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

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

CONTENTS

This Report is authorised by the Board for public release on 28 May 2019

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Mar 2019 RM'000	31 Dec 2018 RM'000 Audited
ASSETS			
Property, plant and equipment		11,296	12,030
Investment properties		231	233
Intangible assets		1,093,705	1,100,762
Investment in joint venture		67,004	71,434
Investment in associates		180,147	182,431
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Lease assets		15,294	-
Deferred tax assets		17,904	17,172
Long-term trade receivables	A1(b)	593,417	599,631
Deposits, cash and bank balances	B12	26,983	26,828
Total Non-Current Assets		**2,135,606**	**2,140,146**
Inventories		1,439	1,258
Amount due from contract customers		8,513	9,104
Trade receivables	A1(b)	150,230	127,902
Other receivables, deposits and prepayments		11,594	12,432
Tax recoverable		1,263	1,277
Investments designated at fair value through profit or loss ("FVTPL")	B12	57,430	61,905
Deposits, cash and bank balances	B12	74,570	89,835
Total Current Assets		**305,039**	**303,713**
TOTAL ASSETS		**2,440,645**	**2,443,859**
EQUITY AND LIABILITIES			
Share capital		438,354	438,354
Reserves		602,581	618,495
Total Equity Attributable to Owners of the Company		**1,040,935**	**1,056,849**
Non-controlling interests		267,903	265,443
Total Equity		**1,308,838**	**1,322,292**
LIABILITIES			
Long-term borrowings	B7	437,199	437,064
Lease liabilities		17,215	-
Long-term trade payables		1,763	1,534
Provision for heavy repairs		18,201	17,170
Deferred income		124,217	124,217
Deferred tax liabilities		235,031	235,260
Total Non-Current Liabilities		**833,626**	**815,245**
Trade payables		207,630	199,737
Other payables and accruals		39,721	53,926
Dividend payable	A6(b)	24,190	24,190
Short-term borrowings	B7	10,036	10,058
Lease liabilities		1,514	-
Deferred income		13,014	17,273
Tax liabilities		2,076	1,138
Total Current Liabilities		**298,181**	**306,322**
TOTAL LIABILITIES		**1,131,807**	**1,121,567**
TOTAL EQUITY AND LIABILITIES		**2,440,645**	**2,443,859**
Net assets attributable to owners of the Company (sen per share)		**51.64**	**52.43**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Mar 2018 RM'000
Revenue	B1	**88,874**	**81,723**
Cost of operations		(53,918)	(51,599)
Gross profit		**34,956**	**30,124**
Other operating income		2,397	1,895
Administrative and other expenses		(10,887)	(12,743)
Operating profit		**26,466**	**19,276**
Finance costs		(5,776)	(5,125)
Share of results of joint venture		70	53
Share of results of associates		(2,284)	(1,254)
Profit before tax	B4	**18,476**	**12,950**
Income tax expense	B5	(4,366)	(2,982)
Profit for the financial period/ Total comprehensive income		**14,110**	**9,968**
Profit for the financial period/ Total comprehensive income attributable to:			
Owners of the Company		11,650	7,597
Non-controlling interests		2,460	2,371
		14,110	**9,968**
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B9	0.58	0.38

