TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT
2 0 1 9

Forging a
Sustainable
Future

RM377.1M

REVENUE

RM86.5M

PROFIT FOR THE FINANCIAL YEAR

RM1,032.9M

TOTAL SHAREHOLDERS' EQUITY

29th ANNUAL GENERAL MEETING

Date	Tuesday, 16 June 2020
Time	2.30 p.m.
Broadcast Venue	Banyan Room, Ground Floor, Sime Darby Convention Centre, No 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

FACTS AT A GLANCE

COVER RATIONALE

At Taliworks, we are committed to continuously strengthening our sustainability efforts by embedding positive economic, environmental and social elements throughout our business value chain, while generating long-term value creation for our stakeholders. Aptly titled "**Forging A Sustainable Future**", the cover design emphasises how we are constantly driven by our intensified focus on contributing towards a better society, minimising environmental impact and delivering sustainable development, as we continue our sustainability journey.

New Feature in this Annual Report

Follow the steps below to scan the QR code reader in 3 easy steps

- Download the "QR Code Reader" on App Store or Google Play
- Run the QR Code Reader app and point your camera to the QR Code
- Get access to the documents related to Taliworks' Annual Report 2019 & 29th AGM

CONTENTS

CORPORATE INFORMATION

PERFORMANCE REVIEW

THE MANAGEMENT

GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
(appointed on 27 November 2019)

Executive Director
Dato' Lim Yew Boon

Independent Non-Executive Directors
Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
(appointed on 27 November 2019)

Non-Independent Non-Executive Directors
Lim Chin Sean

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Soong Chee Keong

Members
Lim Chin Sean
Dato' Sri Amrin Bin Awaluddin
Datuk Roger Tan Kor Mee
(appointed on 27 February 2020)

NOMINATING COMMITTEE

Chairman
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
(appointed on 27 August 2019)

Members
Ahmad Jauhari Bin Yahya
Soong Chee Keong
(appointed on 27 August 2019)

REMUNERATION COMMITTEE

Chairman
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members
Soong Chee Keong
Lim Chin Sean

COMPANY SECRETARIES

Tan Bee Hwee
(SSM PC No.: 202008001497)
(MAICSA 7021024)

Wong Wai Foong
(SSM PC No.: 202008001472)
(MAICSA 7001358)
(appointed on 27 February 2019)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
T + 60 3 2783 9191
F + 60 3 2783 9111

PRINCIPAL OFFICE

Level 19, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
T + 60 3 2788 9100
F + 60 3 2788 9101
E info@taliworks.com.my
W www.taliworks.com.my

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
T +603 7890 4700
F +603 7890 4670
E BSR.helpdesk@boardroomlimited.com
W www.boardroomlimited.com

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants
(AF 0080)
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia
T + 60 3 7610 8888
F + 60 3 7726 8986

PRINCIPAL BANKERS

AmIslamic Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock & Code : TALIWRK & 8524
(Utilities)

AGM HELPDESK

Contact Person:
Catherina Yeoh /
Nur Adlina Izuddin
Corporate Communications
T +603 2788 9100
E
catherina.yeoh@taliworks.com.my
adlina.izuddin@taliworks.com.my

BACKGROUND HISTORY

Taliworks Corporation Berhad ("Taliworks" or the "Company") is listed on the Main Market of Bursa Malaysia Securities Berhad under the Utilities Sector (Name & Code: TALIWRK & 8524). Taliworks, an established infrastructure company, is primarily involved in four core businesses as follows:-

CORE BUSINESS ACTIVITIES




Water Treatment, Supply and Distribution	Highway Toll Concessionaire, Operations and Maintenance Operator	Engineering and Construction	Waste Management

In year 2000, LGB Group, being one of the pioneers in the privatisation of potable water treatment and supply services in Malaysia since 1987 undertook a reverse takeover exercise by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") respectively, and a 45% equity interest in C.G.E Utilities (M) Sdn. Bhd. into Carpets International Malaysia Berhad, which was then listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Malaysia Securities Berhad). Subsequently on 27 October 2000, it was transferred to the Main Board of the KLSE and was renamed Taliworks Corporation Berhad on 24 November 2000. The water treatment, supply and distribution business subsequently became Taliworks' main core business.

In 2004, Taliworks diversified its business interests to include waste management in the People's Republic of China. Thereafter, it expanded into the highway toll concessionaire, operations and maintenance business in 2007.

In 2016, Taliworks completed the realignment of its strategic business, focus towards mature operational cash-generating utilities/infrastructure businesses to support its general dividend policy by disposing its businesses in the People's Republic of China and subsequently acquiring a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH") in Malaysia. SWMEH is an investment holding company whose subsidiaries are principally involved in the business of solid waste collection, public cleansing management and other related activities in the states of Negeri Sembilan, Melaka and Johor under a 22-year concession agreement with the Federal Government.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

One of Taliworks' core businesses is in the water supply sector. Currently, the business entails (i) an operation and maintenance ("O&M") contract for the Sungai Selangor Phase 1 Water Treatment Plant ("SSP1") that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and (ii) the water treatment, supply and distribution system for the entire island of Pulau Langkawi, Kedah.

Both Sungai Harmoni and Taliworks Langkawi manage a total of 6 water treatment plants with a combined design operating capacity of 1,037 million litres per day (Sungai Harmoni: 950 million litres per day; Taliworks Langkawi: 87.3 million litres per day).

Sungai Harmoni Sdn. Bhd.

Sungai Harmoni is the O&M operator of SSP1. As part of the water restructuring exercise undertaken by the State Government of Selangor to consolidate the water industry in the state, Sungai Harmoni entered into the Bulk Water Supply Agreement in 2019 with Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") in which its SSP1's O&M contract was extended for an additional 7 years to December 2036. As a condition to operate SSP1, Sungai Harmoni was awarded an Individual License pursuant to Section 9 of the Water Services Industry Act 2006 from the Minister of Water, Land and Natural Resources.

Taliworks (Langkawi) Sdn. Bhd.

The water treatment, supply and distribution system in Pulau Langkawi, on the other hand, is managed by Taliworks Langkawi under a 25- year concession, which expires in October 2020. Taliworks Langkawi has been granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission to undertake and carry out O&M activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004. The undertaking of the O&M activities was effective from 1 February 2013 to 31 October 2020.

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Taliworks owns and operates two highways, specifically the Grand Saga Highway and the New North Klang Straits Bypass Expressway, also known as the Grand Sepadu Highway.

Grand Saga Sdn. Bhd. ("Grand Saga")

The acquisition of the 55% equity interest in a then joint-venture company Cerah Sama Sdn. Bhd. ("Cerah Sama") in 2007 marked Taliworks' first venture into highway ownership and toll operations. Cerah Sama is the holding company of Grand Saga, a company that owns and operates the concession for the Grand Saga Highway until September 2045. The highway, one of the first four-lane carriageways in Malaysia measures 11.5 km in length, stretching from the Connaught interchange, Cheras to Saujana Impian, Kajang. Whilst plying the densely populated and fast growing Cheras-Kajang vicinity, it eases traffic congestion and reduces travel time for daily commuters. The highway concession comprises two toll plazas (with toll collection at one bound), namely the Batu 9 toll plaza (Kajang bound) and the Batu 11 toll plaza (Kuala Lumpur bound), one rest and service area and nine interchanges.

2014 marked Taliwork's first collaboration with Employees Provident Fund Board ("EPF") through the acquisition of an effective 31.85% equity interest in Cerah Sama via TEI Sdn. Bhd. ("TEI"). Taliworks' effective equity interest in Cerah Sama, on the other hand, reduced from 55% to 28.05%. TEI is the immediate holding company of Cerah Sama and is set up as the flagship vehicle through which both parties can engage in the business of acquiring and operating mature cash-generating utilities/infrastructure assets in Malaysia and in developed countries. In 2015, TEI acquired the remaining 35% equity interest in Cerah Sama held by SEASAF Highway Sdn. Bhd. TEI is currently held 51% by Taliworks and 49% by EPF.

Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu acquired the assets and concession rights to the New North Klang Straits Bypass Expressway ("Grand Sepadu Highway") from Lebuhraya Shapadu Sdn. Bhd. (In Liquidation) for a cash consideration of RM265 million with an 18-year concession ending in December 2032. The Grand Sepadu Highway, which commenced toll operations in 2002 is a 17.5 km two-lane dual and three-lane carriageway highway, which links North Port to Bukit Raja, Klang. The Grand Sepadu Highway is partly parallel to the old tolled North Klang Straits Bypass (which became a non-tolled road after the Grand Sepadu Highway became operational) and is linked to the Federal Highway, the new Klang Valley Expressway and the West Coast Expressway, which connects Banting in Selangor to Taiping in Perak.

Subsequently in 2015, EPF acquired a 50% equity interest in Pinggiran Muhibbah Sdn. Bhd., a company that owns a 75% equity interest in Grand Sepadu. As a result, EPF now effectively owns 37.5% equity interest in Grand Sepadu and has a 45% economic interest in the Grand Sepadu Highway. This officially marked the second partnership between Taliworks and EPF.

WASTE MANAGEMENT

Taliworks' involvement in the waste management business started in May 2016 when it acquired a 35% equity interest in SWMEH. SWMEH is a waste management and public cleansing service provider in the southern region of Peninsular Malaysia, namely Johor, Negeri Sembilan and Melaka, established in line with the National Privatisation of Solid Waste Management. SWMEH's wholly-owned subsidiary, SWM Environment Sdn. Bhd. ("SWME") is the concession owner for the provision of solid waste collection and public cleansing services, with the concession period ending on 31 August 2033.

Its business covers a total geographical region of approximately 28,500 sq. km and serves a population of over 5 million. It services 27 local authorities with over 8,000 staff and 350 sub-contractors who collectively manage approximately 5,000 tonnes of waste per day.

As a waste management and public cleansing service provider, SWMEH, through SWME, services municipal authorities, as well as commercial and industrial sectors. The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of the company's business. Currently, the company manages a fleet of about 700 collection vehicles and a workforce of over 2,000 dedicated employees to provide scheduled and timely collection services. SWME averages a collection of 120,000 tonnes of waste a month with an approximate total of 1.4 million tonnes of waste collected for the year 2019.

The public cleansing service, which includes grass cutting, drain cleaning, street sweeping, wet/dry market cleaning and beach cleansing is an important part of the company's scope of work and plays a critical role for the benefit of the general public. A fleet of over 300 cleansing vehicles, machines and a workforce of over 6,000 employees are deployed for the cleansing services.

Earlier in 2015, EPF acquired a 35% equity interest in SWMEH. The acquisition by Taliworks into SWMEH was the third partnership between Taliworks and EPF.

ENGINEERING AND CONSTRUCTION

Taliworks' engineering and construction activities are undertaken by its wholly-owned subsidiary, Taliworks Construction Sdn. Bhd. ("Taliworks Construction"). Taliworks secured its first project in 2002 and has since undertaken several other projects in the infrastructure sector. Some of the more notable projects include the RM120 million Projek Bekalan Air Kedah Tengah that was implemented on a turnkey basis, the RM149 million design and build Padang Terap Water Supply Project in Kedah and the RM339 million Mengkuang Dam Expansion Project which comprised site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Taliworks Construction is ISO9001 certified and is registered with the Construction Industry Development Board of Malaysia ("CIDB"), holding the highest grade, Grade G7, issued by the CIDB.

BUSINESS FOCUS AND STRATEGIES

The water treatment, supply and distribution business is the largest contributor to Taliworks' revenue and profitability. Taliworks remains focused on its core businesses to support its dividend payout policy of paying not less than 75% of its consolidated profit after tax (excluding exceptional items), backed by the existing mature and long-term contracts/concessions in water treatment, supply and distribution and highway and toll operation that provide stable recurring income and cashflow to Taliworks.

Taliworks has a knowledgeable management team with more than twenty-six years' experience in the infrastructure industry with privatisation, project management, construction, corporate and funding skill sets.

Hence, any project conceptualisation and potential merger and acquisition opportunities are explored and analysed meticulously so that the target strategic assets and its outcomes are value-accretive to the shareholders.

Leveraging on its strengths, Taliworks is a strategic investor with the objective of growing and expanding into mature operational cash-generating utilities/infrastructure businesses domestically with the intention of re-positioning itself as a leading infrastructure project company.

2000

- LGB Group undertook a reverse takeover exercise by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") respectively, and a 45% equity interest in C.G.E Utilities (M) Sdn. Bhd. (which had since ceased operations) into Carpets International Malaysia Berhad ("Carpets"), which was then listed on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Securities Malaysia Berhad) (July).
- Carpets was transferred to the Main Board of KLSE (which has since been merged with the Second Board into a single board known as the Main Market) (October).
- Carpets was renamed Taliworks Corporation Berhad ("Taliworks") (November).

2002

- Taliworks was named Forbes magazine's 100 best smaller-sized enterprises in the Asia Pacific.
- Taliworks secured its maiden construction project i.e. the design, construction and supervision for water supply works to the Northern Area of the Central Kedah Water Supply Scheme for RM120 million (January).

2003

- Taliworks was named Forbes magazine's 100 Best Smaller-Sized Enterprises in the Asia Pacific and KPMG/The Edge Shareholders Value Awards (ranked no. 21 out of top 100 companies and ranked 2nd within the Infrastructure Grouping).
- Taliworks completed a bonus issue exercise with the issuance of 58,700,000 new ordinary shares of RM1.00 each on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in Taliworks (December).

2004

- Taliworks diversified its business interests to include waste management in the People's Republic of China.
- Taliworks was ranked no. 85 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.

2005

- Tianjin-SWM (M) Environment Ltd Co, a 90% owned subsidiary of Taliworks commenced operations in the Tianjin Panlou Municipal Solid Waste Transfer Station, People's Republic of China (January).
- Taliworks was ranked no. 78 for The Edge Top 100 Best Companies in terms of return (3 years).
- Taliworks was ranked no. 40 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.
- Taliworks issued 70,440,000 warrants 2005/2010 pursuant to a rights issue of warrants on the basis of 1 warrant for every 5 ordinary shares of RM0.50 each held after the split of every 1 ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each (September).
- Taliworks adopted a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the next three years commencing from the financial year 2006 (November).

2006

- Taliworks was ranked no. 124 out of 200 public listed companies based on market capitalisation as at 31 December 2005 under the Corporate Governance Survey Report 2006 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 212 main board companies selected based on market capitalisation as at 31 December 2005 under the Dividend Survey 2006 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks issued 17,000,000 new placement shares of RM0.50 each at RM1.35 per share pursuant to a private placement of shares (May).
- Air Kedah Sdn. Bhd., a 60% owned subsidiary, received the Letter of Acceptance to implement the Padang Terap Water Supply Scheme from the Kedah State Government for a contract sum of RM149 million (July).

2007

- Taliworks acquired a 56% stake in Puresino (Guanghan) Water Co. Ltd., a wastewater treatment service provider in April, and subsequently commenced commercial operations of the Guanghan San Xin Dui wastewater treatment plant in September.
- Taliworks was ranked no. 87 out of 350 main board companies under the Corporate Governance Survey Report 2007 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 500 public listed companies selected based on market capitalisation as at 31 December 2006 under the Dividend Survey 2007 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks diversified its business interests to highway toll operations and maintenance through the acquisition of 55% interest in a then joint venture company, Cerah Sama Sdn. Bhd. ("Cerah Sama") for the Cheras-Kajang Highway, also known as Grand Saga Highway (November).
- Taliworks issued 5-year unsecured convertible bonds 2007/12 with a nominal value of RM225 million ("Convertible Bonds") (December).

2008

- Taliworks was ranked no. 45 out of 960 public listed companies under the Corporate Governance Survey Report 2008 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

2009

- Taliworks was ranked amongst the top 100 public listed companies under the Malaysian Corporate Governance Report 2009 published by the Minority Shareholder Watchdog Group.
- Due to changes in market conditions, Taliworks re-purchased RM112 million nominal value of the Convertible Bonds (December).

2010

- Taliworks redeemed the balance RM113 million nominal value of the Convertible Bonds and its obligations in respect of the Convertible Bonds were fully extinguished (December).

2011

- Taliworks was awarded the sub-contract of the Mengkuang Dam Expansion Project for a contract sum of RM339 million (September).
- Taliworks (Yinchuan) Wastewater Treatment Co. Ltd., a wholly-owned subsidiary of Taliworks, completed the takeover of the operation of four municipal wastewater treatment plants with recycled water facilities in Yinchuan (December).

2012

- Taliworks was awarded the Brandlaureate Best Brand Awards 2011-2012- Best Brands in Industrial - Water Treatment.
- Taliworks' entered into a joint-venture with LGB Engineering Sdn. Bhd. to undertake a contract by the State Government of Selangor for the construction and completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir for a contract sum of RM20.3 million (March).

2013

- Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 million in nominal value (January).
- Taliworks (Langkawi) was granted an authorisation by the National Water Service Commission to undertake and carry out the operations and activities under the Langkawi Water Supply Privatisation Agreement (October).
- Taliworks was listed among the Top 100 Malaysian Public Listed Companies ("PLC") by the Minority Shareholder Watchdog Group as per the ASEAN CG Scorecard methodology on 862 PLC companies.

2014

- Taliworks gained control over Cerah Sama which subsequently became Taliworks' subsidiary as a result of an internal re-organisation exercise. Subsequent to the internal re-origination, Employees Provident Fund ("EPF") acquired 31.85% effective equity interest in the Grand Saga Highway via TEI Sdn. Bhd. ("TEI"), marking its first partnership with EPF. Taliworks' equity interest in Cerah Sama reduced from 55% to 28.05%. (June to August)
- The consortium of LGB-Taliworks JV was awarded the SSP3 Package Pipeline, involving the supplying and laying of 11km of 1,200 mm diameters of steel pipes with a contract value of RM30.6 million (June).
- Taliworks announced a Dividend Policy of declaring a dividend payout ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) commencing the financial year ending 31 December 2015 (September).
- Grand Sepadu Sdn. Bhd. ("Grand Sepadu") executed a Novation Agreement and a Second Supplemental Concession Agreement to take over the New North Klang Straits Bypass Expressway, also known as Grand Sepadu Highway for cash consideration of RM265 million (December).

2015

- Grand Sepadu issued a RM210 million Sukuk Murabahah.
- TEI acquired the remaining 35% equity interest in Cerah Sama held by SEASAF Highway Sdn. Bhd. Taliworks's equity interest in Cerah Sama increased from 28.05% to 51%.
- LGB Taliworks Consortium Sdn. Bhd., a 20% associate of Taliworks was awarded the SSP7 Project contract by Pengurusan Aset Air Berhad with a contract sum of RM75.9 million (September).
- Taliworks issued 43,980,000 new placement shares of RM0.50 each at RM3.20 per share pursuant to a private placement of shares (October)
- Taliworks issued 241,897,790 Warrants 2015/2018 on the basis of 1 Warrant for every 5 ordinary shares held after the share split comprising the subdivision of every 2 existing ordinary shares of RM0.50 each into 5 ordinary shares of RM0.20 each (November).
- Taliworks completed the 2nd partnership with EPF via the disposal of its 50% equity interest in Pinggiran Muhibbah Sdn. Bhd. (the holding company of Grand Sepadu) to EPF (December).
- Taliworks was included in the MSCI Global Small Cap Indexes for Malaysia.
- Taliworks was ranked no. 91 out of the Top 100 Overall CG Companies – Disclosures with ROE Performance by the Minority Shareholder Watchdog Group.

2016

- In line with Taliworks' new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support its dividend policy, Taliworks completed the disposal of its entire waste management operations in the People's Republic of China and acquired 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH"), a waste management and public cleansing service provider in the southern region of Peninsular Malaysia. This marked Taliworks' 3rd partnership with EPF, where EPF also held 35% equity interest in SWMEH (May).
- A consortium comprising of Taliworks and Ikatan Gemajaya Sdn. Bhd. was awarded the Ganchong Water Treatment Works from the East Coast Economic Region Development Council with the total contract sum of RM73.1 million (September).
- SWM Environment Sdn. Bhd. ("SWME"), a 100% owned subsidiary of SWMEH, was awarded the Brandlaureate SMEs BESTBRANDS Award 2015-2016 - Signature Brand Services – Integrated Solid Waste Management.
- Taliworks was awarded the IEM 2016 Award for Water Management in Malaysia.
- Taliworks was ranked no. 44 out of the Top Malaysian 100 PLCs with Good Disclosures by the Minority Shareholder Watchdog Group.
- Taliworks was ranked no. 29 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2017

- Taliworks was ranked no. 45 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.
- Taliworks was ranked no. 26 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.
- SWME was awarded the Best Employer Branding Awards (3rd Edition) by Employer Branding Institute (India) in Malaysia.
- SWME was awarded Gold Award (Private Sector) for the HR Award – Employer of Choice category by the Malaysian Institution of Human Resource Management.
- SWME was awarded Gold Award (Head of Department) for the HR Leader category by the Malaysian Institution of Human Resource Management.

2018

- Sungai Harmoni accepted the Letter of Offer from Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") relating to the settlement of past receivables owing from Syarikat Pengeluar Air Selangor Sdn. Bhd. ("SPLASH") and the new operations and maintenance agreement to be entered into (August).
- Taliworks completed a bonus issue exercise with the issuance of 806,325,239 new ordinary shares on the basis of two (2) new ordinary shares for every three (3) existing ordinary shares in Taliworks (October).
- Taliworks Construction Sdn. Bhd. accepted the Letter of Award for the proposed construction and completion including handing over to the authority of 76ML R.C. reservoir R4 and related ancillary works at Cyberjaya Flagship Zone at a contract sum of RM42.4 million (October).
- The balance of the Warrants 2015/2018 remained unexercised lapsed and were subsequently delisted (November).
- SWME was awarded two silver medals by Perbadanan Teknologi Hijau Melaka for the category of Green Corporate Social Responsibility and Green Practices.
- Taliworks was ranked no. 88 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.
- Taliworks was ranked no. 82 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2019

- Sungai Harmoni completed its negotiations with Air Selangor resulting in the execution of the following agreements (May):
  - (i) Termination and Settlement Agreement ("TSA") with Air Selangor and SPLASH in relation to the settlement of outstanding receivables due from SPLASH arising from the operations and maintenance agreement dated 24 January 2000 for Sungai Selangor Phase 1 water treatment plant ("SSP1");
  - (ii) Bulk Water Supply Agreement ("BWSA") with Air Selangor in relation to the appointment of Sungai Harmoni as the operator for SSP1 and the supply of treated water up till 31 Dec 2036; and
  - (iii) Raw Water Abstraction Agreement with Air Selangor in relation to the abstraction of raw water from the relevant raw water source for SSP1.
- Sungai Harmoni received the Individual Licence pursuant to Section 9 of the Water Services Industry Act 2006 from the Minister of Water, Land and Natural Resources and commenced operations under Air Selangor for the operations of SSP1 under the BWSA. (September).
- Sungai Harmoni completed the securitisation of receivables owing from SPLASH under the TSA via Starbright Capital Berhad pursuant to an asset-backed securitisation exercise (December).
- SWME was awarded the Perkhidmatan Skim Terbaik 2019 (Muar, Johor) by SWCorp.
- Grand Sepadu was awarded the Silver Rating for operational highway from 31/06/2019 to 30/06/2024 under the Green Highway Index (MyGHI).

As At 8 May 2020

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

- 100% Sungai Harmoni Sdn. Bhd.
- 100% Taliworks (Langkawi) Sdn. Bhd.
- 51% TEI Sdn. Bhd.
  - 100% Trinitywin Sdn. Bhd.
  - 90% Cerah Sama Sdn. Bhd.
    - 10% (held by Trinitywin Sdn. Bhd.)
    - 100% Grand Saga Sdn. Bhd.
    - 100% Peak Synergy Sdn. Bhd. #
    - 100% Europlex Consortium Sdn. Bhd. #
    - 100% Trupadu Sdn. Bhd.
- 100% Taliworks Construction Sdn. Bhd.
- 100% Taliworks Technologies Sdn. Bhd.

JOINT VENTURE

50%
Pinggiran Muhibbah Sdn. Bhd.

75%
Grand Sepadu (NK) Sdn. Bhd.

ASSOCIATES

35%
SWM Environment Holdings Sdn. Bhd.

20%
LGB Taliworks Consortium Sdn. Bhd.

24%
Aqua Flo Sdn. Bhd.

Investment Holding Company/others

Engineering and Construction

Waste Management

Highway Toll Concessionaire, Operations and Maintenance Operator

Water Treatment, Supply and Distribution

Companies in the process of members' voluntary winding-up and/or striking off

24 MAY

Execution of (i) Termination and Settlement Agreement ("TSA"); (ii) Bulk Water Supply Agreement; and (iii) Raw Water Abstraction Agreement ("collectively known as "The Agreements") by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni"), the wholly-owned subsidiary of the Company in respect of the offer from Pengurusan Air Selangor Sdn. Bhd. in relation to the operation and maintenance of Sungai Selangor Water Treatment Works Phase 1.

ANNOUNCEMENTS/EVENTS

30 MAY
The Twenty-Eighth Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

13 SEPTEMBER
The Agreements became unconditional and completed on 12 September 2019, and as part of the completion, Sungai Harmoni received the Individual Licence pursuant to Section 9 of the Water Services Industry Act 2006 from the Minister of Water, Land and Natural Resources.

27 DECEMBER
The issuance of asset-backed medium term notes of RM665.0 million in nominal value by Starbright Capital Berhad backed by receivables due to Sungai Harmoni under the TSA dated 24 May 2019.

RELEASE OF FINANCIAL RESULTS

28 FEB
Unaudited interim results for the 4th Quarter ended 31 December 2018.

30 APR
Audited financial statements for the financial year ended 31 December 2018.

28 MAY
Unaudited interim results for the 1st Quarter ended 31 March 2019.

27 AUG
Unaudited interim results for the 2nd Quarter ended 30 June 2019.

27 NOV
Unaudited interim results for the 3rd Quarter ended 30 September 2019.

DECLARATION OF DIVIDEND PAYMENT

28 FEB
Fourth interim single-tier dividend of 1.2 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM24.2 million in total in respect of the financial year ended 31 December 2018, paid on 27 May 2019.

28 MAY
First interim single-tier dividend of 1.2 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM24.2 million in total in respect of the financial year ended 31 December 2019, paid on 27 August 2019.

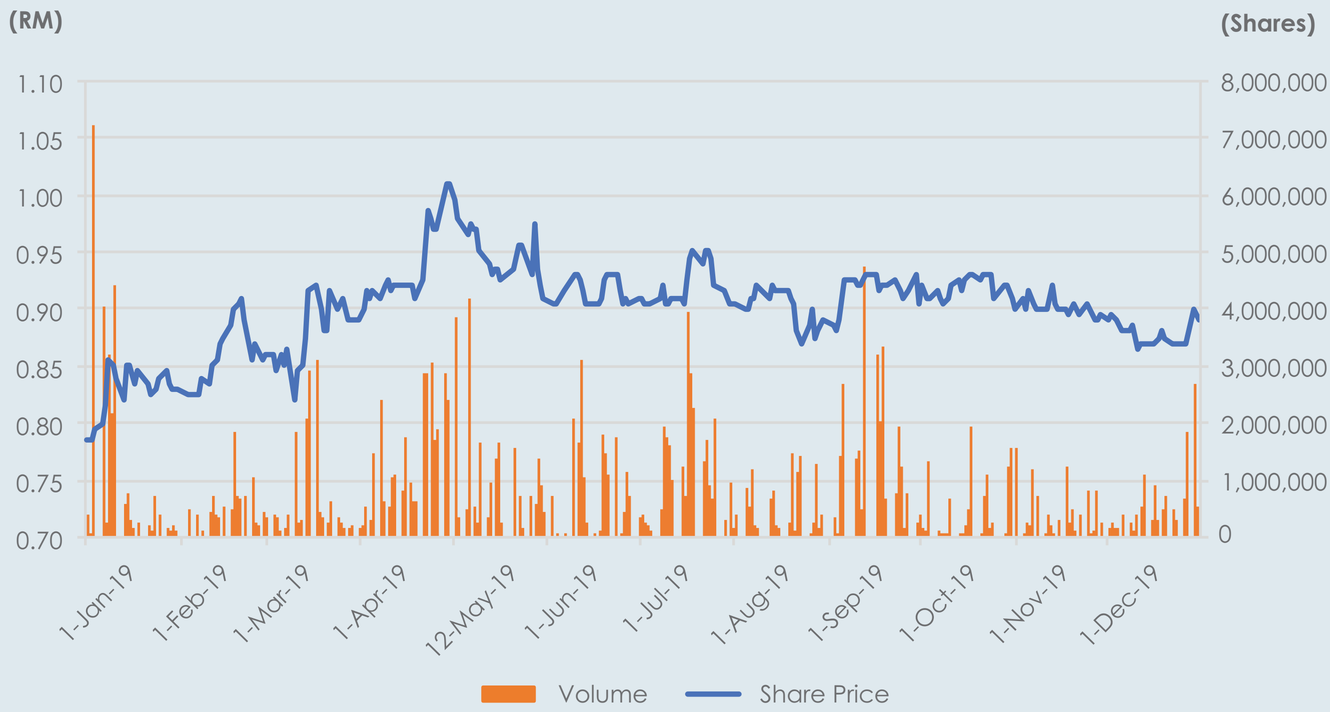
27 AUG
Second interim single-tier dividend of 1.2 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM24.2 million in total in respect of the financial year ended 31 December 2019, paid on 26 November 2019.

27 NOV
Third interim single-tier dividend of 1.2 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM24.2 million in total in respect of the financial year ended 31 December 2019, paid on 25 February 2020.

SHARE PERFORMANCE HIGHLIGHTS

TALIWORKS DAILY SHARE PRICE AND VOLUME

52W High – RM1.01 | **52W Low** – RM0.79 | **Year-end closing price** – RM0.89



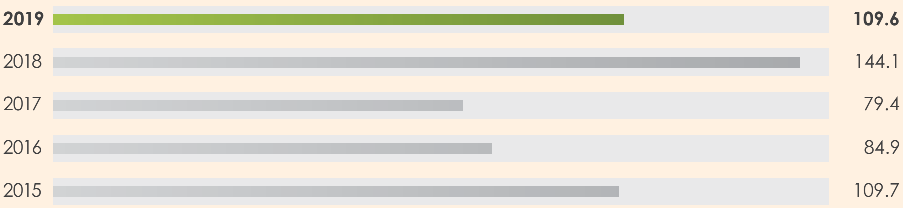
* *Information sourced from Bloomberg*

	2015 RM MIL	2016# RM MIL	2017 RM MIL	2018 RM MIL	2019 RM MIL
PROFITABILITY					
Revenue	410.9	304.9	374.1	374.2	377.1
EBITDA(i)	196.0	130.9	131.2	213.5	180.0
Profit Before Taxation	109.7	84.9	79.4	144.1	109.6
Profit for the Financial Year	91.6	93.3	64.5	109.3	86.5
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,914.5	2,456.0	2,371.9	2,443.9	2,353.5
Total Borrowings	827.0	486.4	416.7	447.1	467.6
Total Shareholders' Equity	1,146.6	1,121.0	1,053.7	1,056.8	1,032.9
No of Shares in issue	2,015.8&	2,015.8&	2,015.8&	2,015.8	2,015.8
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	175.5	169.5	231.5	239.5	247.9
- waste management@	70.7	-	-	-	-
- construction	101.9	39.6	51.7	42.5	34.5
- toll highway	62.8	92.7	85.6	86.9	89.4
- others	0.0	3.0	5.3	5.4	5.3
	410.9	304.9	374.1	374.2	377.1
Profit Before Taxation					
- water treatment, supply and distribution	71.1	44.8	65.5	152.1	108.8
- waste management@	(18.2)	-	-	-	-
- construction	5.6	2.6	2.6	0.2	1.4
- toll highway	12.2	24.2	28.2	20.4	22.8
- others	38.9	0.7	(20.3)	(13.8)	(13.6)
	109.6	72.3	76.0	158.8	119.4
- share of results of joint venture	(0.9)	0.3	2.7	1.0	5.3
- share of results of associates	1.0	12.2	0.6	(15.7)	(15.1)
	109.7	84.9	79.4	144.1	109.6
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	4.80&	4.80&	4.80&	4.80	5.25
Net Assets per share (sen)	56.88&	55.61&	52.27&	52.43	51.24
Earnings per share (sen)					
- basic	4.50&	6.32+&	2.54&	4.96	3.78
- fully diluted	4.50&	6.32+&	2.54&	4.96	3.78
Return on Equity (%)(ii)	9.16	13.07++	5.94	10.35	8.32
Return on Assets Employed (%)(iii)	3.21	5.52++	2.67	4.54	3.60
Dividend payout ratio (%)(iv)	100.62	65.32++	149.92	88.56	122.42
Net Debt to Equity ratio (%)	33.43	13.89	19.22	25.41	-

Only the financial results in FY2017 have been restated from the adoption of MFRS 9 and MFRS 15 in FY2018.

