TALIWORKS CORPORATION
LGB Group

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2019 (UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 27 February 2020

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2019 RM'000	31 Dec 2018 RM'000 Audited
ASSETS			
Property, plant and equipment		12,215	12,030
Investment properties		226	233
Intangible assets		1,070,798	1,100,762
Investment in joint venture		65,909	71,434
Investment in associates		166,537	182,431
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Lease assets	A1(a)	14,765	-
Deferred tax assets		1,846	17,172
Long-term trade receivables	A1(b)	4,576	599,631
Deposits, cash and bank balances	B12	58,184	26,828
Total Non-Current Assets		**1,524,681**	**2,140,146**
Inventories		1,167	1,258
Amount due from contract customers		11,262	9,104
Trade receivables	A1(b)	107,395	127,902
Other receivables, deposits and prepayments		40,680	12,432
Tax recoverable		11,125	1,277
Investments designated at fair value through profit or loss ("FVTPL")	B12	585,061	61,905
Deposits, cash and bank balances	B12	72,524	89,835
Total Current Assets		**829,214**	**303,713**
TOTAL ASSETS		**2,353,895**	**2,443,859**
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Reserves		594,812	618,495
Total Equity Attributable to Owners of the Company		**1,033,166**	**1,056,849**
Non-controlling interests		260,021	265,443
Total Equity		**1,293,187**	**1,322,292**
LIABILITIES			
Long-term borrowings	B7	427,611	437,064
Lease liabilities	A1(a)	15,331	-
Long-term trade payables		36,015	1,534
Provision for heavy repairs		18,562	17,170
Deferred income		108,133	124,217
Deferred tax liabilities		235,469	235,260
Total Non-Current Liabilities		**841,121**	**815,245**
Trade payables		90,976	199,737
Other payables and accruals		45,849	53,926
Dividend payable	A6(b)	24,190	24,190
Short-term borrowings	B7	40,000	10,000
Lease liabilities	A1(a)	2,603	58
Deferred income		15,966	17,273
Tax liabilities		3	1,138
Total Current Liabilities		**219,587**	**306,322**
TOTAL LIABILITIES		**1,060,708**	**1,121,567**
TOTAL EQUITY AND LIABILITIES		**2,353,895**	**2,443,859**
Net assets attributable to owners of the Company (sen per share)		**51.25**	**52.43**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2019 RM'000	3 Months Ended 31 Dec 2018 RM'000	12 Months Ended 31 Dec 2019 RM'000	12 Months Ended 31 Dec 2018 RM'000 Audited
Revenue	B1	**105,538**	97,113	**377,112**	**374,243**
Cost of operations		(68,711)	(55,016)	(229,994)	(221,246)
Gross profit		**36,827**	42,097	**147,118**	**152,997**
Other operating income		6,342	67,568	131,923	73,425
Administrative and other expenses		(43,357)	(11,965)	(135,467)	(46,277)
Operating (loss)/profit		**(188)**	97,700	**143,574**	**180,145**
Finance costs		(6,984)	(5,632)	(24,972)	(21,369)
Share of results of joint venture		3,379	(503)	5,275	1,031
Share of results of associates		(6,390)	(13,386)	(15,079)	(15,728)
(Loss)/Profit before tax	B4	**(10,183)**	**78,179**	**108,798**	**144,079**
Income tax expense	B5	(5,628)	(21,154)	(22,085)	(34,818)
(Loss)/Profit for the financial period/year/Total comprehensive income		**(15,811)**	**57,025**	**86,713**	**109,261**
(Loss)/Profit for the financial period/year/Total comprehensive income attributable to:					
Owners of the Company		(18,546)	55,380	76,451	100,081
Non-controlling interests		2,735	1,645	10,262	9,180
		(15,811)	**57,025**	**86,713**	**109,261**
Basic and diluted (loss)/earnings per share attributable to owners of the Company (sen per share)	B9	(0.92)	2.75	3.79	4.96

