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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2023 (UNAUDITED)

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This Report is authorised by the Board for public release on 22 May 2023

KEY FINANCIAL HIGHLIGHTS

(in RM'000 unless specified otherwise)	3 months ended 31 March 2023 unaudited	3 months ended 31 March 2022 unaudited	Variance (%) #
Revenue	93,532	74,846	↑ 25
Gross profit	31,422	28,537	↑ 10
Profit before taxation **("PBT")**	15,660	17,041	↓ 8
Profit for the period	11,675	11,498	↑ 2
Earnings per share **("EPS")** (sen)	0.50	0.53	↓ 6
Dividends per share (sen)	1.65	1.65	-

\# *approximate, to the nearest digit*

- The Group recorded revenue of RM93.53 million, an increase of 25% or RM18.69 million compared to the corresponding period due to higher revenue from operating subsidiaries including contribution from the renewables segment which was acquired in the second quarter of the previous year.

- The increase in revenue in the water treatment and supply segment was primarily due to the increase in the Bulk Water Supply Rate from RM0.41/m^3 to RM0.42/m^3 with effect from 1 January 2023 as provided under the Bulk Water Supply Agreement with Pengurusan Air Selangor Sdn. Bhd. ("**BWSR Increase**") and electricity rebate in the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** operations. The increase in electricity rebate is primarily due to an increase in the Imbalance Cost Pass-Through ("**ICPT**") surcharge imposed by Tenaga Nasional Berhad ("**TNB**") from RM0.037/kWh to RM0.20/kWh effective 1 January 2023. The increase in the revenue of the Group was also driven by better performances from the construction, toll and renewables segments through contribution from Packages 2 and 3 of Phase 1 of the Sungai Rasau Water Treatment Plant and Water Supply Scheme **("Rasau Projects"),** higher Average Daily Traffic **("ADT")** as well as sales of electricity generated by solar photovoltaic plants respectively.

- In line with higher revenue, the Group registered a higher gross profit by 10% or by RM2.89 million.

- Despite the higher gross profit, PBT dropped by RM1.38 million or 8% to RM15.66 million as a result of higher share of losses of associates, higher depreciation and amortisation expenses and lower other operating income, primarily from the fair value measurement on the Group's investments designated at fair value through profit or loss **("FVTPL**").

- The profit for the period was almost similar to the corresponding period.

- EPS decreased by 6%, reflecting lower profit attributable to shareholders of the Company.

- The Board is pleased to declare a first interim single-tier dividend of 1.65 sen per share amounting to approximately RM33.26 million in respect of the financial year ending 31 December 2023 to be payable on 30 June 2023.

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Mar 2023 RM'000 (Unaudited)	31 Dec 2022 RM'000 (Audited)
ASSETS			
Property, plant and equipment		129,589	132,047
Right-of-use assets		34,804	35,750
Investment properties		98	99
Intangible assets		980,177	988,040
Investment in joint venture		70,904	73,783
Investment in associates		124,589	129,343
Other investment		200	200
Goodwill on consolidation		132,503	132,503
Long-term other receivable		15,561	15,561
Deferred tax assets		7,235	6,228
Deposits, cash and bank balances	B13	17,374	47,517
Total Non-Current Assets		**1,513,034**	**1,561,071**
Inventories		25,285	20,914
Trade receivables		64,225	74,758
Other receivables, deposits and prepayments		17,442	17,924
Tax recoverable		8,110	9,355
Investments designated at fair value through profit or loss	B13	97,310	120,740
Deposits, cash and bank balances	B13	76,174	48,854
		288,546	292,545
Assets held-for-sale	B12	694	694
Total Current Assets		**289,240**	**293,239**
TOTAL ASSETS		**1,802,274**	**1,854,310**
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Merger deficit		(71,500)	(71,500)
Currency translation reserve		(272)	(217)
Retained earnings		397,553	420,755
Total Equity Attributable to Owners of the Company		**764,135**	**787,392**
Non-controlling interests		262,075	260,459
Total Equity		**1,026,210**	**1,047,851**
LIABILITIES			
Long-term borrowings	B7	268,983	298,907
Lease liabilities		33,184	33,391
Long-term trade payables		-	1,050
Provisions		35,619	34,253
Deferred income		66,068	63,278
Deferred tax liabilities		246,086	248,139
Total Non-Current Liabilities		**649,940**	**679,018**