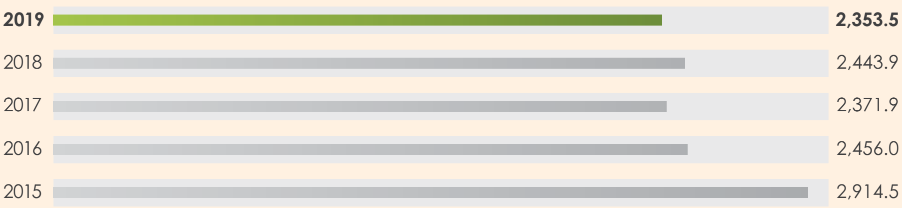
Profit Before Tax RM mil

RM109.6m



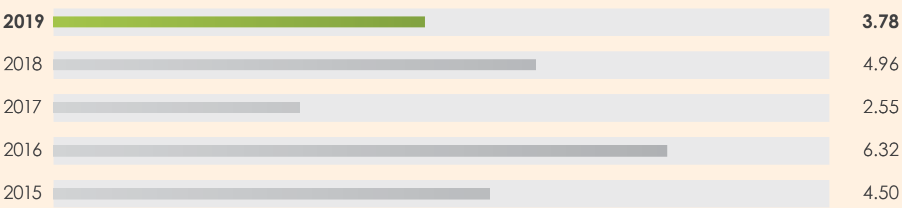
Total Assets RM mil

RM2,353.5m



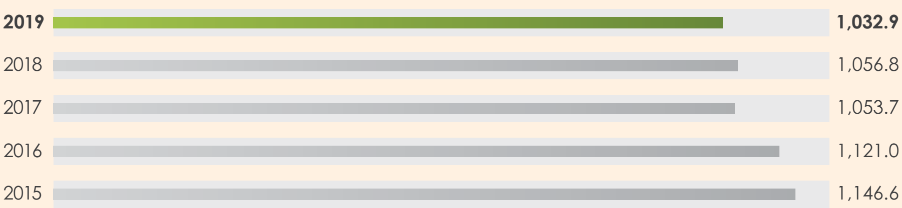
Basic Earning Per Share Sen

3.78sen



Shareholders' Equity RM mil

RM1,032.9m



Notes:

& adjusted for the effects of bonus shares issued in FY2018
\+ calculated on profit attributable to owners of the Company of RM127.428 million.
++ calculated on profit for the financial year of RM148.135 million including profit from discontinued operations.
@ represents the contribution from the waste management segment which has been disposed in FY16.
# except for the Key Financial Ratio, the financial information of FY16 exclude the results from discontinued operations.
(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).
(ii) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.
(iii) Return on Assets Employed is calculated by dividing the profit for the financial year with the average of the opening and closing total assets employed.
(iv) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

Ahmad Jauhari Bin Yahya / Dato' Lim Yew Boon / Lim Chin Sean / YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz

Soong Chee Keong / Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin / Datuk Roger Tan Kor Mee / Dato' Sri Amrin Bin Awaluddin

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Independent Non-Executive Chairman

Nationality / Age / Gender
Malaysian / 43 / Male

Date of appointment
27 November 2019

YAM Tunku Ali Redhauddin ibni Tuanku Muhriz ("Tunku Ali") holds a BA (Hons) in History and Social & Political Sciences from the University of Cambridge and a Masters in Public Administration from the John F Kennedy School of Government, Harvard University.

Tunku Ali brings over 20 years of corporate experience to the board, combining active participation and advisory work across many sectors, with significant strategy consulting and principal investing knowledge.

He is a Senior Advisor to TPG Capital, a global private equity firm. In addition, Tunku Ali is Chairman of Bumi Armada Berhad, and sits on the boards of Bangkok Bank Berhad, Sun Life Malaysia Assurance Berhad, and Themed Attractions Resorts and Hotels Sdn Bhd, as well as several TPG portfolio companies such as Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd, Columbia Asia Healthcare Sdn Bhd and Pathology Asia Holdings Pte Ltd.

He is Chairman and Founding Trustee of Teach For Malaysia, Chairman of WWF Malaysia, Chairman of the Board of Governors of Marlborough College Malaysia, and Pro Chancellor of Universiti Sains Islam Malaysia. He is also Chairman of Yayasan Munarah and a Trustee of Amanah Warisan Negara.

Previously, Tunku Ali was an Investments Director at Khazanah Nasional Berhad and prior to that he was a management consultant at McKinsey & Company.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' LIM YEW BOON

Executive Director

Nationality / Age / Gender
Malaysian / 61 / Male

Date of appointment
1 March 2010

Dato' Lim Yew Boon ("Dato' Lim") holds a diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over twenty five years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Apart from Taliworks, Dato' Lim also sits on the board of several private limited companies, namely Grand Saga Sdn Bhd, SWM Environment Sdn Bhd and a few others. Prior to his appointment to the Board, he served as the Group Chief Operating Officer in the LGB Group of Companies.

Dato' Lim sits on the board of Amalgamated Industrial Steel Berhad since his appointment in 2003.

Dato' Lim is the cousin to both Mr. Lim Chin Sean, a director and major shareholder of the Company and Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the listed issuer and has not been convicted for any offences within the past 5 years other than traffic offences. He has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Dato' Lim has attended all the Board meetings of the Company held during the financial year.

RAJA DATUK ZAHARATON BINTI RAJA DATO' ZAINAL ABIDIN

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 71 / Female

Date of appointment
2 July 2015

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin ("Raja Datuk Zaharaton") serves as a Chairman of the Remuneration Committee. On 27 August 2019, she was appointed as the Chairman of Nominating Committee.

She holds a Bachelor Degree in Economics from University of Malaya and a Masters in Economics in 1979 from the University of Leuven, Belgium.

Raja Datuk Zaharaton has served the Government of Malaysia in various capacities for 34 years from 1971 to 2005. Principally her main task has been policy analyses and financial evaluation. Her last post in the Government was the Director General of the Economic Planning Unit (EPU), Prime Minister's Department.

Upon her retirement, the Government of Malaysia appointed her as Chairman of Technology Park Malaysia Corporation Sdn Bhd from January 2006 to December 2008. Subsequent to that, the Government appointed her as Chairman of Ninebio Sdn Bhd from January 2009 for a two year period. Beginning 24 June 2014, she was appointed as Chairman of Global Maritime Ventures Berhad, a subsidiary of Bank Pembangunan Malaysia Berhad. She was appointed as the director of Yinson Holdings Berhad on 11 August 2016.

Raja Datuk Zaharaton also currently sits on the board of Media Prima Berhad's subsidiaries namely, Big Tree Outdoor Sdn Bhd and Primeworks Studios Sdn Bhd. She is also a Director of her family owned company Kumpulan RZA Sdn Bhd and its subsidiary Raza Sdn Bhd.

She has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. She has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

She has attended all the Board meetings of the Company held during the financial year.

DATO' SRI AMRIN BIN AWALUDDIN

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 53 / Male

Date of appointment
15 September 2014

Dato' Sri Amrin Bin Awaluddin ("Dato' Sri Amrin") serves as a member of the Audit and Risk Management Committee of the Company.

He holds a Bachelor of Business Administration (Honours) from Acadia University, Canada and Master of Business Administration (Finance) with Distinction from University of Hull, England. He is a member of the Chartered Institute of Management Accountants, United Kingdom as well as a member of the Malaysian Institute of Accountants.

Dato' Sri Amrin is the Managing Director of Boustead Holdings Berhad since 6 May 2019.

He resigned as the Group Managing Director of Sime Darby Property Berhad on 3 May 2019 and as a board member of CIMB Bank Berhad on 1 May 2019.

Prior to joining Sime Darby Property Berhad, Dato' Sri Amrin was the Group Managing Director of Media Prima Berhad. Throughout his working career he holds several key positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

He is the Deputy President of Kuala Lumpur Business Club.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended four (4) out of five (5) Board meetings of the Company held during the financial year.

AHMAD JAUHARI BIN YAHYA

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 65 / Male

Date of appointment
2 July 2015

Encik Ahmad Jauhari Bin Yahya ("Encik Ahmad Jauhari") serves as a member of the Nominating Committee of the Company.

He holds a Bachelor of Science (Hons) Degree in Electrical and Electronic Engineering from University of Nottingham, United Kingdom.

Encik Ahmad Jauhari started his career with ESSO Malaysia Berhad (1977-1979) and worked in The New Straits Times Press (M) Berhad (1979-1991), Time Engineering Berhad (1992) and Malaysian Resources Corporation Berhad (1993). In 1994, he joined Malakoff Berhad to lead its growth to become Malaysia's leading independent power producer. He retired from Malakoff Berhad in 2010.

Encik Ahmad Jauhari was appointed Group Chief Executive Officer of Malaysia Airlines on 19 September 2011 and was a member of the Board Tender Committee and sat on the boards of several subsidiaries within the Malaysia Airlines group of companies. He resigned as the Group Chief Executive Officer and directors of subsidiaries of Malaysia Airlines in April 2015 but remains as a director in Malaysia Airlines until 31 December 2015. He became a Director of Malaysia Airport Holdings Berhad ("MAHB") and Chairman of Destination Resorts and Hotel Sdn Bhd prior to his appointment at Malaysia Airlines. He resigned from MAHB in 2011.

Encik Ahmad Jauhari sits on the board of Sapura Resources Berhad since his appointment in 2016.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended four (4) out of five (5) Board meetings of the Company held during the financial year.

SOONG CHEE KEONG

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 50 / Male

Date of appointment
25 April 2013

Mr. Soong Chee Keong ("Mr. Soong") serves as a Chairman of the Audit and Risk Management Committee and as a member of the Remuneration Committee. On 27 August 2019, he was appointed as a member of the Nominating Committee.

He is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Mr. Soong started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

Mr. Soong then joined Abric Berhad in February 1999 as the General Manager of Corporate Finance and was subsequently appointed to the Board of Abric Berhad on 16 February 2000 as an Executive Director. He resigned from the said company on 31 May 2017.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended all the Board meetings of the Company held during the financial year.

LIM CHIN SEAN

Non-Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 38 / Male

Date of appointment
23 May 2011

Mr. Lim Chin Sean ("Mr. Lim") serves as a member of the Audit and Risk Management Committee as well as the Remuneration Committee of the Company.

He holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services.

He presently sits on the boards of Amalgamated Industrial Steel Berhad since 2007.

Mr. Lim is a major shareholder of the Company and cousin to Dato' Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Dato' Lim Chee Meng, a major shareholder of the Company. Other than being a director and major shareholder of LGB Engineering Sdn Bhd ("LGBE"), which is involved in the construction industry, he has no other conflict of interest with the Company. LGBE has a 0.06% direct interest in the Company.

He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended four (4) out of five (5) Board meetings of the Company held during the financial year.

DATUK ROGER TAN KOR MEE

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 58 / Male

Date of appointment
27 November 2019

Datuk Roger Tan Kor Mee ("Datuk Roger Tan") was appointed as a member of the Audit and Risk Management Committee on 27 February 2020.

Datuk Roger Tan holds a Bachelor of Laws (Honours) from Queen Mary College, University of London. He was admitted as a barrister-at-law of the Gray's Inn, London. He was admitted as an advocate and solicitor in Singapore and Malaysia. Datuk Roger Tan also holds a Master of Laws degree from the National University of Singapore. He is also a Notary Public and Commissioner for Oaths.

Datuk Roger Tan is the managing partner of Messrs Roger Tan & Partners. He was an elected member of the Malaysian Bar Council between 2004-2008. He rejoined the Bar Council in March 2018 until now. At the Bar Council, he has chaired various committees, notably the Conveyancing Practice Committee. He was also a Board Member of the Advocates & Solicitors Disciplinary Board (July 2013-June 2015 and July 2017-June 2019).

In June 2009, he was appointed as a Commissioner of the National Water Services Commission (SPAN); a position he held for eight years until May 2017. At SPAN, he chaired the Disciplinary Committee (for Director General & Senior Executive level) and the Licensing, Enforcement & Legal Affairs Committee.

He was also a Board Member of the Solid Waste Management and Public Cleansing Corporation (SWCorp) from March 2009 to March 2015. At SWCorp, he chaired its Licensing Committee. He is one of the founders of Waste Management Association of Malaysia, and is now an Executive Committee member.

Datuk Roger Tan is also a president of the Strata Management Tribunal since 2015.

He writes regularly in local and international news media, and has a column with The Sunday Star entitled, 'With All Due Respect'.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
Independent
Non-Executive Chairman

Dear Shareholders,

I am honoured to helm Taliworks Corporation Berhad ("Taliworks") as your new Chairman effective 27 November 2019.

On behalf of the Board of Directors, it is a privilege for me to present our Annual Report and the Audited Financial Statements of Taliworks and its subsidiaries ("the Group") for the financial year ended 31 December 2019 ("FYE2019").

2019 was a challenging and trying year. Malaysia's gross domestic product growth ("GDP") moderated from 2018's 4.7% to 4.3% in 2019, as a result of shrinking private consumption and slower external demand.

Despite this uncertain environment, Taliworks has remained resilient and delivered yet another year of strong operational financial performance. The Group ended 2019 with total revenue of RM377.1 million, as compared to RM374.2 million in the financial year ended 31 December 2018 ("FYE2018"). The increase was mainly attributable to a significant improvement in the revenue from the water treatment, supply and distribution business. Earnings before interest, tax, depreciation and amortisation ("EBITDA") and profit after tax ("PAT") came in at RM176.0 million and RM86.5 million respectively. The EBITDA and PAT for the year included several one-off exceptional items such as gain on de-recognition of financial assets and financial liabilities; and waivers granted by certain creditors. Details of these exceptional items are further elaborated under our Management Discussion and Analysis section of this Annual Report.

What stood out for the Group in FYE2019 was the execution of the Bulk Water Supply Agreement ("BWSA") and the completion of the Termination and Settlement Agreement ("TSA") by our wholly-owned subsidiary, Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") in

THESE MAJOR MILESTONES AUGUR WELL FOR OUR CASH RESERVES AND ENABLE THE GROUP TO DELIVER SUSTAINABLE DIVIDENDS WHILE LEAVING SUFFICIENT RESOURCES FOR GROWTH.

September. Under the terms of the TSA, the settlement sum was agreed at RM716 million after giving a 10% deduction on the total outstanding receivables by Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"), with Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") guaranteeing the payments. The BWSA marked the completion of our negotiations for the continued operations and maintenance ("O&M") of the Selangor Water Treatment Plant Phase 1 with a 7 year extension to December 2036, while the TSA crystalised the conclusion of a settlement with Air Selangor on our long-standing receivables due from SPLASH. As part of the completion, Sungai Harmoni has also received an Individual License pursuant to Section 9 of the Water Services Industry Act 2006 from the Minister of Water, Land and Natural Resources. Another major milestone was achieved in December 2019 when our Sungai Harmoni division successfully sold its balance outstanding receivables due from SPLASH under the TSA to Starbright Capital Berhad, an independent special purpose vehicle established to undertake the securitisation of the receivables for RM660 million (the "Monetisation Exercise").

The BWSA secures future stable recurring income and cashflow for our Sungai Harmoni operating division and from the TSA and Monetisation Exercise, Sungai Harmoni has received an upfront purchase price of RM626 million, thereby increasing our Group's cash position to RM716 million from RM179 million last year. These major milestones augur well for our cash reserves and enable the Group to deliver sustainable dividends while leaving sufficient resources for growth.

STRIDING TOWARDS SUSTAINABILITY

As part of the economic, environmental and social aspects of our sustainability approach that are aligned to the United Nations Sustainable Development Goals, one of the notable highlights during the year was our efforts towards achieving the Malaysia Green Highway Index certification. This is in line with the industry's movement towards sustainable highway operations and management. Our Grand Sepadu Highway successfully attained this certification, valid for a 5-year period. Moving forward, we will continue to progress in our sustainability practices across the organisation, building on our strengths and enriching the community's lives.

Further information on our sustainability initiatives and results to-date are reported under our Sustainability Statement in this Annual Report.

GENERATING SHAREHOLDER VALUE

Enhancing shareholder value continues to be the core thrust of our business model. We remain optimistic of our growth aspirations anchored by our enduring operational and financial performance.

Consistent with this, Taliworks has declared a total dividend of 5.25 sen per share for FYE2019 (FYE2018: 4.80 sen per share), totalling to RM105.8 million, which is equivalent to a historical dividend yield of 6.3% based on the closing market price of RM0.81 as at 8 May 2020. Our dividend payout has consistently exceeded our dividend policy of paying out 75% of our normalised PAT over the years.

PLANNING FOR THE FUTURE

Amid the challenging external factors that may affect our business in the coming years, our long-term view remains positive, backed by our position as a long-term O&M specialist and concessionaire. Taliworks will continue to grow and add value

to all our business segments, with the water treatment, supply and distribution business as the core driver to the Group's profitability, supported by highway toll concessions, waste management and engineering and construction businesses.

Our water division outlook remains strong under the successfully concluded BWSA and the Monetisation Exercise. We remain cautiously optimistic for our highway and toll concessions business to remain status quo, on the back of our existing Concession Agreements. Our waste management business, on the other hand, is in the process of reviewing its tariffs with the federal government.

Taliworks places great emphasis on sustainable growth. We will continue to grow our water infrastructure and O&M businesses and tender for more infrastructure projects. Looking forward, the Group remains focused on developing mature operational cashflow-generating utilities/infrastructure businesses. We are also receptive to exploring business opportunities in the area of renewable energy.

In a nutshell, 2019 was a year of setting a strong base for growth despite 2020 already showing significant challenges. Moving ahead, the economy's potential growth has been affected by the Covid-19 pandemic through lower foreign tourists' arrivals, slower demand, production disruptions arising from logistical disruptions in and outbound China, as well as the movement control order and the global oil price and production shocks affecting us directly and collaterally. To mitigate the domestic economic fallout, the Malaysian Government has injected RM250 billion as a stimulus package into the economy. In addition, an additional RM10 billion was added to support businesses, especially for small and medium-sized enterprises to cushion the

TALIWORKS WILL CONTINUE TO GROW AND ADD VALUE TO ALL OUR BUSINESS SEGMENTS, WITH THE WATER TREATMENT, SUPPLY AND DISTRIBUTION BUSINESS AS THE CORE DRIVER TO THE GROUP'S PROFITABILITY, SUPPORTED BY HIGHWAY TOLL CONCESSIONS, WASTE MANAGEMENT AND ENGINEERING AND CONSTRUCTION BUSINESSES.

impact from the movement control order. Bank Negara Malaysia has reduced the overnight policy rate by 50 basis point to 2.0% in an effort to strengthen consumer spending and has also granted an automatic 6 months moratorium on loan repayments and restructuring on credit card balances to ease the financial uneasiness faced by corporates, small-medium-enterprises and individuals. Amidst the virus outbreak, political uncertainties and external headwinds, Malaysia's GDP growth forecast for 2020 has been revised to be between -2% to 0.5%.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my gratitude to both Tan Sri Ong Ka Ting and Mr Vijay Vijendra Sethu, who both retired on 30 May 2019, after 5 years on the Board. Tan Sri Ong stepped down as the Chairman while Mr Sethu had served as a Non-Independent Non-Executive Director. I am grateful for their significant contribution, leadership and guidance given to Taliworks during their tenure on the Board.

Concurrently, I would like to extend a warm welcome to Datuk Roger Tan Kor Mee as an Independent and Non-Executive Director, who joined the Board together with me on 27 November 2019. I am sure Datuk Roger Tan's wealth of experience and insights will be an asset to Taliworks as we strive to grow together.

I would like to take this opportunity to thank my fellow Board Members for their confidence in appointing me as the Chairman and for their valuable guidance, counsel and direction. I would also like to extend my sincere appreciation to our dedicated management team and employees whose professionalism and tireless commitment have been critical to the Group's success. Together, we shall endeavour to continue to contribute fresh perspectives to the Group's growth and further success in the future.

To all our customers, suppliers, business partners, regulatory authorities and financiers, I would like to thank you for your continued trust, support and immense cooperation given to the Group's business over the years. Finally, to our Shareholders, thank you for your confidence in us. We remain dedicated to enhancing shareholder value by continuing to grow the business sustainably.

Thank you.

Tunku Ali Redhauddin
Ibni Tuanku Muhriz
Independent and
Non-Executive Chairman

THE GROUP'S REVENUE FOR THE CURRENT FINANCIAL YEAR SAW AN INCREASE FROM PREVIOUS YEAR MAINLY ATTRIBUTABLE TO HIGHER CONTRIBUTION FROM THE WATER TREATMENT, SUPPLY AND DISTRIBUTION; AND THE TOLL HIGHWAY SEGMENTS.

REVIEW OF FINANCIAL PERFORMANCE

The following is the summary of the financial performance of the Group for the year ended 31 December 2019 as compared to the previous financial year.

Table 1	**2018**	**2019**
Financial Results (in RM'000)		
Revenue	374,243	377,112
Operating Profit	180,145	144,325
Profit before Tax	144,079	109,549
Profit after Tax	109,261	86,451
Total Assets Employed	2,443,859	2,353,549
Shareholders' Equity	1,056,849	1,032,904
Key Financial Ratios		
Basic and diluted EPS (sen)	4.96	3.78
Net Asset per share (sen)	52.43	51.24
Return on Equity (%) *(a)*	10.4	8.3
Return on Assets Employed (%) *(b)*	4.5	3.6
Net Debt-to-Equity (%)	25.4	-

(a) The Return on Equity is calculated by dividing the profit for the year with the average of the opening and closing balance of Shareholders' Equity.

(b) The Return on Assets Employed is calculated by dividing the profit for the year with the average of the opening and closing balance of Total Assets Employed.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM377.1 million, a marginal increase from RM374.2 million in the previous year. Profit before tax ("PBT") stood at RM109.6 million (2018: RM144.1 million) while profit after tax ("PAT") for the year was RM86.5 million (2018: RM109.3 million). The lower profit was primarily due to the reversal of loss allowances of trade receivables of RM65.3 million in the previous year from the amount due from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") arising from the re-measurement of expected credit loss rate. As a result of the lower profit, the basic and diluted earnings per share came to 3.78 sen as compared to 4.96 sen the year before.

Commentary on the Performance of Revenue of the Group

Table 2	2018 (RM'000)	2019 (RM'000)
Segmental Information		
Water treatment, supply and distribution	239,454	247,943
Engineering and construction	42,538	34,459
Highway toll concessionaire, operations and maintenance	86,987	89,446
Others	5,264	5,264
	374,243	377,112

The Group's revenue for the current financial year saw a marginal increase from previous year mainly attributable to higher contribution from the water treatment, supply and distribution; and the toll highway segments. However, the increase in top line growth was negated by a lower contribution from engineering and construction activities during the year given that the on-going construction projects undertaken by the Group are almost completed.

As in prior years, the water treatment, supply and distribution business remained the biggest revenue contributor to the Group, accounted close to 66% (2018: 64%) of the Group's total revenue. The division recorded an increase from RM239.5 million in the previous year to RM247.9 million or by 3.5% principally due to higher electricity rebates and to a certain extent from the scheduled increase in the Bulk Supply Rate ("BSR") which took effect from 1 January 2019. The increase in the BSR to account for inflationary factors saw the rates revised upwards from RM0.44/m^3 to RM0.46/m^3 for the operations at the Sungai Selangor Water Treatment Works Phase I ("SSP1") operated by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni").

For the SSP1 operations, metered sales were marginally lower at 360.96 million m^3 compared to previous year's 362.73 million m^3 whereas for Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") operations, metered sales recorded a marginal increase from 20.33 million m^3 to 20.41 million m^3 in the current year. Out of the total revenue from the water treatment, supply and distribution business, SSP1 contributed RM183.7 million (2018: RM176.4 million) and the balance RM64.2 million (2018: RM63.1 million) was attributable to Taliworks (Langkawi), each generating about 74% and 26% respectively of the total revenue from the water treatment, supply and distribution division.

For the engineering and construction segment, revenue was significantly lower by RM8.08 million. Compared to the previous year's revenue of RM42.54 million, this division only managed to chalk up revenue of RM34.5 million due to the completion of a new access to the New North Klang Straits Bypass Expressway (Jalan Haji Sirat) project since the third quarter of last year and lower contribution from two on-going projects, namely the development of the Langat 2 water treatment plant and water reticulation system in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7 for Pengurusan Aset Air Berhad ("L2P7 Project"), which commenced in the fourth quarter of 2017 and the construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur ("GP3A Project"), which are almost completed. Overall, the division contributed close to 9% (2018: 11%) of the total revenue of the Group.

The revenue contribution from the toll highway division was derived solely from a 51% indirect subsidiary, Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway. Revenue was slightly higher by 2.8% at RM89.5 million compared to RM87.0 million achieved in the previous year, primarily due to the higher average daily traffic ("ADT"). The total revenue for the year comprised of revenue from toll operations at RM72.1 million (2018: RM70.8 million) and government compensation of RM17.3 million (2018: RM16.2 million).

Commentary on Performance of the Profit of the Group

Table 3	2018 (RM'000)	2019 (RM'000)
Income Statement		
Revenue	374,243	377,112
Cost of operations	(221,246)	(229,242)
Gross Profit	152,997	147,870
Other operating income	73,425	67,288
Administrative and other expenses	(46,277)	(70,833)
Operating Profit	180,145	144,325
Finance cost	(21,369)	(24,972)
Share of results of joint venture	1,031	5,275
Share of results of associates	(15,728)	(15,079)
Profit before tax	144,079	109,549

	2018 (RM'000)	2019 (RM'000)
Segmental Information		
Water treatment, supply and distribution	152,090	109,494
Engineering and construction	160	1,327
Highway toll concessionaire, operations and maintenance	41,435	43,805
Others	(13,540)	(10,301)
Operating profit	180,145	144,325

The Group reported a full year PBT of RM109.6 million, considerably lower than the RM144.1 million achieved a year ago. The profit performance for both the years was mainly affected by several one-off transactions arising from events that occurred in those two years. As reported in 2018, Sungai Harmoni had accepted an offer from Pengurusan Air Selangor Sdn Bhd ("Air Selangor") in relation to the key settlement terms among Air Selangor, SPLASH and Sungai Harmoni. The settlement involved Sungai Harmoni's long outstanding receivables in respect of the then Operations and Maintenance Agreement dated 24 January 2000 for the

operations and maintenance of SSP1 and the key terms in respect of a new Bulk Water Supply Agreement with Air Selangor for the appointment of Sungai Harmoni for the continued operations and maintenance of SSP1 and the supply of treated water until December 2036.

Under the offer, Air Selangor proposed to settle the amount due from SPLASH at an amount equal to 90% of the outstanding receivables as at the date to be determined under a Termination and Settlement Agreement. Based on this premise, the Group had re-measured the expected credit losses based on the rate of 10%, which reflected the amount required to be written off on the outstanding amount of RM669.7 million as at the date of acceptance of the offer. Based on the estimation then, a reversal of loss allowance of RM65.3 million was made from the brought forward loss allowance of RM133.6 million and the reversal of loss allowance was included as part of Other Operating Income in the previous financial year. Other significant components of Other Operating Income included interest income on fixed deposits with licensed banks and dividend from investments totalling RM5.7 million.

In May 2019, Sungai Harmoni executed the Termination and Settlement Agreement and the Bulk Water Supply Agreement. These agreements became unconditional and were completed on 12 September 2019. As at that date, the accumulated outstanding amount payable under the then Operations and Maintenance Agreement with SPLASH amounted to RM795.5 million. Under the Termination and Settlement Agreement, SPLASH will pay 90% of the total outstanding amount payable to Sungai Harmoni which was determined at RM716.0 million ("Settlement Sum"). In addition to the Settlement Sum, SPLASH will also pay Sungai Harmoni RM6.9 million, being the billing for the treated water supplied from 30 August 2019 to 12 September 2019 based on the reduced bulk supply water rate of RM0.41 sen/m^3 under the Bulk Water Supply Agreement ("Cut-Over Sum"). Arising from the Termination and Settlement Agreement, Sungai Harmoni received an upfront payment equivalent to 10% of the Settlement Sum amounting to RM71.6 million and a partial payment of the Cut-Over Sum amounting to RM2.9 million from SPLASH. The balance of the Settlement Sum and Cut-Over Sum totalling RM648.4 million with interest of 5.25% per annum ("Receivables") are payable in nine annual instalments commencing on the first anniversary of the first payment date. The execution and completion of the Termination and Settlement Agreement brought to a close the decade long issue on the outstanding SPLASH receivables.

As a result of the modification to SPLASH's original credit term, the Receivables were fair valued at a discounted rate of 3.8% (reflecting the credit profile of Air Selangor, being the new 100% shareholder of SPLASH) on the principal sum and interest. Accordingly a gain on the de-recognition of financial asset amounting to RM41.1 million made pursuant to MFRS9: Financial Instruments ("Gain on De-recognition") was recognised in Other Operating Income in the current financial year. Simultaneously, agreements had also been reached with certain trade creditors of Sungai Harmoni wherein they have agreed to grant a 10% waiver on the amounts due to them. In return, Sungai Harmoni undertook to repay them over three annual instalments commencing the first quarter of year 2020. In addition, with respect to the two writs of summons together with the corresponding statements of claim against Sungai Harmoni filed by Tenaga Nasional Berhad

("TNB") in 2017 for non-payment of TNB bills by SSP1, Sungai Harmoni wrote back RM4.4 million as a result of TNB's waiver on the late penalty charges as part of the consent judgement reached with TNB. For the financial year, the Group recorded a total waiver of RM13.2 million granted by trade creditors.

As part of the Group's plans to monetise the Receivables to improve its cash flow position, Sungai Harmoni had on 18 December 2019, entered into a conditional sale and purchase agreement with Starbright Capital Berhad ("Starbright") to dispose of the Receivables under an asset-backed securitisation exercise. Under the terms of the conditional sale and purchase agreement, the Receivables were sold to Starbright for a total cash consideration of RM660.0 million, which comprised of an upfront purchase price of RM626.1 million and a deferred purchase price of RM33.9 million ("Disposal of Receivables"). The Disposal of Receivables was by way of an absolute legal assignment to Starbright of all of the rights, title, interests and benefits therein and in the proceeds thereof under the Termination and Settlement Agreement. The Disposal of Receivables resulted in a loss on disposal to the Group amounting to RM29.6 million ("Loss on Disposal of Receivables") as a result of an earlier revision to the carrying amount of the Receivables to its fair value which generated the Gain on De-recognition of RM41.4 million. Taking into account the Gain on De-recognition, the Group recorded a net pre-tax gain of RM11.6 million for the financial year from the Disposal of the Receivables.

The following is the summarised position of the income and expense included in Other Operating Income and Administrative and Other Expenses: -

Table 4	**2018 (RM'000)**	**2019 (RM'000)**
Other Operating Income		
Reversal of loss allowance on trade receivables	65,341	-
Gain on De-recognition of financial assets	-	41,140
Waivers granted by trade creditors	-	13,189
Gain on De-recognition of financial liabilities	-	2,774
Interest and dividend income	5,656	5,194
Others	2,428	4,991
Total Other Operating Income in the Statement of Comprehensive Income	73,425	67,288
Administrative and Other Expenses		
Loss on Disposal of Receivables	-	29,573
Late penalty charges from TNB	5,100	-
Others	41,177	41,260
Total Administrative and Other Expenses in the Statement of Comprehensive Income	46,277	70,833

The Group's share of results from joint venture is in respect of its investment in Pinggiran Muhibbah Sdn Bhd, the parent company of Grand Sepadu (NK) Sdn. Bhd ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway, also known as the Grand Sepadu Highway. For the current year, the Group's share of results from joint venture of RM5.3 million was comparatively higher than the RM1.0 million recorded in the previous year. This was mainly due to the government compensation of RM13.0 million received by Grand Sepadu in 2019 for the non-increase in toll rate hike scheduled on 1 January 2016. The compensation was in respect of advance compensations for 2018 and 2019. In 2018, the company received RM4.1 million as the balance compensation for 2017. Thus, the profit of the company for the year was higher than the year before.

The Group's share of losses from associates amounted to RM15.1 million (2018: RM15.7 million) and is primarily from its 35% ordinary shares in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of losses from SWMEH amounted to RM16.8 million (2018: RM18.0 million) after deduction of dividend on the cumulative preferences shares held by parties other than the Group and adjustments made by the Group.