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital	Merger deficit	Retained earnings	Total	Non-controlling interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2019, as previously stated		**438,354**	**(71,500)**	**689,995**	**1,056,849**	**265,443**	**1,322,292**
Effects of adoption of MFRS 16	A1(a)	-	-	(3,374)	(3,374)	-	(3,374)
As of 1 January 2019, as restated		**438,354**	**(71,500)**	**686,621**	**1,053,475**	**265,443**	**1,318,918**
Profit for the financial year		-	-	76,451	76,451	10,262	86,713
Total comprehensive income for the financial period		-	-	76,451	76,451	10,262	86,713
Transactions with owners of the Company:							
Dividend paid	A6(a)	-	-	(72,570)	(72,570)	-	(72,570)
Dividend payable	A6(b)	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(15,680)	(15,680)
Capital distribution from liquidation of a subsidiary		-	-	-	-	(4)	(4)
Total transactions with owners of the Company		-	-	(96,760)	(96,760)	(15,684)	(112,444)
As of 31 December 2019		**438,354**	**(71,500)**	**666,312**	**1,033,166**	**260,021**	**1,293,187**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
As of 1 January 2018, as previously stated	**438,561**	**173**	**(71,500)**	**686,300**	**1,053,534**	**274,336**	**1,327,870**
Effects of adoption of MFRS 9	-	(173)	-	374	201	-	201
As of 1 January 2018, as restated	**438,561**	**-**	**(71,500)**	**686,674**	**1,053,735**	**274,336**	**1,328,071**
Profit for the financial year	-	-	-	100,081	100,081	9,180	109,261
Total comprehensive income for the financial period	-	-	-	100,081	100,081	9,180	109,261
Transactions with owners of the Company:							
Dividend paid	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividend payable	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividend paid by a subsidiary to non-controlling interest	-	-	-	-	-	(17,885)	(17,885)
Bonus issue expenses	(210)	-	-	-	(210)	-	(210)
Proceeds from exercise of Warrants	3	-	-	-	3	-	3
Capital distribution from liquidation of a subsidiary	-	-	-		-	(188)	(188)
Total transactions with owners of the Company	(207)	-	-	(96,760)	(96,967)	(18,073)	(115,040)
As of 31 December 2018	**438,354**	**-**	**(71,500)**	**689,995**	**1,056,849**	**265,443**	**1,322,292**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2019 RM'000	12 Months Ended 3 Dec 2018 RM'000 Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	108,798	144,079
Adjustments for:		
Non-cash items	1,970	(30,356)
Interest income	(3,898)	(3,555)
Finance costs	24,972	21,369
Operating Profit Before Working Capital Changes	131,842	131,537
Net decrease/(increase) in inventories, amount due from contract customers, trade and other receivables	600,662	(111,404)
Net (decrease)/increase in amount due to contract customers, trade and other payables and deferred income	(72,199)	57,307
Cash Generated From Operations	660,305	77,440
Income tax paid	(18,490)	(16,629)
Income tax refunded	956	635
Net Cash From Operating Activities	**642,771**	**61,446**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,126	3,555
Property, plant and equipment:		
- Proceeds from disposal	89	115
- Purchase	(3,789)	(1,149)
Consideration received from disposal of an associate	-	358
Dividend income from associates	850	4,194
Dividend income from a joint venture	10,800	-
Investments designated at FVTPL:		
- purchase	(593,800)	(13,800)
- proceeds from redemption	72,383	24,000
(Placement)/Withdrawal of deposits pledged as security	(30,602)	6,129
Net Cash (Used in)/From Investing Activities	**(540,943)**	**23,402**
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns of borrowings	30,000	30,000
Interest paid	(24,972)	(21,311)
Repayment of borrowing	(10,000)	-
Repayment of finance lease payables	(1,721)	(156)
Dividends paid *(Note A6(a))*	(96,760)	(96,760)
Dividend paid by a subsidiary to non-controlling interest	(15,680)	(17,885)
Capital distribution paid by a subsidiary to non-controlling interest	(4)	(188)
Proceeds from exercise of Warrants	-	3
Share issuance costs	-	(210)
Net Cash Used In Financing Activities	**(119,137)**	**(106,507)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(17,309)**	**(21,659)**
Effects of foreign exchange rate changes	(2)	4
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**89,835**	**111,490**
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**72,524**	**89,835**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2019 RM'000	12 Months Ended 31 Dec 2018 RM'000 Audited
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	109,010	26,828
Cash and bank balances	21,698	89,835
Total deposits, cash and bank balances	130,708	116,663
Less: Deposits pledged as security	(58,184)	(26,828)
	72,524	**89,835**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying significant events and transactions attached to these interim financial statements.

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

A1 – Basis of Preparation

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

These interim financial statements should be read in conjunction with the latest Audited Financial Statements of the Company and its subsidiaries **("Group")** for the financial year ended 31 December 2018. The significant events and transactions attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

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

In the current financial year, the Group adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2019.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2015-2017 Cycle	

The application of these amendments to MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group except as disclosed below:-

MFRS 16 Leases

<u>General impact of application of MFRS 16 Leases</u>

MFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. MFRS 16 supersedes the current lease guidance including MFRS 117 Leases and the related Interpretations when it became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of MFRS 16 for the Group was on 1 January 2019.

The Group has chosen the cumulative catch-up approach of MFRS 16 in accordance with MFRS 16:C5(b). Consequently, the Group has recognised the cumulative effect of retrospective application at the date of initial application.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

A1 – Basis of Preparation (Continued)

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

(a) Leases in which the Group is a lessee

Operating leases

On initial application of MFRS 16, for all leases, the Group has:

(a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets will be tested for impairment in accordance with MFRS 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group recognises a lease expense on a straight-line basis as permitted by MFRS 16.

A1 – Basis of Preparation (Continued)

The impact arising from the adoption of MFRS 16 to the statement of financial position of the Group on the date of initial application as at 1 January 2019 is as follows:-

	Impact on the Group's statement of financial position as at 1 January 2019 RM'000
Non-current assets	
- Lease assets	15,860
Non-current liabilities	
- Lease liabilities	(17,215)
Current liabilities	
- Lease liabilities	(2,019)
Retained Earnings	(3,374)

Finance leases

The main differences between MFRS 16 and MFRS 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. MFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by MFRS 117. On initial application, the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 1 January 2019 on the basis of the facts and circumstances that exist at that date, the directors have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

(b) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

Standards in issue but not yet effective

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

MFRS 17	Insurance Contracts
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to References to the Conceptual Framework in MFRS Standards	

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

A1 – Basis of Preparation (continued)

(b) Critical Accounting Judgment and Key Sources of Estimation Uncertainty

The preparation of these interim financial statements requires the Board to make critical judgments, estimates and assumptions that may affect the application of accounting policies and the amounts recognised in these interim financial statements.

In the interim financial statements for the corresponding period/year, critical judgments, estimates and assumptions were made to the classification and carrying amount of a trade receivable in Sungai Harmoni Sdn Bhd ("**SHSB**"), a wholly owned subsidiary of the Company.

Several events and transactions took place during the current and corresponding financial year which had a significant impact to the financial results of the Group as follows:-

(i) On 27 August 2018, SHSB accepted an offer from Pengurusan Air Selangor Sdn Bhd **("Air Selangor")** in relation to (a) the key terms of settlement between Air Selangor, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd **("SPLASH")** and SHSB relating to SHSB's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** under the Operations and Maintenance Agreement dated 24 January 2000 for operations and maintenance of SSP1 **(" SPLASH OMA")** with SPLASH; and (b) the key terms in respect of the new bulk water supply agreement with Air Selangor in relation to the appointment of SHSB for the operations and maintenance of SSP1 and the supply of treated water ("**BWSA**").