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital	Merger deficit	Retained earnings	Total	Non-controlling interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2019, as previously stated		**438,354**	**(71,500)**	**689,995**	**1,056,849**	**265,443**	**1,322,292**
Effects of adoption of MFRS 16	A1(a)	-	-	(3,374)	(3,374)	-	(3,374)
As of 1 January 2019, as restated		**438,564**	**(71,500)**	**686,621**	**1,053,475**	**265,443**	**1,318,918**
Profit for the financial period		-	-	11,650	11,650	2,460	14,110
Total comprehensive income for the financial period		-	-	11,650	11,650	2,460	14,110
Transactions with owners of the Company:							
Dividend payable	A6(b)	-	-	(24,190)	(24,190)	-	(24,190)
Total transactions with owners of the Company		-	-	(24,190)	(24,190)	-	(24,190)
As of 31 March 2019		**438,354**	**(71,500)**	**674,081**	**1,040,935**	**267,903**	**1,308,838**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
As of 1 January 2018, as previously stated	**438,561**	**173**	**(71,500)**	**686,300**	**1,053,534**	**274,336**	**1,327,870**
Effects of adoption of MFRS 9	-	(173)	-	173	-	-	-
As of 1 January 2018, as restated	**438,561**	**-**	**(71,500)**	**686,473**	**1,053,534**	**274,336**	**1,327,870**
Profit for the financial period	-	-	-	7,597	7,597	2,371	9,968
Total comprehensive income for the financial period	-	-	-	7,597	7,597	2,371	9,968
Transactions with owners of the Company:							
Dividend payable	-	-	-	(24,190)	(24,190)	-	(24,190)
Total transactions with owners of the Company	-	-	-	(24,190)	(24,190)	-	(24,190)
As of 31 March 2018	**438,561**	**-**	**(71,500)**	**669,880**	**1,036,941**	**276,707**	**1,313,648**

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

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Mar 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,476	12,950
Adjustments for:		
Non-cash items	6,499	16,550
Interest income	(861)	(836)
Finance costs	5,776	5,125
Operating Profit Before Working Capital Changes	29,890	33,789
Net increase in inventories, amount due from contract customers, trade and other receivables	(14,389)	(15,710)
Net (decrease)/ increase in amount due to contract customers, trade and other payables and deferred income	(2,040)	10,226
Cash Generated From Operations	13,461	28,305
Income tax paid	(2,931)	(5,411)
Income tax refunded	-	2
Repayment of operating lease interest	(255)	-
Net Cash From Operating Activities	**10,275**	**22,896**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	840	1,026
Property, plant and equipment:		
- Proceeds from disposal	-	74
- Purchase	(145)	(878)
Consideration received from disposal of an associate	-	358
Dividend income from a joint venture	4,500	-
Investments designated at FVTPL:		
- purchase	(19,300)	-
- proceeds from redemption	24,274	-
Withdrawal of deposits pledged as security	-	3,145
Net Cash From Investing Activities	**10,169**	**3,725**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,990)	(10,535)
Repayment of finance lease payables	(22)	(40)
Repayment of operating lease payables	(505)	-
Dividends paid *(Note A6(a))*	(24,190)	(24,190)
Net Cash Used In Financing Activities	**(35,707)**	**(34,765)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(15,263)**	**(8,144)**
Effects of foreign exchange rate changes	(2)	(791)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	**89,835**	**111,490**
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**74,570**	**102,555**

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Mar 2018 RM'000
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	88,909	93,482
Cash and bank balances	12,644	39,070
Total deposits, cash and bank balances	101,553	132,552
Less: Deposits pledged as security	(26,983)	(29,997)
	74,570	**102,555**

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

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

A1 – Basis of Preparation

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

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

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

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

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

MFRSs, Amendments to MFRSs and IC Interpretation

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

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

MFRS 16 Leases

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

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

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

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

A1 – Basis of Preparation (Continued)

Impact of the new definition of a lease

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

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

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

(a) Leases in which the Group is a lessee

Operating leases

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

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

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

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

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

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

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

A1 – Basis of Preparation (Continued)

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

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

Finance leases

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

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

(b) Leases in which the Group is a lessor

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

Standards in issue but not yet effective

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

MFRS 17	Insurance Contracts
Amendments to MFRS 3	Definition of Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to References to the Conceptual Framework in MFRS Standards

A1 – Basis of Preparation (continued)

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

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

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

In these interim financial statements, critical judgments, estimates and assumptions were made to the classification and carrying amount of a trade receivable in Sungai Harmoni Sdn Bhd ("**SHSB**"), a wholly owned subsidiary of the Company, as follows: -

(i) In 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn Bhd **("Air Selangor")**, an entity identified by the Selangor state government, to take over the water supply and distribution services in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya **("Supply Area")** by acquiring all the concessionaires **("Water Restructuring Exercise")** namely, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd **("SPLASH")**, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1 and 3, Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 2, Syarikat Bekalan Air Selangor Sdn Bhd **("SYABAS")**, the concessionaire for the distribution of treated water in the Supply Area and Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd **("ABASS")**. ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

(ii) The Selangor state government, through Air Selangor, completed the acquisitions of Puncak Niaga (M) Sdn Bhd and SYABAS in October 2015 and Titisan Modal (M) Sdn Bhd in January 2016 whereas the acquisition of SPLASH was recently completed in April 2019. As part of the Water Restructuring Exercise, all concession agreements related to the water supply and distribution in the Supply Area will be terminated effective from the date to be determined by Air Selangor.