In terms of the segmental performances, the water treatment, supply and distribution division contributed an operating profit of RM109.5 million (2018: RM152.1 million). The operating profit in 2018 included a reversal of loss allowance of RM65.3 million which enhanced the profit greatly whilst the operating profit for 2019 was impacted by some of the transactions as highlighted above in Table 4. Although the revenue for the year saw an increase, it was mainly comprised of higher electricity rebates. Nevertheless, the increase in electricity rebates was negated by higher unit electricity costs by about 11% in SSP1 and 8% in the Langkawi operations arising from a 2% increase in Special Industrial Tariff ("SIT") by TNB in January 2019 coupled with the change in the Imbalance Cost Pass-Through ("ICPT"). In addition, the profitability of the division was impacted, amongst others, by higher rehabilitation costs including the provision of restoration cost for the Langkawi operations which are due to be handed back to Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), an agency under the Kedah State Government, in October 2020 under the terms of its concession agreement with SADA.

In the engineering and construction division, operating profit was higher at RM1.3 million (2018: RM0.2 million) despite lower revenue recorded as the division recognised Variation of Pricing ("VOP") and Variation Order ("VO") totalling RM2.05 million in respect of a project which has been completed. As at the end of the year, the division has three on-going projects, two of which had been substantially completed in 2019.

As for the toll highway division, the operating profit increased from RM41.4 million to RM43.8 million on the back of an increase in revenue. Other than the higher ADT recorded, the improvement in the operating profit came mainly from the lower provision for heavy repairs in the current year as the company had re-scheduled the heavy repairs to be undertaken in year 2022 instead of year 2021. For the current financial year, the provision for future resurfacing obligations came up to RM1.4 million as compared to RM3.6 million in the previous year.

Statement of Financial Position

As at the end of the financial year, the Group's net assets per share decreased from 52.43 sen to 51.24 sen. Despite the profit recorded in the financial year, the reduction in the net assets per share arose from the payment of dividends to shareholders. For the current financial year, the Company declared a total of 5.25 sen per share or RM105.8 million to shareholders, higher than the previous year. The payment of dividend was above the earnings per share of the Company at 3.78 sen per share and in excess of the dividend pay-out ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) as stated in the Company's dividend policy announced in year 2015.

Major developments during the year helped to shape the financial position of the Group and these included the execution of the Termination and Settlement Agreement as well as the monetisation of the Receivables. Arising from these two developments, the carrying amount of the trade receivables reduced significantly from RM723.1 million just a year ago to about RM107.4 million. Pursuant to MFRS9: Financial Instruments, the Receivables were de-recognised from the statement of financial position as the contractual rights to receive the cash flows of the Receivables had been transferred by way of an absolute legal assignment under the monetisation exercise. Part of the proceeds from the Disposal of Receivables are deferred payment consideration under the conditional sale and purchase agreement with Starbright and accordingly such amount has been classified as long term other receivable.

Investments designated at fair value through profit or loss ("FVTPL"), deposits, bank and cash balances jumped from just under RM178.6 million to RM715.8 million principally due to the proceeds from the Disposal of Receivables. Out of the total investments designated at FVTPL, deposits, bank and cash balances, approximately RM28.2 million was held as securities for banking facilities secured by the Group and security arrangements for the Islamic Medium-Term Notes issued by a subsidiary, Cerah Sama Sdn. Bhd ("Cerah Sama"); whilst RM105.2 million was subjected to restrictions imposed under the Islamic Medium-Term Notes. A total of RM24.2 million was set aside for the third interim dividends of the Company that were subsequently paid after the financial year.

Having received the proceeds, the Group managed to pare down its trade payables especially the full settlement of outstanding bills due to TNB, ahead of what was agreed under the consent judgement with TNB. The Group has also committed itself to repay certain other major trade creditors over three annual instalments commencing the first quarter of year 2020; resulting in the reclassification of a portion of the amounts due as long term trade payables. Other payables and accruals have decreased primarily from the reduction in the amount of advances received from a project customer. Although the short-term bank borrowings of the Group increased from RM10.0 million to RM40.0 million as at the end of the financial year, the Group has fully repaid all of the short term bank borrowings subsequent to the financial year.

On the initial application of MFRS16: Leases as at 1 January 2019, the Group recognised right-of-use assets and lease liabilities in the statement of financial position. These relate primarily to a lease of the Group's office premises under a tenancy agreement until year 2025. 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 amount of shareholders' equity as at the end of the year was at RM1.03 billion, slightly down from RM1.06 billion in the previous year. Total assets stood at RM2.35 billion (2018: RM2.44 billion), whereas total liabilities were recorded at RM1.06 billion (2018: RM1.12 billion).

Key Audit Matters

As with the previous years, the Auditors have highlighted the assessment on the impairment of goodwill relating to Cerah Sama as a Key Audit Matter in the Independent Auditors' Report. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. As at 31 December 2019, the carrying amount of goodwill amounted to RM129.4 million (2018: RM129.4 million) in comparison to the total assets employed by the Group. The Auditors have indicated how the matter was addressed in the audit in their report.

Significant Corporate Developments

Other than the resolution of the water restructuring exercise by Air Selangor which paved the way for the long outstanding receivables from SPLASH to be finally resolved and the securitisation of these receivables by the Group that were completed during the year, there were no other significant corporate developments to be reported.

Implementation of Anti-Bribery Adequate Procedures

With the introduction of corporate liability under the new section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which is expected to take effect on 1 June 2020, the Group has enhanced its anti-bribery capabilities by establishing the necessary procedures ("Adequate Procedures") pursuant to sub-section (5) of section 17A of the MACC Act to prevent employees of the Group and/or associated persons from undertaking corrupted practices in relation to the business activities of the Group. In adopting the Adequate Procedures, the Group was guided by the five principles under the Guidelines on Adequate Procedures issued by the Prime Minister's Department in December 2018. Amongst the Adequate Procedures to be adopted are a corruption risk assessment to establish appropriate processes, systems and controls approved by the top level management to mitigate the specific corruption risks the business is exposed to and a whistleblowing channel which may be used anonymously, for internal and external parties to raise concerns in relation to real or suspected corruption incidents involving the Group.

Impact of the Covid-19 Outbreak on the Group's Businesses

The outbreak of the Covid-19 has posed unprecedented challenges to businesses in Malaysia. To manage and contain the outbreak, the Government has implemented several measures including enacting and enforcing laws and regulations to restrict the movement of its populace, closing of its international borders and curtailing non-essential business activities under a movement control order. During the movement control order, all of the Group's businesses, save for construction activities, continued to operate as usual as their services were deemed as essential services. Other than the toll highway division which recorded a substantial reduction in the volume of traffic during the movement control order, there was minimal financial impact from the water and waste management divisions. Business continuity plans were activated and actions were taken by the respective business divisions to minimise the risk of their operations being affected. These included adhering to the health and safety guidelines issued by the Ministry of Health from time-to-time and having their contingency plans in place. Being a novel coronavirus affecting economies on a global scale, there is so much uncertainties and fear as to the full impact of the Covid-19 pandemic. Nevertheless, the nature of business activities undertaken by the Group is predominantly in the provision of essential services to the public. Thus the Group anticipates that its long term business outlook will remain relatively intact.

REVIEW OF BUSINESS DIVISIONS

The following is a review of the operating and financial performance of each of the operating business divisions of the Group.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni")

Over the past five years, the average daily production from the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") hovered around 950 million litres per day ("MLD") to about 1,000 MLD. This reflected the consistent and sustained demand for treated water from consumers within the vicinity of the Klang Valley. In 2019, the average daily production from SSP1 recorded a slight drop of 0.4% to 988.9 MLD compared to the average daily production of 992.8 MLD in the previous year. In terms of metered output, the amount of treated water was about 360.96 million m^3 over a period of 365 days, marginally lower than 362.35 million m^3 achieved over the same period in 2018. Based on the current rate of production, SSP1 has been operating above its design capacity of 950 MLD by almost 4%-5% to meet the overall demand for treated water.

Other than SSP1, the other major water treatment plants operating along Sungai Selangor are the Sungai Selangor Water Treatment Works Phase 2 ("SSP2") and Sungai Selangor Water Treatment Works Phase 3 ("SSP3"). During the year, the total production from SSP1, SSP2 and SSP3 was about 2,819 MLD, an increase of 1.0% year-on-year. Of the total combined production from the three water treatment plants, SSP1 supplied slightly more than one-third of the treated water from the Sungai Selangor basin to Air Selangor, presently the only entity with the license to extract, treat and distribute water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya. Pending the full operation of Phase 1 of the upcoming Langat 2 Water Treatment Plant in year 2022, the production of treated water from SSP1 is expected to remain intact at current levels. Once completed, the Langat 2 Water Treatment Plant will be the largest water supply scheme in Malaysia supplying 2,260 MLD of treated water to consumers in the Klang Valley. The project entails the construction of water treatment and distribution facilities for water transferred from the Pahang-Selangor Raw Water Transfer Project. It will be carried out through two phases, namely Phase 1 and Phase 2 with each phase capable of treating and distributing 1,130 MLD of water to the targeted demand centres. Stream 1 of Phase I of the project will deliver 565 MLD and is currently supplying 325 MLD with

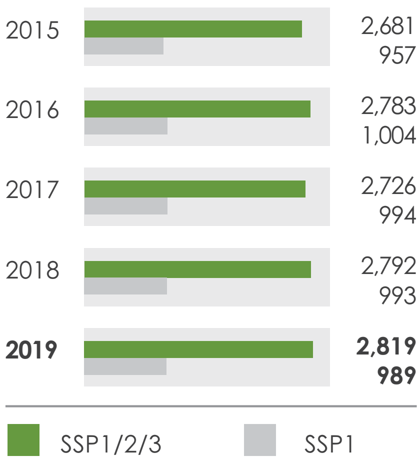
AS A RESPONSIBLE OPERATOR, SUNGAI HARMONI PLACES UTMOST IMPORTANCE IN ENSURING THAT ALL TREATMENT PLANT EQUIPMENT IS KEPT UNDER GOOD AND OPTIMAL WORKING CONDITIONS AND ALL PREVENTIVE REHABILITATION AND MAINTENANCE PROGRAMMES ARE PROMPTLY FOLLOWED THROUGH.

an additional 240 MLD to be supplied in the near term. The ever-increasing demand for treated water is attributable to the increase in population. Massive urbanisation, rapid industrialisation and the opening of new developments have also weighed on the need to deliver more treated water. The following is the historical metered output from SSP1 and the combined production from SSP1, SSP2 and SSP3 (tabulated from internal sources) for the past five years.

At the end of the year, the dam levels at both the Sungai Tinggi Dam and Sungai Selangor Dam achieved full capacity due to continued rainfalls over the catchment areas and the reduced regulated discharges of raw water to augment the river flow at Sungai Selangor. Other than the intermittent dry spells experienced during the year,there was abundant rainfall over the catchment areas and the risk of raw water shortages remained low throughout the year. The abstraction of raw water by SSP1, SSP2 and SSP3 water treatment plants from Sungai Selangor for the first quarter of 2020 is not likely to be impacted as the water levels at both the regulating dams are at full capacity and this will provide the necessary buffer during the drier seasons. At the state government level, the state agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN"), Air Selangor and Lembaga Urus Air Selangor ("LUAS") have been vigilantly monitoring the river flows and dam levels to ensure the supply of raw water for water treatment operations will not cause unnecessary disruption in water supply to consumers.

As a responsible operator, Sungai Harmoni places utmost importance in ensuring that all treatment plant equipment is kept under good and optimal working conditions and all preventive rehabilitation and maintenance programmes are promptly followed through. These are part of the company's risk mitigation plans to minimise any untoward incidences of major breakdowns and disruptions to its operations which runs 24/7. For the year under review, the company increased the total expenditure on rehabilitation, upkeep and maintenance costs to RM14.2 million from RM11.7 million a year ago. This expenditure accounted for approximately 12% of the total operating costs for the year. Where equipment efficiency is likely to affect the overall production capacity, refurbishment to progressively return the installation to their original level of efficiency was undertaken. Comprehensive maintenance and rehabilitation programmes were also implemented to ensure that

Average production in MLD



Significant developments

- *2018 – increase in the Bulk Sale Rate ("BSR") from RM0.42/ m^3 to RM0.44/ m^3 under the then existing Operations and Maintenance Agreement with SPLASH*
- *2019 – increase in the BSR from RM0.44/m^3 to RM0.46/m^3 from 1 January to 29 August under the then existing Operations and Maintenance Agreement with SPLASH*
- *2019 – decrease in the BSR from RM0.46/m^3 to RM0.41/m^3 effective 30 August under the Bulk Water Supply Agreement executed with Air Selangor*

equipment and installations continue to operate at high levels of efficiency and reliability to produce water to the required quality and quantity at all times. This include amongst others, the following activities:-

(a) rehabilitation of raw water and treated water pumps and delivery valves;

(b) sludge management activities to control and to ensure that the effluents leaving the lagoons comply with environmental standards;

(c) transfer of settled sludge to the sludge depository, which is now in maintenance mode;

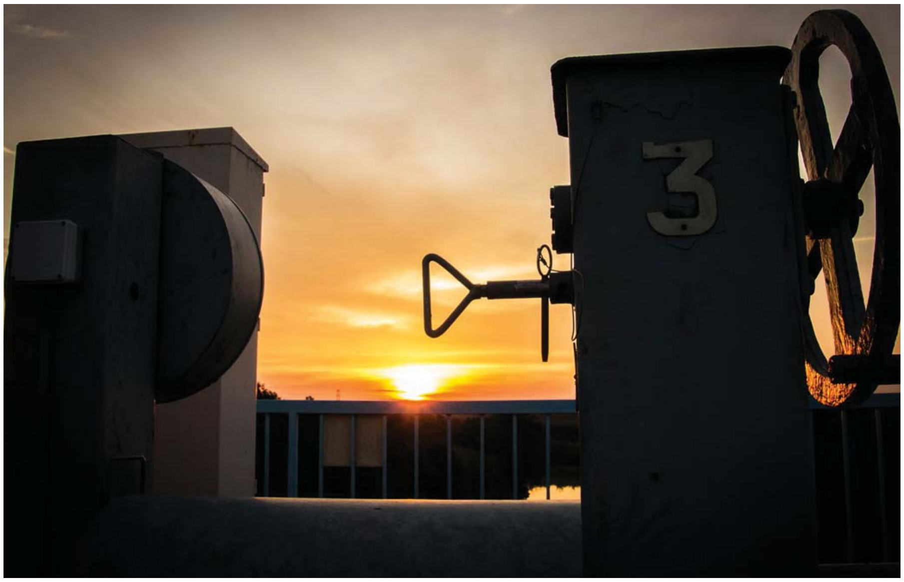
(d) rehabilitation of the sand filters to improve filtered water quality;

(e) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc;

(f) refurbishment of the support structures of the lamella modules for the Stream B Pulsators;

(g) refurbishment of the chemical dosing systems, which includes replacing aged dosing pumps, chemical preparation systems and pipe works; and

(h) purchase of critical spares for major equipment to ensure minimum downtime;



Over the years, Sungai Harmoni undertook several research and development initiatives into technological improvement to its water supply operations. This included studies on the refurbishment of water treatment plants with alternative water treatment technologies such as membrane filtration and improvements in treatment process efficiencies and usage of alternative treatment chemicals especially in treatment of pollutant spikes that may occur from time to time. The company is committed to a customer-focused service in providing high quality drinking water to the consumers. It also sets its sights to manage and preserve the environment in which it operates through relevant water industry research and development. In recognition of its operational and maintenance standards, SSP1 has been certified under MS.ISO 9001:2008 for Operation and Maintenance of Water Treatment since year 2003 and in year 2018, SSP1 was certified for MS.ISO 9001:2015 by SIRIM Berhad (formerly known as Standard and Industrial Research Institute of Malaysia). The SSP1 Laboratory, on the other hand, has continued to be accorded with ISO/IEC 17025:2005 under the Skim Akreditasi Makmal Malaysia ("SAMM") Accreditation Scheme and has successfully migrated to ISO 17025:2017. In addition, SSP1 has obtained certification under ISO/IEC 27001:2013 'Information Technology – Security Techniques' quality management system for its Information Security Management System for the Management of Information associated with the SCADA System, for the initial period from 22 February 2013 to 21 February 2016. This has since been

renewed till year 2022. Furthermore, SSP1 has been accredited by the Jabatan Pembangunan Kemahiran ("JPK") Malaysia as a National Dual Training System in-house company and training centre since end of 2016. This accreditation allows SSP1 to train internal staff to obtain the Malaysia Skills Certificate ("MSC") certified by JPK. Emphasis on training and developing its human resources is placed by the company to achieve the full potential of its staff. Sungai Harmoni is proud to be one of the few water operations specialists in Malaysia to have gained such certification. In the previous year, nine staff were awarded the Sijil Kemahiran Malaysia ("SKM") Level 2 for Water Treatment Operation Service and the second batch of nine staff has also received their SKM Level 2 certification in 2019. Currently, a total of eighteen production staff have been certified under this scheme and it is the company's plan to have more of its staff achieving higher competency levels and skill through continuous trainings. In 2019, SSP1 took the initiative to recognise the experience and skills of the supervisory staff under the Recognition of Prior Achievement ("RPA") programme also by JPK. Six supervisory staff were awarded the SKM Level 2 for Water Treatment Operation Service after excelling in their three hours duration practical examination. SSP1 will continue with this programme until all the supervisory staff receive their SKM certification for Level 3 or higher.

As a major water treatment plant operator, Sungai Harmoni constantly monitors and evaluates all possible operational risks ranging from deterioration of quality of raw water to major breakdown of plant and equipment leading to major disruption in the treatment and supply of treated raw water. To mitigate these risks, the company employs a robust risk management framework to monitor, evaluate and escalate any potential risks to the attention of management. Operational risks are assessed on a periodic basis and the company is subjected to rigorous audits by regulators, external consultants, internal audit checks as part of its ISO accreditation as well as monitoring by Air Selangor on the compliance with the terms of the Bulk Water Supply Agreement which the company had executed for the continued operations of SSP1 until year 2036. Under the Bulk Water Supply Agreement which commenced on 13 September 2019, more stringent requirements are to be complied with by Sungai Harmoni to ensure that SSP1 is properly operated and managed to produce and supply the designated quantity and quality of treated water to Air Selangor. These include amongst others maintaining the raw water monitoring systems at SSP1 and along Sungai Selangor to detect pollution and siltation, carrying out all rehabilitation and maintenance works as planned. A comprehensive maintenance and rehabilitation programme has been proposed to refurbish all major components of the water treatment plant to improve and to revert them to as close as possible to the original design efficiencies.

Following the protracted issue on the water restructuring exercise in Selangor, Sungai Harmoni finally executed the Termination and Settlement Agreement and the Bulk Water Supply Agreement with Air Selangor during the year. To recap, back in year 2018, Sungai Harmoni had received an offer from Air Selangor to settle the long outstanding receivables owing from SPLASH as well as an agreement for the continued operations and maintenance of

SSP1. Amongst the salient terms of the Termination and Settlement Agreement and the Bulk Water Supply Agreement were (a) SPLASH is to pay Sungai Harmoni 90% of the outstanding amounts with an initial upfront payment of 10% and nine subsequent equal annual instalments with interest payable on the remaining outstanding balance at the rate of 5.25% per annum; and (b) subject to the approval of Suruhanjaya Perkhidmatan Air Negara ("SPAN"), the new bulk water supply rate will be a rate equal to a 5 sen/m^3 reduction to the existing bulk water supply rate up till 31 December 2029, being the expiry date of the Operations and Maintenance Agreement with SPLASH and a final bulk water supply rate of 52.5 sen/m^3 for the 7-year extension from 1 January 2030 to 31 December 2036 in respect of the operations and maintenance of SSP1.

The completion of the Termination and Settlement Agreement effectively brought about an end to the long outstanding issue on the amount due and owing by SPLASH. As at the end of 2018, the amount owing to Sungai Harmoni was in the region of approximately RM732.3 million, an amount that had progressively escalated since 2008. With the subsequent sale of these receivables through an asset-back securitisation exercise completed towards the end of December 2019, trade receivables have been drastically reduced to RM46.9 million and Sungai Harmoni is now in a much better financial footing to manage its cash flows and to meet its payment obligations. As at the end of the year, trade payables had decreased to RM102.3 million from RM174.1 million principally due to full repayment to TNB as part of the consent judgment reached with TNB. TNB had earlier in year 2017 filed two writs of summons against Sungai Harmoni for unpaid electricity billings. Out of the total trade payables outstanding as at the end of 2019, approximately 20% was owed for the supply of electricity and chemicals compared to a high of 53% at the end of 2018.

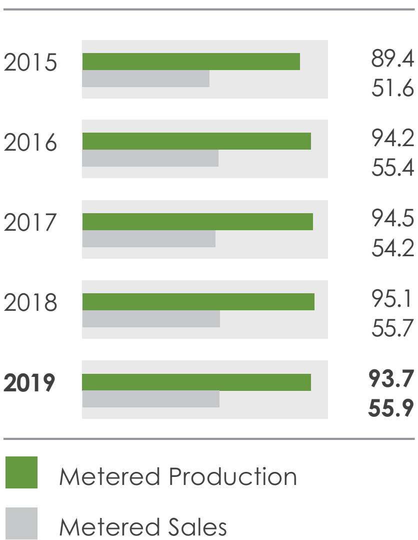
For the full financial year, Sungai Harmoni recorded a PAT of RM66.5 million (2018: RM92.9 million) on the back of revenue of RM183.7 million compared to RM176.3 million the year before. Despite lower production this year, revenue was considerably higher due to the increase in electricity rebates of RM28.1 million (2018: RM22.7 million). The lower PAT was primarily attributable to the reversal of loss allowance on trade receivables of RM65.3 million in the previous year. The current year's financial performance was boosted by several positive developments during the year including the net gain of RM11.6 million from the disposal of receivables and gain from waivers granted by certain trade creditors of RM13.2 million. In light of the higher unit electricity costs arising from the increases in the Special Industrial Tariff and Imbalance Cost Pass-Through costs, total operating expenditure jumped significantly to RM114.5 million from RM104.0 million with electricity and chemical costs accounted for 69% (2018: 69%) of the total operating expenditure. However, the increase in electricity cost was compensated by the higher electricity rebates included in the determination of revenue. Unit chemical costs saw an increase by 9% and this can be attributable to the overall deterioration in raw water quality caused primarily by high turbidity from high intensity rainfalls. As the quality of raw water deteriorates, higher dosage of chemicals was required to be added to ensure the quality of treated water meets with the water quality standards prescribed by the Ministry of Health. Sungai Harmoni

THE COMPLETION OF THE TERMINATION AND SETTLEMENT AGREEMENT EFFECTIVELY BROUGHT ABOUT AN END TO THE LONG OUTSTANDING ISSUE ON THE AMOUNT DUE AND OWING BY SPLASH.

makes it a point to continuously monitor raw water quality and inflow at regular intervals by having a river surveillance programme in which it takes water samples from several locations within the catchment areas for analysis of pollution trends. If there are occurrences of quality changes to its raw water, appropriate adjustments to chemical dosing rate are made to optimise chemical dosage and improve the water treatment regime. During the year, there were two instances of serious incidences of raw water pollution that resulted in major disruptions to the SSP1 operations i.e. on 19 July (odour pollution) and 21 July (diesel pollution), resulting in production shortfalls of 230 MLD and 288 MLD respectively. Sungai Harmoni has been working closely with other regulators and operators to minimise plant interruption due to river pollution. Raw water quality surveillance programmes will continue to be implemented at regular intervals. The use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators have contributed significantly in improving the quality of the settled water since their introduction in 2013. Given the quality of raw water encountered, the treatment regime employed in the water treatment process has been found to be relatively effective.

Under the provisions of the Bulk Water Supply Agreement with Air Selangor, Sungai Harmoni is required to construct a mechanical dewatering plant by year 2024 that will cost RM18 million at current estimates. Nevertheless, the company intends to commence preparatory groundwork in year 2020 with the aim of completing the construction earlier. The construction of the mechanical dewatering plant is to ensure the proper management, treatment and disposal of sludge. Currently, water treatment residuals generated from the water treatment process are treated and deposited at the sludge lagoons within the vicinity of SSP1 before being transported to the nearby sludge depository area sanctioned by the Department of Environment ("DoE"). This method of handling and managing residuals have been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and environmental friendlier method in managing these residuals. This is part of the company's commitment to adhere to the sustainability agenda promoted by the Group. To operate SSP1, Sungai Harmoni has obtained an Individual Licence from SPAN for an initial term of three years until year 2022 and thereafter subject to the renewal of the individual license by SPAN, for successive periods of three years until the expiry of the Bulk Water Supply Agreement in year 2036.

Average in MLD



Taliworks (Langkawi) Sdn. Bhd. (“Taliworks Langkawi”)

During the year, the Langkawi operations registered a marginal growth of 0.4% in metered sales to 20.41 million m^3 as compared to an increase of 2.8% in the previous year. This translated to metered sales of 55.93 MLD (2018: 55.69 MLD) over a period of 365 days. Demand for treated water in Langkawi is heavily dependent on the residential and commercial sectors as well as from tourism activities. Based on the visitors' arrival statistics provided by the Langkawi Development Authority, the number of tourists arriving at the Langkawi island both from air and sea was approximately 3.92 million, an impressive annual growth of almost 8%. This compared to a decline of 1.4% seen the year before. Domestic arrivals continue to constitute the majority of total arrivals given that the island of Langkawi is heavily promoted as one of the top tourist attractions in Malaysia. Demand for treated water has been relatively strong for the past few years and it can be seen from the sustained metered production and sales over the past five years, so much so the provision of adequate water supply is a perennial problem in Langkawi due to the acute water shortage and the prolonged dry season at certain times of the year.

In terms of production, the total output from the five water treatment plants operated by Taliworks Langkawi stood at 93.68 MLD (2018: 95.05 MLD), representing a marginal decrease of 1.4%. At this level, the combined production output exceeded the design capacity of the water treatment plants by almost 7%. The overloading of the water treatment plants is an issue faced by Taliworks Langkawi, due to the rising demand for treated water, which is hampered by the inadequate water treatment facilities, high rate of Non-Revenue Water (“NRW”) and the scarcity of raw water sources in Langkawi. Other than raw water sourced from the island itself, close to 55%-60% of treated water in Langkawi comes from Sungai Baru on the Perlis mainland area. Raw water treated at the Sungai Baru water treatment plant is transported via a 711 mm outer diameter submarine pipeline of approximately 35 kilometres in length to the Penarak booster pumping station on the island.

One of the sources of water supply in Langkawi Island is from Malut Dam. Malut Dam is used as a storage facility and it can hold up to 7.1 million m^3 of raw water. Water from the dam is consistently released in the range of 15 to 30 MLD to supplement the flow of raw water to the treatment plants. Starting the year at 98.3% storage capacity, the dam level gradually decreased during the first four months mainly due to increased drawdown caused by the annual dry season. Pumping to refill the Malut Dam resumed in earnest from May which helped to replenish the water stored at the dam. However, this has further decreased towards the end of the year whereby Malut Dam only managed to achieve 91.6% storage mainly due to the early onset of the 2019 year end dry season. This may lead to a potential risk of water shortage in the coming months if there are no notable changes in the weather pattern.

Due to several factors including the growth in the local population as well as the economy of Langkawi, Taliworks Langkawi was confronted with an increasingly challenging task of managing an expanding water supply and distribution assets on the back of a progressively increasing consumer base. The consumer base has grown by leaps and bounds from an initial 9,998 accounts back in 1995 to 23,958 and 5,307 domestic and commercial accounts respectively. Domestic accounts grew slightly by 4.0% (2018: 6.4%) whilst commercial accounts grew by only 0.3% (2018: 4.4%). One of the major issues affecting the Langkawi operations was the non-replacement of the aging piping network and aged consumer meters which is not the responsibility of the company. As a result of the non-replacement of the aging piping network and aged consumer meters, the NRW for Langkawi stood at a relatively high level of 40.3% as at December 2019 (2018: 41.4%). The high level of NRW contributed to the shortage of treated water (through undetected leaks, unscheduled burst in the piping network and theft) and increased the cost of production for the company as more treated water needs to be produced to compensate for wastages and losses. As such, one of the top priorities adopted by the company is the efficient handling of NRW through various measures including the following: -

(a) identification of pipelines with high leak frequencies through the Geographical Information System ("GIS") facility and recommending them for pipeline replacement;

(b) replacing a total of 1,428 spoilt consumer meters (2018: 1,679 meters). This has already contributed positively in maintaining the quantity sold in the year and to slow down the natural increase in NRW due to meter ageing effect. This will maintain sales volumes in the succeeding years; however, the remaining defective and aged meters are required to be changed;

(c) the Active Leakage Control ("ALC") programme initiated in earlier years is currently monitored and implemented by internal NRW team;

(d) stepping up the pressure management programme in the distribution system by installing additional Advance Pressure Management System in a few more District Metering Zones and this has been effective in reducing the background water losses;

(e) continue to involve all levels of staff in reporting visual leaks. The meter readers have been most active in making this a continuing success. A dedicated toll-free hotline has also been activated for consumers to report any leakages; and

(f) staged replacement of communication pipes with PN16 ratings instead of PN12 rating high-density polyethylene ("HDPE") pipes, as substandard quality communication pipes were identified as a significant cause of pipeline leakages. A total of 10 kilometres of such communication pipes were replaced during the year on top of the 20 kilometres which were completed the year before.

In terms of financial performance, Taliworks Langkawi recorded higher revenue of RM64.2 million compared to RM63.1 million in the previous year primarily from the increase in income from electricity rebates. The contracted BSR of RM2.24/m^3 remained unchanged since it was last revised in 2018 and the BSR will continue to apply until the expiry of the Langkawi Water Supply Privatisation Agreement in October 2020. PAT for the year was recorded at RM13.4 million compared to RM17.8 million a year ago on account of higher unit electricity and chemical costs and increases in rehabilitation, upkeep and maintenance works in preparation for the handing over the concession back to SADA. As at the end of the year, the amount owing by SADA stood at RM58.3 million, up from RM46.9 million a year ago with total payments received amounted to RM52.7 million (2018: RM 60.4 million).

Looking into the breakdown of the operating costs incurred for the year, electricity and chemicals took up almost 42% (2018: 45%) of the total operating expenditure of RM39.9 million (2018: RM34.4 million). The other major cost components comprised of rehabilitation, upkeep and maintenance costs which came up to RM9.3 million (2018: RM6.0 million) or 23% and operating staff costs at RM9.5 million (2018: RM8.5 million) or 24%. The unit cost of electricity per m^3 of production averaged out to be higher by 8% mainly due to the continued refill of Malut Dam as a result of the increased rainfall and the higher opportunities of pumping from the river intake to meet water demands of the water treatment plants on the island. During the year, electricity costs recorded a 6% increase under TNB Special Industrial Tariff at the beginning of 2019 and a change in the Imbalance Cost Pass-Through from RM0.0135 per kWh to RM0.0255 per kWh commencing March 2019, a situation similarly experienced by Sungai Harmoni. Similarly, unit chemicals cost was higher by 3% mainly due to a deterioration in raw water quality at Sungai Baru and from the island intakes. Nevertheless, the higher electivity cost and chemical cost was offset by higher electricity and chemical rebates. To keep the water treatment facilities in tip-top working condition, Taliworks Langkawi continues to improve the maintenance of pumps and implements a wide range of rehabilitation schedule which included the following: -

(a) maintenance and upkeep activities are planned and performed, aided by C-Works – Computerised Maintenance Management System;

(b) rehabilitation of raw water and treated water pumps;

(c) undertaking residual management to regulate and to make sure that the effluents discharged from the treatment plants comply with environmental standards;

(d) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc;

(e) verification and calibration of online instrument as to ensure the data transmitted are reliable and accurate;

(f) refurbishment of the chemical dosing systems, which consist of replacing aged dosing pumps, and chemicals pipe works;

(g) repainting of buildings and pipelines at the treatment plants and distributions system; and

(h) regularly servicing the electrical starter panels.

Since taking over the operations and maintenance of the Langkawi water treatment plants in 1995, Taliworks Langkawi continues to improve its service level despite the numerous challenges that it faces. It has managed its operations well to ensure that the supply of water is being treated to the required standard and that adequate supply of water is made to consumers. It continues to maintain its standard through the following accreditation:

(a) ISO 9001:2015 for 'The Management and Support Services for the Operation of Four (4) Water Treatment Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including the maintenance of the existing Distribution Network and Consumer Services. This is valid till 31 January 2022;

(b) ISO/IEC 27001:2013 Information Technology – Security Techniques for Information Security Management System for the Management of Information associated with the Monitoring and Operations for the Supply of Potable Water to Langkawi, covering the Treatment Processes, Water Distribution System and Consumer Affairs. This certification is valid till January 2022;

(c) SAMM ISO/IEC 17025:2005 for the Padang Saga and Sungai Baru treatment plant laboratories and the process of migrating to the ISO 17025:2017 has been completed in 2019; and

(d) Accredited as a National Dual Training System (NDTS) in-house company and training centre by Jabatan Pembangunan Kemahiran (JPK) Malaysia. In 2019, six water treatment apprentices and six distribution apprentices had received Malaysian Skills Certificate Level 2 from JPK.