(ii) Under the offer, Air Selangor proposed to settle the amount due from SPLASH at an amount equal to 90% of the outstanding receivables as at the date to be determined under a Termination and Settlement Agreement **("TSA").** Based on this premise, the Group has re-measured the expected credit losses **("ECL")** based on the rate of 10%, which reflect the amount required to be written off on the outstanding amount of RM669.685 million as at the date of acceptance of the offer. Based on the estimation, a reversal of over-provision for ECL allowance were made in the corresponding quarter and year-to-date as tabulated in (ix) below.

(iii) Subsequently on 24 May 2019, SHSB entered into the following agreements:-

(a) the TSA with Air Selangor and SPLASH in relation to the settlement of outstanding receivables due from SPLASH arising from the SPLASH OMA;

(b) the BWSA; and

(c) a raw water abstraction agreement with Air Selangor in relation to the abstraction of raw water from the relevant raw water source for SSP1.

These agreements became unconditional and were completed on 12 September 2019.

Details of the announcement by the Company can be downloaded from *http://www.bursamalaysia.com/market/listed-companies/company-announcements/6282621*

(iv) As of 12 September 2019, the accumulated outstanding amount payable under the SPLASH OMA amounted to RM795.53 million. Under the TSA, SPLASH will pay 90% of all outstanding amount payable to SHSB which is determined at RM715.98 million ("**Settlement Sum**"). In addition to the Settlement Sum, SPLASH will pay SHSB a sum equivalent to RM6.95 million, being the billing for the treated water supplied from 30 August 2019 to 12 September 2019 based on the reduced bulk supply water rate under the BWSA ("**Cut-Over Sum**").

(v) Arising from the TSA, SHSB received an upfront payment equivalent to 10% of the Settlement Sum amounting to RM71.59 million and a partial payment of the Cut-Over Sum amounting to RM2.9 million from SPLASH. The balance of the Settlement Sum and Cut-Over Sum totalling RM648.4 million with interest of 5.25% per annum ("**Receivables**"), will be payable in 9 annual instalments commencing the first anniversary of the first payment date, i.e. 26 September 2019.

A1 – Basis of Preparation (continued)

(b) Critical Accounting Judgment and Key Sources of Estimation Uncertainty (continued)

(vi) As a result of the modification of SPLASH's original credit term, the Group fair valued the Receivables (at a discount rate of 3.8% on the principal sum and interest) and recognised a gain on derecognition of financial asset amounting RM41.140 million in the previous financial quarter pursuant to MFRS 9 Financial Instruments ("**Gain On Derecognition**").

(vii) However, on 18 December 2019, SHSB entered into a conditional sale and purchase agreement with Starbright Capital Berhad ("**Starbright**") to dispose of the Receivables under an asset-backed secturisation exercise. Starbright is an independent special purpose vehicle and is owned by SPV Corporate Services Sdn. Bhd., which is holding the shares on a discretionary trust for charitable organisations. Under the terms of the conditional sale and purchase agreement, the purchase consideration of RM660.0 million comprised of an upfront purchase price of RM626.1 million and a deferred purchase price of RM33.9 million ("**Disposal of Receivables**"). Details of the announcement by the Company can be downloaded from:-

(a) *https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3012418* (dated 27 December 2019); and

(b) *https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3014516* (dated 7 January 2020)

(viii) The Disposal of Receivables by SHSB to Starbright was legally a true sale by way of an absolute legal assignment to Starbright of all of the SHSB's rights, title, interests and benefits therein and in the proceeds thereof under the TSA. The Disposal of Receivables resulted in a loss on disposal to the Group amounting to RM29.57 mllion **("Loss on Disposal of Receivables")**. However, net of the Gain on Derecognition which was recognised in the previous quarter, the Group recorded a net gain of RM11.57 million for the financial year from the Disposal of the Receivables.

(ix) The following table summarises the impact of the completion of the TSA and Disposal of Receivables in the current period/year; and the re-measurement of the ECL in the corresponding period in the statement of profit or loss:-

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Reversal of discounting on receivables in:				
- revenue	-	8,967	-	-
- administrative and other expenses	-	1,020	-	-
	-	9,987	-	-
Reversal of loss allowance in:				
- other operating income	-	65,337	66,969	65,337
Receivables written off	-	-	(66,969)	-
Gain on derecognition of financial asset	257	-	41,140	-
Loss on Disposal of Receivables	(29,573)	-	(29,573)	-
	(29,316)	-	11,567	-
Adjustment to revenue in accordance with MFRS 15	-	(6,259)	-	(6,259)
Net impact to profit or loss for the period	**(29,316)**	**69,065**	**11,567**	**59,078**

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

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

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

Other than disclosed elsewhere in these interim financial statements, there are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial year.

A4 – Accounting Estimates

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

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

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

A6 – Dividends Paid

(a) The total dividends paid to shareholders during the financial year amounted to RM96,759,248 (2018: RM96,759,120) as follows:

(i) On 26 November 2018, the Board declared a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2018. The dividends amounting to RM24,189,812 were paid on 31 January 2019;

(ii) On 28 February 2019, the Board declared a fourth interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2018. The dividends amounting to RM24,189,812 were paid on 27 May 2019;

(iii) On 28 May 2019, the Board declared a first interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2019. The dividends amounting to RM24,189,812 were paid on 27 August 2019; and

(iv) On 27 August 2019, the Board declared a second interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2019. The dividends amounting to RM24,189,812 were paid on 26 November 2019.

(b) On 27 November 2019, the Board declared a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares in respect of the financial year ended 31 December 2019. The dividends amounting to RM24,189,812 were paid on 25 February 2020 and these have been included as dividends payable in these interim financial statements.