(iii) On 21 August 2018, SHSB received a letter of offer from Air Selangor *(which was duly accepted on 27 August 2018)* setting out the (i) key terms of settlement between Air Selangor, SPLASH and SHSB relating to SHSB's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** under its existing Operations and Maintenance Agreement dated 24 January 2000 for operations and maintenance of SSP1 **(" Existing OMA")** with SPLASH; and the (ii) key terms in respect of the new bulk water supply agreement with Air Selangor in relation to the appointment of SHSB for the operations and maintenance of SSP1 and the supply of treated water ("**BWSA**").

(iv) On 24 May 2019, the Company announced that SHSB entered into the following agreements:-

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

(b) the BWSA; and

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

Further details of the announcement by the Company on the above can be downloaded from http://www.bursamalaysia.com/market/listed-companies/company-announcements/6170277.

A1 – Basis of Preparation (continued)

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

(v) As at the end of the financial period, the outstanding amount payable under the Existing OMA amounted to RM750.023 million (31.12.2018: RM726.016 million). Under the terms of the TSA, SPLASH will pay 90% of all sums due and payable to SHSB under the Existing OMA accumulated as at 30 September 2018 until the date that all conditions precedents are met. Upon the TSA becoming unconditional, the Group will recognise a gain on modification on the amount due from SPLASH arising from the de-recognition of the original sums due and payable to SHSB and the recognition of a new financial asset at its fair value pursuant to MFRS 9 Financial Instruments.

(vi) Based on the terms of the TSA, the Group has recognised a loss allowance on the amount due from SPLASH at a lifetime Expected Loss Allowance rate of 10%. The following table summarises the impact of the loss allowance in the statement of profit or loss:-

	3 Months Ended		
	31 Mar 2019 RM'000	31 Mar 2018 RM'000	31 Dec 2018 RM'000
Reversal/(Recognition) of loss allowance in:			
- revenue	-	(8,967)	8,967
- other operating income	592	-	65,337
- administrative and other expenses	-	(1,020)	1,020
Net impact to profit or loss for the period	**592**	**(9,987)**	**75,324**

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 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.

A4 – Accounting Estimates

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

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

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

A6 – Dividends Paid

The total dividends paid to shareholders during the financial year amounted to RM24,189,811 (2017: RM24,189,780) as follows:

A6 – Dividends Paid (continued)

(i) On 26 November 2018, the Board declared a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares, amounting to RM24,189,811 in respect of the financial year ended 31 December 2018. The dividends were paid on 31 January 2019; and

(ii) On 28 February 2019, the Board declared a fourth interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares, amounting to RM24,189,811 in respect of the financial year ended 31 December 2018. The dividends were paid on 27 May 2019 and these have been included as dividends payable in these interim financial statements.