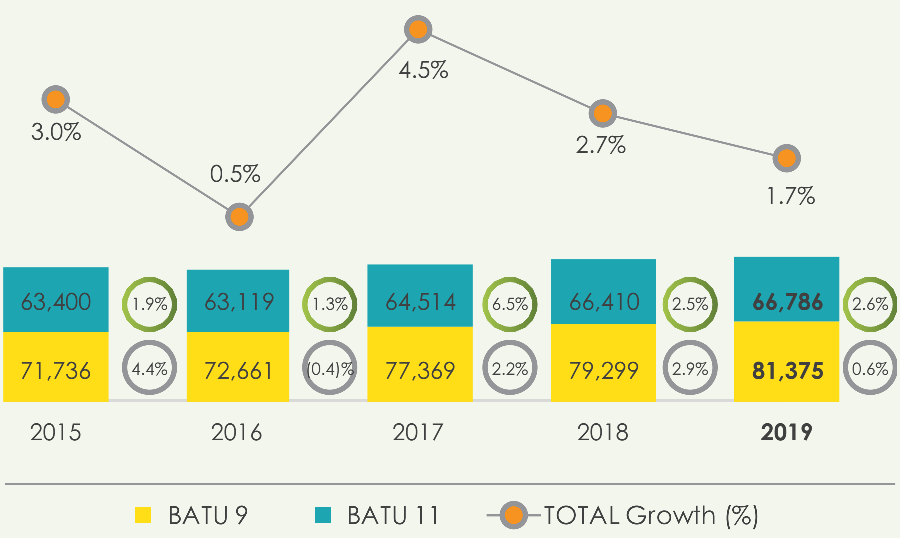
HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Grand Saga Sdn Bhd ("Grand Saga")

Grand Saga built and operates the Cheras-Kajang Highway, which is a 11.5 kilometres four lane dual carriageway. The highway begins from the Connaught Interchange in Cheras to the Saujana Impian Interchange in Kajang. It comprises two toll plazas (at Batu 9 and Batu 11), one rest and service area, two lay bys, as well as eight interchanges. With the closure of toll collection at one bound at each of the two toll plazas by the Government in March 2012, toll collection prevails at the Batu 9 Kajang bound and Batu 11 Kuala Lumpur bound. Tolling operations commenced on 15 January 1999 and the current concession ends on 18 September 2045.

For year 2019, the overall average daily traffic ("ADT") grew by 1.7% from 145,709 vehicles per day in 2018 to 148,161 vehicles per day. The ADT at the Batu 9 toll plaza continued its upward trend in recent years by registering a growth of 2.6% (2018: 2.5%). However, ADT growth rate at the Batu 11 toll plaza declined from 2.9% in 2018 to 0.6%, as depicted in table below:

Average Daily Traffic ("ADT")



Significant developments

- *2015 – increase in toll rates on 15 October 2015*
- *2016 - substantial completion of the Klang Valley Mass Rapid Transit Line 1 project ground works along the affected stretches of the highway around the third quarter of 2016 alleviating congestion*
- *2017 – commencement of KVMRT operations on 17 July 2017*

The lower growth rate at Batu 11 toll plaza was primarily due to the KL bound traffic congestion during peak hours caused by the ongoing road repairs and maintenance works outside the Highway by Dewan Bandaraya Kuala Lumpur ("DBKL") and the intensified construction works of the Sungai Besi-Ulu Klang Elevated Expressway ("SUKE") at the edge of its Grand Saga's Right of Way. With the prevailing congestion, Grand Saga continued its collaboration with DBKL and the Kuala Lumpur Traffic Police to implement contra flow operations for the Kuala Lumpur bound traffic in the mornings and for the Kajang bound traffic in the evenings. This is the thirteenth-year running that the daily contra flow operations have been in place to ensure a smoother ride for road users as part of Grand Saga's service commitment. The other congestion mitigation action plans include constant monitoring of major ongoing projects undertaken by third parties which are deemed to have potential adverse effects on traffic flow and safety for users of the highway as well as the implementation of highway repair works at off peak hours and at nights. The company maintains a close working relationship with the project owners, contractors and authorities to ensure traffic and safety issues are always adhered to at all times.

The percentage breakdown of ADT between Batu 9 and Batu 11 toll plazas and the traffic mix classes of vehicles remained consistent in the current year compared to 2018. Being a mature intra-urban highway, approximately 95% of traffic that passes through both the toll plazas constitute Class 1 motor vehicles (vehicles with 2 axles and three or four wheels). The volume of Class 1 vehicles increased marginally by 0.12% during the year and this was offset by equal reduction of Class 4 vehicles (taxis) which declined by a further 0.12% (after a significant decline of 20% in 2018) due to the increasing use of e-hailing services by the public. The breakdown of all other classes generally remained the same. The toll rate for Class 1 vehicles is RM1.30 at each of the two toll plazas (which has remained unchanged since the last toll hike on 15 October 2015). The next toll hike which was scheduled for 1 January 2020 has been put on hold by the Government, pending a decision on the future of the toll industry.

Grand Saga's toll collection in 2019 increased by 1.8% from RM70.8 million in 2018 to RM72.1 million. The operating revenue for the year was RM89.4 million, higher by 2.8% compared to RM87.0 million achieved in the previous year. Operating revenue comprised of actual toll collection and recognition of deferred income of prior and current year's government compensation of RM17.3 million (2018: RM16.2 million) arising from amongst others, the closure of one-bound traffic in March 2012, opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings. EBITDA increased to RM71.0 million from RM67.2 million previously, due to the higher operating revenue and lower operational expenses by RM1.8 million, mainly arising from lower provision for future heavy repairs of RM1.4 million (2018: RM3.6 million). Depreciation and amortisation accounted for RM16.0 million (2018: RM15.3 million) whereas finance charges from the issuance of a RM420 million of Islamic Medium Term Notes stood at RM21.0 million,

ONE OF THE MOST IMPORTANT AREAS THAT GRAND SAGA IS CONCERN WITH IS THE SAFETY OF ROAD USERS. CONSIDERABLE EFFORTS HAVE BEEN MADE TO ENSURE ROAD SAFETY AND COMFORT REMAIN ONE OF THE TOP PRIORITIES OF THE HIGHWAY OPERATIONS.

comparable to the year before. Consequently, the profit before tax at Cerah Sama level (Grand Saga's immediate holding company) was higher at RM34.1 million against RM30.8 in 2018 and profit after tax came in at RM34.9 million (2018: RM32.0 million).

In addition to ensuring that the company maintains its highest level of service, Grand Saga is committed to provide regular patrolling and break down services along the highway including free towing assistance and emergency first aid care for commuters in need. Grand Saga also strives to maintain other quality related services to road users such as the Rest & Service stop at Bukit Dukong area, which has petrol stations, restaurants and post office. In line with the latest trends in social media, Grand Saga engages with the road users via the following: -

Facebook:
LebuhrayaGrandSaga

Twitter:
GrandSagaTrafik

Grand Saga will post information on traffic updates and other messaging pertinent to road users. For those who are not able to follow the updates via social media, Grand Saga erected two Video Message gantries along the highway at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound to disseminate traffic information from its control room.

One of the most important areas that Grand Saga is concerned with is the safety of road users. Considerable efforts have been made to ensure road safety and comfort remain one of the top priorities of the highway operations. During the year, the company incurred a total repair and maintenance bill of RM2.84 million (2018: RM2.89 million) or RM247,181 per km of highway (2018: RM251,478 per km). Based on the pavement assessment report carried out by a consultant, remedial works were carried out on certain portions of the pavements for better travel comfort for the road users. Notwithstanding the major heavy repairs that are carried out periodically every seven years, such assessment and subsequent requisite repair works are conducted annually to ensure that the road pavement are always maintained to the required standards and quality. With additional safety signages and increased surveillance, the number of road accidents recorded in 2019 reduced to 2.31 accidents per one million vehicles compared to 2.56 accidents per one million vehicles in 2018. This is well below the limit of 3.15 accidents per one million vehicles set by the Malaysian Highway Authority ("MHA") for highways operating in Peninsular Malaysia. The company is committed to further reducing the accident rate at its highway.

In line with the Federal Government's initiative to explore the new Radio Frequency Identification Tag ("RFID") system as an alternative method of toll collection, Grand Saga had installed the RFID system with one lane each bound at its two toll plazas. The current penetration of RFID transactions has reached approximately 5% as at end of 2019. The RFID system is expected to be implemented nationwide in 2020 with more lanes fitted with RFID. This will facilitate seamless travelling within toll highways, particularly reducing traffic congestion at toll plazas, moving towards the eventual implementation of the Multi Lane Free Flow system at all tolled highways in Malaysia in the near future.

Among the significant business risk faced by Grand Saga is the potential loss of revenue and traffic caused by alternate mode of transportation, mainly the commencement of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT") operations in July 2017. The KVMRT route is approximately 51 km in length, serving 31 stations from Kajang to Sungai Buloh and traverses the Cheras-Kajang Highway from the Taman Connaught station until the Stadium Kajang station. Save for the decline in the ADT during the initial ramp-up period of KVMRT in 2017, there was not much negative impact seen in both 2018 and 2019. While ridership on the KVMRT is still far from hitting its capacity, it has been steadily increasing. MRT ridership is also anticipated to increase once the second line Sungai Buloh-Serdang-Putrajaya (which is now under construction) starts its full service (expected in late 2022) as more stations will be integrated into the current rail network.

In the long term, the KVMRT service is expected to complement the Cheras-Kajang Highway's growth by providing connectivity and strong impetus for further development of new townships in its vicinity. The KVMRT stands to benefit from its close proximity to the townships such as Bandar Tun Hussein Onn, Bandar Mahkota Cheras and Cheras Perdana whose population is set to rise further. Nevertheless, the usage of the KVMRT would most probably appeal and cater to the existing commuters who use public transport to travel into the city centre and beyond. However, given the maturity of the Cheras-Kajang Highway and continued population growth in townships and commercial centres in the vicinity of Cheras and Kajang, it is highly unlikely that the highway will be impacted by a severe traffic contraction.

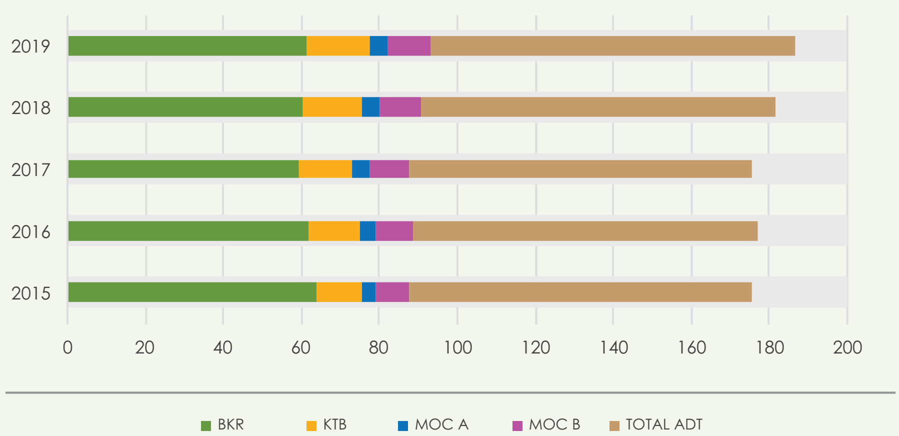
One of the more notable developments confronting the outlook of the toll industry was the 14th General Elections manifesto by the then Pakatan Harapan Federal Government in 2018. Since then, an independent consultant was appointed to study the future direction of the toll industry and initiatives to be taken to make tolls affordable. Other than the reduction in the current toll rate for the PLUS Expressway by 18% effective 1 February 2020 and the proposed take-overs of several highway concessions, amongst others, the Shah Alam and the Damansara-Puchong expressways, no other significant announcements have been made. With the recent change in the Federal Government, it is left to be seen what direction will be taken by the new Federal Government with regards to the toll industry. Despite the challenges and uncertainties faced, Grand Saga will continue to work with the Federal Government through MHA to assist in working out an amicable solution that will benefit all stakeholders.

Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

The New North Klang Straits Bypass Expressway ("Grand Sepadu Highway") operated and managed by Grand Sepadu, registered another positive growth in traffic in 2019 with the overall ADT up by 2.8% after seeing a growth of 3.6% in 2018. The ADT growth in the last two years were encouraging considering the fact that the construction of the West Coast Expressway and Light Rail Transit 3 projects along the Bukit Raja stretch linking up to the Federal Highway connection contributed to acute congestions especially during morning and evening peak periods. The continued growth in the ADT was partly aided by continuous monitoring and effective traffic management by the company, including additional installation of road signages, traffic congestion mitigation measures such as collaboration with the police (inside and outside the Right of Way) in managing the movement of traffic flow during peak periods.

The Bukit Raja Toll Plaza continued its positive ADT growth of 1.8% in 2019 on top of the 2.0% growth in 2018 thereby reversing the decline in ADT suffered from 2015 to 2017. With the opening of the newly constructed Hj Sirat Interchange in June 2018, the Kapar Toll Plaza witnessed a robust traffic growth of 9.3% in 2018 and 8.0% in 2019. The ADT at the MOC B Toll Plaza also witnessed a traffic growth of 5.1% in 2019 compared to 8.2% the year before. However, the MOC A Toll Plaza registered a decline in ADT of 5.5% in the year mainly due to a shift in port bound traffic from MOC A to the Kapar Toll Plaza via the Jalan Hj Sirat Interchange, which provides a direct access for the port bound traffic (rather than a longer route via the MOC A Toll Plaza). Overall, the Grand Sepadu Highway recorded an ADT of 93,373 vehicles per day in 2019 compared to 90,822 vehicles per day in 2018, an increase of 2.8%. This was the highest ADT achieved so far since the acquisition of the Grand Sepadu Highway in 2014. This demonstrated that the turnaround strategies adopted and implemented by the company had been fruitful. The following is the ADT passing through each of the toll plazas in the past five years:-

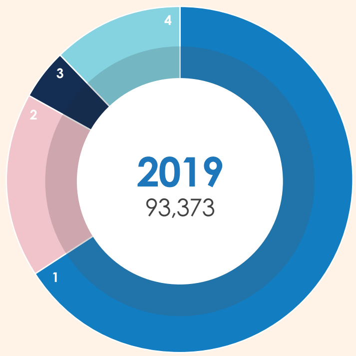
Average Daily Traffic (ADT) 2015 - 2019
('000)

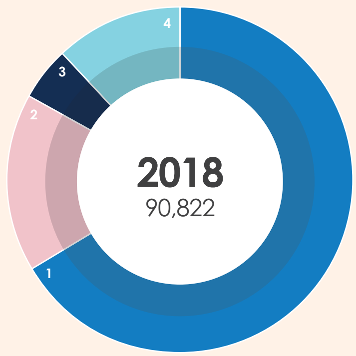


The total traffic throughput at the Grand Sepadu Highway in 2019 was 34.08 million paying vehicles (2018: 33.15 million). In terms of share of the vehicles passing the toll plazas, the Bukit Raja Toll Plaza accounted for close to 65.9% of the total ADT in 2019 compared to 66.5% in 2018. The other toll plazas contributed 17.4%, 4.6% and 12.1% in 2019 for Kapar Toll Plaza, MOC A and MOC B compared to 16.5%, 5.1% and 11.9% respectively in 2018.

Grand Sepadu Highway is also linked to major highways including Federal Highway Route 2 and PLUS (NKVE) connecting developments in Klang, Bandar Bukit Raja, Bandar Sultan Sulaiman Industrial Zone, North Port and West Port. Given the above and the completion of the Hj Sirat Interchange in June 2018, there is an increasing patronage by commercial vehicles particularly Class 2 and Class 3 which command a higher toll rate and this bodes well for the company. During the year, Class 2 vehicles comprised almost 6.5% (2018: 6.3%) of the total vehicles that passed through the four toll plazas, whilst Class 3 vehicles accounted for 9.4% (2018: 9.3%). The port activities (both Northport & Westport) will have a direct impact on the number of commercial vehicles plying the Grand Sepadu Highway.

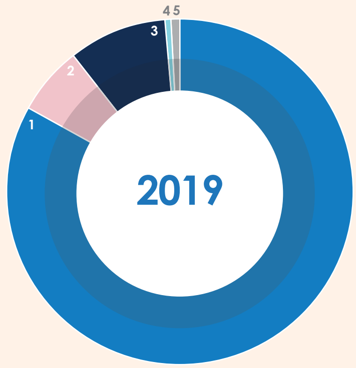
ADT

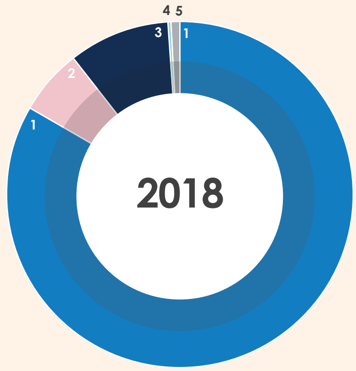




		2018	2019
1	Bukit Raja	66.54%	65.87%
2	Kapar	16.52%	17.35%
3	MOC A	5.05%	4.63%
4	MOC B	11.89%	12.15%

Breakdown Of Classes Of Vehicles





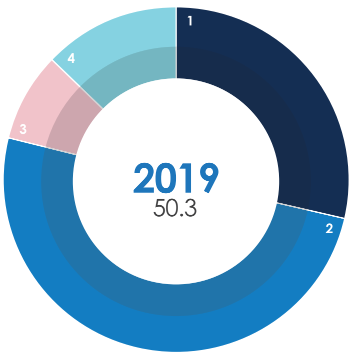
		2018	2019
1	Class 1 Vehicles with 2 axles and three or four wheels	83.36%	83.10%
2	Class 2 Vehicles with 2 axles and five or six wheels	6.26%	6.35%
3	Class 3 Vehicles with three or more axles	9.28%	9.39%
4	Class 4 Taxies	0.54%	0.46%
5	Class 5 Buses	0.57%	0.70%

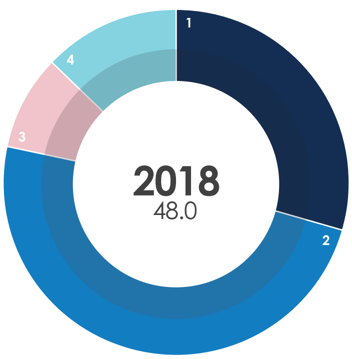
During the year, Grand Sepadu continued with the various initiatives including the installation of additional signages, Frequent Travellers Scheme and highway promotion programmes through Facebook and Twitter primarily to boost the traffic throughput. In order to facilitate greater travel comfort and to ensure greater safety for road users, the company incurred RM3.10 million (2018: RM2.60 million) on repairs and routine maintenance which included highway pavement rehabilitation and upgrading programmes, namely installation of 'rumble strips' as accident deterrent. The number of road accidents also reduced from 0.90 accident per one million vehicles in 2018 to 0.79 accident per one million vehicles in 2019, well below the maximum threshold of 3.15 per million set by MHA. Grand Sepadu is committed to further minimise the number of road accidents and fatalities. Sepadu Ronda attends to all incidents along the highway and relays timely updates back to our Traffic

Monitoring Centre for the benefit of road users.

Grand Sepadu continued to achieve the 4 Star Expressway Performance Indicator which is the highest rating benchmarked by MHA. The KPI for maintenance works covers building and civil maintenance, mechanical and electrical including toll equipment maintenance, hard and soft landscaping, scheduled pavement rehabilitation and drainage system maintenance. Grand Sepadu had achieved the 4 Star rating for the whole of 2019. The company also achieved the same rating in the last two quarters of 2018, ever since the new rating methodology was introduced by MHA.

Another milestone achieved in the year for Grand Sepadu was the award of Silver Rating for operational highways in the Green Highway Index recently introduced by MHA. The award was received during National Technical Profession Day in December 2019. The certificate was presented by the Secretary General of the Ministry of Works.





	2018	2019
1 Bukit Raja	14.2	14.4
2 Kapar	23.5	25.4
3 MOC A	4.2	4.1
4 MOC B	6.1	6.4

As one of the initiatives to provide uninterrupted traffic flow, Grand Sepadu is planning to upgrade the existing toll plaza at MOC East in the 2020, subject to the approval by MHA to cater for the increasing traffic and to alleviate peak-hour traffic congestion. The upgrading works are expected to cost RM4.2 million which encompass the RFID toll system. The upgraded toll plaza will have additional three lanes to cater for additional traffic coming from the newly opened Third Klang Bridge and Kapar Industrial areas. This will potentially contribute positively to the traffic growth at the MOC A and MOC B Toll Plazas.

In line with the increase in the ADT, Grand Sepadu recorded a total toll revenue of RM50.3 million as compared to RM48.0 million recorded in 2018 with the Kapar Toll Plaza accounting for more than half of the toll collection. This year saw higher toll collection at the Kapar toll plaza where collection improved by 8.3% year-on-year. This is the first full year impact observed from the opening of the Jalan Haji Sirat Interchange in June 2018.

During the year, the company received proceeds amounting to RM13.0 million (2018: RM4.1 million) from the Federal Government as compensation for non-toll increases in 2016. The compensations received were in respect of advance compensation and balance compensation for 2018 as well as advance for 2019 and these have been recognised as income in the financial year. Whilst the overall growth in ADT was 2.8%, the increase in toll revenue by 4.9% was primarily attributed to the higher toll collections at the Kapar Toll Plaza. In total, the company recorded total operating revenue of RM63.4 million, higher than RM52.1 million a year ago.

Given the higher operating revenue, an EBITDA of RM49.2 million (2018: RM38.0 million) was achieved. In terms of profitability, Grand Sepadu posted a PAT of RM16.4 million for the current financial year, significantly higher than the previous year's PAT of RM5.3 million. This was mainly on the back of higher Government compensation received, lower depreciation and amortisation and finance charges. Amortisation charge was lower at RM14.5 million (2018: RM16.5 million) whereas, finance cost reduced to RM9.1 million from RM10.1 million as a result of the first repayment of RM20.0 million of Sukuk Murabahah principal outstanding. Given its strong cash flow, the company paid dividends of RM24.0 million in 2019. This was the inaugural dividend payment since the acquisition of the concession by Taliworks in 2014.

Since the middle of 2019, certain sections of the West Coast Highway ("WCE") were opened to public including the Bukit Raja to Kapar stretch in December 2019 (toll free currently), which saw some traffic being diverted from the Bukit Raja Toll Plaza to the toll free WCE. However, the strategic link up with WCE will bode well for Grand Sepadu Highway in the long run with more port bound traffic coming from WCE. The company is ever mindful of all potential threats and continually assesses the impact of such threats as they may arise.

In terms of operational risks, the company is confident that all the risks are adequately taken care of and enough controls have been put in place and actions taken to manage and mitigate these risks. To enhance its service and operational excellence, Grand Sepadu successfully maintained the ISO9001:2015 Quality Management System by SIRIM QAS International during the surveillance audit for the year. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

ENGINEERING AND CONSTRUCTION

Compared to a year ago, the construction industry in 2019 was relatively lacklustre as the government has tightly rein in on its development budget as the government was cautious of a widening budget deficit. This was evidenced by the reduction in the number of projects rolled out for open tenders and the deferment of many of the projects earmarked for tender during the year. The lack of project flows lead to a price war between industry players, further compressing margins. Other issues faced by industry players included high expectations from clients, stringent requirements and enforcement from the regulating authorities.

According to the Economic Outlook Report 2020 released by the Finance Ministry in late 2019, the construction sector recorded a marginal increase of 0.4% during the first half of 2019 and growth is expected to expand 1.7% in 2019, mainly supported by the civil engineering segment, particularly infrastructure-related projects. In 2020, the construction sector is expected to grow by a further 3.7% on account of acceleration and revival of mega projects as well as the building of affordable homes. Investment in major infrastructure works is estimated to boost the civil engineering segment.

The following are the progress of on-going projects undertaken by the Group.

(a) Proposed Construction and Completion of the Ganchong Water Treatment Works, Main Distribution Pipeline, Booster Pump Stations and Associated Works in Pekan, Pahang Darul Makmur for the East Coast Economic Region Development Council (Package 3a – Main Distribution Pipeline, Main Buildings and Associated Works at Tanjung Agas with a contract sum of RM73.12 million

This project commenced in September 2016, was awarded to an unincorporated joint venture between the Company and a third party with approximately 49% of the works amounting to RM36.28 million allocated to the Company. The portion of the works to be undertaken by the Company has been sub-contracted to Taliworks Construction Sdn. Bhd. ("TCSB"), which is a wholly-owned subsidiary. Under the terms of the contract, the project, comprising of laying main distribution pipeline, construction of pump station, suction and elevated tanks and associated works, was to be completed within a period of twenty-six months i.e. by September 2018. As the project progressed, it became apparent that the project might be delayed as the employer subsequently requested for a structural change in the design of the Sungai Pahang Crossing, to adhere to the specifications laid down by the local authorities. To compensate for the delay arising from the change in the design, the employer had in August 2018 agreed to grant an extension of time ("EOT") of fifteen months to complete the project by the end of 2019. However, there was no revision made to the contract price resulting in the project margin being severely impacted as additional resources and overheads were incurred during the extended completion date. As the terms of the contract only permitted certain expenditure to be claimed as loss and expenses, inevitably the project suffered losses. Overall, the project is estimated to make a gross loss of approximately RM1.6 million with an estimated loss of RM1.0 million recognised in the previous year. The additional foreseeable losses were mainly attributed to certain costs incurred or to be incurred, amongst others, the sub-contractors' rates due to prolongation of the contract period and engagement of claim consultants in the event of an adjudication.

As at the end of the year, our scope of work has been completed except for some minor turfing works, site clearing and reinstatement works. However, the completion of the entire project will spill slightly beyond the extended completion date as our joint venture partner was slightly behind schedule with the outstanding works related to the testing, flushing and sterilisation of pipeline; and testing and commissioning of pumping plants. Although the Liquidated Agreed Damages ("LAD") would be imposed due to late completion, nevertheless, we are optimistic that the unincorporated joint venture would be able to obtain a waiver on the LAD.

(b) Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7 for Pengurusan Aset Air Berhad ("PAAB") with a contract sum of RM75.89 million

This project was awarded to LGB Taliworks Consortium Sdn. Bhd, a 20% associate, with approximately 69% of the contract costs being sub-contracted to TCSB. Physical construction work commenced in October 2016 with an initial completion date in July 2018 for stage 1 and January 2019 for stage 2 of the entire project. The project entails the construction of a 92-million litre reinforced concrete balancing reservoir and forms a component of the overall Langat 2 Water Supply Project that is envisaged to become the major source of water supply for the state of Selangor up to year 2025.

Since the commencement of the project, several delays have occurred and these were mainly attributable to inclement weather and delays caused by contractors for the other packages for the Langat 2 Water Supply Project. As at the end of the year, the works undertaken by TCSB has been completed except for some minor works like turfing, flushing and sterilisation of the reservoirs. However, due to additional works in complying with the requirements imposed by Tenaga Nasional Berhad, the project is expected to achieve practical completion by end March 2020 with appropriate EOT to be granted by the employer. Although the sub-contract sum and costing have subsequently been revised as the project nears completion, the margin derived from the project remained intact.

(c) Proposed construction and completion of 76 Ml R.C. Reservoir R4 and related ancillary works at Cyberjaya Flagship Zone in Selangor for Setia Haruman Sdn. Bhd. for a contract sum of RM42.36 million.

This project undertaken by TCSB commenced towards the end of last year and is to be completed in November 2021. At the end of the year, the actual progress of the works was 26% (2018: 2%) against planned progress of 36% (2018: 2%). The delay was mainly attributed to the delay in obtaining the approval of the design from the authorities which essentially delayed the commencement of various components of the works. Nevertheless, the company is working to speed up the progress of the project and will apply for EOT when the extent of delay has been ascertained.

To remain competitive in a challenging industry, the Engineering and Construction Division undertook several strategies including applying for ISO accreditation. Presently, it has been accorded the ISO 9001:2015 under SGS United Kingdom and Malaysia for Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts which is valid till 2020. Whilst the division does not have any other projects in the pipeline other than the above on-going ones, nevertheless it is actively tendering for projects specifically in the infrastructure space given that it has the necessary experience in undertaking several major infrastructure projects including the expansion of the Mengkuang Dam which was completed in 2017. Other business strategies deployed by the division to secure projects include intensifying market intelligence capabilities, inculcating design innovation and concentration in niche markets.

For the financial year, the division recorded an operating profit of RM1.3 million (2018: RM0.2 million) on the back of a lower revenue of RM34.5 million (2018: RM42.5 million). The lower revenue was mainly attributable to the completion of two of its projects. The profitability of the division was impacted by recognition of the entire foreseeable losses from Ganchong Project. However this was mitigated by the recognition of additional revenue and profit from VOP and VO from the Mengkuang Dam project.

WASTE MANAGEMENT

SWM Environment Holdings Sdn Bhd ("SWMEH")

Taliworks' involvement in the waste management division is through its 35% ordinary shares in SWM Environment Holdings Sdn. Bhd. ("SWMEH"), which it acquired in 2016. SWMEH's wholly-owned subsidiary, SWM Environment Sdn. Bhd. ("SWME") holds the concession for the provision of solid waste collection and public cleansing services in the southern region of Peninsular Malaysia. Having to manage the solid waste collection and public cleansing of a sizeable area of 28,500 square km, covering twenty seven municipalities in the southern states of the Peninsular Malaysia of Negeri Sembilan, Melaka and Johor require SWME to leverage on the development of a vast array of technology to run and manage its extensive operations and its fleet of vehicles and machinery more effectively and efficiently.

In this respect, SWME has over the years implemented several technological initiatives to foster the growth of the waste management industry in Malaysia towards a more sustainable model. This includes collaborating with other concessionaires and the government to establish a Command, Control, Communications, Computers and Intelligence C4i Centre in the hub of Cyberjaya. The C4i Centre enables the monitoring of the concessionaires' entire operations conducted within the C4i Centre. In tandem with this modernisation of the industry is the centralisation of data inventory system that facilitates billings and payments to be done online, the first of its kind in the country.

In 2019, much efforts have been made by SWME to develop and establish the necessary systems to integrate with the relevant systems used by Solid Waste Management and Public Cleansing Corporation Malaysia ("SWCorp"), a regulatory body established under the Ministry of Housing and Local Government to implement the National Solid Waste Management Policy, into a single platform to increase the efficiency of online reporting of work completion as well as linking the intelligent scheduling system to both the online reporting platform and the payment issuance interface. These developments included:

(a) the "i-jadual" intelligent work scheduling system;

(b) Work Completion Report/ Laporan Siap Kerja ("LSK") integration with i-jadual and SWCorp's payment system / Sistem Pengurusan Bayaran Perkhidmatan ("SPBP);

(c) LSK integration with Automatic Vehicle Locator System ("AVLS") and SPBP;

(d) implementation of online system for SPKK i.e. Sistem Pemantauan Kawalan Kebersihan (Notice to Correct "NTC" / Key Performance Index "KPI");

(e) enhancement of mResponz system to ease the process of completing LSK, for use by our supervisors to submit online reporting of work done to SWCorp.

As a result of the initiatives undertaken, improvement was seen on the measurement methods for public beaches and grass areas after signing off on the latest Guideline for Measurement on Collection and Public Cleansing Services with SWCorp. To further enhance the efficiency of its operations, SWME has also kick-started the enhancement to its HR Management System Roadmap 2020/2021 with technological improvements, starting with the conversion of all manual clocking-in machines at sixty seven clocking stations across the three states in which it manages, to the biometric fingerprint scanning machines.

Besides adopting the above, other technologies being contemplated by SWME include the use of Unmanned Aerial Vehicle ("UAV") or more commonly known as "drone" to provide more accurate data reading within a shorter span of time and at a much lower cost. The drone will be deployed in the measurement of geographical landscape and data; replacing traditional handheld tools or measuring tapes. This initiative provides much potential for future success in the operations by minimising human errors and disputes. In addition, the SWME evaluated the Robotic Street Sweeping machines as part of mechanising the cleansing activities, thus moving away from human dependency where possible.

In developing knowledge and capabilities to support nation and industry-building, SWME had launched and participated in schemes that furthered its capacity building goals. On the people front, the company conducted a total of 377 training programmes for 4,112 employees to ensure that its human resources are adequately skilled and equipped for the industry. Along with the other two concessionaires, SWME worked closely with SWCorp and the Department of Skills Development in rolling out the National Dual-Training. Its first batch of staff trained under the programme was awarded the Malaysian Skills Certificate Level 2 for the areas of Solid Waste Collection Operations and Solid Waste Collection Truck Operations.

A "Trainer-Driver" programme was introduced by appointing a trained and experienced driver in each region to retrain and coach all other drivers, resulting in reduction in accident cases involving company vehicles for the second half of the year. SWME also ran two batches of the Management Trainee Programme and successfully posted 28 candidates into the recruitment pipeline to address the issue of manpower shortage in Operation Supervisors.