A7 – Material Subsequent Events

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

A8 – Changes in Composition of the Group

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

(i) striking off of TE Overseas Ventures Pte. Ltd., a wholly-owned subsidiary of TE Overseas Ventures Sdn Bhd, from the register of Accounting and Corporate Regulatory Authority pursuant to Section 344A of the Singapore Companies Act (Chapter 50) on 4 June 2019;

(ii) striking off of LGB & TCB JV Sdn Bhd, a 49% owned associate company of the Company, from the Registrar of Companies on 5 July 2019 under Section 550 of the Companies Act, 2016;

(iii) striking off of TE Overseas Ventures Sdn Bhd, a wholly-owned subsidiary of the Company, from the Registrar of Companies on 22 November 2019 under Section 550 of the Companies Act, 2016; and

(iv) dissolution of Taliworks Meruan (Sarawak) Sdn Bhd, a 60% owned subsidiary of the Company, from the Registrar of Companies on 12 December 2019 under Section 459(5) of the Companies Act, 2016.

A9 – Other Significant Events and Transactions

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

A10 - Operating Segments

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

3 months ended 31 Dec	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	63,064	63,331	19,475	9,725	19,645	15,951	81,556	78,572	1,316	1,334	185,056	168,913	(79,518)	(71,800)	105,538	97,113
EBITDA(i)	19,104	22,570	2,047	676	17,021	12,057	4,481	24,939	(1,761)	(2,700)	40,892	57,542	(30,985)	48,888	9,907	106,430
Depreciation and amortisation	(166)	(208)	(51)	(118)	(5,978)	(6,694)	(6,065)	(12,145)	(876)	(344)	(13,136)	(19,509)	3,041	10,779	(10,095)	(8,730)
Operating profit/(loss)	18,938	22,362	1,996	558	11,043	5,363	(1,584)	12,794	(2,637)	(3,044)	27,756	38,033	(27,944)	59,667	(188)	97,700
Finance costs	(649)	-	-	(1)	(3,554)	(3,643)	(6,135)	(6,632)	(982)	(278)	(11,320)	(10,554)	4,336	4,922	(6,984)	(5,632)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	3,379	(503)	3,379	(503)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(6,390)	(13,386)	(6,390)	(13,386)
Profit/(Loss) before tax	18,289	22,362	1,996	557	7,489	1,720	(7,719)	6,162	(3,619)	(3,322)	16,436	27,479	(26,619)	50,700	(10,183)	78,179
Income tax (expense)/ income	(3,968)	(7,868)	13	178	(873)	(129)	(3,132)	(2,893)	(207)	445	(8,167)	(10,267)	2,539	(10,887)	(5,628)	(21,154)
Profit/(Loss) for the year	14,321	14,494	2,009	735	6,616	1,591	(10,851)	3,269	(3,826)	(2,877)	8,269	17,212	(24,080)	39,813	15,811	57,025
EBDA(ii)	14,487	14,702	2,060	853	12,594	8,285	(4,786)	15,414	(2,950)	(2,533)	21,405	36,721	(27,121)	29,034	(5,716)	65,755
Capex(iii)	287	48	-	-	194	15	2,689	(2,481)	463	30	3,633	(2,388)				

12 months ended 31 Dec	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue	254,861	246,530	38,048	47,714	69,374	63,916	320,301	308,259	5,264	5,282	687,848	671,701	(310,736)	(297,458)	377,112	374,243
EBITDA(i)	102,700	93,969	1,683	1,033	57,395	51,267	70,206	94,446	(7,464)	(12,401)	224,520	228,314	(45,286)	(14,769)	175,489	213,545
Depreciation and amortisation	(720)	(887)	(270)	(516)	(23,308)	(23,423)	(26,862)	(42,056)	(2,943)	(1,716)	(54,103)	(68,598)	18,443	35,198	(35,660)	(33,400)
Operating profit/(loss)	101,980	93,082	1,413	517	34,087	27,844	43,344	52,390	(10,407)	(14,117)	170,417	159,716	(26,843)	20,429	143,574	180,145
Finance costs	(649)	-	(1)	(6)	(14,139)	(14,543)	(25,230)	(26,029)	(3,313)	(296)	(43,332)	(40,874)	18,360	19,505	(24,972)	(21,369)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	5,275	1,031	5,275	1,031
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(15,079)	(15,728)	(15,079)	(15,728)
Profit/(Loss) before tax	101,331	93,082	1,412	511	19,948	13,301	18,114	26,361	(13,270)	(14,413)	127,085	118,842	(18,287)	25,237	108,798	144,079
Income tax (expense)/ income	(21,072)	(22,386)	98	208	(2,467)	(1,199)	(17,520)	(16,095)	(207)	206	(41,168)	(39,266)	19,083	4,448	(22,085)	(34,818)
Profit/(Loss) for the year	80,259	70,696	1,510	719	17,481	12,102	594	10,266	(13,927)	(14,207)	85,917	79,576	796	29,685	86,713	109,261
EBDA(ii)	80,979	71,583	1,780	1,235	40,789	35,525	27,456	52,322	(10,984)	(12,491)	140,020	148,174	(17,647)	(5,513)	122,373	142,661
Capex(iii)	600	348	57	16	285	387	6,287	8,102	3,013	426	10,242	9,279				

A10 - Operating Segment (continued)

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

Notes

1. *The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, waste management, construction and toll highway. Others refer to investment holding and other non-core businesses.*

2. *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.*

3. *The segmental information on the water treatment, supply and distribution division excludes the effects of adoption of MFRS 15 as further elaborated in Note 1 on page 16 the gain on derecognition of financial asset and financial liabilities, Loss on Disposal of Receivables and the tax effects thereof to better assess the operational performance of the division.*

4. *The income statement in the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of EBITDA and EBDA), are solely from the concession business, after the proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total	
As at 31 Dec	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	697,629	758,745	155,587	172,388	34,725	43,795	1,402,352	1,435,239	63,602	33,692	2,353,895	2,443,859
Segment liabilities	(135,769)	(204,695)	-	-	(26,768)	(28,225)	(806,806)	(823,151)	(91,365)	(65,496)	(1,060,708)	(1,121,567)
Net segment assets	**561,860**	**554,050**	**155,587**	**172,388**	**7,957**	**15,570**	**595,546**	**612,088**	**27,763**	**(31,804)**	**1,293,187**	**1,322,292**

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

B1 – Overall Review of Group's Financial Performance

Part A – Review of Statement of Financial Position

Trade receivables totalled RM112 million has significantly reduced from RM727.5 million primarily from the Disposal of Receivables by SHSB. Pursuant to MFRS 9 Financial Instruments, the Receivables were de-recognised from the statement of financial position as the contractual rights to receive the cash flows of the Receivables had been transferred by way of an absolute legal assignment as further elaborated in Note A1(b)(viii).