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Mar 2023 RM'000 (Unaudited)	31 Dec 2022 RM'000 (Audited)
LIABILITIES			
Trade payables		31,225	23,882
Amount due to contract customers		23,267	13,772
Other payables and accruals		22,066	37,176
Provisions		93	93
Short-term borrowings	B7	30,000	30,000
Lease liabilities		2,377	2,738
Deferred income		10,841	14,389
Tax liabilities		6,255	5,391
Total Current Liabilities		**126,124**	**127,441**
TOTAL LIABILITIES		**776,064**	**806,459**
TOTAL EQUITY AND LIABILITIES		**1,802,274**	**1,854,310**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
Revenue	A4,B1	**93,532**	**74,846**
Cost of operations		(62,110)	(46,309)
Gross profit		**31,422**	**28,537**
Other operating income		1,914	2,465
Administrative and other expenses		(9,012)	(7,595)
Operating profit		**24,324**	**23,407**
Finance costs		(4,405)	(4,501)
Share of results of joint venture		496	547
Share of results of associates		(4,755)	(2,412)
Profit before tax	B4	**15,660**	**17,041**
Income tax expense	B5	(3,985)	(5,543)
Profit for the financial period		**11,675**	**11,498**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(55)	-
Total comprehensive income for the financial period		**11,620**	**11,498**
Profit for the financial period attributable to:			
Owners of the Company		10,059	10,584
Non-controlling interests		1,616	914
		11,675	**11,498**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
Total comprehensive income for the financial period attributable to:			
Owners of the Company		10,004	10,584
Non-controlling interests		1,616	914
		11,620	**11,498**
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B10	0.50	0.53

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2023		**438,354**	**(71,500)**	**(217)**	**420,755**	**787,392**	260,459	**1,047,851**
Profit for the financial period		-	-		10,059	10,059	1,616	11,675
Other Comprehensive Income:								
Currency translation differences		-	-	(55)	-	(55)	-	(55)
Total comprehensive income for the financial period		-	-	(55)	10,059	10,004	1,616	11,620
Transactions with Owners of the Company:								
Dividends paid	A7	-	-	-	(33,261)	(33,261)	-	(33,261)
Total transactions with Owners of the Company		-	-	-	(33,261)	(33,261)	-	(33,261)
As of 31 Mar 2023 (unaudited)		**438,354**	**(71,500)**	**(272)**	**397,553**	**764,135**	**262,075**	**1,026,210**

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 2022	**438,354**	**(71,500)**	**537,949**	**904,803**	252,646	**1,157,449**
Profit for the financial period	-	-	10,584	10,584	914	11,498
Total comprehensive income for the financial period	-	-	10,584	10,584	914	11,498
Transactions with Owners of the Company:						
Dividend paid	-	-	(33,261)	(33,261)	-	(33,261)
Total transactions with Owners of the Company	-	-	(33,261)	(33,261)	-	(33,261)
As of 31 Mar 2022 (unaudited)	**438,354**	**(71,500)**	**515,272**	**882,126**	253,560	**1,135,686**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	15,660	17,041
Adjustments for:		
Non-cash items	13,258	6,402
Interest income	(465)	(406)
Finance costs	4,405	4,501
Operating Profit Before Working Capital Changes	32,858	27,538
Net decrease/(increase) in inventories, amount due from contract customers, trade and other receivables	15,911	(2,265)
Net decrease in trade, other payables and deferred income	(1,439)	(20,031)
Cash Generated From Operations	47,330	5,242
Income tax paid	(4,802)	(5,494)
Income tax refunded	-	39
Net Cash From/(Used in) Operating Activities	**42,528**	**(213)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	745	687
Property, plant and equipment:		
- Proceeds from disposal	37	112
- Purchases	(822)	(1,086)
Dividend received from a joint venture	3,375	-
Investments designated at FVTPL:		
- Purchase	(6,342)	(30,300)
- Proceeds from redemption	30,000	67,943
- Dividends received	740	-
Withdrawals of deposits pledged as security	30,145	30,907
Net Cash From Investing Activities	**57,878**	**68,263**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(9,083)	(9,438)
Repayment of borrowings	(30,017)	(30,000)
Repayment of lease liabilities	(665)	(669)
Dividends paid *(Note A7)*	(33,261)	(33,261)
Net Cash Used In Financing Activities	**(73,026)**	**(73,368)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**27,380**	**(5,318)**
Effect of Exchange Rate Changes	(60)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**48,854**	**62,227**
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**76,174**	**56,909**

