

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2021**  
**(UNAUDITED)**

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## **KEY FINANCIAL HIGHLIGHTS**

<i>(in RM'000 unless specified otherwise)</i>	<u>9 months ended 30 Sep</u>		<u>Variance</u>
	<u>2021</u>	<u>2020</u>	(%)
	unaudited	unaudited	#
Revenue	229,845	242,986	↓ 5
Gross profit	117,181	92,092	↑ 27
Profit before taxation (“PBT”)	100,136	59,455	↑ 68
Profit for the period	90,375	48,219	↑ 87
Earnings per share (EPS) (sen)	3.29	2.17	↑ 52
Dividends per share (sen)	4.95	4.95	-

# approximate, to the nearest digit

- Revenue stood at RM229.8 million, a decrease of 5% or RM13.1 million compared to the corresponding period, attributable to lower revenue from the water treatment, supply and distribution segment. However, the lower revenue from water treatment, supply and distribution segment was mitigated by the toll compensation of RM43.5 million received by Grand Saga Sdn Bhd (“**Grand Saga**”) from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020.
- The drop in revenue in the water treatment, supply and distribution segment was primarily due to: (i) the expiration of Taliworks (Langkawi) Sdn Bhd’s (“**TLSB**”) 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 (referred to in Note 25(a) to the Audited Financial Statements) in which the company contributed a revenue of RM45.4 million and an operating profit of RM9.5 million to the Group in the corresponding period; and (ii) lower electricity and chemical rebates from the Sungai Selangor Water Treatment Plant Phase 1 (“**SSP1**”) operation due to lower electricity and chemical cost.
- Despite expiration of the TLSB Privatisation Contract, the Group registered a higher gross profit by 27% or RM25.1 million attributable to the receipt of the toll compensation by Grand Saga. In addition, the higher gross profit was also due to write back of over-provision of heavy repairs recognised in prior years amounting to RM2.8 million arising from the deferment of major heavy repairs scheduled in year 2022 to 2023.
- In line with the higher gross profit, PBT saw an increase by 68% or by RM40.7 million to RM100.1 million. The higher PBT was also attributable to higher share of results from joint venture and associates as well as lower financing costs. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at fair value through profit or loss (“**FVTPL**”) due to reduction in cash reserves as compared to a year ago as well as a reversal of gain on modification on trade and other payables.
- Profit for the period was higher by 87% or by RM42.2 million in tandem with the higher PBT.
- EPS increased by 52%, reflecting higher profit attributable to shareholders of the Company.
- The Board is pleased to declare a third interim single-tier dividend of 1.65 sen per ordinary share amounting to approximately RM33.3 million in respect of the financial year ending 31 December 2021.

**CONDENSED STATEMENTS OF FINANCIAL POSITION**

		30 Sep 2021	31 Dec 2020
		RM'000	RM'000
	Note	(Unaudited)	(Audited)
<b>ASSETS</b>			
Property, plant and equipment		6,247	8,941
Right-of-use assets		10,459	12,304
Investment properties		912	219
Intangible assets		1,027,937	1,044,806
Investment in joint venture		68,597	62,952
Investment in associates		166,890	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	48,561	53,231
<b>Total Non-Current Assets</b>		<b>1,481,137</b>	<b>1,494,334</b>
Inventories		2,783	2,901
Amount due from contract customers		5,105	11,991
Trade receivables		53,696	91,716
Other receivables, deposits and prepayments		12,390	11,826
Tax recoverable		12,470	11,304
Investments designated at fair value through profit or loss	B12	140,609	386,326
Deposits, cash and bank balances	B12	264,892	64,617
<b>Total Current Assets</b>		<b>491,945</b>	<b>580,681</b>
<b>TOTAL ASSETS</b>		<b>1,973,082</b>	<b>2,075,015</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Retained earnings		559,022	592,493
<b>Total Equity Attributable to Owners of the Company</b>		<b>925,876</b>	<b>959,347</b>
Non-controlling interests		262,158	248,385
<b>Total Equity</b>		<b>1,188,034</b>	<b>1,207,732</b>
<b>LIABILITIES</b>			
Long-term borrowings	B7	328,431	358,159
Lease liabilities		12,625	12,625
Long-term trade payables		1,075	17,039
Long-term other payables		-	6,675
Provisions		23,896	23,539
Deferred income		92,774	92,641
Deferred tax liabilities		235,017	234,987
<b>Total Non-Current Liabilities</b>		<b>693,818</b>	<b>745,665</b>
Trade payables		39,205	44,853
Amount due to contract customer		1,147	-
Other payables and accruals		14,090	26,372
Provisions		428	2,207
Short-term borrowings	B7	30,000	30,000
Lease liabilities		652	2,705
Deferred income		3,875	15,375
Tax liabilities		1,833	106
<b>Total Current Liabilities</b>		<b>91,230</b>	<b>121,618</b>
<b>TOTAL LIABILITIES</b>		<b>785,048</b>	<b>867,283</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,973,082</b>	<b>2,075,015</b>

## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended		9 Months ended	
		30 Sep		30 Sep	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
		<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Revenue	A5,B1	<b>102,305</b>	<b>82,631</b>	<b>229,845</b>	<b>242,986</b>
Cost of operations		(34,464)	(50,788)	(112,664)	(150,894)
<b>Gross profit</b>		<b>67,841</b>	<b>31,843</b>	<b>117,181</b>	<b>92,092</b>
Other operating income		5,204	3,621	10,781	14,266
Administrative and other expenses		(8,753)	(8,297)	(26,560)	(27,409)
<b>Operating profit</b>		<b>64,292</b>	<b>27,167</b>	<b>101,402</b>	<b>78,949</b>
Finance costs		(4,862)	(5,192)	(14,294)	(15,966)
Share of results of joint venture		5,037	506	5,645	703
Share of results of associates		2,772	115	7,383	(4,231)
<b>Profit before tax</b>	B4	<b>67,239</b>	<b>22,596</b>	<b>100,136</b>	<b>59,455</b>
Income tax expense	B5	(3,886)	(3,875)	(9,761)	(11,236)
<b>Profit for the financial period/ Total comprehensive income</b>		<b>63,353</b>	<b>18,721</b>	<b>90,375</b>	<b>48,219</b>
<b>Profit for the financial period/ Total comprehensive income attributable to:</b>					
Owners of the Company		41,358	16,182	66,312	43,788
Non-controlling interests		21,995	2,539	24,063	4,431
		<b>63,353</b>	<b>18,721</b>	<b>90,375</b>	<b>48,219</b>
<b>Basic and diluted earnings per share attributable to owners of the Company (sen per share)</b>	B10	2.05	0.80	3.29	2.17

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>Non-</u>	<u>Total</u>	
	<u>Share</u>	<u>Merger</u>	<u>Retained</u>	<u>Total</u>	<u>controlling</u>		<u>Equity</u>
	<u>capital</u>	<u>deficit</u>	<u>earnings</u>		<u>interests</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As of 1 January 2021</b>	<b>438,354</b>	<b>(71,500)</b>	<b>592,493</b>	<b>959,347</b>	248,385	<b>1,207,732</b>	
Profit for the financial period	-	-	66,312	66,312	24,063	90,375	
<b>Total comprehensive income for the financial period</b>	-	-	66,312	66,312	24,063	90,375	
<b>Transactions with owners of the Company:</b>							
Dividends paid	-	-	(99,783)	(99,783)	-	(99,783)	
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(10,290)	(10,290)	
<b>Total transactions with owners of the Company</b>	-	-	(99,783)	(99,783)	(10,290)	(110,073)	
<b>As of 30 Sep 2021 (unaudited)</b>	<b>438,354</b>	<b>(71,500)</b>	<b>559,022</b>	<b>925,876</b>	262,158	<b>1,188,034</b>	

## **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		
<b>As of 1 January 2020</b>	<b>438,354</b>	<b>(71,500)</b>	<b>666,050</b>	<b>1,032,904</b>	<b>260,021</b>	<b>1,292,925</b>
Profit for the financial period	-	-	43,788	43,788	4,431	48,219
<b>Total comprehensive income for the financial period</b>	-	-	43,788	43,788	4,431	48,219
<b>Transactions with owners of the Company:</b>						
Dividend paid	-	-	(99,783)	(99,783)	-	(99,783)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(11,270)	(11,270)
<b>Total transactions with owners of the Company</b>	-	-	(99,783)	(99,783)	(11,270)	(111,053)
<b>As of 30 September 2020 (unaudited)</b>	<b>438,354</b>	<b>(71,500)</b>	<b>610,055</b>	<b>976,909</b>	<b>253,182</b>	<b>1,230,091</b>

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>9 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 2020</u> <u>RM'000</u> <u>unaudited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	100,137	59,455
Adjustments for:		
Non-cash items	(7,718)	7,729
Interest income	(1,239)	(2,031)
Finance costs	14,294	15,966
Operating Profit Before Working Capital Changes	105,474	81,119
Net decrease/(increase) in inventories, amount due from contract customers, trade and other receivables	45,515	(3,524)
Net decrease in amount due to contract customers, trade and other payables and deferred income	(38,937)	(63,226)
Cash Generated From Operations	112,052	14,369
Income tax paid	(8,629)	(9,262)
Income tax refund	18	272
<b>Net Cash From Operating Activities</b>	<b>103,441</b>	<b>5,379</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,184	2,344
Property, plant and equipment:		
- Proceeds from disposal	1,183	90
- Purchases	(458)	(323)
Dividend income from associate	901	4,326
Investments designated at FVTPL:		
- purchase	(46,000)	(20,000)
- proceeds from redemption	296,905	244,383
Withdrawals/(Placement) of deposits pledged as security	4,834	(1,258)
<b>Net Cash From Investing Activities</b>	<b>258,549</b>	<b>229,562</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(19,685)	(21,490)
Repayment of borrowings	(30,148)	(80,142)
Repayment of lease liabilities	(1,809)	(1,809)
Dividends paid ( <i>Note A7</i> )	(99,783)	(123,973)
Dividends paid by a subsidiary to non-controlling interests	(10,290)	(11,270)
<b>Net Cash Used In Financing Activities</b>	<b>(161,715)</b>	<b>(238,684)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>200,275</b>	<b>(3,743)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR</b>	<b>64,617</b>	<b>72,524</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD</b>	<b>264,892</b>	<b>68,781</b>