Investments designated at FVTPL, deposits, bank and cash balances totalled RM715.8 million an increase from RM178.6 million principally due to the proceeds from Disposal of Receivables mentioned above.

At the same date as the completion date of the TSA, SHSB had reached an agreement with certain of its trade creditors wherein they have agreed to grant a 10% waiver on the amounts due to them and in return, SHSB had undertaken to repay them over three annual instalments commencing the first quarter of the next financial year; resulting in the reclassification of a portion of the amounts due as long term payables. The trade payables has further decreased in the current quarter due to the full settlement of outstanding bills due to Tenaga Nasional Berhad ("TNB") to comply with the consent judgement referred to in Note B8. Compared to the beginning of the financial year, other payables and accruals have decreased primarily from the reduction in the amount of advances received from a project customer.

On the initial application of MFRS 16 as at 1 January 2019, the Group recognised right-of-use assets and lease liabilities in the statement of financial position as disclosed in Note A1(a). Subsequently, these amount will be expensed off to profit or loss over the lease term by way of depreciation of right-of-use assets and interest expense on lease liabilities.

Part B – Review of Income Statement

	3 Months Ended 31 Dec 2019 RM'000	3 Months Ended 31 Dec 2018 RM'000	12 Months Ended 31 Dec 2019 RM'000	12 Months Ended 31 Dec 2018 RM'000
Revenue				Audited
Water treatment, supply and distribution	63,064	62,513	254,861	245,713
Construction	18,655	8,383	34,459	42,538
Toll highway	22,503	22,193	89,446	86,987
Others	1,316	1,316	5,264	5,264
	105,538	94,405	384,030	380,502
Less:				
- Reversal of discounting on trade receivables (Note A1(b)(ix))	-	8,967	-	-
- Adjustment to revenue *(Note 1)*	-	(6,259)	(6,918)	(6,259)
Revenue as per Condensed Statement of Comprehensive Income	**105,538**	**97,113**	**377,112**	**374,243**

Note 1

This amount represents a deduction by 10% on the revenue in the water treatment, supply and distribution segment pertaining to the current period's invoices to SPLASH which is deemed uncollectable pursuant to the TSA and therefore excluded from revenue in accordance with MFRS 15 ***("MFRS 15 Deduction")****. According to the Group's Accounting Policy on Revenue referred to in Note 3 of the Audited Financial Statements, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For the purposes of providing a more detailed analysis on the performance of the revenue of the respective business segments of the Group, this amount is shown as a separate line item instead of being excluded from revenue as required under MFRS 15.*

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	3 Months Ended 31 Dec 2019 RM'000	3 Months Ended 31 Dec 2018 RM'000	12 Months Ended 31 Dec 2019 RM'000	12 Months Ended 31 Dec 2018 RM'000 Audited
Water treatment, supply and distribution	(10,674)	91,358	108,744	152,091
Construction	1,965	260	1,325	171
Toll highway	11,123	9,179	43,805	41,435
Others	(2,602)	(3,097)	(10,300)	(13,552)
Operating (loss)/ profit	**(188)**	**97,700**	**143,574**	**180,145**
Finance cost	(6,984)	(5,632)	(24,972)	(21,369)
Share of results of joint venture	3,379	(503)	5,275	1,031
Share of results of associates	(6,390)	(13,386)	(15,079)	(15,728)
(Loss)/ Profit before tax for the period	**(10,183)**	**78,179**	**108,798**	**144,079**

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

Overall Summary

The Group recorded an increase in revenue by RM8.4 million from RM97.1 million to RM105.5 million mainly from higher contribution from the construction business.

The Group registered a loss before taxation ("**LBT**") of RM10.2 million compared to a profit before taxation ("**PBT**") of RM78.2 million in the corresponding quarter mainly due to the Loss on Disposal of Receivables in the current quarter as compared to a reversal of over-provision for ECL allowance upon acceptance of the offer from Air Selangor referred to in Note A1(b)(ii).

In the current quarter, rehabilitation and maintenance expenses in the Langkawi operations is higher due to the provision of restoration cost of RM3.12 million pursuant to MFRS 110 Events After The Reporting Period, which the Group estimates to be incurred in handing back the Langkawi operations at the end of the concession in October 2020.

However, the lower PBT was mitigated by the increase in share of results in a joint-venture company, Grand Sepadu (NK) Sdn Bhd ("**Grand Sepadu**"), the operator of the New North Klang Straits Bypass Expressway ("**NNKSB**") which had received compensation from the Government of Malaysia for the non-increase in scheduled toll rate hike on 1 January 2016 ("**Toll Compensation**") as well as lower share of losses from an associate, SWM Environment Holdings Sdn Bhd ("**SWMH**") arising from the change in the estimates for the amortisation of the concession rights from volume to straight line method in the corresponding period.

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

Part B – Review of Income Statement (continued)

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

Water treatment, supply and distribution

Despite the drop in metered sales in the SSP1, operating revenue from the water treatment, supply and distribution segment for the current quarter (without taking account the MFRS 15 Deduction) was higher at RM63.1 million compared to corresponding quarter of RM62.5 million due to the increase metered sales in the Langkawi operations. However, the higher revenue was mitigated by the decrease in the Bulk Sales Rate from RM0.46/m3 to RM0.41/m3 in SSP1 commencing 1 September 2019 ("**BSR Reduction**") pursuant to the BWSA.