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	73,781	56,194
Cash and bank balances	19,767	18,260
Total deposits, cash and bank balances	93,548	74,454
Less: Deposits pledged as security	(17,374)	(17,545)
	76,174	**56,909**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 2022 ("**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 period, 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 2023.

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 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 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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: -

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
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

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

Foreign currency	**31 Mar 2023** **RM**	**31 Dec 2022** **RM**
1 US Dollar (USD)	4.42	4.39

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

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 period.

A4 – Disaggregation of Revenue

The disaggregation of revenue was as follows:

	3 Months ended 31 Mar	
	2023 RM'000 unaudited	2022 RM'000 unaudited
Revenue from contracts with customers:		
Management, operations and maintenance of water treatment plants	52,021	45,223
Toll revenue and operator fee	18,340	16,935
Revenue from construction contracts	11,957	7,773
Management fees	1,250	1,250
Sales of electricity	6,416	-
	89,984	71,181
Revenue from other sources:		
Deferred income	3,548	3,665
Revenue as per Condensed Statement of Comprehensive Income	**93,532**	**74,846**
Timing of revenue recognition for revenue from contracts with customers:		
At a point in time	76,777	62,158
Over time	13,207	9,023
	89,984	**71,181**

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 period.

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

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

A7 – Dividends Paid

The total dividends paid to shareholders during the financial period amounted to RM33,261,000 (2022: RM33,261,000) as follows: -

On 16 February 2023, 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 2022 which was paid on 31 March 2023.

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 period and up to 15 May 2023 (being a date not earlier than 7 days from the date of these interim financial statements).

A10–Changes in Composition of the Group

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

A11 – Other Significant Events and Transactions

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

A12 - Operating Segments

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

3 Months ended 31 Mar	Water		Waste management		Construction		Toll highway		Renewables		Others		Total		Reconciliation		Amount as per Statement of Comprehensive Income	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	52,021	45,223	84,410	81,887	11,957	7,773	15,922	15,139	6,415	-	1,250	1,250	171,975	151,272	(78,443)	(76,426)	93,532	74,846
EBITDA(i)	15,192	15,752	11,554	14,465	254	104	12,260	11,764	5,479	-	(2,033)	(312)	42,706	41,773	(6,452)	(9,861)	36,254	31,912
Depreciation and amortisation	(90)	(79)	(1,551)	(1,347)	(6)	(61)	(6,086)	(5,564)	(2,864)	-	(773)	(896)	(11,370)	(7,947)	(560)	(558)	(11,930)	(8,505)
Operating profit	15,102	15,673	10,003	13,118	248	43	6,174	6,200	2,615	-	(2,806)	(1,208)	31,336	33,826	(7,012)	(10,419)	24,324	23,407
Finance costs	-	-	(7,149)	(7,083)	-	-	(2,443)	(2,787)	(130)	-	(342)	(167)	(10,064)	(10,037)	5,659	5,536	(4,405)	(4,501)
Share of results of joint venture	-		-		-		-		-	-	-		-		496	547	496	547
Share of results of associate	-		-		-		-		-	-	-		-		(4,755)	(2,412)	(4,755)	(2,412)
Profit before tax	15,102	15,673	2,854	6,035	248	43	3,731	3,413	2,485	-	(3,148)	(1,375)	21,272	23,789	(5,612)	(6,748)	15,660	17,041
Income tax expense	(3,458)	(3,543)	(5,173)	(6,653)	-	-	(1,194)	(1,556)	97	-	612	-	(9,116)	(11,752)	5,131	6,209	(3,985)	(5,543)
Profit for the financial year	11,644	12,130	(2,319)	(618)	248	43	2,537	1,857	2,582	-	(2,536)	(1,375)	12,156	12,037	(481)	(539)	11,675	11,498
EBDA(ii)	11,734	12,209	(768)	729	254	104	8,623	7,421	5,446	-	(1,763)	(479)	23,526	19,984	79	19	23,605	20,003
Capex(iii)	69	41	9,100	1,437	90	1,005	166	47	393	-	55	16	9,873	2,546	-	-	-	-