**CONDENSED STATEMENTS OF CASH FLOWS**

	<u>9 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 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	285,563	89,631
Cash and bank balances	27,890	34,345
Total deposits, cash and bank balances	313,453	123,976
Less: Deposits pledged as security	(48,561)	(55,195)
	<b><u>264,892</u></b>	<b><u>68,781</u></b>

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.

<b>Amendments to MFRSs</b>	<b>Description</b>	<b>Effective for annual financial periods beginning on or after</b>
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to MFRS 16	Leases-Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021 (early adopted)

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 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 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract
Annual Improvement to MFRS Standards 2018-2020	

#### A1 – Basis of Preparation (continued)

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 Nature 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:

	<u>3 Months ended</u>		<u>9 Months ended</u>	
	<u>30 Sep</u>		<u>30 Sep</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Revenue from contracts with customers:</i>				
Management, operations and maintenance of water treatment plants	41,675	56,446	125,895	175,744
Toll revenue and operator fee	10,600	17,615	37,020	43,172
Revenue from construction contracts	1,404	3,240	8,020	8,169
Management fees	1,251	1,316	3,751	3,948
	<u>54,930</u>	<u>78,617</u>	<u>174,686</u>	<u>231,033</u>
<i>Revenue from other sources:</i>				
Deferred income	<u>47,375</u>	<u>4,014</u>	<u>55,159</u>	<u>11,953</u>
Revenue as per Condensed Statement of Comprehensive Income	<u>102,305</u>	<u>82,631</u>	<u>229,845</u>	<u>242,986</u>
<i>Timing of revenue recognition for revenue from contracts with customers:</i>				
At a point in time	52,276	74,061	162,916	218,916
Over time	<u>2,654</u>	<u>4,556</u>	<u>11,770</u>	<u>12,117</u>
	<u>54,930</u>	<u>78,617</u>	<u>174,686</u>	<u>231,033</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 RM99,783,000 (2020: RM123,973,000) as follows:

- (i) 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 RM33,261,000 in respect of the financial year ended 31 December 2020 which was paid on 31 March 2021; and
- (ii) On 19 May 2021, the Board declared a first interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ending 31 December 2021 which was paid on 30 June 2021.
- (iii) On 23 August 2021, the Board declared a second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000 in respect of the financial year ending 31 December 2021 which was paid on 30 September 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**

Other than as disclosed in Note 45 to the Audited Financial Statements, there are no other material contingent liabilities as at the end of the current financial period and up 8 November 2021 (being a date not earlier than 7 days from the date of these interim financial statements).

On 31 May 2021, the Royal Malaysian Customs Department (“**RMCD**”) announced that taxpayers are eligible to apply for remission of late payment penalty for any Goods and Services Tax (“**GST**”) and penalty due but has not been remitted to the RMCD on condition that the taxpayer must make full payment of outstanding GST to RMCD within the period from 1 May 2021 to 31 August 2021. Sungai Harmoni Sdn Bhd (“**Sungai Harmoni**”) subsequently made the application.

As of 8 November 2021 (being a date not earlier than 7 days from the date of these interim financial statements), the application is still pending approval from the RMCD.

