehicles with Automatic Number Plate Recognition ("ANPR")by June 2022.

Waste Management

Taliworks' waste management division continues to work closely with SWCorp, a regulatory body under the Ministry of Housing and Local Government, by adopting technology through the C4I Centre in Cyberjaya to implement the National Solid Waste Management Policy.

As part of fostering growth and sustainability of the waste management industry in the country, we have adopted technology to improve our waste management services, which includes enabling us to track our trucks in real time and manage our operations with an integrated supplier payment system. By adopting technology through the C4I centre, we have gained critical insight to the monitoring of public complaints in a more effective manner while enhancing productivity along our value chain. In 2021, SWCorp adopted an additional digital channel, Public Complaints Management System for Councillors ("SISPAA") managed by the Public Complaints Bureau ("BPA"), to receive public enquiries and complaints related to waste management and public cleansing. Our CRM team will regularly check for enquiries and complaints received through SISPAA and relay it to the appropriate team to address them. This is an effort to better manage and record the complaints received and cases resolved.

We continued to make progress in our drive to operate more efficiently this year by undertaking the following measures to enhance the integrated technology systems that are operated in partnership with SWCorp:

- Strengthened inventory capture and improved sump measurement through the introduction of the Integrated Inventory Data Centre System
- Integrated i-jadual with the Automatic Vehicle Locator System and SWCorp's digital payment system through the Online Work Completion Report
- An online ticketing system for work performance, monitoring and reporting was embedded
- Adoption of SISPAA for efficient management of public complaints on waste management and public cleansing

DATA PROTECTION AND PRIVACY

At Taliworks, we strive to uphold robust and comprehensive cybersecurity controls to ensure data privacy and protection. Recognising the cybersecurity risks and threats that come with digitalisation and the transition to working from home during the pandemic, we enforce stringent measures to prevent breaches in our systems and unauthorised access to customer information and personal data.

Our management approach to ensure proper handling of customer information and personal data as well as to mitigate cybersecurity risks is guided by a comprehensive set of Information Technology ("IT") policies, which include adhering to ISO/IEC 27001:2013 international standards and complying with the Personal Data Protection Act 2010.

Knowledge and information of our IT policies, as well as IT security awareness briefings, are part and parcel of the induction programme for new employees. To ensure employees remain vigilant of email safety, we carry out monthly phishing email awareness exercises while Group IT carry out simulations to evaluate their IT security awareness. Group IT also shares guidelines and advice on a regular basis on how to manage security-related IT issues. As an added measure, a bi-annual Cybersecurity Awareness Training is also carried out, with the last session held in 2020. We expect to carry out another session in 2022.

As we continue on our digitisation journey by embracing innovation and technology to grow the business and build a sustainable future, we will also reinforce data protection and privacy practices. The Group reported zero complaints or issues with regards to data privacy breaches or loss of customer data.

SUSTAINABLE SUPPLY CHAIN PRACTICES

Taliworks is committed to having a sustainable supply chain and is extending this practice across its entire value chain as part of a new ambition of the Sustainability Framework. This is underscored by our Sustainability Procurement Policy, which emphasises responsible procurement, encourages energy-efficient and environmentally friendly services, and advocates for the responsible disposal of products. Under the Policy, we have a stringent process to select our suppliers to ensure quality and integrity while enabling the building of long-term partnerships and facilitating healthy competition.

We reinforce our ambition to have a sustainable supply chain as reflected in the Sustainability Framework's Pillar I: Better Business Through Innovation ambition and we will be sharing these targets that will help us meet our goals soon.

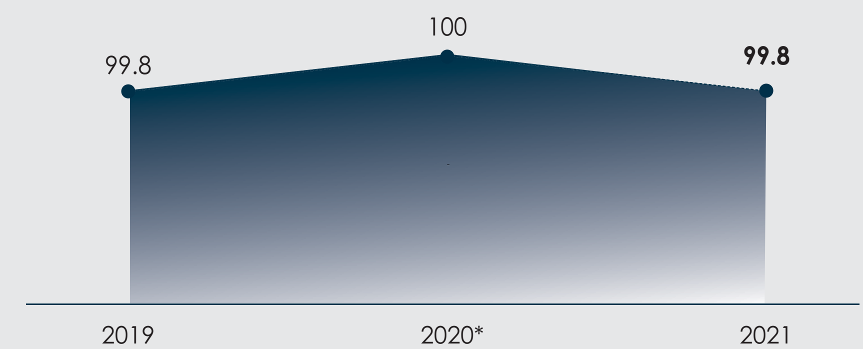
Quality in Our Supply Chain

Service Quality
We conduct regular assessments of our suppliers once they are approved while they are prequalified for criteria including technical capacity, inventory and past performance

Competitive Suppliers
We will not compromise on regulatory compliance while sourcing for the most competitively priced materials

Efficient Management
We expect our suppliers to deliver according to plan, be adaptable to changes and cooperate

PROPORTION OF SPENDING ON LOCAL SUPPLIERS (%)



** Excludes waste management division due to the challenges of COVID-19.*

For our operations to be sustainable and to build strong and reliable supply chains, we support the local economy through procuring from local suppliers, which also minimises the carbon footprint as our suppliers do not need to travel as far. In 2021, we took on 90 new suppliers across the Group, bringing the total number of suppliers to over 1,600.

99.8%

of our procurement expenditure was on local suppliers in 2021

Supplier Assessments

We expect our contractors, sub-contractors and suppliers to be as committed to the levels of quality, environmental and occupational safety standards that Taliworks maintain as we endeavour to ensure the quality of our operations and protect ourselves from risks. Regular screenings of suppliers are also carried out by the Group's business divisions according to their specific needs and business practices.

Group

HOW WE ASSESS OUR SUPPLIERS

To ensure the level of product and service quality as well as associated and administrative services are maintained, all our suppliers undergo an annual assessment and those who do not meet our standards will not be engaged.

OUR PROGRESS IN 2021:

29
new suppliers assessed

Water Treatment, Supply and Distribution

HOW WE ASSESS OUR SUPPLIERS

The water treatment, supply and distribution division requires suppliers providing equipment, devices and materials for use in water supply and sewerage services to have their products listed and registered with Suruhanjaya Perkhidmatan Air Negara ("SPAN") as per Section 129 of the Water Services Industry Act 2006, where applicable. Suppliers, who are audited for compliance with these requirements by SPAN, must also comply with regulatory standards such as health and safety requirements and are required to provide relevant certificates and certificate of analysis (for chemical suppliers). We conduct our supplier performance assessment annually.

OUR PROGRESS IN 2021:

2 audits and supplier facility visits conducted

We did not conduct supplier performance assessment in 2021 due to COVID-19 restrictions.

Highway Toll Concessionaire, Operations and Maintenance

HOW WE ASSESS OUR SUPPLIERS

An annual assessment is conducted for suppliers and contractors who are rated on performance based on criteria such as compliance to specifications, efficiency of delivery, response times, cooperation and support, as well as price competitiveness. In 2021, we enhanced our evaluation form by including compliance to the Department of Occupational Safety and Health as part of the assessment for both the Grand Saga and Grand Sepadu Highways. Taliworks will not engage with suppliers and contractors who fail the assessment. As for underperforming vendors, we will cease quotation and tender requests from vendors who underperform.

OUR PROGRESS IN 2021:

221

vendors were assessed, of which only two were identified as underperforming.

Engineering and Construction

HOW WE ASSESS OUR SUPPLIERS

Pre-qualification exercise is carried out for suppliers and contractors to ensure only competent and experienced external parties will execute works on our projects. For approved suppliers or contractors employed by us, their performance are assessed at the end of the contract or if necessary, on multiple occasions depending on factors such as evidence of marked degradation in quality of service rendered, complaints received from client or issued by us and scope of work involved. Suppliers who did not meet expectations will either be accorded with conditional approval or dropped from the List of Approved Sub-Contractors and Suppliers.

OUR PROGRESS IN 2021:

11

companies were assessed and all of them met the expectations.

Waste Management

HOW WE ASSESS OUR SUPPLIERS

Taliworks' stringent assessment of suppliers and contractors start with preliminary company search and available information in their company profile. Where necessary, a site visit to their locations of operations will be considered. Suppliers and contractors will be evaluated based on a set of general criteria. Once engaged, suppliers and contractors are periodically monitored and evaluated to ensure that the performance is in accordance to the requirements of the agreements and more importantly, that their performance can meet the national solid waste management and public cleansing privatisation objectives.

OUR PROGRESS IN 2021:

473

general suppliers were assessed

300

contractors (collection and cleansing contracts) were assessed

Low-Environmental Impact Purchasing Practices

As we continuously make efforts to integrate sustainability into our business and value chain, we extended our goals for sustainability to our supply chain as well. As such, decisions made on procurement can have a ripple effect in terms of opportunities for our sustainability goals. Taliworks will strive to the best of its ability to make purchasing decisions that leave minimal environmental footprint. These are examples of how we purchase across our supply chain:

Group

Procuring paper with green certifications and made from elemental chlorine free pulp

Waste Management

Using a total of 323,000 kg of biodegradable plastic bags in 2021

Highway Toll Concessionaire, Operations and Maintenance

Following the success of the solar panels project at Plaza Toll Batu 11 Supervision Building in May 2021, we procured more solar panels to replicate the same project for Plaza Toll Batu 9 Supervision Building at Grand Saga Highway

Purchase of LED bulbs to replace the lightings for 2 high masts and 3 mini high masts at Bukit Raja Toll Plaza in 2021.

Purchasing energy efficient light fixtures in line with My Green Highway Index guidelines and installation of solar panels in our buildings

Water Treatment, Supply and Distribution

Purchasing energy-efficient equipment such as lighting pumps and motors

For more information on our environmental efforts, please visit the Impact-Positive Environmental Practices chapter of this Statement.

VALUED HUMAN CAPITAL

At Taliworks, we strive to create a safe and healthy working environment for our people. Our employees are highly valued and we invest in them to ensure they undergo training and development for their growth and to attain their professional ambitions.

Taliworks considers employee wellbeing our foremost priority and endeavours to create a safe, caring and rewarding work environment that can bring out the best in every employee. We offer competitive benefits, coupled with a supportive workplace environment and fair remuneration, as part of efforts to maintain employee wellbeing. We also provide opportunities for employees to grow in their respective career path regardless of their gender, age, or ethnicity. Safety is paramount at Taliworks and our measures to maintain a safe workplace is reflected through minimising exposure to health and safety hazards.

OUR HUMAN CAPITAL MANAGEMENT FOCUS

Training and Development

Across the group, we maintain focus on empowering our employees with technical and soft skills to develop well-rounded individuals capable of contributing positively towards our operations.

Diversity and Inclusion

Ensuring career advancement to all employees regardless of gender, age or race.

Offering flexible staggered work hours, casual leave and birthday leave to cater for the diverse needs of our corporate employees.

Providing equal opportunities for voicing opinions and contributing ideas.

Wellness, Health and Safety

Ensuring that our employees are well protected against COVID-19, providing Personal Protective Equipment ("PPE"), Self Test Kits ("STKs") and ensuring that SOPs and work from home arrangements were provided for those who required it.

We monitored and followed up with every positive case and each close-contact-persons case.

To encourage vaccination amongst our employees, we tracked and compiled our employee's vaccination status.

We conducted regular sanitisation of our offices and provided face masks where needed to ensure that each employee required to work on-site was protected.

We also provide flexible medical benefits for our employees to ensure that their personal health is secured.

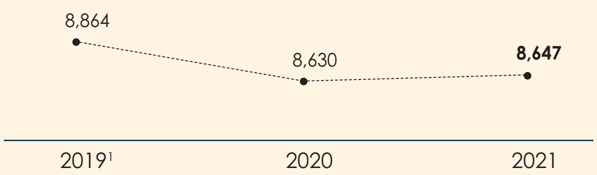
To lighten the financial burden on our employees most vulnerable to COVID-19, the waste management division coordinated assistance to obtain additional Free of Charge insurance coverage from the Malaysian government via the Project Perlindungan Tenang. This is in addition to the Group Personal Accident insurance coverage.

ENGAGING OUR PEOPLE

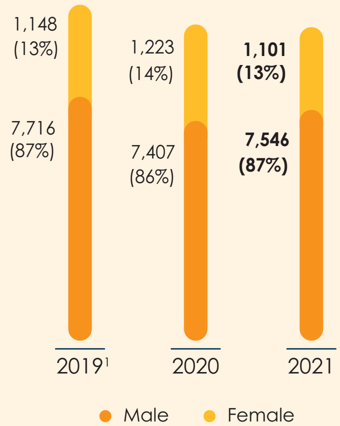
Taliworks takes an active approach in creating an engaging workplace as we believe that it is a central component of employee wellbeing because employees who are empowered and derive satisfaction from the work they do can better support what we have envisioned as an organisation. We also facilitate personal and professional development among employees to give them a sense of purpose and belonging to the organisation.

Our Workforce by Numbers

Total Numbers of Employees

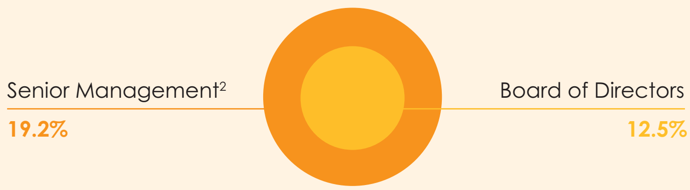


Employees by Gender



Percentage of Employees by Age Group

Percentage of Women in Management by Position at Board Level and Senior Management



Note 1: Restatement due to recalculation of number of employees in 2019.
Note 2: Senior management includes General Managers and above.

Employee Engagement

At Taliworks, we strive to ensure employee welfare through promoting a healthy work-life balance, improving workplace cohesion, raising retention rates, and strengthening both management operations and peer-to-peer relationships. We encourage open communication and have frequent engagement sessions through digital channels and face-to-face interactions as we believe employee wellbeing and productivity comes from a happier and stronger workforce. The human resources department of each division manages employee incentives based on the respective needs of the division's workforce, which ensures that employees get to enjoy benefits that are relevant and up-to-date with their needs.

To boost mental wellness and encourage a happier workplace, employees in the Corporate division participated in an hour-long virtual Laughter Yoga session involving a mind-body mix of breathing and laughing exercises. This is in efforts to encourage participants to step away from their desks and reset before returning to work, which contributes to our ongoing efforts in promoting health and wellness amongst employees.

Employee Performance

Taliworks encourages frequent discussions between managers and employees for better feedback and improvements while recognising that employees need time to get used to new ways of working. These discussions also enable us to better manage, monitor and evaluate our employees' performance. Of our workforce, 98% were eligible* for performance appraisals and received a career development review in 2021.

* Constituting all permanent employees.

ADVANCING TRAINING AND DEVELOPMENT

In an industry that is rapidly evolving, we equip our employees with the skills needed for them to contribute productively through training opportunities in industry-specific programmes. Relevant employees are provided training on ISO 9001, ISO 17025, and ISO 14001 needed for the organisation to adhere to quality management standards. The four key divisions of the Group also promote internal knowledge transfer through training opportunities that develop the careers of our employees.

For the overall growth of our organisation, we have Group-wide training centred around the cultivation of a sense of purpose among our employees, with functional, behavioural and leadership programmes carried out as part of these efforts while supplementary training programmes are conducted by respective divisions to meet their specific needs.

OUR TRAININGS IN 2021

Group Level

- Human Resources Training
- Anti-Bribery and Management System ("ABMS") Awareness Training
- Language, business and finance courses

Highway Toll, Concessionaire, Operations and Maintenance Operator

- Basic Occupational Safety and First Aid
- Expressway Operation Safety Passport ("EOSP")
- Expressway Performance Indicators
- Technical skills such as surveying
- Laboratory session on matters relating to Land Management and Development Near Toll Areas
- Technical workshop for Building Information Modelling
- ABMS awareness training
- Malaysian Highway Road Accident Database ("MHROADS") application training

Engineering and Construction

- Quality Assessment System in Construction ("QLASSIC")
- Carbon footprint management
- Heat, ventilation and air conditioning ("HVAC") plant
- Construction contract
- Quality control
- Soft skills training, focusing on language mastery and presentation skills
- ABMS Awareness Training

Water Treatment, Supply and Distribution

- Regulatory competency
- Microbiological Lab Accreditation Training
- Water treatment plant SOP review workshop
- Water quality training
- Water Safety Plan
- ABMS Awareness Training

Waste Management

- Manual Waste Collection
- Drivers training
- Mechanical Waste Collection
- Manual Public Cleansing
- Mechanical Public Cleansing
- ABMS Awareness Training
- Developing 26 units of Staff Training And Rating System ("STAR") Training Videos Version 2 – In preparing for re-training and re-certification of 6,000 Operations General Workers and 1,500 Operations Drivers

COLLABORATING FOR EMPLOYEE DEVELOPMENT

We believe in nurturing the skillsets of our employees, especially from the water treatment, supply and distribution, and waste management divisions where technical skills are important.

To enhance our employee development efforts, these two divisions collaborate with the Ministry Of Human Resources ("MoHR"), in particular the Department of Skills Development. Our cooperation with the MoHR includes participation in and development of the National Dual Training System ("NDTS"). The NDTS programme employs a combination of theoretical information and real-world experience to develop employees' technical capability and industry preparedness that brings much value to their work in Taliworks. Employees receive formal recognition of their expertise as they are awarded the Malaysian Skills Certificate from the Department of Skills Development after they complete the programme.

In 2020, the waste management division, alongside two other waste management concessionaires, was involved in developing the NDTS and Recognition of Prior Achievements ("RPA") programme for Solid Waste and Public Cleansing Management in the Solid Waste Training Centre ("SWTC") under SWCorp. Three of SWM's 27 Operations Districts are certified training centres under the NDTS Programme.

Additionally, our appointment as a Practical Assessment Centre ("PAC") by the Department of Skills Development is part of Taliworks' effort to ensure employees who have made the effort to enhance their skill sets are recognised through the RPA programme. In December 2021, 388 SWM employees received formal recognition of their expertise and were awarded the Level 2 Malaysian Skills Certificate across four categories after they completed the 4 to 8 months' NDTS or RPA programme. Due to the challenges and restrictions of the pandemic, the water treatment, supply and distribution division did not conduct the RPA programme this year and will continue it when conditions are safer.

Training and Development Statistics

	2019	2020	2021
Employee training and development expenditure (RM)	1,071,434	99,982*	130,580**
Employee attendances at training programmes	5,680	7,855	5,207
Employees who received performance review (%)	>90	>90	>90
Total number of training hours completed	30,097	30,114	14,775
Average training hours per employee	5.20	3.83	2.84

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

** Increase in training expenditure in 2021 was primarily due to the focus on specialised technical courses.

Diversity and Inclusion

As an infrastructure conglomerate with diversified operations, we strive to provide employment opportunities to individuals of all personal and professional backgrounds, regardless of their gender, age, ethnicity, technical skills and prior experience. We believe in bringing out the diverse talents of our employees and Taliworks' equal opportunity practices, merit-based hiring and career progression opportunities are reflected in our motivated, vibrant and qualified workforce. As part of our efforts to increase the number of women at decision-making levels, we are in the midst of developing women leadership programmes for our female employees and are aiming to launch it in 2022.

Board Diversity

We believe in diversity and are working towards making this happen at the Board level, where we enhanced the Board Diversity Policy in 2020 requiring at least one woman member at all times while ensuring that we will reach our target of having 30% women representation by 30 April 2024. We believe that women employees' concerns can be championed more effectively with women holding positions at the highest levels of the organisation. To that effect, we have maintained 12.5% women representation at the Board level in 2021 as we see increasing diversity in terms of gender and ethnicity as essential to maintaining a competitive edge as well as attaining strategic objectives. A diverse Board also helps widen perspectives and is an asset when making decisions in a changing business landscape.

For more information on Board Diversity Policy, please refer to Section 1.15 of the Corporate Governance Overview Statement included in this Annual Report.

PRIORITISING WORKPLACE SAFETY AND HEALTH

The health and safety of Taliworks' employees and contractors are paramount and we comply with regulations established by the Department of Safety and Health ("DOSH"), as well as relevant global standards and systems. Regular monitoring and review of our already robust health and safety practices ensure these measures are enforced while corrective action is taken immediately when there are violations to mitigate risks.

The Building Management team of the Group corporate office conducts frequent fire and evacuation drills to ensure that all employees are prepared for fire-related emergencies. We also have regular site inspections to ensure our premises comply with the Fire Department's safety standards.

Water Treatment, Supply and Distribution

The water treatment, supply and distribution division maintains health and safety practices that comply fully with regulations established by Suruhanjaya Perkhidmatan Air Negara ("SPAN"), Department of Environment ("DOE"), MOH, and DOSH as we take seriously the health and safety risks to stakeholders across our value chain from the effluents and residuals released through the water treatment process. We strive to minimise these risks by reviewing internal procedures and protocols annually DOE, to ensure that they remain relevant and effective. With effective management systems to minimise workplace health and safety risk, we achieved zero fatalities in 2021.

Our Health and Safety Performance *Water Treatment, Supply and Distribution*

Description	2019	2020	2021
Cumulative man-hours without lost time injury (hours)	315,360	341,114	**349,962**
Lost time injury rate ((number of injuries/ number of hours worked)x200,000)	0	0.59	**0**
Number of injuries	0	1	**0**
Number of lost days	0	41*	**0**

* One minor injury occurred during cleaning works.

Highway Toll Concessionaire, Operations and Maintenance Operator

We established a clear framework for the monitoring and updating of the division's health and safety processes through the formation of the Safety and Health Committee in 2017, which works closely with the management team to address potential areas of concern. The Committee monitors the effectiveness of these processes and ensures that the division's health and safety practices are compliant with MHA's regulatory requirements - such as providing employees working on our highways either as traffic personnel or toll booth operators with PPE and other equipment.

We work hard to ensure the safety and health of the division's workers go beyond minimum compliance, and as part of this commitment, we spent over RM18,000 on PPE expenses for employees at Grand Saga, and over RM21,900 for those at Grand Sepadu 2021.

The division's efforts to maintain and enforce safety protocols include training programmes to instil and strengthen a culture of health and safety within the workplace and at sites. For on-site workers at our highways, we have safety briefings at the beginning of every working day as part of our operational protocol. Members of senior management are also provided with routine training to stay updated with the safety requirements and protocols.

Under our commitment to safety at our highway worksites, we trained a total of 87 employees on health, safety and environment-related issues across Grand Saga and Grand Sepadu in 2021. However, two fatalities were reported this year for the Grand Saga and Grand Sepadu Highways, both being COVID-19 related. As these were anomalous events, we have taken the necessary measures to ensure incidences like this do not reoccur by enforcing COVID-19 SOPs in line with the MOH's guidelines.

Ensuring Contractor Safety

Safety at our highways is a priority for us, with all work along the Grand Saga and Grand Sepadu Highways complying with the MHA's Temporary Traffic Management Guidelines. Our annual training sessions are extended to our contractors to ensure they too are abreast with updates on our safety protocols and requirements with refresher courses conducted bi-annually. To ensure that contractors working along our highways follow safety rules, internal controls were implemented requiring that they submit applications to the Maintenance and Engineering Department containing details on their insurance policy, traffic management plan, work programme, and work methodology. A total of 16 briefings were conducted on safety practices for contractors entering Grand Saga worksites while contractors entering Grand Sepadu worksites attended 6 such briefings. We are also conscious to minimise the amount of time contractors have to be present at highway sites through extensive safety briefings prior to a project's commencement.

Engineering and Construction

The engineering and construction division enforces all safety measures set out by regulatory requirements. This commitment to safety is enacted by all personnel on our project sites, from our employees to our sub-contractors. The basis for the division's workplace safety and regulatory compliance is outlined in the Group's Health, Safety, and Environmental Policy.

We conduct regular internal audits on health and safety regulations, as well as monthly Safety and Health Committee meetings to ensure all projects comply with regulations. DOSH also carries out periodic independent checks to ensure compliance.

The division's employees who work on-site are encouraged to give feedback and recommendations to the management team on safety, which are then highlighted during Toolbox Meetings and in monthly reports. We have safety manuals which outline all safety SOPs specific to individual projects, while internal stakeholders and clients are regularly updated by safety personnel. These safety personnel also provide effective monitoring of safety protocols at project sites. We achieved zero fatalities in 2021, which is a reflection of our continuous efforts to conduct programmes and engagement sessions encouraging good safety and health practices organised for all employees.

Our Health and Safety Performance *Engineering and Construction*

Description	2019		2020*			2021
	L2P7	GP3A	L2P7*	GP3A**	CJR4	CJR4
Cumulative man-hours without lost time injury (hours)	541,168	563,824	557,904	563,824	109,200	**142,368**
Lost time injury rate ((number of injuries/ number of hours worked)x200,000)	0.37	0	0	0	0	**0**
Number of injuries	1	0	0	0	0	**0**
Number of lost days	0	0	0	0	0	**0**

* Langat 2 Package 7. Certificate of Practical Completion for L2P7 was issued in September 2020

** Ganchong Package 3A. No physical works conducted at the GP3A site in 2020. Certificate of Practical Completion issued in January 2020

Waste Management

The waste management division regards safety with utmost importance, with 31 safety committees ("OSHE Committees"), comprising 30 sub-committees at the regional or district level and one OSHE Main Committee based at Taliworks' Kuala Lumpur headquarters. These OSHE committees are responsible to uphold the division's health and safety standards. The Committees, who meet once a quarter and report regularly to the OSHE Main Committee, hold frequent briefings to ensure that the division's employees and contractors are updated and compliant with health and safety regulations. The OSHE Committees also collaborate among themselves on division-wide health and safety best practices, besides providing updates on safety incidents and sharing key takeaways.

The OSHE Committees carry out site inspections, contractor safety audit programmes and quarterly workplace inspections at regional and district offices and depots to ensure compliance with safety and health practices as required by OSHA 1994. Other key activities that the OSHE Committees carried out in 2021 include Chemical Health Risk Assessments ("CHRA"), Chemical Exposure Monitoring ("CEM"), Noise Risk Assessments ("NRA"), and Audiometric Tests.

On top of that, the SWM Human Resources department has also launched the "Talian Pekerja" platform with a Hotline, WhatsApp, and email to manage all employee grievances, including employee contracts, working conditions, workplace incidents and OSHE concerns and risks identified by employees. As a reflection of our robust management systems and initiatives to ensure safety at work, we achieved zero fatalities in 2021.

Safety Training Programmes in 2020 for Waste Management Division

124	Workplace Inspections at all 31 districts
17	Safety Alerts were issued to inform all employees of lessons learnt from selected accidents.
2	Road Safety Campaigns in collaboration with SOCSO, conducted at Pura Kencana, Batu Pahat and Kluang
6	Issued 4 safety and 2 public awareness communication materialst containing information on best practices and essential do's and don'ts to our site offices and in the residential areas where we operate
2	Sessions of First Aider Training to all first aiders
17	Emergency drills conducted

Our Health and Safety Performance *Waste Management*

Description	2019	2020	2021
Cumulative man-hours without lost time injury (hours)	19,378,560	19,088,768	**19,037,568**
Cumulative lost time injury (hours)	8,640	12,832	**59,232**
Lost time injury rate ((number of injuries/ number of hours worked)x200,000)	1.28	1.21	**1.36**
Injury rate (case rate per 1,000 employees)	15.3	15.1	**16.4**

IMPACT-POSITIVE ENVIRONMENTAL PRACTICES

We seek to minimise the impact of our operations on the environment and proactively respond to climate change through positive actions such as minimising impacts on biodiversity and adopting eco-friendly practices.

At Taliworks, we strive to be a positive influence where the environmental impact of our operations is concerned by ensuring that environmental stipulations outlined in agreements with regulatory bodies are met. Regulations not only hold us accountable, but also serve as the foundation for our sustainability-related efforts that create long-term value for stakeholders while enhancing operational efficiency. By strategically managing our environmental footprint through monitoring and controlling parameters that measure direct and indirect consequences, we lead by example, with this commitment emphasised in our procurement, production, and maintenance processes.

As a step forward in minimising our environmental impact, we have identified five ambitions for Pillar II: Impact-Positive Environmental Practices under our Sustainability Framework and we have developed internal time-bounded targets to enhance the impact of these ambitions.

For more information on Pillar II: Impact-Positive Environmental Practices, please refer to the Sustainability Framework in this Statement.

RESOURCE EFFICIENCY AND MANAGEMENT

MANAGING OUR ENERGY CONSUMPTION

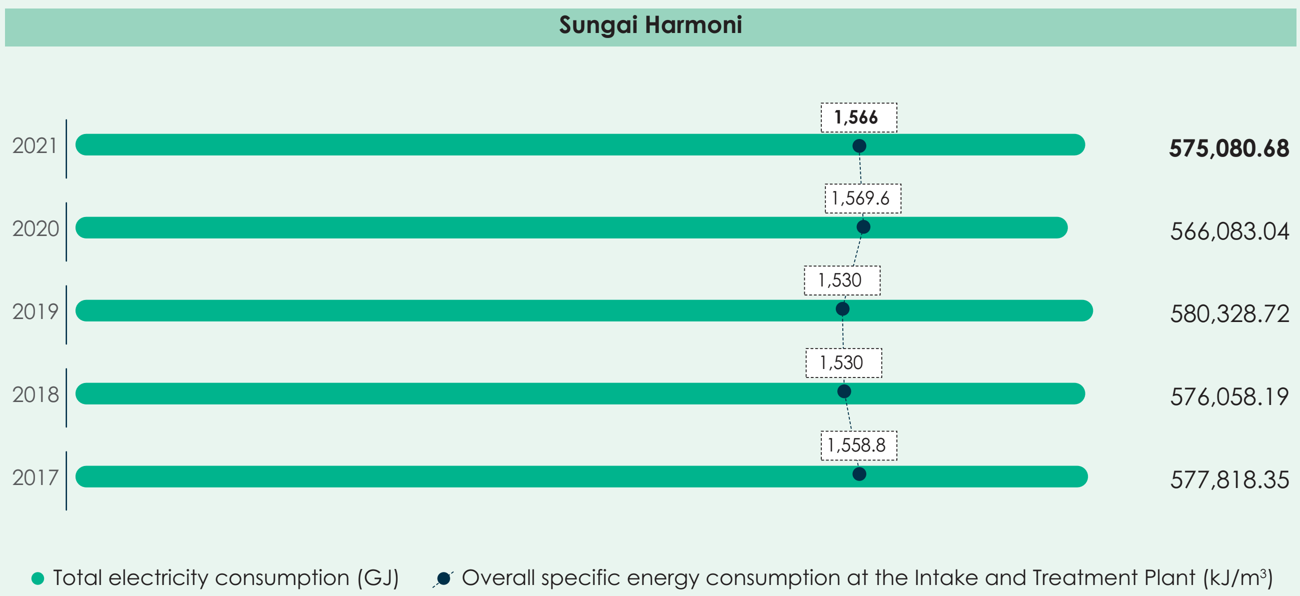
We work to manage our environmental footprint and deliver cost efficiencies by including energy efficient solutions in projects, as the Group considers energy consumption from energy-intensive operations as an important challenge.