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 period.

Notes

1. *The Group monitors the performance of its business by five main business divisions namely water treatment and supply, construction, toll highway, waste management 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.*

As at 31 Mar	Water treatment and supply		Waste management		Construction		Toll highway		Renewables		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
Segment assets	131,742	130,179	111,299	138,050	53,790	16,833	1,237,007	1,264,877	176,208	-	92,228	313,954	1,802,274	1,863,893
Segment liabilities	(26,748)	(23,169)	-	-	(48,890)	(10,160)	(632,276)	(680,280)	(39,365)	-	(28,785)	(14,598)	(776,064)	(728,207)
Net segment assets	**104,994**	**107,010**	**111,299**	**138,050**	**4,900**	**6,673**	**604,731**	**584,597**	**136,843**	-	**63,443**	**299,356**	**1,026,210**	**1,135,686**

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

B1 – Overall Review of Group's Financial Performance

Part A – Review of Statement of Financial Position

	As at 31 Mar 2023 (unaudited) RM'000	As at 31 Dec 2022 (audited) RM'000	Variance (%) #
Total assets	1,802,274	1,854,310	↓ 3
Total liabilities	776,064	806,459	↓ 4
Total shareholders' equity	1,026,210	1,047,851	↓ 2
Return on equity (%)*	1.1	6.0	↓ 82
Net assets per share (sen)	37.91	39.06	↓ 3

* *Return on Equity is calculated by dividing the profit for the financial period/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 3% or approximately RM52.04 million as compared to the Audited Financial Statements mainly due to a reduction in the following carrying amounts: -

(i) investments designated at FVTPL, cash and bank balances of approximately RM26.25 million. The decrease in the cash reserves of the Group was principally due to 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")** and interest payments during the financial period, which were then mitigated by receipt of toll compensation by Grand Saga Sdn Bhd ("**Grand Saga**") during the current quarter;

(ii) trade and other receivables by approximately RM11.02 million due to the receipt of toll compensation of RM11.25 million by Grand Saga;

(iii) intangible assets by approximately RM7.86 million due to amortisation charges; and

(iv) investments in associates by approximately RM4.75 million due to share of losses of certain associates during the financial period.

Nevertheless, the decrease in total assets was mitigated by the increase in Inventories by RM4.38 million arising from recognition of costs of materials purchased and delivered on-site but not yet installed or consumed in the Group's construction activities.

(b) Total liabilities declined by 4% or approximately RM30.40 million mainly due to reduction of borrowings from the redemption of the third tranche of the IMTN of RM30.00 million and interest payables of RM4.67 million, as well as lower other payables and accruals. However, the reduction was mitigated by the increase in trade payables and amount due to contract customers by RM6.29 million and RM9.50 million respectively.

(c) Total shareholders' equity was lower by 2% or about RM21.64 million on account of total dividends paid of 1.65 sen per share to shareholders of the Company exceeding the EPS for the financial period of 0.50 sen per share. Correspondingly, the net assets per share declined to 37.91 sen compared to 39.06 sen as of 31 December 2022.