## **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 30 Sep 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	41,675	56,446	1,404	3,477	40,706	15,744	80,485	78,452	1,251	1,316	165,521	155,435	(63,216)	(72,804)	102,305	82,631
EBITDA(i)	17,728	19,112	(466)	(101)	39,883	12,752	23,744	20,833	(1,453)	(1,263)	79,436	51,333	(7,542)	(15,647)	71,894	35,686
Depreciation and amortisation	(83)	(151)	(10)	(44)	(6,161)	(5,559)	(2,316)	(3,865)	(893)	(911)	(9,463)	(10,530)	1,861	2,011	(7,602)	(8,519)
Operating profit/(loss)	17,645	18,961	(476)	(145)	33,722	7,193	21,428	16,968	(2,346)	(2,174)	69,973	40,803	(5,681)	(13,636)	64,292	27,167
Finance costs	-	-	-	-	(2,967)	(3,261)	(6,764)	(6,743)	(200)	(235)	(9,931)	(10,239)	5,069	5,047	(4,862)	(5,192)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	5,037	506	5,037	506
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	2,772	115	2,772	115
Profit/(loss) before tax	17,645	18,961	(476)	(145)	30,755	3,932	14,664	10,225	(2,546)	(2,409)	60,042	30,564	7,197	(7,968)	67,239	22,596
Income tax expense	(3,368)	(4,089)	(6)	-	(2,464)	(405)	(6,339)	(5,176)	-	(23)	(12,177)	(9,693)	8,291	5,818	(3,886)	(3,875)
Profit/(loss) after tax	14,277	14,872	(482)	(145)	28,291	3,527	8,325	5,049	(2,546)	(2,432)	47,865	20,871	15,488	(2,150)	63,353	18,721
EBDA(ii)	14,360	15,023	(472)	(101)	34,452	9,086	10,641	8,914	(1,653)	(1,521)	57,328	31,401	13,627	(4,161)	70,955	27,240
Capex(iii)	147	17	4	-	68	36	673	735	11	79	903	867				

9 months ended 30 Sep unaudited	Water treatment, supply and distribution		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per 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	125,895	175,744	8,020	8,773	66,735	40,344	239,729	233,780	3,751	3,948	444,130	462,589	(214,285)	(219,603)	229,845	242,986
EBITDA(i)	47,445	61,496	(1,740)	(209)	58,771	31,147	69,311	61,194	(4,827)	(4,141)	168,960	149,487	(46,469)	(48,756)	122,491	100,731
Depreciation and amortisation	(326)	(466)	(27)	(132)	(15,011)	(14,004)	(7,299)	(14,049)	(2,698)	(2,740)	(25,361)	(31,391)	4,272	9,609	(21,089)	(21,782)
Operating profit	47,119	61,030	(1,767)	(341)	43,760	17,143	62,012	47,145	(7,525)	(6,881)	143,599	118,096	(42,197)	(39,147)	101,402	78,949
Finance costs	-	-	-	-	(8,983)	(9,900)	(19,940)	(19,608)	(607)	(1,147)	(29,530)	(30,655)	15,236	14,689	(14,294)	(15,966)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	5,645	703	5,645	703
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	7,383	(4,231)	7,383	(4,231)
Profit before tax	47,119	61,030	(1,767)	(341)	34,777	7,243	42,072	27,537	(8,132)	(8,028)	114,069	87,441	(13,933)	(27,986)	100,136	59,455
Income tax expense	(9,785)	(11,894)	(6)	-	(3,008)	(792)	(18,192)	(14,646)	-	(23)	(30,991)	(27,355)	21,230	16,119	(9,761)	(11,236)
Profit after tax	37,334	49,136	(1,773)	(341)	31,769	6,451	23,880	12,891	(8,132)	(8,051)	83,078	60,086	7,297	(11,867)	90,375	48,219
EBDA(ii)	37,660	49,602	(1,746)	(209)	46,780	20,455	31,179	26,940	(5,434)	(5,311)	108,439	91,477	3,025	(21,476)	111,464	70,001
Capex(iii)	177	102	29	9	93	100	1,502	4,441	16	105	1,817	4,757				

## 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 30 Sep 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	250,902	553,544	153,196	146,662	20,339	26,602	1,319,781	1,342,362	228,864	40,137	1,973,082	2,109,307
Segment liabilities	(40,682)	(85,908)	-	-	(8,813)	(14,527)	(717,185)	(760,070)	(18,368)	(18,711)	(785,048)	(879,216)
Net segment assets	<b>210,220</b>	<b>467,636</b>	<b>153,196</b>	<b>146,662</b>	<b>11,526</b>	<b>12,075</b>	<b>602,596</b>	<b>582,292</b>	<b>210,496</b>	<b>21,426</b>	<b>1,188,034</b>	<b>1,230,091</b>

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

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

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

	As at 30 Sep 2021 (unaudited) RM'000	As at 31 Dec 2020 (audited) RM'000	Variance (%) #
Total assets	1,973,082	2,075,015	↓ 5
Total liabilities	785,048	867,283	↓ 9
Total shareholders’ equity	1,188,034	1,207,732	↓ 2
Return on equity (%)*	9.6	5.1	↑ 88
Net assets per share (sen)	45.93	47.59	↓ 3

\* *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 RM101.9 million mainly due to lower investments designated at FVTPL, cash and bank balances of approximately RM50.1 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 and other payables during the financial period. Nevertheless, the toll compensation of RM43.5 million received by Grand Saga from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020 has contributed positively to the cash reserves.

Trade receivables and amount due from contract customers also shown a decline of approximately RM44.9 million whereas the carrying amount of intangible assets reduced by approximately RM16.9 million due to amortisation charges.