In recognition of SWME's social contribution and its par excellence services, three employees from our Negeri Sembilan operations were bestowed the Pingat Jasa Kebaktian service medals in conjunction with the 71st birthday celebration of Yang Di-Pertuan Besar Negeri Sembilan, DYMM Tuanku Muhriz Ibni Almarhum Tuanku Munawir. Meanwhile, two employees from our Melaka operations were awarded the Pingat Bakti Masyarakat (Public Service Medal) in conjunction with the birthday celebration of Tuan Yang Terutama Yang Dipertua Negeri Melaka in 2019. It was indeed an honour for SWME and these staff to be recognised for their tireless efforts in performing the duties and discharging their responsibilities.

In terms of financial performance, the SWMEH Group achieved a 3.9% increase in the revenue from a 2.5% increase recorded in the previous year and this was mainly derived from new townships entering SWME's service areas. The steady growth in revenue year-on-year is in tandem with the growth in population along with some new areas that have been handed over to SWME.

The Group incurred total operating expenditure of RM562.4 million (2018: RM556.2 million) with sub-contractors and direct staff costs accounting for almost 76% (2018: 68%) of total operating expenditure. The higher percentage in 2019 was mainly due to the imposition of the Sales and Service Tax ("SST") of 6% on public cleansing services. As a result of the imposition of SST, sub-contractor costs shot up from RM215.0 million to RM258.0 million. On the other hand, the amount of depreciation has reduced substantially to RM72.3 million (2018: RM118.1 million) as a substantial number of vehicles and machineries have been fully depreciated over their useful life. SWME's plans to gradually replace its current fleet of aging vehicles. however; it has been put on hold indefinitely pending tariff negotiations with the government. Although this measure would have an impact to the cost of repairs and maintenance; and fuel in the immediate term, these two expenses only account for about 8% of total operating expenditure. Some measures have been put in place to ensure that operations will continue to function and these measures include optimisation of operation workflows, review of the sub-contractors' performance and re-zoning exercises for better monitoring and operational efficiency. Being a labour-intensive industry with a headcount of almost 8,000 staff, total payroll costs accounted for RM215.3 million, a 4.1% increase over that of the previous year. Besides the ever-increasing wage bill, SWME is also confronted with mounting pressure to maintain as well as increase the staff's performance to deliver on its service levels.

The tariff review remains the most important agenda for 2020 as most of the vehicles are scheduled for replacement along with minimum wage impact on the payroll costs and other inflationary costs that affect the overall business operating costs. SWME is still very much engaged with the Ministry of Housing and Local Government on tariff review discussion provided for under the concession agreement and we are hopeful that a tariff increase can be concluded in the near term.

Sustainability Statement

Our sustainability journey is guided by our strengths:

- Clear vision as an infrastructure company
- Board and Management team with considerable commercial, operational and regulatory experience
- Track record of regulatory outperformance
- Significant improvements in customer service and operational performance
- Externally recognised with responsible business credentials

At Taliworks, we deliver services and solutions that play a crucial role in advancing the nation and lives of our customers. The integration of sustainability into our business practices is therefore imperative if we are to ensure a progressive and inclusive future for all. Transitioning towards such a future offers both business opportunities and risks, with sustainability serving as a roadmap for shared success.

We are currently progressing towards the strategic integration of sustainability into our business operations. We are focused on clearly identifying and measuring our Economic, Environmental and Social ("EES") aspects to frame a structured sustainability approach that delivers valuable solutions.

Our Roadmap

2017

Laying the groundwork

Identified sustainability issues and established performance indicators

2018 - 2019

Instilling sustainability

Guided our divisions in identifying relevant EES aspects and stakeholders, as well as how sustainability could spur growth, productivity and minimise risk

2020 and beyond

Guiding future direction

To centre our approach through a Group-wide sustainability framework which will be anchored by core pillars and key programmes

As we move forward, we are looking to embed a sound framework for the delivery of shared sustainable value to stakeholders across the Company and its subsidiaries ("the Group"). The diversity of our business divisions offers numerous channels for doing so, with this Sustainability Statement offering a comprehensive overview of our progress to-date. In the future, we look forward to achieving even greater progress in tandem with our business success.

With the uncertainty of the knock-on effects of the COVID-19 pandemic, we are hopeful that as a nation, the co-operation amongst businesses, society, regulators and the government will remain unified for a safe and steady economic recovery. Integrating sustainability in a post COVID-19 environment requires deeper resilience and connections. As an organisation, we will work together to face the challenges and constraints in meeting both our business growth and stakeholder needs.

REPORTING SCOPE AND BOUNDARIES

This Sustainability Statement is guided by the sustainability reporting guidelines in the Bursa Malaysia Securities Berhad Main Market Listing Requirements. This Sustainability Statement covers the reporting period from 1 January 2019 to 31 December 2019, encompassing Taliworks' key operations, its main subsidiaries, major joint ventures and associate companies - all located within the geographical scope of Malaysia.

ETHICS AND GOVERNANCE

Strong governance guides the establishment and effective implementation of workable policies and procedures to maintain group growth and manage risk. Such measures must then be reflected by adequate disclosure showing transparency and accountability. At present, our reporting and governance structure for sustainability related matters of the Group comprise our Sustainability Steering and Working Committee. The committees were established in 2017 from the Board's commitment to uphold our values of transparency, integrity and enterprise in the discharge of the Board's duties and responsibilities and in all of its dealings.

SUSTAINABILITY GOVERNANCE STRUCTURE

Our Sustainability Steering Committee, supported by the Sustainability Working Committee, is responsible for guiding and driving implementation of the Group's sustainability agenda as per the Group's sustainability and business priorities. At Taliworks, our company structure and governance standards are established to allow each business division to address its own specific EES risks in a manner that is consistent with the Group's overarching corporate vision.

Implementation and management of sustainability initiatives at the business division level is overseen by the Sustainability Working Committee. The Sustainability Steering Committee in turn provides progress updates on these initiatives to the Group's Executive Committee ("EXCO").

Information on our broader corporate governance framework, including context on our sustainability governance structure within our larger governance structure can be referred to in the Corporate Governance Overview Statement included in this Annual Report. Details of the Group's risk management practices are elaborated in the Statement of Risk Management and Internal Controls included in this Annual Report.

Ethics in Business

Conducting business responsibly is the cornerstone of our company strategy and corporate culture. We are committed to securing opportunities through fair and responsible business practices and are guided by the following policies and codes:

Code of Business Conduct and Ethics for Directors

Sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company.

Code of Conduct

Contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in discharging their duties and responsibilities.

Whistleblowing Policy

Channel for any individual to report concerns they may have on any suspected and/or known improper conducts, wrongdoings, corruption, fraud and/or abuse in accordance with the procedures as provided under the said policy.

Our commitment is further encouraged by the amendments to the Malaysian Anti-Corruption Commission Act 2009 in 2018 to include a new Section 17A on corporate liability for corruption. The new Section 17A is expected to come into force at any time. Currently, we are in the process of enhancing compliance via implementation of an anti-bribery management system. Details of the measures are elaborated in the Management Discussion and Analysis in this Annual Report.

MAINTAINING REGULATORY AND OPERATIONAL PERFORMANCE

Regulations		Management Systems
• Water Services Industry, Water Abstraction, Drinking Water Quality, and Bulk Water Supply Agreement • Environmental Quality, Energy Commission, Diesel Storage • Occupational Safety and Health and National Skills Development	**WATER TREATMENT, SUPPLY AND DISTRIBUTION**	• ISO 9001:2015 • MS ISO/IEC 17025:2017 • ISO/IEC 27001:2013 • National Dual Training System ("NDTS"): CM-060-2:2014 and CM-021-2:2014 • Practical Assessment Centre for Recognition of Prior Achievements: CM-060-2:2014, CM-021-2:2014, C-331-033 2017, and E-360-002 2016

• Malaysian Highway Authority ("MHA") Guidelines and Operating Procedures:
  • Including environmental aspects
  • Compensation, training and development
	HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR	• ISO 9001:2015
		• MS ISO 9001:2015

• Environmental Management Plan • Qualified Safety Personnel and project-specific Safety Manuals	**ENGINEERING AND CONSTRUCTION**	• ISO 9001:2015 • Quality Policy • Project Quality Plan
• Solid Waste Management and Public Cleansing • Environmental Quality • Occupational Safety and Health	**WASTE MANAGEMENT**	• ISO 9001:2015 • ISO 14001:2015 • Quality and Environmental Policy • Occupational Safety and Health Policy

Note: Regulations and management systems contributing to economic, environmental, and social aspects

STAKEHOLDER ENGAGEMENT

Our stakeholders represent a diverse party of individuals, groups, bodies with differing perspectives and priorities. We are committed to maintaining constructive dialogue with stakeholders to understand our business impact, identify stakeholder needs, determine stakeholder expectations, and where appropriate, make changes to our business strategies.

In order to collect comprehensive feedback, stakeholder engagement is conducted through multiple channels at both Group and business division level. We maintain a number of engagement channels in 'real-time', such as social media, to ensure our continued availability to stakeholders.

BOARD OF DIRECTORS

Engagement Platforms

Annual general meetings
Board of Directors meetings
Company reports
Code of ethics

EMPLOYEES

Engagement Platforms

Code of ethics
Community programmes
Conferences
Newsletters
Meetings
Surveys
Employee engagement programmes
Internal communications
Town hall meetings

CUSTOMERS

Engagement Platforms

Face-to-face meetings
Social media
Suggestion box
Surveys
Service hotline
Reply to queries
Site visits
Operation & maintenance training

GOVERNMENT

Engagement Platforms

Conferences, exhibitions, talks
Annual and monthly reports
Community programmes
Face-to-face meetings
Press releases
Surveys

REGULATORS

Engagement Platforms

Annual and monthly reports
Announcements
Conferences
Face-to-face meetings
Reply to queries
Permit application and renewal
Town hall meetings
Press releases
Joint surveillance

SHAREHOLDERS, INVESTORS, FINANCIERS AND ANALYSTS

Engagement Platforms

Analysts/Fund managers' briefings, roadshows, research reports
Conferences
Press releases
Site visits
Press releases
Stock exchange announcements
Annual Reports
Annual General Meeting
Extraordinary General Meeting

LOCAL COMMUNITY

Engagement Platforms

Community programmes
Press releases
Surveys
Town hall meetings
Face-to-face meetings

SUPPLIERS

Engagement Platforms

Conferences
Face-to-face meetings
Reply to queries
Tender briefings
Audits
Supplier scorecard

ACADEMICS

Engagement Platforms

Conferences
Expert opinions
Meetings
Surveys

MEDIA

Engagement Platforms

Advertising
Community programmes
Face-to-face meetings
Interviews
Press releases
Social Media

CIVIL SOCIETY

Engagement Platforms

Community programmes
Meetings
Social media
Press releases
Surveys

INDUSTRY

Engagement Platforms

Conferences
Face-to-face meetings
Press releases
Site visits

MATERIALITY

Our sustainability approach is guided by the EES topics that we have identified as the most significant areas of impact across our value chain. First established in 2017, these topics were updated and reviewed in 2019 to ensure their continued relevance for the Group and its stakeholders. The updated material topics reflect a progression from the 2017 assessment, incorporating current industry trends, business developments and closer examination of the Group's priorities.

Newly introduced material topics include technological innovation ("Digitisation"), ethical matters related to governance ("Business Ethics") and enhanced consideration of the natural environment ("Ecological Impact"). The subject of occupational health and safety ("Health and Safety at Work") is now a standalone material topic in recognition of the significant risks associated with the nature of our on-site operations. We have also reorganised issues with overlapping objectives for clarity and improved integration, with "Managing Regulatory Standards" in our previous materiality list now integrated into the material topic of "Product Stewardship" as both pertain to the mission of delivering services responsibly, in compliance with quality, safety, and regulatory standards. Similarly, "Waste and Effluent Management" is now a single unit as both are classified as negative by-products of operations.

The outcome of the 2019 materiality review was 13 material matters which have been clustered accordingly based on our EES framework. Our material matters in 2019 remain aligned with the United Nations Sustainable Development Goals.

ECONOMIC GROWTH

- Product Stewardship
- Customer Management
- Supply Chain Practices
- Business Ethics
- Digitisation

ENVIRONMENTAL MANAGEMENT

- Noise Management
- Resources Management
- Greenhouse Gas Emissions
- Waste and Effluent Management
- Ecological Impact

SOCIAL CONTRIBUTION AND HUMAN CAPITAL

- Engaging Workplace
- Health and Safety at Work
- Contribution to the Community

ECONOMIC GROWTH

Through the delivery and development of vital public services and infrastructure, we play an important role in driving economic growth. Consequently, the quality and integrity of our operations is crucial to ensuring a solid foundation for such growth. We endeavour for all divisions and levels of our business operations to undertake responsible practices and adhere to policies and procedures to meet stakeholders' needs.

Group-wide, our top material issues with regards to economic growth include:

Business Ethics
Upholding ethical, effective and compliant policies, procedures, and practices in business

Product Stewardship
Managing our services to uphold quality, safety, and regulatory compliance

Customer Management
Maintaining good customer relationships and delivering excellent service

Supply Chain Practices
Sourcing with consideration of economic, environmental, and social factors

Digitisation
Adopting digital technology and moving towards smart solutions

CARING FOR OUR CUSTOMERS THROUGH EXCELLENT SERVICES

For Taliworks, ensuring the reliability, safety, quality, and standards of our services to our customers is a business priority. Each of our divisions upholds product stewardship throughout its individual value chain in line with relevant regulatory standards. Product stewardship at each division includes pre-emptive actions during the conceptualisation phase of a service, ongoing stewardship during the operational phase as well as continued responsibility to stakeholders' beyond the completion of our scope of work.

PRODUCT STEWARDSHIP ALONG THE PROJECT PHASES OF OUR DIVISIONS

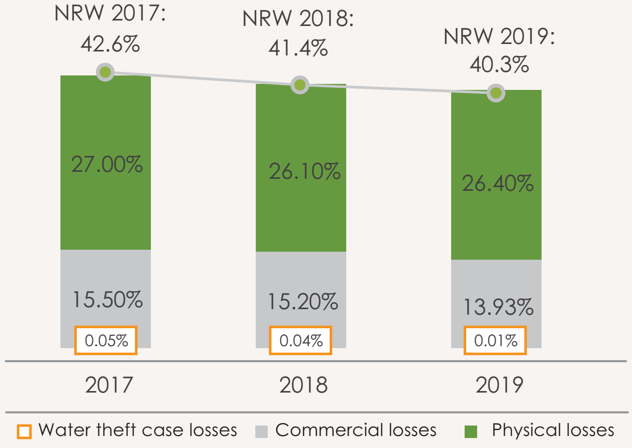
WATER TREATMENT, SUPPLY AND DISTRIBUTION

The quality and quantity of water that reaches our customers are key parameters for monitoring the service provided by our water treatment, supply and distribution division. Ongoing challenges impacting our performance in these areas include meeting sustained demand for treated water, managing water loss throughout our systems and adhering to health and quality standards of consumption. Nevertheless, we continue to show improvements in the value we provide to users with comprehensive risk management and regulatory compliance. We monitor water quality by testing every two hours for compliance to selected water quality parameters based on the Ministry of Health's ("MOH") National Drinking Water Standards.

Water Quantity Parameters

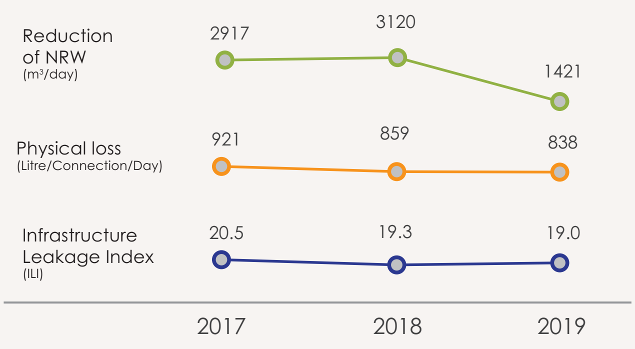
Our provision of water at Taliworks Langkawi also comes with loss, described as Non-Revenue Water ("NRW"), whereby water is lost before reaching customers through physical losses such as leaks or burst pipes, commercial losses such as faulty meters or incorrect billing, and also through water theft cases. We saw a continued decrease in NRW due to technical applications such as Active Leakage Control, Hydraulic Modelling, pressure and pipe management, alongside employees and consumers' reporting of leaks via our Customer Service personnel, contactable via telephone, service counter and more. In 2019, the NRW for Taliworks Langkawi reduced to 40.3%, from 41.4% in 2018. While total NRW has reduced, the reduction of NRW by volume per day is lower this year, but our measures have definitively resulted in lower year-on-year physical loss, and an improved Infrastructure Leakage Index.

NRW Breakdown
as a proportion of total water produced (Taliworks Langkawi)



Note: Discrepancies in decimal figures is due to rounding of figures, data is tracked internally in more than 2 decimal places

Monitoring NRW
(Taliworks Langkawi)



Ensuring Quality of Water

	2018	2019
Compliance rates for selected water quality parameters, based on treated water samples taken every 2 hours daily		
Sungai Selangor Phase 1 Water Treatment Plant ("SSP1") (%)	99.2	99.5
Taliworks Langkawi (%)	99.9	99.8

In 2019, two disruptions resulting in 14 hours of downtime occurred at our Sungai Selangor Phase 1 Water Treatment Plant ("SSP1"), part of our Sungai Harmoni operations, due to inadequate raw water quality. The causes were external, namely slight pollution of raw water sources which we rectified with appropriate mitigation measures to return operations to normal within a timely manner. We are currently installing additional raw water monitoring systems to reduce the risk of future disruption.

At Sungai Harmoni, our commitment is to provide high quality drinking water to consumers while preserving the environment surrounding our operations through relevant research. Over the years, several research studies have been conducted to improve water supply operations. We investigated refurbishing water treatment plants with alternative water treatment technologies such as improving treatment process efficiencies through the use of alternative treatment chemicals against occasional pollutant spike. In 2019, we introduced the use of polyaluminium chloride in water treatment – a more efficient coagulant to replace alum and improve turbidity performance compliance by enhancing the removal of particles and substances.

Caring for Our Users

Customers of Taliworks Langkawi remain satisfied with the service we provide as measured through our annual survey, issued to customers' residences, resulting in 1,144 responses. Minimal disruption in provision of quality water and resolution of complaints are key aspects for our satisfaction rates, which we continue to fulfil. In 2019, we successfully resolved all complaints received.

	2017	2018	2019
Customer satisfaction (Taliworks Langkawi)			
Customer satisfaction rates (%)	94	100	99.5
Number of customer complaints	1133	1140	1147

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Ease of traffic and road safety are the most prominent concerns within our highway division, and we are constantly seeking to improve our road users' experience.

Road Safety

As a highway toll operator, we are responsible for providing an environment where road users feel secure in their daily travel. Our routine maintenance works include placing proper signage, painting clear demarcations, upgrading guard rails, rehabilitating pavements, maintaining bridges, and improving drainage. In 2019, our performance surpassed requirements by not exceeding the rate of 3.15 accidents for every 1 million vehicles as set by the Malaysian Highway Authority ("MHA").

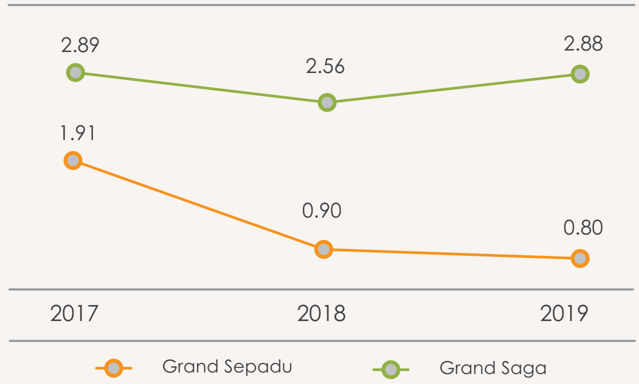
Safety Measures in Brief

Traffic Control Surveillance System ("TCSS") comprising 20 cameras installed along our highways with 24-hour monitoring and allows real-time updates on road conditions and potential hazards to commuters via electronic message boards and social media.

Our Standard Operating Procedures ("SOPs") require contractors and suppliers to provide temporary traffic management throughout the duration of their work.

Saga Ronda and Sepadu Ronda's 24-hour highway patrol teams respond to incidents on our highways as well as provide traffic information to TCSS, traffic management, first aid, and assistance in the coordination of emergency services, including providing free tow truck services for road users.

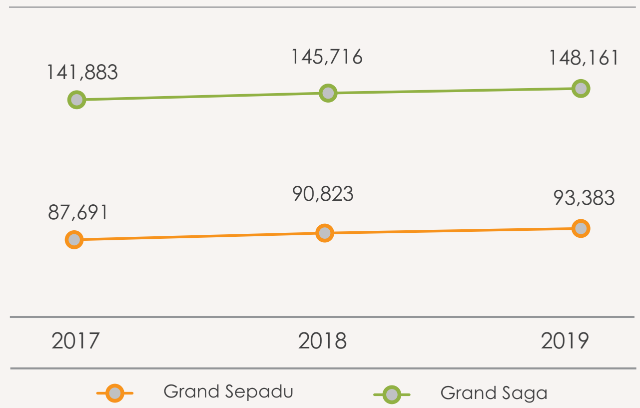
Highway safety performance
(number of accidents per million vehicles)



Ease of Use

With increasing use of our highways year-on-year, managing associated congestion remains a chief concern. We try to ease road users' daily commute by implementing contraflow systems with Polis Diraja Malaysia ("PDRM") during peak hours and providing constant traffic reports based on information collected by our 24-hour patrol staff. We have also worked with PDRM to ease the congestion beyond our Grand Sepadu and Grand Saga highway by adjusting traffic light signal timing and improved the efficiency of toll collection through electronic systems supported by 24-hour toll standby teams to rectify any issues. Additionally, we provide shelter for motorcyclists, a rest and service area, petrol stations as well as pedestrian overpasses along our highways.

Highway user performance
(number of vehicles per day)



Caring for Our Road Users

In 2019, we saw a significant reduction in the number of complaints received regarding the Grand Saga Highway although there was an increase in complaints for the Grand Sepadu Highway. Complaints were generally associated with one-off events, such as sharp objects on the highway and accidents. We view all feedback as an opportunity to enhance our day-to-day operations and ensure we respond to customers' input. We continued to meet the regulatory performance indicator for complaints resolution with our dedicated team managing a 24-hour hotline, social media and email.

	2018	2019
Road users' satisfaction survey		
Road user satisfaction rates (%)		
Grand Saga Highway	86	91
Grand Sepadu Highway	62	54
Complaints		
Number of complaints received		
Grand Saga	99	52
Grand Sepadu	19	29
Complaints resolved within target time (15 working days) (%)		
Grand Saga	100	100
Grand Sepadu	100	100

Part of our efforts to improve road users' experience is by showing our appreciation for their continuous support. We continued our festive seasons discount which amounted to RM242,040 whereas our frequent user programmes saw users saving up to RM25,480. The combined initiatives resulted in a total of RM267,520 in user savings.

Taliworks' Performance Exceeds Regulatory Expectations

Expressway Performance Indicator System ("EPI")
The EPI is a monthly star rating system by the MHA that evaluates Operation Performance Measurement ("OPM"), Management Performance Measurement ("MPM"), where highways are assessed by MHA based on qualitative standards with ratings from 1 star to 4 stars depending on the level of performance. Grand Saga Highway and Grand Sepadu Highway achieved 4-star ratings in 2019 with an average score of 90% and above on a monthly basis.

Malaysia Green Highway Index ("MyGHI")
MyGHI is a performance baseline standard formulated between MHA and Universiti Teknologi Malaysia ("UTM") to measure local highways in sustainable design and construction activities, energy efficiency, environmental and water management, materials and technology, and social safety. In 2019, Grand Sepadu Highway received certification under MyGHI with the certification being valid for a 5-year period. Grand Saga Highway is currently being evaluated for MyGHI certification.

ENGINEERING AND CONSTRUCTION

Considering the potential impact of our water infrastructure on the public, it is imperative that end users can operate our finished projects with confidence. Constructing water infrastructure is a large-scale undertaking and we are guided by our Project Quality Plan ("PQP") (compliant to ISO 9001:2015) throughout the stages of construction. The PQP forms our reference point in tailoring our end-to-end process to meet quality specifications of each project; broadly, it contains our client information, work process layout, and quality adherence procedures. Our project objectives are set out at the planning stage of each contract and serve to guide the integrity of our work from the beginning:

- Engage meaningfully with appointed external providers in pursuit of partnerships of mutual benefit throughout the project execution phase
- Train employees across aspects of quality, safety and health, and environment, to execute projects on time and that meet requirements and specifications
- Monitor project operations for compliance to specified standards through regular consultation with client, surveillance audits, inspections and tests
- Liaise consistently with clients to ensure standards are, and have been met

By adhering to these standards, we can deliver high-quality services within established timelines and provide full support to clients during Defects Liability Period ("DLP"). Before the DLP ends, we invite clients to a joint inspection to identify any remaining patent defects. After satisfactory rectification of all defects detected during end of the DLP, we will pursue issuance of Certificate of Making Good Defects. By executing a comprehensive post-handover procedure, we engage with clients and ensure our services are provided according to design and free from patent defect at the end of the DLP. This results in greater client satisfaction and stronger credibility on our part to secure future projects.

Client Satisfaction

Trust is a fundamental component in maintaining transparent relationships and we strive to achieve this through open dialogue with our clients and partners. Throughout the construction process, we exercise, amongst others, the following procedures and controls to ensure projects can be completed on time, within budget and in compliance with all known requirements:

- At the onset, submit a Work Programme detailing our planned sequence and timing of activities for approval
- Collate data from site inspection or progress meeting and monitor actual progress against scheduled progress as per approved baseline Work Programme
- Engage regularly with clients to better understand their needs and expectations
- Submit samples of construction materials or components for approval and ensure only approved sub-products are permanently incorporated into the project
- Implement controls on handling, storage and preservation of goods to avoid accidental incorporation of damaged or deteriorated sub-products into the project
- Appoint only approved external providers with proven track record of undertaking works or services contracted to them

The division invites client feedback on project management, service quality, delivery aspects, customer communication, and meeting requirements. A Client Satisfaction Survey ("CSS") is conducted via face-to-face interview, post, fax, email, or phone with the objective of achieving a minimum 65% satisfaction rating.

	2017	2018	2019
Client satisfaction survey			
Average client satisfaction rates (%)	76	77	76

WASTE MANAGEMENT

Within our waste management division, we seek to develop a more effective and sustainable waste management system that starts from changing perspectives on waste generation, and subsequently improving the collection and disposal process.

Inculcating Waste-Consciousness

Public mindset towards managing waste is crucial to effective waste management, with better waste separation at its source leading the way to better recycling rates. We have activated several initiatives to encourage communities to separate their waste in a more effective manner.

3R Troopers

A collaborative effort with the local government authority and Ministry of Education, the 3R Troopers is a public educational programme that aims to promote greater understanding of waste separation at source. This includes enhancing awareness on the ways in which to reduce, reuse and recycle waste. The programme includes talks, exhibitions, and workshops on recycling methods in schools, malls, and public areas. In 2019, 3R Troopers engaged with 52,176 participants through its programmes and collected 292,754 kg of recyclable materials.

KITAR3cycle

Launched as a pilot programme in November 2018, the KITAR3cycle is a mobile app-based recycling programme that incentivises users to exchange recyclable items for Recycling Points ("RP") to purchase goods. Users participate by installing the "KITAR3cycle" mobile app. They are then assigned a unique barcode number which represents their identity in the database. Barcode stickers are given to users to paste on bags of separated recyclable items (paper, aluminium cans, plastics and e-waste) that are then dropped into communal KITAR3cycle bins or cages. Recycled goods are collected per schedule and users will receive RPs in exchange for the recycled items. Collected RPs can be cashed out via online banking or selected e-Wallets to shop at participating merchants. In 2019, 49,754 kg of recyclable material was collected with 140,474 RPs captured in the database. We intend to study users' response to the programme and mobile app, gather feedback and evaluate the process, with the aim to roll-out an enhanced version of the KITAR3cycle app in 2020.

Iskandar Malaysia Ecolife Challenge ("IMELC")

Since 2013, SWM Environment has collaborated with Iskandar Regional Development Authority ("IRDA"), UTM and Jabatan Pendidikan Negeri Johor ("JPNJ") to enhance recycling awareness amongst pupils from educational institutions across the state of Johor. This is part of IMELC's broader initiative to teach students on low carbon consumption via classroom education and practice through conscientious energy and water usage at schools. In 2019, 475 schools and 47,000 students from around Johor participated in the programme, with approximately 185 tonnes of recyclable material collected.

Pertandingan Kitar Semula Sekolah-Sekolah ("PerKISS")

SWM Environment collaborated with SWCorp and Jabatan Pendidikan Negara to run PerKISS in schools around Johor, Negeri Sembilan, and Melaka. SWM Environment ran recycling awareness and education campaigns with students and collected recyclable materials from the schools. In 2019, the PerKISS Programme went to 1,106 schools with 1,431,342 kg of recyclable material collected, equivalent to about 3% of the total weight of waste Malaysians dispose in a single day.

Zero Waste Community ("ZeComm")

We have collaborated with SWCorp since July 2018 to improve the knowledge of waste separation in several low-cost housing communities within our network. Using a stamp system, residents are taught to separate waste at its source before disposal. Collected waste is then weighed and residents are assigned stamps according to weight and type of waste (1 stamp for every 500g of food waste or 1kg of recyclable waste) which can be used to redeem daily necessities at the respective housing communities' collection centre. This initiative is meant to instil a sense of value for waste and to handle waste in a better way. In 2019, a total of 12,589 kg, 10,335 kg and 242 kg of recyclable material, food waste, and used cooking oil were collected, respectively.

Managing our operations

Regulatory non-compliance and customer complaints are two key indicators for our services, measured by regulators. Our operations cover over 28,500 km², with over 8,000 workers and a waste management fleet that runs according to a set of specific mechanisms. Using a command, control, communications, computers and intelligence ("C4I") system, we are able to manage our inventory, 'live' track our fleet, plan resources, deliver on customers' collection schedules and manage our contractual agreements. On a daily operational level, we use risk-based thinking, daily monitoring, proactive action, incentive systems and target-setting in order to meet our performance indicators.

Gotong-Royong for Goodwill

In efforts to contribute more to our stakeholder groups, we engaged in collaborations that align with our business' operations, particularly in the area of cleanliness. We organised gotong-royong events where our employees work beyond their normal work hours to accommodate requests from municipal councils and local leaders to maintain public areas in places we operate in. In 2019, we recorded around 40,252 hours for 984 gotong-royong activities, at no cost to our customers, delivering an estimated value of RM2 million to community contributions.

Caring for Our Users

As waste management is a public concern, we ensure appropriate mechanisms are in place for the public to voice complaints, lodge reports or provide feedback. The multiple channels for engagement include email, a hotline call centre, social media platforms, and a national forum for waste-specific complaints. Users' feedback are managed by our mResponz Customer Relationship Management ("CRM") team with supporting guidelines to determine the legitimacy of a complaint, our capacity, and capabilities to address it before responding to the user.

In 2019, we exceeded internal targets to reduce public complaints by at least 5% year-on-year. This is a 51% reduction compared to 2018, achieved by our operation staff by improving on service quality in areas with high rates of public complaints. Where complaints are not resolved within the preferred response time, they must be duly reported to SWCorp as these complaints usually require more time, effort or consultation.

	2017	2018	2019
Complaints			
Number of complaints received	-	1366	668
Complaints resolved within two-day period (%)	86	80	86

STRENGTH OF OUR SUPPLY CHAIN

In line with the regulatory compliance practised across our entire value chain, we maintain high standards for supplier quality and integrity. Our stringent selection of suppliers is based not only on regulatory requirements but on our goal to build continued partnerships while also facilitating healthy competition.

We are also guided by a Sustainability Procurement Policy which encompasses responsible procurement in purchasing corporate equipment, encourages energy-efficient and environmentally friendly services, and advocates for responsible disposal of products.

QUALITY IN OUR SUPPLY CHAIN

Service Quality

Our suppliers are prequalified for criteria encompassing technical capacity, inventory, and past performance with regular assessments to gauge current performance upon approval

Competitiveness of Suppliers

We look for the most competitively priced materials, without compromising on regulatory compliance

Efficient Management

Our suppliers are expected to deliver according to plan, adapt to changes, and cooperate

	2019
Local suppliers across our four divisions	
Number of total suppliers	987
Number of local suppliers	983
Proportion of local suppliers (averaged across all four divisions) (%)	99.50
Spending on local suppliers (averaged across all four divisions) (%)	99.75

Environmentally Friendly Sources

The large network covered by our waste management logistics department leads to intensive use of resources. We put significant effort into sourcing environmentally sustainable materials from the get-go.