Metered Sales – (million m3)	Q4 -2019	Q4 - 2018	Increase/ (Decrease)
SSP1	92.6	94.0	(1.5%)
Langkawi	5.1	4.9	4.1%

Despite higher revenue, the segment'recorded an operating loss of RM10.7 million compared to RM91.4 million principally on account of the Loss on Disposal of Receivables as compared to a reversal of ECL allowance recognised in a year ago. Due to the ceassation of Langkawi's concession in the following year, the Group made a provision of restoration costs in the current quarter. Whereas for SSP1, arising from the modification of the original credit term of its trade creditors, the Group has recognised a gain on derecognition of financial liabilities amounting to RM2.78 million in the current quarter and a RM3.07 million of loss allowance on the deferred consideration mentioned in Note A1(b)(vii).

Construction

The construction revenue was higher by RM10.3 million to RM18.7 million compared to RM8.4 million achieved a year ago mainly due to commencement of the Proposed Construction and Completion of 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan ("**CRJ4 Project**") which was awarded in October 2018 and due for completion by end of year 2021.

The others on-going projects i.e. Langat 2 - Package 7 Balancing Reservoir Project **("L2P7 Project")** which commenced in the fourth quarter of 2017 and the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works **("GP3A Project")** are almost at the tail end.

In line with higher revenue, the segment recorded an operating profit at RM2.0 million compared to operating profit RM0.3 million achieved in the corresponding quarter. Currently, the Group is in discussion with the client on a Variation of Pricing **("VOP")** amounting to a maximum of RM4.2 million, a portion of which has been recognised in the current quarter and the balance potentially to be to recognised in the subsequent quarters.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd **("Grand Saga"**); the operator of the Cheras-Kajang highway, was higher by RM0.3 million as compared to the corresponding quarter with higher Average Daily Traffic **("ADT")** of 0.2% i.e. 147,596 vehicles per day compared to 147,290 vehicles per day recorded in the corresponding quarter. Despite marginal increases in revenue, the segment's operating profit was higher by RM1.9 million due to the reversal of provision for heavy repairs in the current quarter. The company had re-scheduled the heavy repairs to be undertaken in year 2022 instead of year 2021.

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

Part B – Review of Income Statement (continued)

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

Toll highway – Share of results of joint venture

The Group's share of results in Grand Sepadu was higher compared to the corresponding quarter due to receipt of Toll Compensation amounting to RM8.89 million from the Government, coupled with higher ADT by 2.4%. ADT was recorded at 93,712 vehicles per day compared to 91,546 vehicles per day in the corresponding quarter. The compensation was in respect of the balance of the compensation receivable for the year 2018 and advance compensation for year 2019 which was expected to be received in year 2020. Arising therefrom, the Group recognised an additional RM2.5 million from the share of results from this joint venture in the current quarter.

Waste management – Associate

The Group's share of results of associates was mainly contributed by SWMH. The Group's share of losses from SWMH is RM6.8 million compared to RM14.1 million loss a year ago primarily arising from the changes in the estimates for the amortisation of concession asset as disclosed in Note 4(ii)(j) of the latest Audited Financial Statements - Critical Accounting Judgements and Key Sources of Estimation Uncertainty. The share of losses arose from adjustments made by the Group amounting to RM51.9 million (2018: RM64.9 million) to the SWMH's Profit after Tax **("PAT")** of RM32.4 million (2018: RM24.5 million). At SWMH's company level, the PAT is higher at RM32.4 million as compared to RM24.5 million due to additional variation orders from new servicing areas.

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

Overall Summary

The Group recorded a marginal increase in revenue from RM374.2 million to RM377.1 million in the current financial period mainly attributable to a significant increase in the revenue from the water treatment, supply and distribution business as a result of an increase in the Bulk Sales Rate in SSP1 from the beginning of the year until commencing the BSR Reduction pursuant to the BWSA. However, the higher group revenue was mitigated by the lower contribution from the construction business.

The Group registered a lower PBT of RM108.8 million compared to RM144.1 million in the corresponding period. The higher PBT in the prior year is mainly attributable to the reversal of over-provision for ECL allowance referred to in Note A1(b)(ii). Whereas in the current financial year, profits was boosted by the Gain On Derecognition, gain on derecognition of financial liabilities of RM2.78 million, waiver granted by certain trade payables of RM8.74 million, waiver of late penalty charges on outstanding TNB bills of RM4.4 million and Toll Compensation received in Grand Sepadu; net of the impact of the Loss on Disposal of Receivables.

Water treatment, supply and distribution

At the operating level without taking into consideration the accounting impact from the adoption of MRFS 15, revenue from water treatment, supply and distribution business recorded an increase from RM245.7 million to RM254.9 million due to the increase in the Bulk Sales Rate from RM0.44/m3 to RM0.46/m3 in SSP1 at beginning of the year despite the subsequent BSR Reduction and higher electricity rebates from the higher electricity costs in SSP1 and in the Langkawi operations.

Metered Sales – (million m3)	2019	2018	Increase/ (Decrease)
SSP1	361.0	362.3	(0.4%)
Langkawi	20.4	20.3	0.5%

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

Part B – Review of Income Statement (continued)

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

Water treatment, supply and distribution (continued)

The segment operating profit was lower at RM108.7 million compared to RM152.1 million a year ago attributable to the Loss on Disposal of Receivables and higher provision of restoration cost in Langkawi operations coupled with higher chemical expenses.

