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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2022 (UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 16 February 2022

KEY FINANCIAL HIGHLIGHTS

(in RM'000 unless specified otherwise)	12 months ended 31 December 2022 unaudited	2021 audited	Variance (%) #
Revenue	337,712	302,577	↑ 12
Gross profit	136,886	139,695	↓ 2
Profit before taxation **("PBT")**	81,874	113,975	↓ 28
Profit for the year	66,430	102,361	↓ 35
Earnings per share **("EPS")** (sen)	2.74	3.89	↓ 30
Dividends per share (sen)	6.60	6.60	-

\# *approximate, to the nearest digit*

- For the financial year ended 31 December 2022, the Group reported a revenue of RM337.71 million, an increase of 12% or RM35.14 million compared to the previous year. With the exception of the toll segment, all other business segments recorded higher revenue including the renewables segment acquired during the financial year as disclosed in Note A11. Despite the substantial jump in the Average Daily Traffic of 33% recorded in the Grand Saga highway, the revenue from the toll business segment was lower the on account of a reduced toll compensation of RM11.25 million from the Government of Malaysia compared to RM43.66 million recorded a year ago by Grand Saga Sdn Bhd (**"Grand Saga"**), RM43.50 million of which relates to the non-increase in scheduled toll hike in respect of 2020.

- The increase in revenue in the water treatment and supply segment was primarily due to higher metered sales and electricity rebate from the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** operations. The higher electricity rebate is mainly due to the Imbalance Cost Pass-Through ("**ICPT**") surcharge imposed by Tenaga Nasional Berhad ("**TNB**") with effect from 1 February 2022. Apart from this, construction and renewables segments also contributed to the growth in the revenue of the Group through contribution from the two packages under Phase 1 of the Sungai Rasau Water Treatment Plant and Water Supply Scheme **("Rasau Projects")** as well as sales of electricity generated by solar photovoltaic plants respectively.

- The gross profit was lower by 2% or RM2.81 million and this was primarily due to the higher toll compensation in the previous year and an increase in the amortisation of intangible assets and depreciation expenses in the current financial year. The lower gross profit margins recorded in the construction segment compared to the other business segments also resulted in the overall gross profit of the Group to be lower when compared to the substantial increase in revenue of the Group.

- Despite the lower gross profit by RM2.81 million, PBT dropped significantly by RM32.10 million or 28% to RM81.87 million as a result of share of losses of associates and lower net returns from interest income, dividends and net gains on redemption from investments designated at fair value through profit or loss **("FVTPL")** from a reduction in cash reserves throughout the year.

- Similarly, the profit for the year was lower by 35% or by RM35.93 million due to higher tax expense as the tax waiver enjoyed by Grand Saga had expired on 31 December 2021.

- EPS decreased by 30%, reflecting lower profit attributable to shareholders of the Company.

- The Board is pleased to declare a fourth interim single-tier dividend of 1.65 sen per share amounting to approximately RM33.26 million in respect of the financial year ended 31 December 2022 to be payable on 31 March 2023. Inclusive of the fourth interim dividend, the total dividends paid/payable to shareholders for the financial year will be 6.60 sen per share, similar to the year before.

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2022 RM'000 (Unaudited)	31 Dec 2021 RM'000 (Audited)
ASSETS			
Property, plant and equipment	A11(a)(ii)	132,047	6,133
Right-of-use assets	A11(a)(ii)	35,750	9,843
Investment properties	B12	99	212
Intangible assets		988,040	1,016,966
Investment in joint venture		73,783	67,601
Investment in associates		129,343	153,123
Other investment		200	240
Goodwill on consolidation		132,503	129,385
Long-term other receivable		15,561	18,379
Deferred tax assets		6,228	-
Deposits, cash and bank balances	B13	47,517	48,449
Total Non-Current Assets		1,561,071	**1,450,331**
Inventories		20,914	2,287
Amount due from contract customers		-	6,581
Trade receivables		74,758	50,523
Other receivables, deposits and prepayments		17,924	11,346
Tax recoverable		9,355	12,678
Investments designated at fair value through profit or loss	B13	120,740	346,443
Deposits, cash and bank balances	B13	48,854	62,228
		292,545	492,086
Assets held-for-sale	B12	694	694
Total Current Assets		**293,239**	**492,780**
TOTAL ASSETS		**1,854,310**	**1,943,111**
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Currency translation reserve		(217)	-
Retained earnings		420,755	537,949
Total Equity Attributable to Owners of the Company		**787,392**	**904,803**
Non-controlling interests		260,459	252,646
Total Equity		**1,047,851**	**1,157,449**
LIABILITIES			
Long-term borrowings	B7	298,907	328,540
Lease liabilities		33,391	9,950
Long-term trade payables		1,050	893
Provisions		34,253	24,952
Deferred income		63,278	77,790
Deferred tax liabilities		248,139	234,196
Total Non-Current Liabilities		**679,018**	**676,321**

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2022 RM'000 (Unaudited)	31 Dec 2021 RM'000 (Audited)
LIABILITIES			
Trade payables		23,882	41,516
Amount due to contract customers		13,772	-
Other payables and accruals		37,176	17,624
Provisions		93	563
Short-term borrowings	B7	30,000	30,000
Lease liabilities		2,738	2,675
Deferred income		14,389	14,864
Tax liabilities		5,391	2,099
Total Current Liabilities		**127,441**	**109,341**
TOTAL LIABILITIES		**806,459**	**785,662**
TOTAL EQUITY AND LIABILITIES		**1,854,310**	**1,943,111**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 31 Dec 2021 RM'000 audited	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 audited
Revenue	A4,B1	**85,855**	**72,732**	**337,712**	**302,577**
Cost of operations		(45,606)	(50,218)	(200,826)	(162,882)
Gross profit		**40,249**	**22,514**	**136,886**	**139,695**
Other operating income		6,059	3,216	13,647	13,997
Administrative and other expenses		(10,094)	(8,367)	(33,904)	(34,927)
Operating profit		**36,214**	**17,363**	**116,629**	**118,765**
Finance costs		(4,457)	(4,811)	(17,975)	(19,105)
Share of results of joint venture		4,462	354	6,182	5,999
Share of results of associates		(11,170)	933	(22,962)	8,316
Profit before tax	B4	**25,049**	**13,839**	**81,874**	**113,975**
Income tax expense	B5	2,124	(1,853)	(15,444)	(11,614)
Profit for the financial period/year		**27,173**	**11,986**	**66,430**	**102,361**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		157	-	(217)	-
Total comprehensive income for the financial period/year		**27,330**	**11,986**	**66,213**	**102,361**
Profit for the financial period/year attributable to:					
Owners of the Company		21,001	12,188	55,140	78,500
Non-controlling interests		6,172	(202)	11,290	23,861
		27,173	**11,986**	**66,430**	**102,361**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 31 Dec 2021 RM'000 audited	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 audited
Total comprehensive income for the financial period/year attributable to:					
Owners of the Company		21,158	12,188	54,923	78,500
Non-controlling interests		6,172	(202)	11,290	23,861
		27,330	**11,986**	**66,213**	**102,361**
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	1.05	0.60	2.74	3.89