Water Treatment, Supply and Distribution

To ensure a reliable and uninterrupted supply of water as well as regular output of water treatment residuals, we monitor and manage electricity consumption at the water treatment, supply and distribution division. While the division saved approximately 504 GJ of energy for SSP1, which equalled to a cost savings of RM164,000, the increase in the production of treated water meant that energy consumption rose by 1.6% in 2021 compared with 2020.

Taliworks is conducting audits funded through the Energy Audit Conditional Grant ("EACG 2.0") under the 12th Malaysia Plan to identify areas where we can focus on energy-saving initiatives. Additionally, we are also pursuing a pump refurbishment programme as well as ramping up efforts to monitor carbon footprint through tracking year-on-year fuel, diesel and electricity consumption.

WATER TREATMENT ENERGY CONSUMPTION



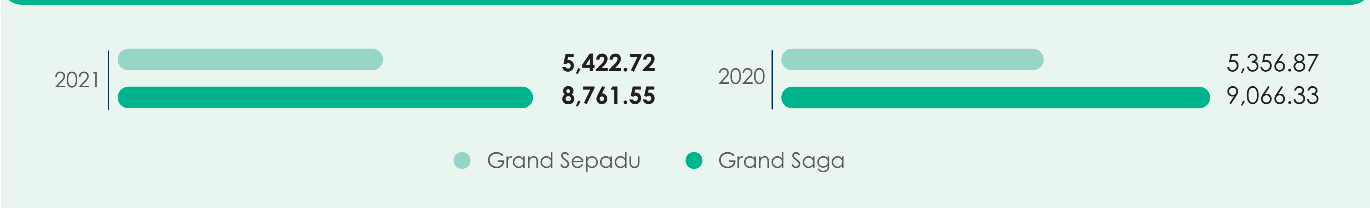
Highway Toll Concessionaire, Operations and Maintenance Operator

It is important to us as a highway operator that we provide our road users with a positive experience during their commute while doing what we can to reduce our energy consumption.

At the Grand Saga Highway, our electricity consumption was reduced from around 5.52 GJ per month to just over 1.8 GJ per month at the Batu 11 Toll Plaza Supervision Building, which is equivalent to a 20% to 30% average for monthly utility bill cost reduction compared to 2020. For the Grand Saga Highway as a whole, we saw a decrease in electricity consumption by 3.4%. This may be due to the installation of a solar powered system for the Supervision Building at Plaza Tol Batu 11 and LED lighting for six high-mast lighting towers at Toll Plaza Batu 9. The high-mast towers are part of upgrading works by Emerald Square Developer, as part of an arrangement to build a flyover to their development adjacent to Plaza Batu 9.

At the Grand Sepadu Highway, we saw a nominal increase in electricity consumption of around 1.2% in 2021 compared with 2020. Nevertheless, we focused on energy-saving efforts where we installed LED lighting for five high masts at Bukit Raja Toll Plaza and KTB Toll Plaza, as well as two mini high masts at Bukit Raja Toll Plaza. In addition, we replaced the high pressure sodium ("HPS") bulbs used for the canopy lights at the Management Operation Centre ("MOC") East and West with LED bulbs.

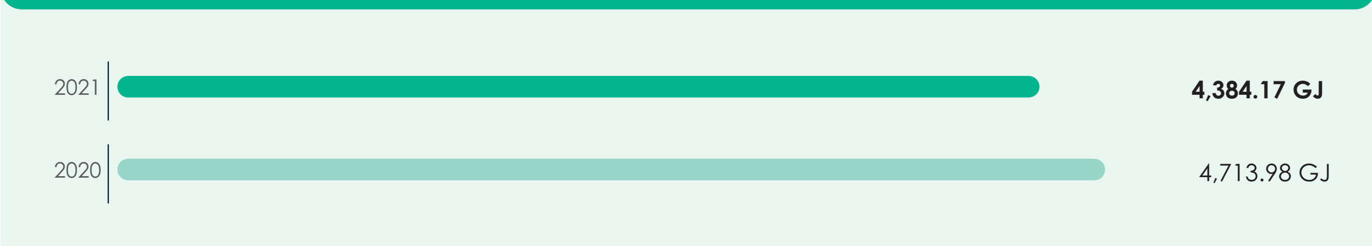
ELECTRICITY CONSUMPTION OF THE HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR (GJ)



Waste Management

SWM is cognisant of the need to reduce its environmental footprint as we uphold our role to ensure responsible waste management for the health, safety and wellbeing of the communities we operate in. We continue to monitor and track electricity consumption and introduce energy-saving initiatives to reduce energy use. Part of the energy-saving initiatives include awareness initiatives, such as reminders to switch off air-conditioning and lights when not in use, to encourage employees to be vigilant of their daily energy consumption. We utilised 4,384.17 GJ of electricity in 2021, a 7% reduction compared with 4,713.98 GJ in 2020. In 2021, we purchased over 11.3 million litres of fuel for our fleet and fuel skid tanks, a 2.2% increase from 2020.

ELECTRICITY CONSUMPTION OF SWM ENVIRONMENT HOLDINGS (GJ)



Engineering and Construction

Our engineering and construction division takes a proactive approach in managing the impact of our construction activities. At our CJR4 project, we utilise solar powered lights for the external lighting system to leverage the unlimited source of sunlight during the day.

MANAGING OUR WATER CONSUMPTION

We are constantly striving to improve our efforts to manage our environmental footprint as part of our efforts to enhance our sustainability agenda. This year, we have taken our first steps in disclosing our water consumption across our operations to identify areas of risk and opportunities to ensure we use our water efficiently. This is in line with our Sustainability Framework ambition of "Energy & Resource Efficiency" under Pillar II: Impact-Positive Environmental Practices. Our performance in 2021 is as follows:

Group	**Water Treatment, Supply and Distribution**	**Highway Toll Concessionaire, Operations and Maintenance Operator**	**Waste Management**
264 m^3	12,380 m^3	29,509 m^3	115,601 m^3

Total 157,754 m^3

Note: The water consumption by the Water Treatment, Supply and Distribution division includes water that is used as filter wash water and supplied as high pressure water to the water treatment plant. This consumption is part of the water treatment process and these are not billed as an expense. These have been excluded from the determination of water consumption above.

Due to the nature of work, the Engineering and Construction division's water consumption is highly variable as it is dependent on the scope and size of the project.

GREENHOUSE GAS EMISSIONS

Despite climate change risks imperilling the financial performance of businesses, we see opportunities for growth too and seek to mitigate business activities that are contributing to rising GHG emissions leading to global warming. We recognise our business activities, such as the transportation of waste and waste disposal for our waste management division and traffic congestion for our highway division, contribute to our carbon footprint.

We have had to adapt business and investment decisions to take into account climate change, as we look for ways to deploy capital more efficiently to help smoothen the transition to a more sustainable, low-carbon economy that can mitigate the negative impacts while identifying opportunities for growth and innovation.

Climate-Related Disclosures

To better strengthen sustainability oversight through enhanced governance, our Sustainability Framework incorporates improved strategy for climate-related matters that are guided by key material topics and aligned with the Task Force on Climate-Related Financial Disclosure ("TCFD") recommendations supported by Bursa Malaysia. The recommendations of the TCFD will enable the Group to have greater transparency on climate-related disclosure and give insight to how we can make better decisions.

Governance

The Board of Directors stays abreast on the strategy and performance of sustainability matters, including climate change, as well as approves the Sustainability Statement that encloses the Group's sustainability approaches. EXCO has oversight on Taliworks' sustainability objectives and endorsed the Sustainability Framework, which includes ambitions towards climate-related emissions management in Pillar II: Impact-positive Environmental Practices along with an internal measurement and tracking of climate-related parameters in efforts to mitigate business activities that are contributing to the arising of GHG emissions.

The SSC holds the responsibility to guide and implement sustainability measures, which includes climate-related initiatives, and is supported by the SWC. Business divisions help in addressing their unique EES risks, including climate risks, in line with our sustainability and business priorities.

Strategy

We are committed to minimising the environmental impacts of and enhancing resource efficiency across our operations. Taking this into consideration, we improved our approach towards addressing climate-related issues with our Sustainability Framework under the ambitions of Pillar II: Impact-Positive Environmental Practices.

Risk Management

This year, the Group undertook a risk assessment to determine ESG risks within the Group and evaluate the impact of these risks including climate change to the Group's operations. The Group integrated the identified ESG risks, including climate-related risks, into the risk register, which encompasses action plans in place or to be implemented within a specific timeframe to mitigate or adapt to the impact of the ESG risks to the Group's operations.

Metrics and Targets

With the establishment of the Sustainability Framework, Taliworks will increase its efforts to enhance the Group-wide GHG emissions data tracking and monitoring of total emissions. It is planned for each business division to take ownership of their emissions tracking with an established team. Within the next 3 years (2022-2024), Taliworks' plans to streamline the Group-wide GHG emissions data collection and monitoring, with aims to manage GHG emissions from 2024 onwards.

Monitoring Our Emissions

As part of the water treatment, supply and distribution division's terms of agreement in our contract with our client, we monitor and track our GHG emissions. We are currently in progress of enhancing the data collection process to better monitor and track the emissions data. Our GHG performance is as follows:

GREENHOUSE GAS EMISSIONS - SUNGAI HARMONI

Year	Total Emissions (tCO_2e)
2021	**93,450.0**
2020	109,128.2
2019	111,874.5

In 2021, our GHG emissions for the water treatment, supply and distribution division decreased by 14.4% from 2020. This reduction is largely a reflection of the implemented energy-saving initiatives as well as the restrictions of the pandemic and multiple lockdowns throughout the year. We continue to make efforts to monitor and track our GHG emissions as part of our efforts towards the "Towards Emissions Management" ambition under the Impact-Positive Environmental Practices pillar of the Sustainability Framework.

The waste management division uses GPS technology to plan the most efficient routes for efficient fleet operations. We also have fuel sensors providing accurate fuel level readings to monitor any hazardous driving patterns during its use. Around our operating areas, we have fuel skid tanks that allow vehicles to refuel along their journey.

WASTE AND EFFLUENT MANAGEMENT

The Group monitors the impact of our operations on water resources, including what we consume and discharge, and are committed to reducing this impact. We aim to reduce the waste generated at source, improve recycling efforts, and increase the utilisation of low-environmental impact materials within our operations.

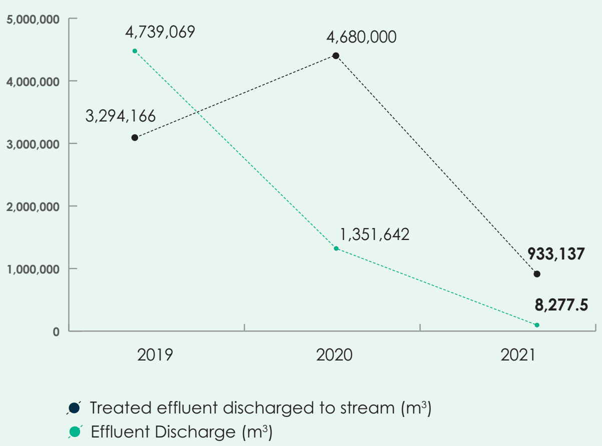
Water Treatment, Supply and Distribution

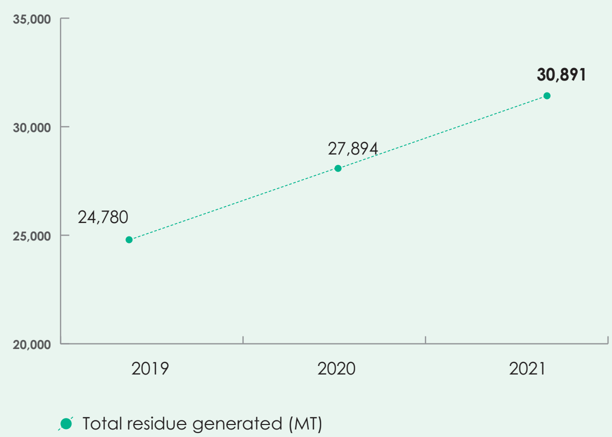
The effluent water discharged by our water treatment plants are compliant with a Standard B rating from the DOE's effluent quality requirements. We are also committed to self regulation, with our plants in the process of switching to Polyaluminium Chloride ("PAC") from alum as a flocculant to reduce sludge production, as studies have shown that the usage of PAC results in reduced sludge generation. Waste from our plants is disposed of in an environmentally responsible manner. We adhere to all regulations from local authorities and prioritise managing effluents and residuals released by the water treatment plants as we are committed to protecting local sources of water and ensure the wellbeing of surrounding communities.

To ensure compliance, we also conduct frequent and extensive monitoring. We recorded one instance of non-compliance with effluent quality requirements in 2021 from the reports of effluent quality that are regularly submitted to DOE. We implemented several counter-measures to reduce the risk of recurrence, and the flaw was rectified.

All residuals and effluents generated by the water treatment process in 2021 were disposed of at approved sites, whether at our in-house depository or at approved external sites.

WATER AND EFFLUENT MANAGEMENT PERFORMANCE - SUNGAI HARMONI





In 2021, we recorded a significant reduction in the total volume of treated effluents discharge compared to 2020 largely due to the optimisation of our processes, such as switching to PAC from alum. Additionally, we observed a reduction in treated effluent discharge to stream due to the increase in weir height, hence increasing retention time.

To improve our processes, we are investing in a mechanical dewatering plant to ensure safer handling, treatment and disposal of residual material from the SSP1 location, as well as increase the volume of water that can be recycled and reused. In 2021, we have fully conceptualised the plant design and specifications, and are moving onto the next phase of finalising the detailed design of the Residual Treatment Facility ("RTF"), in agreement with SPAN. We aim to complete the project by the fourth quarter of FY2024.

Highway Toll Concessionaire, Operations and Maintenance Operator

We prioritise the maintenance of our highways and ensure that they remain safe for users while minimising the impact of highway operations on surrounding communities.

At the Grand Saga Highway, we conduct a monthly sewage treatment plant ("STP") cleaning and effluent inspection at our headquarters, Plaza Batu 9, Plaza Batu 11 and RSA. On an annual basis, we conduct water effluent analysis for the STPs at the RSA along the Grand Saga Highway that is reported to MHA. At the Grand Sepadu Highway, we clean our STPs at the RSAs on a monthly basis while STPs at the toll plazas are cleaned on a quarterly basis. We also conduct an annual water effluent analysis for STPs at our RSAs and report the results to MHA to ensure that we are meeting the regulatory requirements.

Waste Management

Vehicle leachate can be a major issue in waste management, and SWM manages this by monitoring leachate spillage from our fleet as well as those of subcontractors for a safer and more pleasant service experience for the communities we operate in. SWM has a target of zero public complaints for any leachate spillage. In the event that a spillage occurs, our team will clean up the spill with water jetters and also have a vehicle on standby to replace the vehicle with the leak. All complaints regarding leachate spillage are rectified within 24 hours.

HOW WE PREVENT VEHICLE LEACHATE:

1. Inspection

As part of our waste collection operation protocols, drivers of our fleets are required to inspect the condition of the leachate tank and vehicle at the start of their work day on a daily basis. We also regularly inspect for any ageing bins for leaks or cracks.

2. Cleaning

As part of environmental regulations, we ensure that we wash our vehicles on a daily basis to ensure leachate is removed from our waste vehicles.

Engineering and Construction

In our efforts to adopt more responsible construction practices, we identify opportunities to reduce construction material waste, such as by proposing steel bar layouts that optimise the use of resources without compromising on structural integrity. Managing effluent and surface runoff forms another tenet of our sustainable construction strategy. In order to do so, we institute siltation and sedimentation controls by constructing silt fences, covering exposed slopes, and by monitoring the quality of storm water discharge at our construction sites to ensure that they meet standards established by the DOE and client.

To control silt escape from construction sites and polluting existing waterways, a temporary sediment trap or basin will be constructed before earthwork commences. The temporary structure is designed by a competent professional and approved by a government agency. The trap or basin is designed to retain surface runoff from the site, and it is suitably sized to allow for sufficient retention time for silt to settle before the stormwater runoff is discharged into the environment. Regular desilting of the trap or basin is important to preserve the overall effectiveness of the sediment retention system.

NOISE MANAGEMENT

Our communities in the surrounding areas we operate as well as the environment are key stakeholder groups that are important to us. We endeavour to limit noise levels from our operations to an acceptable threshold to prevent any discomfort or disturbance.

Highway Toll Concessionaire, Operations and Maintenance Operator

Noise pollution is one of the externalities from our highway operations. We have been investing in highway maintenance and infrastructure to limit noise levels from our highways, such as the concrete noise barriers that span over 900 metres at our Grand Saga Highway. As rising noise levels from the highways are a key concern, we regularly monitor noise levels to manage and minimise its impact on surrounding communities.

The pavements of our highways are critical to the safety and comfort of users as well as the wellbeing of surrounding communities. We spent just over RM1 million in pavement rehabilitation to replace worn-out pavements in the Grand Saga and Grand Sepadu Highways in 2021. Due to worn-out pavements that create more friction and generate louder noise, there are annual rectification works to replace them along both highways in accordance with MHA operational requirements. After problematic areas are identified through pavement scanning, we will mill these areas to 50 mm depth and pave with hot mix asphalt pavement.

Engineering and Construction

Taliworks' construction projects involve the use of machinery and equipment powered by fossil fuel that generate noise and air pollutants, which can affect surrounding communities. At project site boundaries, we set up noise and vibration measuring stations in compliance with the DOE's regulations where measurements are taken over a 24-hour cycle on a monthly or quarterly basis. In 2021, we did not record any reading in excess of the set limits as well as received any complaint concerning environmental pollution from all of our projects.

CARING FOR OUR SURROUNDING ENVIRONMENT

As an infrastructure conglomerate and public utilities provider, it is our priority that we take responsibility for the local ecosystems in which we operate, and to show care and respect for the species that inhabit the environment. We are aware that it is vital to enhance our efforts to care for the local ecosystems to ensure regulatory compliance and the social licence to operate. We are making proactive efforts to address this through the "Surrounding Environment" ambition under Pillar II: Impact-Positive Environmental Practices of our Sustainability Framework.

For more information on our efforts to care for the surrounding environment, please refer to the Sustainability Framework in this Statement.

For our water treatment, supply and distribution division, we conducted a site visit in November 2019 to our SSP1 plant to identify a solution for managing bird droppings where 11 different species of water and open country birds were observed. This indicated that our facility continues to serve as a functional habitat for the local ecosystem. We plan to enhance our monitoring efforts on the bird species at the plant in mid 2022. This year, we are in the process of planning for a firefly conservation programme at Kampung Kuantan in Kuala Selangor. This is in efforts to repopulate the mangrove area with Pokok Berembang *(Sonneratia Caseolaris)*, which is the natural habitat of the fireflies.

MITIGATING OUR ENVIRONMENTAL IMPACT THROUGH THE ENVIRONMENTAL MANAGEMENT PLAN

For construction projects under the engineering and construction division, noise, air quality and stormwater runoff quality are environmental parameters typically and regularly monitored over the construction period against base values taken at the start of the project according to the approved project-specific Environmental Management Plan ("EMP").The Environmental Officer oversees the adherence to the EMP while trained workers monitor and track the aspects outlined in the plan.

It is crucial that we follow the guideline of the EMP throughout the course of a project's construction cycle. Our EMP process is as below:

Pre-construction	Construction	Completion	Handover
Establishment of baselines, assessment of areas of potential impact and determination of placement of controls are considered through site surveys.	The EMP ensures site supervision, control management and monitoring of parameters.	Debris and construction material waste removal through thorough cleaning of site. Additionally, a report of environmental considerations and results of the parameters monitored is provided through the Project Closure Audit.	Final environmental audit of completed works to ensure compliance with environmental standards stipulated in stature or contract.

We have control measures to ensure adherence to the EMP where corrective actions will be taken in events of non-compliant readings of the parameters.

For environmental monitoring of the CJR4 project, we employed an independent professional consultant that shares Environmental Quality Reports and conducts environmental audits at the site twice a year. An arborist was engaged to investigate the impact of the trees and plants in the area. We were recommended the replanting of trees of the same species felled for the development.

ENRICHED COMMUNITIES

We believe it is vital that we make meaningful contributions to the communities around us through service that enriches lives.

To drive shared value and growth as part of our sustainability efforts, Taliworks strives to foster closer relationships with the communities where we operate. Through engaging with the communities that surround their operations, our divisions are able to identify key needs and to better strategise how to assist in impactful and meaningful ways.

As we progress to embed sustainability into the core of our business, it is important to us that we conduct strategic engagements with local communities as well as mobilise our employees to volunteer in our community projects. We are developing high impact community investment programmes as part of our Sustainability Framework, under the “Enriched Communities” pillar, to give back where we can and instil principles of good citizenship in our workforce and we are eager to share the programmes in the near future.

OUR COVID-19 RESPONSE TO THE COMMUNITY

The COVID-19 pandemic affected all levels of society deeply, with impacts across health and livelihoods. We reached out to the communities in which we operate by assisting people and organisations as they struggled to survive and overcome these negative impacts.

As the pandemic continued throughout 2021, Taliworks organised several COVID-19 Food Aid programmes and partnered with non-governmental organisations ("NGOs") to support and foster community resilience while helping to build stronger community foundations. We contributed over RM402,000 to COVID-19 food distribution relief this year.

CONTRIBUTED OVER RM402,000 TO COVID-19 RELIEF EFFORTS

Groceries Distribution to Charity Homes
Provided assistance to charity homes for the children and elderly for the purchase of groceries, household appliances and sanitary care among other items.

OUR BENEFICIARIES

185 children | **226** senior citizens

Taliworks Food Bank Relief with Yayasan Food Bank Malaysia
Supporting the basic needs of affected communities in Melaka and Negeri Sembilan through distributing food and non-food items.

OUR BENEFICIARIES

500 families from B40 households

Assisting the Most Vulnerable Food Aid Program with MERCY Malaysia
Procured food baskets from local farmers to distribute to B40 communities in Selangor and Kuala Lumpur.

OUR BENEFICIARIES

600 families from B40 households

Food Aid and Assistance
The highway and water divisions provided various food aid and donations to food banks and frontliners.

OUR BENEFICIARIES

More than **2,030** beneficiaries of the distributed food

Supporting Traders at the Rest and Service Areas
We provided rental discounts at Grand Saga and Grand Sepadu Highways RSAs to alleviate hardships suffered during MCO by small scale traders.

OUR BENEFICIARIES

35 traders at RSA Bukit Dukong and RSA Klang Utara benefitted from the discounts

Caring for Our On-Site Workers
During the MCO period, we also made contributions of staple food to the CJR4 workers at our site quarters.

OUR BENEFICIARIES

38 workers received staple food items

Supporting the Communities around us throughout COVID-19

The highway toll concessionaire, operations and maintenance operator division, consisting of Grand Saga and Grand Sepadu, held a food bank from August until December 2021 for communities surrounding the Cheras–Kajang Highway and Grand Sepadu Highway. This Food Bank Programme was a key Corporate Social Responsibility programme for the highway division in 2021, and aimed to assist alleviate the impacts of COVID-19 pandemic on the Bottom 40% ("B40") communities around our highways.

The water treatment, supply and distribution division contributed to food banks for communities at Village Community Management Council ("MPKK") Kg Jaya Setia and MPKK Kg Bukit Badong. As an appreciation to our frontliners, we also made donations of food baskets to Balai Polis Bestari Jaya and Klinik Covid ("KKM") Bestari Jaya.

Assisting the Most Vulnerable

Taliworks Food Bank Relief

Groceries Distribution to Charity Homes

Water Division Food Aid Program

Highway Division Food Bank Initiative

COMMUNITY ENRICHMENT AND INVESTMENT

Collaborations with established NGOs and charitable initiatives are vital to our efforts to improve the welfare of the communities where we have our operations. Our divisions take a holistic approach to community and social development by working with engaged individuals to ensure that their contributions have a deeper and longer-lasting impact.

Volunteering is an important pillar in forging stronger relationships with communities that surround our area of operations or where we have a business presence, but the pandemic made it a challenge due to the SOPs to contain the virus. We look forward to connecting with these communities again when conditions are safer to make a difference and render assistance in any way we can.

We are cognisant of the impacts that climate change can have on the communities we operate in. With the increase in frequency of flash floods brought about by the monsoon season, we do our part by extending assistance to the communities affected. In 2021, Malaysia saw two major flash flood events, one in January and the other in December. The flooding in December was one of Malaysia's worst floods in years, displacing approximately 30,000 people, including many members of our workforce.

FLOOD RELIEF

Amount Contributed

OVER RM115,250

Waste Management

Through SWM's corporate social responsibility ("CSR") arm, SWM Kasih, we extended financial assistance to 500 flood victims in the Johor Bahru and Iskandar Puteri areas of Johor under the Misi Bantuan Pasca Banjir that were used to purchase necessities during the floods of January 2021.

FLOOD RELIEF

Highway Toll Concessionaire, Operations and Maintenance Operator

Taliworks' highway division provided support through a number of initiatives during the December 2021 floods such as assisting 55 of our affected employees with monetary contributions. In addition, the Grand Saga Highway team participated in a flood relief mission with the Ministry of Works and MHA to help the people of Taman Sri Nanding, Hulu Langat in December 2021; while the Grand Sepadu Highway team provided assistance to road users trapped by rising flood waters on 18 December.

Grand Sepadu also organised a food bank to assist flood victims surrounding the Grand Sepadu Highway, with 600 recipients benefitting from this aid.

Water Treatment, Supply and Distribution

The water division contributed monetary assistance to victims of the December 2021 floods living in the communities of Kampung Rantau Panjang, Kampung Jaya Setia, and Kampung Ijok surrounding our Sungai Harmoni site in Bestari Jaya. Our assistance was also extended to four of our employees who were affected by the floods.

In addition to our duty as a public utilities and infrastructure provider, we continue to encourage sustainable lifestyle practices services as well as support students' academic journey through the back to school initiatives by raising awareness on best practices for recycling among users of our services.

EDUCATION

Amount Contributed

OVER **RM4,100**

Waste Management

TOWARDS LOW CARBON LIFESTYLES AT ISKANDAR PUTERI

In 2021, we collaborated with the Iskandar Puteri City Council ("MBIP") and various organisations to inculcate low carbon practices through education and community projects in the Iskandar Puteri area, Johor. These efforts contributed towards the Low Carbon Society Blueprint 3rd Edition for Iskandar Malaysia 2025. These were the two initiatives we were involved in:

Iskandar Puteri Low Carbon 1.0 Community Grant

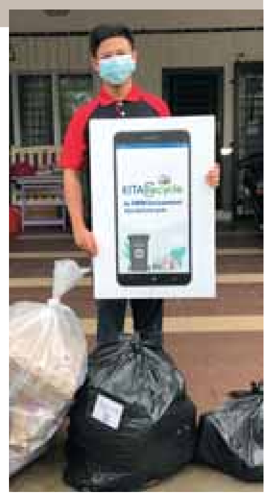
As part of the Low Carbon Society goals, we promoted and inculcated low carbon practices among Iskandar Puteri communities through community projects on volunteerism and community involvement, public awareness education and healthy lifestyle, green infrastructure as well as sustainable waste management. These projects were carried out as new collaborations with MBIP, Universiti Teknologi Malaysia ("UTM"), Iskandar Regional Development Authority ("IRDA"), and Johor State Education Department ("JPNJ"). We were involved in five of the 14 grants where SWM provided skills and expertise in overall waste management initiatives especially through the 3R and KITARecycle programme. Through these grants, a total of 12,275 kg of recyclables were collected with the participation of 1,740 residents within Bandaraya Iskandar Puteri.





Iskandar Puteri Low Carbon Calendar Competition

Participants in this competition to create awareness on good environmental practices were given a calendar in which to report their monthly electricity and water consumption savings as well as recyclable waste collected. The low-carbon competition saw not only the collection of 6,556 kg of recyclable items from January to July 2021, we also gained 201 new registrants to the KITARecycle programme. To make the collection of recyclables more convenient, we set up a KITARecycle Mobile Counter for residents at the Kenari Apartments on three occasions and collected 1,959 kg of recyclable items. This initiative was a success and we look forward to continuing this collaboration next year.



Educating the Public on Waste Disposal

Through SWM Kasih, we mobilised 3,251 volunteers who contributed 17,831 hours to reach out to local communities on the importance of recycling. This aims to empower the members of the local communities to generate income through collecting recyclables for a self-sustaining livelihood.




Group

EDUCATION

Back to School

To provide relief for students in need, we provided donations for the provision of school essentials, such as uniforms, shoes and socks to children in the Good Samaritan Home, Klang.

Sustainability Statement

FESTIVITIES

Despite the MCO restrictions in efforts to curb the virus, we continue to share the festive cheer with our communities through various contributions:

Amount Contributed

OVER RM73,000



Raya Cheer

As part of the highway division's duty to ensure the safety of their highways, the highway division collaborated with the Malaysia Highway Authority and the Association of Malaysian Highway Concession Companies ("PSKLM") to conduct a Road Safety Campaign in May 2021.

As a Group, we donated groceries to underprivileged communities at two homes - Rumah Bakti Nur Ain in Bangi and Mesra Home in Ampang.