Construction

The revenue from construction decreased substantially to RM34.5 million from RM42.5 million due to the completion of New Access to NNKSB (Jalan Haji Sirat) Project since the third quarter of last year and lower contribution from on-going projects. However, the decrease in revenue was mitigated by the revenue recognised from CRJ4 Project in the current year. Despite the lower revenue, the segment was able to record operating profit in the current year from the VOP recognised to-date.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway increased to RM89.4 million from RM87.0 million due to the higher ADT growing by 1.7% from 145,709 vehicles per day to 148,161 vehicles per day. In line with the increase in revenue, the company's operating profit was also higher by RM2.4 million due to lower provision for heavy repairs in the current period.

Toll operations -Share of results of joint venture

The Group's share of results in Grand Sepadu was higher compared to the corresponding period on account of higher ADT and Toll Compensation received in the financial year. In terms of overall ADT, there was an increase of 2.8% i.e. 93,372 vehicles per day compared to 90,823 vehicles per day recorded in the previous year.

Waste management –Share of results of associate

The Group's share of results from SWMH was a loss of RM16.8 million compared to RM18.0 million loss in the corresponding period due to higher PAT recorded in the company. At SWMH's company level, the PAT is higher at RM158.7 million as compared to RM139.5 million due to additional variation orders from new servicing areas, net off by higher adjustments made by the Group amounting to RM206.7 million (2018: RM190.8 million) to the SWMH's PAT.

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

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

Revenue

	3 Months Ended 31 Dec 2019 RM'000	3 Months Ended 30 Sep 2019 RM'000
Water treatment, supply and distribution	63,064	63,871
Construction	18,665	3,326
Toll highway	22,503	22,517
Others	1,316	1,316
	105,538	91,030
Less:		
- Adjustment to revenue *(Refer to Note 1 on Page 15)*	-	2,593
Total revenue as per Condensed Statement of Comprehensive Income	**105,538**	**93,623**

Profit Before Tax

	3 Months Ended 31 Dec 2019 RM'000	3 Months Ended 30 Sep 2019 RM'000
Water treatment, supply and distribution	(10,674)	83,150
Construction	1,965	(401)
Toll highway	11,123	11,017
Others	(2,602)	(2,387)
Operating (loss)/ profit	**(118)**	**91,379**
Finance cost	(6,984)	(6,263)
Share of results of joint venture	3,379	482
Share of results of associates	(6,390)	(2,098)
(Loss)/ Profit before tax for the period	**(10,183)**	**83,500**

The Group recorded an increase in revenue from RM93.6 million to RM105.5 million mainly due to higher revenue contribution from construction business due to commencement of CRJ4 Project. Despite the higher metered sales recorded in SSP1 and Langkawi operation, revenue from the water treatment, supply and distribution segment was lower on account of the BSR Reduction.

Metered Sales – (million m3)	Q4 -2019	Q3 - 2019	Increase
SSP1	92.6	92.2	0.4%
Langkawi	5.1	4.8	6.3%

The Group's LBT of RM10.2 million compared to PBT of RM83.5 million in the previous quarter mainly due to the Loss on Disposal of Receivables. In the previous quarter, higher profits were recognised from the Gain On Derecognition, waiver granted by certain trade payables, waiver of late penalty charges on outstanding TNB bills in SSP1 and over-provision of loss allowances and MFRS 15 Deductions determined upon completion of the TSA. In addition, the Group's share of losses from SWMH is higher in the current quarter due to higher loss allowance on trade receivables of RM17 million provided. However, the lower PBT was mitigated by the higher share results of joint venture arising from the Toll Compensation received in the current quarter.

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

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM17.3 million during the financial year.

Net Cash Generated from Operating Activities was recorded higher at RM642.8 million compared to RM61.4 million a year ago mainly due to the proceeds of the Disposal of Receivables as mentioned in Note A1(b)(vii).

Net Cash used in Investing Activities totalled RM540.9 million compared to a surplus of RM23.4 million a year ago due to increase in deposits pledged as security, higher investments designated at FVTPL compared to the corresponding period, net of dividend income from a joint venture received in the current financial year.

Net Cash used in Financing Activities totalled RM119.1 million as compared to RM106.5 million a year ago due to the repayment of borrowings during the current quarter.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. With the completion of the TSA, the long outstanding receivables from SPLASH has finally been resolved wherein the Group expects that its cash flow position will be further strengthen. Under the BWSA, the continuation of the operations and maintenance of SSP1 will provide a steady stream of recurring income and cash flow to the Group. During the current quarter, the Group sold its Receivables and the proceeds received provided the Group with readily available funds to deploy to amongst others, for investments, working capital requirements, repayment of borrowings, creditors and dividends to shareholders. The Group's involvement in the Langkawi operations will cease next year when the concession ends in October 2020. With the ceassation of Langkawi operations, the revenue and profitability of the Group will be impacted.

In the construction segment, two on-going projects are almost completed with only the CRJ4 Project still on-going. With no new projects being secured, revenue contribution from the construction division will reduce next year. However, the impact to profitability of the Group will not be significant as margins for construction projects are competitively priced. Nevertheless, the Group is continuing with its efforts to tender for more infrastructure projects to replenish its order book.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the Grand Sepadu Highway is expected to continue to be moderate as they are matured highways. For the twelve months ended 31 December 2019, the ADT at the Cheras-Kajang Highway grew by 1.7% whereas at Grand Sepadu Highway, ADT grew by about 2.8% year-on-year. In respect of the proposed toll restructuring by the Federal Government, discussions have been held with the Malaysian Highway Authority and as of to-date, there is still no outcome with regards to the toll business of the Group.

In the waste management division, SWMH is expected to grow its business with the increasing areas to be serviced as well as improving its operational efficiency to deal with the escalating costs in managing solid waste in the concession areas where is it currently operating. SWMH is currently in the process of negotiating a tariff rate increase on its solid waste collection and public cleansing management services with the Federal Government. However, there is still no outcome.