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Merger deficit RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
		Attributable to Owners of the Company						
As of 1 January 2022		**438,354**	**(71,500)**	**-**	**537,949**	**904,803**	252,646	**1,157,449**
Profit for the year		-	-		55,140	55,140	11,290	66,430
Other Comprehensive Income:								
Currency translation differences		-	-	(217)	-	(217)	-	(217)
Total comprehensive income for the year		-	-	(217)	55,140	54,923	11,290	66,213
Transactions with Owners of the Company:								
Dividends paid	A7	-	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	(3,430)	(3,430)
Non-controlling interest arising from business combination		-	-	-	-	-	(2,081)	(2,081)
Changes in ownership interests in subsidiaries	A11(b)(ii)	-	-	-	(39,290)	(39,290)	-	(39,290)
Reduction in non-controlling interest arising from increase in stake in subsidiaries	A11(b)(ii)	-	-	-	-	-	2,034	2,034
Total transactions with Owners of the Company		-	-	-	(172,334)	(172,334)	(3,477)	(175,811)
As of 31 Dec 2022 (unaudited)		**438,354**	**(71,500)**	**(217)**	**420,755**	**787,392**	**260,459**	**1,047,851**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company					
	Share capital	Merger deficit	Retained earnings	Total	Non-controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2021	**438,354**	**(71,500)**	**592,493**	**959,347**	**248,385**	**1,207,732**
Profit for the year/Total comprehensive income for the year	-	-	78,500	78,500	23,861	102,361
Total comprehensive income for the year	-	-	78,500	78,500	23,861	102,361
Transactions with Owners of the Company:						
Dividend paid	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	(19,600)	(19,600)
Total transactions with Owners of the Company	-	-	(133,044)	(133,044)	(19,600)	(152,644)
As of 31 Dec 2021 (Audited)	**438,354**	**(71,500)**	**537,949**	**904,803**	**252,646**	**1,157,449**

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

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 Audited
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	81,874	113,975
Adjustments for:		
Non-cash items	28,356	3,168
Interest income	(2,258)	(2,081)
Finance costs	17,975	19,105
Operating Profit Before Working Capital Changes	125,947	134,167
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(12,238)	50,969
Net decrease in trade, other payables and deferred income	(3,192)	(41,598)
Cash Generated From Operations	110,517	143,538
Income tax paid	(23,948)	(11,804)
Income tax refunded	39	18
Net Cash From Operating Activities	**86,608**	**131,752**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	2,029	1,541
Property, plant and equipment:		
- Proceeds from disposal	283	1,182
- Purchases	(3,608)	(1,164)
Dividend received from a joint venture	-	1,350
Dividend received from an associate	817	15,600
Investments designated at FVTPL:		
- Purchase	(160,407)	(366,425)
- Proceeds from redemption	388,705	406,405
- Dividends received	1,331	6,418
Increase in investment in a joint venture	-	(60)
Payment for acquisition of non-controlling interests *(Note A11(b)(i))*	(37,256)	-
Net cash inflow from acquisition of subsidiaries *(Note A11(a)(iii))*	32,588	-
Withdrawals of deposits pledged as security	989	4,782
Proceeds from disposal of Assets-held-for-sale *(Note B12 (b))*	240	-
Proceeds from disposal of other investments	34	-
Net Cash From Investing Activities	**225,745**	**69,629**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 Audited
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(18,474)	(18,421)
Repayment of borrowings	(42,131)	(30,000)
Repayment of previous shareholder' loans owing by subsidiaries *(Note A11(a)(i))*	(125,614)	-
Repayment of lease liabilities	(3,040)	(2,705)
Dividends paid *(Note A7)*	(133,044)	(133,044)
Dividends paid by a subsidiary to non-controlling interests	(3,430)	(19,600)
Net Cash Used In Financing Activities	**(325,733)**	**(203,770)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,380)**	**(2,389)**
Effect of Exchange Rate Changes	7	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**62,227**	**64,617**
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**48,854**	**62,228**

	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 Audited
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	81,823	81,969
Cash and bank balances	14,548	28,708
Total deposits, cash and bank balances	96,371	110,677
Less: Deposits pledged as security	(47,517)	(48,449)
	48,854	**62,228**

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

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

A1 – Basis of Preparation

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

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

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

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

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

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

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

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

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

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9-Comparative Information
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
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 101	Non-current Liabilities with Covenants
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

A1 – Basis of Preparation (continued)

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

Right-of-Use Assets and Lease Liabilities

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

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

Revenue recognition

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

Property, plant and equipment **("PPE")**

Included in the PPE of the acquired entities are as follows:-

	Nature of the PPE
Asset retirement obligations	Future cost to restore the leased land, include amongst others, disassembling costs of the solar photovoltaic modules as stipulated under the land lease agreement.
Renewable energy plants	Solar photovoltaic plants that convert energy from sunlight into electricity, which are then sold to off-takers as stipulated under REPPA.
Assets under construction	Subsequent to the acquisition, the Group incurred capital expenditure on flood mitigation works, i.e.; geotechnical investigation, bund remedy and bund raising designs in relation to the solar photovoltaic plants, as further elaborated in Note A11(c).

At the acquisition date, the PPE acquired are recognised at their fair value. Subsequently, PPE is then measured at cost less any accumulated depreciation and any accumulated impairment losses.

A1 – Basis of Preparation (continued)

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

Foreign currency	**31 Dec 2022** **RM**	**30 Sep 2022** **RM**
1 US Dollar (USD)	4.39	4.63

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

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

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

Except for the consolidation of the newly acquired subsidiaries referred to in Note A11, there are no other items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial year.

A4 – Disaggregation of Revenue

The disaggregation of revenue was as follows:

	3 Months ended 31 Dec		12 Months ended 31 Dec	
	2022 RM'000 unaudited	2021 RM'000 Audited	2022 RM'000 unaudited	2021 RM'000 Audited
Revenue from contracts with customers:				
Management, operations and maintenance of water treatment plants	46,751	43,178	184,924	169,073
Toll revenue and operator fee	18,740	17,605	71,451	54,625
Revenue from construction contracts	(1,484)	6,823	32,984	14,843
Management fees	1,250	1,250	5,001	5,001
Sales of electricity	5,601	-	17,238	-
	70,858	68,856	311,598	243,542
Revenue from other sources:				
Deferred income	3,747	3,876	14,864	15,375
Government compensation	11,250	-	11,250	43,660
Revenue as per Condensed Statement of Comprehensive Income	**85,855**	72,732	**337,712**	302,577
Timing of revenue recognition for revenue from contracts with customers:				
At a point in time	71,092	60,782	273,613	223,698
Over time	(234)	8,074	37,985	19,844
	70,858	68,856	**311,598**	243,542

A5 – Accounting Estimates

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

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

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

A7 – Dividends Paid

The total dividends paid to shareholders during the financial year amounted to RM133,044,000 (2021: RM133,044,000) as follows: -

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

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

(c) On 24 August 2022, 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 2022 which was paid on 30 September 2022.

(d) On 21 November 2022, the Board declared 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 2022 which was paid on 23 December 2022.