Lunar New Year

The Lunar New Year cheer was brought to road users by the highway division through the distribution of over 600 boxes of mandarin oranges while at the Group, groceries were donated to senior citizens of the Tong Sim Care Centre in Kuala Lumpur.

FESTIVITIES

Deepavali Cheer

Through SWM Kasih, we made contributions to various organisations, such as community centres and temples, that reached underprivileged, B40 families and communities in need.

Christmas

Contributions were made through SWM Kasih to assist organisations working with children and adults with mental and physical disabilities.

Ramadan

The highway division contributed food items to eight orphanages and old folks homes through its Ramadan Programme in May 2021.

Through the Santun Ramadan initiative, SWM Kasih benefitted 1,165 people and contributed household items, meals for breaking fast and other necessities to underprivileged communities in Negeri Sembilan, Johor, and Melaka.

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad which requires the board of directors ("Board") to include in this Annual Report a statement about the state of risk management and internal controls of the Company and its subsidiaries ("Group"). This Statement also provides an insight on how the Board has established an effective risk management and internal control framework including its features, adequacy and effectiveness as required under Principle B (II) of the Malaysian Code on Corporate Governance 2021 ("MCCG") issued by the Securities Commission of Malaysia.

1.0 BOARD RESPONSIBILITIES

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

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

- Accordingly, the Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Group's business objectives can be mitigated and managed by the establishment of a proper and sound risk management framework and in the maintenance of an appropriate system of internal controls.

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

2.0 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

- Proper risk management and internal controls are important aspects of the Group's governance, management and operations. Risk management focuses on identifying threats and opportunities while internal control helps counter threats and takes advantage of opportunities. Proper risk management and internal control assist the Group in making informed decisions about the level of risk that it wants to take and implement the necessary controls to effectively pursue its objectives.

2.0 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

- In fulfilling its responsibilities, the Board has established an Enterprise Risk Management ("ERM") Framework for the Group by adopting the Risk Management Policy and Guidelines Document which is designed to:-

  (i) establish the context for an embedded ERM framework within the Group;

  (ii) formalise the ERM functions across the Group;

  (iii) sensitise the Group's personnel to be more adapted to risk identification, measurement, control, ongoing monitoring, responsibilities and accountabilities;

  (iv) coordinate and standardise the understanding and application of ERM within the Group; and

  (v) prove compliance by the Board with its organisational obligations and duties of care and diligence in accordance with good corporate governance practices promulgated by the MCCG and the MMLR via a structured documentation system.

- During the year, the Group engaged an external consultant to conduct an independent review on the following:-

  (i) The existing Risk Management Policy and Guidelines Document to identify enhancements as a result of the revisions to the MMLR, MCCG and Committee of Sponsoring Organisations of the Treadway Commission ERM Framework; and

  (ii) The Risk Registers to identify and propose inclusions of obvious and prevalent risks relevant to the Group as a result of, amongst others, changing business environment, legal and regulations.

- Arising from the above, main changes to the ERM Framework were made to incorporate new updates to the Risk Management Policy and Guidelines Document and enhancements to the Group ERM processes. The revised ERM Framework has been approved for adoption by the Audit and Risk Management Committee ("ARMC") and the Board in November 2021.

3.0 GOVERNANCE

The Group's ERM Framework consists of appropriate risk organisational structure to ensure that roles, responsibilities, and accountabilities are clearly defined and communicated at all levels to implement the risk management processes which is the on-going process to identify, evaluate, monitor, and manage principal risks that affect or will potentially undermine the achievement of the Group's business objectives both now and into the future as explained in the following paragraphs:

3.1 Board

The Board takes responsibility in identifying and managing risks and in maintaining an appropriate system of internal controls within the Group. This responsibility is delegated to the ARMC under the terms of reference of the ARMC.

3.2 ARMC

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

3.0 GOVERNANCE (CONT'D)

3.3 Risk Management Working Group

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

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

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

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

3.4 Internal Audit Function

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

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

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

3.5 Governance Structure

To ensure that proper risk management is being undertaken and the system of internal controls are effective and adequate, the following is the governance structure of the Group's ERM and internal control framework:

4.0 COVERAGE

- All four business operations of the Group including key operating subsidiaries, major joint-ventures and associates, namely the water treatment, supply and distribution, toll management, engineering and construction and waste management divisions, are subjected to internal audits and risk management assessments.

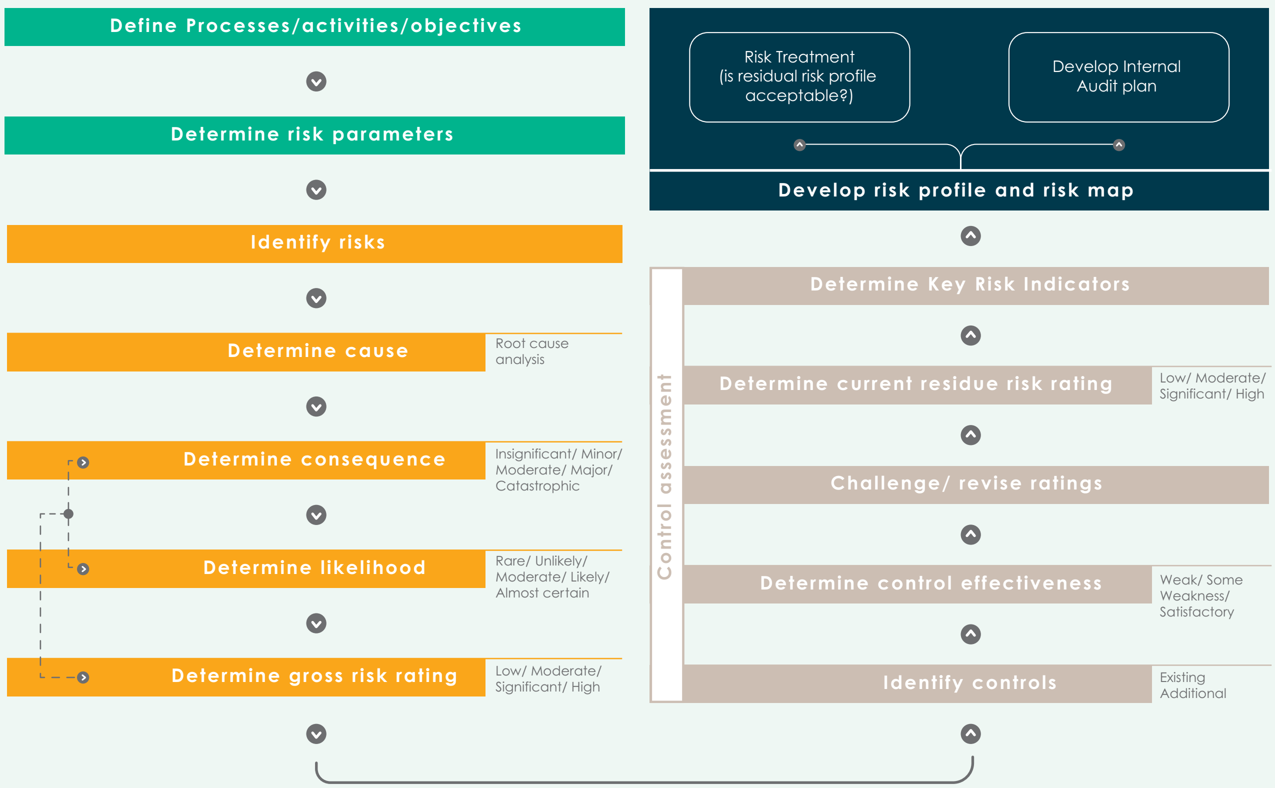
- The ARMC reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the Group Internal Audit. The RMWG is also tasked to evaluate the risk management policies and processes adopted and risk management reports submitted by the joint ventures.

- In situations where the Group does not have full management control over associates that contribute significantly to the Group, the Group Internal Audit will seek the collaboration of the internal audit function of the associates to evaluate the system of internal control of said associates. Presently, risk management reports by major associates are submitted to the RMWG for deliberation and review.

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK

5.1 The Key Steps Undertaken in the Risk Management Process

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



5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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

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

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

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

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

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

5.2 Main Features of the ERM framework

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

(i) The management develops, operates and monitors the system of internal controls to address the various risks faced by the Group;

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

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

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

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

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

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

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

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

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

5.2 Main Features of the ERM framework (Cont'd)

(vi) Annual re-assessment is conducted selectively at operational sites by the General Manager, Group Finance, representing the RMWG together with the risk owners where existing controls are verified to ensure their validity and evaluations are conducted to determine their effectiveness. However, due to the contactless practice as part of the initiatives to curb the spread of COVID-19 pandemic, the annual re-assessment of risks was conducted via virtual meetings during the year.

5.3 Risk Matrix

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

Risk Rating

Likelihood \ Impact	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Significant	Significant	High	High	High
Likely	Moderate	Significant	Significant	High	High
Moderate	Low	Moderate	Significant	High	High
Unlikely	Low	Low	Moderate	Significant	High
Rare	Low	Low	Moderate	Significant	Significant

Likelihood of Occurrence

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

Magnitude of Impact

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

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

5.3 Risk Matrix (Cont'd)

- Although the assessment of the Likelihood of Occurrence and Magnitude of Impact maybe subjective in nature, nevertheless the description thereto provide guidance to the risk owners to ascertain according to their best judgement and knowledge on:-

  (i) the likelihood that a risk event will occur or has occurred; and

  (ii) the level of impact of the risk based on both financial and non-financial considerations.

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

6.0 REPORTING OF KEY RISKS

- The Group, through its normal day-to-day operations, is exposed to varied types of risks that could adversely affect the Group's business objectives, reputation, operating results, financial position and its stakeholders. Key risks are monitored regularly by the risk owners and escalated immediately to the management if such situation arises. Status of risks are reported to the RMWG, ARMC and Board on a bi-annually basis.

- As sustainability and the underlying Environmental, Social, and Governance ("ESG") issues become increasingly material to the ability of companies to create durable and sustainable value and confidence to stakeholders, the Board has begun to take more proactive and effective measures to anticipate and address material ESG risks and opportunities. In this respect, the Group has been undertaking risk assessment to identify and determine the ESG risks within the Group specifically to evaluate their impact to the Group's operations and accordingly take appropriate action plans to mitigate these risks. Material ESG risks to the Group have been identified and elaborated in the Sustainability Statement included in this Annual Report.

7.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS

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

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

(ii) clearly defined delegation of responsibilities to the Board Committees and to management, including appropriate authorisation levels in the form of written Limits of Authority to assist the Board and the management in determining the appropriate levels of authority in approving transactions or attending to certain issues related to corporate, finance, legal, secretarial, public affairs and investor relations matters;

(iii) attendance and recording of minutes of Board and Board Committees by the Company Secretaries and attendance and recording of minutes of the RWMG and monthly management meetings by the Secretarial department;

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

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

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

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

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

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

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

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

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

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

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

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

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

(xvi) an Anti-Bribery Management System approved and adopted by the Group on 1 June 2020 to implement the Guidelines on Adequate Procedures issued pursuant to subsection (5) of section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Act 694) as stated in the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which requires commercial organisations to establish adequate procedures to avert corruption as a defence against corporate liability under the said Act;

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

(xvii) In compliance with Paragraph 15.29(1)(c) of the MMLR, the Group has incorporated corruption risks as part of its annual risk assessment. The anti-bribery risk assessment is undertaken and documented in the Risk Registers of individual business units and reported as part of the ERM process.

8.0 MANAGEMENT ASSURANCE

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

(i) the ERM Framework adopted by the Group, the system of internal controls in place and other key elements of governance, risk management and controls established by the Group as elaborated in section 7 above;

(ii) similar written assurance given by the respective heads of operations to the Executive Director;

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

9.0 REVIEW BY THE EXTERNAL AUDITORS

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

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

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

10.0 AUTHORISATION FOR ISSUANCE

The Board and the ARMC has reviewed and approved this Statement for inclusion in the Annual Report.

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT TOGETHER WITH THE CORPORATE GOVERNANCE REPORT PROVIDE AN OVERVIEW OF THE COMMITMENT BY THE BOARD OF DIRECTORS ("BOARD") TOWARDS A HIGH STANDARD OF CORPORATE GOVERNANCE PRACTICES, VALUES AND ETHICAL BUSINESS CONDUCTS BY DISCLOSING THE APPLICATIONS OF EACH PRACTICE SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2021 ("MCCG 2021") PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD. THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT SHOULD BE READ IN TANDEM WITH THE CORPORATE GOVERNANCE REPORT WHICH HAS BEEN UPLOADED ON THE COMPANY'S WEBSITE.

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

- Corporate governance is about having processes and structures to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. Good corporate governance practices underpin a successful and sustainable business. To succeed in the long term, companies are required to build and maintain successful relationships with a wide range of stakeholders. Accordingly, a company should promote integrity and openness and be responsive to the views of the stakeholders at large.

- The Board recognises the importance of complying with the Principles and Practices stipulated in the MCCG 2021 published by the Securities Commission of Malaysia on 28 April 2021 and is committed to ensuring that good corporate governance is observed, practised and enhanced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and other stakeholders such as our employees, customers, suppliers and the communities in which the Group conducts its businesses.

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

- Pursuant to paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements"), the Group has disclosed in a prescribed format the extent of how it has applied and complied with the Principles and Practices specified in the MCCG 2021 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report 2021 ("CG Report") which is available on the Company's website at http://taliworks.com.my/corporate-governance/ under the caption "Corporate Governance Report". As defined in the MCCG 2021, Intended Outcomes are designed to provide a line of sight on what companies will achieve through implementing the Practices. On the other hand, Practices are actions, procedures, or processes which a company is expected to adopt to achieve the Intended Outcome.

- For 2021, the Group is categorised as a Non-Large Company under the MCCG 2021. Large Companies are defined as companies on the FTSE Bursa Malaysia Top 100 Index or companies with a market capitalisation of RM2 billion and above; at the start of the companies' financial year.

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

  (a) Practice 5.9 – The board comprises at least 30% women directors. Nonetheless, the Board Charter of the Company stipulates a target of having 30% of women represented in the Board by 30 April 2024; and

  (b) Practice 8.2 - The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000. The Company sets a target to disclose this by 30 April 2024.

- For the Practices where the Group has yet to comply, the explanation for the departures is provided and supplemented with a commentary on the alternative measures to achieve the Intended Outcome, and where appropriate, measures that the Group has taken or intends to take as well as the intended timeframe for adoption to achieve the application of the prescribed Practice.

- Over the years, we have been placed in the Malaysian Corporate Governance reports and surveys undertaken by the Minority Shareholder Watchdog Group with the latest being ranked 53rd out of the Top 100 Malaysian PLCs for Corporate Governance Disclosure in 2020. Other notable achievements are found in the Corporate Milestones section of this Annual Report.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 Clear Roles and Responsibilities

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

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.1 Clear Roles and Responsibilities (Cont'd)

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

  (b) reviewing and adopting a strategic plan prepared by the Executive Director and the Chief Investment Officer for the Group's future growth and expansion with a view to support long term value creation for shareholders;

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

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

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

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

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

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

- The Company and its key operating subsidiaries have established their respective Limits of Authority that defines the authority given to the respective management to act on specific matters and any matters that require the approval of the Board, Board Committees, Executive Committee or the board of the subsidiaries, as the case may be. The Limits of Authority of the Company was last reviewed by the Board in November 2021 for adoption in 2022.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.1 Clear Roles and Responsibilities (Cont'd)

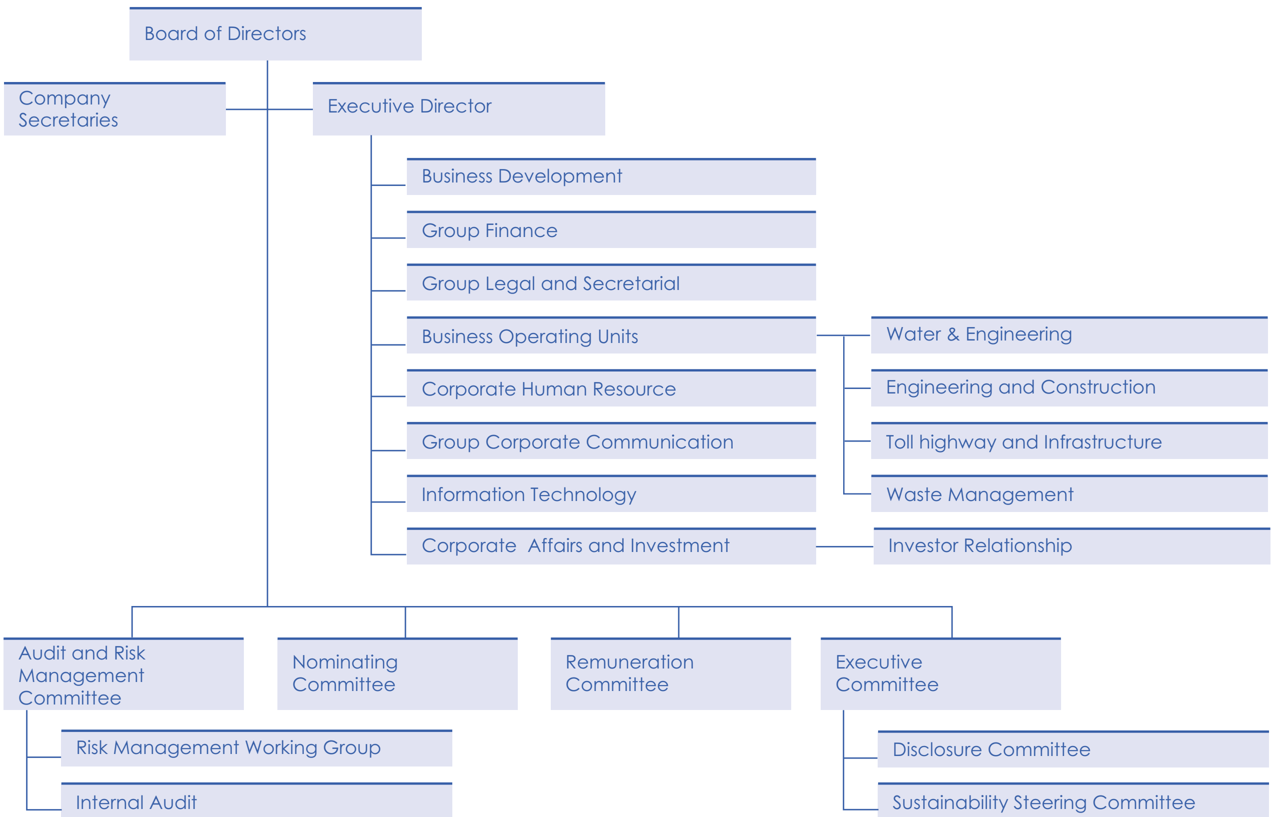
- To further assist the Board in its oversight role, the Board, through the Nominating Committee, has established the Key Performance Indicators ("KPI") for the Executive Director that are linked to the Group's financial performance, material sustainability and opportunity, employees competencies and development and securing of new projects. In the Remuneration Committee meeting held in January 2022, it was concluded that all the KPIs have been met by the Executive Director in respect of the financial year ended 31 December 2021.

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

- The Group has adopted an Anti-Bribery Policy and Whistle-Blowing Policy which can be accessed at the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Anti-Bribery Policy" and "Whistle-Blowing Policy" respectively.

1.2 Governance Structure

The current governance structure of the Group is as follows:



PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.3 Executive Committee

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

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

- Delegation of mandates to the Executive Committee is subject to defined Limits of Authority and monitoring by the Board. A list of all written resolutions approved by the EXCO is circulated to the Board on a quarterly basis for its notation.

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

1.4 Board Composition

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

  (a) one Executive Director;

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

  (c) six Independent Non-Executive Directors.

- As stated in the Board Charter (a copy of which is which is available on the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Board Charter"), the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board are such that it facilitates the making of informed and critical decisions. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. Where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors. This provision in the Board Charter has been complied with by the Board.

- The Board, through the Nominating Committee, having reviewed the size and complexity of the Group's operations, is of the view that the number of members in the Board is appropriate and that no individual dominated the decision-making process and that the Board has operated effectively throughout the year and is confident that it will continue to do so.

- As disclosed in the Directors' Profile included in this Annual Report, members of the Board come from varied background (gender, age, qualification, working experience, ethnicity) and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.5 Board to comprise a Majority of Independent Directors

- The current Chairman is an Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

1.6 Role of the Chairman

- The role of the Chairman is spelt out in Clause 4.1 of the Board Charter.

1.7 Role of the Executive Director

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

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

- The Executive Director is accountable to the Board and he oversees all the business and corporate divisions within the Group.The performance of our Executive Director, including achievements of KPIs, is reviewed annually by the Nominating Committee.

1.8 Role of the Non-Independent Non-Executive Directors

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

1.9 Role of the Independent Non-Executive Directors

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

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

1.10 Independent Directors

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.10 Independent Directors

- The Nominating Committee undertakes an assessment of the Independent Directors annually. Other matters considered and deliberated by the Nominating Committee are disclosed in Section 2.2(b) of this Statement and the outcome in Practice 6.1 of the CG Report.

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

1.11 Tenure of Independent Directors

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

As of 31 December 2021	<1-3 years	>5-7years	>7-9 years
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	x		
Soong Chee Keong			x
Dato' Sri Amrin Bin Awaluddin			x
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin		x	
Ahmad Jauhari Bin Yahya		x	
Datuk Roger Tan Kor Mee	x		

- Under the MCCG 2021, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- Under clause 3.7.1 of the Board Charter, the tenure of an Independent Director shall not exceed a term limit of nine years.

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

- To encourage periodic refresh of Board composition, the Board shall not retain an Independent Director with tenure of more than twelve years. This is provided under Clause 3.7.4 of the Board Charter. So far, the tenure of Independent Directors has not exceeded twelve years.

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.11 Tenure of Independent Directors (Cont'd)

- As at the end of the year, none of the Independent Directors has served on the Board for more than nine years. However, one of the Independent Non-Executive Directors, Soong Chee Keong, would have served for more than nine years at the forthcoming Annual General Meeting and accordingly approval of shareholders will be sought at that meeting to retain him as an Independent Non-Executive Director as recommended by the Board and Nominating Committee.

1.12 Appointments to the Board

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

1.13 Re-Election of Directors

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

- The Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. Pursuant to Clause 77 of the Company's Constitution, the Directors who are due to retire by rotation at the forthcoming Annual General Meeting are En. Ahmad Jauhari Bin Yahya, Dato' Lim Yew Boon and Lim Chin Sean. The Board, with the exception of the retiring Directors, has approved the recommendation of the Nominating Committee that the names of the retiring directors be put forth for shareholders' approval at the forthcoming Annual General Meeting for re-election.

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

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile				Skill-set		
	Male	Female	30-40 years	41-50 years	51-70 years	71-80 years	Finance related	Engineering related	Others
Executive Director	1	-	-	-	1	-	-	1	-
Independent Non-Executive Directors	5	1	-	1	4	1	2	1	3
Non-Independent Non-Executive Directors	1	-	1	-	-	-	-	1	-
Total	8								

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

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

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

- The Board acknowledges the promotion of diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors and believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment. The Board has provided in the Board Charter a target of having 30% of women represented in the Board by 30 April 2024.

- In 2021, the Company was ranked 8 out of the top 10 Mid-Cap Companies (RM1-2 billion) of the inaugural Malaysia Board Diversity Study & Index, conducted by the Institute of Corporate Directors Malaysia in collaboration with Wills Towers Watson.

1.15 Board Diversity Policy

The following is a summary of the Board Diversity Policy adopted by the Board:-

- **Policy statement**

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

- **Gender diversity**

  The Policy shall be consistent with the Board's intention to set a target of having 30% of women represented in the Board by 30 April 2024. In the appointment process for future directors, the Board shall take diversity of background into account and identify the need for a female perspective on the Board in addition to previous board and leadership experience, candidates' skills and experience in a variety of specified fields to fit and enhance the board skills matrix.

  The Nominating Committee shall make reference to this Policy in selecting and assessing candidates and in presenting recommendations to the Board by considering gender diversity and the objectives of the policy when considering new appointments.

- **Objectives**

  The Nominating Committee should review annually the attributes of all the Board members to ensure that the objective of achieving diversity on the Board is achieved and proposes to the Board for adoption. The Board may seek to improve one or more aspects of its diversity progressively. The ultimate decision for appointment to the Board will be based on merit and contribution that the selected candidates bring to the Board.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.15 Board Diversity Policy (Cont'd)

The following is a summary of the Board Diversity Policy adopted by the Board:- (Cont'd)

- **Monitoring and reporting**

  The Nominating Committee will report in the annual report on the Board's composition under diversified perspectives and monitor the implementation of this policy.

1.16 Senior Management Diversity Policy

- The Senior Management Diversity Policy states that Group recognises the importance of a gender-balanced leadership team as an essential element in supporting the attainment of its strategic objectives and in maintaining a competitive advantage. A diverse senior management should be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The composition of the members of the senior management should comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group.

- As disclosed in the Sustainability Statement, the percentage of women in Senior Management role (General Manager and above is approximately 19%.

1.17 Time Commitment

- Under the Board Charter: -

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

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

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.17 Time Commitment (Cont'd)

- Under the Board Charter:- (Cont'd)

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

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

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

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

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

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

1.18 Access to Training

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

- During the year, all the Directors had attended various training programmes, seminars and/ or workshops externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies to broaden their knowledge and to keep abreast with current issues. There are no restrictions as to the type of training programmes, courses, seminars, conferences, talks, briefings to be attended by the Directors.

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training (Cont'd)

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

Name of Director	Course Title/Organiser
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	Full Professor of Business Administration with Specialisation in Family Business
	Succession in family firm to structure the succession process, log terms success of family firm
	Cyber Risk & Awareness
	AML/CFT & Targeted Financial Sanctions: Compliance a need to protect business
	Malaysian Code of Corporate Governance (2021 Revision)
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
	Floating Production Storage and Offloading Training
Dato' Lim Yew Boon	Malaysian Code of Corporate Governance (2021 Revision)
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
Lim Chin Sean	Environmental Social Governance – Risk Management Briefing
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
Soong Chee Keong	Malaysian Code of Corporate Governance (2021 Revision)
	Environment Social Governance – Risk Management Briefing
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
Dato' Sri Amrin Bin Awaluddin	Audit & Accounting Policy for Statutory Bodies
	Anti-Money Laundering Workshop
	Malaysian Code of Corporate Governance (2021 Revision)
	Corporate Governance Revisited
	Pelan Tindakan Integriti
	Value Creation Strategies
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
	Banking Knowledge Session – BCG
	Anti-Money Laundering & Contering
	TH Group Management Summit
	TH Management Retreat – HIJRAH 24
	Audit Oversight Board & Audit Committee

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training (Cont'd)

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

Name of Director	Course Title/Organiser
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	MACC and offences pursuant to Section 17(a), MACC Act 2009
	Malaysian Code of Corporate Governance (2021 Revision)
	Board of Directors Training on - Impact of COVID-19 and other emerging risks - Board Responsibilities (MCCG 2021) - When governance fails – red flag
	Environment Social Governance – Risk Management Briefing
	ESG Trends and Yinson's Positioning
	Board of Directors' Workshop – - Embracing Disruption by Puan Surina Shukri, Chief Executive Officer, Malaysia Digital Economy Corporation - Current Challenges in the CG Landscape by Mr. Devanesan Evanson, Chief Executive Officer, Minority Shareholders Watchdog Group
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
	Board of Directors' Training on AMLA and Anti-Bribery and Corruption
Ahmad Jauhari Bin Yahya	Malaysian Code of Corporate Governance (2021 Revision)
	Khazanah Megatrends Forum 2021
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
Datuk Roger Tan Kor Mee	In commemoration of the life of Master Ruth Bader Ginsburg of the United States Supreme Court, Baroness Brenda Hale, former President of the UK Supreme Court and Master Sotomayor from the US Supreme Court were in conversation on items of relevance to the rule of law.
	Webinar: Developments in Singapore Arbitration
	Webinar: The Paradigm Shift of Businesses and Industries towards Circularity in Water Management/Integrated Water Resource Management
	World Ocean Summit Virtual Week
	Constitutional Breakdowns, Coups, Crises and Disruptions: Experiences from the Commonwealth
	"Women Representation on Board of Directors" Virtual Seminar
	Safeguarding the Rule of Law & Human Rights in Myanmar
	Webinar: Recent Cases in Civil Fraud Litigation: Hong Kong, Malaysia and Singapore
	Masterclass Series: Circular Economy
	Malaysian Code of Corporate Governance (2021 Revision)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training (Cont'd)

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

Name of Director	Course Title/ Organiser
Datuk Roger Tan Kor Mee (Cont'd)	Impact of The Federal Court Decisions in PJD Regency 2021, Ang Ming Lee 2020, Country Garden Danga Bay 2021 for Liquidated Ascertained Damages ('LAD') Claims and Delivery of Vacant Possession ('VP')
	SME Lighthouse Webinar on 'Navigating the Turbulence for SMEs: Pathway for SME's Survival and Sustainability'
	Power Sharing in a Divided Nation: Reflections on Electoral Reform by Professor Dr Johan Saravanamuttu
	SME Lighthouse Webinar: Digitizing SMEs in Turbulent Times
	Five-Day Virtual Conference on Corporate and Commercial Law
	Environment Social Governance – Risk Management Briefing
	SME Lighthouse Webinar: Financing, Funding and Grants for SMEs in Turbulent Times
	Reforming GLCs in Malaysia by Professor Dr Edmund Terence Gomez
	Roundtable: Plastic Recycling, Waste Management & Circular Economy in Malaysia (Governance)
	Resurgence of RUU355 and its Constitutionality
	Business overview, government framework, the industry players and the challenges faced by each business of the Group
	The Roles of Civil Society in Nation Building by Ms Ann Teo
	Talk on 'Diversity and Inclusion in the Legal Profession' by Master Lady Brenda Hale, first female President of the UK Supreme Court and Master Tun Richard Malanjum, former Chief Justice of Malaysia.

- The list of training programmes attended by the Directors for the year was presented to the Nominating Committee whereby the committee had opined that the current training attended by the Directors, though adequate, could be further enhanced to up-skill their knowledge and add value to the Board and the Board Committees.