A7 – Material Subsequent Events

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

A8 – Changes in Composition of the Group

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

A9 – Other Significant Events and Transactions

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

A10 - Operating Segments

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

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Amount as per Statement of comprehensive income	
3 months ended 31 Mar	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income Statement																
Revenue	62,999	60,199	78,384	75,715	12,354	7,770	15,833	15,288	1,316	1,316	170,886	160,288	(82,012)	(78,565)	88,874	81,723
Operating profit	22,236	23,433	27,003	22,973	1	(530)	9,596	6,822	(2,284)	(4,793)	56,552	47,905	(30,086)	(28,629)	26,466	19,276
Profit/(Loss) before tax	22,214	23,433	20,735	17,198	(39)	(532)	3,478	3,229	(2,938)	(4,793)	43,450	38,535	(24,974)	(25,585)	18,476	12,950
Profit/(Loss) after tax	17,659	20,283	15,758	13,070	(39)	(532)	3,008	2,899	(2,938)	(4,793)	33,448	30,927	(19,338)	(20,959)	14,110	9,968
Other Financial Information																
Depreciation and amortisation	(238)	(228)	(7,613)	(10,305)	(165)	(117)	(5,704)	(5,527)	(685)	(460)	(14,405)	(16,637)	5,944	8,468	(8,461)	(8,169)
EBITDA	22,474	23,661	23,534	22,195	166	(413)	15,300	12,350	(1,599)	(4,333)	59,875	53,460	(24,948)	(26,013)	34,927	27,447
EBDA	17,897	20,511	12,288	12,292	126	(415)	8,712	8,426	(2,253)	(4,333)	36,770	36,481	(14,199)	(18,344)	22,571	18,137
CAPEX	57	155	1,522	3,253	69	-	50	196	-	351	1,698	3,955				

A10 - Operating Segment (continued)

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

Notes

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

2. *The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Statements of Profit or Loss and Other Comprehensive Income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.*

3. *The segmental information on the water treatment, supply and distribution division excludes the effects of adoption of MFRS 9 and MFRS 15 as disclosed in Note A1(b)(vii) above to better assess the operational performance of the division.*

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

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total	
As at 31 Mar	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	777,957	577,913	169,724	219,868	33,139	46,967	1,425,582	1,460,141	34,243	52,730	2,440,645	2,357,619
Segment liabilities	(217,706)	(152,734)	-	-	(18,147)	(30,775)	(812,883)	(825,914)	(83,071)	(34,548)	(1,131,807)	(1,043,971)
Net segment assets	**560,251**	**425,179**	**169,724**	**219,868**	**14,992**	**16,192**	**612,699**	**634,227**	**(48,828)**	**18,182**	**1,308,838**	**1,313,648**

PART B – DISCLOSURES PURSUANT TO PARAGRAPH 9.22 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

With the execution of the TSA, the long outstanding receivables from SPLASH will be resolved and the Group expects that its cash flow position will be further strengthen.

On the initial application of MFRS 16 as at 1 January 2019, the Group recognised right-of-use assets and lease liabilities amounting to RM15.3 million and RM18.7 million respectively in the statement of financial position. Subsequently, these amount will be expensed off to profit or loss over the lease term by way of depreciation of right-of-use assets and interest expense on lease liabilities.

The Group's trade payables increased from RM201.2 million as at the last audited financial statements to RM209.4 million mainly due to the increase in trade payables in SHSB, owing to the partial payments received from SPLASH which limits the ability of SHSB to pay its creditors in full. However, in light of the issue of the high trade receivables being addressed, the trade payables are expected to be reduced over time. On the other hand, other payables and accruals saw a reduction from RM53.9 million to RM39.7 million mainly due to payment of interests on the Islamic Medium-Term Notes.

Investments designated at FVTPL, deposits, bank and cash balances totalled RM159.0 million, down from RM178.6 million principally from dividend and interest payments offset by net cash generated from operations and investing activities.

Part B – Review of Income Statement

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Mar 2018 RM'000
Revenue		
Water treatment, supply and distribution	62,999	60,199
Construction	7,160	7,770
Toll highway	22,066	21,405
Others	1,316	1,316
	93,541	90,690
Less:		
- Loss allowances on trade receivables (N*ote A1(b)(vi))*	-	(8,967)
- Adjustment to revenue #	(4,667)	-
Total revenue	**88,874**	**81,723**

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

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Mar 2018 RM'000
Water treatment, supply and distribution	18,212	13,446
Construction	28	(530)
Toll highway	10,696	10,536
Others	(2,470)	(4,176)
Operating profit	**26,466**	**19,276**
Finance cost	(5,776)	(5,125)
Share of results of joint venture	70	53
Share of results of associates	(2,284)	(1,254)
Profit before tax for the period	**18,476**	**12,950**

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

Overall Summary

Discounting the impact from the loss allowances on financial assets and MFRS 15 Deduction, the Group recorded an increase in revenue by RM2.8 million from RM90.7 million to RM93.5 million mainly from higher revenue contribution from the water treatment, supply and distribution business due to the increase in the Bulk Sales Rate from RM0.44/m3 to RM0.46/m3 under the Existing OMA effective 1 January 2019 ("**BSR Increase**"). However, after accounting for the impact from loss allowances and MFRS 15 Deduction, the Group revenue stood at RM88.9 million as compared to RM81.7 million in the corresponding quarter.

