

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2021
(UNAUDITED)

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KEY FINANCIAL HIGHLIGHTS

<i>(in RM'000 unless specified otherwise)</i>	3 months ended 31 March		Variance
	<u>2021</u> unaudited	<u>2020</u> unaudited	(%) #
Revenue	65,619	84,252	↓ 22
Gross profit	25,613	35,086	↓ 27
Profit before taxation (“PBT”)	16,727	21,153	↓ 21
Profit for the period	13,761	17,471	↓ 21
Earnings per share (EPS) (sen)	0.61	0.79	↓ 22
Dividends per share (sen)	1.65	1.65	-

approximate, to the nearest digit

- Revenue stood at RM65.6 million, a decrease of 22% or RM18.6 million compared to the corresponding period, attributable to lower revenue from water treatment, supply and distribution and toll business segments.
- The drop in revenue in the water treatment, supply and distribution segment was primarily due to lower metered sales by 2.3% and electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 (“SSPI”) operation as well as arising from the expiration of Taliworks (Langkawi) Sdn Bhd’s privatisation contract with the State Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi on 31 October 2020 whilst the movement control orders (“MCO”) imposed by the Government to tackle the Covid-19 pandemic has impacted toll collections.
- As a result of the lower revenue, gross profit decreased by 27% or by RM9.5 million.
- In line with the lower revenue and gross profit, PBT saw a reduction by 21% or by RM4.4 million. The PBT was also impacted by lower dividend and gain on redemption from investments designated at fair value through profit or loss (“FVTPL”) due to reduction in cash reserves as compared to a year ago. However, the lower PBT was mitigated by lower financing costs and higher share of results from associates.
- Profit for the period was lower by 21% or by RM3.7 million in tandem with the lower PBT.
- EPS decreased by 22%, reflecting lower profit attributable to shareholders of the Company.
- The Board has declared a first interim single-tier dividend of 1.65 sen per ordinary share amounting to RM33.3 million in respect of the financial year ending 31 December 2021.

CONDENSED STATEMENTS OF FINANCIAL POSITION

		31 Mar 2021	31 Dec 2020
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
ASSETS			
Property, plant and equipment		8,129	8,941
Right-of-use assets		11,689	12,304
Investment properties		218	219
Intangible assets		1,039,016	1,044,806
Investment in joint venture		63,353	62,952
Investment in associates		162,684	160,347
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Long-term other receivable		21,909	21,909
Deposits, cash and bank balances	B12	23,510	53,231
Total Non-Current Assets		1,460,133	1,494,334
Inventories		3,387	2,901
Amount due from contract customers		10,970	11,991
Trade receivables		73,236	91,716
Other receivables, deposits and prepayments		13,958	11,826
Tax recoverable		11,973	11,304
Investments designated at fair value through profit or loss	B12	366,021	386,326
Deposits, cash and bank balances	B12	41,027	64,617
Total Current Assets		520,572	580,681
TOTAL ASSETS		1,980,705	2,075,015
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Retained earnings		571,620	592,493
Total Equity Attributable to Owners of the Company		938,474	959,347
Non-controlling interests		243,878	248,385
Total Equity		1,182,352	1,207,732
LIABILITIES			
Long-term borrowings	B7	328,294	358,159
Lease liabilities		12,625	12,625
Long-term trade payables		973	17,039
Long-term other payables		5,451	6,675
Provisions		24,743	23,539
Deferred income		92,641	92,641
Deferred tax liabilities		234,960	234,987
Total Non-Current Liabilities		699,687	745,665
Trade payables		37,965	44,853
Other payables and accruals		15,529	26,372
Provisions		1,383	2,207
Short-term borrowings	B7	30,000	30,000
Lease liabilities		2,021	2,705
Deferred income		11,584	15,375
Tax liabilities		184	106
Total Current Liabilities		98,666	121,618
TOTAL LIABILITIES		798,353	867,283
TOTAL EQUITY AND LIABILITIES		1,980,705	2,075,015