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

- The Directors have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors: -

  (a) where any member of the Board makes a request to the management to engage the services of independent professional advisors, the request is then communicated by the Company Secretaries to other Board members for concurrence;

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.19 Access to Information and Services from the Company Secretary and External Parties (Cont'd)

- The Directors have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors:- (Cont'd)

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

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

2.0 Board Committees

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

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

  (a) Audit and Risk Management Committee;

  (b) Nominating Committee; and

  (c) Remuneration Committee

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

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

2.1 Composition of Board Committees

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

Name of Director	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Independent Non-Executive Directors			
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	Chairman (appointed on 27/08/2019)	Chairman (appointed on 13/02/2018)
Soong Chee Keong	Chairman (appointed on 15/09/2014)	Member (appointed on 27/08/2019)	Member (appointed on 02/07/2015)
Dato' Sri Amrin Bin Awaluddin	Member (appointed on 15/09/2014)	-	-
Ahmad Jauhari Bin Yahya	-	Member (appointed on 02/07/2015)	-
Datuk Roger Tan Kor Mee	Member (appointed on 27/02/2020)	-	-
Non-Independent Non-Executive Directors			
Lim Chin Sean	Member (appointed on 15/09/2014)	-	Member (appointed on 13/02/2018)

2.2 Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

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

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

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

(a) Audit and Risk Management Committee (Cont'd)

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

- The functions and activities undertaken by the Audit and Risk Management Committee is elaborated in the Audit and Risk Management Committee's Report set out in this Annual Report.

- The terms of reference of the Audit and Risk Management Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Audit and Risk Management Committee". The Terms of Reference were last revised in August 2021.

(b) Nominating Committee

- The Nominating Committee comprises no less than three members made up exclusively of Non-Executive Directors, all of whom are Independent Directors. Currently, there are three members of the Nominating Committee out of eight Board members.

- The terms of reference of the Nominating Committee are available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Nominating Committee". The Terms of Reference were last revised in August 2021.

- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 5.6 and 6.1 of the CG Report.

- The Nomination Committee met twice during the year in January and August 2021. In February 2022, the Nomination Committee convened a meeting and the following matters were considered and deliberated:-

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

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

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

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

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

  (f) to discuss training requirements for Directors;

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

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

(b) Nominating Committee (Cont'd)

- The Nomination Committee met twice during the year in January and August 2021. In February 2022, the Nomination Committee convened a meeting and the following matters were considered and deliberated:- (Cont'd)

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

  (h) to consider and if thought fit, to recommend the appointment of a stand-in Board Chairman and Audit and Risk Management Committee Chairman for the calendar year 2022 to the Board for approval;

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

  (j) to consider and if thought fit, to recommend to the Board for approval, to retain Ahmad Jauhari Bin Yahya who has served in the Nominating Committee for a term of more than six years as member of Nominating Committee for another year; and

  (k) to consider and if thought fit, to recommend to the Board for approval, to retain Soong Chee Keong who has served as Independent Non-Executive Director for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company.

(c) Remuneration Committee

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

- The terms of reference of the Remuneration Committee are available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Remuneration Committee". The Terms of Reference were last revised in August 2021.

- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 of this Statement.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.3 Record of Attendance at Board and Board Committee Meetings

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

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Dates of meetings held during the year	23 Feb 23 Apr 19 May 23 Aug 15 Nov	23 Feb 23 Apr 19 May 23 Aug 15 Nov	20 Jan 19 Aug	20 Jan 19 Aug
Total meetings held during the year	5	5	2	2
EXECUTIVE DIRECTORS				
Dato' Lim Yew Boon	5/5	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS				
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	5/5	N/A	N/A	N/A
Soong Chee Keong	5/5	5/5	2/2	2/2
Dato' Sri Amrin Bin Awaluddin	5/5	5/5	N/A	N/A
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	5/5	N/A	2/2	2/2
Ahmad Jauhari Bin Yahya	4/5	N/A	2/2	N/A
Datuk Roger Tan Kor Mee	5/5	5/5	N/A	N/A
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lim Chin Sean	5/5	5/5	N/A	2/2

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration

3.1 Remuneration Committee

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

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees and meeting allowances are to be approved by shareholders at annual general meetings before any payment of fees are made to the Directors. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

- The Remuneration Committee met twice during the year in January and August 2021. In February 2022, the Remuneration Committee convened a meeting and the following matters were considered and deliberated: -

(a) to recommend the remuneration package for the Executive Director for the year ending 31 December 2022 to the Board for approval;

(b) to recommend the Directors' Fees and benefits for the Directors with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023, to the Board for recommendation of the same to the shareholders for approval;

(c) to recommend the budget for meeting allowance for the Non-Executive Directors with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023, to the Board for approval;

(d) to recommend the remuneration packages for the Key Senior Management for the year ending 31 December 2022 to the Board for approval;

(e) to propose the extension of employment for the Executive Director for another year from 1 January 2022 to 31 December 2022; and

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

3.3 Directors' Remuneration

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

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

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

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

- Below are the Directors' fees (which are not performance related) and meeting allowances with effect from 2 June 2022 until the next Annual General Meeting to be held in 2023, subject to the approval of shareholders at the forthcoming Annual General Meeting. The fees and allowances remain unchanged since January 2016.

	Directors' Fees RM per Annum
Chairman	200,000
Chairman of the Audit and Risk Management Committee	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

	Meeting allowances (RM per Meeting)			
	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are disclosed in Practice 8.1 of the CG Report.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration (Cont'd)

3.4 Remuneration of Key Senior Management

- Under the Listing Requirements, key senior management refers to a person, who in the opinion of the listed issuer, is the key senior management of the group, and must include a person who is primarily responsible for the business operations of the listed issuer's core business and principal subsidiaries.

- There are six key senior management personnel identified by the Group as primarily being responsible for managing the business operations and corporate divisions of the Group. Their profile is disclosed on the Company's website at http://www.taliworks.com.my/corporate-information/ under the caption "Key Senior Management".

- The remuneration policy for the key senior management is disclosed in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Remuneration Policy.

- The remuneration paid to the top five key senior management including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 is as follows: -

Range of Remuneration	Total
RM400,001 to RM450,000	3
RM550,001 to RM600,000	2

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee

- The Audit and Risk Management Committee comprises four members, two of whom are members of the Malaysian Institute of Accountants.

- The Audit and Risk Management Committee is headed by Soong Chee Keong, who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee are spelt out in its Terms of Reference.

- The performance of the Audit and Risk Management Committee and each of its members is assessed annually by the Nominating Committee. Soong Chee Keong who is a member of the Nominating Committee and the Audit and Risk Management Committee has abstained accordingly in respect of his assessment by the Nominating Committee. The Nominating Committee also assesses on an annual basis the effectiveness of the Audit and Risk Management Committee in carrying out its responsibilities.

5.0 Risk Management and Internal Control Framework

- The Board acknowledges its responsibility in maintaining a robust risk management framework and a sound system of internal controls.

- The Statement on Risk Management and Internal Controls included in this Annual Report provides a detailed description of the state of risk management and internal controls as implemented by the Group.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 Communication with Stakeholders

6.1 Corporate Disclosure Policies and Procedures

- Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and to enhance transparency and accountability, the Group has formulated the Corporate Disclosure Policies and Procedures that sets out the general principles and standards of disclosure of information in relation to the business, operations and financial performance of the Group.

- The Corporate Disclosure Policies and Procedures were last revised in November 2019 and a copy of the document is published on the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Corporate Disclosure Policies and Procedures".

- The Group has established a Disclosure Committee, reporting to the Executive Committee, to administer, implement and interpret the Company's Corporate Disclosure Policies and Procedures. The members of the Disclosure Committee comprise the following: -

  (a) the chief executive officer of the Company;

  (b) the chief financial officer of the Company;

  (c) the chief regulatory officer of the Company;

  (d) the chief investment officer of the Company; and

  (e) such any other directors and officers of the Company as may be determined by the Executive Committee.

6.2 Maintenance of Company Website

- The Group leverages on the use of information technology for effective dissemination of information by maintaining a website at https://taliworks.com.my/ which shareholders or other stakeholders can access for information. All information released to the stock exchange is posted on the Investor Relations section of the website.

- Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at: https://www.bursamalaysia.com/market_information/announcements/company_announcement.

- Included in the Company's website are matters relating to: -

  (a) corporate information and profile of the Group business activities;

  (b) investor relations including financial information (financial statements, factsheet ratios, financial highlights and dividend policy), stock information, reports (annual reports, quarterly reports and analysts reports), announcements to Bursa Malaysia Securities Berhad, information request (email alert subscription and investor relation contact), general meeting (minutes of shareholders' meeting);

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 Communication with Stakeholders (Cont'd)

6.2 Maintenance of Company Website (Cont'd)

- Included in the Company's website are matters relating to: - (Cont'd)

  (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, Corporate Disclosure Policies & Procedures, Terms of Reference of Board Committees, Corporate Governance Report, Remuneration Policy, Constitution of the Company, Whistle-Blowing Policy, and Anti-Bribery Policy.

6.3 Integrity in Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Management Discussion and Analysis and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit and Risk Management Committee and approved by the Board prior to public release.

- For the year under review, the Group had announced its quarterly results and published its audited financial statements within the timeframe as required under the Listing Requirements.

- In releasing the unaudited full year's results, the Audit and Risk Management Committee will meet with External Auditors who summarises all the principal matters that have arisen from the audit that may have a material impact on the Group results. The Audit and Risk Management Committee also engages the External Auditors on financial disclosures and the accounting judgments made in preparing the financial statements.

- The Board is responsible for the preparation of the financial statements to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 of Malaysia. The Board is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

- The Board has considered in preparing the latest set of financial statements, that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

7.0 Conduct of General Meetings

7.1 Annual General Meeting ("AGM")

- The AGM which is held once a year is the principal forum for dialogue with shareholders. In line with good corporate governance practice, the Notice of AGM was issued at least 28 days prior to the date of the meeting. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

- At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern to the Chairman or to the chairman of the Board Committees. Management personnel are also present to respond to any enquiries directed to them by the shareholders.

- The External Auditors are invited to attend the AGM and avail themselves to answer questions from shareholders on the conduct of the statutory audit and the preparation and content of the audited financial statements.

- Where a transaction is required to be approved by shareholders, interested Directors will abstain from deliberation and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

- Minutes of AGM are posted at the Company's website at https://taliworks.com.my/general-meeting/ under the caption "Minutes of Shareholders' Meeting" within 1 month from the conclusion of AGMs.

7.2 Poll Voting

- The polling process will be conducted via electronic polling by an external party as the Poll Administrator and an Independent Scrutineer will also be engaged to oversee the conduct of the poll and verify the results of the poll. Before shareholders proceed to conduct the poll voting, the Poll Administrator will brief the shareholders on the poll procedures.

AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Corporate Governance Overview Statement and the Corporate Governance Report for inclusion in this Annual Report.

Audit and Risk Management Committee Report

1.0 COMPOSITION

- The Audit and Risk Management Committee ("ARMC") comprises four non-executive directors, the majority of whom are independent, as follows: -

Chairman

- Soong Chee Keong (Independent Non-Executive Director) - appointed on 25 Apr 2013

Members

- Lim Chin Sean (Non-Independent Non-Executive Director) - appointed on 23 May 2011
- Dato' Sri Amrin Bin Awaluddin (Independent Non-Executive Director) - appointed on 15 Sept 2014
- Datuk Tan Kor Mee (Independent Non-Executive Director) - appointed on 27 Feb 2020

- The composition of the ARMC meets the requirements of Paragraphs 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- The Chairman of the ARMC, Soong Chee Keong, is a member of the Malaysian Institute of Accountants ("MIA") besides being a member of the Association of Chartered Certified Accountants ("ACCA"). Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the Main Market Listing Requirements have been complied with.
- Besides the Chairman of the ARMC, Dato' Sri Amrin Bin Awaluddin is also a member of the MIA. He is also a member of the Chartered Institute of Management Accountants ("CIMA").

2.0 TERMS OF REFERENCE ("TOR")

- To comply with the revised Malaysian Code on Corporate Governance issued on 28 April 2021, the key aspects of the TOR of the ARMC were revised during the year as follows:

Heading	Before the revision	After the revision
Membership	*Clause 1(b)* No alternate director shall be appointed as a member of the ARMC.	The chairperson of the Board and/ or an alternate director shall not be appointed as a member of the ARMC.
	Clause 1(d) A former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.	A former key partner of the external audit firm of the Company and/ or the affiliate firm (including those providing advisory services, tax consulting etc) shall observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

2.0 TERMS OF REFERENCE ("TOR") (CONT'D)

- To comply with the revised Malaysian Code on Corporate Governance issued on 28 April 2021, the key aspects of the TOR of the ARMC were revised during the year as follows:

Heading	Before the revision	After the revision
Chairperson	*Clause 5(d)* The positions of Chairperson of the ARMC and Chairperson of the Board are to be held by different individuals.	Removed as no longer applicable by virtue of Clause 1(b).
Responsibilities and Duties	*Clause 8(i)(b)* to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which they are operating effectively. Clause 8(iv)(a) to support and provide directions to the internal audit function to ensure its effectiveness. *Clause 8(iv)(c)* to review the adequacy of scope, competency and resources of the internal audit function and whether it has the necessary authority to carry out its work.	to review and assess adequacy of risk management policies and framework on an annual basis in identifying, measuring, monitoring and controlling risk and the extent to which they are operating effectively. to support and provide directions to the internal audit function to ensure that the internal audit function is effective and able to function independently. to review the adequacy of scope, competency and resources of the internal audit function (including its budget) and whether it has the necessary authority to carry out its work. *Clause 8(iv)(i)* to ensure that the internal audit function is carried out in accordance with a recognised framework.

- A copy of the revised TOR of the ARMC is published in the Company's website at http://taliworks.com.my/corporate-governance/

3.0 MEETINGS

- The ARMC convened five (5) meetings during the year and the Chairman and all members of the ARMC attended these meetings.
- The meetings were held on the following dates and the main agenda are summarised as follows: -

23 February 2021

- to review, approve and recommend for the approval of the Board (where applicable) the following:

  (i) unaudited quarterly financial results for the fourth quarter ended 31 December 2020;
  (ii) Statement of Risk Management and Internal Controls for inclusion in the 2020 Annual Report;
  (iii) Internal Audit reports;
  (iv) quarterly report on the recurrent related party transactions ("RRPTs") of a revenue or trading nature;
  (v) quarterly report on the provision of non-audit services;
  (vi) Related Party Transactions ("RPT") Policies and Procedures.

- to note the progress report from External Auditors on the unaudited results for the financial year ended 31 December 2020.

23 March 2021

- to review, approve and recommend for the approval of the Board (where applicable) the following:

  (i) audited financial statements for the financial year ended 31 December 2020;
  (ii) ARMC Report for inclusion in the 2020 Annual Report;
  (iii) renewal of contractual agreements which are recurrent transactions of a revenue or trading nature.

- to note the Final Report from External Auditors on the final audit for the financial year ended 31 December 2020.
- to review the performance of the External Auditors, and if thought fit, to recommend to the Board to seek shareholders' approval on the re-appointment of External Auditors at the forthcoming Annual General Meeting.
- to note the "Review Procedures and Guidelines in relation to RRPT" as outlined in section 2.6 of the RRPT circular and to approve the "Statement by the Company's Audit and Risk Management Committee" as outlined in section 2.7 of the RRPT circular.

19 May 2021

- to review, approve and recommend for the approval of the Board (where applicable) the following: -

  (i) unaudited quarterly financial results for the first quarter ended 31 March 2021;
  (ii) report from the Risk Management Working Group on its risk assessment of the Group as at 28 February 2021;
  (iii) Internal Audit reports;
  (iv) updated risk registers;
  (v) quarterly report on the RRPTs of a revenue or trading nature;
  (vi) quarterly report on the provision of non-audit services.

3.0 MEETINGS (CONT'D)

- The meetings were held on the following dates and the main agenda are summarised as follows (Cont'd): -

23 August 2021

- to review, approve and recommend for the approval of the Board (where applicable) the following: -

  (i) unaudited quarterly financial results for the second quarter ended 30 June 2021;
  (ii) Internal Audit reports;
  (iii) quarterly report on the RRPTs of a revenue or trading nature;
  (iv) quarterly report on the provision of non-audit services;
  (v) revisions to the TOR of the ARMC.

15 November 2021

- to review, approve and recommend for the approval of the Board (where applicable) the following: -

  (i) unaudited quarterly financial results for the third quarter ended 30 September 2021;
  (ii) External Auditors' Professional Services Planning Memorandum 2021;
  (iii) Letter of engagement for the Statutory Audit and Statement of Risk Management and Internal Control for 2021;
  (iv) Internal Audit reports;
  (v) report from the Risk Management Working Group on its risk assessment of the Group as at 31 August 2021;
  (vi) revised Enterprise Risk Management Framework 2021;
  (vii) renewal of contractual agreements which are recurrent transactions of a revenue or trading nature;
  (viii) quarterly report on the RRPTs of a revenue or trading nature;
  (ix) quarterly report on the provision of non-audit services and the provision of Planned Non-Audit Services for 2022;
  (x) revised policies and procedures for provision of non-audit services by external auditors.

- to note the proposed external audit fees of the Group and authorise the management to negotiate and finalise the proposed external audit fees.

- The ARMC held its meetings without the presence of other Directors and management, except when the ARMC requested their attendance. The General Manager of Group Finance was invited to all ARMC meetings to facilitate and provide clarification on issues raised by the ARMC. The Head of the Group Internal Audit ("GIA") attended the ARMC meetings to table the Internal Audit reports and ARMC report for inclusion in the Annual Report 2020.

- To ensure that the audited financial statements complied with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's and Group's financial statements before they were presented to the ARMC for review and approval. They were then recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit.

- The ARMC had a private session with the External Auditors on 23 March 2021 and the GIA on 19 May 2021 without presence of the Management to discuss any issues that were of concern to them.

3.0 MEETINGS (CONT'D)

- Subsequent to the meetings of the ARMC, the Chairman of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The Chairman of the ARMC also conveyed to the Board, matters of significant concern as and when raised by the Management, External Auditors and the GIA. Minutes of each ARMC meeting were recorded by the Company Secretaries and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

4.0 TRAINING

The trainings attended by members of the ARMC during the year are disclosed in the Corporate Governance Overview Statement included in this Annual Report.

5.0 SUMMARY OF ACTIVITIES

The ARMC's activities during the year is summarised in the following categories: -

5.1 Financial Reporting

- Reviewing and approving the financial results of the Group

  The ARMC reviewed and approved the quarterly financial statements for the fourth quarter ended 31 December 2020, first quarter ended 31 March 2021, second quarter ended 30 June 2021 and third quarter ended 30 September 2021 at the respective ARMC meetings. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters: -

  (a) changes in or implementation of major accounting policies changes;

  (b) significant and unusual events; and

  (c) compliance with accounting standards and other regulatory requirements.

- On 23 March 2021, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2020 with the External Auditors in attendance.

- All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Market Listing Requirements and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by Bursa Malaysia Securities Berhad.

- The ARMC's recommendations were presented for approval at the Board meeting following the conclusion of the ARMC meeting.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit

5.2.1 Overseeing the work of the External Auditors

- On 23 February 2021, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2020 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2020 (which was presented earlier to the ARMC on 16 November 2020). The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing its work, and they had received full cooperation from Management with unrestricted access to information.

- On 23 March 2021, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2020 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval. Besides, the ARMC recommended to the Board to seek shareholders' approval for the re-appointment of the External Auditors at the forthcoming Annual General Meeting after having assessed and rated the performance of the External Auditors. The assessment of the External Auditors was done through a written questionnaire covering thirty-nine (39) questions encompassing the following:

(a)	Section A: Calibre of external audit firm
(b)	Section B: Quality processes/performance
(c)	Section C: Audit team
(d)	Section D: Independence and objectivity
(e)	Section E: Audit scope and planning
(f)	Section F: Audit fees
(g)	Section G: Audit communications

A copy of the completed Questionnaire has been filed with the Company Secretaries for record purposes.

- On 15 November 2021, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2021which encompasses the following salient points: -

(a)	Auditor's responsibilities;
(b)	Client service team;
(c)	Materiality;
(d)	Significant risks and areas of audit focus;

a total of three (3) significant risks and one (1) area of audit focus were identified

(e)	Internal control plan;
(f)	Involvement of internal auditors, internal specialists and audit data analytics;

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.1 Overseeing the work of the External Auditors (Cont'd)

- On 15 November 2021, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2021which encompasses the following salient points:- (Cont'd)

  the External Auditors do not expect to use the work of the internal audit function to modify the nature of timing, or reduce the extent, of audit procedures to be performed

(g)	Timing of audit;
(h)	Financial reporting and other updates;
(i)	Fraud responsibilities and representations; and
(j)	Engagement quality control, independence policies and procedures.

- Having considered the above and after having further discussion with the External Auditors, the ARMC approved the External Auditors' Professional Services Planning Memorandum 2021 subject to further negotiation of audit fees by the Management. Subsequently, the ARMC approved the external audit fees of the Group as recommended by the Management and agreed to by the External Auditors.

5.2.2 Assessing the Independence and Suitability of the External Auditors

- Under the Independence policies and procedures set out in the External Auditors' Professional Services Planning Memorandum 2021, the ARMC noted the following: -

  (a) that the External Auditors complied with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants ("By-Laws"). In this respect, the External Auditors have provided a written assurance to the ARMC on their independence.

  (b) that the External Auditors have developed policies and important safeguards and procedures to address threats to their independence and objectivity including: -

    (i) assessment is made to the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement;

    (ii) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System;

    (iii) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients; and

    (iv) periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with their policies and professional and regulatory requirements.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.2 Assessing the Independence and Suitability of the External Auditors (Cont'd)

- that the External Auditors have issued detailed ethical standards and independence policies to all partners and employees who are required to confirm their compliance annually. They are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things, these policies: -

  (a) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any the audit clients (unless otherwise expressly permitted);

  (b) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;

  (c) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and

  (d) provide safeguards against potential conflicts of interest.

- the External Auditors' independence policy requires them to communicate in writing to the ARMC all breaches of independence set out in the By-Laws on a timely basis and all insignificant breaches on an annual basis as well as to obtain concurrence from the ARMC on actions taken to satisfactorily address any consequence of any identified breach.

- Upon due consideration on the External Auditors' past performance, client service team, engagement quality control, independence policies and procedures as set out in the External Auditors' Professional Services Planning Memorandum 2021 as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors were suitable to be engaged to undertake the statutory audit and are satisfied that their independence had not been compromised.

- The current Audit Engagement Partner has been auditing the financial statements of the Group since 31 December 2000. According to the External Auditors' Professional Services Planning Memorandum 2021, it is a policy to rotate the audit engagement partner, the independent review partner and key audit partners periodically.

5.3 Internal Audit

- The GIA team conducted the audit activities as per a risk-based annual Internal Audit Plans i.e. year 2021 approved by the ARMC on 16 Nov 2020. The Head of GIA presented the internal audit reports in all the ARMC meetings during the year. These reports contain: -

  (a) status and progress of internal audit assignments including summaries of the audit reports issued;

  (b) effects / potential risks and audit recommendations provided by the GIA;

  (c) Management's responses to audit recommendations and their committed action plans; and

  (d) status of follow-up audits on Management's committed action plans.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.3 Internal Audit (Cont'd)

- The risk-based Internal Audit Plans are reviewed on a yearly basis and as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of eleventh (11) full internal audits and twelve (12) follow-up internal audits were conducted during the year focusing on the following thirteen (13) key areas: -

(a)	Business Development & Corporate Affairs
(b)	Contract Administration
(c)	Finance Reporting / Management
(d)	Fixed Asset Management
(e)	General Administration
(f)	Human Resource
(g)	Information Technology

(h)	Procurement
(i)	Regulatory and Compliance
(j)	Related Party Transaction
(k)	Risk Management
(l)	Traffic & Safety
(m)	Transfer Pricing

- On 16 November 2020, the ARMC reviewed and approved: -

  (a) the annual Internal Audit Plan 2021 that covers all core operations including water treatment, highway management, construction and waste management; and

  (b) the Internal Audit Budget and Resource Plan 2021 with the view that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year.

  In addition, ARMC noted the annual Declaration of Independence from GIA for the financial year then ended 31 December 2021.

5.4 Risk Management

- The ARMC reviewed the report of the Risk Management Working Group whom was represented by the General Manager of Group Finance. Meetings were on 19 May 2021 and 15 November 2021 to note and discuss the Risk Management Reports of the following divisions: -

  (a) Engineering and Construction Division;

  (b) Water and Engineering Division;

  (c) Toll Highway Division - Grand Saga Sdn. Bhd. and Grand Sepadu (NK) Sdn. Bhd;

  (d) Waste Management Division; and

  (e) Group Strategic Risks

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.4 Risk Management (Cont'd)

- The Risk Management Reports comprises the Risk Profile which indicated the impact, likelihood of occurrence and residual risk rating of every risks identified and supported by individual Risk Registers that details the description, causes, consequences, controls, its effectiveness and action plans for each and every identified risk.

- The ARMC presented a summary of the Risk Management Working Group reports at the subsequent Board meetings for notation.

5.5 Recurrent Related Party Transactions ("RRPTs") and Related Party Transactions ("RPTs")

- In accordance with the Main Market Listing Requirements, the ARMC reviewed all RPTs tabled to ensure that they are: -

  (a) at arm's length;

  (b) on normal commercial terms;

  (c) on terms not more favourable to the Related Party than those generally available to the public;

  (d) in its opinion, are not detrimental to the minority shareholders; and

  (e) in the best interest of the Company.

- In addition to that, the ARMC also reviewed the Quarterly Report on RRPT to ensure that the cumulative amount of RRPT is with the shareholders' mandate obtained at Annual General Meeting.

- The ARMC (except for interested director(s)) thereafter recommended the RPTs and/or the RRPTs for approval at the subsequent Board meetings.

5.6 Fraud, Bribery and Corruption

- There was no major incidence of fraud, bribery or corruption reported to the ARMC by the Executive Director or to the Chairman of the ARMC during the year under the Company's whistle-blowing policy.

- The Chairman of the ARMC has also not received any reports requiring further investigation sent to his dedicated email at ARMC@taliworks.com.my.

6.0 INTERNAL AUDIT FUNCTION

- The internal audit functions by assisting a company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The internal audit function provides assessments as to whether risks, which may hinder the company from achieving its objectives, are being adequately evaluated, managed and controlled. It further evaluates the effectiveness of the governance, risk management and internal control framework (including RPTs) and facilitates enhancement, where appropriate.

- In this respect, the ARMC is supported by an in-house GIA in the discharge of its duties and responsibilities. The ARMC is guided by the Guidelines on Internal Audit Function issued by the Internal Auditors Malaysia and the Internal Audit Charter that provides the framework for the efficient and effective functioning of the internal audit function.

6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- The GIA personnel have declared themselves to be free from any relationships or conflicts of interest which might impair their objectivity and independence. To further safeguard their impartiality, the GIA reports directly to the ARMC and it is not involve, directly or indirectly, in any operational responsibilities. The GIA carries out its role in accordance with the Institute of Internal Auditors International Professional Practices Framework. The GIA is responsible to independently review, appraise and recommend improvements to the governance, risk management and internal control systems established by the Management. The GIA provides timely and impartial advice to the ARMC and the respective Management as to whether activities reviewed are: -

  (a) in accordance with the Group's policies and direction;

  (b) in compliance with prescribed laws and regulations; and

  (c) achieving the desired results effectively and efficiently.

- On a quarterly basis, the GIA submits audit reports to the ARMC for review and action.

- The GIA performs risk-based (i.e. high priority risk areas based on risk evaluations including risk management profile), ad-hoc and routine audits in accordance with the Internal Audit Plans as approved by the ARMC. Root-cause analysis was conducted as part of the IA work to enable relevant recommendations to address the weaknesses noted. The audit results were discussed with the respective Management and action plans were put in place to complete the necessary preventive and corrective actions before presenting to ARMC for review. Where applicable, the GIA conducts follow up audits to ensure that Management's commitment on corrective actions were fulfilled timely and appropriately. Internal audit engagements carried out by the GIA include operational, financial and compliance reviews.

- In addition, the GIA plays an advisory role to the Management in the course of performing its internal audit activities. In turn, the Management supports the internal audit function by: -

  (a) inviting the Head of GIA as an observer to the monthly management meetings and meetings of the Risk Management Working Group to keep abreast of any important developments on business, operations, strategies, risks, controls etc;

  (b) providing unrestricted access to information, records and to the Management and making available adequate resources including personnel which are relevant to the internal audit function;

  (c) ensuring that the auditees implement all the internal audit recommendations to improve the effectiveness of governance, risk management, and internal control processes;

  (d) requiring all the heads of department in the Group to indicate in their annual appraisal form the status of all outstanding internal audit findings; and

  (e) not placing any restrictions on the scope of the internal audit undertaken by the GIA.