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

B3 – Profit Forecasts or Profit Guarantees

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

B4 – (Loss)/ Profit before tax

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Reversal of discounting on trade receivables *(Note A1(b)(ix))*	-	8,967	-	-
Other operating income:				
Interest income on fixed deposits with licensed banks	1,239	1,106	3,906	3,555
Dividend from investments designated at FVTPL	400	616	1,296	2,102
Rental income	101	143	468	566
Gain on redemption of investments Designated at FVTPL	40	-	61	20
Gain on foreign exchange (unrealised)	-	-	-	4
Gain on striking-off of an associate	35	-	35	-
Interest income imputed on retention sum	63	-	63	-
Fair value gain/(loss) arising on financial assets measured at FVTPL	(16)	(34)	465	219
Reversal of loss allowance on trade receivables and amount due from contract customers	-	65,337	66,996	65,337
Gain on derecognition of financial asset*(Note A1(b)(ix)*	257	-	41,140	-
Gain on derecognition of financial liabilities	2,775	-	2,775	-
Waiver granted by trade payables	740	-	13,062	-
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(10,095)	(8,730)	(35,660)	(33,400)
Imputed interest on borrowing	(138)	(138)	(548)	(548)
Loss on redemption of investments designated at FVTPL	-	2	(77)	(4)
Fair value loss arising on financial assets measured at FVTPL	7	(2)	(5)	(2)
Loss on disposal of an associate	-	-	-	(13)
Loss on foreign exchange (unrealised)	-	(1)	(2)	(1)
Realised foreign exchange losses	-	-	-	(730)
Reversal of discounting of receivables	-	1,020	-	-
Loss allowance on trade and other receivables and amount due from contract customers	(3,460)	(353)	(3,502)	(353)
Reversal of interest income imputed on retention sum	60	(128)	-	(678)
Receivables written off	(38)	-	(64,595)	-
Loss on Disposal of Receivables *(Note A1(b)(ix))*	(29,573)	-	(29,573)	-

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

B5 – Income Tax Expense

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

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
-Current year tax	2,869	4,106	6,697	21,291
-Over provision in prior years	-	(272)	(146)	(849)
-Deferred tax expense ^	2,759	17,320	15,534	14,376
Total income tax expense	**5,628**	**21,154**	**22,085**	**34,818**

^ Included in this amount is the tax effects of the reversal of loss allowance on trade receivables (2018: deferred tax effects of adoption of MFRS 9).

B6 – Status of Corporate Proposals Announced but not Completed

As at 20 February 2020 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

B7 – Group Borrowings and Debt Securities

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

	←------------Short Term--------------→			←--------------Long Term--------------→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Revolving credit	-	40,000	40,000	-	10,000	10,000
Islamic Medium Term Notes **("IMTN")**	-	-	-	417,611	-	417,611
As at 31 Dec 2019	**-**	**40,000**	**40,000**	**417,611**	**10,000**	**427,611**
As at 31 Dec 2018	**-**	**10,000**	**10,000**	**417,063**	**20,000**	**437,063**

The increase in the Group's borrowings was mainly due to drawdown from revolving credit facilities. These facilities are unsecured and one of the revolving credit facility is repayable over three equal annual instalments of RM10.0 million over a duration of three years commencing from the date of drawdown whereas the other revolving credit facility is repayable on demand.

B8 – Changes in Material Litigations

SHSB received two writs of summons together with the corresponding statements of claim dated 1 March 2018 filed by TNB in relation to the outstanding payment of electricity bills to TNB ("**the Suit**"). On 11 October 2019, SHSB through its legal counsels with the agreement of TNB, filed a consent judgement with the Shah Alam High Court to record the settlement terms and conditions between SHSB and TNB in respect of the Suit and other related matters in connection therewith. Pursuant to the consent judgement, the Group recognised a waiver of late penalty charges in the previous quarter on outstanding bills owing to TNB.

B9 – (Loss)/Earnings Per Share ("EPS")

(a) Basic (loss)/earnings per share

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

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2019	2018	2019	2018
(Loss)/Profit for the financial period attributable to owners of the Company (RM'000)	(18,546)	55,380	76,451	100,081
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,814	2,015,817	2,015,814
Basic (loss)/earnings per share (sen)	(0.92)	2.75	3.79	4.96

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the financial period/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period. For the current financial period, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share calculated above.

In respect of the corresponding period/year, the diluted earnings per share was calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during that financial period adjusted for potential dilutive ordinary shares from the exercise of Warrants (which expired on 11 November 2018). The exercised Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

In accordance to MFRS 133 – Earnings Per Share, if the number of ordinary or potential ordinary shares outstanding increases as a result of a bonus issue, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Accordingly, the comparative weighted average number of ordinary shares in issue and basic and diluted earnings per share have been restated to reflect the retrospective adjustment arising from the completion of the bonus issue on the basis of 2 bonus shares for every 3 existing ordinary shares in the Company on 19 October 2018 **("Bonus Issue")**.

B10 – Dividends

The Board is pleased to declare a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM33,260,990, in respect of the financial year ended 31 December 2019, to be payable on 27 March 2020.

For the financial year ended 31 December 2019, the Board has declared a total single-tier dividend of 5.25 sen to shareholders amounting to RM105,830,423 (2018: 4.8 sen per share adjusted for the Bonus Issue amounting to RM96,759,120).

B11 – Auditors' Reports

The auditors' report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification.

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

As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM715.8 million are approximately: -

(i) RM28.2 million held as securities for banking facilities secured by the Group;

(ii) RM30.0 million held in a subsidiary that to repay principal under an IMTN program;

(iii) RM75.2 million held in a subsidiary that is subject to restrictions imposed under an IMTN program;

(iv) RM19.9 million held in an independent special purpose vehicle's designated deposit account under the MTN; and

(v) RM24.2 million for the third interim single-tier dividend payable in respect of the financial year ended 31 December 2019.

B13 – Reclassification of Comparatives

Certain comparatives may differ from the unaudited consolidated results announced for the fourth quarter of 2018 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2018.

B14 – Authorisation for Release

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

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