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended	
		31 Mar	
		2021	2020
		RM'000	RM'000
		Unaudited	Unaudited
Revenue	A5,B1	65,619	84,252
Cost of operations		(40,006)	(49,166)
Gross profit		25,613	35,086
Other operating income		2,723	5,725
Administrative and other expenses		(9,677)	(10,823)
Operating profit		18,659	29,988
Finance costs		(4,669)	(5,607)
Share of results of joint venture		401	156
Share of results of associates		2,336	(3,384)
Profit before tax	B4	16,727	21,153
Income tax expense	B5	(2,966)	(3,682)
Profit for the financial period/Total comprehensive income		13,761	17,471
Profit for the financial period/ Total comprehensive income attributable to:			
Owners of the Company		12,388	15,905
Non-controlling interests		1,373	1,566
		13,761	17,471
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.61	0.79

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

<u>Note</u>	<u>Attributable to owners of the Company</u>					<u>Total Equity</u> RM'000
	<u>Share capital</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non- controlling interests</u> RM'000	
As of 1 January 2021	438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the financial period	-	-	12,388	12,388	1,373	13,761
Total comprehensive income for the financial period	-	-	12,388	12,388	1,373	13,761
Transactions with owners of the Company:						
Dividends paid	-	-	(33,261)	(33,261)	-	(33,261)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(5,880)	(5,880)
Total transactions with owners of the Company	-	-	(33,261)	(33,261)	(5,880)	(39,141)
As of 31 March 2021 (unaudited)	438,354	(71,500)	571,620	938,474	243,878	1,182,352

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to owners of the Company</u>				<u>Non- controlling interests</u>	<u>Total Equity</u>
	<u>Share capital</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Total</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2020	438,354	(71,500)	666,050	1,032,904	260,021	1,292,925
Profit for the financial period	-	-	15,905	15,905	1,566	17,471
Total comprehensive income for the financial period	-	-	15,905	15,905	1,566	17,471
Transactions with owners of the Company:						
Dividend paid	-	-	(33,261)	(33,261)	-	(33,261)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(6,370)	(6,370)
Total transactions with owners of the Company	-	-	(33,261)	(33,261)	(6,370)	(39,631)
As of 31 March 2020 (unaudited)	438,354	(71,500)	648,694	1,015,548	255,217	1,270,765

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2020</u> <u>RM'000</u> <u>unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	16,727	21,153
Adjustments for:		
Non-cash items	1,428	4,490
Interest income	(317)	(896)
Finance costs	4,669	5,607
Operating Profit Before Working Capital Changes	22,507	30,354
Net decrease/(increase) in inventories, amount due from contract customers, trade and other receivables	16,262	(389)
Net decrease in amount due to contract customers, trade and other payables and deferred income	(31,229)	(61,086)
Cash Generated From /(Used In) Operations	7,540	(31,121)
Income tax paid	(3,585)	(2,504)
Income tax refund	-	291
Net Cash From/(Used in) Operating Activities	3,955	(33,334)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	414	1,366
Property, plant and equipment:		
- Proceeds from disposal	20	25
- Purchases	(8)	(126)
Dividend income from associate	60	-
Investments designated at FVTPL:		
- purchase	(10,000)	-
- proceeds from redemption	32,005	150,614
Withdrawals of deposits pledged as security	29,852	30,059
Net Cash From Investing Activities	52,343	181,938
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,095)	(11,238)
Repayment of borrowings	(30,000)	(80,000)
Repayment of lease liabilities	(652)	(650)
Dividends paid (<i>Note A7</i>)	(33,261)	(57,451)
Dividends paid by a subsidiary to non-controlling interests	(5,880)	(6,370)
Net Cash Used In Financing Activities	(79,888)	(155,709)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,590)	(7,105)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	64,617	72,524
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	41,027	65,419

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2020</u> <u>RM'000</u> <u>unaudited</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	48,862	62,941
Cash and bank balances	15,675	34,475
Total deposits, cash and bank balances	64,537	97,416
Less: Deposits pledged as security	(23,510)	(28,297)
Less: Overdrafts	-	(3,700)
	41,027	65,419

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying significant events and transactions attached to these interim financial statements.