Through the utilisation of green tires in our waste management division we reduced our overall tire consumption by 1,589 units of tires compared to 2018. Green tires are made with a unique tightly bonded rubber that retains more energy in motion, resulting in lower rolling resistance, reduced fuel consumption, and longer tire lifespan

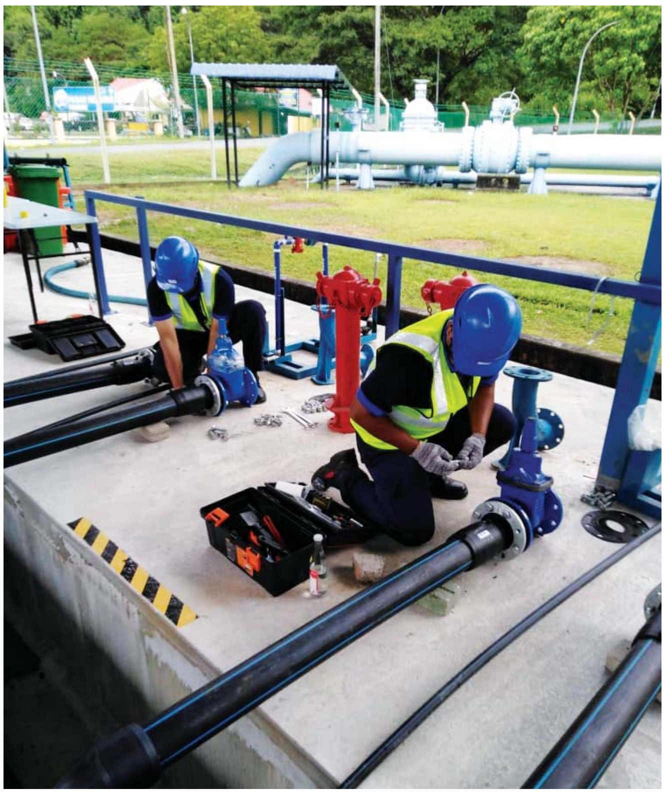
Use of biodegradable plastic bags averaging 305 tonnes a year

DIGITISATION

Advancements in the digital frontier are changing the way industries operate worldwide. Alongside the national agenda of moving towards a digital economy, we are working with our stakeholders, including clients and regulators to identify more avenues to implement digital strategies such as data science, Internet of Things and cloud computing.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

We are currently working alongside relevant regulators and authorities to upgrade our monitoring system to provide real-time monitoring within our treatment plants to allow detection of water quality non-compliance and overflowing of reservoir quickly and accurately. We are also planning to install leak sensors throughout the water supply network, potentially leading to improvements in network efficiency. This will aid in our ongoing initiative to improve distribution network efficiency in terms of reducing water loss within our systems.



WASTE MANAGEMENT

We partnered with regulatory stakeholders and other concessionaires to establish the waste management division's C4I centre. The C4I allows us to track our trucks in real-time, monitor public complaints alongside an integrated payment system to suppliers to ensure operations are not disrupted. It also permits us to respond quicker to issues and enhances productivity along our operations' value chain, resulting in better workflow in completed projects and financial efficiencies.

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Seamless toll collection systems are a global trend with Radio Frequency Identification ("RFID") currently a major area of focus that is in line with Malaysia's aim to move towards a Multi Lane Free Flow system at all tolled highways in the country. With RFID, drivers can drive through the toll plazas as the antenna will pick up the RFID's signal and deduct the fare from the driver's electronic wallet that is linked to the RFID tag.

We first implemented RFID on our highways in 2017 during its pilot phase and the technology is now fully operational.

Grand Saga Highway: Two RFID lanes are currently available at both toll plazas (one at each of its two toll plazas)

Grand Sepadu Highway: Nine RFID lanes are currently available at our four toll plazas

ENVIRONMENTAL MANAGEMENT

We recognise the environmental impacts of our operations and our stakeholders' expectations that we manage these impacts responsibly. Our approach to minimising potentially adverse environmental situations starts with a commitment to uphold compliance with all the environmental requirements of our various contractual agreements. Meeting regulators' standards ensures that our services are satisfactory and safe for end users and society. Each of our divisions adheres to environmental standards and regulations from its relevant authorities. Compliance to these local, regional, and global regulations and standards allows us to maintain quality, safety, and reliability of our services while monitoring environmental parameters of direct and indirect consequences from our operations. Refer to Ethics and Governance for the list of relevant regulations and standards that we follow.

We integrate environmental management throughout the lifecycle of each project, along the value chain of our operations and throughout the Group's own and subsidiary companies.

Group-wide, our top material issues with regards to environmental management include:

Noise Management

Monitoring and managing noise emission from Taliworks' operations

Resources Management

Tracking and maintaining efficient use of resources, such as energy and water, across all areas of operations and managing impacts in surrounding environments

Greenhouse Gas Emissions

Implementing environmental practices to track, manage and minimise air pollution and greenhouse gas ("GHG") emissions from across all areas of operations

Waste and Effluent Management

Monitoring and managing Taliworks' waste and effluents generated from Taliworks' business operations

Ecological Impact

Avoiding or reducing potential harm to sensitive species, habitats and ecosystems

At the corporate level, the Group continues to advocate for a collective effort to use resources efficiently in the development, production, and maintenance processes of our subsidiary companies. We aim to lead by example in our own corporate processes and procedures at the Group level and implement energy saving initiatives wherever possible. These include selecting energy-efficient technology and devices, and practising energy saving habits throughout the office such as turning off the lights when not in use and making use of natural lighting in the office.

Our Group Administrative Department promotes the use of sustainable consumables in the workplace by replacing bottled water with glasses in the pantry and in corporate meeting suites, distributing reusable lunch containers and flasks to shareholders and employees instead of single-use plastic types, purchasing plant-based cleaning agents and procuring paper made from elemental chlorine-free pulp and with forest certification.

We are also aiming towards more effective climate-related financial disclosure to inform longer term investment decisions. This year marks our first step towards incorporating climate-related financial disclosure, guided by the recommendations of Task Force on Climate-related Financial Disclosure ("TCFD") which considers physical, liability and transition risks associated with climate change. The recommendations by TCFD of managing and addressing climate change accounts for governance, impact and opportunities on business strategy, risk management and set metrics and targets.

CLIMATE CHANGE RISK MANAGEMENT

The output from our water and engineering divisions is dependent on the quality and quantity of raw water, which can be compromised due to the risk of imbalanced weather patterns or prolonged drought during the dry season which may result in low baseflow of source rivers. To manage this identified risk, we conduct public water conservation campaigns, execute controlled release during the dry season, monitor dam and river water levels and dam refilling scheme, among others. In the long run, we will continuously address this climate-linked risk through regular monitoring and updates of these risk management reports at operational level.

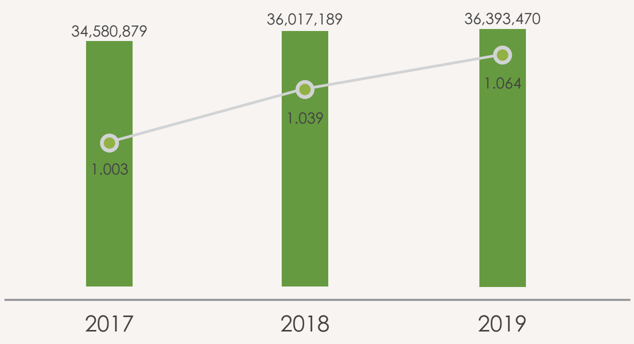
WATER TREATMENT, SUPPLY AND DISTRIBUTION

To ensure the quality of the water we distribute, our water treatment plants require a continuous supply of energy and produce a regular output of water treatment residuals. Our water treatment, supply and distribution division has been able to identify how we can track, monitor and manage the environmental impact and the efficiency of electricity consumption at our Sungai Harmoni and Taliworks Langkawi plants as well as how we can responsibly manage the by-products and effluent discharged from our water treatment process.

Water Plant Energy Consumption Management

Water treatment plants are constantly in operation to provide an uninterrupted supply of potable water, hence its energy consumption is material to managing our environmental footprint. We recorded an increase in total electricity consumption for both our water companies in 2019 due to increase of treated water production to meet demand. Though the energy consumption for treating per cubic metre of water remains fairly consistent at Sungai Harmoni, plant operational efficiency is maintained and the differentiating element in 2019 had been the greater volume of water treated. Energy consumption efficiency at Taliworks Langkawi had decreased since 2018, however the increase in energy required can be attributed to stressed supply, resulting in higher energy expenditure needs during abstraction at raw water source. Additionally, we are glad to note that we did not observe any major disruptions to power supply in 2019.

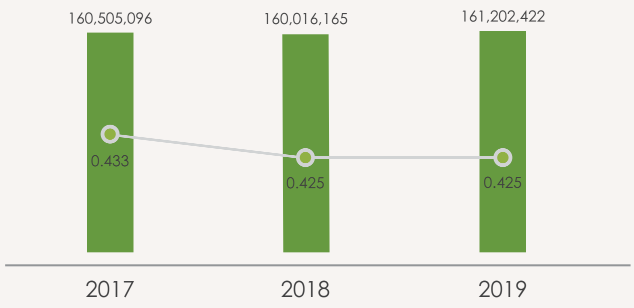
Electricity Consumption at Taliworks Langkawi



Total electricity consumption (kWh)

Overall specific energy consumption at the Intakes, Treatment Plants, Bunded Storages and Dam (kWh/m³)

Electricity Consumption at Sungai Harmoni



Total electricity consumption (kWh)

Overall specific energy consumption at the Intake and Treatment Plant (kWh/m³)

For more efficient energy management, the division pursued Energy Audit Conditional Grant in 2017 and subsequently appointed a registered Energy Service Company ("ESCO") to monitor and recommend opportunities for energy savings in the two plants. The audit carried out in 2018 to identify areas of recommendations for savings at Sungai Harmoni and Taliworks Langkawi resulted in a list of recommended energy saving measures. We plan to implement these recommendations in phases to boost our operations' efficiency as well as reduce our GHG emissions associated with electricity consumption at the plants. In 2019, we oversaw the installation of pump optimisation system and the replacement of fluorescent to LED lighting, with total estimated savings of 0.3% of 2019 levels of energy consumption, equivalent to RM120,000 in savings.

Management of Water Plant Effluent

The process of treating water creates by-products such as effluent and residual or sludge. Our water division commits to managing effluent in the proper manner to protect local water bodies from adverse impacts and to retain trust of communities who live surrounding the water source. We follow methodologies of disposal according to local regulations and monitor the quantity of effluent and residual generated. We also monitor the quality of effluent and report these regularly to the Department of Environment ("DOE") as per regulatory requirements. In 2019, both sites complied with DOE effluent quality which is a Standard B rating.

Residue generated is either reused or disposed of at our approved in-house depository or sent to approved sites for disposal. Of the 25,939 MT total residue generated in 2019, 100% was disposed in compliance with DOE regulations. This is the second year we have sent 100% of residue generated to landfills and approved sites. We are pleased with the 2.6% reduction of residue generated in 2019 from 2018 and will continue to mark industry trends and innovation of efficient water treatment technology to further reduce the quantity of residue generated at our plants.

Description	2017	2018	2019
Residue generated (MT)			
Taliworks Langkawi	969	1,253	1,159
Sungai Harmoni	20,925	25,366	24,780
Effluent discharged (m³)			
Taliworks Langkawi			554,538
Sungai Harmoni			4,739,069

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

A major responsibility for us in highway operations is fulfilling the complementing elements for a good road user experience. These include servicing maintenance vehicles such as road sweepers and patrol vehicles, conducting annual air emission analysis of generator sets, and monthly or quarterly maintenance works on the drainage system to ensure effluent from the highway drainage is discharged responsibly per regulations. All sewerage treatment plants meet regulatory requirements with effluent discharge readings tested on a monthly basis and reported to MHA as part of DOE requirements. The scope of highway maintenance also covers externalities, such as noise, that can affect road users and communities within the proximity.

Managing Highway Noise

Noise level from the highway is regularly monitored for its impact to nearby communities with remedial actions taken as needed to reduce the impact of noise on nearby receptors. We have concrete noise barriers installed along sections of the highway to absorb the noise and carry out pavement rehabilitation works along the Grand Saga Highway and the Grand Sepadu Highway to remediate worn out pavements that creates more friction, resulting in more noise. Pavement rehabilitation is a requirement by MHA and the task involves milling to 50mm depth then paving it with hot asphalt pavement mix.

Energy-efficient Highway Fixtures

Highway lighting and lighting at toll plazas are areas to explore implementing energy-efficient alternatives. We are installing LED lights in phases, across varying functions on our highways. These include high mast lighting fixtures, below bridges, ramps, and exits at layby areas, rest and service areas and toll plaza buildings. As part of complying to MyGHI, we have also initiated a pilot project that looks into implementing solar-powered systems for toll plaza buildings.

ENGINEERING AND CONSTRUCTION

We are responsible for projects undertaken by our engineering and construction division in line with clients' respective frameworks while managing environmental impacts emanating from our construction activities throughout the construction duration.

Managing Construction Waste, Effluent and Surface Runoff

To encourage sustainable construction practices and uphold stewardship of our natural resources, the division has established performance targets for the management of material wastage within our operations. Indicators include minimising waste generation and maximising the use of resources during our construction processes. In 2018, our target was to maintain below 5% in material wastage of steel reinforcement bars, ready-mix concrete, and large-diameter pipes in our projects. In 2019, we proposed alternative steel bar layout to clients and consultants in our effort to minimise wastage by using up leftover steel bars whenever possible.

Our initiatives to manage effluent and surface runoff begin at the early phases of construction. We institute siltation and sedimentation controls, cover temporary exposed slopes pending turfing, construct silt fences and follow other best management practices to minimise silt from escaping into and polluting existing water ways and bodies. We ensure the quality of storm water discharge from our construction sites meets the standards set by DOE or the contract, whichever is more stringent.

Managing Construction Noise

Noise is another environmental aspect that we typically manage across our projects. We conduct noise monitoring at our project sites as per DOE regulations. Noise and vibration measuring stations are placed at project site boundaries with measurements taken over a 24-hour cycle. The noise level readings are taken monthly or quarterly. Our focus is to ensure noise and vibration levels generated by our construction activities do not exceed limits depending on surrounding environment and land use. In the event of noise and vibration levels exceed permissible limits, a correction action will be undertaken to overcome the noncompliance.

Mitigating Ecological Impact

As construction activities can impact upon the local ecology by causing pollution and ecological disturbance, we try to mitigate the adverse effect by implementing a bespoke Environmental Management Plan ("EMP") that is commonly put in place for every project site. As a prerequisite to environmental monitoring, baseline parameters for air, noise and water quality will be established before physical construction work begins. An Environmental Officer is in charge of overseeing the EMP with workers trained to manage and monitor the necessary aspects.

Producing and following an EMP is an end-to-end process, done in phases of the project's life cycle, beginning with the pre-construction phase whereby site survey is conducted for baseline monitoring, to assess potential impacts and determine placement of controls. The EMP overview during construction includes site supervision with controls management and monitoring of parameters and during the post-construction phase. The site will be cleaned up and a Project Closure Audit Report submitted.

While control measures are in place, corrective action will be conducted should non-compliant readings occur. Upon completion, we conduct a site clean-up to remove any foreign materials present onsite with a Project Closure Audit that provides a summary of all environmental issues and monitoring results throughout the project duration.

WASTE MANAGEMENT

Our waste management division operates largely on-the-road, particularly in terms of household waste collection.

Reducing Emissions

We minimise our environmental impact by maintaining our collection fleet according to its service schedule and enabling efficiency through fuel optimisation by selecting the lubricant oil and tires that provide optimum performance.

Additionally, the use of GPS allows us to monitor and plan fleet routes for enhanced operational efficiency. We have installed GPS in 1130 units of our waste collection vehicles. The installation of fuel sensors also enables us to monitor inefficient or hazardous driving patterns such as harsh braking and speeding. Positioning fuel skid tanks at strategic locations within area of operations lets us further optimise fleet efficiency, by providing the facility to refuel along routes and maximising waste collection coverage area. Throughout 2019, approximately 1.6 million litres of fuel were purchased for skid tanks.

Vehicle Leachate Management

Our Waste Management division has set a zero public complaint target for leachate spillage from our collection vehicles as one of our environmental objectives. To achieve this target, we have established a dedicated team to monitor and manage any possible leakage from our subcontractors' fleet and ensure there is no trace of leachate spillage along our collection routes. A solid waste collection work instruction is in place to maintain process standards whereby drivers are required to check the condition of leachate tanks and inspect vehicles daily before work commences. The workforce are also trained to identify and clean spilled leachate in the event that it does occur. For cases of spillages, a water jetter is used for effective cleaning with a backup vehicle being allocated to replace the vehicle that encountered leachate spillage.

SOCIAL CONTRIBUTION AND HUMAN CAPITAL

As a Group, we look into material topics for Social Contribution and Human Capital in two areas - the workplace aspects and community engagement. Being a good corporate citizen is finding the balance between how we work and the work we do. We place high importance on the health and well-being of our employees and communities we exist in and make consistent effort to promote positive impact to these groups.

Engaging Workplace

Bringing employees together in building a strong workforce (through the provision of employee benefits, competitive salary, and other benefits)

Training and development to enhance employees' careers and build a talent pipeline for the company

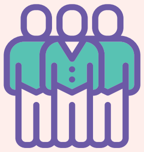
Embracing equality in the workplace by accepting diversity and value differences including gender, age and ethnicity

Health and Safety at Work

Maintaining a productive and safe workplace across Taliworks by minimising risk of accidents, injuries and exposure to health and safety hazards

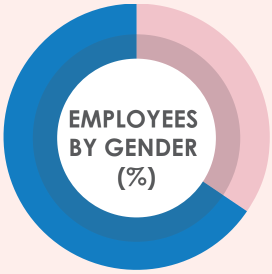
Contribution to the Community

Engaging with communities and contributing actively in social development through community, environment and education programmes and activities

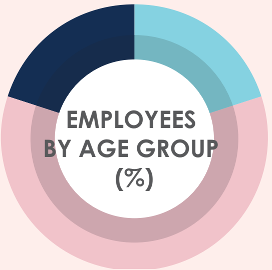


9,070

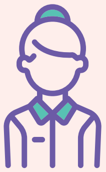
TOTAL NUMBER OF EMPLOYEES



FEMALE: 34% | MALE: 66%



<30 : 20%
30-50 : 60%
>50 : 20%



16.7%

WOMEN IN MANAGEMENT BY POSITION AT BOARD LEVEL AND SENIOR MANAGEMENT

ENGAGING WORKPLACE

The most vital element driving our business excellence is the degree to which our workforce is invested in upholding the vision of Taliworks. Recognising that a committed workforce is testament of an engaging workplace, we strive to create an environment that facilitates the personal and professional development of each member of our team. We welcome diversity in all its forms, including gender, age, race, technical skills, and experience, and strive to employ individuals of all backgrounds. Our equal opportunity practices, merit-based hiring, and career progression opportunities are key elements in cultivating a sense of pride in our employees to be part of our organisation. These practices are governed by policies and standards set by the relevant authorities in which our Group and divisions internalise and establish into our own policies and standards.

We believe that a productive workplace stems from a healthy workforce that enjoys work-life balance, spurring us to continue providing for employees' welfare and well-being towards better integration of life and career. Engagement initiatives promote workplace cohesion, improve retention metrics and strengthen both management-operations and peer-to-peer relationships. We take an open approach to communication and listen to our employees via digital channels, face-to-face discussions and numerous engagement sessions held in the workplace throughout the year. Our employee benefits and perks are aligned to the needs and areas of interest of employees and managed by the human resources management for each respective division. These include child welfare and school transportation schemes in the water and engineering division and toll reimbursement in the toll highway division.

EMPLOYEE ENGAGEMENT INITIATIVES 2019


Chinese New Year Celebration


Buka Puasa


Bursa Bull Charge Run

We Care For You


Adopt-A-Plant Event


Eye Health Check


Safety Week


Cybersecurity Awareness Talk


'Take 5' Wellness Day


Sports Day


Green Heart Heroes

Training and Development

As industry expectations continue to evolve, we help our employees update their skills while bolstering the strength of our workforce by enrolling employees in training programmes to develop industry-related skills. Our employees are also trained to maintain awareness and adherence with training programmes for ISO 9001, ISO 17025, and ISO 14001 to ensure effective implementations of these management systems. We further support the advancement of our employees' careers by providing opportunities for training and knowledge transfer within and between the four divisions of our group, as well as certified external training and programmes that serve to build leadership capacity for managerial roles.

Types of training and development programmes

Across the Group, we carry out functional, behavioural and leadership programmes to facilitate our employees' intrinsic growth, cultivating a purpose-driven mindset to contribute to organisational effectiveness. This is followed by individual divisions conducting programmes specific to its needs.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Employees are trained according to the key performance indicators set by SPAN and ISO. Types of training include Confined Space Competency Programme, SLDN, regulatory, operational and ISO Certification.

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

Employees are trained in Health & Occupational Safety modules, safety awareness and basic occupational first aid to be able to administer care during emergencies. Customer service training is also conducted. Contractors are also trained on a yearly basis with refresher courses delivered by a relevant trainer.

ENGINEERING AND CONSTRUCTION

Employees are trained in the areas of leadership development and/or technical aspects. Technical training includes extension of time, variation order, legal knowledge update, construction design, project management and QLASSIC preparation. It also includes environmental, safety and health training such as environment management project safety plan and explosive blasting management plan.

WASTE MANAGEMENT

Employees are trained in customer service including the use of mResponz app as well as in basic management and ISO standards awareness. In technical aspects, employees learn software engineering (app and web development, business intelligence, vehicle maintenance) and are certified with professional industry accreditations (CePLTPO, CepSWAM, CeSSWI). Safety and health training encompasses basic first aid and CPR, emergency preparedness and response, safety talk, fire drill and chemical spillage and evacuation.

Description	2019
Employee training and development expenses (RM)	1,071,433.75
Total employee attendance at training programmes	5,680
Employees that received performance career review (%)	>90
Total number of training hours completed	30,096.5

As a diverse infrastructure conglomerate operating across highly technical industries, we are well-positioned to support the development of the nation's skilled workforce. Our water and engineering division offers such support through their participation in the National Dual Training System ("NDTS"). This industry-oriented training scheme helps internal staff to develop their technical capacity and industry preparedness through theory and practice at the workplace. Through this programme, internal staff are given a chance to upgrade their knowledge and work capability and finally, receive the relevant Malaysian Skills Certificate from the Department of Skills Development upon completion. In 2019, Sungai Harmoni and Taliworks Langkawi trained a total of 28 NDTS staff, up from 23 in 2018.

We are also taking further initiative to recognise the experience and skill of workers via Recognition of Prior Achievements ("RPA"). Here, the RPA programme by the Department of Skills Development offers courses as set by the National Occupational Skills Standards ("NOSS") for the accreditation and recognition of such skills developed over a career. In 2019, Taliworks Langkawi has been appointed as Practical Assessment Centre ("PAC") for a number of such courses with CM-060-2:2014 (Water Treatment Operation), CM-021-2:2014 (Water Distribution Operation), C-331-033:2017 (Water Treatment Facility Management) and E-360-002 2016 (Water Treatment Quality Control). Sungai Harmoni has been appointed as PAC for CM-060-2:2014 and E-360-002. In 2019, Sungai Harmoni and Taliworks Langkawi trained a total of 6 RPA participants.

HEALTH AND SAFETY

Managing health and safety at our workplace for our employees as well as contractors is a top priority as it contributes to organisational productivity and improves safety of the surrounding communities. We comply with the regulations set by the Department of Safety and Health ("DOSH"), relevant standards and systems at local and global standards (refer to Ethics section within this Sustainability Statement for list of standards). We monitor, review, and improve our health and safety practices across all our divisions, taking immediate and appropriate corrective action in the event of any incidents.

Fire and evacuation drills at our Group corporate office are organised by the Building Management team to ensure that all employees are aware and know how to respond during an emergency while inspections are regularly executed to guarantee our grounds meet the Fire Department's safety standards.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Our water treatment, supply and distribution operations presents health and safety risks to employees, contractors, and suppliers along its value chain (business activities before and after the water leaves the plant). We firmly comply and align our health and safety practices to regulations set by Suruhanjaya Perkhidmatan Air Negara ("SPAN"), DOE, MOH and DOSH. Our internal standards and procedures are evaluated and reviewed at least once a year.

Description	2018	2019
Sungai Harmoni		
Cumulative man-hours without lost-time injury (hours)	321,200	315,360
Number of injuries	0	0
Number of lost days	0	0
Number of fatalities	0	0

Description	2018	2019
Taliworks Langkawi		
Cumulative man-hours without lost-time injury (hours)	376,673	422,372
Number of injuries	1	3
Number of lost days	6	182*
Number of fatalities	0	0

**Note: One minor injury occurred within the water treatment plant and two road accidents occurred outside of the water treatment plant, collectively contributing to the high rate in 2019.*

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

A Safety and Health Committee was established in 2017 to review the efficiency of safety and health procedures and to keep regular contact with management. Through routine communication between the Committee and management, the division can address rising areas of concern and improve health and safety practices to maintain its regulatory requirement to MHA.

All traffic personnel and toll tellers are given necessary safety equipment and uniforms (vests, reflective wear, face masks) and workplace provisions to protect their well-being and safety at work. Patrolmen are provided with safety lighting equipment, Personal Protective Equipment ("PPE") that comply with MHA. In 2019, we invested close to RM9,000 on new PPE equipment comprising safety vests, safety boots, and helmets. Basic Traffic Management Plan training is also provided twice a year to Patrolmen and maintenance staff at Grand Saga and Grand Sepadu Highways as an internal initiative to improve competency levels.

In 2019, we moved beyond minimum compliance and began internally conducting daily start-work briefings as part of operational control. Safety briefings are also conducted for our contractors prior to commencement of work so as to minimise the time spent on busy highway sites. Contractors are trained on a yearly basis to comply with new aspects of safety requirements, with refresher courses provided bi-annually.

ENGINEERING AND CONSTRUCTION

Our Health, Safety and Environmental Policy underlines our commitment to comply with regulatory requirements and prevent incidents through safe work practices. The division makes it a priority to ensure the safety of all present at our operational sites, including sub-contractors, at the large-scale construction operations we undertake. Safety measures implemented are under the governance of regulators and overseen by safety officers and safety supervisors at our construction sites. The Safety and Health Committee meetings are conducted at least once a month to ensure all project activities are in compliance with the health, safety and environmental requirements and the level of Safety and Health performance at the site is continually improved upon. Our work practices are regularly audited by our competent safety personnel with periodic independent checks by DOSH for assurance that our safety practices are reviewed and in alignment with industry best practices for the protection of our people.

Our Safety Personnel's responsibilities, on a project basis, include preparing safety manuals specific to each project and making certain its adherence as well as regularly communicating the measures to the organisation and clients. The site team and workers may also communicate and provide feedback to management through the daily and weekly inspections, bringing forward recommendations for best practices and further areas which may be enhanced to improve safety work practices. These are highlighted during the Toolbox Meeting and reported in the monthly reports.

We regularly conduct safety and health programmes on enhancing work practices to serve as a communication platform.

Our health and safety performance covers our Langat 2 Package 7 ("L2P7") and GP3A-Ganchong Package 3A ("GP3A") in Selangor and Pahang respectively, our active construction projects for majority of 2019. In 2019, L2P7 was recognised by Pengurusan Aset Air Berhad for 500,000 man-hour achievement without lost time injuries.

Description	2018 L2P7	2018 GP3A	2019 L2P7	2019 GP3A
Cumulative man-hours without lost time injury (hours)	360,744	381,136	541,168	563,824
Number of injuries	2	0	1	0
Number of lost days	0	0	0	0
Number of fatalities	0	0	0	0

WASTE MANAGEMENT

Relevant training sessions and safety briefings are regularly conducted to keep employees and subcontractors in our waste management division compliant with health and safety regulations. We have in place 29 safety committees across the regions we serve with committees convening quarterly to communicate any incidents, share key takeaways and collectively set best practices to maintain stringent health and safety standards throughout the organisation.

Safety measures are implemented according to the specific risks posed by activities throughout the waste management process. With regards to aspects outside the work process, in 2019 we worked closely with the Social Security Organization ("SOCSO") in Malaysia, referred to as PERKESO, to enhance commuting awareness amongst our staff on potential hazards at the waste collection fleet's depot. In 2019, we conducted 46 health and safety sessions encompassing on-site briefings, emergency drill training, safety-at-work with some programmes conducted by reputable external parties. We also carry out spot checks and workplace inspections at planned intervals.

Safety Training Programmes in 2019 for Waste Management Division

5	safety and health programmes engaging external party for knowledge sharing
16	site briefing sessions pertaining to safety at work
13	internal training sessions conducted on OSHE-related topics
4	sessions of forum with workers to obtain feedback on occupational safety and health matters
4	briefings on OSHE to contractor at each state
4	sessions of emergency drill exercises and trainings

Description	2018	2019
Lost-time injuries (hours)	15,176	8,640
Injury Rate (case rate per 1,000 employees)	19.3	15.3
Lost Day Rate (day rate per 1,000,000 hours)	106.3	56.1
Number of fatalities	0	0

CONTRIBUTION TO THE COMMUNITY

We engage with the communities surrounding our operations according to each division's unique areas of influence and capacity to deliver value, in line with our overarching Group Vision. As we operate across a wide geographical scope in Malaysia and in multiple business areas, we are able to be closer to various communities. Such an approach fundamentally strengthens our business presence and contributes to society at the same time.

As part of our focus on the environment, Taliworks promotes recycling and enhances awareness amongst the public so that they can play a role in reducing their environmental impact. Our waste management division delivers several ongoing public education programmes. Further details can be found in the Caring for Our Customers section within this Sustainability Statement.

Recognising that public safety awareness is most impactful when inculcated from an early age, our toll highways division continued to carry out safety awareness campaigns in schools in 2019. Safety related programmes were also conducted at Grand Saga and Grand Sepadu over festive occasions as travelling throughout Klang Valley. The campaigns were delivered together with government agencies with the aim of reaching more people.

As part of contributions to our multicultural celebrations, various community initiatives were organised during the festive seasons. Our involvement includes monetary and in-kind contribution to the less fortunate members of our communities.

Engaging actively with industry stakeholders, Taliworks participated in the community programmes such as "Rakan Air Darul Aman & Together SADA" in Alor Setar, Kedah and "Dialog Harapan Bersama Memakmurkan Kedah" in Langkawi, organised by the Kedah State government and Syarikat Air Darul Aman ("SADA"). These programmes aim to increase the public's awareness and understanding of the water treatment process, giving our Water division (Sungai Harmoni and Taliworks Langkawi) a platform to share our efforts in supplying clean and safe water every day.

Empowering Volunteerism

At Taliworks, we believe in contributing to the community and making a tangible difference.

Volunteerism is an important vehicle for bringing our employees and community together. We inculcate the spirit of volunteerism among employees by encouraging engagement and active participation in various community programmes held throughout the year. These include festive visits, environmental campaigns, and other stakeholders' charitable events.

Volunteering for the Environment

As part of our focus on the environment, Taliworks initiated a pilot programme, Green Heart Heroes. Our objective is to raise awareness on multiple environmental issues as well as to contribute to environmental conservation efforts. Through hands-on experiences facilitated by Landskap Malaysia, Taliworks' volunteers and children from Good Samaritan Home Klang ("GSH") were taught basic skills in agriculture and given ownership to take care of fruit plants. As a result of this 6-month educational programme, a total of 124 fruit plants were successfully transplanted. At the final stage of this programme, employees and tenants at our headquarters, Menara LGB were encouraged to adopt-a-plant and raise funds during a one-day sale event. All proceeds from the sales were channelled back to GSH.

TALIWORKS' FESTIVE VISITS AND CONTRIBUTIONS

- Chinese New Year Visit to Tong Sim Senior Citizens Care Centre that shelters 70 old folks
- SWM Kasih Misi Sampul Merah- Chinese New year visit to 4 less-fortunate families, 33 OKU and 180 orphans across the southern region
- 'Buka puasa' activity with 60 children from Rumah Bakti Nur Syaheera, Cheras (Grand Saga), 60 children from Persatuan Pendidikan Al-Mahabbah (Grand Sepadu), 410 orphans and 3 less-fortunate families under the SWM Kasih Santun Ramadhan as well as 12 children from Rumah Anak Yatim Shifa
- During the month of Ramadan, we have donated bubur lambuk to the public in Melaka Sentral
- SWM Kasih Senyum Syawal – Hari Raya Aidilfitri celebration with 3 orphanage homes alongside 46 children
- Donated cattle to mosque community centres during the Hari Raya Aidiladha Programme
- SWM Kasih Ceria Deepavali – Celebration with 40 orphans and 10 less fortunate homes
- SWM Kasih Back-to-School and Christmas-Distribution of stationeries, school bags, uniforms and household items to 162 less-fortunate students
- Distributed 1,000 mini car flags at toll plazas (500 at each highway) in conjunction with Merdeka celebrations
- Grand Saga Back-to-School Programme – 90 students from 3 orphanage homes received school uniform set and stationeries

Meanwhile, SWM Kasih, the corporate social responsibility entity of SWM Environment, brings its experience in waste management to the local communities by promoting various recycling initiatives including its on-going educational programmes to generate income from collecting and selling recyclables.