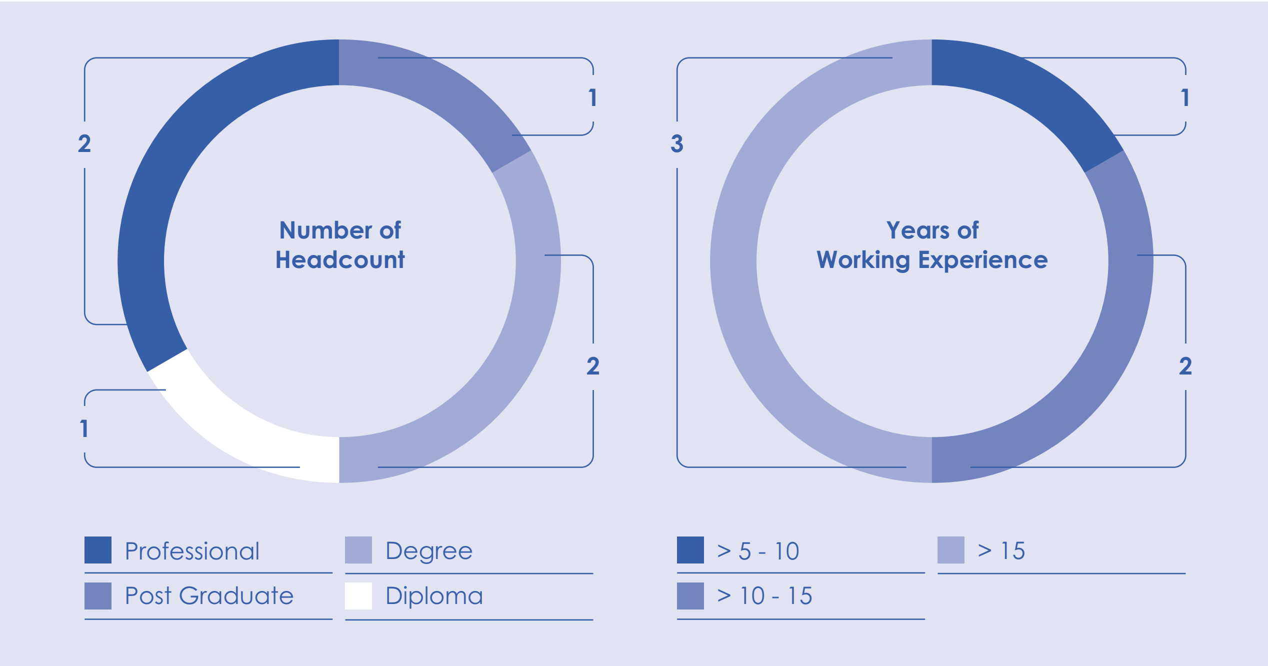
- The GIA provides internal audit services covering the Company, its operating subsidiaries and major associated companies. The total staff costs for the year (including remuneration, training, administrative charges etc) incurred by the GIA were approximately RM685,030 (2020: RM647,500).

6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- The GIA is headed by a Senior Manager (Lee Chee Leong, Henry) who is a fellow member of the Association of Chartered Certified Accountants with double degrees in Applied Accounting and Applied Science with Computing. He was appointed as the Head of GIA since December 2011. He is well qualified to provide the necessary assurances to the ARMC and Management; having over twenty years of experience in internal audit and various other functions (i.e. compliance, information technology, risk management, quality management, finance and credit control) involving multiple industries including merchant banking, investment banking, both life and general insurance, property development and construction.

- As at 31 December 2021, the Head of GIA is supported by a team of five (5) members.

- There is adequate mix of knowledge, skills and other competencies needed to perform the internal audit function. The qualification of the GIA team members and their working experience can be categorised respectively as follows:-



- To enhance the competency of the GIA, team members are provided with internal and external trainings throughout the year that include on-the-job trainings in auditing, report writing, presentation and communication skills, as well as external trainings e.g. anti-bribery awareness and management, sustainability, virtual meeting tools (Microsoft Team), employee insurance, budget briefing etc.

- Internal reviews are performed by the GIA on a routine basis to appraise the quality of work performed.

7.0 AUDIT AND RISK MANAGEMENT COMMITTEE'S REPORT

The ARMC had approved this Audit and Risk Management Committee Report for inclusion in this Annual Report.

Additional Compliance Information

In compliance with Part A of Appendix 9C of the Main Market Listing Requirements, the following are additional information to be disclosed in this Annual Report: -

1.0 Profile of Directors, Chief Executive and Key Senior Management

(a) The profile of the Directors and Chief Executive of the Company are stated under the Directors' Profile in this Annual Report.

(b) The profile of key senior management of the Group is disclosed in the Company's website at http://taliworks.com.my/corporate-information/ under the caption "Key Senior Management". Key Senior Management include (i) those who are charged with the Company's governance and management collective decision making and (ii) those who are primarily responsible for the business operations of the Group's core businesses.

2.0 Audit and Non-Audit Fees

(a) The amount of audit fees paid or payable by the Company and its subsidiaries to the External Auditors, Deloitte PLT, are as follows:

(i) Company – RM100,130 (2020: RM100,130)
(ii) Group – RM298,330 (2020: RM316,350)

(b) The non-audit fees paid or payable for services rendered to the Company and its subsidiaries by the External Auditors, Deloitte PLT, or a firm or corporation affiliated to it, are as follows:

(i) Company – RM24,600 (2020: RM13,600)
(ii) Group – RM73,800 (2020: RM48,200)

The non-audit fees are mainly in relation to the provision of company taxation and tax advisory services.

The above fees exclude Sales and Service Tax and out-of-pocket expenses.

3.0 Status of Utilisation of Proceeds

There are no proceeds raised in a corporate proposal.

4.0 Material Contracts

Save as disclosed in the Notes to the Financial Statements on the Significant Related Party Transactions, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

5.0 Recurrent Related Party Transactions

Pursuant to Paragraph 3.1.5 of Practice Note 12, the Recurrent Related Party Transactions entered into by the Company and its subsidiaries with related parties pursuant to a shareholders' mandate were as follows:

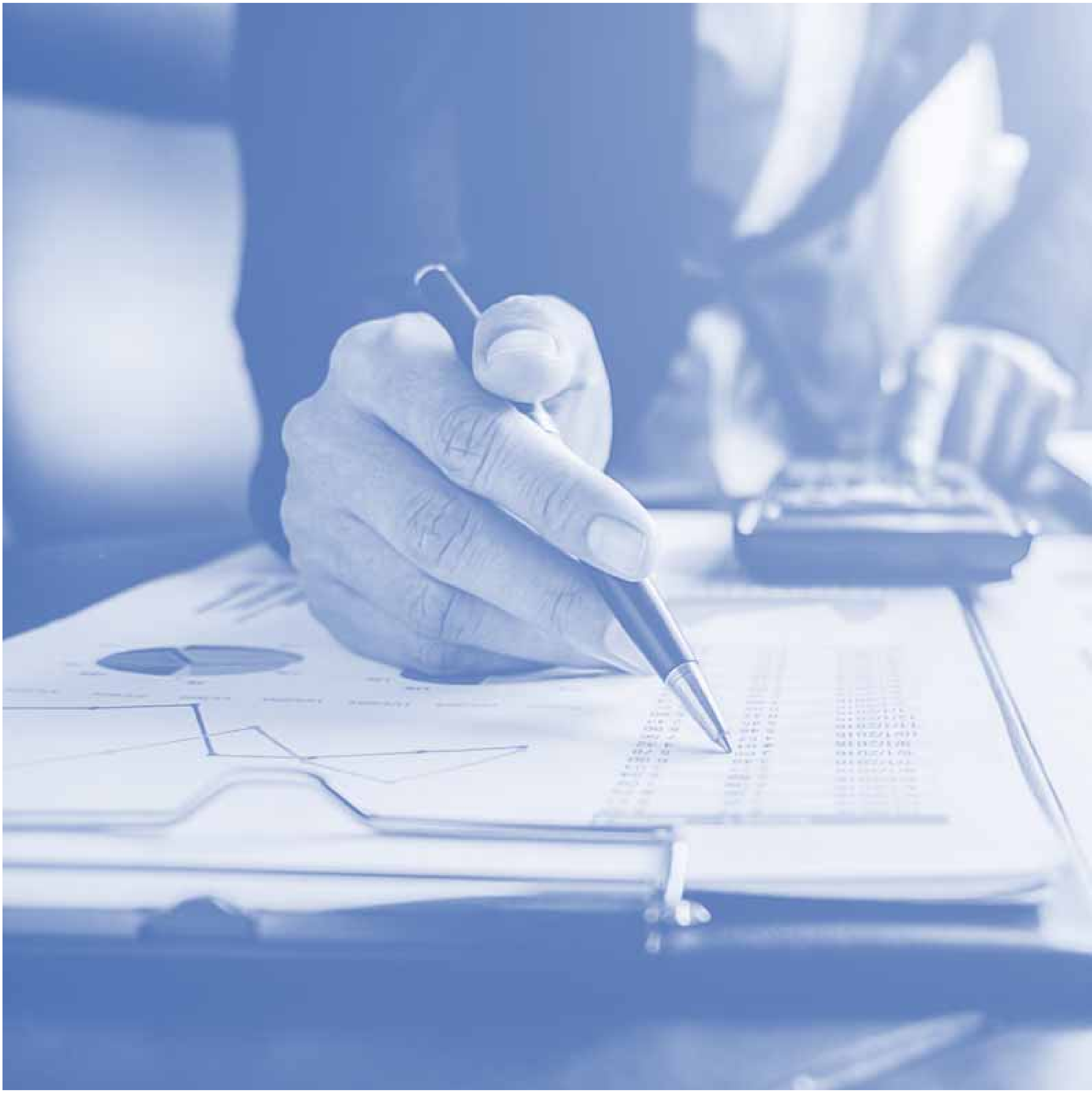
Related Parties	Type of the Recurrent Related Party Transactions	Aggregate value of Recurrent Related Party Transactions made during the financial year (RM'000)
Exitra Sdn. Bhd. and Exitra Solutions Sdn. Bhd.;	Services rendered to the Company and Group by the related parties in relation to the provision of information technology services, broadband and maintenance, sales of hardware and software either as vendor or re-seller	1,509
SWM Environment Holdings Sdn. Bhd.	Management services rendered by the Company to the related party.	3,610

6.0 Properties of the Group

Particulars of the properties of the Company or its subsidiaries have not been separately disclosed as their respective net book value represent less than 5% of the consolidated total assets of the Group as at the end of the financial year.

7.0 Employee Share Options Scheme ("ESOS")

There is no ESOS implemented by the Company which is subsisting as at the end of the financial year.



FINANCIAL STATEMENTS

05
Financial Statements

The directors of **TALIWORKS CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, principal place of business, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 20 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	113,975	435,664
Income tax (expense)/credit	(11,614)	183
Profit for the year	102,361	435,847
Profit attributable to:		
Owners of the Company	78,500	435,847
Non-controlling interests	23,861	-
	102,361	435,847

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2020 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 1.65 sen per share paid on 31 March 2021	33,261
In respect of the financial year ended 31 December 2021:	
First interim single-tier dividend of 1.65 sen per share paid on 30 June 2021;	33,261
Second interim single-tier dividend of 1.65 sen per share paid on 30 September 2021; and	33,261
Third interim single-tier dividend of 1.65 sen per share paid on 31 December 2021	33,261
	133,044

Subsequent to the end of the financial year, on 22 February 2022, the directors declared the payment of a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares, amounting to approximately RM33,260,990 in respect of the current financial year to be paid on 25 March 2022. This dividend has not been included as a liability in the statements of financial position as of 31 December 2021. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022.

The directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new shares or debentures issued during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

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

The directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Abdul Razak Bin Hashim
Chee Lean Thong
Chew Hoong Cheong
Chin Soong Jin
Datin Lee Li May
Dato' Lim Chee Meng
Dato' Lim Yew Boon
Lim Siew Ling
Mohamad Hafiz Bin Kassim
Norsam @ Norsamsida Binti Hassan
Phang Kwai Sang
Teh Siok Wah
Wang Kwee Luan
Wong Voon Leong
Wong Wai Meng
Zulfikri Bin Suboh
Azrina Binti Mohd Isa (alternate director to Mohamad Hafiz Bin Kassim)
Seow Hooi Ju (resigned on 7 February 2022)

DIRECTORS' INTERESTS

The interest in shares and options over shares in the Company and in the related corporation of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares			
	Balance as at 1.1.2021	Bought	Sold	Balance as at 31.12.2021
Shares in the Company				
Direct interest				
Dato' Lim Yew Boon	625,000	375,000	-	1,000,000
Lim Chin Sean	250,006	-	-	250,006
Indirect interest				
Lim Chin Sean#	1,006,833,333	-	-	1,006,833,333

\# Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of his interest in the Company, he is also deemed to have an interest in the shares of all the Company's subsidiaries to the extent the Company has an interest pursuant to Section 8(4) of the Companies Act, 2016.

Other than disclosed above, none of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares and options over shares in the Company or its related corporation during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions between the Company and/or its subsidiaries and companies in which certain directors of the Company or persons connected with such directors have an interest as disclosed in Note 45 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' and officers' liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides indemnity coverage for the directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM18,984 (inclusive of Sales and Service Tax and stamp duty).

There was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 48 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount payable as remuneration to the auditors for the financial year ended 31 December 2021 is disclosed in Note 9 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors,

____
DATO' LIM YEW BOON

____
LIM CHIN SEAN

Kuala Lumpur,
31 March 2022

STATEMENT BY DIRECTORS

The directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
31 March 2022

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG VOON LEONG (CA 7225)**, the officer primarily responsible for the financial management of **TALIWORKS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **KUALA LUMPUR** this 31st day of March, 2022.

Before me,

PESURUHJAYA SUMPAH
W788
SHI' ARATUL AKMAR
BINTI SAHARI
1.1.2022 - 31.12.2024
MALAYSIA

COMMISSIONER FOR OATHS

No. 12-1, Jalan 9/23A,
Medan Makmur,
Off Jalan Usahawan, Setapak,
53200 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT
To the Members of Taliworks Corporation Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 200 to 300.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Cont'd)

Key audit matters	How the matter was addressed in the audit
Impairment assessment of goodwill	
As at 31 December 2021, the Group has goodwill of RM129,385,000 relating to a subsidiary, Cerah Sama Sdn. Bhd. ("CSSB") which arose from a restructuring exercise in August 2015. The goodwill is allocated to the Toll Highway cash generating unit (the "Toll CGU"). In performing the impairment assessment of goodwill, management is required to estimate the recoverable amount of the Toll CGU. The recoverable amount is calculated based on an estimation of the present value of the future cash flows expected to be generated ("value-in-use model"). The key bases and assumptions used in the value-in-use model involve a significant degree of management judgements and estimates, such as the traffic volume, which was projected by an external traffic expert engaged to assist management. Refer to key bases and assumptions used as disclosed in Note 24.	Our audit procedures, amongst others, included the following: • Performed inquiries with the management to understand and evaluate the process and controls in developing the value-in-use model; • Evaluated the appropriateness of the methodology of the management's value-in-use model, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management judgements and estimates; • Performed retrospective review of the cash flow projections used in the value-in-use model to assess the reliability of the management's estimates; • Involved our internal valuation specialists in assessing the appropriateness of the value-in-use model and the discount rate used; • Evaluated the work of our internal valuation specialists which includes the relevance and reasonableness of their findings or conclusions; • Challenged the reasonableness of the key bases and assumptions underpinning the value-in-use model, such as the traffic volume growth rate and the discount rate used; • Performed sensitivity analysis on the key assumptions to assess if any reasonably possible change in these assumptions can lead to an impairment loss; • Assessed the results of the impairment assessment by comparing the recoverable amount of the Toll CGU to its carrying amount; and • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 20 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

WONG KAR CHOON
Partner - 03153/08/2022 J
Chartered Accountant

Kuala Lumpur,
31 March 2022

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Revenue	6	302,577	317,880	448,658	198,821
Cost of operations	7	(162,882)	(194,221)	(9,666)	(11,267)
Gross profit		139,695	123,659	438,992	187,554
Other operating income	8	13,997	20,009	2,404	1,458
Administrative and other expenses	9	(34,927)	(46,769)	(4,923)	(4,159)
Finance costs	10	(19,105)	(21,212)	(809)	(1,382)
Share of results of joint venture		5,999	4,693	-	-
Share of results of associates		8,316	(1,864)	-	-
Profit before tax		113,975	78,516	435,664	183,471
Income tax (expense)/credit	13	(11,614)	(14,985)	183	(187)
Profit for the year/Total comprehensive income		102,361	63,531	435,847	183,284
Profit for the year/Total comprehensive income for the year attributable to:					
Owners of the Company		78,500	59,487	435,847	183,284
Non-controlling interests		23,861	4,044	-	-
		102,361	63,531	435,847	183,284

	Note	The Group 2021	The Group 2020
Earnings per share attributable to owners of the Company (sen)			
Basic and diluted	14	3.89	2.95

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	6,133	8,941	1,081	2,130
Right-of-use assets	16	9,843	12,304	9,843	12,304
Investment properties	17	212	219	212	219
Intangible assets	19	1,016,966	1,044,806	-	-
Investment in subsidiaries	20	-	-	319,507	319,507
Investment in joint venture	21	67,601	62,952	67,173	67,173
Investment in associates	22	153,123	160,347	230,784	230,724
Other investment	23	240	240	-	-
Goodwill on consolidation	24	129,385	129,385	-	-
Long-term other receivable	30	18,379	21,909	-	-
Deposits, cash and bank balances	27	48,449	53,231	4,516	4,613
Total Non-Current Assets		1,450,331	1,494,334	633,116	636,670
Current Assets					
Inventories	28	2,287	2,901	-	-
Amount due from contract customers	29	6,581	11,991	308	3,984
Trade receivables	26	50,523	91,716	-	-
Other receivables, deposits and prepayments	30	11,346	11,826	1,448	1,405
Tax recoverable		12,678	11,304	141	-
Investment designated at fair value through profit or loss	32	346,443	386,326	300,850	5
Deposits, cash and bank balances	27	62,228	64,617	9,522	6,118
		492,086	580,681	312,269	11,512
Assets held-for-sale	18	694	-	-	-
Total Current Assets		492,780	580,681	312,269	11,512
TOTAL ASSETS		1,943,111	2,075,015	945,385	648,182

Statements of Financial Position
As at 31 December 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	33	438,354	438,354	438,354	438,354
Merger deficit	34	(71,500)	(71,500)	-	-
Retained earnings	35	537,949	592,493	490,825	188,022
Total Equity Attributable to Owners of the Company		904,803	959,347	929,179	626,376
Non-controlling interests		252,646	248,385	-	-
Total Equity		1,157,449	1,207,732	929,179	626,376
Deferred and Non-Current Liabilities					
Long-term borrowings	36	328,540	358,159	-	-
Lease liabilities	37	9,950	12,625	9,950	12,625
Long-term trade payables	38	893	17,039	-	-
Long-term other payables	41	-	6,675	-	-
Provisions	39	24,952	23,539	809	809
Deferred income	40	77,790	92,641	-	-
Deferred tax liabilities	25	234,196	234,987	-	-
Total Deferred and Non-Current Liabilities		676,321	745,665	10,759	13,434
Current Liabilities					
Trade payables	38	41,516	44,853	-	-
Other payables and accruals	41	17,624	26,372	1,738	2,436
Amount due to subsidiaries	31	-	-	1,034	3,125
Provisions	39	563	2,207	-	-
Short-term borrowings	36	30,000	30,000	-	-
Lease liabilities	37	2,675	2,705	2,675	2,705
Deferred income	40	14,864	15,375	-	-
Tax liabilities		2,099	106	-	106
Total Current Liabilities		109,341	121,618	5,447	8,372
Total Liabilities		785,662	867,283	16,206	21,806
TOTAL EQUITY AND LIABILITIES		1,943,111	2,075,015	945,385	648,182

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Distributable reserve Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2020		438,354	(71,500)	666,050	1,032,904	260,021	1,292,925
Profit for the year/Total comprehensive income for the year		-	-	59,487	59,487	4,044	63,531
Total comprehensive income for the year		-	-	59,487	59,487	4,044	63,531
Transactions with Owners of the Company:							
Dividends paid	42	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(15,680)	(15,680)
Total transactions with Owners of the Company		-	-	(133,044)	(133,044)	(15,680)	(148,724)
As at 31 December 2020		438,354	(71,500)	592,493	959,347	248,385	1,207,732
As at 1 January 2021		438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the year/Total comprehensive income for the year		-	-	78,500	78,500	23,861	102,361
Total comprehensive income for the year		-	-	78,500	78,500	23,861	102,361
Transactions with Owners of the Company:							
Dividends paid	42	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(19,600)	(19,600)
Total transactions with Owners of the Company		-	-	(133,044)	(133,044)	(19,600)	(152,644)
As at 31 December 2021		438,354	(71,500)	537,949	904,803	252,646	1,157,449

Statements of Changes in Equity
For the Year Ended 31 December 2021

The Company	Note	Share capital RM'000	Distributable reserve-Retained earnings RM'000	Total equity RM'000
As at 1 January 2020		438,354	137,782	576,136
Profit for the year/Total comprehensive income for the year		-	183,284	183,284
Total comprehensive income for the year		-	183,284	183,284
Transactions with Owners of the Company:				
Dividends paid	42	-	(133,044)	(133,044)
As at 31 December 2020		438,354	188,022	626,376
As at 1 January 2021		438,354	188,022	626,376
Profit for the year/Total comprehensive income for the year		-	435,847	435,847
Total comprehensive income for the year		-	435,847	435,847
Transactions with Owners of the Company:				
Dividends paid	42	-	(133,044)	(133,044)
As at 31 December 2021		438,354	490,825	929,179

The accompanying Notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	113,975	78,516	435,664	183,471
Adjustments for:				
Net (gain)/loss arising on financial assets measured at fair value through profit or loss	(367)	325	(198)	-
Net loss/(reversal of) allowance on receivables and amount due from contract customers	798	(146)	(119)	(70)
Amortisation of intangible assets	27,840	25,992	-	-
Finance costs	19,105	21,212	809	1,382
Depreciation of:				
Property, plant and equipment	3,165	3,697	1,132	1,178
Investment properties	7	7	7	7
Right-of-use assets	2,461	2,461	2,461	2,461
Provision for heavy repairs	4,222	4,168	-	-
Provision for restoration cost	165	2,093	-	-
Impairment of amount owing from a subsidiary	-	-	-	50
Written off of property, plant and equipment	33	27	-	24
Unrealised foreign exchange (gain)/loss - net	-	(5)	(2)	1
Interest expense imputed in borrowings	381	547	-	-
Interest income imputed in retention sums	41	65	-	-
Deferred income recognised:				
Government compensation	(15,375)	(15,966)	-	-
Rental and maintenance fee	(120)	(117)	-	-
Interest income	(2,081)	(2,728)	(481)	(249)
Share of results of:				
Joint venture	(5,999)	(4,693)	-	-
Associates	(8,316)	1,864	-	-
Investment designated at fair value through profit or loss:				
Dividend income	(6,418)	(11,222)	(648)	(96)
Loss/(Gain) on redemption	270	(1,114)	-	(36)
Gain on disposal of property, plant and equipment	(1,102)	(98)	-	(4)
COVID-19 related rent concessions	-	(167)	-	(167)
Reversal of gain/(Gain) on modification of other payables	408	(408)	-	-
Reversal of gain on modification on trade payables	941	1,833	-	-
Dividend income	-	-	(437,270)	(185,546)
Operating Profit Before Working Capital Changes	134,034	106,143	1,355	2,406

Statements of Cash Flows
For the Year Ended 31 December 2021

	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Decrease/(Increase) in:				
Inventories	614	(1,734)	-	-
Amount due from contract customers	5,324	3,986	3,795	1,768
Trade and other receivables	45,031	22,632	(43)	(366)
Decrease in:				
Trade and other payables	(36,980)	(74,735)	(698)	(1,720)
Provisions	(4,618)	(2,254)	-	-
Deferred income	133	-	-	-
Cash Generated From Operations	143,538	54,038	4,409	2,088
Income tax paid	(11,804)	(15,198)	(64)	(87)
Income tax refunded	18	272	-	272
Net Cash From Operating Activities	131,752	39,112	4,345	2,273
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	1,541	2,728	481	249
Net decrease in amount due from subsidiaries and associates	-	-	(2,091)	(3,515)
Property, plant and equipment:				
Proceeds from disposal	1,182	99	-	4
Purchases	(1,164)	(451)	(83)	(119)
Dividends received from:				
Subsidiaries	-	-	420,320	173,570
Joint venture	1,350	7,650	1,350	7,650
Associates	15,600	4,326	15,600	4,326
Investment designated at fair value through profit or loss:				
Dividend income	6,418	11,222	648	96
Purchase	(366,425)	(56,222)	(300,652)	(6,096)
Proceeds from redemption	406,405	255,746	5	32,632
Increase in investment in a joint venture	(60)	-	(60)	-
(Placement)/Withdrawals of deposits pledged as security	4,782	4,953	97	(41)
Net Cash From Investing Activities	69,629	230,051	135,615	208,756

Statements of Cash Flows
For the Year Ended 31 December 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES					
Interest paid		(18,421)	(21,725)	(809)	(1,382)
Dividends paid		(133,044)	(157,234)	(133,044)	(157,234)
Dividends paid by a subsidiary to non-controlling interests		(19,600)	(15,680)	-	-
Repayments of borrowings		(30,000)	(80,000)	-	(50,000)
Repayment of lease liabilities		(2,705)	(2,436)	(2,705)	(2,436)
Net Cash Used In Financing Activities		(203,770)	(277,075)	(136,558)	(211,052)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,389)	(7,912)	3,402	(23)
Effects of foreign exchange rate changes		-	5	2	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		64,617	72,524	6,118	6,142
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	27	62,228	64,617	9,522	6,118

The accompanying Notes form an integral part of the financial statements

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, principal place of business, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 20.

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.

The principal place of business of the Company is located at Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company are presented in their functional currency which is Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 31 March 2022.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of revised MFRSs

In the current financial year, the Group and the Company adopted all the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2021 as follows:

Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 Interest Rate Benchmark Reform - Phase 2

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Early adoption of Amendment to MFRS 16 Leases - COVID-19 Related Rent Concessions Beyond 30 June 2021 ("the Amendment") which is effective for annual reporting periods beginning on or after 1 April 2021

The Amendment extends the availability of the previous practical expedient, namely Amendment to MFRS 16 Leases-COVID-19 Related Rent Concessions (effective for annual reporting periods beginning on or after 1 June 2020) which has been early adopted by the Group and the Company in the previous financial year. The Amendment grants an optional exemption for lessees from assessing whether a rent concession related to COVID-19 is a lease modification under MFRS 16. If the exemption is elected, lessees could elect to account for COVID-19 rent concessions in the same way as they would if they were not lease modifications.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the conditions set out in paragraph 46B of the Amendment are met.

The Group and the Company did not make use of the exemption available in the Amendment during the financial year except for in 2020, where the Company was offered a rebate for rental incurred during the period covering 18 March 2020 to 17 May 2020 as a direct consequence of the Movement Control Order ("MCO") imposed by the Government due to the COVID-19 pandemic, whilst other terms and conditions of the lease contract remained unchanged. Arising thereof, the Group and the Company recognised an income from the waiver of rental in the previous financial year amounting to RM167,000 as disclosed in Note 8 to reflect changes in lease payments that arose from the rent concessions.

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

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

MFRS 17	Insurance Contracts[2]
Amendments to MFRS 17	Insurance Contracts[2]
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information[2]
Amendments to MFRS 108	Definition of Accounting Estimates[2]
Amendments to MFRS 101	Disclosure of Accounting Policies[2]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 3	Reference to the Conceptual Framework[1]
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[1]
Annual Improvement to MFRS Standards 2018-2020[1]	

[1] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
[3] Effective date deferred to a date to be determined and announced by MASB.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the aquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the aquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are re-measured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is initially recognised and measured as set out in "Business Combinations".

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in "Investments in Associates and Joint Venture".

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its shares of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (Cont'd)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the costs of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Group classifies to profit or loss the proportion of the gain or loss that had previously been recognised in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profit or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue Recognition

Revenue is recognised when a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Performance obligations by segment are as follows:

Construction segments

The Group constructs infrastructure facilities under a specific/individual contract with customers. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The Group becomes entitled to invoice customers for construction claims at the end of every calendar month. The customer is sent a statement showing the amount of work executed and supporting documents and an invoice for the related progress billing. The Group will previously have recognised an "amount due from contract customer" for any work performed, of which it will be reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billings exceed the revenue recognised to date under the cost-to-cost method, then the Group recognises an "amount due to contract customer" for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the progress billing is always less than one year.

The directors have performed assessment on the following projects and related findings are disclosed below:

(a) *The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur*

The Group has performed assessment that sectional completion is indicated in the contract. Thus, a separate performance obligation has been identified due to separate defects liability periods for each section and the customer may benefit from them on each distinct section. Each section's transaction price has been allocated from the overall contract price for this contract by first determining the relative revenue attributable for the respective sections of the construction work, and thereafter assign the proportionate percentage of revenue to the total estimated construction costs to derive the estimated contract costs for each section. The Group had a process in place in capturing and tracking the actual costs incurred for each distinct section in relation to revenue recognition. Revenue is recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the assessment of the above, the Group estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

(b) *The proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur*

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the directors consider the nature of the service being offered and the purpose of the payment terms. The Group received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Toll segment

The revenue from toll segment is derived from toll collection and Government compensation due to deferment of toll hike compensation from the Government.

The Group recognises revenue from toll collection at a point-in-time as and when toll is chargeable for the usage of its highways while the compensation is recognised as and when recovery is probable and the amount that is recoverable can be measured reliably.

Water treatment, supply and distribution segment

The revenue from water treatment, supply and distribution segment operated by subsidiaries is derived from the operations and maintenance contract for the Sungai Selangor Water Treatment Plant Phase 1 owned by Pengurusan Air Selangor Sdn. Bhd which supplies treated potable water to large parts of Selangor and Kuala Lumpur, and the water treatment, supply and distribution system for the entire Pulau Langkawi in Kedah. However, the Langkawi's Privatisation Contract with the State Government of Kedah Darul Aman referred to in Note 26(a) has expired on 31 October 2020.

The Group recognises revenue from water treatment, supply and distribution segment at a point-in-time as and when each cubic meter of treated water is produced for Pengurusan Air Selangor Sdn. Bhd. customers.

Other revenue

Revenue from other sources are recognised as follows:

(i) interest income is recognised on an accrual basis using the effective interest method;

(ii) dividend income is recognised when the right to receive payment is established;

(iii) management fee income is recognised on an accrual basis, by reference to the agreements entered into; and

(iv) rental income is recognised on a straight-line basis over the tenure of the lease.

Deferred Income

Deferred income comprises the following:

(i) Fees received by a subsidiary, Grand Saga Sdn. Bhd; from third parties for the use of ancillary facilities along the Cheras-Kajang Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received by a subsidiary, Grand Saga Sdn. Bhd; as a result of changes made to the terms and conditions of the concession agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statements of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government Grant

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the expenses incurred are recognised in profit or loss on a systematic basis over the year necessary to match them with the related costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred with no future related costs are recognised in the profit or loss in the period in which they become receivable. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Differences arising in the retranslation of investment designated at fair value through other comprehensive income ("FVTOCI") or a financial instrument designated as a hedge of currency risk are recognised in other comprehensive income.