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 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
Revenue		
Water treatment and supply	52,021	45,223
Construction	11,957	7,773
Toll highway	21,888	20,600
Renewables	6,416	-
Others	1,250	1,250
Revenue as per Condensed Statement of Comprehensive Income	**93,532**	**74,846**

Profit Before Tax

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited
Water treatment and supply	15,102	15,673
Construction	239	38
Toll highway	9,173	8,903
Renewables	2,615	-
Others	(2,805)	(1,207)
Operating profit	**24,324**	**23,407**
Finance cost	(4,405)	(4,501)
Share of results of joint venture	496	547
Share of results of associates	(4,755)	(2,412)
Profit before tax for the financial period	**15,660**	**17,041**

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

Overall Summary

For the current quarter, the Group posted a revenue of RM93.53 million, an increase of RM18.69 million from RM74.85 million in the corresponding quarter, contributed by operating subsidiaries. SSP1 operations, the sole-source of revenue for the water treatment and supply segment, recorded higher revenue contribution due to the BWSR Increase and electricity rebates during the current quarter. The higher electricity rebates arose from higher electricity cost due to an increase in TNB's ICPT surcharge effective 1 January 2023.

In the toll division, revenue was higher in line with the growth in the ADT whereas for the construction segment, the increase in revenue was attributed to the Rasau Projects. As the Group acquired the renewables segment in the second quarter of last year, it recorded revenue from the sales of electricity of about RM6.42 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)

Despite achieving higher revenue, the Group reported a lower PBT of RM15.66 million, compared to RM17.04 million in the corresponding quarter. The lower PBT was attributable mainly to the following: -

(a) higher share of losses from an associate, SWM Environment Holdings Sdn Bhd ("**SWMEH**") of RM5.23 million as compared to RM2.85 million in the corresponding quarter; and

(b) lower fair value gain of RM0.17 million (Q1FY22: RM1.04 million) from mark-to-market valuation of the Group's investments designated at FVTPL during the current quarter as disclosed in Note B4.

However, the Group recorded higher net returns of RM1.27 million (Q1FY22: RM0.97 million) from interest income, dividend and net gain on redemption from investments designated at FVTPL.

Water treatment and supply

The operating revenue for the water treatment and supply segment comprise metered sales, electricity and chemical rebates. Despite the drop in metered sales in the SSP1 operations, the segment's operating revenue recorded an increase from RM45.22 million to RM52.02 million due to the BWSR Increase and higher electricity rebates of RM13.44 million (Q1FY22: RM6.67 million). Revenue comprised of operating income of RM37.01 million (Q1FY22: RM36.86 million) and electricity and chemical rebates of RM15.01 million (Q1FY22: RM8.36 million) respectively. However, the increase in the electricity rebate has no impact to the SSP1 operations as it is a pass-through mechanism by which the increase in the electricity cost incurred is then passed on to Pengurusan Air Selangor Sdn. Bhd in the form of electricity rebate.

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

SSP1	**Q1 - 2023**	**Q1 - 2022**	**Variance (%)**
Metered Sales (million m^3)	88.12	89.91	↓ 2.0
Number of billing days	90	90	
Average MLD	979	999	↓ 2.0

Despite the higher revenue, the segment's operating profit decreased slightly, dropping from RM15.67 million in the corresponding quarter to RM15.10 million in the current quarter. The decrease in operating profit in the current quarter was attributable to higher operating costs, amongst others, RM4.27 million in maintenance and rehabilitation expenditure (Q1FY22: RM3.28 million). However, the decrease in operating profit in the current quarter was mitigated by higher net return from interest income, dividend and net gain on redemption from investments designated at FVTPL.

Construction

The construction revenue for the current quarter was significantly higher by RM4.18 million mainly due to higher contribution from the Rasau Projects, while the 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**") decreased compared to the corresponding quarter as the project is nearing completion.