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

A1 – Basis of Preparation

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

These interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries (“**Group**”) for the financial year ended 31 December 2020 (“**Audited Financial Statements**”). The selected explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

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

In the current financial period, the Group adopted all the amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2021.

Amendments to MFRSs	Description
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2

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

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 17	Insurance Contracts
Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts
Annual Improvement to MFRS Standards 2018-2020	

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

A2 – Comments about the Seasonal or Cyclical of Interim Operations

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

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

There are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial period.

A4 – Accounting Estimates

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

A5 – Disaggregation of Revenue

The disaggregation of revenue was as follows:

	3 Months ended	
	31 Mar	
	2021	2020
	RM'000	RM'000
	unaudited	unaudited
<i>Revenue from contracts with customers:</i>		
Management, operations and maintenance of water treatment plants	42,117	61,600
Toll revenue and operator fee	14,375	15,710
Revenue from construction contracts	3,926	1,657
Management fees	1,250	1,316
	<u>61,668</u>	<u>80,283</u>
<i>Revenue from other sources:</i>		
Deferred income	3,951	3,969
Revenue as per Condensed Statement of Comprehensive Income	<u>65,619</u>	<u>84,252</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>		
At a point in time	56,492	77,310
Over time	5,176	2,973
	<u>61,668</u>	<u>80,283</u>

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

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

A7 – Dividends Paid

The total dividends paid to shareholders during the financial period amounted to RM33,260,988 (2020: RM57,450,800) as follows:

On 26 February 2021, the Board declared a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM33,260,988, in respect of the financial year ended 31 December 2020 which were paid on 31 March 2021.

A8 – Material Subsequent Events

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

A9 - Contingent Liabilities

Saved as disclosed in Note 45 to the Audited Financial Statements, there were no other material contingent liabilities as at the end of the current financial period and up to the date of these interim financial statements.

A10 – Changes in Composition of the Group

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

A11 – Other Significant Events and Transactions

There are no other transactions and events that are significant to the understanding of the changes in the financial position and performance of the Group since the Audited Financial Statements.

A12 - Operating Segments

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

3 Months ended 31 Mar unaudited	Water treatment, supply and distribution		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per Condensed Statement of Comprehensive Income	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	42,117	61,600	3,926	1,945	13,937	14,231	79,074	78,018	1,955	1,316	141,009	157,110	(75,390)	(72,858)	65,619	84,252
EBITDA(i)	14,643	24,011	(1,246)	(135)	9,919	10,812	22,869	20,097	(1,010)	(1,576)	45,175	53,209	(19,293)	(15,396)	25,882	37,813
Depreciation and amortisation	(130)	(19)	(8)	(44)	(4,773)	(5,041)	(2,592)	(5,623)	(907)	(916)	(8,410)	(11,643)	1,187	3,818	(7,223)	(7,825)
Operating profit/(loss)	14,513	23,992	(1,254)	(179)	5,146	5,771	20,277	14,474	(1,917)	(2,492)	36,765	41,566	(18,106)	(11,578)	18,659	29,988
Finance costs	-	-	-	-	(2,994)	(3,343)	(6,496)	(6,256)	(204)	(648)	(9,694)	(10,247)	5,025	4,640	(4,669)	(5,607)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	401	156	401	156
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	2,336	(3,384)	2,336	(3,384)
Profit/(loss) before tax	14,513	23,992	(1,254)	(179)	2,152	2,428	13,781	8,218	(2,121)	(3,140)	27,071	31,319	(10,344)	(10,166)	16,727	21,153
Income tax expense	(3,249)	(3,895)	-	-	(322)	(264)	(5,967)	(4,563)	-	-	(9,538)	(8,722)	6,572	5,040	(2,966)	(3,682)
Profit/(loss) after tax	11,264	20,097	(1,254)	(179)	1,830	2,164	7,814	3,655	(2,121)	(3,140)	17,533	22,597	(3,772)	(5,126)	13,761	17,471
EBDA(ii)	11,394	20,116	(1,246)	(135)	6,603	7,205	10,406	9,278	(1,214)	(2,224)	25,943	34,240	(4,959)	(8,944)	20,984	25,296
Capex(iii)	6	62	-	-	2	63	235	1,538	-	26	243	1,689				