Employee Benefits

(i) Short-term employee benefit

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave, are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to a statutory pension scheme, the Employees Provident Fund.

(iii) Termination benefit

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense for the year comprises current and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

(ii) Deferred tax (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

Depreciation of other property, plant and equipment is computed based on a straight-line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in profit or loss.

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group as a lessee (Cont'd)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the previous and current financial year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of Tangible and Intangible Assets Other Than Goodwill" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "administrative and other expenses" in profit or loss.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents the advertisement billboards, rest and services area along its highways to business operators or retailers.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

Investment Properties

Investment properties, comprising buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight-line basis to write off the cost of the assets over their estimated useful lives.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is taken to profit or loss in the period of the retirement or disposal.

Intangible Assets

Intangible assets comprising concession rights under the intangible asset model, as defined in IC Interpretation 12, are stated at cost less accumulated amortisation and impairment losses.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognises profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with MFRS 15 *Revenue from Contract with Customers*.

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of MFRS 123 *Borrowing Costs*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible Assets (Cont'd)

Following the adoption of Amendments of MFRS 116 and MFRS 138: *Clarification of Acceptable Methods of Depreciation and Amortisation* on 1 January 2016, the Group has adopted prospectively the traffic volume method for amortisation of its intangible assets, comprising the cost of its highway development expenditure based on the following formula:

$$\frac{\text{Cumulative traffic volume from 1.1.2016}}{\text{Cumulative traffic volume from 1.1.2016 plus projected traffic volume till end of concession}} \times \text{Opening Net Book Value as of 1.1.2016 plus Additions to-date}$$

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Costs of materials on site are determined using the first-in first-out method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation by the end of the reporting period and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial Instruments

Financial assets and liabilities are recognised when, and only when, the Group become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and

- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

(i) Amortised cost and effective interest method (Cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated investment in redeemable preference shares of an equity instruments in a subsidiary and a joint venture that are not held for trading as at FVTOCI on initial application of MFRS 9 (see Notes 20 and 21).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated investment in quoted unit trust and other investment as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "administrative and other expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables, amount due from contract customers, other receivables and refundable deposits as well as deposits, cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and amount due from contract customers. The ECL on these financial assets are estimated using a credit loss rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date that is available without undue cost or effort, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward–looking information that is available without undue cost or effort. Forward–looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think–tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty;
- having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Derecognition of financial assets (Cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held–for–trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity (Cont'd)

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Statements of Cash Flows

The Group adopts the indirect method in the preparation of the statements of cash flows.

Cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value, net of outstanding bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as financial assets at amortised cost.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 24.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 24.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(c) Amortisation of Intangible Assets

The intangible assets are amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total traffic volume for subsequent financial years to 2045 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economic conditions. Changes in the expected traffic volume could impact future amortisation charges.

(d) Provision for Heavy Repairs

Heavy repairs of highway are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

(e) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

(f) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(g) Construction Contracts (Cont'd)

The Group recognises contract revenue and cost over time based on the percentage of completion method. The stage of completion is referred to as the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, the Group relies on past experience.

(h) Impairment of Other Receivables and Amount Due From Contract Customers

Significant estimates are required in determining the impairment of other receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for other receivables and amount due from contract customers by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured.

The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's other receivables is disclosed in Notes 29 and 30.

(i) Lease Term of Agreements with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option to renew the lease of the office premises for an additional term of three years. The extension option is exercisable only by the Group and not by the lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the right-of-use asset. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group includes the renewal period as part of the lease term for its lease of premises due to the significance of the right-of-use assets to its operations.

(j) Estimating the Incremental Borrowing Rate on Leases

The Group is unable to readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ("IBR") as the discount rate to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(k) Gain on Derecognition of Financial Assets and Financial Liabilities

On initial recognition, financial assets and financial liabilities are classified and measured at amortised cost. Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

When an existing financial asset/liability is replaced by another borrower/lender with substantially different terms or the terms of an existing asset/liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset/liability and the recognition of a new asset/liability. The carrying amount of respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the new effective interest rate. The Group has applied judgement and assumptions in determining the effective interest rate of the respective financial instruments. Any changes arising from the derecognition of original asset/liability and recognition of a new asset/liability are recognised in profit or loss.

The impact of modifications of financial assets and financial liabilities are disclosed in Note 38 and Note 41.

5. SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee entrusted to make decisions and performance review:

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management	Solid waste collection and public cleansing management and other related activities.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Operations and maintenance of toll highways.
Others	Investment holding and other non-core businesses other than the above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the statements of profit or loss and other comprehensive income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of profit or loss and other comprehensive income	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	169,073	225,538	14,843	13,636	82,342	60,862	321,099	313,032	5,001	5,264	592,358	618,332	(289,781)	(300,452)	302,577	317,880
EBITDA(i)	59,044	77,259	(922)	889	70,134	48,092	93,289	82,786	(5,250)	(5,868)	216,295	203,158	(64,066)	(74,235)	152,229	128,923
Depreciation and amortisation	(423)	(600)	(37)	(171)	(22,354)	(21,343)	(10,700)	(18,111)	(3,592)	(3,645)	(37,106)	(43,870)	3,642	11,846	(33,464)	(32,024)
Operating profit/(loss)	58,621	76,659	(959)	718	47,780	26,749	82,589	64,675	(8,842)	(9,513)	179,189	159,288	(60,424)	(62,389)	118,765	96,899
Finance costs	-	-	-	-	(11,924)	(13,188)	(26,743)	(25,587)	(809)	(1,382)	(39,476)	(40,157)	20,371	18,945	(19,105)	(21,212)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	5,999	4,693	5,999	4,693
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	8,316	(1,864)	8,316	(1,864)
Profit/(Loss) before tax	58,621	76,659	(959)	718	35,856	13,561	55,846	39,088	(9,651)	(10,895)	139,713	119,131	(25,738)	(40,615)	113,975	78,516
Income tax (expense)/ credit	(11,649)	(14,812)	(8)	-	(3,581)	(3,141)	(25,364)	(18,727)	184	(187)	(40,418)	(36,867)	28,804	21,882	(11,614)	(14,985)
Profit/(Loss) for the year	46,972	61,847	(967)	718	32,275	10,420	30,482	20,361	(9,467)	(11,082)	99,295	82,264	3,066	(18,733)	102,361	63,531
EBDA(ii)	47,395	62,447	(930)	889	54,629	31,763	41,182	38,472	(5,875)	(7,437)	136,401	126,134	(576)	(30,579)	135,825	95,555

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results (Cont'd)

The following is an analysis of the Group's revenue and results by reportable segment: (Cont'd)

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of profit or loss and other comprehensive income	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capex(iii)	370	212	29	14	411	137	4,152	6,945	83	118	5,045	7,426	(3,881)	(6,975)	1,164	451

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

Notes

1. The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, construction, toll highway and waste management. Others refer to investment holding and other non-core businesses. Goodwill has been allocated to reportable segments as described in Note 24.

2. The segmental information on the water treatment, supply and distribution, construction and other divisions excluded the effects of the expected credit loss adjustments made. This is to better assess the operational performance of these divisions.

3. The segmental information on the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of the EBITDA and EBDA), are solely from the concession business, after proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.

5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

As of 31 December	Water		Construction		Toll highway		Waste management		Others		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Segment assets	143,555	531,069	20,322	27,027	1,302,419	1,332,790	140,896	148,691	335,919	35,438	1,943,111	2,075,015
Segment liabilities	(39,493)	(70,931)	(10,077)	(13,885)	(720,232)	(763,947)	-	-	(15,860)	(18,520)	(785,662)	(867,283)
Net segment assets	104,062	460,138	10,245	13,142	582,187	568,843	140,896	148,691	320,059	16,918	1,157,449	1,207,732

Geographical segments

No geographical segment information is presented as the Group's revenue is all derived from Malaysia based on the location of services delivered.

Information about major customers

Revenue from Water segment of RM169,073,000 and RM Nil (2020: RM172,896,000 and RM52,642,000) is from Pengurusan Air Selangor Sdn. Bhd. and Syarikat Air Darul Aman Sdn. Bhd. respectively as described in Note 26 which arose from sales to the Group's one and only (2020: 2) largest customers. No other single customer contributed 10% or more to the Group's revenue in either 2021 or 2020.

6. REVENUE

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	243,542	301,914	11,388	13,275
Revenue from other sources:				
Deferred income (Note 40)	15,375	15,966	-	-
Government compensation	43,660	-	-	-
Dividend from subsidiaries, associates and joint venture (Note 45)	-	-	437,270	185,546
	302,577	317,880	448,658	198,821

Government compensation represents mainly cash compensation received by a subsidiary, Grand Saga Sdn. Bhd. from the Government of Malaysia as a result of the deferment of toll increase due in the year 2020.

The Group recognised its revenue from contracts with customers from the following reportable segments:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Management, operations and maintenance of water treatment plants	169,073	225,538	-	-
Toll revenue and operator fee	54,625	58,444	-	-
Revenue from construction contracts	14,843	12,668	(62)	(23)
Management fees (Note 45)	5,001	5,264	11,450	13,298
	243,542	301,914	11,388	13,275
Timing of revenue recognition:				
At a point in time	223,698	283,982	-	-
Over time	19,844	17,932	11,388	13,275
	243,542	301,914	11,388	13,275

6. REVENUE (CONT'D)

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from construction contracts	894,230	20,110	883,091	-

The Group and the Company expect revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Year 2021	-	15,515	-	-
Year 2022	165,771	4,595	154,632	-
Year 2023	376,458	-	376,458	-
Year 2024	351,094	-	351,094	-
Year 2025	907	-	907	-
	894,230	20,110	883,091	-

The Group and the Company have secured two (2) contracts from Pengurusan Air Selangor Sdn. Bhd. to develop two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme during the financial year. The details of the packages are as follows: -

(i) Package 2 - Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to Existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works.

(ii) Package 3 - Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works.

The construction of the Rasau Projects has commenced in the current financial year and expected completion date for the works shall be on 31 December 2024.

7. COST OF OPERATIONS

The cost of operations for the year has been arrived at after charging/(crediting):

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contract costs recognised/(over-recognised)	13,171	9,770	(62)	(23)
Amortisation of intangible assets (Note 19)	27,840	25,992	-	-
Provision for restoration cost (Note 39)	165	2,093	-	-
Provision for heavy repairs (Note 39)	4,222	4,168	-	-
Depreciation of property, plant and equipment (Note 15)	1,264	1,399	-	-
Hire of plant and machinery	37	79	-	-

8. OTHER OPERATING INCOME

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
COVID-19 related rent concessions (Note 2)	-	167	-	167
Interest income on fixed deposits with licensed banks	2,081	2,728	481	249
Investment designated at FVTPL:				
Dividend income	6,418	11,222	648	96
Gain on redemption	21	1,179	-	36
Rental income	748	647	14	14
Income from subleasing right-of-use assets	-	-	788	749
Gain on disposal of property, plant and equipment	1,102	98	-	4
Unrealised gain on foreign exchange	2	6	2	-
Fair value gain arising on financial assets measured at FVTPL (Note 32)	433	64	198	-
Gain on disposal of consumables expensed off in prior years	1,676	-	-	-
Recognition of rental and maintenance fee (Note 40)	120	117	-	-
Gain on modification on other payables (Note 41)	-	408	-	-
Reversal of loss allowances on:				
Trade receivables (Note 26)	-	1,659	-	1
Amount due from contract customers (Note 29)	119	139	119	69

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Reversal of gain on modification on trade payables (Note 38)	941	1,833	-	-
Reversal of gain on modification on other payables (Note 41)	408	-	-	-
Loss allowance on:				
Trade receivables (Note 26)	1	-	-	-
Other receivables (Note 30)	711	1,652	-	-
Amount due from contract customers (Note 29)	205	-	-	-
Fair value loss arising on financial assets measured at FVTPL (Note 32)	66	389	-	-
Depreciation of right-of-use assets (Note 16)	2,461	2,461	2,461	2,461
Depreciation of property, plant and equipment (Note 15)	1,893	2,165	1,132	1,178
Expense relating to short-term leases:				
Premises	98	-	-	-
Others	144	182	55	57
Unrealised loss on foreign exchange	2	1	-	1
Auditors' remuneration of:				
Statutory audit	298	316	100	100
Other services β	74	48	25	14
Interest expense imputed in borrowings (Note 36)	381	547	-	-
Written off of property, plant and equipment	33	27	-	24
Depreciation of investment properties (Note 17)	7	7	7	7
Loss on redemption of investment designated at FVTPL	291	65	-	-
Reversal of interest income imputed in retention sums (Note 38)	41	65	-	-
Impairment on amount owing from a subsidiary	-	-	-	50

β Other services included, amongst others, tax-related services rendered to the Group and the Company amounting to RM73,800 and RM24,600 (2020: RM48,200 and RM13,600) respectively which were paid or payable to a firm affiliated to the Group's auditors.

10. FINANCE COSTS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense:				
IMTN	18,296	19,829	-	-
Lease liabilities	807	943	807	943
Revolving credit	-	405	-	405
Others	2	35	2	34
	19,105	21,212	809	1,382

11. STAFF COSTS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages, salaries and bonus	26,452	38,901*	7,816	7,698
Defined contribution plan	2,661	3,174	773	747
Other employee benefits	582	1,006	128	135
	29,695	43,081	8,717	8,580

* Wages, salaries and bonus included RM6,484,000 termination benefits and other payments to employees arising from the expiration of the Privatisation Contract on 31 October 2020 referred to in Note 26(a).

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,674,000 (2020: RM1,642,000) and RM1,646,000 (2020: RM1,614,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM144,000 (2020: RM149,000) and RM103,000 (2020: RM96,000) respectively.

12. DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:

Non-executive Directors

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Dato' Sri Amrin Bin Awaluddin
Soong Chee Keong
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
Lim Chin Sean

Executive Director

Dato' Lim Yew Boon

12. DIRECTORS' REMUNERATION (CONT'D)

The aggregate amount of emoluments receivable by directors of the Company during the financial year are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-executive Directors:				
Fees	960	960	960	960
Other emoluments	74	73	74	73
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	437	396	437	396
Defined contribution plan	18	16	18	16
Other emoluments	41	53	37	49
	1,674	1,642	1,646	1,614

13. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian income tax:				
Current year	12,681	14,768	-	183
(Over)/Underprovision in prior years	(276)	60	(183)	4
	12,405	14,828	(183)	187
Deferred tax (Note 25):				
Current year	(791)	157	-	-
	11,614	14,985	(183)	187

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

13. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	113,975	78,516	435,664	183,471
Taxation at statutory tax rate	27,354	18,844	104,559	44,033
Tax effects of:				
Non-deductible expenses	11,101	11,177	199	506
Non-taxable income	(8,990)	(7,153)	(105,101)	(44,391)
Tax waiver on statutory income of a subsidiary @	(18,035)	(8,651)	-	-
Deferred tax assets not recognised	460	708	343	35
(Over)/Underprovision of income tax expense in prior years	(276)	60	(183)	4
Income tax expense/(credit) recognised in profit or loss	11,614	14,985	(183)	187

@ A subsidiary, Grand Saga Sdn. Bhd. has been granted tax waiver on its statutory income from years of assessment 2012 to 2021 in consideration of it agreeing to the cessation of toll collections and the discontinuance of operations of two toll plazas at the Cheras-Kajang Highway. The subsidiary will be subjected to tax on its statutory income for year of assessment 2022 onwards.

14. EARNINGS PER SHARE

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

	The Group	
	2021 RM'000	2020 RM'000
Profit for the year attributable to owners of the Company	78,500	59,487
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	3.89	2.95

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

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2021	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2021	280	700	2,323	2,058	11,281	8,385	6,802	21,792	26	53,647
Additions	-	-	383	-	295	-	-	486	-	1,164
Disposals	-	-	(771)	-	(213)	(3,441)	-	-	-	(4,425)
Write offs	-	-	(1,113)	-	(774)	(24)	(417)	-	-	(2,328)
Transfer (Note 18)	(280)	(700)	-	-	-	-	-	-	-	(980)
As of 31 December 2021	-	-	822	2,058	10,589	4,920	6,385	22,278	26	47,078
Accumulated depreciation										
As of 1 January 2021	-	272	1,928	2,058	9,286	7,251	6,638	17,252	21	44,706
Charge for the year	-	14	238	-	1,058	481	108	1,264	2	3,165
Disposals	-	-	(766)	-	(209)	(3,370)	-	-	-	(4,345)
Write offs	-	-	(1,113)	-	(741)	(24)	(417)	-	-	(2,295)
Transfer (Note 18)	-	(286)	-	-	-	-	-	-	-	(286)
As of 31 December 2021	-	-	287	2,058	9,394	4,338	6,329	18,516	23	40,945
2020										
Cost										
As of 1 January 2020	280	700	2,319	2,058	12,079	8,809	6,810	21,723	26	54,804
Additions	-	-	33	-	296	53	-	69	-	451
Disposals	-	-	(13)	-	(12)	(477)	-	-	-	(502)
Write offs	-	-	(16)	-	(1,082)	-	(8)	-	-	(1,106)
As of 31 December 2020	280	700	2,323	2,058	11,281	8,385	6,802	21,792	26	53,647
Accumulated depreciation										
As of 1 January 2020	-	258	1,823	2,057	9,167	6,913	6,500	15,852	19	42,589
Charge for the year	-	14	134	1	1,189	814	143	1,400	2	3,697
Disposals	-	-	(13)	-	(12)	(476)	-	-	-	(501)
Write offs	-	-	(16)	-	(1,058)	-	(5)	-	-	(1,079)
As of 31 December 2020	-	272	1,928	2,058	9,286	7,251	6,638	17,252	21	44,706
Net book value										
As of 31 December 2021	-	-	535	-	1,195	582	56	3,762	3	6,133
As of 31 December 2020	280	428	395	-	1,995	1,134	164	4,540	5	8,941

Notes to the Financial Statements
For the Year Ended 31 December 2021

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company 2021		Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
As of 1 January 2021		1,773	6,690	1,270	5,426	15,159
Additions		-	83	-	-	83
Disposals		-	-	(166)	-	(166)
Write off		-	(90)	-	-	(90)
As of 31 December 2021		1,773	6,683	1,104	5,426	14,986
Accumulated depreciation						
As of 1 January 2021		1,773	5,094	813	5,349	13,029
Charge for the year		-	929	155	48	1,132
Disposals		-	-	(166)	-	(166)
Write off		-	(90)	-	-	(90)
As of 31 December 2021		1,773	5,933	802	5,397	13,905
2020						
Cost						
As of 1 January 2020	16	1,773	7,546	1,298	5,426	16,059
Additions	-	-	119	-	-	119
Disposals	-	-	-	(28)	-	(28)
Write off	(16)	-	(975)	-	-	(991)
As of 31 December 2020	-	1,773	6,690	1,270	5,426	15,159
Accumulated depreciation						
As of 1 January 2020	16	1,773	5,104	686	5,267	12,846
Charge for the year	-	-	941	155	82	1,178
Disposals	-	-	-	(28)	-	(28)
Write off	(16)	-	(951)	-	-	(967)
As of 31 December 2020	-	1,773	5,094	813	5,349	13,029
Net book value						
As of 31 December 2021	-	-	750	302	29	1,081
As of 31 December 2020	-	-	1,596	457	77	2,130

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) There are no assets held under finance lease agreements of the Group and of the Company as at financial year end. The net book value of assets held under finance lease agreements of the Group and of the Company in the previous year amounted RM317,000 and RM317,000 respectively.

(b) Depreciation charges for the financial year consist of:

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Capitalised in amount due from contract customers	29	8	133	-	-
Included in statements of profit or loss and other comprehensive income:					
Cost of operations	7	1,264	1,399	-	-
Administrative and other expenses	9	1,893	2,165	1,132	1,178
		3,157	3,564	1,132	1,178
		3,165	3,697	1,132	1,178

16. RIGHT-OF-USE ASSETS

On 1 January 2014, the Company entered into a lease arrangement of an office premises with the landlord for a tenure of 3 years with the option for renewal of 3 terms of 3 years per term. The lease payments are adjusted every term, based on the then prevailing market rental rate agreed by both parties.

At the inception, the Company classified the lease as an operating lease under MFRS 117. At the date of initial application of MFRS 16, the remaining non-cancellable period of the lease was one year. Considering the location of the office premises and other factors, the Company now considers that it is reasonably certain to exercise the renewal options up to 31 December 2025.

The following table shows the movements in right-of-use assets in accordance with the cumulative catch-up approach set out in MFRS 16:

	The Group and The Company 2021 RM'000	The Group and The Company 2020 RM'000
Cost:		
As of 1 January/As of 31 December	28,360	28,360
Accumulated depreciation:		
As of 1 January	16,056	13,595
Charge for the year (Note 9)	2,461	2,461
As of 31 December	18,517	16,056
Net book value:		
As of 31 December	9,843	12,304

17. INVESTMENT PROPERTIES

	The Group and The Company	
	2021 RM'000	2020 RM'000
Cost:		
As of 1 January/As of 31 December	369	369
Accumulated depreciation:		
As of 1 January	124	117
Charge for the year (Note 9)	7	7
As of 31 December	131	124
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26
Net book value:		
As of 31 December	212	219
Representing:		
Freehold building	103	106
Leasehold building	109	113
	212	219

Fair value of the investment properties of the Group and of the Company as of 31 December 2021 is estimated at RM485,000 (2020: RM547,000) based on directors' assessment of the current prices in an active market for the respective properties within the vicinity.

17. INVESTMENT PROPERTIES (CONT'D)

Details of the Group's and the Company's investment properties, all of which are located in Malaysia, and information about the fair value hierarchy as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2021				
Freehold building	-	-	244	244
Leasehold building	-	-	241	241
2020				
Freehold building	-	-	266	266
Leasehold building	-	-	281	281

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and of the Company is 72 years (2020: 73 years).

18. ASSETS HELD-FOR-SALE

	The Group	
	2021 RM'000	2020 RM'000
At beginning of year	-	-
Transfer from property, plant and equipment (Note 15)	694	-
	694	-

On 24 November 2021, a subsidiary, Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi"), has accepted a purchase offer from Syarikat Air Darul Aman Sdn. Bhd. for the disposal of a parcel of land and building located in Kuah, Langkawi for a cash consideration of RM2.5 million. The said disposal is expected to be completed within one year from the end of the reporting period. Accordingly, the said properties have been classified as assets held-for-sale.

19. INTANGIBLE ASSETS

	The Group 2021 RM'000	The Group 2020 RM'000
Cost:		
As of 1 January/As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	218,097	192,105
Charge for the year (Note 7)	27,840	25,992
As of 31 December	245,937	218,097
Carrying amount:		
As of 31 December	1,016,966	1,044,806

The intangible assets of the Group at the end of the reporting period consist of a concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn. Bhd. to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway. The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 24.

20. INVESTMENT IN SUBSIDIARIES

	The Company 2021 RM'000	The Company 2020 RM'000
Unquoted investment in preference shares - at FVTOCI	238,012	238,012
Unquoted investment in ordinary shares - at cost:		
As of 1 January	81,495	81,495
Additions	-	-^
As of 31 December	81,495	81,495
Carrying amount	319,507	319,507

^ Issued share capital of RM2

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

There are no measurement impacts to the carrying amount of investment in preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

The investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Principal place of business	Proportion of ownership interest held by the Group 2021	2020	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Management, operations and maintenance of Sungai Selangor Water Treatment Plant Phase 1 for a period expiring in December 2036.
Taliworks (Langkawi) Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	The concession for management, operations and maintenance of water treatment plants and water distribution systems has expired on 31 October 2020. Upon expiration of the concession, the operations have been handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the state government of Kedah.
Taliworks Renewables Sdn. Bhd.@ ("TRSB")	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Investment holding.
Taliworks Technologies Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks Construction Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	General construction.
TEI Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.
Held through TEI Sdn. Bhd.:				
Trinitywin Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.
Cerah Sama Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Principal place of business	Proportion of ownership interest held by the Group 2021	2020	Principal activities
Held through Cerah Sama Sdn. Bhd.:				
Trupadu Sdn. Bhd. #	Cheras, Selangor	51	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd. #	Cheras, Selangor	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Europlex Consortium Sdn. Bhd. #	Cheras, Selangor	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Grand Saga Sdn. Bhd. #	Cheras, Selangor	51	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period expiring in September 2045.

\# The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium-Term Notes borrowings as disclosed in Note 36.

@ TRSB was incorporated on 20 October 2020 as a wholly-owned subsidiary of the Company with an issued share capital of RM2. No statutory audit has been performed for the financial period 20 October 2020 to 31 December 2020 as the company's first set of statutory audited financial statements cover a period from 20 October 2020 to the end of the current financial year.

In 2020, TRSB has entered into two conditional share sale agreements in relation to the proposed acquisition of equity interest in renewable energy related business, which formed part of the significant events in the financial year as disclosed in Note 48. The proposed acquisition would not have any effect on the earnings and cash flows of the Group for the previous and current financial year as it is expected to be completed in the financial year ending 31 December 2022.

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries		Number of non-wholly-owned subsidiaries	
		2021	2020	2021	2020
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2	-	-
Provision of management and technical services relating to waste management	Malaysia	1	1	-	-
General construction	Malaysia	1	1	-	-
Investment holding	Malaysia	1	1	5	5
Toll highway	Malaysia	-	-	2	2
		5	5	7	7

<u>Details for non-wholly-owned subsidiaries that have material non-controlling interests</u>

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
	2021	2020	2021	2020	2021	2020
	%	%	RM'000	RM'000	RM'000	RM'000
TEI Sdn. Bhd.	49%	49%	23,861	4,044	252,646	248,385

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	2021 RM'000	2020 RM'000
Non-current assets	1,172,130	1,205,043
Current assets	40,271	42,379
Current liabilities	(56,377)	(57,097)
Non-current liabilities	(640,421)	(683,417)
Net assets	515,603	506,908
Equity attributable to owners of the Company	262,958	258,523
Non-controlling interest	252,645	248,385
Revenue	113,660*	74,410
Expenses	(64,965)	(66,156)
Profit for the year	48,695	8,254
Profit attributable to owners of the Company	24,834	4,210
Profit attributable to non-controlling interest	23,861	4,044
Net cash generated from/(used in):		
Operating activities	81,946	41,713
Investing activities	4,692	25,536
Financing activities	(88,980)	(82,342)
Net change in cash and cash equivalents	(2,342)	(15,093)

* Included in the revenue is government compensation for deferment of toll hike amounted to RM43,660,000.

21. INVESTMENT IN JOINT VENTURE

	The Group	
	2021 RM'000	2020 RM'000
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
Group's share of post-acquisition reserve, net of dividend	428	(4,221)
	67,601	62,952

	The Company	
	2021 RM'000	2020 RM'000
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
	67,173	67,173

There are no measurement impacts to the carrying amount of investment in redeemable preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

These investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Principal place of business	Proportion of ownership interest held by the Group 2021	2020	Principal activities
Pinggiran Muhibbah Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	50	50	Investment holding in Grand Sepadu (NK) Sdn. Bhd. which is engaged in the operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period ending in December 2032.

21. INVESTMENT IN JOINT VENTURE (CONT'D)

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

Pinggiran Muhibbah Sdn. Bhd.	2021 RM'000	2020 RM'000
Summarised statement of financial position		
Non-current assets	318,695	338,670
Current assets	8,707	5,619
Current liabilities	(35,751)	(4,690)
Non-current liabilities	(110,348)	(171,301)
Non-controlling interests	(46,102)	(42,394)
Net assets	135,201	125,904
Summarised statement of profit or loss and other comprehensive income		
Revenue	65,003	61,101
Profit for the year	11,997	9,386

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

	2021 RM'000	2020 RM'000
Net assets		
Carrying amount of the investment in joint venture	135,201	125,904
Proportion of the Group's ownership interest in the joint venture	50%	50%
	67,601	62,952

22. INVESTMENT IN ASSOCIATES

	The Group 2021 RM'000	The Group 2020 RM'000
Unquoted shares, at cost	247,871	247,811
Compensation	(17,087)	(17,087)
Share of post-acquisition reserve, net of dividend	(77,661)	(70,377)
	153,123	160,347

22. INVESTMENT IN ASSOCIATES (CONT'D)

	The Company 2021 RM'000	2020 RM'000
Unquoted shares, at cost	247,871	247,811
Compensation	(17,087)	(17,087)
	230,784	230,724

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Principal place of business	Proportion of ownership interest held by the Group 2021	2020	Principal activities
LGB Taliworks Consortium Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	20	20	General construction.
SWM Environment Holdings Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	35	35	Investment holding with its principal investment in a company managing and carrying on solid waste collection and public cleansing management and other related activities for a concession period until 31 August 2033.
Aqua Flo Sdn. Bhd.	Petaling Jaya, Selangor	24	24	Trading in chemical products.

All the associates are audited by a firm other than Deloitte PLT.

The summarised financial information of the material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group	2021 RM'000	2020 RM'000
Summarised statements of financial position		
Non-current assets	2,499,273	2,715,159
Current assets	761,476	673,379
Current liabilities	(301,470)	(255,903)
Non-current liabilities	(1,489,242)	(1,565,444)
Non-controlling interest	(1,020,749)	(1,095,634)
Net assets	449,288	471,557

22. INVESTMENT IN ASSOCIATES (CONT'D)

The Group	2021 RM'000	2020 RM'000
Summarised statements of profit or loss and other comprehensive income		
Revenue	917,438	894,391
Profit for the year	213,751	184,834
Less:		
Deduction of the dividend on the cumulative preferences shares held by parties other than the Group	(126,660)	(126,660)
Group consolidation adjustments	(67,361)	(67,877)
Profit/(Loss) for the year	19,730	(9,703)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the material associate recognised in the financial statements of the Group is as follows:

	2021 RM'000	2020 RM'000
Net assets	449,288	471,557
Proportion of the Group's ownership interest in the associate	35%	35%
	157,250	165,043
Compensation	(17,087)	(17,087)
Adjustment for stamp duties paid	735	735
Carrying amount of the investment in the associate	140,898	148,691

22. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of other individually immaterial associates is set out below.