- (b) Total liabilities declined by 9% or approximately RM82.2 million mainly due to lower trade and other payables primarily from the scheduled debt repayments made by SHSB to its trade creditors amounting to RM18.7 million and GST payable owing to the RMCD amounting to RM10.6 million (as disclosed in A9) during the financial period. Total borrowings also saw a reduction on account of redemption of the second tranche of the IMTN of RM30.0 million.
- (c) Total shareholders’ equity was lower by 2% or about RM19.7 million in line with dividends paid to shareholders of the Company mitigated by profit recorded for the financial period. Correspondingly, the net assets per share stood at 45.93 sen compared to 47.59 sen as at 31 December 2020.

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

### Part B – Review of Income Statement

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

	<u>3 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>
<i>Revenue</i>				
Water treatment, supply and distribution <sup>1</sup>	41,675	56,446	125,895	175,744
Construction	1,404	3,240	8,020	8,169
Toll highway	57,975	21,629	92,179	55,125
Others	1,251	1,316	3,751	3,948
<b>Revenue as per Condensed Statement of Comprehensive Income</b>	<b>102,305</b>	<b>82,631</b>	<b>229,845</b>	<b>242,986</b>
<i>Profit Before Tax</i>				
	<u>3 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months</u> <u>ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>9 Months</u> <u>ended</u> <u>30 Sep 2020</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution <sup>1</sup>	17,646	18,961	47,119	61,015
Construction	(480)	(230)	(1,779)	(592)
Toll highway	50,772	10,643	64,887	25,407
Others	(3,646)	(2,207)	(8,825)	(6,881)
<b>Operating profit</b>	<b>64,292</b>	<b>27,167</b>	<b>101,402</b>	<b>78,949</b>
Finance cost	(4,862)	(5,192)	(14,294)	(15,966)
Share of results of joint venture	5,037	506	5,645	703
Share of results of associates	2,772	115	7,383	(4,231)
<b>Profit before tax for the financial period</b>	<b>67,239</b>	<b>22,596</b>	<b>100,136</b>	<b>59,455</b>

Note 1:

Taliworks (Langkawi) Sdn Bhd (“*TLSB*”)’s financial performance in the corresponding period as follows:

	<i>3 Months ended</i> <i>30 Sep 2020</i> <i>RM’000</i> <i>unaudited</i>	<i>9 Months ended</i> <i>30 Sep 2020</i> <i>RM’000</i> <i>unaudited</i>
<i>Revenue</i>	14,723	45,423
<i>Operating profit</i>	3,910	9,453



## 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

##### Overall Summary

For the current quarter, the Group recorded revenue of RM102.3 million, an increase of RM19.7 million from RM82.6 million in the corresponding quarter. The higher revenue was mainly attributable to the receipt of toll compensation of RM43.5 million from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020. However, the increase in revenue was impacted by the expiration of the TLSB’s Privatisation Contract on 31 October 2020. The average daily traffic from toll division was also lower in the current quarter as compared to the corresponding quarter ever since the total lockdown nationwide imposed with effect from 1 June 2021.

In line with the increase in revenue, the Group registered a higher PBT of RM67.2 million compared to RM22.6 million in the corresponding quarter. The PBT was also contributed from higher share of results from an associate, SWM Environment Holdings Sdn Bhd (“**SWMEH**”) and joint venture as well as lower depreciation and amortisation expenses. Financing cost also saw a reduction due to the redemption of the IMTN.

##### Water treatment, supply and distribution

The division’s operating revenue recorded a decrease from RM56.4 million to RM41.7 million mainly due to the expiration of the TLSB Privatisation Contract, in which TLSB contributed RM14.7 million in the corresponding quarter.

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

<b>SSP1</b>	<b>Q3 - 2021</b>	<b>Q3 - 2020</b>	<b>Variance (%)</b>
Metered Sales (million m3)	86.7	85.0	↑ 2.0
Number of billing days	92	92	
Average MLD	942	924	↑ 2.0

In line with the decrease in revenue, the segment recorded a lower operating profit of RM17.6 million compared to RM19.0 million. In addition, the lower operating profit was also due to lower returns from interest income, dividend and gain on redemption from investments designated at FVTPL of RM1.4 million (Q3FY2020: RM2.3 million).

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

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

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

##### Construction

The construction revenue for the current quarter was contributed 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**”). The segment revenue is lower by RM1.8 million as compared to RM3.2 million due to completion of the Langat 2 - Package 7 Balancing Reservoir Project in the fourth quarter of last year. The segment recorded higher operating losses in line with the reduction in revenue and the downward revision in the projected construction margin for the CRJ4 Project in the previous quarter. The downward revision was mainly due to the abnormal increase in prices of steel bars since end of last year.