A12 - Operating Segments (continued)

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

Notes

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

As at 31 Mar Unaudited	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000	<u>2021</u> RM'000	<u>2020</u> RM'000
Segment assets	488,029	587,732	150,771	151,923	24,660	29,827	1,284,541	1,352,136	32,704	39,893	1,980,705	2,161,511
Segment liabilities	(44,472)	(83,388)	-	-	(12,260)	(16,824)	(724,497)	(766,239)	(17,124)	(24,295)	(798,353)	(890,746)
Net segment assets	443,557	504,344	150,771	151,923	12,400	13,003	560,044	585,897	15,580	15,598	1,182,352	1,270,765

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

B1 – Overall Review of Group’s Financial Performance

Part A – Review of Statement of Financial Position

	As at 31 Mar 2021 (unaudited) RM’000	As at 31 Dec 2020 (audited) RM’000	Variance (%) #
Total assets	1,980,705	2,075,015	↓ 5
Total liabilities	798,353	867,283	↓ 8
Total shareholders’ equity	1,182,352	1,207,732	↓ 2
Return on equity (%)*	1.2	5.1	↓ 76
Net assets per share (sen)	46.56	47.59	↓ 2

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

approximate, to the nearest digit

- (a) The Group’s total assets dropped by 5% or approximately RM94.3 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM73.6 million principally due to the dividend payments to shareholders, repayments of the Islamic Medium-Term Notes (“**IMTN**”) under a IMTN (Sukuk) Programme issued by a subsidiary, Cerah Sama Sdn Bhd (“**Cerah Sama**”), interest payments and payments to trade creditors during the financial period. Trade and other receivables also shown a decline of approximately RM16.3 million whereas the carrying amount of intangible assets reduced by approximately RM5.8 million due to amortisation charges.
- (b) Total liabilities declined by 8% or approximately RM69.9 million mainly due to lower trade and other payables primarily from the scheduled debt repayments made by Sungai Harmoni Sdn Bhd (“**SHSB**”) to its trade creditors amounting to RM18.9 million. Total borrowings also saw a reduction on account of redemption of the second tranche of the IMTN amounting to RM30.0 million.
- (c) Total shareholders’ equity was lower by 2% or about RM25.4 million in line with dividends paid to shareholders of the Company offset by profit recorded for the financial period. Correspondingly, the net assets per share stood at 46.56 sen, a reduction of 2% from 47.59 sen as at 31 December 2020.

Part B – Review of Income Statement

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

<u>Revenue</u>	<u>3 Months ended 31 Mar 2021 RM’000 unaudited</u>	<u>3 Months ended 31 Mar 2020 RM’000 unaudited</u>
Water treatment, supply and distribution	42,117	61,600
Construction	3,926	1,657
Toll highway	18,326	19,679
Others	1,250	1,316
Total revenue as per Condensed Statement of Comprehensive Income	65,619	84,252

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	<u>3 Months</u> <u>ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>31 Mar 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	14,513	23,992
Construction	(920)	(194)
Toll highway	7,688	8,684
Others	(2,622)	(2,494)
Operating profit	18,659	29,988
Finance cost	(4,669)	(5,607)
Share of results of joint venture	401	156
Share of results of associates	2,336	(3,384)
Profit before tax for the financial period	16,727	21,153

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

Overall Summary

For the current quarter, the Group recorded revenue of RM65.6 million, a reduction of RM18.6 million from RM84.3 million in the corresponding quarter. The lower revenue was primarily attributable to lower contribution from the water treatment, supply and distribution business, primarily due to (i) the expiration of the Privatisation Contract (referred to in Note 25(a) to the Audited Financial Statements) of Taliworks (Langkawi) Sdn Bhd (“**TLSB**”) on 31 October 2020; and (ii) lower metered sales and electricity rebates recorded in SSP1 operations during the current quarter. The revenue from the toll business was also affected by the re-imposition of the second phase of the MCO in six states across Malaysia, including Selangor and Federal Territory on 13 January 2021 due to the spike in Covid-19 cases. However, the decrease in revenue was mitigated by higher contribution from an on-going project i.e. 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**”) in the current quarter.