	Others	
	2021 RM'000	2020 RM'000
Summarised statements of financial position		
Non-current assets	3,579	3,650
Current assets	97,055	87,235
Current liabilities	(45,731)	(37,834)
Non-current liabilities	(3,284)	(3,818)
Net assets	51,619	49,233
Summarised statements of profit or loss and other comprehensive income		
Revenue	121,886	128,901
Profit for the year	6,486	7,328

23. OTHER INVESTMENT

	The Group	
	2021 RM'000	2020 RM'000
Financial assets carried at FVTPL:		
Golf membership	240	240

There are no measurement impacts to the carrying amount of other investment at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

24. GOODWILL ON CONSOLIDATION

	The Group	
	2021 RM'000	2020 RM'000
As of 1 January/As of 31 December	129,385	129,385

Goodwill on consolidation arose from the acquisition of a subsidiary, Cerah Sama Sdn. Bhd. pursuant to a restructuring exercise in 2014.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the directors by comparing the recoverable amount of the cash generating unit (the "CGU") of the toll highway segment. The recoverable amount was determined based on value-in-use calculations, which uses cash flow projections based on the financial budgets approved by the directors covering the remaining concession period.

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

(a) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 2.97% and 3.91% (2020: 2.55% and 3.53%) respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3.0% (2020: 3.0%) annually;

(c) Commissions to be paid to Touch & Go and Smart Tag are estimated at a fixed rate of 1.3% (2020: 1.3%) of total toll revenue collected; and

(d) Pre-tax discount rate of 10.86% (2020: 10.86%) applied to the cash flow projections is derived from a subsidiary, Grand Saga Sdn. Bhd.'s weighted average cost of capital.

The recoverable amount of the abovementioned goodwill has been estimated by the directors based on the abovementioned bases and assumptions as to future events which the directors expect to take place and actions which the directors expect to take place as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the goodwill were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and do not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amount.

25. DEFERRED TAX LIABILITIES

The movements during the financial year relating to deferred tax liabilities are as follows:

	The Group	
	2021 RM'000	**2020 RM'000**
As of 1 January	(234,987)	(234,830)
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	(282)	66
Intangible assets	(1,132)	(886)
Trade receivables	308	(85)
Other receivables, deposits and prepayments	171	398
Provision for heavy repairs	1,413	1,000
Trade payables	226	440
Other payables and accruals	93	(522)
Deferred income	(6)	-
Provision for restoration costs	-	(568)
	791	(157)
As of 31 December	(234,196)	(234,987)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group	
	2021 RM'000	**2020 RM'000**
Deferred tax assets (before offsetting)		
Tax effects of deductible temporary differences arising from:		
Property, plant and equipment	20	-
Other receivables, deposits and prepayments	1,304	1,134
Other payables and accruals	551	556
Deferred income	89	95
Provision for heavy repairs	6,868	5,455
	8,832	7,240
Offsetting	(8,832)	(7,240)
Deferred tax assets (after offsetting)	-	-

25. DEFERRED TAX LIABILITIES (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following: (Cont'd)

	The Group	
	2021 RM'000	2020 RM'000
Deferred tax liabilities (before offsetting)		
Tax effects of taxable temporary differences arising from:		
Property, plant and equipment	961	659
Intangible assets	239,910	238,778
Trade receivables	2,155	2,463
Other receivables, deposits and prepayments	2	3
Trade payables	-	226
Other payables and accruals	-	98
	243,028	242,227
Offsetting	(8,832)	(7,240)
Deferred tax liabilities (after offsetting)	234,196	234,987

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group	
	2021 RM'000	2020 RM'000
Temporary differences arising from:		
Property, plant and equipment	(649)	(492)
Right-of-use assets	2,781	3,025
Other payables and accruals	2,919	4,771
Unused tax losses	21,655	18,669
Unabsorbed capital allowances	11,364	10,179
	38,070	36,152

25. DEFERRED TAX LIABILITIES (CONT'D)

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows: (Cont'd)

	The Company	
	2021	**2020**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	(619)	(433)
Right-of-use assets	2,781	3,025
Other payables and accruals	1,248	1,401
Unused tax losses	16,639	15,762
Unabsorbed capital allowances	10,897	9,763
	30,946	29,518

The Malaysia Finance Act 2018 gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses. The unutilised tax losses could be carried forward for a maximum of seven consecutive years of assessment. Any accumulated tax losses brought forward from year of assessment 2018 can be carried forward for another seven consecutive years of assessment and any balance of the unutilised tax losses and unused tax allowance thereafter shall be disregarded.

The Malaysia Finance Act 2021 gazetted on 31 December 2021 stated that the time frame to carry forward unutilised tax losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. Unutilised tax losses accumulated up to year of assessment 2018 can now be carried forward for ten consecutive years of assessment until year of assessment 2028.

Expiry date of the unused tax losses is summarised below:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Years of assessment				
2025	-	17,069	-	15,238
2026	-	158	-	-
2027	-	1,442	-	524
2028	17,069	-	15,238	-
2029	158	-	-	-
2030	1,442	-	524	-
2031	2,986	-	877	-
	21,655	18,669	16,639	15,762

26. TRADE RECEIVABLES

The analysis of trade receivables is as follows:

	The Group	
	2021 RM'000	2020 RM'000
Trade receivables	50,524	91,716
Less: Loss allowance	(1)	-*
Net	50,523	91,716

* Less than RM1,000.

The Group and the Company apply a simplified approach in calculating loss allowances for trade receivables at an amount equal to lifetime ECL. The Group and the Company estimate the loss allowance on trade receivables by applying an ECL rate at each reporting date. The ECL rate reflects the historical time value loss rate which is computed based on the actual and projected amounts and timing of repayment from the trade receivables on current year billings and the historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. The Group and the Company review the ECL rate at each reporting date to re-measure the loss allowance amount. Changes in the above variables could impact future ECL charges. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9:

The Group	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2020	7	1,652	1,659
Net re-measurement of loss allowances	(7)	(1,652)	(1,659)
As at 31 December 2020/1 January 2021	-	-	-
Net re-measurement of loss allowances	1	-	1
As at 31 December 2021	1	-	1

26. TRADE RECEIVABLES (CONT'D)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9: (Cont'd)

The Company	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2020	1	-	1
Net re-measurement of loss allowances	(1)	-	(1)
As at 31 December 2020/1 January 2021/31 December 2021	-	-	-

The average credit period granted to the customers is 60 days. No interest is charged on trade receivables, even for those which are past due.

Out of the Group's total trade receivables, RM47,397,000 (2020: RM89,586,000) is concentrated on two customers. These customers are Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the Kedah state government and Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), the only entity with the license to extract, treat and distribute water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya.

(a) SADA

Taliworks Langkawi was awarded the Privatisation Contract by the State Government of Kedah to take-over, manage, operate and maintain the Langkawi Water Supply System (refer to as "the Privatisation Contract") on 7 October 1995 for a period of 25 years commencing from 1 November 1995 to 31 October 2020. Subsequently, on 1 January 2010, the function of the State Government of Kedah with respect to the Privatisation Contract had been taken over by SADA thereafter.

The Privatisation Contract has expired on 31 October 2020. Upon expiration of the contract, the operations have been handed over to SADA. The gross invoiced amount due from SADA to Taliworks Langkawi as of 31 December 2021 is RM4,219,000 (2020: RM47,010,000). The Group deemed the outstanding amounts to be current as it is expected to be fully repaid within the next 12 months by SADA and therefore, there is no provision for loss allowance recognised by the Group on trade receivables due from SADA pursuant to MFRS 9 (2020: a reversal of loss allowance of RM1,652,000 as disclosed in Note 8).

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entity of the state government.

(b) Air Selangor

The gross invoiced amount due from Air Selangor as of 31 December 2021 is RM43,178,000 (2020: RM42,576,000).

On 24 May 2019, Sungai Harmoni entered into a bulk water supply agreement ("BWSA") with Air Selangor in relation to the appointment of Sungai Harmoni for the operations and maintenance of Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") and the supply of treated water until December 2036. Sungai Harmoni started operating and maintaining the SSP1 under the BWSA from 13 September 2019 onwards, being the date where the agreement become unconditional and completed.

26. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor (Cont'd)

The ageing of the Group's trade receivables which was past due but not impaired as of the end of the reporting period is as follows:

The Group	SADA RM'000
2021	
Past due 9 months and above	4,219
2020	
Past due up to 3 months	17,162
Past due 3 to 9 months	29,848
	47,010

Included in trade receivables of the Group are the following:

	The Group 2021 RM'000	The Group 2020 RM'000
An amount owing from an associate	2,361	-

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

27. DEPOSITS, CASH AND BANK BALANCES

	The Group 2021 RM'000	The Group 2020 RM'000
Non-Current:		
Deposits with licensed banks	48,449	53,231
Current:		
Deposits with licensed banks	33,520	33,789
Cash and bank balances	28,708	30,828
	62,228	64,617
Total	110,677	117,848
Less: Deposits pledged as security	(48,449)	(53,231)
Cash and cash equivalents	62,228	64,617

27. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

	The Company	
	2021 RM'000	2020 RM'000
Non-Current:		
Deposits with licensed banks	4,516	4,613
Current:		
Cash and bank balances	9,522	6,118
Total	14,038	10,731
Less: Deposits pledged as security	(4,516)	(4,613)
Cash and cash equivalents	9,522	6,118

The currency profile of deposits, cash and bank balances is as follows:

	The Group	
	2021 RM'000	2020 RM'000
Ringgit Malaysia	110,523	117,781
Australian Dollar	84	-
United States Dollar	70	67
Total	110,677	117,848

	The Company	
	2021 RM'000	2020 RM'000
Ringgit Malaysia	13,968	10,664
United States Dollar	70	67
Total	14,038	10,731

Included in long-term deposits with licensed banks of the Group are the following:

(i) amounts totalling RM8,863,000 (2020: RM9,375,000) that are pledged as security for banking facilities to facilitate the issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operations and maintenance of water treatment plants as disclosed in Note 36; and

(ii) an amount of RM39,625,000 (2020: RM43,856,000) set aside under the Financial Service Reserve Account as part of the security arrangements of Islamic Medium-Term Notes as disclosed in Note 36.

Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,516,000 (2020: RM4,613,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects and as security for a revolving credit facility as disclosed in Note 36. Included in current deposits with licensed banks are short-term investments amounting to RM33,273,000 (2020: RM33,585,000) which are highly liquid investments that are readily convertible to known amounts of cash and have an insignificant risk of changes in value.

27. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 1.50% to 2.81% (2020: 1.60% to 3.40%) per annum and 1.60% to 1.65% (2020: 1.60% to 1.90%) per annum, respectively.

Deposits of the Group and of the Company have an average maturity ranging from 30 days to 365 days (2020: 30 days to 365 days) and from 30 days to 365 days (2020: 30 days to 365 days) respectively. Bank balances are deposits held at call with licensed banks.

28. INVENTORIES

	The Group	
	2021 RM'000	2020 RM'000
Consumable spares	1,554	1,364
Materials on site	733	1,537
	2,287	2,901

All of the Group's inventories are expected to be used within the next 12 months.

Materials on site are capitalised to construction work-in-progress when utilised.

Cost of inventories recognised as cost of sales during the year is RM15,930,000 (2020: RM18,273,000).

29. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2021 RM'000	2020 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	3,694	6,321
Retention receivables of construction contracts (b)	3,303	6,000
Less: Loss allowance	(416)	(330)
	6,581	11,991

29. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

	The Company 2021 RM'000	The Company 2020 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	308	2,289
Retention receivables of construction contracts (b)	-	1,814
Less: Loss allowance	-	(119)
	308	3,984

(a) Unbilled revenue included in contract assets represents the Group's and the Company's right to receive consideration for work completed but yet to be billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the Company and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group and the Company issue invoices for certified works performed.

(b) Retention receivables included in contract assets represent the Group's and the Company's right to receive consideration for work performed and yet to be billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group and the Company on the service quality of the construction work performed by the Group and the Company. The due dates for retention receivables are usually upon obtaining certificate of completion of making good defects.

There is no provision for foreseeable losses recognised during the previous and current financial year.

Typical payment terms which impact the amount of contract assets recognised are as follows:

The Group's and the Company's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

The Group and the Company also typically agrees to a retention period ranging from 12 months to 24 months for 5% of the contract value. This amount is included in receivables until the end of the retention period at the Group's entitlement to this final payment is conditional on the issuance of certificate of making good defect by the customer.

The Group and the Company classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle ranging from 1 to 2 years.

29. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Within 1 year	1,185	2,510	-	-
1 year to 2 years	2,118	1,814	-	1,814
More than 2 years	-	1,676	-	-
	3,303	6,000	-	1,814

Significant changes in contract assets during the year are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contract assets (other than retention sums) at the beginning of the period transferred to trade receivables	5,474	8,441	1,919	1,746
Retention sums receivables included in contract assets at the beginning of the period transferred to trade receivables	3,119	-	1,795	-

The Group and the Company apply an ECL rate, which is computed based on the historical time value loss rate from the timing of repayment of trade receivables, adjusted by forward-looking information that is available without undue cost or effort, to calculate the loss allowances for amount due from contract customers. At each reporting date, the Group and the Company review the ECL rate and re-measure the loss allowance amount.

Included in the retention receivables of the Group are the following:

	The Group	
	2021 RM'000	2020 RM'000
An amount owing from an associate	1,186	2,509

The above amounts owing mainly arose from trade transactions which are unsecured and interest free.

29. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

The following table shows the movements in lifetime ECL that has been recognised for contract assets in accordance with simplified approach set out in MFRS 9.

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	330	469	119	188
Net re-measurement of loss allowances	86	(139)	(119)	(69)
At 31 December	416	330	-	119

Included in amount due from contract customers are the following:

	The Group	
	2021 RM'000	2020 RM'000
Depreciation of property, plant and equipment (Note 15)	8	133
Rental of site office	5	19
Letter of credit charges	-	75

30. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current:				
Other receivables	23,814	26,633	-	-
Less: Loss allowance	(5,435)	(4,724)	-	-
	18,379	21,909	-	-
Current:				
Other receivables	4,420	4,663	359	-
Interest receivables	320	160	-	-
GST refundable	4,317	4,317	-	-
Prepayments	597	476	105	86
Deposits	1,692	1,874	984	983
Amount due from an associate	-	336	-	336
	11,346	11,826	1,448	1,405
Total	29,725	33,735	1,448	1,405

Arising from disposal of trade receivables to a special purpose bankruptcy remote vehicle, Starbright Capital Berhad, by Sungai Harmoni in 2019 under an asset-backed securitisation exercise, a deferred consideration of RM33,946,000 is to be repaid over a 9-year term, subject to the projected cash flows of Starbright Capital Berhad.

30. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

As at 31 December 2021, the outstanding deferred consideration included in other receivables of the Group is RM27,345,000 (2020: RM30,810,000) receivable from Starbright Capital Berhad. Out of this amount, the Group expects that RM3,531,000 (2020: RM4,177,000) will be collected in the next 12 months and thus has been classified as current assets. The remaining balance of RM23,814,000 (2020: RM26,633,000) has been classified as long-term other receivables and it is expected to be collected during the year 2023 to 2028 (2020: year 2022 to 2028).

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	4,724	3,072	-	-
Net re-measurement of loss allowances	711	1,652	-	-
At 31 December	5,435	4,724	-	-

During the year, the Group remeasured the loss allowance for other receivables at an amount equal to the lifetime ECL amounting to RM711,000 (2020: RM1,652,000) on the deferred consideration due from Starbright as disclosed in Note 9. The loss allowance is computed based on the time value loss rate from the timing of repayment of deferred consideration, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the Group reviews the ECL rate and re-measures the loss allowance amount.

The amount due from an associate mainly arose from non-trade transactions which is interest free, unsecured and is expected to be repaid within the next 12 months.

31. AMOUNT DUE (TO)/FROM SUBSIDIARIES

	The Company	
	2021 RM'000	2020 RM'000
Non-current:		
Amount due from subsidiaries	3,465	3,465
Less: Loss allowance	(3,465)	(3,465)
	-	-
Current:		
Amount due to subsidiaries	(1,034)	(3,125)
	(1,034)	(3,125)

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due to subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

32. INVESTMENT DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

Investments designated at FVTPL comprise investments in quoted unit trusts in money market securities instruments that are not held for trading.

The movements in the investments designated at FVTPL during the financial year is as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As of 1 January	386,326	585,061	5	26,505
Additions	366,425	56,222	300,652	6,096
Disposals	(406,675)	(254,632)	(5)	(32,596)
Fair value changes recognised in profit or loss (Notes 8 and 9)	367	(325)	198	-
As of 31 December	346,443	386,326	300,850	5

33. SHARE CAPITAL

	The Group and The Company			
	2021		2020	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Issued and fully paid:				
As of 1 January/31 December	2,015,817	438,354	2,015,817	438,354

34. MERGER DEFICIT

	The Group	
	2021 RM'000	2020 RM'000
Merger deficit	71,500	71,500

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in the financial year ended 31 December 2000:			
Sungai Harmoni Sdn. Bhd.	47,000	(5,000)	42,000
Taliworks (Langkawi) Sdn. Bhd.	32,500	(3,000)	29,500
	79,500	(8,000)	71,500

35. RETAINED EARNINGS

The Company is currently under the single-tier income tax system.

The entire retained earnings of the Company as of the end of the reporting period are available for distribution as single-tier dividends under the single-tier income tax system. Under this system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax.

36. BORROWINGS

	The Group	
	2021 RM'000	2020 RM'000
Non-Current:		
Islamic Medium-Term Notes ("IMTN")	328,540	358,159
Current:		
Islamic Medium-Term Notes ("IMTN")	30,000	30,000
Total:		
IMTN (a)	358,540	388,159

The Group and the Company have a total of RM874,121,000 and RM105,121,000 (2020: RM857,000,000 and RM75,000,000) of credit facilities, respectively comprising revolving credit and other trade financing facilities granted by financial institutions and RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM826,121,000 (2020: RM809,000,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

Facilities of the Company amounting to RM57,121,000 (2020: RM27,000,000) are secured by way of proceeds deposited into designated bank accounts and fixed deposits.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM Nil (2020: RM20,000,000) issued to financial institutions for banking facilities secured by certain subsidiaries.

36. BORROWINGS (CONT'D)

(a) IMTN

	The Group	
	2021	**2020**
	RM'000	**RM'000**
As of 1 January	388,159	417,612
Redeemed	(30,000)	(30,000)
Interest imputed in borrowing (Note 9)	381	547
As of 31 December	358,540	388,159
Analysed as:		
Non-current liabilities	328,540	358,159
Current liabilities	30,000	30,000
	358,540	388,159

The non-current portion is repayable as follows:

	The Group	
	2021	**2020**
	RM'000	**RM'000**
Between 1 to 2 years	29,936	29,925
Between 2 to 5 years	149,276	139,207
Over 5 years	149,328	189,027
As of 31 December	328,540	358,159

The Ringgit Malaysia denominated IMTN was issued by a subsidiary, Cerah Sama Sdn. Bhd. under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed banks, set aside under the subsidiary's Financial Service Reserve Account as disclosed in Note 27;

(ii) the subsidiary's equity interest in ordinary shares of all of its subsidiaries as disclosed in Note 20; and

(iii) the subsidiary's revenue and income including but not limited to any dividends and distributions, whether income or capital in nature, from its group of companies.

The IMTN bears profit at fixed rates ranging from 4.68% to 5.39% (2020: 4.48% to 5.39%) per annum. The weighted average profit rate that was effective as of the end of the reporting period is 5.1% (2020: 5.0%).

36. BORROWINGS (CONT'D)

(a) IMTN (Cont'd)

The RM420 million in nominal value IMTN is repayable over 11 annual instalments commencing 2020. During the year, the second tranche of the IMTN amounting to RM30,000,000 in nominal value was redeemed in full at maturity on 31 January 2021. The repayment terms of the remaining IMTN tranches are as follows:-

(i) a nominal value of RM90,000,000 in which each RM30,000,000 is repayable annually from 2022 to 2024;

(ii) a nominal value of RM120,000,000 in which each RM40,000,000 is repayable annually from 2025 to 2027; and

(iii) a nominal value of RM150,000,000 in which each RM50,000,000 is repayable annually from 2028 to 2030.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	As of 1 January RM'000	Repayments RM'000	Others RM'000	As of 31 December RM'000
The Group				
2021				
IMTN	388,159	(30,000)	381	358,540
Lease liabilities	15,330	(2,705)	-	12,625
	403,489	(32,705)	381	371,165
2020				
Revolving credit	50,000	(50,000)	-	-
IMTN	417,612	(30,000)	547	388,159
Lease liabilities	17,933	(2,436)	(167)	15,330
	485,545	(82,436)	380	403,489
The Company				
2021				
Lease liabilities	15,330	(2,705)	-	12,625
2020				
Revolving credit	50,000	(50,000)	-	-
Lease liabilities	17,933	(2,436)	(167)	15,330
	67,933	(52,436)	(167)	15,330

37. LEASE LIABILITIES

	The Group and The Company 2021 RM'000	The Group and The Company 2020 RM'000
Non-Current:		
Lease liabilities	9,950	12,625
Current:		
Lease liabilities	2,675	2,705
Total	12,625	15,330

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The lease liabilities are denominated in Ringgit Malaysia and comprises leases on office premises and obligations under finance lease on motor vehicles.

(a) Office premises

In 2019, the Group renewed the rental of its office premises. The rental tenure is for 3 years with the option for renewal of one term of 3 years up to 31 December 2025. The Group and the Company applied the incremental borrowing rate to the lease liabilities of 5.30% (2020: 5.30%) per annum.

(b) Obligations under finance lease

In the previous year, the Group's and the Company's obligations under finance lease bore effective interest rate at 2.22% per annum.

The maturity analysis of the future lease payments at the reporting date are as follows:

	The Group and The Company 2021 RM'000	The Group and The Company 2020 RM'000
Maturity analysis:		
Year 1	2,675	2,705
Year 2	3,147	2,675
Year 3	3,313	3,147
Year 4	3,490	3,313
Year 5	-	3,490
Present value	12,625	15,330

38. TRADE PAYABLES

	The Group 2021 RM'000	2020 RM'000
Non-Current:		
Trade payables (a)	-	16,043
Retention sums (b)	973	1,117
Less: Interest income imputed in retention sum	(80)	(121)
Net	893	17,039
Current:		
Trade payables (a)	36,508	37,662
Retention sums (b)	5,008	7,191
Net	41,516	44,853
Total	42,409	61,892

(a) Arising from the debt settlement arrangement between Sungai Harmoni and certain major trade payables in 2019, the latter waived 10% on the gross outstanding payables totalling RM87,429,000, equivalent to RM8,743,000. Out of the remaining outstanding balance, the amount totalling RM56,060,000 was agreed to be repaid over a period of three (3) years, commencing from 31 March 2020 and ending on 31 March 2022.

As at 31 December 2021, the Group has classified the outstanding payables of RM16,984,000, as current, representing the final instalment under the debt settlement arrangement (2020: RM35,670,000) and accordingly, a reversal of gain on modification of RM941,000 (2020: RM1,833,000) on trade payables has been recognised pursuant to MFRS 9 as disclosed in Note 9. As at the date of the authorisation of the financial statements, the amount has been fully settled.

(b) At the end of the financial year, the Group has a retention sum owing to contractors amounting to approximately RM5,981,000 (2020: RM8,308,000). Out of this amount, the Group anticipated that RM5,008,000 (2020: RM7,191,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM973,000 (2020: RM1,117,000) has been classified as long-term payables, and it is expected to be released to contractors in year 2023 and 2024 (2020: 2022 and 2024).

The directors consider that the carrying amount of trade payables approximate to their fair values.

38. TRADE PAYABLES (CONT'D)

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2021 RM'000	2020 RM'000
Non-Current:		
As of 1 January	121	186
Reversal (Notes 9)	(41)	(65)
As of 31 December	80	121

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

Included in trade payables of the Group are the following:

	The Group	
	2021 RM'000	2020 RM'000
(i) an amount owing to a company in which a director and major shareholders have an interest	12,802	28,562
(ii) an amount owing to a company in which major shareholders have an interest	6,013	12,287
(iii) an amount owing to an associate	4,267	2,603

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

39. PROVISIONS

	The Group 2021 RM'000	The Group 2020 RM'000
Provision for heavy repairs	24,143	22,730
Provision for restoration costs	1,372	3,016
	25,515	25,746
Current	563	2,207
Non-current	24,952	23,539
	25,515	25,746

	The Company 2021 RM'000	The Company 2020 RM'000
Provision for restoration costs	809	809
Non-current	809	809

The Group	Provision for heavy repairs RM'000	Provision for restoration costs RM'000	Total RM'000
As of 1 January 2020	18,562	3,177	21,739
Provision for the year	4,168	2,093	6,261
Utilisation for the year	-	(2,254)	(2,254)
As of 31 December 2020/1 January 2021	22,730	3,016	25,746
Provision for the year	4,222	165	4,387
Utilisation for the year	(2,809)	(1,809)	(4,618)
As of 31 December 2021	24,143	1,372	25,515

39. PROVISIONS (CONT'D)

The Company	**Provision for restoration costs RM'000**
As of 1 January 2020/31 December 2020/ 1 January 2021/31 December 2021	809

Provision of heavy repairs of the Group represents management's best estimate of Grand Saga Sdn. Bhd., a subsidiary's obligation to perform heavy repairs for the concession of Cheras-Kajang Highway.

Provision for restoration costs of the Group represents management's best estimate of the liability to restore the concession assets under Taliworks Langkawi, a subsidiary as at the date of expiration of the Privatisation Contract on 31 October 2020 as disclosed in Note 26(a), and the liability to restore the leased office premises for the Group and the Company at the end of the lease term.

40. DEFERRED INCOME

	The Group	
	2021 RM'000	**2020 RM'000**
Rental and maintenance fee:		
As of 1 January	1,728	1,845
Addition	133	-
Recognised in profit or loss (Note 8)	(120)	(117)
As of 31 December	1,741	1,728
Government compensation:		
As of 1 January	106,288	122,254
Recognised in profit or loss (Note 6)	(15,375)	(15,966)
As of 31 December	90,913	106,288
Current	14,864	15,375
Non-current	77,790	92,641
Total deferred income	92,654	108,016

The description of deferred income has been disclosed in Note 3.

41. OTHER PAYABLES AND ACCRUALS

	The Group	
	2021 RM'000	2020 RM'000
Non-Current:		
Other payables	-	7,083
Less: Interest income imputed in other payables (Note 8)	-	(408)
	-	6,675
Current:		
Other payables and accruals	9,957	18,021
Interest payables	7,667	8,351
Net	17,624	26,372
Total	17,624	33,047

	The Company	
	2021 RM'000	2020 RM'000
Other payables and accruals	1,738	2,436

Included in other payables are an outstanding Goods and Services Tax ("GST") payable owing to Royal Malaysian Customs Department ("RMCD") by Sungai Harmoni.

Based on the agreed terms of settlement with RMCD, the amount owing to RMCD of RM14,693,000, comprises outstanding GST payables of RM10,625,000 and GST penalty of RM4,068,000, to be repaid over a period of 36 monthly installments of RM408,000 each, commencing from 28 January 2021 and ending on 28 December 2023.

Accordingly, an accrual of GST payables of RM10,625,000 has been recognised in the previous financial year, of which RM3,542,000 was classified as current while the remaining GST payables of RM7,083,000 was classified as non-current. During the current financial year, the outstanding GST payables was fully repaid and accordingly, the Group recognised a reversal of gain on modification of RM408,000 as disclosed in Note 9 (2020: gain on modification of RM408,000 as disclosed in Note 8) to the financial statements.

Sungai Harmoni disagreed with the GST penalty imposed and has appealed against the penalty and therefore, no provision has been made in the previous financial statements. On 26 November 2021, RMCD approved the company's application to waive the GST penalty amounting to RM4,068,000.

41. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in other payables and accruals of the Group and of the Company are the following:

	The Group	
	2021 RM'000	2020 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	101	151

	The Company	
	2021 RM'000	2020 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	31	35

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

42. DIVIDENDS

Dividends declared and paid/payable in respect of the financial year are as follows:

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2021		
Dividends paid:		
In respect of the financial year ended 31 December 2020: Fourth interim single-tier dividend paid on 31 March 2021	1.65	33,261
In respect of the financial year ended 31 December 2021:		
First interim single-tier dividend paid on 30 June 2021	1.65	33,261
Second interim single-tier dividend paid on 30 September 2021	1.65	33,261
Third interim single-tier dividend paid on 31 December 2021	1.65	33,261
		133,044

On 22 February 2022, the directors declared a fourth interim single-tier dividend of 1.65 sen per share amounting to approximately RM33,260,990 in respect of the current financial year, to be paid on 25 March 2022. This dividend has not been included as a liability in the statements of financial position as of 31 December 2021. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022.

The directors do not recommend any final dividend in respect of the current financial year.

42. DIVIDENDS (CONT'D)

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2020		
Dividends paid:		
In respect of the financial year ended 31 December 2019:		
Fourth interim single-tier dividend paid on 27 March 2020	1.65	33,261
In respect of the financial year ended 31 December 2020:		
First interim single-tier dividend paid on 19 June 2020	1.65	33,261
Second interim single-tier dividend paid on 30 September 2020	1.65	33,261
Third interim single-tier dividend paid on 31 December 2020	1.65	33,261
		133,044

43. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and investments designated at FVTPL. Total capital is the "total equity attributable to owners of the Company" as shown in the statements of financial position.

The Group's and the Company's strategy, which was unchanged from the previous year, is to maintain the gearing ratio of less than 100%.