##### Toll highway - Subsidiary

Average Daily Traffic	Q3 - 2021	Q3 - 2020	Variance (%)
Grand Saga Highway	85,016	142,619	↓ 40

Despite lower Average Daily Traffic (“**ADT**”) by 40%, revenue contribution from Grand Saga was significantly higher by RM36.3 million as compared to the corresponding quarter due to receipt of toll compensation. The segment’s operating profit was also higher by RM40.1 million in line with the increase in revenue and write-back of over-provision for heavy repairs recognised in prior years amounting to RM2.8 million in the current quarter.

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

ADT	Q3 - 2021	Q3 - 2020	Variance (%)
Grand Sepadu Highway	63,457	88,063	↓ 28

Despite lower ADT by 28%, the Group’s share of results in Grand Sepadu (NK) Sdn Bhd (“**Grand Sepadu**”) was higher compared to the corresponding quarter due to receipt of toll compensation of RM19.8 million from the Government of Malaysia for the non-increase in scheduled toll hike in respect of year 2016 and 2020. In addition, higher share of results was also attributable to write-back of over-provision for heavy repairs amounting to RM1.5 million in the current quarter. However, the better financial results were tapered by the increase in amortisation of intangible assets.

##### Waste management - Associate

The Group’s share of results of associates is mainly contributed by SWMEH. The Group’s share of profit from SWMEH was RM2.3 million as compared to a share of loss of RM0.4 million in the corresponding quarter due to higher PAT recorded by SWMEH despite higher adjustments made by the Group of RM48.8 million (Q3FY20: RM47.1 million) to SWMEH’s PAT. At SWMEH’s company level, the PAT is higher at RM55.4 million as compared to RM46.1 million mainly due to higher revenue from both solid waste collection and public cleansing services, coupled with lower depreciation expense of assets reaching their lifespan as well as from reduction in subcontractors’ related costs.

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

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

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

##### Overall Summary

The Group recorded a significant decrease in revenue by RM13.1 million from RM242.9 million to RM229.8 million in the current financial period mainly attributable to lower contribution from water treatment, supply and distribution business, primarily due to (i) expiration of the TLSB Privatisation Contract; and (ii) lower metered sales and electricity rebates recorded in SSP1 operations during the current financial period. However, the lower revenue from water treatment, supply and distribution segment was mitigated by the toll compensation of RM43.5 million received by Grand Saga.

Despite not having revenue contributed by TLSB, the Group registered a higher PBT of RM100.1 million compared to RM59.5 million achieved in the corresponding period. The higher PBT was attributable to the following:-

- (a) Toll segment – toll compensation received and write back of over-provision of heavy repairs recognised in prior years amounting to RM2.8 million arising from the deferment of major heavy repairs scheduled in year 2022 to 2023; and
- (b) higher share of results from associate and joint venture as well as lower financing cost due to the redemption of the IMTN.

However, the higher PBT was impacted by lower net returns of RM6.4 million (YTD Q3FY20: RM12.3 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL; and reversal of gain on modification on trade and other payables amounting to RM1.3 million (YTD Q3FY20: Nil) recognised in current financial period. In the corresponding period, the Group made a provision for termination benefits of RM6.6 million in relation to the expiration of the TLSB Privatisation Contract.

##### Water treatment, supply and distribution

At the operating level, water treatment, supply and distribution business recorded a revenue of RM125.9 million, considerably lower than RM175.7 million achieved a year ago due to the to the expiration of the TLSB Privatisation Contract, lower electricity and chemical rebates of RM19.5 million (2020: RM23.1 million due to lower electricity and chemical cost, and lower metered sales in the SSP1 operations as follows:-

<b>SSP1</b>	<b>YTD Sep 2021</b>	<b>YTD Sep 2020</b>	<b>Variance (%)</b>
Metered Sales – (million m3)	259.4	261.6	↓ 0.8
Number of billing days	273	274	
Average MLD	950	955	↓ 0.3

The segment operating profit was lower at RM47.1 million compared to RM61.0 million a year ago in line with the decrease in revenue. In addition, the decrease in segment’s operating profit was also contributed by lower net returns of RM5.1 million (YTD Q3FY20: RM10.0 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL as well as reversal of gain on modification on trade and other payable in the current financial period.

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

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

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

##### Construction

The construction division’s revenue was almost the same compared to corresponding period despite the completion of Langat 2- Package 7 Balancing Reservoir Project. Nevertheless, the segment recorded higher operating losses compared to the corresponding period mainly from the downward revision in the projected construction margin for the CRJ4 Project in the current financial period.

##### Toll operations-Subsidiary

ADT	YTD Sep 2021	YTD Sep 2020	Variance (%)
Grand Saga Highway	100,132	117,601	↓ 15

Despite the decrease in ADT by 15%, revenue contribution from the Grand Saga Highway increased significantly to RM92.2 million from RM55.1 million due to toll compensation received from the Government. The segment’s operating profit was also higher in line with the increase in revenue, coupled with write back of over-provision of heavy repairs. However, the higher operating profit was impacted by lower interest income recognised for the current financial period.