A8 – Material Subsequent Events

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

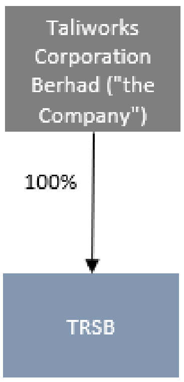
A9 - Contingent Liabilities

There are no material contingent liabilities as at the end of the current financial year and up to 9 February 2023 (being a date not earlier than 7 days from the date of these interim financial statements).

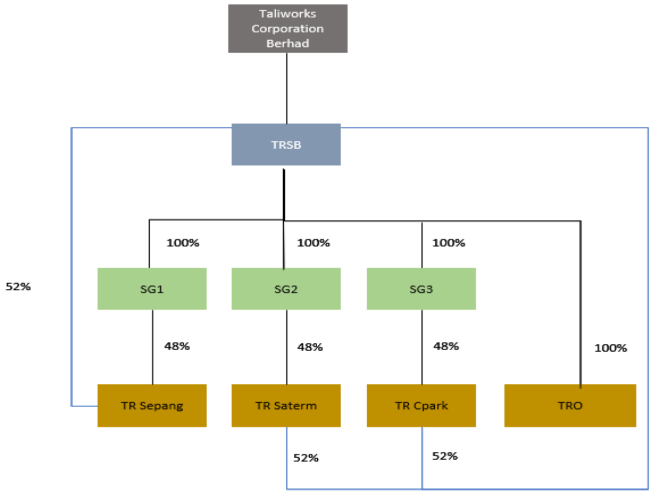
A10–Changes in Composition of the Group

Save and except for the changes in the Group's structure arising from the completion of the Solar Acquisitions referred to in Note A11(a) and (b) below, there were no other changes to the composition of the Group during the financial year, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinued operations:

Before the Solar Acquisitions



After the Solar Acquisitions



Upon completion of the Solar Acquisitions,

(a) the Group held the entire equity interest in the three (3) FIAHs. The FIAHs are solar asset companies operating under the Feed-in-Tariff programme administered by the Sustainable Energy Development Authority **("SEDA"),** and operate four solar projects with an aggregate capacity of 19MWp within the vicinity of the Kuala Lumpur International Airport; and

(b) TR (SG1) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 1 Pte. Ltd.") ("**SG1**"), TR (SG2) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 2 Pte. Ltd.") ("**SG2**"), TR (SG3) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 3 Pte. Ltd.") ("**SG3**") and Taliworks Renewables Operations Sdn. Bhd. (f.k.a. "Terraform Global Operating (Malaysia) Sdn. Bhd.)("**TRO**") became indirect subsidiaries of the Company via direct ownership in Taliworks Renewables Sdn. Bhd. **("TRSB")**, a wholly-owned subsidiary. TRO provides end-to end operations and maintenance ("O&M") services to the FIAHs.

A11 – Other Significant Events and Transactions

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

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

Arising from the acquisitions, the Group gained control over the FIAHs and TRO and therefore, they are accounted for using the acquisition method in accordance with MFRS 3: Business Combinations and MFRS 10: Consolidated Financial Statements, which resulted in a goodwill on consolidation to the Group amounting to RM3,118,000.

A11 – Other Significant Events and Transactions (continued)

The analysis of the above acquisition is as follows: -

(i) Consideration transferred

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

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

(ii) The Group completed the fair value measurement exercise ("FVM Exercise") by engaging an independent firm to undertake a purchase price allocation exercise to determine the fair values assigned to the acquired entities' identifiable assets and liabilities pursuant to the requirements of MFRS 3: Business Combinations.

In conducting the FVM Exercise, significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on valuation procedures and practices that rely on the use of reasonable assumptions.

The summarised financial information below represents the fair value of identifiable assets, liabilities and goodwill on consolidation arising from the acquisitions as at the date of acquisition:

	Pre-acquisition carrying amount RM'000 unaudited	FVM adjustments RM'000 unaudited	Fair values on the acquisition date RM'000 unaudited
Non-current assets			
Property, plant & equipment	114,151	18,241	132,392
Lease assets	8,309	1,656	9,965
Current assets			
Trade and other receivables	2,338	-	2,338
Tax recoverable	387	-	387
Bank and cash balances	34,807	-	34,807
Non-current liabilities			
Lease liabilities	(8,466)	(839)	(9,305)
Provision for heavy repairs	(10,080)	2,552	(7,528)
Deferred tax liabilities	(18,070)	(5,111)	(23,181)

A11 – Other Significant Events and Transactions (continued)

	Pre-acquisition carrying amount RM'000 unaudited	FVM adjustments RM'000 unaudited	Fair values on the acquisition date RM'000 unaudited
Current liabilities			
Trade and other payables	(141,950)	-	(141,950)
Proposed Dividends	(244)	-	(244)
Lease Liabilities	(352)	(309)	(661)
Total identifiable net liabilities	(19,170)	16,190	(2,980)
Proportionate share of identifiable net liabilities			(899)
Less: Equity consideration transferred			(2,219)
Goodwill on consolidation			(3,118)

(iii) Net cash inflow on acquisition of subsidiaries

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

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

(i) Consideration transferred

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

A11 – Other Significant Events and Transactions (continued)

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

	Group 2022 RM'000 unaudited
Proportionate share of the carrying amount of the net liabilities at date of acquisition	(2,034)
Less: Consideration paid	(37,256)
Positive movement in equity	(39,290)

The acquisitions described in Note A11 (a) and (b) above are collectively referred to as the **"Solar Acquisitions"**.

(c) The vendor and the Group agreed to a capital expenditure of RM5.67 million (referred to as "**Agreed Mitigation Costs**") to be incurred on the site of a photovoltaic plant. Out of this sum, RM4.12 million is borne by the vendor and the amount has been adjusted to the equity consideration as elaborated in Note A11(a)(i). Pursuant to the SPA, if the total Mitigation Costs incurred is less than RM4.8 million by 28 February 2023 ("**Shortfall**"), the Group would undertake to pay to the vendor an amount equivalent to 85% of the Shortfall, as calculated using an agreed formulae stipulated in the SPA.

As at the date of this report, the parties have not yet reached a consensus on the mitigation works plan. Upon finalisation, the equity consideration and resulting goodwill on consolidation will be adjusted accordingly.

(d) During the current quarter, the Company renewed the rental of its office premises with the landlord for 3 years, commencing from 1 January 2023 and expiring on 31 December 2025, with the option of renewal for two terms of 3 years each until 31 December 2031. Due to changes in the lease term, the lease payment has changed, and therefore the lease obligation is remeasured by discounting the revised lease payments using a revised discount rate at the date of the modification pursuant to MFRS 16 Leases.

Arising thereof, the Group recognised a gain on lease modification in the current quarter amounting to RM3.54 million ("**Gain on Modification on Leases**") as disclosed in Note B4.