Volunteering for the Community

We continue to organise a broad range of volunteering opportunities to make a difference in the local communities in the areas we operate.

Sungai Harmoni and Taliworks Langkawi organised their annual Ramadhan charity dinner and contribution programmes for orphanages, the needy, and the physically challenged. These events had more than 400 recipients altogether and a total combined contribution by Taliworks Langkawi and Sungai Harmoni of more than RM80,000. Additionally, both made monetary contributions to schools and local communities to enable beneficial programmes totalling RM21,120, including a motivational programme for students titled “Reformasi Diriku” to empower belief in themselves as contributing members of society.

In the southern states of Negeri Sembilan, Melaka and Johor, 51 activities were carried out in areas where SWM Environment operates in. Amongst the activities were festive celebrations, back-to-school events, which were cumulatively supported by 3,251 volunteers, contributing a total of 17,831 volunteer hours.

Blood donation drives were also organised on our premises to encourage contribution to the country’s blood bank, ensuring a sustainable supply of safe blood for transfusion needs.

Aside our own initiatives, we believe in supporting activities outside our organisation that make a difference such as the annual Bursa Malaysia Berhad’s 'Bursa Bull Charge' charity run, that aims to raise funds to promote financial literacy and entrepreneurship as well as to help improve the environment and the lives of underprivileged communities.

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires the Board to include in this Annual Report a statement about the state of risk management and internal controls of the Company and its subsidiaries ("Group").

To enable the Group to achieve its objectives; the Group has progressively over the years established written and formal processes, policies and structures in governance, risk management and internal control. Risk management and internal control are embedded within the governance framework.

1.0 RESPONSIBILITY

- The Board is responsible for identifying and managing principal risks (both current and emerging) by establishing a sound risk management framework and in maintaining an appropriate system of internal controls within the Group by ensuring the effectiveness, adequacy and integrity of this system.

- Because of the inherent limitations, the risk management framework and system of internal control is designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the risk management framework and the system of internal control can only provide reasonable but not absolute assurance against any failure by the Group to meet its business objectives or to detect material errors, losses, fraud or breaches of laws, rules or regulations.

- Accompanying the maintenance of an appropriate system of internal control, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and is generally in line with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which is intended to guide directors of listed issuers in making disclosures concerning risk management and internal control in their company's annual report.

- The assessment of both the risk management and internal control are undertaken by the Audit and Risk Management Committee which reports its findings to the Board. Whilst the Audit and Risk Management Committee has delegated the implementation of the system of internal controls within an established framework to the Management, it is assisted by the Group Internal Audit, an in-house internal audit function which provides an independent assessment and relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review.

- In respect of the risk management function, this role is undertaken by the Risk Management Working Group, chaired by the Executive Director. Other members of the Risk Management Working Group comprise of a non-Executive Director, the Chief Investment Officer and the General Manager, Group Finance.

- The Board reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the Group Internal Audit. The Risk Management Working Group is also tasked to evaluate the risk management policies and processes adopted and risk management reports submitted by the joint ventures.

- However, where the Group does not have full management control over associates that contribute significantly to the Group, it may seek the collaboration of the internal audit function of the associates to evaluate the system of internal control of said associates. In the absence of such internal audit function, it may seek the assistance from the management of the associates to undertake the review of their system of internal control or to provide their assurance thereto in the submission of their management reports to the Group. Presently, risk management reports by major associates are submitted to the Risk Management Working Group for deliberation and review.

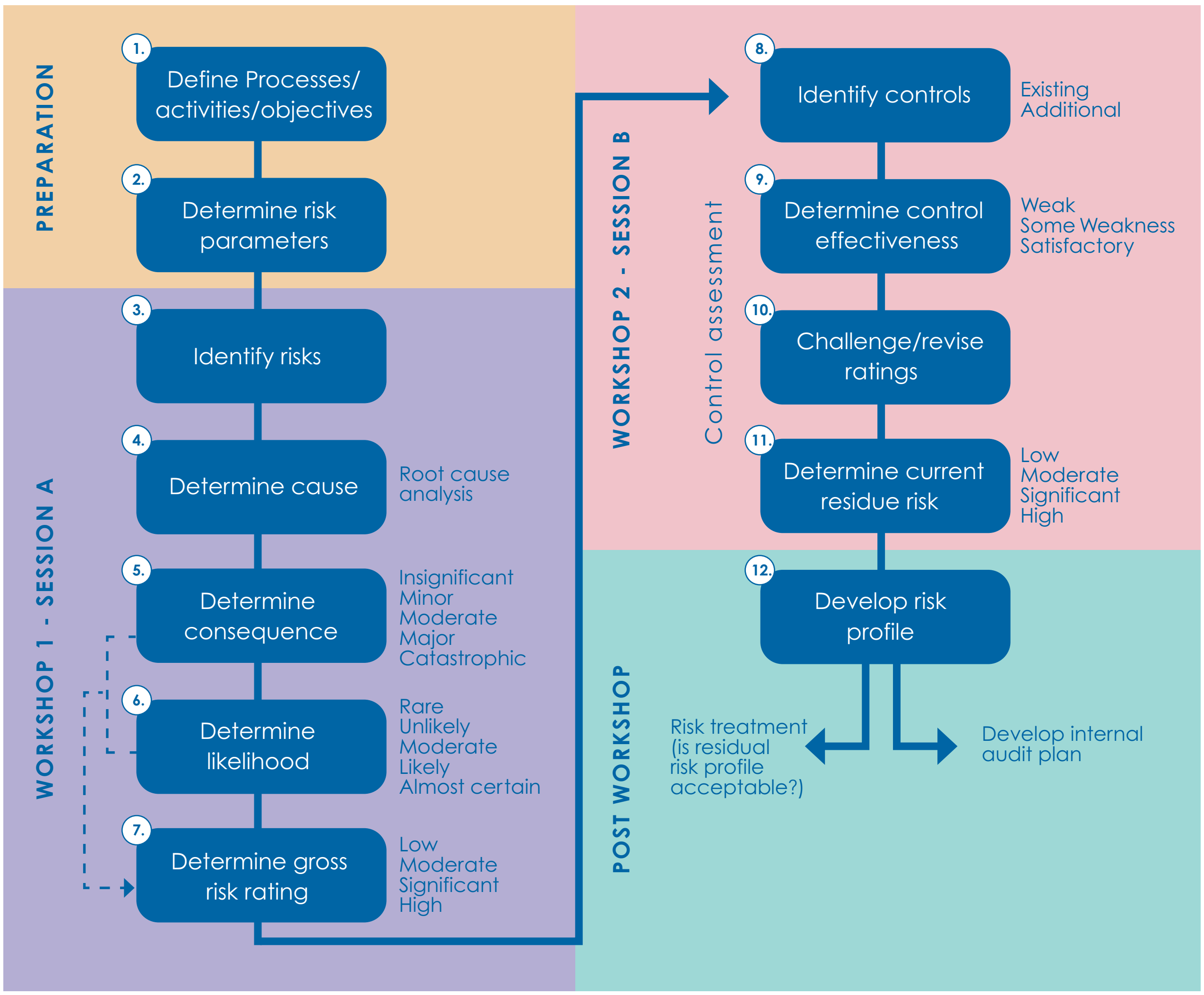
2.0 RISK MANAGEMENT FRAMEWORK

(a) Adoption of a Risk Management Framework

The Board has established a risk management framework for the Group by adopting the "Risk Management Policy and Guidelines Document" on 28 November 2014. This framework prepared in conjunction with external risk management consultants, consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially undermine the achievement of the Group's business objectives both now and into the future.

(b) The Key Steps Undertaken in the Risk Management Process

The following summarises the key steps undertaken by the Group in identifying, measuring, controlling, monitoring and reporting of risks under the risk management framework: -



2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(b) The Key Steps Undertaken in the Risk Management Process (Cont'd)

- Risk Profile and Risk Register are prepared for the purposes of monitoring and reporting of risks. In this respect, the Group had initiated several workshops attended by the management and risk owners in each of the business divisions to determine the risk parameters, identify the risks, determine the causes, consequences and likelihood of occurrence, identify controls, determine the risk tolerance levels before a comprehensive Risk Profile and Risk Register with action plans are developed together with the management and risk owners.

- The Risk Profile and Risk Register are reviewed by the risk owners twice in a year to ensure that the risk management process remain robust and the Risk Profiles and Risk Registers remain relevant. Risk owners will update in the Risk Register the action plans taken or to be taken to mitigate the risks identified.

- The risk owners, who are normally at the operational level, will report the status of risks to the head of business units who then collates and summarises the risks to be briefed to the Risk Management Working Group on a bi-annually basis.

- This risk management process is an on-going process undertaken by the Group and such process has been in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

(c) Main Features of the Risk Management Framework

- The main features of the Group's risk management framework involve the following key processes:-

  (i) The Management develops, operates and monitors the system of internal controls to address the various risks faced by the Group and its major joint-ventures and associates;

  (ii) A database of all risks and controls is maintained and updated, and the information filtered to produce detailed Risk Registers and individual Risk Profiles. Key risk areas are identified and scored for likelihood of the risks occurring and the magnitude of the impact;

  (iii) Risk assessment reports are submitted bi-annually and briefed by the various heads of business units to the Risk Management Working Group in a meeting where the following are reported:-

    (a) the current status or new developments in any of the risks identified;

    (b) any changes to the Risk Profile including new or removal of risks that were previously reported and the reason(s) thereof;

    (c) any new or additional controls that have been put in place to mitigate the risks; and

    (d) the status of action plans to address each of the risks by the risk owners. Specific action plans and the timeline for the action plans to be implemented are documented in the Risk Registers by the risk owners.

  The head of the Group Internal Audit attends such briefings.

  (iv) The meetings of the Risk Management Working Group are held few days prior to the Audit and Risk Management Committee meetings. The Risk Management Working Group, through the General Manager, Group Finance, reports its findings to the Audit and Risk Management Committee which then reports to the Board;

2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(c) Main Features of the Risk Management Framework (Cont'd)

- The main features of the Group's risk management framework involve the following key processes:- (Cont'd)

  (v) All updated Risk Profiles and Risk Registers are tabled to the Audit and Risk Management Committee after they had been considered and deliberated by the Risk Management Working Group;

  (vi) Annual re-assessment of risks is conducted selectively at operational sites by a member of the Risk Management Working Group together with the risk owners where existing controls are verified to ensure their validity and evaluations are conducted to determine their effectiveness.

- Currently, risk management covers the all core businesses of the Group (including its major joint-ventures and associates) namely the operation, treatment and maintenance of water treatment plants and distribution facilities, engineering and construction division, toll management division and waste management.

(d) Risk Matrix

To enable the risk management assessment to be applied consistently across all core businesses, the Risk Management Working Group has adopted the following risk matrix. No revisions were made to the risk matrix during the year.

Risk Rating

Impact / Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Significant	Significant	High	High	High
Likely	Moderate	Significant	Significant	High	High
Moderate	Low	Moderate	Significant	High	High
Unlikely	Low	Low	Moderate	Significant	High
Rare	Low	Low	Moderate	Significant	Significant

Likelihood of Occurrence

Description	Risk Likelihood Description
Almost Certain	Happens frequently
Likely	Likely to occur
Moderate	Might occur. Happened before but very rare
Unlikely	Unlikely to occur. Happened before but extremely rare
Rare	Has never occurred before and is not expected to occur

2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(d) Risk Matrix (Cont'd)

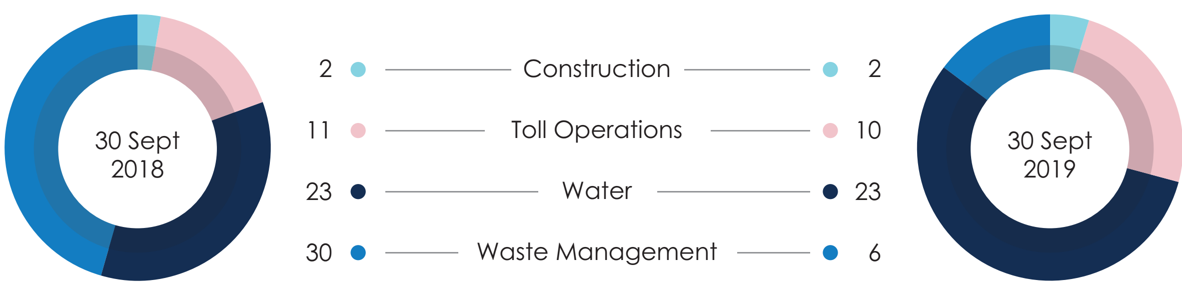
Magnitude of Impact		
Description	**Financial Considerations**	**Non-Financial Considerations**
	% of Budgeted EBITDA	
Catastrophic	> 75%	• Reputation/Image • Service/operations disruption • Business continuity • Project delay • Damage to life, property, environment • Management involvement
Major	50-75%	
Moderate	25-50%	
Minor	5-25%	
Insignificant	< 5%	

Although the assessment of the Likelihood of Occurrence and Magnitude of Impact maybe subjective in nature, nevertheless they provide guidance to the risk owners to ascertain according to their best judgement and knowledge (i) the likelihood that a risk event will occur or has occurred and (ii) the level of impact of the risk based on both financial and non-financial considerations. There may be certain circumstance where the non-financial criteria of a particular risk is given higher consideration than the financial considerations e.g. where it involves reputational risk which is hard to quantify. Once the Likelihood of Occurrence and Magnitude of Impact have been ascertained, they will be mapped to determine the Risk Rating.

(e) Specific Risks Identified

- As at 30 September, being the latest date for a risk assessment to be undertaken, the risk profile of the Group is summarised below:

Breakdown by Business Division



The significant reduction in the risk profile from the waste division, which is a major associate, was due to the consolidation of the risks after an internal assessment by the management of the division.

- At the Group level, the individual risks at the business divisions are re-assessed to determine the Group Corporate Risks. The Group Corporate Risks which are strategic in nature provide the Board with visibility on the criteria risk areas across the Group. These risks are most likely to have a significant impact to the financials and prospects of the Group.

2.0 RISK MANAGEMENT FRAMEWORK (CONT'D)

(e) Specific Risks Identified (Cont'd)

As at 30 September 2019, being the latest date for a risk assessment to be undertaken by the Group, the Group has identified four (4) risk areas with two (2) flagged as high risks, one (1) significant risk and one (1) moderate risk as follows:-

Likelihood \ Impact	Moderate	Major	Catastrophic
Likely		High Risk (1)	
Moderate	Significant Risk (1)		
Unlikely	Moderate Risk (1)		High Risk (1)

3.0 INTERNAL AUDIT FUNCTION

- The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies. To ensure the governance, risk management and internal control processes are effective, the internal audit function conducts regular reviews and appraisals on the business operations of the Group according to the Internal Audit Plan as approved by the Audit and Risk Management Committee.

- The key role of the Group Internal Audit is to assess the management's adherence to established policies and procedures as well as acting as an independent sounding board to the Audit and Risk Management Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the Management.

- Further details on the functions of the Group Internal Audit is found in the Audit and Risk Management Committee Report included in this Annual Report.

4.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS

Other key elements of governance, risk management and control established by the Group, amongst others, are as follows: -

(a) clearly defined governance structure with the respective terms of reference, duties and responsibilities as described in the Corporate Governance Overview Statement;

(b) clearly defined delegation of responsibilities to the Board Committees and to Management, including appropriate authorisation levels in the form of a written Limits of Authority to assist the Board and the Management in discharging their duties;

(c) a budgetary process whereby the Executive Committee approves the operating and capital budgets of the key operating units and the Board approves the operating and capital budgets of the Group on a consolidated basis;

4.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS (CONT'D)

(d) monitoring of results against budgets, with major variances and trends in key performance indicators being highlighted and management action taken, where necessary;

(e) review of operational and financial performance by the operating unit's management at a monthly management meeting attended by the Executive Committee, heads of department and business units. At these meetings, relevant operational, financial and strategic issues are discussed and followed up by management;

(f) briefing by the Executive Director to the Board on the operational performance of the Group on a quarterly basis;

(g) briefing by the General Manager, Group Finance to the Audit and Risk Management Committee and to Board on the financial performance of the Group on a quarterly basis;

(h) a yearly assessment undertaken by the External Auditors to identify any significant risks affecting the preparation of the financial statements;

(i) briefing by the head of Group Internal Audit to the Audit and Risk Management Committee on a quarterly basis on the internal audit findings together with any follow up actions taken or to be taken to remedy any significant failings or weaknesses identified from the internal audit findings. Private sessions are held by the Group Internal Audit with the Audit and Risk Management Committee without the presence of Management;

(j) the existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns to be raised by employees to the management, head of Group Internal Audit, the Senior Independent Director and/or to the Chairman of the Audit and Risk Management Committee;

(k) the provision of a dedicated email address to the Senior Independent Director at SID@taliworks.com.my and to the Chairman of the Audit and Risk Management Committee at ARMC@taliworks.com.my for shareholders and other stakeholders to communicate with them on matters relating to the Group;

(l) a Code of Business Conduct and Ethics for Directors which sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company;

(m) a Board Charter that constitutes, and forms, an integral part of each Director's duties and responsibilities; and

(n) a Code of Conduct contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in discharging their duties and responsibilities.

5.0 MANAGEMENT'S ASSURANCE

In accordance with Paragraph 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers), the Executive Director and the General Manager, Group Finance, representing the Management, are of the view that the Group's risk management process and internal control systems are operating adequately and effectively in all material aspects primarily based on: -

(a) the risk management model adopted by the Group;

(b) similar written assurance given by the respective heads of operations; and

(c) formal feedback on the adequacy of risk management and internal control from the head of Group Internal Audit which is based primarily on the scope and coverage of internal audit's remit for the year under review.

6.0 REVIEW BY THE EXTERNAL AUDITORS

- As required by paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement. Their review was performed in accordance with Audit & Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants.
- Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.
- AAPG 3 does not require the External Auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

7.0 AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT TOGETHER WITH THE CORPORATE GOVERNANCE REPORT PROVIDE AN OVERVIEW OF THE BOARD'S COMMITMENT TOWARDS A HIGH STANDARD OF CORPORATE GOVERNANCE PRACTICES, VALUES AND ETHICAL BUSINESS CONDUCTS BY DISCLOSING THE APPLICATIONS OF EACH PRACTICE SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017") PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD. THE CORPORATE GOVERNANCE OVERVIEW STATEMENT SHOULD BE READ IN TANDEM WITH THE CORPORATE GOVERNANCE REPORT WHICH HAS BEEN UPLOADED ON THE COMPANY'S WEBSITE.

- In today's dynamic business landscape and heightened stakeholders' expectations, demand for greater accountability and transparency is expected from the Board in discharging its fiduciary duties in delivering long term value proposition to shareholders as well as upholding the rights of other stakeholders. As a direct consequence thereof, greater internalisation of enterprise-wide culture of good corporate governance practices, maintenance of a sound system of internal control, embedding risk management practices and policies into the day-to-day operations, business sustainability issues as well as adherence to regulatory requirements are key challenges for the Board.

- Corporate governance is about making the business operate more efficiently whilst controlling risks and assuring compliance. Good corporate governance practices underpin a successful and sustainable business. To succeed in the long-term, companies are required to build and maintain successful relationships with a wide range of stakeholders. Accordingly, a company should promote integrity and openness and be responsive to the views of the stakeholders at large. The board of directors ("Board") is entrusted by stakeholders to ensure that business strategies are inflected by compliance and risks are adequately managed with the appropriate internal control processes in place.

- The Board recognises the importance in applying the Principles and Practices stipulated in the MCCG 2017 published by the Securities Commission of Malaysia in April 2017 and is committed in ensuring that good corporate governance is observed, practised and enhanced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and that of the other stakeholders such as its employees, customers, suppliers, society and the communities in which the Group conducts its businesses.

- Since the introduction of the first Malaysian Code on Corporate Governance in 2000, the Board has continuously made efforts and avail resources to strengthen the corporate governance framework and practices within the Group; to not only attract but also retain amongst others, long term investors and other valued stakeholders. The Board recognises that good ethical conduct and a high level of accountability are important criteria to support sustainable development and growth trajectory of the Group's businesses. Needless to say, good corporate governance is a shared responsibility, with the various stakeholders having equal duty and responsibility to protect and advance their own interests by exercising the rights accorded to them to ensure that the Group is well governed and driven by the basic tenets of good governance.

- Pursuant to paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements") , the Group has disclosed in a prescribed format the extent on how it has applied and complied with the Principles and Practices specified in the MCCG 2017 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report 2019 ("CG Report") which is available on the Company's website at http://taliworks.com.my/corporate-governance/ under the caption "Corporate Governance Report".

- Intended Outcomes are designed to provide a line of sight on what companies will achieve through implementing the Practices. On the other hand, Practices are actions, procedures, or processes which a company is expected to adopt to achieve the Intended Outcome.

- The Group is currently categorised as a Non-Large Company under the MCCG 2017. Large Companies are defined as companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above; at the start of the companies' financial year.

- During the year, the Group has applied all the Practices except as follows: -

  (a) Practice 4.5 – The board discloses in its annual report the policies on gender diversity, its targets and measures to meet those targets;

  (b) Practice 6.2 – The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management;

  (c) Practice 7.2 - The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000;

  (d) Practice Note 11.2 - Large companies are encouraged to adopt integrated reporting based on a globally recognised framework;

  (e) Practice Note 12.2 – All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them; and

  (f) Practice 12.3 - Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–
    - including voting in absentia; and
    - remote shareholders' participation at General Meetings.

- For the Practices where the Group has not complied, explanation for the departures are provided and supplemented with a commentary on the alternative measures to achieve the Intended Outcome, and where appropriate, measures that the Group has taken or intends to take as well as the intended timeframe for adoption to achieve application of the prescribed Practice.

- Over the years, Taliworks has been placed in the Malaysian Corporate Governance reports and surveys undertaken by the Minority Shareholder Watchdog Group with the latest being ranked 88th out of the Top 100 Malaysian PLCs with Disclosures and 82nd out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance in 2018.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 Clear Roles and Responsibilities

- The business and affairs of the Group is managed by or under the direction of the Board. The role of the Board is to collectively allocate resources and set the strategic direction of the Group, inculcate healthy corporate governance practices within the Group by aligning the governance practices to meet expectations of stakeholders while exercising oversight on the management's performance.

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others: -

  (a) overseeing the conduct of the Group's existing business. In this regard, the Board meets quarterly together with the management, namely the Executive Director, Chief Investment Officer, the General Manager, Group Finance and the Company Secretaries to discuss and deliberate on the several agendas put forth at the Board meetings. The important agenda that would be deliberated are the reports from the various Board Committees together with the Executive Director's Quarterly Operational Report and the Quarterly Financial Interim Report detailing the operations of each of the business divisions and the financial performance of the Group;

  (b) reviewing and adopting a strategic plan for the Group's future growth and expansion with a view to support long term value creation for the shareholders. The investment strategies and business proposal plans are jointly prepared by the Executive Director and the Chief Investment Officer. The Board will deliberate on the strategic direction and economics of each proposal before it is implemented;

  (c) reviewing the Group's effort in driving and implementing sustainable business practices covering economic, environmental and social considerations. The Group has established a Sustainability Steering Committee to manage, guide and drive implementation of the Group's sustainability agenda;

  (d) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. To undertake these dual responsibilities, the Board has delegated both the risk management and internal audit functions to the Audit and Risk Management Committee. Detailed descriptions of these functions are elaborated in the Statement of Risk Management and Internal Controls and in the Audit and Risk Management Committee's Report included in this Annual Report;

  (e) succession planning to provide for a clear and orderly succession and ensure that all candidates appointed for a particular position are of calibre. To assist the Board in discharging these responsibilities, the Board has adopted the Succession Planning Policy for Board, Chairman of the Audit and Risk Management Committee and Senior Management as promulgated by the Corporate Human Resource;

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.1 Clear Roles and Responsibilities (Cont'd)

- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others: - (Cont'd)

  (f) overseeing the development and implementation of a shareholder communications policy for the Group to enable effective communication with the shareholders and other stakeholders. In this respect, the Group has established an investors' relationship function helmed by the Chief Investment Officer and several channels and communication platforms (including a Company website) where shareholders and other stakeholders will be able to communicate with the Company and vice versa; and

  (g) reviewing the adequacy and the integrity of the Group's management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. In discharging these responsibilities, the Board has established an internal audit function to assess the adequacy and the integrity of the internal control systems. The Board has also at its disposal the services of the Group Legal Advisor and the Company Secretaries to advise the Board on matters relating to regulatory and statutory issues that concern the Group.

- The roles played by the Board and the management are separate and distinct whereby the Board provides the stewardship role whereas the management is given the mandate and authority to implement the strategic directions of the Board. The Board fulfils its fiduciary role by overseeing that the management has undertaken its responsibilities in executing the policies and strategies adopted by the Board and the Board being adequately kept informed of matters relating to the Group's business and financial performance at the Board meetings which are held at every quarter of the year. Where there are important issues that require the Board's immediate attention e.g. major corporate exercises, the Board may convene a special Board meeting.

- The Company and its subsidiaries have established their respective Limits of Authority that defines the authority given to management to act on specific matters and any matters that require the approval of the Board or Executive Committee of the Company or the board of the subsidiaries, as the case may be. The Limits of Authority of the Company was last reviewed in March 2017.

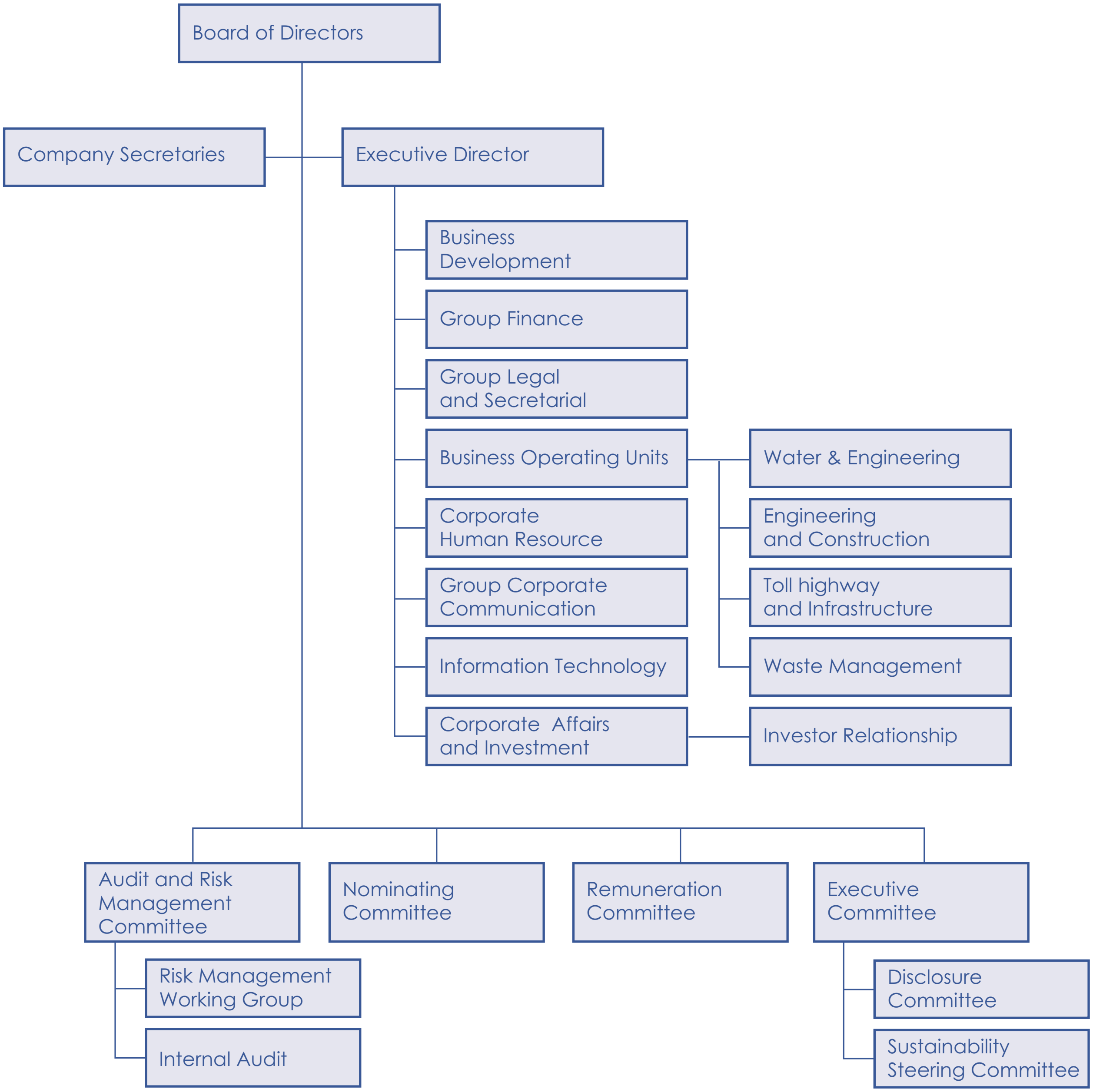
- To further assist the Board in its oversight role, the Board, through the Nominating Committee, has established the Key Performance Indicators ("KPI") for the Executive Director that are linked to the Group's financial performance, employee engagement and compliance with terms and conditions of concession agreements and requirements of government and statutory bodies. In the Remuneration Committee meeting held in January 2020, it was concluded that all the KPIs have been met by the Executive Director in respect of the financial year ended 31 December 2019.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.2 Governance Structure

The current governance structure of the Group is as follows:



PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.3 Executive Committee

- The Board delegates to the Executive Director to manage the Group's business and day-to-day management to achieve the Group's corporate targets and plans.

- To assist the Executive Director in executing the mandates from the Board, an Executive Committee has been established to speed up the decision-making process on issues which are routine and administrative in nature or on matters that do not require the immediate attention of the Board including approving non-material announcements to the stock exchange.

- Delegation of mandates to the Executive Committee is subject to defined limits of authority and monitoring by the Board.

- Members of the Executive Committee together with other senior management and business divisional heads meet monthly to review the operational issues of the Group, financial performance, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the day-to-day management of the Group's business affairs.

1.4 Board Composition

- At the end of the year, the Board, led by YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz, a Non-Executive Chairman, is made up of eight members (including the Chairman) comprising:

  (a) one Executive Director;

  (b) one Non-Independent Non-Executive Director; and

  (c) six Independent Non-Executive Directors.

- As stated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board are such that it facilitates the making of informed and critical decisions. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. Where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The Board views that it has the right balance of skills and experience appropriate for the requirements of the business, that no individual dominated the decision-making process and that the Board has operated effectively throughout the year and is confident that it will continue to do so.

- Members of the Board come from varied background and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group.

- The Board, through the Nominating Committee, having reviewed the size and complexity of the Group's operations, is of the view that the number of members in the Board is appropriate. Nevertheless, the Board acknowledges the importance of gender diversity in the Board and continuous effort will be made to nominate more female directors to the Board.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.5 Board to comprise a Majority of Independent Directors

- As stated in the Board Charter, where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The current Chairman of the Company, YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz, is an Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises Independent Directors.

1.6 Role of the Chairman

- The role of the Chairman is spelt out in Clause 4.1 of the Board Charter, which is available on the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Board Charter".

1.7 Role of the Executive Director

- The Executive Director, who is a paid employee of the Company, with assistance from the Executive Committee, is tasked to develop, in conjunction with the Board, the Group's strategic plans for existing businesses and future growth expansion plans and is also responsible for its implementation. Other than that, the Executive Director is responsible to carry out all the directions of the Board and ensuring that they are implemented and that adequate actions have been taken to follow up on significant outstanding matters on a timely basis.

- In connection therewith, the Executive Director keeps the Board informed of the overall operations and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

- The Executive Director is accountable to the Board and he oversees all the business and corporate divisions within the Group.

1.8 Role of the Non-Independent Non-Executive Directors

- The Non-Independent Non-Executive Director do not actively participate in the day-to-day management of the Group. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. They are expected to provide constructive input and where required, provide the requisite guidance to the Executive Director when faced with the challenges in running the day-to-day affairs of the Group.