In line with increase in revenue, the segment recorded a slightly higher operating profit of RM0.24 million as compared to RM0.04 million in the corresponding 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)

Toll highway – Subsidiary

ADT	Q1 – 2023	Q1 – 2022	Variance (%)
Grand Saga Highway	155,627	139,940	↑ 11.2

Revenue contribution from Grand Saga, was higher by RM1.29 million, or ADT up by 11.2% due to the opening of the Sungai Besi-Ulu Kelang Elevated Expressway in September 2022, and movement control orders remained in force in the corresponding quarter. As a result of the revenue growth, the segment's operating profit was slightly increase to RM9.17 million from RM8.90 million in the corresponding quarter. However, the increase in operating profit was offset by higher amortisation of intangible assets of RM7.86 million (Q1FY22: RM7.12 million).

Toll highway – Share of results of joint venture

ADT	Q1 – 2023	Q1 – 2022	Variance (%)
Grand Sepadu Highway	87,984	82,689	↑ 6.4

The ADT on the Grand Sepadu Highway increased by 6.4% in the current quarter due to movement control orders that remained in force in the corresponding quarter. Nevertheless, the Group's share of results in Grand Sepadu was slightly lower as compared to the corresponding quarter mainly attributable to higher operating costs in the current quarter, amongst others, depreciation and amortisation expenses of RM3.92 million (Q1FY22: RM3.55 million).

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 RM5.23 million as compared to RM2.85 million in the corresponding quarter due to lower PAT recorded by SWMEH and higher adjustments made by the Group of RM61.09 million (Q1FY22: RM59.14 million) to SWMEH's PAT.

At SWMEH's company level, the revenue from both solid waste collection and public cleansing services was higher by 3.1% 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 RM46.15 million compared to RM51.01 million mainly due to higher expenses such as provision for loss allowance on receivables and payroll related costs as a result of higher headcount and an upward revision in the minimum wages from RM1,200 to RM1,500 with effect from 1 May 2022. However, these were mitigated by lower subcontractor costs in the current quarter.

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

Part B – Review of Income Statement (continued)

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

Revenue

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Dec 2022 RM'000 unaudited
Water treatment and supply	52,021	46,751
Construction	11,957	(1,484)
Toll highway	21,888	33,737
Renewables	6,416	5,601
Others	1,250	1,250
Total revenue as per Condensed Statement of Comprehensive Income	**93,532**	**85,855**

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Dec 2022 RM'000 unaudited
Profit Before Tax		
Water treatment and supply	15,102	12,723
Construction	239	(609)
Toll highway	9,173	20,365
Renewables	2,615	2,659
Others	(2,805)	1,076
Operating profit	**24,324**	**36,214**
Finance cost	(4,405)	(4,457)
Share of results of joint venture	496	4,462
Share of results of associates	(4,755)	(11,170)
Profit before tax for the financial period	**15,660**	**25,049**

The Group recorded an increase in revenue of RM7.68 million from RM85.86 million to RM93.53 million, primarily due to higher contribution from operating subsidiaries, except for toll segment, which benefited from a toll compensation recognised in the preceding quarter.

Despite higher revenue, the Group's PBT decreased to RM15.66 million from RM25.05 million in the preceding quarter. The lower PBT in the current quarter was primarily attributable to toll compensation in the joint venture and the Gain on Modification on Leases as well as higher gain on disposal of property, plant and equipment and sundry income recognised in the previous quarter. However, the decrease in PBT was mitigated by lower share of losses of associates coupled with lower maintenance and rehabilitation expenses of RM5.10 million (Q4FY22: RM7.47 million).

In the current quarter, the segment's operating revenue increase from RM46.75 million to RM52.02 million, primarily due to higher electricity rebates of RM13.44 million (Q4FY22: RM7.51 million) in the SSP1 operations as a result of higher ICPT surcharge. Revenue comprised of operating income of RM37.01 million (Q4FY22: RM37.51 million) and electricity and chemical rebates of RM15.01 million (Q4FY22: RM9.24 million) respectively.