On the Group's profit before taxation **("PBT")**, the Group registered a higher PBT of RM18.5 million compared to RM12.9 million in the corresponding quarter. However, excluding the impact from loss allowances and MFRS 15 Deduction, the Group's PBT was slightly lower at RM22.6 million compared to RM22.9 million in the corresponding quarter attributable to the following:-

(a) higher electricity, rehabilitation and maintenance costs incurred in both water treatment plant and penalty charges on TNB's outstanding bills in SSP1 amounting to RM1.92 million (2018: RM0.89 million); and

(b) higher share of losses from an associate, SWM Holdings Environment Sdn Bhd ("**SWMH**") arising from the change in the estimates for the amortisation of concession asset;

but the decrease in PBT was mitigated by the BSR Increase, lower foreign exchange losses and higher contribution from the construction segment in the current period.

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment for the current quarter was higher compared to corresponding quarter due to the BSR Increase and higher electricity rebates from the higher electricity costs in both treatment plants, SSP1 and in the Langkawi operations.

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

Part B – Review of Income Statement (continued)

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

Water treatment, supply and distribution (continued)

Metered Sales – (million m3)	Q1 -2019	Q1 - 2018	Increase/ (Decrease)
SSP1	86.8	88.0	(1.36%)
Langkawi	5.28	5.26	0.38%

The operating profit (excluding the impact from loss allowances and MFRS 15 Deduction) was lower at RM22.3 million compared to RM23.4 million achieved a year ago on account of higher unit electricity costs from the increase in TNB's Special Industrial Tariff in January 2019 and penalty charges on TNB bills remaining unpaid in SSP1 coupled with higher rehabilitation and maintenance costs incurred in both water treatment operations in the current quarter.

Construction

The construction revenue was lower by RM0.6 million to RM7.2 million compared to RM7.8 million achieved a year ago mainly due to the completion of New Access to NNKSB (Jalan Haji Sirat) Project since the third quarter in last year. The construction revenue in the current quarter was mainly from the on-going Langat 2 - Package 7 Balancing Reservoir Project **("L2P7 Project")** which commenced in the fourth quarter of 2017 and from the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works **("GP3A Project").**

During the current quarter, the segment recorded a small operating profit of RM0.03 million compared to an operating loss of RM0.5 million in the corresponding quarter due to higher contribution from L2P7 Project and lower overhead costs. Currently, the Group is in discussion with a client on a Variation of Pricing amounting to a maximum of RM4.2 million which can potentially be recognised in the subsequent quarters.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd **("Grand Saga"**); the operator of the Cheras-Kajang highway, was higher by RM0.6 million as compared to the corresponding quarter with higher Average Daily Traffic **("ADT")** of 2.3% i.e. 148,542 vehicles per day compared to 145,259 vehicles per day recorded in the corresponding quarter. However, the segment's operating profit was merely higher by RM0.2 million due to higher provision for heavy repairs in the current quarter.

Toll highway – Share of results of joint venture

The Group's share of results in Grand Sepadu Sdn Bhd ("**Grand Sepadu**"), the operator of the Grand Sepadu Highway was higher compared to the corresponding quarter due to higher ADT and lower financing costs but mitigated by higher amortisation and tax expenses. In terms of overall ADT, there was a slight increase of 1.9% to 92,339 vehicles per day from 90,625 vehicles per day.

Waste management – Associate

The Group's share of results of associates was mainly contributed by SWMH. The Group's share of losses from SWMH is RM2.7 million compared to RM1.6 million a year ago primarily arising from the changes in the estimates for the amortisation of concession asset as disclosed in Note 4(ii)(j) of the Audited Financial Statements - Critical Accounting Judgements and Key Sources of Estimation Uncertainty. At the company level, SWMH recorded a PAT of RM43.6 million (2018: RM37.3 million) for the quarter.