On the Group’s PBT, the Group registered RM16.7 million in the current quarter, a reduction of RM4.4 million from RM21.2 million in the corresponding quarter in line with the decrease in revenue as well as lower dividend and gain on redemption from investments designated at FVTPL in the current quarter. The lower PBT was mitigated by better financial performance from an associate, SWM Environment Holdings Sdn Bhd (“**SWMEH**”) coupled with lower financing cost due to the redemption of the first and second tranches of the IMTN.

Water treatment, supply and distribution

The division’s operating revenue recorded a decrease from RM61.6 million to RM42.1 million attributable to the expiration of the TLSB Privatisation Contract on 31 October 2020 and lower metered sales and electricity rebates in the SSP1 operations.

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

Part B – Review of Income Statement (continued)

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

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

Metered Sales – (million m3)	Q1 - 2021	Q1 - 2020	Variance (%)
SSP1	87.30	89.40	↓ 2.3
Langkawi	-	5.32	n/a

Number of billing days	Q1 - 2021	Q1 - 2020
SSP1	90	91
Langkawi	-	91

Average MLD	Q1 - 2021	Q1 - 2020	Variance (%)
SSP1	970	982	↓ 1.3
Langkawi	-	58.49	n/a

The segment recorded a lower operating profit of RM14.5 million compared to RM24.0 million in line with the reduction in revenue, lower dividend and gain on redemption from investments designated at FVTPL of RM1.8 million (Q1FY2020: RM4.1 million) and reversal of gain on modification on trade creditor recognised in the current quarter. However, the impact was mitigated by lower loss on fair value changes in the current quarter.

Construction

The construction revenue for the current quarter was contributed from the CRJ4 Project. The segment revenue is higher at RM3.9 million as compared to RM1.7 million in corresponding quarter due to the temporary cessation of construction activities during the MCO in the corresponding quarter. Despite higher revenue, the segment recorded higher operating losses primarily due to higher provision of loss allowance on retention sums owing from a customer in the current quarter. In addition, the segment’s operating loss was also contributed by the downward revisions in the construction margin for the CRJ4 Project in the previous quarters.

Toll highway - Subsidiary

Average Daily Traffic (ADT)	Q1 - 2021	Q1 - 2020	Variance (%)
Cheras-Kajang Highway	117,925	129,446	↓ 8.9
Batu 9	65,417	71,606	↓ 8.6
Batu 11	52,508	57,840	↓ 9.2

Revenue contribution from Grand Saga Sdn. Bhd (“Grand Saga”), the operator of the Cheras-Kajang highway, was lower by RM1.4 million as compared to the corresponding quarter due to lower Average Daily Traffic (“ADT”) as a result of the impact from the re-imposition of MCO in the current quarter on 13 January 2021 as well as in the corresponding quarter which took effect from 18 March 2020. The segment’s operating profit was lower by RM1.0 million in line with the decrease in ADT.

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

ADT	Q1 - 2021	Q1 - 2020	Variance (%)
Grand Sepadu Highway	79,787	79,413	↑ 0.5
Bukit Raja	47,333	50,885	↓ 0.7
Kapar	17,147	15,218	↑ 12.7
MOC A	7,119	3,760	↑ 89.3
MOC B	8,188	9,550	↓ 14.3

The Group’s share of results in Grand Sepadu Sdn Bhd (“**Grand Sepadu**”) was marginally higher compared to the corresponding quarter due to the marginal increase in the overall ADT despite the re-imposition of the MCO. It was noted that the closure of the old North Klang Straits Bypass toll free road by the authorities for the duration of the MCO has diverted more road users into the Grand Sepadu highway especially the Kapar and MOC A toll plazas.