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

Part B – Review of Income Statement (continued)

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

Despite the BWSR Increase, the metered sales and the average MLD of metered sales recorded in SSP1 operations were lower due to a lesser number of billing days, as shown below: -

SSP1	Q1 - 2023	Q4 - 2022	Variance (%)
Metered Sales (million m^3)	88.12	91.50	↓ 3.7%
Number of billing days	90	92	
Average MLD	979	995	↓ 1.6%

Despite the lower metered sales, the segment reported a higher operating profit in the current quarter due to lower maintenance and rehabilitation expenses, amounting to RM4.27 million (Q4FY22: RM5.92 million) in the current quarter.

The construction division's revenue and profitability were higher mainly due to adjustment on over-recognition of revenue and costs for the Rasau Projects in the preceding quarter.

The revenue contribution from the renewables segment has shown an increase compared to the previous quarter, attributable to improved panel efficiency following the completion of the solar panel replacement at the solar facility operated by TR SaTerm Sdn. Bhd. ("TR SaTerm") in the previous quarter. Nevertheless, the segment's operating profit was lower due to higher operating costs such as repair and maintenance, as well as lower sundry income recorded in the current quarter.

Revenue contribution from Grand Saga, was significantly lower by RM11.85 million, despite a marginal increase in ADT by 0.4% due to a toll compensation of RM11.25 million recognised in the preceding quarter. The operating profit was also lower by RM11.19 million in line with lower revenue and higher amortisation expenses. However, the lower operating profit was mitigated by lower repair and maintenance expenses in the current quarter of RM0.43 million (Q4FY22: RM2.42 million).

As for Grand Sepadu, the company recorded a higher ADT by 2.3%. Nonetheless, the Group's share of results in Grand Sepadu was significantly lower at RM0.50 million due to the toll compensation of RM21.90 million recognised in the preceding quarter. Nevertheless, the lower of share of results was mitigated by lower repair and maintenance of RM0.47 million (Q4FY22: RM3.11 million), as well as lower depreciation and amortisation expenses of RM3.92 million (Q4FY22: RM7.58 million).

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

ADT	Q1 - 2023	Q4 - 2022	Variance (%)
Grand Saga Highway	155,627	154,991	↑ 0.4
Grand Sepadu Highway	87,984	85,973	↑ 2.3

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

Part B – Review of Income Statement (continued)

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

The Group's share of losses of SWMEH was RM5.23 million as compared to RM11.40 million in the preceding quarter due to due to higher 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 higher PAT at RM46.15 million as compared to RM27.29 million due to lower provision for loss allowance on receivables, depreciation expenses and subcontractor costs in the current quarter.

Part C – Review of Statement of Cash Flow

	3 Months ended 31 Mar 2023 RM'000 unaudited	3 Months ended 31 Mar 2022 RM'000 unaudited	Variance (%)
Net cash from/(used in) operating activities	42,528	(213)	↑ > 100
Net cash from investing activities	57,878	68,263	↓ 15
Net cash used in financing activities	(73,026)	(73,368)	-

Net cash from operating activities was higher by RM42.74 million primarily attributable to the receipt of toll compensation of RM11.25 million by Grand Saga during the current quarter, prompt payments from trade receivables and contract customers, as well as lower payments to trade and other payables as compared to the corresponding period.

Net cash from investing activities was lower by RM10.39 million primarily due to the lower net proceeds from redemption of investments designated at FVTPL as compared to corresponding period. However, the decrease in net cash from investing activities was mitigated by dividend received from a joint venture, Grand Sepadu.

Net cash outflow from financing activities was not materially different as compared to the corresponding period.

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 current year onwards. The addition of the solar renewable business in the previous 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 delivered consistent cash flow, 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.