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

(b) <u>Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter</u>

Revenue

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Dec 2018 RM'000
Water treatment, supply and distribution	62,999	62,513
Construction	7,160	8,383
Toll highway	22,066	22,193
Others	1,316	1,316
	93,541	94,405
Add/(Less):		
- Reversal of loss allowances on trade receivables (N*ote A1(b)(vi))*	-	8,967
- Adjustment to revenue	(4,667)	(6,259)
Total revenue	**88,874**	**97,113**

Profit Before Tax

	3 Months Ended 31 Mar 2019 RM'000	3 Months Ended 31 Dec 2018 RM'000
Water treatment, supply and distribution	18,212	91,357
Construction	28	260
Toll highway	10,696	9,179
Others	(2,470)	(3,097)
Operating profit	**26,466**	**97,699**
Finance cost	(5,776)	(5,632)
Share of results of joint venture	70	(503)
Share of results of associates	(2,284)	(13,386)
Profit before tax for the period	**18,476**	**78,178**

Excluding the impact from loss allowances and MFRS 15 Deduction, the Group recorded a marginal decrease in revenue from RM94.4 million to RM93.5 million primarily from lower contribution from construction business.

The Group's PBT (excluding the impact from loss allowances and MFRS 15 Deduction) increased to RM22.6 million compared to RM9.5 million in the previous quarter mainly due to lower share of losses from SWMH and higher share of results of joint venture and from the toll highway division.

During the previous quarter, the Group changed the method of amortisation of the intangible assets arising from the concession rights from a volume method to a straight-line method over the concession period. The change in the estimates was applied prospectively and accounted for in that quarter. This resulted in a higher share of losses from SWMH by RM7.97 million in the previous quarter. In the previous quarter, the PAT of SWMH was also lower at RM24.5 million compared to RM43.6 million reported in the current quarter.

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

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM15.3 million during the financial period compared to the corresponding period.

Net Cash Generated from Operating Activities was recorded at RM10.3 million compared to RM22.9 million mainly due to payments made to contract customers for work done.

Net Cash from Investing Activities totalled RM10.2 million compared to RM3.7 million due to the dividend income from a joint venture and the net proceeds from redemption of investments designated at FVTPL.

Net Cash Used in Financing Activities for the repayment of interest expenses and dividend payments to shareholders was almost similar compared to the corresponding period.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. With the execution of the TSA, the long outstanding receivables from SPLASH is finally resolved wherein the Group expects that its cash flow position will be further strengthen. Under the BWSA, the continuation of the operations and maintenance of SSP1 will provide a steady stream of recurring income to the Group.

In the construction segment, the GP3A Project which commenced work in 2016 has been granted an extension of time to complete until fourth quarter of 2019. The L2P7 Project is the main construction activity currently underway and it has been granted an extension of time to complete by second quarter of 2019. In October of last year, the Group, via its wholly-owned subsidiary, was awarded the Proposed Construction and Completion Including Handing Over To Authority Of 76ML R.C Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan at a contract sum of RM42.356 million to be completed with 36 months from the date for possession of the site. The Group is continuing with its efforts to tender for more infrastructure projects. No new projects were secured during the quarter.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the Grand Sepadu Highway is expected to be moderate. For the three months ended 31 March 2019, the ADT at the Cheras-Kajang Highway grew by 2.3% whereas at Grand Sepadu Highway, ADT grew by about 1.9% year-on-year. In respect of the proposed toll restructuring by the Federal Government, meetings have been held by the Malaysian Highway Authority with the various toll operators and as of to-date, there is still no outcome from the Government.

In the waste management division, SWMH is expected to grow its business with the increasing servicing areas as well as improving its operational efficiency to deal with the escalating costs in managing solid waste in the concession areas where is it currently serving. SWMH is currently in the process of reviewing its tariff on its solid waste collection and public cleansing management services with the Federal Government.