Waste management - Associate

The Group’s share of results of associates was mainly contributed by SWMEH. The Group’s share of profit from SWMEH was RM2.0 million as compared to a share of losses of RM3.7 million in the corresponding quarter due to higher PAT recorded by SWMEH and lower adjustments made by the Group of RM48.0 million (Q1FY2020: RM52.6 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is higher at RM54.0 million as compared to RM42.1 million mainly due to lower depreciation expense of assets reaching their lifespan as well as from reduction in subcontractors’ related costs.

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

Revenue

	<u>3 Months ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>audited</u>
Water treatment, supply and distribution	42,117	49,794
Construction	3,926	4,499
Toll highway	18,326	19,285
Others	1,250	1,316
Total revenue as per Condensed Statement of Comprehensive Income	65,619	74,894

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

Part B – Review of Income Statement (continued)

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

Profit Before Tax

	<u>3 Months ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Dec 2020</u> <u>RM’000</u> <u>audited</u>
Water treatment, supply and distribution	14,513	13,796
Construction	(920)	1,116
Toll highway	7,688	5,630
Others	(2,622)	(2,592)
Operating profit	18,659	17,950
Finance cost	(4,669)	(5,246)
Share of results of joint venture	401	3,990
Share of results of associates	2,336	2,367
Profit before tax for the financial period	16,727	19,061

The Group recorded a decrease in revenue from RM74.9 million to RM65.6 million mainly due to lower contribution from all the business segments, particularly the water treatment, supply and distribution business due to expiration of the TLSB Privatisation Contract.

Despite the significant drop in revenue, operating profit was relatively higher at RM18.7 million compared to previous quarter’s RM18.0 million mainly due to the provision of **Restoration Costs** (referred to in Note 38 to the Audited Financial Statements) in TLSB of RM1.6 million, provision of loss allowance on other receivables of RM1.4 million, loss on fair value changes of RM1.8 million included in Administrative Charges in the previous quarter and higher contribution from the toll highway business. On the other hand, PBT was lower at RM16.7 million compared to RM19.1 million mainly due to lower share of results of joint-venture wherein Grand Sepadu received toll compensation of RM16.97 million in the previous quarter.

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

Metered Sales – (million m3)	Q1 - 2021	Q4 - 2020	Variance (%)
SSP1	87.30	86.00	↑ 1.5
Langkawi	-	2.46	n/a

Number of billing days	Q1 - 2021	Q4 - 2020
SSP1	90	92
Langkawi	-	31

Average MLD	Q1 - 2021	Q4 - 2020	Variance (%)
SSP1	970	935	↑ 3.8
Langkawi	-	49.77#	n/a

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

Part B – Review of Income Statement (continued)

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

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

Construction segment’s revenue is lower due to completion of the Langkat 2 - Package 7 Balancing Reservoir Project (“**L2P7 Project**”) in the previous quarter, pending account to be finalised. The segment reported a lower operating profit due to provision for loss allowance on retention sum recognised in the current quarter as compared to upward revision of the construction margin in the L2P7 Project in the previous quarter.

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

Average Daily Traffic (ADT)	Q1 - 2021	Q4 - 2020	Variance (%)
Cheras-Kajang Highway	117,925	122,513	↓ 3.7
Batu 9	65,417	68,515	↓ 4.5
Batu 11	52,508	53,998	↓ 2.8

ADT	Q1 - 2021	Q4 - 2020	Variance (%)
Grand Sepadu Highway	79,787	78,150	↑ 2.1
Bukit Raja	47,333	50,812	↓ 6.8
Kapar	17,147	15,284	↑ 12.2
MOC A	7,119	3,780	↑ 88.3
MOC B	8,188	8,274	↓ 1.0

For Cheras Kajang Highway, despite the decline in ADT by 3.7%, the impact was mitigated by lower amortisation of intangible assets of RM3.0 million (Q4FY20: RM4.6 million) during the quarter due to lower traffic volume as well as lower finance costs of RM4.5 million (Q4FY20: RM5.0 million) due to repayment of the second tranche of the IMTN.