43. FINANCIAL INSTRUMENTS (CONT'D)

Capital Risk Management (Cont'd)

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total borrowings (Note 36)	358,540	388,159	-	-
Less: Deposits, cash and bank balances (Note 27)	(110,677)	(117,848)	(14,038)	(10,731)
Less: Investments designated at FVTPL (Note 32)	(346,443)	(386,326)	(300,850)	(5)
Net debt	-	-	-	-
Total capital	904,803	959,347	929,179	626,376
Net gearing ratio	N/A	N/A	N/A	N/A

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Categories of financial instruments

	The Group	
	2021 RM'000	2020 RM'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	50,523	91,716
Other receivables and deposits (Note 30)	24,811	28,942
Deposits, cash and bank balances	110,677	117,848
Financial assets at FVTPL:		
Investment designated at FVTPL	346,443	386,326
Other investment	240	240
Financial assets at FVTOCI:		
Investment in redeemable preference shares of a joint venture (Note 21)	36,424	36,424
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	42,409	61,892
Other payables and accruals	17,624	33,047
Borrowings	358,540	388,159
Lease liabilities	12,625	15,330

43. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (Cont'd)

	The Company	
	2021 RM'000	2020 RM'000
Financial assets		
Financial assets at amortised cost:		
Other receivables and deposits (Note 30)	1,343	1,319
Deposits, cash and bank balances	14,038	10,731
Financial assets at FVTPL:		
Investment designated at FVTPL	300,850	5
Financial assets at FVTOCI		
Investment in redeemable preference shares of a subsidiary (Note 20)	238,012	238,012
Investment in redeemable preference shares of a joint venture (Note 21)	36,424	36,424
Financial liabilities		
Financial liabilities at amortised cost:		
Other payables and accruals	1,738	2,436
Amount due to subsidiaries	1,034	3,125
Lease liabilities	12,625	15,330

Financial Risk Management Objectives

The Group's and the Company's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group and of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group and the Company do not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and the Company are not exposed to significant foreign currency risk as there are no transactions undertaken denominated in currencies other than the functional currencies of the entities.

Sensitivity analysis for foreign currency risk

The Group's and the Company's exposure to foreign currency risk is not material and hence, sensitivity analysis is not presented.

43. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (Cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's and the Company's deposits and borrowings. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company closely monitor the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM2,766,000 and RM45,000 (2020: RM3,011,000 and RM46,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group and the Company is concentrated in a few customers. The Group and the Company consider the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's and the Company's receivables. Further disclosure is made in Note 26.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations at the end of the reporting period.

Investments designated at FVTPL comprise investment in liquid securities primarily in quoted unit trusts in money market securities instruments managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia. The carrying amount of investments designated at FVTPL disclosed in Note 32 best represents their maximum exposure to credit risk.

The Group and the Company do not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

As disclosed in Note 26, the concentration of credit risk is in the two largest customers. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

43. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (Cont'd)

Maximum exposure to credit risk (Cont'd)

The credit quality of deposits, cash and bank balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deposits, cash and bank balances (Note 27):				
External credit rating (as rated by a rating agency in Malaysia):				
AAA	104,732	116,578	13,397	9,893
AA2	5,145	1,094	635	824
AA3	648	-	-	-
Without external credit rating	152	176	6	14
	110,677	117,848	14,038	10,731

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group and the Company seek to maintain flexibility in funding by keeping committed credit lines available. If required, the Group and the Company will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceed current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries to enable the subsidiaries to meet their liabilities as and when they fall due.

43. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (Cont'd)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2021						
Non-interest bearing:						
Trade payables	-	41,516	-	-	-	41,516
Other payables and accruals	-	17,624	-	-	-	17,624
Financial guarantee*	-	-	-	-	-	-
Interest bearing:						
Trade payables	4.0 to 8.0	-	973	-	-	973
Borrowings	4.68 to 5.39	47,552	46,264	148,798	211,055	453,669
Lease liabilities	5.3	3,344	3,674	7,348	-	14,366
		110,036	50,911	156,146	211,055	528,148
2020						
Non-interest bearing:						
Trade payables	-	18,975	-	-	-	18,975
Other payables and accruals	-	22,830	-	-	-	22,830
Financial guarantee*	-	-	-	-	-	-
Interest bearing:						
Trade payables	5.3 to 8.0	25,878	17,662	439	-	43,979
Other payables	4.05	3,542	3,542	3,541	-	10,625
Borrowings	4.58 to 5.39	48,926	47,552	144,045	262,071	502,594
Lease liabilities	2.2 to 5.3	3,513	3,344	11,022	-	17,879
		123,664	72,100	159,047	262,071	616,882

43. FINANCIAL INSTRUMENTS (CONT'D)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows. (Cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
2021						
Non-interest bearing:						
Other payables and accruals	-	1,738	-	-	-	1,738
Amount due to subsidiaries	-	1,034	-	-	-	1,034
Financial guarantee*	-	-	-	-	-	-
Interest bearing:						
Lease liabilities	5.3	3,344	3,674	7,348	-	14,366
		6,116	3,674	7,348	-	17,138
2020						
Non-interest bearing:						
Other payables and accruals	-	2,436	-	-	-	2,436
Amount due to subsidiaries	-	3,125	-	-	-	3,125
Financial guarantee*	-	-	-	-	-	-
Interest bearing:						
Lease liabilities	2.2 to 5.3	3,513	3,344	11,022	-	17,879
		9,074	3,344	11,022	-	23,440

* At the end of the reporting period, no events have arisen which may cause the Financial Guarantees provided by the Group and the Company to be called upon or claimed by any counterparty pursuant to the relevant contracts entered by the Group or the Company. Consequently, the amount included is RM Nil.

<u>Financing Facilities</u>

The Group and the Company have access to financing facilities as described in Note 36, of which RM449,807,000 and RM57,314,000 (2020: RM445,375,000 and RM69,882,000) were unused at the reporting date. The Group and the Company expect to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

44. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) **Financial assets that are measured at fair value**

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2021				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	346,443	-	346,443
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2020				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	386,326	-	386,326
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

44. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (Cont'd)

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy: (Cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Company				
2021				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	300,850	-	300,850
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2020				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	5	-	5
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in unquoted unit trusts in general, fair values have been estimated by reference to quotes published by unit trust companies.

For investment in redeemable preference shares of a subsidiary and a joint venture, fair values have been estimated by discounting the projected cash flows of dividends to be distributed by the subsidiary and joint venture up to the expiry date of the concession agreements at cost of equity of the respective subsidiary and joint venture.

For investment in golf membership, the fair value is based on market comparison technique, comparing to quoted prices of other comparable golf club memberships.

44. FAIR VALUE MEASUREMENT (CONT'D)

(b) **Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)**

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2021				
IMTN	-	382,864	-	382,864
2020				
IMTN	-	429,010	-	429,010

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 2.50% to 4.47% (2020: 2.55% to 3.70%).

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn. Bhd.	Common director and common major shareholders
Perangsang Water Management Sdn. Bhd.	Indirect common major shareholder
Exitra Sdn. Bhd.	Common director and indirect common major shareholder
Exitra Solutions Sdn. Bhd.	Common director and indirect common major shareholder
GSL Realty Sdn. Bhd.	Common director and indirect common major shareholder
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Aqua-Flo Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate
LGB Taliworks Consortium Sdn. Bhd.	Associate

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant from:				
Aqua-Flo Sdn. Bhd.	16,392	18,831	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	6,874	6,764	-	-
Perangsang Water Management Sdn. Bhd. (a)	3,437	3,382	-	-
Contractual payments in respect of royalty fees to:				
Alam Ria Sdn. Bhd. (a)	-	2,632	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,368	1,789	308	321
Exitra Solutions Sdn. Bhd. (b)	141	147	94	97
Rental of office premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,344	3,344	3,344	3,344
Progress billings:				
LGB Taliworks Consortium Sdn. Bhd.	2,361	4,660	-	-
Income from subleasing right-of-use assets:				
Sungai Harmoni Sdn. Bhd.	-	-	295	281
Taliworks Construction Sdn. Bhd.	-	-	493	468
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	2,882	3,034
Taliworks (Langkawi) Sdn. Bhd.	-	-	-	1,245
Taliworks Construction Sdn. Bhd.	-	-	747	786
Grand Saga Sdn. Bhd.	-	-	2,820	2,969
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,391	1,464	1,391	1,464
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,610	3,800	3,610	3,800
Total (Note 6)	5,001	5,264	11,450	13,298

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions: (Cont'd)

	The Group 2021 RM'000	The Group 2020 RM'000	The Company 2021 RM'000	The Company 2020 RM'000
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	37,620	-
Sungai Harmoni Sdn. Bhd.	-	-	362,300	157,250
TEI Sdn. Bhd.	-	-	20,400	16,320
Joint venture:				
Pinggiran Muhibbah Sdn. Bhd.	-	-	1,350	7,650
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	-	-	14,699	3,500
Aqua Flo Sdn. Bhd.	-	-	901	826
Total (Note 6)	-	-	437,270	185,546

(a) The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. with Sungai Harmoni and Taliworks Langkawi. The contractual agreement in respect of technical support and management services between Sungai Harmoni and Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. was entered into in 2000. The contractual agreement in respect of royalty fees between Taliworks Langkawi and Alam Ria Sdn. Bhd. was originally entered into in 1996 has expired alongside with the expiration of the Privatisation Contract on 31 October 2020.

Lim Chin Sean is a director and major shareholder of the Company. He is also a director and major shareholder of Alam Ria Sdn. Bhd., and deemed a major shareholder in Perangsang Water Management Sdn. Bhd..

(b) Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd. and GSL Realty Sdn. Bhd.. He is also deemed a major shareholder in these companies as well as in SWM Environment Holdings Sdn. Bhd..

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fees	144	144	120	120
Wages, salaries and bonus	4,255	4,343	2,467	2,397
Defined contribution plan	395	392	238	227
Other emoluments	352	369	201	208
	5,146	5,248	3,026	2,952

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM640,000 (2020: RM609,000) and RM612,000 (2020: RM581,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM144,000 (2020: RM149,000) and RM103,000 (2020: RM96,000) respectively.

46. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Capital commitments not provided for in the financial statements are as follows:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Authorised but not contracted for:				
Property, plant and equipment	4,264	3,847	419	1,610

Contingent liabilities

There are no contingent liabilities in the Group and in the Company which have arisen as at the end the financial year. The contingent liabilities of the Group in the previous year amounted RM4,068,000 represents the GST penalty as disclosed in Note 38 to the financial statements.

47. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties, the advertisement billboards, rest and services area along its highways to business operators or retailers. The Group entered into operating lease arrangements of between 1 to 5 years, with extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	The Group		The Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Year 1	252	262	803	803
Year 2	76	35	2	791
Year 3	64	3	-	-
Year 4	33	-	-	-
	425	300	805	1,594

48. SIGNIFICANT EVENTS

(a) Development of Coronavirus Pandemic

The Malaysia Government has implemented various phases of Movement Control Order ("MCO") in certain areas and nationwide since the start of the pandemic in 2020. During the first half of the year, the rollout of National COVID-19 Immunisation Programme and the Government's economic stimulus packages have contributed to a gradual reopening of major economic activities and relaxation of restrictions. Whilst the Malaysia's economy continues to recover from the impact of COVID-19 due to rising rate of population being vaccinated, the emergence of new COVID-19 variants has made the timeline for full recovery to be uncertain.

The Group closely monitors the situation and continuously assesses the impact to its operations and financial performance of the Group. The COVID-19 pandemic has not adversely affect the fundamentals and going concern of the Group's business operations except for the reduction in toll collections due to travel restrictions imposed during the MCO. However, the toll collection began to resume with the reopening of business sectors and relaxing restrictions for fully vaccinated individuals under the Government's National Recovery Plan.

48. SIGNIFICANT EVENTS (CONT'D)

(b) Venture into the renewable energy business

On 30 November 2020 and 15 December 2020, TRSB, a wholly-owned subsidiary of the Company, executed two (2) separate Conditional Share Sale and Purchase Agreements ("SSPA") to acquire the entire equity interest in four solar projects held by feed-in approval holders namely Fortune 11 Sdn. Bhd. ("F11"), Corporate Season Sdn. Bhd. ("CS") and Silverstar Pavilion Sdn. Bhd. ("SP") (collectively known as "FIAHs"), with an aggregate capacity of 19MW within the vicinity of the Kuala Lumpur International Airport.

The proposed acquisition entails the following:

(i) direct acquisition of the entire equity interest in Sunedison Solar Holdings 1 Pte. Ltd. ("SE1"), Sunedison Solar Holdings 2 Pte. Ltd. ("SE2"), Sunedison Solar Holdings 3 Pte. Ltd. ("SE3") and Terraform Global Operating (Malaysia) Sdn. Bhd. ("TGOM"), for a purchase consideration of RM144.1 million where SE1, SE2 and SE3 held majority economic interest in each of the FIAH.

(ii) direct acquisition of the remaining equity interest in FIAHs not held by SE1, SE2 and SE3 for a purchase consideration of RM36.3 million.

On 30 November 2021, the SSPA of the proposed acquisition (i) has been extended to 15 March 2022 and was further extended until 15 June 2022 on 15 March 2022. On 25 March 2022, the SSPA for the proposed acquisition (ii) which has lapsed on 16 December 2021 was extended to 15 June 2022 with the purchase consideration being revised to RM37.5 million. Upon completion of the proposed acquisitions, SE1, SE2, SE3 and TGOM will become wholly-owned subsidiaries of TRSB. Accordingly, TRSB will hold the entire equity interest in FIAHs via direct ownership in SE1, SE2 and SE3 and remaining equity interest in FIAHs not held by SE1, SE2 and SE3.

ANALYSIS OF SHAREHOLDINGS
AS AT 23 MARCH 2022

SHAREHOLDINGS STRUCTURE

The total number of issued shares of the Company stands at 2,015,817,574 ordinary shares, with voting right of one vote per ordinary share.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	353	5.55	10,931	0.00
100 – 1,000	856	13.45	505,912	0.03
1,001 – 10,000	2,882	45.28	15,276,559	0.76
10,001 – 100,000	1,851	29.08	56,520,904	2.80
100,001 to less than 5% of issued shares	417	6.55	789,189,935	39.15
5% and above of issued shares	6	0.09	1,154,313,333	57.26
Total	**6,365**	**100.00**	**2,015,817,574**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn. Bhd.	383,385,000	19.02
2.	Water Clinic Sdn. Bhd.	270,000,000	13.39
3.	Lembaga Tabung Haji	146,950,000	7.29
4.	Malar Terang Sdn. Bhd.	124,638,333	6.18
5.	Century General Water (M) Sdn. Bhd.	123,090,000	6.11
6.	CIMB Group Nominees (Asing) Sdn. Bhd. Pledged Securities Account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)	106,250,000	5.27
7.	Mal Monte Sdn. Bhd.	95,850,000	4.75
8.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	75,000,000	3.72
9.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	74,580,100	3.70
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	45,831,798	2.27
11.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)	42,669,583	2.12
12.	Lim Chee Meng	42,645,050	2.12
13.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Lim Chee Meng (PB)	41,666,666	2.07
14.	Ng Yim Hoo	18,063,333	0.90

Analysis of Shareholdings
As at 23 March 2022

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
15.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Family Takaful Berhad (Family)	14,184,400	0.70
16.	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Principal 2)	14,000,000	0.69
17.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CPIAM EQ)	13,521,000	0.67
18.	Minhat Bin Mion	13,333,333	0.66
19.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. Principal Islamic Asset Management Sdn. Bhd. for Lembaga Tabung Haji	12,699,333	0.63
20.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Life Insurance Berhad (Life Par)	11,445,100	0.57
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Ng Lee Ling (PB)	9,200,000	0.46
22.	Maybank Nominees (Tempatan) Sdn. Bhd. National Trust Fund (IFM Maybank) (412183)	8,763,700	0.43
23.	Century General Water (M) Sdn. Bhd.	8,745,000	0.43
24.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ong Ka Ting (E-SS2)	8,650,000	0.43
25.	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Maybank 2)	7,605,100	0.38
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund	6,849,766	0.34
27.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Life Insurance Berhad (Life Non Par)	5,420,800	0.27
28.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Family Takaful Berhad (Shareholders)	5,313,900	0.26
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Great Eastern Takaful Berhad (Mekar)	4,191,000	0.21
30.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for APEX DANA AL-SOFI-I (ADAS-I) (410325)	4,007,666	0.20
	TOTAL	**1,738,549,961**	**86.24**

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn. Bhd.	383,385,000	19.02	-	-	-
Water Clinic Sdn. Bhd.	270,000,000	13.39	-	-	-
Lembaga Tabung Haji	159,649,333	7.92	-	-	-
Century General Water (M) Sdn. Bhd.	131,835,000	6.54	-	-	-
Malar Terang Sdn. Bhd.	124,638,333	6.18	-	-	-
Vijay Vijendra Sethu	106,250,000	5.27	75,000,000	(a)	3.72
Anekawal Sdn. Bhd.	-	-	383,385,000	(b)	19.02
LGB Holdings Sdn. Bhd.	-	-	1,005,708,333	(c)	49.89
Adil Cita Sdn. Bhd.	-	-	515,220,000	(d)	25.56
Dato' Lim Chee Meng	84,311,716	4.18	1,006,833,333	(e)	49.95
Lim Chin Sean	250,006	0.01	1,006,833,333	(e)	49.95
LGB Group Sdn. Bhd.	-	-	1,006,833,333	(e)	49.95
GSL Development Sdn. Bhd.	-	-	131,835,000	(f)	6.54

Notes:-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of its shareholdings in Tali-Eaux Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

(c) Deemed interest by virtue of its shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd. and Mal Monte Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

(d) Deemed interest by virtue of its shareholdings in Tali-Eaux Sdn. Bhd. and Century General Water (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

(e) Deemed interest by virtue of their shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd., Mal Monte Sdn. Bhd. and LGB Engineering Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

(f) Deemed interest by virtue of its shareholdings in Century General Water (M) Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

Analysis of Shareholdings
As at 23 March 2022

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Dato' Lim Yew Boon	1,000,000	0.05	-	-	-
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-
Datuk Roger Tan Kor Mee	-	-	-	-	-
Lim Chin Sean	250,006	0.01	1,006,833,333	(a)	49.95

Notes:-

(a) *Deemed interest by virtue of his shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd., Mal Monte Sdn. Bhd. and LGB Engineering Sdn. Bhd..*

By virtue of his interest in the Company pursuant to Section 8 of the Companies Act 2016, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

NOTICE IS HEREBY GIVEN that the Thirty-first Annual General Meeting ("31st AGM") of the Company will be held on fully virtual basis through live streaming and online remote voting via online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) on Wednesday, 1 June 2022 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023. **(Resolution 1)** **(Please refer to Note 2)**

3. To approve the payment of Directors' benefits with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023. **(Resolution 2)** **(Please refer to Note 3)**

4. To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) En. Ahmad Jauhari Bin Yahya **(Resolution 3)**
   (b) Dato' Lim Yew Boon **(Resolution 4)**
   (c) Mr. Lim Chin Sean **(Resolution 5)**

   (Please refer to Note 4)

5. To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)** **(Please refer to Note 5)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

6. **APPROVAL TO CONTINUE IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR** **(Resolution 7)** **(Please refer to Note 6)**

   "THAT Mr. Soong Chee Keong who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 25 April 2013 be and is hereby retained and continue to act as an Independent Non-Executive Director of the Company."

7. **AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("PROPOSED GENERAL MANDATE")** **(Resolution 8)** **(Please refer to Note 7)**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approvals of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby empowered to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed twenty per centum (20%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2022.

THAT subsequent thereto, the general mandate shall be reinstated from 20% limit to 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors of the Company may, in their absolute discretion, deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. at the expiration of the period within which the next Annual General Meeting is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Resolution 9)** **(Please refer to Note 8)**

"THAT subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 28 April 2022 ("the Circular") provided that such transactions are:

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate").

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said Annual General Meeting;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

Notice of Fully Virtual Annual General Meeting

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

TAI YIT CHAN
(SSM PC No.:202020080010 23) (MAICSA 7009143)
CHAN SAU LENG
(SSM PC No.: 202020080027 09) (MAICSA 7012211)
Company Secretaries

Kuala Lumpur
Dated this 28th day of April, 2022

Explanatory Notes on Ordinary Business/ Special Business:

1. **Item 1 of the Agenda**
   To receive the Audited Financial Statements for the financial year ended 31 December 2021

   This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 2 of the Agenda**
   To approve the payment of Directors' fees with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023.

   The proposed Ordinary Resolution 1, if passed, will give authority to the Company to pay the Directors' fees with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023, as and when their services are rendered. The quantum of the Directors' fees for each category of Directors remains unchanged as compared with the year 2021.

   The Directors' fees were calculated based on the rate of RM200,000 per year for Chairman of the Board, RM160,000 per year for Chairman of the Audit and Risk Management Committee and RM120,000 per year for other Directors.

3. **Item 3 of the Agenda**
   To approve the payment of Directors' benefits with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023

   The proposed Ordinary Resolution 2, if passed, will give authority to the Company to pay the Directors' benefits with effect from 2 June 2022 until the next Annual General Meeting of the Company to be held in 2023.

   The Directors' benefits comprise the following and will be paid as and when incurred:

Benefits	Description	Amount
Meeting allowance	Chairman of the Board/ Board Committees	RM1,600 per meeting
	Members of the Board/ Board Committees	RM1,000 per meeting
Directors' and Officers' Indemnity Insurance	-	RM17,900

4. **Item 4 of the Agenda**
To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:
(a) En. Ahmad Jauhari Bin Yahya ("En. Ahmad Jauhari")
(b) Dato' Lim Yew Boon ("Dato' Lim")
(c) Lim Chin Sean ("Mr. Lim")

The Nominating Committee ("NC") of the Company has reviewed the performance of each Director who are subject for re-election and has assessed the criteria and contribution of En. Ahmad Jauhari, Dato' Lim and Mr. Lim through an annual assessment, are satisfied with the performance, contribution and effectiveness of the Directors being eligible, have offered themselves for re-election at this AGM.

These three (3) retiring Directors have abstained from deliberations and decisions on their own eligibility and suitability to stand for re-election at the relevant Board and Board Committees meetings and have no conflict of interests with the Company. The profiles of these retiring Directors are set out on pages 64, 63 and 65 of the Annual Report 2021.

NC has recommended for their re-election at the forthcoming AGM of the Company. The Board endorsed the NC's recommendation that Ahmad Jauhari Bin Yahya, Dato' Lim Yew Boon and Mr. Lim Chin Sean be re-elected as Directors of the Company. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by the NC and the Board.

(a) Ordinary Resolution 3 – Re-election of En. Ahmad Jauhari as Independent Non-Executive Director

En. Ahmad Jauhari fulfills the requirement of independence set out in the Main Market Listing Requirements of Bursa Securities as well as the prescribed criteria under the MCCG 2021. He demonstrates his independence through his constructive feedback to the Company in developing the Group's business strategies. He also exercised his due care and carried out his duties professionally during his tenure as Independent Non-Executive Director.

(b) Ordinary Resolution 4 – Re-election of Dato' Lim as Executive Director

Dato' Lim shows exemplary leadership in the Company's businesses and creating value. He has contributed significantly to the Group by providing valuable inputs and steered the Group forward in the past twelve (12) years with notable achievements during his tenure as an Executive Director of the Company.

(c) Ordinary Resolution 5 – Re-election of Mr. Lim as Non-Independent Non-Executive Director

Mr. Lim provides constructive feedback to the Company in developing the Group's business strategies. He also exercised his due care and carried out his duties professionally during his tenure as Non-Independent Non-Executive Director.

5. **Item 5 of the Agenda**
To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration

The Audit and Risk Management Committee ("ARMC") has conducted assessment on the performance of Deloitte PLT. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by ARMC.

6. **Item 6 of the Agenda**
To continue in office as an Independent Non-Executive Director

The Nomination Committee has assessed the independence of Mr. Soong Chee Keong, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years since 25 April 2013 and arising therefrom, the Board recommended that he continues to act as an Independent Non-Executive Director of the Company subject to the shareholders' approval through a two-tier voting process at the 31st AGM of the Company based on the following justifications:-

i. He has fulfilled the criteria under the definition on Independent Director as stated in the Bursa Securities' Main Market Listing Requirements, and therefore is able to bring independent and objective judgement to the Board;
ii. He has been with the Company for more than nine (9) years and therefore understand the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at the Meetings;
iii. He has contributed sufficient time and efforts and attended all the Meetings for informed and balanced decision making; and
iv. He has exercised due care and diligence during his tenure as Independent Non-Executive Director of the Company and carried out his fiduciary duty in the best interest of the Company and shareholders without being subject to influence from management.

7. **Item 7 of the Agenda**
Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("Proposed General Mandate")

Bursa Securities had, among others, on 16 April 2020, introduced an interim measure which allows listed issuers to increase the general mandate limit for a new issue of securities from the existing 10% limit under Paragraph 6.03 of the Listing Requirements to not more than 20% of the total number of issued shares (excluding treasury shares) of the company, subject to compliance with certain conditions, which the 20% general mandate may be utilised by the company up to 31 December 2021. Bursa Securities vide its letter on 23 December 2021 further extended the 20% general mandate up to 31 December 2022.

The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Thirtieth Annual General Meeting of the Company held on 4 June 2021, and if passed, will give the Directors authority to issue and allot shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares"), provided that the aggregate number of such New Shares to be issued and alloted pursuant to this resolution does not exceed 20% of the total number of the issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2022. Subsequent thereto, the Proposed 20% General Mandate will be reinstated to 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Listing Requirements. The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The 20% General Mandate granted by the shareholders at the Thirtieth Annual General Meeting of the Company held on 4 June 2021 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the Proposed General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding current and/or future investment project(s), working capital, acquisition(s) and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors of the Company may deem fit in the best interest of the Company.

8. Item 8 of the Agenda

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8 is intended to seek shareholders' mandate to renew the existing shareholders' mandate granted by the shareholders of the Company at the Thirtieth Annual General Meeting held on 4 June 2021 for recurrent related party transactions. The Proposed Shareholders' Mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approvals as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 8 is set out in the Circular to Shareholders dated 28 April 2022.

Notes:

1. The 31st Annual General Meeting ("AGM") of the Company will be conducted entirely on fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657). Please follow the procedures provided in the Administrative Guide for the 31st AGM in order to register, participate and vote remotely via the RPEV facilities.

2. The conduct of a fully virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 ("Revised Guidance Note and FAQs"). The Revised Guidance Note and FAQs state that in a fully virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.

3. In respect of deposited securities, only members/ shareholders whose names appear in the Record of Depositors on 25 May 2022 shall be eligible to attend the 31st AGM.

4. A member/shareholder of the Company entitled to attend and vote at the 31st AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the 31st AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 31st AGM shall have the same rights as the member of the Company to speak at the 31st AGM.

5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

8. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty four (24) hours before the time for holding the 31st AGM, i.e. by 11.00 a.m. on Tuesday, 31 May 2022 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through Boardroom Smart Investor Portal at https://investor.boardroomlimited.com before the proxy form lodgement cut-off time as mentioned above.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FORM OF PROXY

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

No. of shares held	:	
CDS Account No.	:	

I/ We* ______________________________ NRIC/Passport/Registration No.* ______________________________
(Name in full)

of ____
(Address)

with email address ______________________________ tel. no.______ ______________________________

being a member/members* of **TALIWORKS CORPORATION BERHAD** ("the Company"), hereby appoint:-

Full Name:	**NRIC/Passport No.:**	**Proportion of shareholding to be represented by the proxy/proxies:**	
		No. of Shares	**%**
Address:			
Tel. No.:		Email Address:	
*And/or			

Full Name:	**NRIC/Passport No.:**	**Proportion of shareholding to be represented by the proxy/proxies:**	
		No. of Shares	**%**
Address:			
Tel. No.:		Email Address:	
*And/or			

or failing him/her, the *Chair of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-First Annual General Meeting ("31st AGM") of the Company to be conducted on virtual basis through live streaming and online remote voting via online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657), on Wednesday, 1 June 2022 at 11.00 a.m. or any adjournment thereof.

*Please delete as appropriate.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an 'X' in the appropriate spaces below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

No.	**Resolution**		**For**	**Against**
Ordinary Business				
1	To approve the payment of Directors' fees	Ordinary Resolution 1		
2	To approve the payment of Directors' benefits	Ordinary Resolution 2		
3	Re-election of En. Ahmad Jauhari Bin Yahya as Director	Ordinary Resolution 3		
4	Re-election of Dato' Lim Yew Boon as Director	Ordinary Resolution 4		
5	Re-election of Mr. Lim Chin Sean as Director	Ordinary Resolution 5		
6	Re-appointment of Messrs. Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration	Ordinary Resolution 6		
Special Business				
7	Approval of Mr. Soong Chee Keong to continue in office as an Independent Non-Executive Director.	Ordinary Resolution 7		
8	Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("proposed general mandate")	Ordinary Resolution 8		
9	Proposed renewal of existing Shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature	Ordinary Resolution 9		

Signed this ___________ day of _____________, 2022.

____
Signature or Common Seal of Member(s)

Tel. No. ______________________

Notes:

(i) The 31st Annual General Meeting ("AGM") of the Company will be conducted entirely on fully virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657). Please follow the procedures provided in the Administrative Guide for the 31st AGM in order to register, participate and vote remotely via the RPEV facilities.

(ii) The conduct of a fully virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 ("Revised Guidance Note and FAQs"). The Revised Guidance Note and FAQs state that in a fully virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.

(iii) In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 25 May 2022 shall be eligible to attend the 31st AGM.

(iv) A member/shareholder of the Company entitled to attend and vote at the 31st AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the 31st AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 31st AGM shall have the same rights as the member of the Company to speak at the 31st AGM.

(v) The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(vi) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vii) Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

(viii) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty four (24) hours before the time for holding the 31st AGM, i.e. by 11.00 a.m. on Tuesday, 31 May 2022 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through Boardroom Smart Investor Portal at https://investor.boardroomlimited.com before the proxy form lodgement cut-off time as mentioned above.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of 31st AGM dated 28 April 2022.

1st fold here

Affix Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (196501000264) (6052-V)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Section 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +60 3 7890 4700
F +60 3 7890 4670

Then fold here

Fold this flap for sealing

Taliworks Corporation Berhad
[Company No. 196501000264 (6052-V)]

Level 19, Menara LGB,
No. 1, Jalan Wan Kadir,
Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia

T +603 2788 9100
F +603 2788 9101
E info@taliworks.com.my
W www.taliworks.com.my