For 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 1 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, mainly due to the drop in the amount of traffic at the Bukit Raja toll plaza with the opening of Persiaran Astana at Meru towards Setia Alam. Nonetheless, the traffic volume is anticipated to gradually pick up over the medium term with proposals being made to improve accessibility to the highway.

For the construction segment, the Group recognised revenue and profit contribution from the Rasau Projects since the beginning of 2022. 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 as and when 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.

For the waste management division, SWMEH registered higher revenue from both solid waste collection and public cleansing services mainly from increasing areas to be serviced as well as resumption of cleansing activities at certain areas upon transition to the endemic phase of the Covid-19 pandemic. Nevertheless, its profitability is impacted by the delay in securing a tariff revision and increases in the operating expenditure including 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.

B2 – Prospects (continued)

As for the renewables division, the financial results have improved in the current quarter following the completion of the solar panel replacement at the TR SaTerm's solar facility. The Group expects that the improved panel efficiency will continue to have a positive impact on the Group's financial performance in the coming 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 Mar	
	2023	2022
	RM'000	RM'000
	unaudited	unaudited
Other operating income:		
Interest income on fixed deposits with licensed banks	465	406
Dividend from investments designated at FVTPL	740	308
Rental income	98	119
Gain on redemption of investments designated at FVTPL	61	266
Gain on foreign exchange (realised)	1	-
Gain on foreign exchange (unrealised)	81	4
Fair value changes	167	1,035
Reversal of loss allowance on trade and other receivables and amount due from contract customers	-	2
Gain on disposal of property, plant and equipment and sundry income	300	324
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(11,929)	(8,505)
Imputed interest on borrowing	(76)	(91)
Loss on redemption of investments designated at FVTPL	-	(7)
Loss on fair value changes	-	(5)
Loss on foreign exchange (unrealised)	(32)	-
Loss on foreign exchange (realised)	(1)	-
Reversal of interest income imputed on retention sum	(70)	(51)

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 Mar	
	2023	2022
	RM'000	RM'000
	unaudited	unaudited
Malaysian income tax	7,045	7,252
Deferred tax expense	(3,060)	(1,709)
Total income tax expense	**3,985**	**5,543**
Effective tax rate	25.4%	32.5%

B6 – Status of Corporate Proposals Announced but not Completed

There was no corporate proposal announced but not completed as of 15 May 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 Mar 2023 (unaudited)			
Secured			
- IMTN	**268,983**	**30,000**	**298,983**
31 Mar 2022 (unaudited)			
Secured			
- IMTN	**298,630**	**30,000**	**328,630**

The RM420 million in nominal value IMTN Programme issued by Cerah Sama is repayable over eleven (11) annual instalments commencing 2020. During the financial period, the fourth tranche of the IMTN amounting to RM30 million in nominal value was redeemed in full at maturity in January 2023. As at the end of the financial period, the remaining balance of the IMTN tranches is RM300 million, which are repayable between 2024 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 first 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 ending 31 December 2023, to be payable on 30 June 2023.

For the dividend year-to-date for the financial year ending 31 December 2023, the Board has declared a total single-tier dividend of 1.65 sen to shareholders amounting to RM33,261,000 (2022: 1.65 sen per share amounting to RM33,261,000).

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 Mar	
	2023 unaudited	2022 unaudited
Profit for the financial period attributable to owners of the Company (RM'000)	10,059	10,584
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	**0.50**	**0.53**

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

In 2021, the Group has accepted a purchase offer from a third-party buyer for the disposal of a parcel of land and building located in Kuah, Langkawi for a cash consideration of RM2.5 million, and the assets were classified as assets held-for-sale. This transaction is expected to be completed in the next quarter.

As the disposal consideration exceeded the carrying amount of the assets held-for-sale, there is no impairment to the carrying amount as at the end of the reporting period 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 period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM190.86 million is RM17.37 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 2022 as they have been adjusted after taking into account the audited results of the Group for the financial year ended 31 December 2022.

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 Yuen Ling (LS0008513)
Tai Yit Chan (MAICSA 7009143)
Company Secretaries
22 May 2023