For Grand Sepadu Highway, the ADT increased by 2.1% in the current quarter arising from the closure of the old North Klang Straits Bypass toll free road by the authorities for the duration of the MCO. Nevertheless, the share of results for this quarter was lower primarily attributable to toll compensation that was received in the previous quarter.

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

Part C – Review of Statement of Cash Flow

	<u>3 Months ended</u> <u>31 Mar 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>31 Mar 2020</u> <u>RM’000</u> <u>unaudited</u>	Variance (%)
Net cash from/(used in) operating activities	3,955	(33,334)	> ↑ 100
Net cash from investing activities	52,343	181,938	↓ 71
Net cash used in financing activities	(79,888)	(155,709)	↓ 48

Net cash generated from operating activities was higher by RM37.3 million primarily due to higher receipts from trade receivables in Langkawi mitigated by scheduled debt repayments made by SHSB to its trade payables.

Net cash generated from investing activities was lower by RM129.6 million primarily due to the lower redemption of investments designated at FVTPL as compared to corresponding quarter.

Net cash outflow from financing activities was lower by RM75.8 million mainly due to lower repayment of borrowings and dividends payment to shareholders as compared to corresponding quarter.

B2 – Prospects

The profitability of the Group is largely driven by the performance of the water treatment, supply and distribution through the SSP1 operations and the toll divisions as these segments contribute the bulk of the profits and cash flows to the Group. In late 2020, the Group made its maiden foray into the renewables sector by proposing to acquire the entire economic interests in four solar projects in Selangor, Malaysia with an aggregate capacity of 19.0 Megawatt-peak for approximately RM180.4 million, to be paid from internally generated funds. Approval for the proposed acquisitions has since been obtained from the Sustainable Energy Development Authority and is currently pending approval from the Energy Commission Malaysia.

The cash flow position of the Group remains relatively strong from cash generated by SHSB as well from the toll operations which enabled the Company to declare dividends to shareholders. Payments received by SHSB have been prompt and this ensures that SHSB is able to properly manage its working capital requirements to pay its creditors and to meet its obligations including the rehabilitation and maintenance of SSP1 are adequately attended to. However, the Group’s involvement in the Langkawi operations had ceased with the expiry of the Privatisation Contract in October of last year. With the cessation of Langkawi operations, the revenue and profitability from the water treatment, supply and distribution segment will be impacted in the current financial year. For the ten months ended 31 October 2020, TLSB recorded an audited revenue of RM52.6 million and PBT of RM9.9 million. However, the PBT included RM6.5 million in termination benefits and other payments to employees arising from the expiry of the Privatisation Contract, as well as a net provision of Restoration Cost of RM1.7 million.

In the toll highway division, the financial performance of the division would depend on the duration of the MCO imposed by the Federal Government. For the current quarter where the MCO was in force from 13 January to 4 March 2021 and the conditional MCO thereafter, ADT dropped by 3.7% compared to the previous quarter. With the subsequent re-imposition of MCO 3.0 from 6 May 2021 onwards, it is expected that the traffic volume for both the highways will continue to be impacted for the subsequent quarters, although it is not likely to be as severe as the previous MCOs given that essential and critical economic sectors are still up and running.

B2 – Prospects (continued)

In the waste management division, SWMEH achieved better profit performance on the back of 1.3% increase year-on-year in revenue, from both solid waste collection and public cleansing services as well as lower operating expenditure. This was mainly from lower depreciation charges from assets reaching their lifespan, lower fuel costs and reduction in subcontractors' costs. Revenue from solid waste collection increased 2.6% year-on-year and is expected to grow with the increasing areas to be serviced. SWMEH is currently in the process of negotiating a tariff rate increase for its solid waste collection and public cleansing management services with the Federal Government under the terms of its concession agreement. Whilst the progress is on-going, there is still no outcome. Once the tariff rates have been revised upwards, the contribution from SWMEH would increase considerably to the share of results to the Group.

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

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

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

As the Group is predominantly involved in businesses that provide essential services to the public, the Covid-19 outbreak does not materially impact the business outlook, liquidity, financial position or financial performance of the Group save for the toll businesses.