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

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

Included in the profit before tax are the following items: -

	Current Quarter and Year-to-date 3 Months Ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Revenue:		
Loss allowance on trade receivables (Note A1(b)(vi))	-	(8,967)
Other operating income:		
Interest income on fixed deposits with licensed banks	861	836
Dividend from investments designated at FVTPL	393	545
Rental income	130	130
Reversal of loss allowance on trade receivables and amount due from contract customers	620	-
Gain on redemption of investments designated at FVTPL	17	-
Interest income imputed on retention sum	20	25
Fair value gain arising on financial assets measured at FVTPL	141	87
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(8,461)	(8,169)
Imputed interest on borrowing	(135)	(135)
Loss on redemption of investments designated at FVTPL	(41)	-
Fair value loss arising on financial assets measured at FVTPL	(10)	-
Loss on disposal of an associate	-	(13)
Loss on foreign exchange (unrealised)	(2)	(791)
Loss allowance on trade receivables and amount due from contract customers	(10)	(1,020)

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

	Current Quarter and Year-to-date 3 Months Ended	
	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Income tax:		
-Current year tax	5,328	5,182
-Deferred tax expense	(962)	^(2,200)
Total income tax expense	**4,366**	**2,982**

^ *included in this amount is the tax effects of the loss allowances on trade receivables recognised amounting to RM2.4 million.*

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

B6 – Status of Corporate Proposals Announced but not Completed

As at 22 May 2019 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

B7 – Group Borrowings and Debt Securities

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

	←Short Term→			←Long Term→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Finance lease liabilities	36	-	36	-	-	-
Revolving credit	-	10,000	10,000	-	20,000	20,000
IMTN	-	-	-	417,199	-	417,199
As at 31 Mar 2019	**36**	**10,000**	**10,036**	**417,199**	**20,000**	**437,199**
As at 31 Mar 2018	**118**	**-**	**118**	**416,708**	**-**	**416,708**

The increase in the Group's short-term borrowings was mainly due to a drawdown of RM30.0 million from a revolving credit facility. The revolving credit is unsecured and repayable over three equal instalments of RM10.0 million a year over a duration of three years commencing from the date of drawdown.

B8 – Changes in Material Litigations

SHSB received two writs of summons together with the corresponding statements of claim dated 1 March 2018 filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB. The next hearing for the suits has been fixed for 15 August 2019.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

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

	Current Quarter and Year-to-date 3 Months Ended	
	31 Mar 2019	31 Mar 2018
Profit for the financial period attributable to owners of the Company (RM'000)	11,650	7,597
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,814
Basic EPS (sen)	0.58	0.38

(b) Diluted earnings per share

For the financial period ended 31 March 2019, diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

B9 – Earnings Per Share ("EPS") (continued)

(b) *Diluted earnings per share (continued)*

For the financial period ended 31 March 2018, diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period adjusted for potential dilutive ordinary shares from the exercise of Warrants *(which had subsequently expired on 11 November 2018).* The diluted earnings per share is the same as basic earnings per share calculated above as the Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

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

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

B10 – Dividends

The Board is pleased to declare a first interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM24,189,811, in respect of the financial year ending 31 December 2019, to be payable on 27 August 2019.

For the financial year ending 31 December 2019, the Board has declared a total single-tier dividend of 1.2 sen to shareholders amounting to RM24,189,811 (2018: 1.2 sen per share adjusted for the Bonus Issue amounting to RM24,189,780).

B11 – Auditors' Reports

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

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

(a) As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM158.9 million are approximately: -

(i) RM26.8 million held as securities for banking facilities secured by the Group,

(ii) RM98.6 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and

(iii) RM24.2 million for the fourth interim single-tier dividend payable in respect of the financial year ended 31 December 2018.

(b) Included in deposits, bank and cash balances held by the Group were the following: -

Foreign currency	31 Mar 2019	31 Dec 2018	31 Mar 2018
US Dollars ('000)	17	17	500

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

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

	RM	RM	RM
1 US Dollar (USD)	4.0850	4.1360	3.8630

Source: Bank Negara Malaysia's website at http://www.bnm.gov.my/index.php?ch=statistic&pg=stats_exchangerates

B13 – Restatement of Comparatives

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

B14 – Authorisation for Release

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

By Order of the Board
Tan Bee Hwee (MAICSA 7021024)
Wong Wai Foong (MAICSA 7001358)
Company Secretaries
28 May 2019