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 Dec	Water		Waste management		Construction		Toll highway		Renewables		Others		Total		Reconciliation		Amount as per Statement of Comprehensive Income	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
Revenue	46,751	43,178	84,250	81,370	(1,484)	6,822	30,201	15,608	5,601	-	1,250	1,250	166,569	148,228	(80,714)	(75,496)	85,855	72,732
EBITDA(i)	12,807	11,599	385	23,978	(88)	818	24,768	11,363	6,380	-	2,448	(423)	46,700	47,335	1,625	(17,597)	48,325	29,738
Depreciation and amortisation	(85)	(97)	(3,778)	(3,401)	(5)	(10)	(7,229)	(7,343)	(3,720)	-	(1,376)	(894)	(16,193)	(11,745)	4,082	(630)	(12,111)	(12,375)
Operating profit	12,722	11,502	(3,393)	20,577	(93)	808	17,539	4,020	2,660	-	1,072	(1,317)	30,507	35,590	5,707	(18,227)	36,214	17,363
Finance costs	-	-	(7,035)	(6,803)	-	-	(2,617)	(2,941)	(158)	-	(44)	(202)	(9,854)	(9,946)	5,397	5,135	(4,457)	(4,811)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,462	354	4,462	354
Share of results of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,170)	933	(11,170)	933
Profit before tax	12,722	11,502	(10,428)	13,774	(93)	808	14,922	1,079	2,502	-	1,028	(1,519)	20,653	25,644	4,396	(11,805)	25,049	13,839
Income tax expense	(2,691)	(1,864)	1,508	(7,172)	4,106	(2)	(3,674)	(573)	3,587	-	(68)	184	2,768	(9,427)	(644)	7,574	2,124	(1,853)
Profit for the financial year	10,031	9,638	(8,920)	6,602	4,013	806	11,248	506	6,089	-	960	(1,335)	23,421	16,217	3,752	(4,231)	27,173	11,986
EBDA(ii)	10,116	9,735	(5,142)	10,003	4,018	816	18,477	7,849	9,809	-	2,336	(441)	39,614	27,962	(330)	(3,601)	39,284	24,361
Capex(iii)	450	193	11,144	2,650	699	-	82	318	95	-	29	67	12,499	3,228	-	-	-	-

A12 - Operating Segments (continued)

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

12 Months ended 31 Dec	Water		Waste management		Construction		Toll highway		Renewables		Others		Total		Reconciliation		Amount as per Statement of Comprehensive Income	
	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited	2022 RM'000 Unaudited	2021 RM'000 Audited
Revenue	184,924	169,073	332,910	321,099	32,984	14,842	77,210	82,343	17,238	-	5,001	5,001	650,267	592,358	(312,555)	(289,781)	337,712	302,577
EBITDA(i)	61,233	59,044	42,628	93,289	1,289	(922)	62,949	70,134	16,168	-	(288)	(5,250)	183,979	216,295	(24,478)	(64,066)	159,501	152,229
Depreciation and amortisation	(308)	(423)	(7,589)	(10,700)	(22)	(37)	(24,682)	(22,354)	(8,078)	-	(3,993)	(3,592)	(44,672)	(37,106)	1,800	3,642	(42,872)	(33,464)
Operating profit	60,925	58,621	35,039	82,589	1,267	(959)	38,267	47,780	8,090	-	(4,281)	(8,842)	139,307	179,189	(22,678)	(60,424)	116,629	118,765
Finance costs	-	-	(28,463)	(26,743)	-	-	(10,726)	(11,924)	(374)	-	(545)	(809)	(40,108)	(39,476)	22,133	20,371	(17,975)	(19,105)
Share of results of joint venture							-		-	-					6,182	5,999	6,182	5,999
Share of results of associate							-		-	-					(22,962)	8,316	(22,962)	8,316
Profit before tax	60,925	58,621	6,576	55,846	1,267	(959)	27,541	35,856	7,716	-	(4,826)	(9,651)	99,199	139,713	(17,325)	(25,738)	81,874	113,975
Income tax expense	(13,699)	(11,649)	(21,397)	(25,364)	4,106	(8)	(8,216)	(3,581)	3,570	-	(1,096)	184	(36,732)	(40,418)	21,288	28,804	(15,444)	(11,614)
Profit for the financial year	47,226	46,972	(14,821)	30,482	5,373	(967)	19,325	32,275	11,286	-	(5,922)	(9,467)	62,467	99,295	3,963	3,066	66,430	102,361
EBDA(ii)	47,534	47,395	(7,232)	41,182	5,395	(930)	44,007	54,629	19,364	-	(1,929)	(5,875)	107,139	136,401	2,163	(576)	109,302	135,825
Capex(iii)	682	370	22,102	4,152	3,100	29	361	411	196	-	76	83	26,517	5,045				-

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

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

2. *The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the 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.*

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

	Water treatment and supply		Waste management		Construction		Toll highway		Renewables		Others		Total	
As at 31 Dec	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited
Segment assets	151,691	143,555	116,524	140,896	62,197	20,322	1,274,891	1,302,419	178,037	-	70,970	335,919	1,854,310	1,943,111
Segment liabilities	(27,896)	(39,493)	-	-	(53,211)	(10,077)	(670,579)	(720,232)	(39,913)	-	(14,860)	(15,860)	(806,459)	(785,662)
Net segment assets	**123,795**	**104,062**	**116,524**	**140,896**	**8,986**	**10,245**	**604,312**	**582,187**	**138,124**	-	**56,110**	**320,059**	**1,047,851**	**1,157,449**

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 Dec 2022 (unaudited) RM'000	As at 31 Dec 2021 (audited) RM'000	Variance (%) #
Total assets	1,854,310	1,943,111	↓ 5
Total liabilities	806,459	785,662	↑ 3
Total shareholders' equity	1,047,851	1,157,449	↓ 9
Return on equity (%)*	6.0	8.7	↓ 31
Net assets per share (sen)	39.06	44.89	↓ 13

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

\# *approximate, to the nearest digit*

(a) The Group's total assets declined by 5% or approximately RM88.80 million mainly due to a reduction in the following carrying amounts:-

(i) investments designated at FVTPL, cash and bank balances of approximately RM240.01 million. The decrease in the cash reserves of the Group was principally due to the full settlement of previous shareholder's loans and external bank borrowing owing by the FIAHs totalling RM137.73 million pursuant to the SPA, dividend payments to shareholders, repayments of the Islamic Medium-Term Notes **("IMTN")** under a IMTN (Sukuk) Programme issued by Cerah Sama Sdn Bhd **("Cerah Sama"),** interest payments and payments to trade payables during the financial year;

(ii) intangible assets by approximately RM28.93 million due to higher amortisation charges; and

(iii) investments in associates by approximately RM23.78 million due to share of losses of certain associates during the financial year.

Nevertheless, the decrease in total assets was mitigated by the impact of consolidation of assets, primarily Property, Plant and Equipment, with a fair value of RM132.39 million, arising from the Solar Acquisitions, an increase in Trade Receivables from a toll compensation of RM11.25 million as well as Inventories, arising from recognition of costs of materials purchased and delivered on-site but not yet installed or consumed in the Group's construction activities amounting to RM19.50 million.