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

ADT	YTD Sep 2021	YTD Sep 2020	Variance (%)
Grand Sepadu Highway	70,281	75,056	↓ 6

The Group’s share of results in Grand Sepadu was higher compared to the corresponding period despite the drop in ADT mainly attributable to toll compensation received and write back of overprovision for heavy repairs. However, the share of profits was impacted by higher amortisation of intangible assets.

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

The Group’s share of profit from SWMH was RM6.3 million compared to share of loss of RM5.4 million in the corresponding period due to higher PAT recorded in SWMEH and lower adjustments made by the Group of RM145.2 million (YTD Q3FY20: RM147.3 million) to SWMEH’s PAT. The PAT of SWMEH is higher at RM163.2 million as compared to RM131.8 million due to higher revenue from both solid waste collection and public cleansing services as well as lower depreciation expense and subcontractors’ related costs.

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

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

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

Revenue

	<u>3 Months ended</u> <u>30 Sep 2021</u> <u>RM’000</u> <u>unaudited</u>	<u>3 Months ended</u> <u>30 Jun 2021</u> <u>RM’000</u> <u>unaudited</u>
Water treatment, supply and distribution	41,675	42,103
Construction	1,404	2,690
Toll highway	57,975	15,878
Others	1,251	1,250
<b>Total revenue as per Condensed Statement of Comprehensive Income</b>	<b>102,305</b>	<b>61,921</b>

Profit Before Tax

Water treatment, supply and distribution	17,646	14,960
Construction	(480)	(379)
Toll highway	50,772	6,426
Others	(3,646)	(2,556)
<b>Operating profit</b>	<b>64,292</b>	<b>18,451</b>
Finance cost	(4,862)	(4,763)
Share of results of joint venture	5,037	207
Share of results of associates	2,772	2,275
<b>Profit before tax for the financial period</b>	<b>67,239</b>	<b>16,170</b>

The Group recorded an increase in revenue by RM40.4 million from RM61.9 million to RM102.3 million mainly due to toll compensation received by Grand Saga. However, the increase was mitigated by a lower contribution from water treatment, supply and distribution segment as well as construction business.

In terms of PBT, the increase was much higher than the previous quarter with the toll compensation received by Grand Sepadu, coupled with gain on disposal of property, plant and equipment and sundry income totalling RM2.7 million recognised in TLSB.

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

<b>SSP1</b>	<b>Q3 - 2021</b>	<b>Q2 - 2021</b>	<b>Variance (%)</b>
Metered Sales – (million m3)	86.7	86.4	↑ 0.3
Number of billing days	92	91	
Average MLD	942	950	↓ 0.8

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

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

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

Despite the reduction in the ADT, profit contribution from both Grand Saga Highway and Grand Sepadu Highway have increased due to receipt of toll compensations and write-back of over-provision for heavy repairs. However, the higher profit was impacted by higher amortisation of intangible assets in the current quarter.

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

ADT	Q3 - 2021	Q2 - 2021	Variance (%)
Grand Saga Highway	85,016	97,817	↓ 13
Grand Sepadu Highway	63,457	67,780	↓ 6

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

	<u>9 Months ended</u> <u>30 Sep 2021</u> <u>RM'000</u> <u>unaudited</u>	<u>9 Months ended</u> <u>30 Sep 2020</u> <u>RM'000</u> <u>unaudited</u>	Variance (%)
Net cash generated from operating activities	103,441	5,379	> ↑ 100
Net cash generated from investing activities	258,549	229,562	↑ 13
Net cash used in financing activities	(161,715)	(238,684)	↓ 32

Net cash generated from operating activities was higher by RM98.1 million primarily attributable to the receipt of toll compensation, higher receipt from trade receivable in TLSB, higher receipt from contract customers and lower scheduled debt repayments made by SHSB to its trade and other payables as compared to corresponding period.

Net cash generated from investing activities was higher by RM28.9 million primarily due to the higher net proceeds from redemption of investments designated at FVTPL as compared to corresponding period.

Net cash outflow from financing activities was lower by RM77 million mainly due to lower repayment of borrowings and dividends payment to shareholders as compared to corresponding period.