In order to sustain the business operations and to enable the Group to continue as a going concern in the post Covid-19 environment, the Group has implemented several strategies and steps to address the impact of Covid-19, amongst others:

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

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

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

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

B4 – Profit before tax

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months Ended</u>	
	<u>31 Mar 2021</u>	<u>31 Mar 2020</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
<i><u>Other operating income:</u></i>		
Interest income on fixed deposits with licensed banks	317	896
Dividend from investments designated at FVTPL	1,849	3,755
Rental income	249	82
Gain on redemption of investments designated at FVTPL	8	693
Gain on foreign exchange (unrealised)	4	4
Interest income imputed on retention sum	3	-
Fair value changes	13	97
<i><u>Cost of operations, administrative and other expenses:</u></i>		
Depreciation and amortisation	(7,223)	(7,825)
Imputed interest on borrowing	(135)	(135)
Loss on redemption of investments designated at FVTPL	(87)	(63)
Loss on fair value changes	(83)	(615)
Loss on foreign exchange (unrealised)	-	(6)
Loss allowance on trade and other receivables and amount due from contract customers	(337)	(11)
Reversal of interest income imputed on retention sum	-	(72)
Reversal of gain on modification on trade creditors	(941)	-

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

B5 – Income Tax Expense

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

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months Ended</u>	
	<u>31 Mar 2021</u>	<u>31 Mar 2020</u>
	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>
Income tax:		
-Current year tax	2,992	3,946
-Deferred tax	(26)	(264)
Total income tax expense	2,966	3,682

B6 – Status of Corporate Proposals Announced but not Completed

As of 12 May 2021 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period, save and except for the proposed acquisition of the equity interest in renewable energy business as disclosed in Note 47 to the Audited Financial Statements.

B7 – Group Borrowings and Debt Securities

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

	<u>Long term</u> RM'000	<u>Short term</u> RM'000	<u>Total</u> RM'000
<u>31 Mar 2021 (unaudited)</u>			
Secured			
- IMTN	<u>328,294</u>	<u>30,000</u>	<u>358,294</u>
<u>31 Mar 2020 (unaudited)</u>			
Secured			
- IMTN	387,746	-	387,746
Unsecured			
- Overdraft		<u>3,700</u>	<u>3,700</u>
	<u>387,746</u>	<u>3,700</u>	<u>391,446</u>

The IMTN Programme issued by a subsidiary, Cerah Sama is repayable over 11 annual instalments commencing 2020. During the financial period, the second tranche of the IMTN amounting to RM30 million in nominal value was redeemed in full at maturity on 31 January 2021 (Q1FY20: RM30 million). As at the end of the financial period, the outstanding balance of the IMTN was RM360 million.

B8 – Changes in Material Litigations

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

B9 – Dividends

The Board is pleased to declare a first interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM33,260,988, in respect of the financial year ended 31 December 2021, to be payable on 30 June 2021.

For the financial year ended 31 December 2021, the Board has declared a total single-tier dividend of 1.65 sen to shareholders amounting to RM33,260,988 (2020: 1.65 sen per share amounting to RM33,260,990).

B10 – Earnings Per Share (“EPS”)

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

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

B10 – Earnings Per Share (“EPS”) (continued)

	<u>Current Quarter and Year-to-date</u> <u>3 Months Ended</u>	
	<u>31 Mar 2021</u>	<u>31 Mar 2020</u>
	<u>unaudited</u>	<u>unaudited</u>
Profit for the financial period attributable to owners of the Company (RM'000)	12,388	15,905
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	<u>0.61</u>	<u>0.79</u>

B11 – Auditors’ Reports

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

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

As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM430.56 million are approximately: -

- (i) RM23.5 million held as securities for banking facilities secured by the Group; and
- (ii) RM27.6 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B13 – Restatement of Comparatives

Certain comparatives may differ from the unaudited financial results announced for the fourth quarter of 2020 as they have been adjusted to take into account the audited results of the Group for the financial year ended 31 December 2020.

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
19 May 2021