(b) Total liabilities increased by 3% or approximately RM20.80 million mainly due to liabilities assumed by the Group arising from the Solar Acquisitions. However, the increase was mitigated by reduction of borrowings from the redemption of the third tranche of the IMTN of RM30.00 million.

(c) Total shareholders' equity was lower by 9% or about RM109.60 million on account of total dividends paid/payable of 6.60 sen per share to shareholders of the Company and the acquisition of equity interest from the minority shareholder of FIAHs (referred to Note A11(b)). The decrease was however mitigated by profit recorded for the financial year with the EPS at 2.74 sen per share. Correspondingly, the net assets per share declined to 39.06 sen compared to 44.89 sen as of 31 December 2021.

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

Part B – Review of Income Statement

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

	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 31 Dec 2021 RM'000 audited	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 audited
Revenue				
Water treatment and supply	46,751	43,178	184,924	169,073
Construction	(1,484)	6,823	32,984	14,843
Toll highway	33,737	21,481	97,565	113,660
Renewables	5,601	-	17,238	-
Others	1,250	1,250	5,001	5,001
Revenue as per Condensed Statement of Comprehensive Income	**85,855**	**72,732**	**337,712**	**302,577**

Profit Before Tax

	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 31 Dec 2021 RM'000 audited	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 audited
Water treatment and supply	12,723	11,502	60,927	58,621
Construction	(609)	805	742	(974)
Toll highway	20,365	5,073	51,147	69,960
Renewables	2,659	-	8,089	-
Others	1,076	(17)	(4,276)	(8,842)
Operating profit	**36,214**	**17,363**	**116,629**	**118,765**
Finance cost	(4,457)	(4,811)	(17,975)	(19,105)
Share of results of joint venture	4,462	354	6,182	5,999
Share of results of associates	(11,170)	933	(22,962)	8,316
Profit before tax for the financial period/year	**25,049**	**13,839**	**81,874**	**113,975**

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

Overall Summary

For the current quarter, the Group posted a revenue of RM85.86 million, an increase of RM13.12 million from RM72.73 million in the corresponding quarter. Except for the construction segment, all other business segments contributed to the increase in revenue. SSP1 operations, the sole-source of revenue for the water treatment and supply segment, recorded higher metered sales as well as higher electricity and chemical rebates during the current quarter. The higher electricity rebates arose from higher electricity cost due to TNB's ICPT surcharge, which went into effect on 1 February 2022.

In the toll division, revenue was higher in line with the growth in the Average Daily Traffic **("ADT")** and the toll compensation in the current quarter, as did revenue from the renewables segment, which is contributed by the sales of electricity generated from solar photovoltaic plants. In contrast, the decrease in the revenue from construction segment was due to an over-recognition of contribution from the Rasau Projects in earlier reporting periods.

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)

In line with the increase in revenue, the Group reported PBT of RM25.05 million as compared to RM13.84 million in the corresponding quarter. The higher PBT was also attributable to the following: -

(a) Gain on Modification on Leases amounting to RM3.54 million (Q4FY21: Nil) referred to in Note A11(d);

(b) higher share of results of a jointly controlled entity, Grand Sepadu (NK) Sdn Bhd **("Grand Sepadu")** from a toll compensation of RM21.90 million (Q4FY21: Nil);

(c) maiden contribution from the renewables division from the Solar Acquisitions; and

(d) lower amortisation of intangible assets from the toll division of RM6.55 million (Q4FY21:RM10.97 million), maintenance and rehabilitation expenses, provision for loss allowance on receivables as well as financing costs and higher gain on disposal of property, plant and equipment and sundry income recorded in the current quarter.

However, the increase in PBT was significantly impacted by the share of losses of an associate, SWM Environment Holdings Sdn Bhd ("**SWMEH**") of RM11.40 million as compared to share of profit of RM0.61 million in the corresponding quarter.

Water treatment and supply

The division's operating revenue recorded an increase from RM43.18 million to RM46.75 million due to higher metered sales of RM37.51 million (Q4FY21: RM36.60 million) and electricity and chemical rebates of RM9.24 million (Q4FY21: RM6.58 million) in the SSP1 operations.

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

SSP1	**Q4 - 2022**	**Q4 - 2021**	**Variance (%)**
Metered Sales (million m^3)	91.50	89.27	↑ 2.6
Number of billing days	92	92	
Average MLD	994.54	970.33	↑ 2.5

In line with higher revenue, the segment recorded higher operating profit of RM12.72 million as compared to RM11.50 million recorded in the corresponding quarter. In addition, the higher operating profit in the current quarter is also contributed by a lower maintenance and rehabilitation expenditure of RM5.82 million (Q4FY21: RM7.08 million) and a lower provision for loss allowance on receivables of RM0.08 million (Q4FY21: RM0.71 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 lower by RM8.31 million mainly due to an over-recognition of revenue from the Rasau Projects in earlier reporting periods and lower contribution from 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 revision in the contract sum for the Mengkuang Dam Project and Langat 2 - Package 7 Balancing Reservoir Project ("**L2P7 Project**"), both of which were completed, in the corresponding quarter has also contributed to the higher revenue recorded in that quarter.

In line with decrease in revenue, the segment recorded an operating loss of RM0.61 million as compared to an operating profit of RM0.81 million in the corresponding quarter.

Toll highway – Subsidiary

Average Daily Traffic ("ADT")	Q4 – 2022	Q4 – 2021	Variance (%)
Grand Saga Highway	154,991	142,197	↑ 9.0

Revenue contribution from Grand Saga, was higher by RM12.26 million due to higher ADT by 9% and toll compensation in the current quarter, amounting to RM11.25 million (Q4FY21: Nil). In line with the higher revenue and coupled with lower amortisation of intangible assets of RM6.55 million (Q4FY21: RM10.97 million), the segment's operating profit was significantly higher at RM20.37 million (Q4FY21: RM5.07 million) as compared to the corresponding quarter. However, the higher operating profit was impacted by higher repair and maintenance expenses of RM2.42 million (Q4FY21: RM1.40 million).

Toll highway – Share of results of joint venture

ADT	Q4 – 2022	Q4 – 2021	Variance (%)
Grand Sepadu Highway	85,973	82,725	↑ 3.9

The Group's share of results in Grand Sepadu was higher compared to the corresponding quarter mainly attributable to a toll compensation of RM21.90 million (Q4FY21: Nil) as well as an increase in the ADT by 3.9% in the current quarter. However, the higher share of results was impacted by amongst others, higher amortisation of intangible assets of RM7.55 million (Q4FY21: RM3.14 million) and repair and maintenance expenses of RM 3.11 million (Q4FY21: RM 1.95 million) in the current quarter.

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

Part B – Review of Income Statement (continued)

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

Waste management - Associate

The Group's share of results of associates is mainly contributed by SWMEH. The Group's share of losses from SWMEH was RM11.40 million as compared to a share of profit of RM0.61 million in the corresponding quarter due to lower PAT recorded by SWMEH and higher adjustments made by the Group of RM59.87 million (Q4FY21: RM48.78 million) to SWMEH's PAT due to higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing 1 January 2022.