## **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.

The cash flow position of the Group remains relatively strong from cash generated from the water treatment, supply and distribution business as well from the toll operations which enabled the Company to declare dividends to its 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 TLSB 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 TLSB 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 improved in the current quarter with the toll compensations received by Grand Saga and Grand Sepadu despite the reduction in the ADT. The Grand Saga Highway's and Grand Sepadu Highway's ADT dropped by 13% and 6% respectively compared to the previous quarter due to the imposition of MCO 3.0 from 6 May 2021 and thereafter the national lockdown from 1 June 2021. However, the traffic volume began to improve with the reopening of certain business sectors in August 2021 and upon Selangor, Kuala Lumpur and Putrajaya moving into Phase 2 of the Nasional Recovery Plan on 10 September 2021 with inter district travelling allowed by the Government. Subsequently, the Government announced that Selangor, Kuala Lumpur and Putrajaya moving into Phase 3 of the Nasional Recovery Plan from 1 October 2021. It is then expected that the traffic volume for both the highways will continue to improve for the last quarter of the year. In respect of the proposed toll restructuring initiated by the Federal Government, there is no substantial update as of to-date.

In the waste management division, SWMEH continue to achieve better profit performance on the back of higher revenue, from both solid waste collection and public cleansing services as well as lower operating expenditure. This was mainly from increasing areas to be serviced and lower depreciation charges from assets reaching their lifespan and reduction in subcontractors' costs. SWMEH is currently in the process of discussing for 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. The discussions are still on-going.

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 including the upcoming Sg. Rasau Water Supply Scheme.

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. 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.

## B2 – Prospects(continued)

### 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 various economic stimulus packages 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, working from home arrangements etc.

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

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

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

## B4 – Profit before tax

	<u>3 Months ended 30 Sep</u>		<u>9 Months ended 30 Sep</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Other operating income:</i>				
Interest income on fixed deposits with licensed banks	507	545	1,239	2,031
Dividend from investments designated at FVTPL	1,551	2,353	5,261	9,132
Rental income	141	80	607	469
(Loss)/Gain on redemption of investments designated at FVTPL	(6)	(55)	21	1,165
(Loss)/Gain on foreign exchange (unrealised)	-	(1)	3	4
Interest income imputed on retention sum	7	-	30	-
Fair value changes	-	12	-	127
Reversal of loss allowance on trade receivables and amount due from contract customers	-	59	-	70
Waiver of rental	-	-	-	167



**B4 – Profit before tax(continued)**

	<u>3 Months ended 30 Sep</u>		<u>9 Months ended 30 Sep</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
<i>Cost of operations, administrative and other expenses:</i>				
Depreciation and amortisation	(7,602)	(8,519)	(21,089)	(21,782)
Provision of termination benefits	-	(587)	-	(6,587)
Imputed interest on borrowing	-	(138)	(272)	(410)
Loss on redemption of investments designated at FVTPL	(41)	(9)	(90)	(66)
Gain/(Loss) on fair value changes	40	15	(6)	(387)
Loss allowance on trade and other receivables and amount due from contract customers	-	(139)	(53)	(280)
Reversal of interest income imputed on retention sum	-	(57)	-	(73)
Reversal of gain on modification on trade and other payables	-	-	(1,349)	-

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

**B5 – Income Tax Expense**

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

	<u>3 Months ended 30 Sep</u>		<u>9 Months ended 30 Sep</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Income tax:				
-Current year tax	3,465	2,790	9,730	11,505
-Deferred tax expense/(Reversal of Deferred tax)	421	1,085	31	(269)
Total income tax expense	<u>3,886</u>	<u>3,875</u>	<u>9,761</u>	<u>11,236</u>

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

As of 8 November 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. The proposed acquisition is currently pending approval of the Energy Commission Malaysia.

## B7 – Group Borrowings and Debt Securities

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

	<u>Long term</u> <u>RM'000</u>	<u>Short term</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>30 Sep 2021 (unaudited)</u>			
Secured			
- IMTN	<u>328,431</u>	<u>30,000</u>	<u>358,431</u>
<u>30 Sep 2020 (unaudited)</u>			
Secured			
- IMTN	<u>358,021</u>	<u>30,000</u>	<u>388,021</u>

The RM420 million in nominal value 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 in January 2021 (YTD Q3FY20: 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 third interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33,261,000, in respect of the financial year ending 31 December 2021, to be payable on 31 December 2021.

For the financial year ending 31 December 2021, the Board has declared a total single-tier dividend of 4.95 sen to shareholders amounting to RM99,783,000 (2020: 4.95 sen per share amounting to RM99,783,000).

## B10 – Earnings Per Share (“EPS”)

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

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

	<u>3 Months ended 30 Sep</u>		<u>9 Months ended 30 Sep</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>	<u>unaudited</u>
Profit for the financial period attributable to owners of the Company (RM'000)	41,358	16,182	66,312	43,788
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817	2,015,817	2,015,817
Earnings per share (sen)	<u>2.05</u>	<u>0.80</u>	<u>3.29</u>	<u>2.17</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 RM454.1 million are approximately: -

- (i) RM48.6 million held as securities for banking facilities secured by the Group; and
- (ii) RM0.8 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

**B13 – 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  
15 November 2021