At SWMEH's company level, the revenue from both solid waste collection and public cleansing services was higher by 3.5% in the current quarter mainly attributable to handing over of new areas as well as resumption of cleansing activities at certain areas upon transition to the endemic phase of the Covid-19 pandemic on 1 April 2022. Nevertheless, the company recorded a lower PAT at RM27.29 million as compared to RM50.53 million mainly due to higher expenses, amongst others, provision for loss allowance on receivables, finance costs and payroll related costs as a result of an upward revision in the minimum wages from RM1,200 to RM1,500 with effect from 1 May 2022.

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

Overall Summary

The Group's revenue for the current year increased significantly by RM35.14 million from RM302.58 million recorded in the preceding year. This increase was attributable to higher revenue from water treatment and supply and construction segments as well as a maiden revenue contribution from the renewables segment.

Despite the increase in revenue, the Group registered a lower PBT of RM81.87 million as compared to RM113.98 million achieved in the preceding year.

The lower PBT was mainly attributable by the following: -

(a) share of losses of associates amounting to RM22.96 million as compared to share of profit of RM8.32 million in a year ago; and

(b) lower toll compensation of RM11.25 million as compared to RM43.66 million in the previous year.

Other than the above, the Group also experienced lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL, lower gain on disposal of property, plant and equipment and sundry income as well as higher depreciation and amortisation expenses.

However, the lower PBT was mitigated by contribution from the renewables segment that arose from the Acquisitions, contribution from the Rasau Projects, higher share of results of a jointly controlled entity, finance costs coupled with Gain on Modification on Leases, reversal of gain on modification on trade and other payables, lower net provision for loss allowance on receivables as disclosed in Note B4.

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

Part B – Review of Income Statement (continued)

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

Water treatment and supply

At the operating level, water treatment and supply division recorded a revenue of RM184.92 million, which is higher than RM169.07 million achieved a year ago due to higher metered sales of RM149.16 million (YTD Q4FY21: RM142.96 million) and electricity and chemical rebates of RM35.76 million (YTD Q4FY21: RM26.11 million) in the SSP1 operations.

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

SSP1	YTD Dec 2022	YTD Dec 2021	Variance (%)
Metered Sales (million m^3)	363.80	348.68	↑ 4.3
Number of billing days	365	365	
Average MLD	996.72	955.28	↑ 4.3

The segment operating profit was higher at RM60.93 million compared to RM58.62 million a year ago in line with the increase in revenue. In addition, the increase in the segment's operating profit was also due to lower rehabilitation and maintenance expenses, provision for loss allowance on receivables, as well as a reversal of gain on modification on trade and other payable in the previous year.

However, the higher operating profit was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL of RM0.93 million (YTD Q4FY21: RM5.69 million) as well as lower gain on disposal of property, plant and equipment and sundry income of RM0.25 million (YTD Q4FY21: RM2.75 million).

Construction

The segment saw a substantial increase in revenue, reaching RM32.98 million as compared to RM14.84 million in the previous year, mainly due to contribution from the Rasau Projects, which amounted to approximately RM25.47 million. However, the revenue was impacted by lower contribution from CRJ4 Project and upward adjustment of contract sums from the Mengkuang Dam and L2P7 projects.

In line with the increase in revenue, the segment also recorded an operating profit of RM0.74 million compared to an operating loss of RM0.97 million in the previous year. The operating profit for the current year took into account an upward revision in construction margin for the CRJ4 Project after a downwards revision being made in the previous year due to increases in steel bar prices.

The construction of the Rasau Projects commenced in December 2021, however the percentage completion for both the projects is around 2% to 3% as at the end of the financial year as there has been a delay in the relevant authorities granting approval for physical work to commence.

Toll operations – Subsidiary

ADT	YTD Dec 2022	YTD Dec 2021	Variance (%)
Grand Saga Highway	147,504	110,735	↑ 33

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)

As expected, revenue contribution from Grand Saga decreased significantly to RM97.57 million from RM113.66 million due to higher toll compensation in the preceding year. However, operationally the company performed much better than a year ago with a 33% increase in the ADT reflecting the general economic uptrend following the transition to the endemic stage of the Covid-19 pandemic. Toll collections stood at RM71.45 million, a significant increase from RM54.63 million. The segment's operating profit was lower for the year in line with the decrease in revenue, coupled with higher amortisation of intangible asset of RM28.93 million (YTD Q4FY21: RM27.84 million) and maintenance and rehabilitation expenses of RM4.20 million (YTD Q4FY21: RM3.04 million).

Toll operations - Share of results of joint venture

ADT	YTD Dec 2022	YTD Dec 2021	Variance (%)
Grand Sepadu Highway	86,059	73,418	↑ 17

Similar with the Grand Saga Highway, the ADT at the Grand Sepadu Highway also recorded a substantial increase in the ADT, albeit at a smaller increase of 17%. The Group's share of results in Grand Sepadu was slightly higher at RM6.18 million as compared to the preceding year's RM6.00 million. Toll collections and government compensation were RM51.30 million (YTD Q4FY21: RM45.17 million) and RM21.90 million (YTD Q4FY21: RM19.83 million) respectively. The company incurred a lower finance cost and tax expenses whilst repair and maintenance and amortisation of intangible assets were higher in the current year. In the previous year, the company wrote-back an over-provision for heavy repairs amounting to RM1.50 million.

Waste management - Share of results of associate

The Group's share of losses of SWMEH was RM24.37 million compared to share of profit of RM6.91 million in the corresponding year due to lower PAT recorded in SWMEH and higher adjustments made by the Group of RM238.39 million (YTD Q4FY21: RM194.02 million) to SWMEH's PAT as a result of higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing 1 January 2022. At SWMEH's company level, the revenue from both the solid waste collection and public cleansing services was higher by 3.7%. However, the PAT of SWMEH is lower at RM168.75 million as compared to RM213.75 million due to higher expenses, amongst others, payroll related costs, provision for loss allowance on receivables and finance costs. The lower of PAT is however mitigated by a reduction in depreciation expense due to certain assets being fully depreciated as well as lower sub-contractor 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

	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 30 Sep 2022 RM'000 unaudited
Water treatment and supply	46,751	46,769
Construction	(1,484)	15,187
Toll highway	33,737	21,880
Renewables	5,601	6,191
Others	1,250	1,251
Total revenue as per Condensed Statement of Comprehensive Income	**85,855**	**91,278**

	3 Months ended 31 Dec 2022 RM'000 unaudited	3 Months ended 30 Sep 2022 RM'000 unaudited
Profit Before Tax		
Water treatment and supply	12,723	16,576
Construction	(609)	635
Toll highway	20,365	12,757
Renewables	2,659	3,389
Others	1,076	(2,181)
Operating profit	**36,214**	**31,176**
Finance cost	(4,457)	(4,547)
Share of results of joint venture	4,462	656
Share of results of associates	(11,170)	(5,267)
Profit before tax for the financial period	**25,049**	**22,018**

The Group recorded a RM5.42 million decrease in revenue from RM91.28 million to RM85.86 million, primarily due to an over-recognition for the Rasau Projects in the preceding quarter and to a lesser extent, from the renewables segment due to lower insolation recorded in the current quarter. Nevertheless, the decrease in revenue was mitigated by higher revenue from the toll segment on account of an increase in the ADT and higher toll compensation while the revenue contribution from water treatment and supply was about same over the two quarters.

Despite the lower revenue, the Group's PBT increased to RM25.05 million from RM22.02 million in the preceding quarter. The better financial performance was primarily attributable to higher toll compensation in the joint venture as well as from the Gain on Modification on Leases in the current quarter. However, the higher PBT was also impacted by, amongst others, higher share of losses of associates, maintenance and rehabilitation expenses of RM7.47 million (Q3FY22: RM4.39 million), provision for heavy repairs of RM1.08 million as compared to a reversal of over-provision of heavy repair of RM2.89 million in preceding quarter, depreciation and amortisation of RM12.11 million (RM11.40 million) as well as lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL of RM1.41 million (Q3FY22: RM1.52 million).

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

Part B – Review of Income Statement (continued)

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

The operating revenue for the water treatment and supply division comprising metered sales, electricity and chemical rebates, was almost unchanged from the preceding quarter. The metered sales and the average MLD of metered sales recorded in SSP1 operations were as follows: -

SSP1	Q4 - 2022	Q3 - 2022	Variance (%)
Metered Sales (million m^3)	91.5	91.9	↓ 0.4%
Number of billing days	92	92	
Average MLD	995	999	↓ 0.4%

Despite the revenue being flat, the segment's operating profit was lower by RM3.85 million as compared to preceding quarter due to higher maintenance and rehabilitation expenses of RM5.92 million (Q3FY22: RM3.13 million) in the current quarter.

The construction division's revenue and profitability were lower mainly due to over-recognition of revenue and costs for the Rasau Projects in the preceding quarter, while the CRJ4 Project recorded a slightly higher revenue compared to preceding quarter.

Revenue contribution from Grand Saga, was higher by RM11.86 million due to higher ADT by 5.5% and higher toll compensation in the current quarter. In line with higher revenue, the operating profit was also higher by RM7.61 million. However, the higher operating profit was impacted by higher repair and maintenance expenses in the current quarter, coupled with a write-back of over-provision for heavy repairs in the preceding quarter.

As for Grand Sepadu, the company recorded a lower ADT by 1.3%. Nonetheless, the Group's share of results in Grand Sepadu was significantly higher at RM4.46 million due to toll compensation of RM21.90 million (Q3FY22: Nil) . However, the operating expenses for this quarter was higher mainly attributable to higher repair and maintenance expenses of RM3.11 million (Q3FY22: RM0.7 million) as well as depreciation and amortisation expenses of RM7.58 million (Q3FY22: RM3.81 million).

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

ADT	Q4 - 2022	Q3 - 2022	Variance (%)
Grand Saga Highway	154,991	146,936	↑ 5.5
Grand Sepadu Highway	85,973	87,074	↓ 1.3

The Group's share of losses of SWMEH was RM11.40 million as compared to RM5.63 million in the preceding quarter due to due to lower PAT recorded in SWMEH. At SWMEH's company level, the revenue from both solid waste collection and public cleansing services was not materially different. However, the company recorded a lower PAT at RM27.29 million as compared to RM43.78 million due to higher expenses, amongst others, provision for loss allowance on receivables, depreciation expenses and payroll related costs.

Part C – Review of Statement of Cash Flow

	12 Months ended 31 Dec 2022 RM'000 unaudited	12 Months ended 31 Dec 2021 RM'000 audited	Variance (%)
Net cash from operating activities	86,608	131,752	↓ 34
Net cash from investing activities	225,745	69,629	↑ > 100
Net cash used in financing activities	(325,733)	(203,770)	↑ 60

Net cash from operating activities was lower by RM45.14 million primarily attributable to the toll compensation of RM43.66 million by Grand Saga during the corresponding year, purchase of material for construction usage, which is currently classified as "Inventories", and lower repayment from trade and other receivables in the current financial year. However, the decline in net cash from operating activities were offset by lower payments to trade and other payables as compared to the previous year.

Net cash from investing activities was higher by RM156.12 million primarily due to the higher net proceeds from redemption of investments designated at FVTPL as compared to corresponding year and net cash inflow contributed by the Solar Acquisitions. However, the increase in net cash from investing activities is impacted by payment of acquisition of non-controlling interests.

Net cash outflow from financing activities was higher by RM121.96 million mainly due to repayment of previous shareholder's loans and external bank borrowings owing by the FIAHs pursuant to the Solar Acquisitions during the financial year.

B2 – Prospects

The profitability of the Group is largely driven by the performance of the water treatment and supply and the toll highway divisions as these segments contribute the bulk of the profits and cash flows to the Group. Demand for treated raw water is expected to remain robust for the following year whilst the toll division has seen significant improvements in the traffic volume over the past year. The Group is also expected to see significant contribution from the construction activities from the on-going Rasau Projects in the next two years. The addition of the solar renewable business during the year is a testament of the Group's continuous efforts to expand and diversify its business portfolio to reduce reliance on the existing core businesses. The renewables business is expected to contribute to sustainable earnings and cash flow streams to the Group.

The Group has a solid cash flow position, stemming from its water treatment and supply business and toll highway operations. The prompt payments received by the water treatment and supply segment and the receipt of toll collections bring about a steady stream of dividends from these business segments to the Company. This coupled with the available cash reserves in the Company has enabled the Company to declare consistent dividends to shareholders.

In the toll highway division, revenue from toll collections has improved, in line with higher ADT as the country entered the endemicity stage of the Covid-19 pandemic beginning April 2022. With all business sectors permitted to operate, economic activities have improved considerably. Both the Grand Saga and Grand Sepadu Highways achieved ADT levels that exceeded the ADT levels prior to the onset of the pandemic and the growth in the number of traffic traversing the highways, especially at the Grand Saga Highway, being a mature inter-urban highway, is expected to see gradual but moderate improvements with the opening of the Sungai Besi-Ulu Kelang Elevated Expressway in September 2022. On the other hand, the growth in ADT at the Grand Sepadu Highway was at a much slower pace but nonetheless, the traffic volume is anticipated to gradually pick up over the medium term with proposals being made to improve accessibility to the highway.

B2 – Prospects (continued)

In the construction segment, the Group recognised revenue and profit contribution from the Rasau Projects since the beginning of this year. Presently, the actual progress is relatively behind time when compared to the scheduled progress due to delays in securing the requisite approvals from the authorities and this has hampered the commencement of physical works as scheduled. The Group expects to secure the necessary approvals in 2023 and as such the bulk of the revenue and profit recognition will only materialise in 2023 and 2024 and perhaps into 2025 if the application for Extension of Time is granted in view of the delay which is beyond the control of the Group. Being significant in size, the Group regularly reviews the costs and opportunities to enhance the profit margin of the Rasau Projects either through competitive tendering of products and services in the procurement process, active monitoring of market prices of major raw materials to lock in the costs of major materials and equipment that are highly susceptible to price and currency fluctuations to minimise the exposure of these risks. The successful completion of the Rasau Projects remains as one of the top priorities of the Group and every effort is made towards achieving this goal. Given that time and resources will be tied up in completing the Rasau Projects, the Group would only be selective in projects to replenish its current order book.

In the waste management division, SWMEH registered higher revenue from both solid waste collection and public cleansing services mainly from increasing areas to be serviced. Nevertheless, its profitability is impacted by the delay in securing a tariff revision and increases in the operating expenditure including from the effects of the minimum wage increases from 1 May 2022, higher deduction of dividends on cumulative preferences shares held by parties other than the Group and provision made for long outstanding trade receivables. Currently, there are on-going discussions between SWMEH and the Ministry of Local Government Development for a second cycle tariff review under the terms of its concession agreement. Even though negotiations have been protracted since 2018, regular discussions are still on-going to resolve this long-drawn issue. In the meantime, SWMEH is steadfast in providing its services to the community and complying with the required service level as stipulated in the concession agreement.

As for the Renewables division, the financial results are consolidated to the Group since the completion of the Solar Acquisitions in the second quarter of this year. Continuous efforts are made to integrate the solar operations into the Group by strengthening the operations and implementing yield enhancement initiatives, including the adoption of best O&M practices, improved approval protocols, enhancement of governance, risk management, budgetary and internal controls. With the completion of the solar panel replacement at the TR Saterm’s solar facility towards the end of the current quarter, the Group anticipates that the enhanced panel efficiency would contribute positively to the Group’s financial performance in the ensuing years.

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

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

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

B4 – Profit before tax

	3 Months ended 31 Dec		12 Months ended 31 Dec	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
	unaudited	audited	unaudited	audited
Other operating income:				
Interest income on fixed deposits with licensed banks	708	842	2,258	2,081
Dividend from investments designated at FVTPL	617	1,157	2,107	6,418
Rental income	78	141	373	748
Gain on redemption of investments designated at FVTPL	114	-	1,984	21
Gain on foreign exchange (unrealised)	(246)	(1)	182	2
Interest income imputed on retention sum	-	(30)	-	-
Fair value changes	85	433	166	433
Reversal of loss allowance on trade and other receivables and amount due from contract customers	-	119	43	119
Gain on disposal of property, plant and equipment and sundry income	1,038	434	2,868	4,053
Gain on modification of leases	3,537	-	3,537	-
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(12,111)	(12,376)	(42,872)	(33,465)
Imputed interest on borrowing	(92)	(109)	(367)	(381)
Loss on redemption of investments designated at FVTPL	(25)	(201)	(126)	(291)
Loss on fair value changes	(21)	(60)	(199)	(66)
Loss allowance on trade and other receivables and amount due from contract customers	(189)	(864)	(226)	(917)
Loss on foreign exchange (unrealised)	5	(2)	(1)	(2)
Loss on foreign exchange (realised)	(6)	-	(17)	-
Reversal of interest income imputed on retention sum	15	(41)	(10)	(41)
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 associates and losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group.

	3 Months ended 31 Dec		12 Months ended 31 Dec	
	2022 RM'000 unaudited	2021 RM'000 audited	2022 RM'000 unaudited	2021 RM'000 audited
Malaysian income tax	8,008	2,675	30,910	12,405
Deferred tax expense	(10,132)	(822)	(15,466)	(791)
Total income tax expense	**(2,124)^**	**1,853***	**15,444**	**11,614***
Effective tax rate	(8.5) %	13.4%	18.9%	10.2%

* *The lower tax expense and effective tax rate were attributable to tax waiver enjoyed by Grand Saga. The tax waiver has since expired on 31 December 2021.*

^ *The negative effective tax rate in the current quarter arose from the recognition of deferred tax assets as the Group anticipates that sufficient taxable profits from the Rasau Projects would be available to offset the unused tax losses.*

B6 – Status of Corporate Proposals Announced but not Completed

There was no corporate proposal announced but not completed as of 9 February 2023, being a date not earlier than 7 days from the date of these interim financial statements.

B7 – Group Borrowings and Debt Securities

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

	Long term RM'000	Short term RM'000	Total RM'000
31 Dec 2022 (unaudited)			
Secured			
- IMTN	**298,907**	**30,000**	**328,907**
31 Dec 2021 (audited)			
Secured			
- IMTN	**328,540**	**30,000**	**358,540**

The RM420 million in nominal value IMTN Programme issued by Cerah Sama is repayable over eleven (11) annual instalments commencing 2020. During the financial year, the third tranche of the IMTN amounting to RM30 million in nominal value was redeemed in full at maturity in January 2022. As at the end of the financial year, the remaining balance of the IMTN tranches is RM330 million, which are repayable between 2023 and 2030.

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 fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 shares amounting to RM33,261,000, in respect of the financial year ended 31 December 2022, to be payable on 31 March 2023.

For the financial year ended 31 December 2022, the Board has declared a total single-tier dividend of 6.60 sen to shareholders amounting to RM133,044,000 (2021: 6.60 sen per share amounting to RM133,044,000).

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 year.

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

	3 Months ended 31 Dec		12 Months ended 31 Dec	
	2022 unaudited	2021 audited	2022 unaudited	2021 audited
Profit for the financial period/year attributable to owners of the Company	21,001	12,188	55,140	78,500
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)	**1.05**	**0.60**	**2.74**	**3.89**

B11 – Auditors' Reports

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

B12 –Assets Held-for-Sale /Investment Properties

The Group has accepted offers from third party buyers to acquire two of its investment properties and accordingly reclassified them as assets held-for-sale. Subsequently, the Group entered into conditional sale and purchase agreements with the buyers and the summary and status of the sales are listed below:

Nature of assets held-for-sale / investment properties	**Status as of the end of the financial year**
a) a parcel of land and building located in Kuah, Langkawi with a carrying amount of approximately RM694,000 as at the end of the financial year	A reclassification was made from Property, Plant and Equipment to Assets Held-for-Sale in Note 18 of the Audited Financial Statements. This transaction is pending completion.
b) a parcel of service condominium located in Pekan Serdang, Daerah Petaling, Negeri Selangor with a carrying amount of approximately RM110,000 as at the end of the financial year	A reclassification was made from Investment Properties to Assets Held-for-Sale during the year. The transaction has been completed during the current quarter. On completion, the Group received gross proceeds of RM240,000 and recognised a gain on disposal amounting to RM130,000.

B12 – Assets Held-for-Sale /Investment Properties (continued)

The disposal consideration for the investment property referred to in (a) above exceeded the carrying amount of the asset held-for-sale, and therefore, there is no impairment to the carrying amount as at the end of the reporting year pursuant to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

B13 – Investment Designated at FVTPL, Deposits, Bank and Cash Balances

As at the end of the financial year, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM217.11 million is RM47.52 million held as securities for banking facilities secured by the Group.

B14 – Restatement of Comparatives

Certain comparatives may differ from the unaudited financial results announced for the fourth quarter of 2021 as they have been adjusted to take into account the audited results of the Group for the financial year ended 31 December 2021.

B15– Authorisation for Release

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

By Order of the Board
Tai Yit Chan (MAICSA 7009143)
Chan Sau Leng (MAICSA 7012211)
Company Secretaries
16 February 2023