1.9 Role of the Independent Non-Executive Directors

- The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision-making process of the Board.

- Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretaries in the Board minutes.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.10 Independent Directors

- Independent Directors bring independent and objective judgment to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties. Nevertheless, the existence of Independent Directors on the Board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members or major shareholders.

- The Nominating Committee undertakes an assessment of the Independent Directors annually. Prior to the resignation of two members of the Nominating Committee on 30 May 2019, the Nominating Committee comprised one non-independent director and two independent directors. Currently, the Nominating Committee comprises all independent directors.

- Other than fully complying with the definition of an "independent director" set out in the criteria listed in Section 1.1 (a) to (g) of Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for Accounts by the stock exchange, the Independent Directors have themselves self-assessed in the Independent Directors' Self-Assessment Checklist including application of subjective assessments pursuant to the definition of independent directors in the Listing Requirements which is then submitted to the Nominating Committee.

1.11 Tenure of Independent Directors

- The tenure of Independent Directors of the Company as at the end of the year is as follows: -

As at 31 December 2019	<1-3 years	>3-4 years	>4-5 years	>5-6 years
Independent Non-Executive Directors	2	-	2	4

- Under the MCCG 2017, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- Under the Company's Board Charter, the tenure of an Independent Director shall not exceed a cumulative term limit of nine years.

- Nevertheless, in the event where any Independent Director has served the Board for a cumulative term of nine years, the Nominating Committee, will assess and decide whether he/she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide justification to the shareholders in a general meeting to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the nine-year tenure.

- In the event where an Independent Director has served the Board for a cumulative term of twelve years, the Nominating Committee, will assess and decide whether he/she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide justification to the shareholders in a general meeting to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the twelve-year tenure. Under these circumstances, the Board will seek shareholders' approval under a two-tier voting process.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.11 Tenure of Independent Directors (Cont'd)

- Where the Board has determined that the said Independent Director shall not remain as an Independent Director, then he/she will be re-designated as a Non-Independent Director accordingly.

- As at the end of the year, none of the Independent Directors have served on the Board for more than nine years.

1.12 Appointments to the Board

- The Nominating Committee is responsible for reviewing the Board's composition and recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.

1.13 Re-Election of Directors

- Pursuant to Clause 77 of the Company's Constitution, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office (who have been longest in office since their last election) shall retire by rotation. In addition, the Listing Requirement requires that all directors of listed companies shall retire once at least in every three years. The directors retiring by rotation shall be eligible for re-election.

- The Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. Pursuant to Clause 77 of the Company's Constitution, the Directors who are due to retire by rotation at the forthcoming Annual General Meeting are Dato' Lim Yew Boon and Lim Chin Sean. The Board, with the exception of the retiring Directors, has approved the recommendation of the Nominating Committee that the names of the retiring directors be put forth for shareholders' approval at the forthcoming Annual General Meeting for re-election.

- Pursuant to Clause 82 of the Company's Constitution, any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election.

- The Nominating Committee has recommended YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz and Datuk Roger Tan Kor Mee, whom were appointed on 27 November 2019, to stand for re-election at the forthcoming Annual General Meeting pursuant to Clause 82 of the Company's Constitution.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile				Skill-set		
	Male	Female	30-40 years	41-50 years	51-70 years	71-80 years	Finance related	Engineering related	Others
Executive Director	1		-	-	1	-	-	1	-
Independent Non-Executive Directors	5	1	-	2	3	1	2	1	3
Non-Independent Non-Executive Directors	1		1	-	-	-	-	-	1
Total	**8**								

- The Board does not have a policy on board composition having regard to the age and mix of skills required to meet the needs of the Group. Under the Board Diversity Policy, the Group sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and in maintaining a competitive advantage. A truly diverse Board should be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The composition of the members of the Board should comprise mixed genders to bring about a more diverse perspective to issues faced by the Group. All Board appointments will be based on meritocracy.

- The Board acknowledges the promotion of diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors and believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment.

1.15 Time Commitment

- Under the Board Charter: -

  (a) the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the number as may be prescribed by the Listing Requirements. In this respect, based on the disclosure in the Directors' Profile, none of the Company's Board members hold more than five directorships in listed issuers in compliance with paragraph 15.06(1) of the Listing Requirements.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.15 Time Commitment (Cont'd)

- Under the Board Charter: - (Cont'd)

  (b) the Directors should devote sufficient time to the Company and observe the following policies and procedures: -

  (i) to disclose to the Board, through the Nominating Committee, at the time of his/her appointment, and in a timely manner for any change, the number and nature of office held in public companies or organisations and any other significant commitments;

  (ii) to notify the Chairman and the Board before accepting any new directorships and provide an indication of time that will be spent in the new appointment which should include the time required to prepare and attend board and board committee meetings, general meetings, continuous training programmes, site visitation and major company events. At the beginning of each calendar year, a schedule for Board and Board Committee meetings will be prepared and distributed to all Board Members for their reference. Each Board Member should allocate sufficient time for these meetings and attend all the scheduled meetings. If a Board Member is unable to attend any of the scheduled meetings, he/she should notify the Board, through the Company Secretary, as early as practicable;

  (iii) to ensure that sufficient time and attention is allocated to the Company and that other commitments do not affect the effectiveness of their contribution or the time available in the discharge of their duties and responsibilities; and

  (iv) to take an interest in the affairs of the Group, obtain a general understanding of its businesses and to follow up on all the unusual transactions that comes to his/her attention.

- The dates for the Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting.

- The Board and Board Committee members are expected to attend these meetings which have been scheduled well in advance. In the situation where any of them will not be available, they will inform the Company Secretaries who accordingly will endeavour to re-schedule to another date where all other members would be able to attend.

- Directors who are unable to attend meetings in person may join the meeting by teleconferencing or by other means of telecommunication devices or modes.

1.16 Access to Trainings

- The Board recognised the importance of training and development for the Directors to enhance their skills and knowledge to meet the challenges of the Board. The role to review the training and development needs of the Directors has been delegated to the Nominating Committee which then reports its findings to the Board.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.16 Access to Trainings (Cont'd)

- During the year, all the Directors had attended various training programmes, seminars and workshops externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

- There are no restrictions as to the type of training programmes, courses, seminars, conferences, talks, briefings to be attended by the Directors and these could inter alia, be on areas relating to corporate leadership and governance, finance, economic trends, risk management, latest technologies, sustainable development and implementation of new regulations by the regulators.

- Directors are also kept informed of the latest statutory and regulatory developments by the Company Secretaries at every Board meetings.

- The Company does not have a formal arrangement to provide any in-house orientation or education programmes for new appointees to the Board. Members of the Board are encouraged to participate in relevant training programmes on their own at the Company's expense to keep themselves updated on developments that are current and relevant.

- The following were the trainings attended by the Directors during the year: -

Name of Director	Course Title/Organiser
Dato' Lim Yew Boon	• Directors' duties and responsibility • Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009
Lim Chin Sean	• Directors' duties and responsibility
Soong Chee Keong	• Directors' duties and responsibility • Securities Commission Malaysia's Audit Oversight Board conversation with Audit Committees
Dato' Sri Amrin Bin Awaluddin	• A Boardroom Colloquium on Innovation Governance by Emeritus Professor Jean Phillippe Deschamps • Invitation for Result-to Action (R2A) Workshop • PNB Leadership Forum 2019 • MIDF Green Conference • Workshop on Brexit & UK Economy (Standard Chartered Bank) • KLBC – Fireside Chat with Tun Daim Zainuddin (Malaysia Moving Forward) • Board Induction (Boustead Plantations Bhd) • Board Induction (Boustead Holdings Bhd) • Financing the SDG – Private Sector Role • KLBC – Fireside Chat with Kamala Lakhdir, the US Ambassador to Malaysia (US & Malaysia Relations) • Khazanah Megatrends Forum 2019 • Seminar on Budget 2020 – Ministry of Finance

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.16 Access to Trainings (Cont'd)

- The following were the trainings attended by the Directors during the year: - (Cont'd)

Name of Director	Course Title/Organiser
Dato' Sri Amrin Bin Awaluddin (Cont'd)	• Institute of Corporate Directors Malaysia (International Directors Summit, Hotel Shangri La) • LTAT & Boustead Group Directors Training
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Directors' duties and responsibility • Board Of Directors' Workshop • Embracing disruption • Currect challenges in the corporate governance landscape • Bursa Malaysia – Malaysia's Diversity Experience • Lessons learnt from project failures • MACC – Introduction to Section 17A: Offence by commercial organization
Ahmad Jauhari Bin Yahya	• MIDF Green Conference • Directors' duties and responsibility • Reimagining Malaysia Electricity Supply Industry (MESI) • Khazanah Megatrends Forum 2019 • Corporate Liability for Corruption Offences, Adequate Procedures and ISO 37001
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	• Revisiting MFRS 9 • Presentation on RMiT • Outlook on Offshore Marine Services • Lessons learnt from litigation with Woodside (Armada Claire FPSO) • Technical briefing on FPSOs • AMLA Training • Tsinghua PBCSF Belt & Road EMBA - Behavioral Finance • Tsinghua PBCSF Belt & Road EMBA – Ambicultural Strategy and Leadership • Tsinghua PBCSF Belt & Road EMBA - Chinese Economy and Financial Market • Tsinghua PBCSF Belt & Road EMBA - Global Competition Strategy In Emerging Economic National Culture and Business Management South East Investment Opportunities
Datuk Roger Tan Kor Mee	• The 29th International Solid Waste Association World Congress 2019

- The list of training programmes attended by the Directors for the year was presented to the Nominating Committee whereby the committee had opined that the current training attended by the Directors, though adequate, could be further enhanced to up-skill their knowledge and add value to the Board and the Board Committees. The Nominating Committee had proposed that a repeat session on the new Malaysian Anti-Corruption Commission Act on corporate liability and the changes to framework by Bank Negara Malaysia on financing loans be organised.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.0 Board Responsibilities (Cont'd)

1.17 Access to Information and Services from the Company Secretary and External Parties

- The Directors have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors: -

  (a) where any member of the Board makes a request to the management to engage the services of independent professional advisors, the request is then communicated by the Company Secretaries to other Board members for concurrence;

  (b) where necessary, the Chairman will convene a special Board meeting to discuss the matter and where a concurrence from a majority of the Directors is obtained, the management will be directed to procure suitable independent professional advisors acceptable to the Board; and

  (c) the independent professional advisors will report their findings to the Board.

2.0 Board Committees

- The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, that include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, changes to the composition of the Board and the Board Committees as well as control structure within the Group.

- In order for the Board to operate efficiently and give the right level of attention and consideration to relevant matters, the Board has delegated certain of its duties and responsibilities to the various Board Committees namely: -

  (a) Audit and Risk Management Committee;

  (b) Nominating Committee; and

  (c) Remuneration Committee

- The primary objectives of establishing the Board Committees are amongst others, to allow Board members to make better use of their limited time and resources, allow more focus to be given to complex issues and recommending any course of action; and reinforcing the role of Independent Directors in monitoring the activities of the Group.

- Each of the Board Committees operates under its own Terms of Reference as approved by the Board. At every Board meeting, the Board Committee Chairman shall report to the Board, any significant developments and deliberations conducted at the Board Committee level.

- The delegation by the Board does not diminish nor abdicate its responsibilities and the Board remains responsible for all the actions of the Board Committees with regards to the execution of the delegated responsibilities. To ensure proper delegation, the Board formulates, establishes and approves the appropriate terms of reference; defining the responsibilities and authority of the said Board Committees.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (Cont'd)

2.1 Composition of Key Board Committees

- The composition of the key Board Committees as at the end of the year was as follows: -

Name of Director	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Independent Non-Executive Directors			
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-
Soong Chee Keong [Note 1]	Chairman	Member	Member
Dato' Sri Amrin Bin Awaluddin	Member	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin [Note 2]	-	Chairman	Chairman
Ahmad Jauhari Bin Yahya	-	Member	-
Datuk Roger Tan Kor Mee	-	-	-
Non-Independent Non-Executive Directors			
Lim Chin Sean	Member	-	Member

Note: -
1. Appointed as member of the Nominating Committee on 27 August 2019
2. Appointed as Chairman of the Nominating Committee on 27 August 2019

2.2 Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

- The Audit and Risk Management Committee comprises at least three members, a majority of whom are Independent Directors. All members of the Audit and Risk Management Committee are Non-Executive Directors.

- No alternate director is to be appointed as a member of the Audit and Risk Management Committee.

- The Audit and Risk Management Committee oversees and is mainly responsible for the financial reporting, internal controls, internal audit function, external audit reports and related party transactions.

- The terms of reference, function and activities undertaken by the Audit and Risk Management Committee is elaborated in the Audit and Risk Management Committee's Report set out in this Annual Report.

- The terms of reference of the Audit and Risk Management Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Audit and Risk Management Committee".

- The Terms of Reference were last revised in November 2019. The revisions made to the Terms of Reference are set out in section 2.0 of the Audit and Risk Management Committee Report.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (Cont'd)

2.2 Functions, Duties and Responsibilities of the Board Committees (Cont'd)

(b) Nominating Committee

- The Nominating Committee comprises no less than three members made up exclusively of Non-Executive Directors, a majority of whom are Independent Directors.
- The terms of reference of the Nominating Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Nominating Committee". The Terms of Reference were last revised in November 2019. Major revisions made to the terms include the following:-

  (a) Unless decided otherwise by the Board, the maximum tenure of a member shall be capped at five (5) years from the date of his/her appointment;

  (b) If, on any matter discussed at a meeting of the Nominating Committee, any member of the Nominating Committee holds views contrary to those of any of the other members, the minutes of the Nominating Committee shall clearly reflect this;

  (c) In assessing the effectiveness of the Board, the Board through the Nominating Committee, shall engage the services of an independent external expert once every four (4) years;

- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 4.6 and 5.1 of the CG Report.

(c) Remuneration Committee

- The Remuneration Committee comprises no less than three members made up exclusively of Non-Executive Directors, a majority of whom are Independent Directors.
- The terms of reference of the Remuneration Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Remuneration Committee". The Terms of Reference were last revised in February 2018.
- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 below.

2.3 Record of Attendance at Board and Board Committee Meetings

- Under paragraph 15.05(3)(c) of the Listing Requirements, the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a year. In this respect, the Board is satisfied with the level of time commitment given by all the Board members towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board Meetings by attending most of the Board meetings held during the year. Their meeting attendance at Board and Board Committee's meetings is evidenced by the attendance record set out in the table below.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 Board Committees (Cont'd)

2.3 Record of Attendance at Board and Board Committee Meetings (Cont'd)

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Dates of meetings held during the year	28 Feb 02 Apr 28 May 27 Aug 27 Nov	28 Feb 02 Apr 28 May 27 Aug 27 Nov	23 Jan 27 Nov	23 Jan
Total meetings held during the year	5	5	2	1
EXECUTIVE DIRECTOR				
Dato' Lim Yew Boon	5/5	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Tan Sri Ong Ka Ting (Note 1)	3/3	N/A	1/1	N/A
Soong Chee Keong (Note 2)	5/5	5/5	1/1	1/1
Dato' Sri Amrin Bin Awaluddin	4/5	5/5	N/A	N/A
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin (Note 3)	5/5	N/A	1/1	1/1
Ahmad Jauhari Bin Yahya	4/5	N/A	2/2	N/A
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz (Note 4)	N/A	N/A	N/A	N/A
Datuk Roger Tan Kor Mee (Note 5)	N/A	N/A	N/A	N/A
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lim Chin Sean	4/5	4/5	N/A	1/1
Vijay Vijendra Sethu (Note 6)	3/3	N/A	1/1	N/A

Note: -

1. *Retired as Independent Non-Executive Chairman and resigned as the Chairman of Nominating Committee on 30 May 2019*
2. *Appointed as member of the Nominating Committee on 27 August 2019*
3. *Appointed as Chairman of the Nominating Committee on 27 August 2019*
4. *Appointed as Independent Non-Executive Chairman on 27 November 2019*
5. *Appointed as Independent Non-Executive Director on 27 November 2019*
6. *Resigned as Non-Independent Non-Executive Director and member of Nominating Committee on 30 May 2019*

- Board meetings are normally held at the principal office located at Kuala Lumpur, Malaysia.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration

3.1 Remuneration Committee

- The Remuneration Committee, comprising Non-Executive Directors, is headed by an Independent Non-Executive Director, Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin.

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees for the previous financial year are to be approved by shareholders at the Annual General Meeting before any payment of fees are made to the Directors. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

- The Remuneration Committee met once during the year in January 2019. In January 2020, the Remuneration Committee convened a meeting and the following matters were considered and deliberated: -

  (a) to recommend the remuneration packages for the Company's Executive Director for 2020 to the Board for approval;

  (b) to recommend the Directors' Fees for 2019 to the Board for recommendation of the same to the shareholders for approval at the Annual General Meeting; and

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors for 2020 to the Board for approval. This was based on the number of scheduled Board and Board Committee meetings for the year.

3.3 Directors' Remuneration

- The Group recognises that in order to attract and retain Directors is to have a fair and comprehensive remuneration package that commensurate with their experience, skills and responsibilities as well as benchmarking against industry's standards. In view of this, the remuneration package for Executive Director and directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant position with similar industry and business size.

- The remuneration of the Executive Director is based on the terms of his employment contract and his remuneration package is structured to link rewards to corporate and individual performance. The performance and remuneration package of the Executive Director is subject to evaluation of the Remuneration Committee. Other than his employment income, he is also remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for his attendance at the Board meetings.

- The Board, through the Nominating Committee, has established the Key Performance Indicators for the Executive Director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

- Non-Executive Directors are remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for their attendance at the Board or Board Committee meetings. The remuneration for the chairman of the Board and the Audit and Risk Management Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairman of the other Board Committees is also accorded higher meeting allowance.

- The members of the Board are also covered under a Directors' and Officers' Liability Insurance Policy of up to an amount of RM10 million against any liability incurred by them in discharging their duties while holding office as directors of the Company and this is recognised as a non-financial benefit to directors.

- The tables below are the Directors' fees (which are not performance related) and meeting allowances in respect of the financial year ended 31 December 2019, subject to the approval of shareholders at the forthcoming Annual General Meeting. The fees and allowances were effective since January 2016.

	Directors' Fees RM per Annum
Chairman	200,000
Chairman of the Audit and Risk Management Committee	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

Meeting allowances (RM per Meeting)

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: - (Cont'd)

NAME OF DIRECTORS	Fees (RM)	Salaries, Bonus, Defined Contribution, Benefit In Kind and Allowances (RM)	Meeting Allowances (RM)	Total for 2019 (RM)	Total for 2018 (RM)
Dato' Lim Yew Boon *Executive Director*	144,000 *(Note 1)*	507,501 *(Note 2)*	5,000	656,501	606,509
Tan Sri Ong Ka Ting • *Senior Independent Non-Executive Chairman (Retired on 30 May 2019)* • *Chairman of the Nominating Committee (Resigned on 30 May 2019)*	82,192	-	6,400	88,592	211,200
Soong Chee Keong • *Independent Non-Executive Director* • *Chairman of Audit and Risk Management Committee* • *Member of Remuneration Committee* • *Member of Nominating Committee (Appointed on 27 August 2019)*	160,000	-	15,000	175,000	174,000
Lim Chin Sean • Non-Independent Non-Executive Director • Member of Audit and Risk Management Committee • Member of Remuneration Committee	120,000	-	9,000	129,000	130,000

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: - (Cont'd)

NAME OF DIRECTORS	Fees (RM)	Salaries, Bonus, Defined Contribution, Benefit In Kind and Allowances (RM)	Meeting Allowances (RM)	Total for 2019 (RM)	Total for 2018 (RM)
Vijay Vijendra Sethu • Non-Independent Non-Executive Director (Resigned on 30 May 2019) • Member of Nominating Committee(Resigned on 30 May 2019)	49,315	-	4,000	53,315	126,000
Dato' Sri Amrin Bin Awaluddin • Independent Non-Executive Director • Member of Audit and Risk Management Committee	120,000	-	9,000	129,000	130,000
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin • Independent Non-Executive Director • Chairman of the Remuneration Committee • Chairman of Nominating Committee (Appointed on 27 August 2019)	120,000	-	9,400	129,400	126,000
Ahmad Jauhari Bin Yahya • Independent Non-Executive Director • Member of Nominating Committee	120,000	-	6,000	126,000	125,000
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz • Independent Non-Executive Chairman (Appointed on 27 November 2019)	19,178	-	-	19,178	-

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows: - (Cont'd)

NAME OF DIRECTORS	Fees (RM)	Salaries, Bonus, Defined Contribution, Benefit In Kind and Allowances (RM)	Meeting Allowances (RM)	Total for 2019 (RM)	Total for 2018 (RM)
Datuk Roger Tan Kor Mee • Independent Non-Executive Director (Appointed on 27 November 2019)	11,507	-	-	11,507	-
Total Non-Executive Directors	**802,192**	**-**	**58,800**	**860,992**	**1,022,200**
TOTAL	**946,192**	**507,501**	**63,800**	**1,517,493**	**1,628,709**

Note: -

1– include directors' fees received from the Company of RM120,000 (2018: RM120,000) and RM24,000 (2018: RM24,000) from a subsidiary in which he is a director.

2– Include bonus allowance received of RM4,000 (2018: RM4,000) from a subsidiary in which he is a director.

3.4 Remuneration of Key Senior Management

- At the end of the year, there are six key senior management personnel disclosed in the Company's website at http://www.taliworks.com.my/corporate-information/ under the caption "Key Senior Management".

- Key senior management staff are those primarily responsible for managing the business operations and corporate divisions of the Group.

- A remuneration policy for the key senior management as disclosed in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Remuneration Policy" has been established by the company.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.0 Remuneration (Cont'd)

3.4 Remuneration of Key Senior Management (Cont'd)

- The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 is as follows: -

Range of Remuneration	Total
RM400,001 to RM450,000	3
RM550,001 to RM600,000	1
RM600,001 to RM650,000	1

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee

- The Audit and Risk Management Committee of the Company comprises three members, two of whom are members of professional accounting bodies.
- The Audit and Risk Management Committee is headed by Soong Chee Keong, who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee is spelt out in its Terms of Reference.
- The performance of the Audit and Risk Management Committee and each of its members are assessed annually by the Nominating Committee, one of them is a member of the Audit and Risk Management Committee and he has abstained accordingly. The Nominating Committee also assesses on an annual basis the effectiveness of the Audit and Risk Management Committee in carrying out its responsibilities.

5.0 Risk Management and Internal Control Framework

- The Board acknowledges its responsibility in maintaining a robust risk management framework and a sound system of internal controls.
- The Statement on Risk Management and Internal Controls included in this Annual Report provides a detailed description of the state of risk management and internal controls as implemented by the Group.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 Communication with Stakeholders

6.1 Corporate Disclosure Policies and Procedures

- Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and to enhance transparency and accountability, the Group has formulated the Corporate Disclosure Policies and Procedures that sets out the general principles and standards of disclosure of information in relation to the business, operations and financial performance of the Group.

- The Corporate Disclosure Policies and Procedures were last revised in November 2019 and a copy of the document is published in the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Corporate Disclosure Policies and Procedures".

- The Group has established a Disclosure Committee, reporting to the Executive Committee, to administer, implement and interpret the Company's Corporate Disclosure Policies and Procedures. The members of the Disclosure Committee comprise the following: -

  (a) the chief executive officer of the Company;

  (b) the chief financial officer of the Company;

  (c) the chief regulatory officer of the Company;

  (d) the chief investment officer of the Company; and

  (e) such any other directors and officers of the Company as may be determined by the Executive Committee.

6.2 Maintenance of Company Website

- The Group leverages on the use of information technology for effective dissemination of information by maintaining a website at https://taliworks.com.my/ which shareholders or other stakeholders can access for information. All information released to the stock exchange is posted on the Investor Relations section of the website.

- Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at https://www.bursamalaysia.com/market_information/announcements/company_announcement.

- Included in the Company's website are matters relating to: -

  (a) corporate information and profile of the Group business activities;

  (b) financial information, stock information, annual report, quarterly reports, company announcements;

  (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, Terms of Reference of Board Committees, CG Report, Remuneration Policy, minutes of shareholders' meetings, Constitution of the Company.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

6.0 Communication with Stakeholders (Cont'd)

6.3 Integrity in Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Management Discussion and Analysis and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit and Risk Management Committee and approved by the Board prior to public release.

- For the year under review, the Group had announced its quarterly results and published its audited financial statements within the timeframe as required under the Listing Requirements.

- In releasing the unaudited full year's results, the Audit and Risk Management Committee will meet with External Auditors who summarises all the principal matters that have arisen from the audit that may have a material impact to the Group results. The Audit and Risk Management Committee also engages the External Auditors on financial disclosures and the accounting judgments made in preparing the financial statements.

- The Directors of the Company are responsible for the preparation of the financial statements to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 of Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

- The Directors have considered in preparing the latest set of financial statements, that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

7.0 Conduct of General Meetings

7.1 Annual General Meeting ("AGM")

- The AGM which is held once a year is the principal forum for dialogue with shareholders. In line with good corporate governance practice, the Notice of AGM was issued at least 28 days prior to the date of the meeting. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

- At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern to the Chairman of the Company or to the chairman of the Board Committees. Management personnel are also present to respond to any enquiries from the shareholders.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

7.0 Conduct of General Meetings (Cont'd)

7.1 Annual General Meeting ("AGM") (Cont'd)

- The External Auditors of the Company will be invited to attend the AGM and are available to answer questions from the shareholders on the conduct of the statutory audit and the preparation and content of the audited financial statements.

- Where a transaction is required to be approved by shareholders, interested Directors will abstain from deliberation and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

- The minutes of the AGM are posted at the Company's website at https://taliworks.com.my/corporate-governance/ under the caption "Minutes of Shareholders' Meeting".

7.2 Poll Voting

- Before the Chairman proceeds with the first item on the AGM agenda, he will inform shareholders of their right to demand a poll vote (before or upon the declaration of results on the show of hands):

  (a) by the Chairman; or

  (b) by at least three members present in person or by proxy or by attorney or a representative; or

  (c) by any member or members present in person or by proxy or by attorney or a representative and representing not less than one-tenth (1/10) of the total voting rights of all members having the right to vote at the meeting; or

  (d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares conferring that right.

- For substantive resolutions, the Chairman will demand to vote by poll and request for an announcement of the detailed results showing the number of votes cast for and against each resolution.

- The polling process will be conducted via an electronic polling by an external party as the Poll Administrator and an Independent Scrutineer will also be engaged to oversee the conduct of the poll and verify the results of the poll. Before shareholders proceed to conduct the poll voting, the Poll Administrator will brief the shareholders on the poll procedures.

AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved this Corporate Governance Overview Statement and the Corporate Governance Report for inclusion in this Annual Report.

1.0 COMPOSITION

- The Audit and Risk Management Committee ("ARMC") comprises three non-executive directors, the majority of whom are independent, as follows: -

  Chairman

  - Soong Chee Keong (Independent Non-Executive Director) - appointed on 25 Apr 2013

  Members

  - Dato' Sri Amrin Bin Awaluddin (Independent Non-Executive Director) - appointed on 15 Sept 2014
  - Lim Chin Sean (Non-Independent Non-Executive Director) - appointed on 23 May 2011

- The composition of the ARMC meets the requirements of Paragraphs 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

- The Chairman of the ARMC, Soong Chee Keong, is a member of the Malaysian Institute of Accountants. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the Main Market Listing Requirements have been complied with.

2.0 TERMS OF REFERENCE

- A copy of the Terms of Reference ("TOR") of the ARMC is published in the Company's website at http://taliworks.com.my/corporate-governance/

- The TOR were last revised on 27 November 2019 and the changes (i.e. amendment, addition and deletion) made are detailed as follows:

  (a) Amendment

Heading	TOR (w.e.f. 13 Feb 2018)	TOR (w.e.f. 27 Nov 2019)
Membership	(b) The members of the ARMC shall elect a Chairperson from among their members who shall be an independent director. No alternate director shall be appointed as a member of the ARMC.	(b) No alternate director shall be appointed as a member of the ARMC.
	(e) The Board shall review the term of office and performance of the ARMC and each of its members at least once in every three (3) years to determine whether the ARMC and its members have carried out their duties in accordance with these terms of reference.	(f) The Board, through the Nominating Committee, shall review the term of office and performance of the ARMC and each of its members annually, to determine whether the ARMC and its members have carried out their duties in accordance with these terms of reference.
Quorum	The majority of members present must be independent directors.	The quorum for each meeting shall be two independent directors.

2.0 TERMS OF REFERENCE (CONT'D)

- The TOR were last revised on 27 November 2019 and the changes (i.e. amendment, addition and deletion) made are detailed as follows: (Cont'd)

(a) Amendment (Cont'd)

Heading	TOR (w.e.f. 13 Feb 2018)	TOR (w.e.f. 27 Nov 2019)
Responsibilities and Duties	(iii) f. to monitor independence and qualification of the external auditors. The ARMC is to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.	(iii) f. to establish policies and procedures to assess on an annual basis the suitability, objectivity and independence of the external auditors. The ARMC is to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
Variation	The Board may from time to time, vary any of these terms of reference, by way of board circular resolution.	(a) The Board shall review and reassess the adequacy of these Terms of Reference at least once in every three years or as and when required. These Terms of Reference can be amended and supplemented from time to time by resolution of the Board.

(b) Addition

Heading	Content
Membership	(d) A former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.
Chairperson	(d) The positions of Chairperson of the ARMC and Chairperson of the Board are to be held by different individuals.
Meeting and Minutes	(b) Question arising at any meeting of ARMC shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the ARMC.
	(c) In the case of an equality of votes, the Chairperson of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairperson of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

2.0 TERMS OF REFERENCE (CONT'D)

- The TOR were last revised on 27 November 2019 and the changes (i.e. amendment, addition and deletion) made are detailed as follows: (Cont'd)

(b) Addition (Cont'd)

Heading	Content
Meeting and Minutes (Cont'd)	(d) If, on any matter discussed at a meeting of the ARMC, any member of the ARMC holds views contrary to those of any of the other members, the minutes of the ARMC shall clearly reflect this.
Variation	(b) These Terms of Reference are made available for reference on the Company's website and the revised copy of these Terms of Reference supersede all previous published versions.

(c) Deletion

There was no deletion.

3.0 MEETINGS

- The ARMC convened five (5) meetings during the year and the attendance of each member was as follows:

Meeting date / ARMC members	28 Feb	2 Apr	28 May	27 Aug	27 Nov	Total
Mr. Soong Chee Keong	✓	✓	✓	✓	✓	5/5
Dato' Sri Amrin Bin Awaluddin	✓	✓	✓	✓	✓	5/5
Mr. Lim Chin Sean	✓	×	✓	✓	✓	4/5

The meetings were held on the following dates and the main agenda are summarised as follows:-

28 February 2019
- to review, approve and recommend for the approval of the Board (where applicable) the following: (i) unaudited quarterly financial results for the fourth quarter ended 31 December 2018; (ii) ARMC Report for inclusion in the 2018 Annual Report; (iii) Statement of Risk Management and Internal Controls for inclusion in the 2018 Annual Report; (iv) Internal Audit reports; (v) quarterly report on the recurrent related party transactions ("RRPTs") of a revenue or trading nature; and (vi) quarterly report on the provision of non-audit services.
- to note the internal audit periodic self-assessments report for 2018.
- to review the performance of the internal audit function including evaluating the performance and approving the remuneration of the Head of the internal audit function.

3.0 MEETINGS (CONT'D)

- The meetings were held on the following dates and the main agenda are summarised as follows:- (Cont'd)

2 April 2019
- to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) audited financial statements for the financial year ended 31 December 2018; and (ii) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature.
- to note the "Review Procedures and Guidelines in relation to RRPT" as outlined in section 2.6 of the RRPT circular and to approve the "Statement by the Company's Audit and Risk Management Committee" as outlined in section 2.7 of the RRPT circular.
- to review the performance of the External Auditors, and if thought fit, to recommend to the Board to seek shareholders' approval on the re-appointment of External Auditors at the forthcoming Annual General Meeting.
28 May 2019
- to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the first quarter ended 31 March 2019; (ii) report from the Risk Management Working Group on its risk assessment of the Group as at 31 March 2019; (iii) Internal Audit reports; (iv) quarterly report on the RRPTs of a revenue or trading nature; and (v) quarterly report on the provision of non-audit services.
27 August 2019
- to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the second quarter ended 30 June 2019; (ii) External Auditors' Professional Services Planning Memorandum 2019 (subject to further negotiation of audit fees); (iii) Internal Audit reports; (iv) RRPTs of a revenue or trading nature; and (v) quarterly report on the provision of non-audit services.

3.0 MEETINGS (CONT'D)

- The meetings were held on the following dates and the main agenda are summarised as follows:- (Cont'd)

27 November 2019
- to review, approve and recommend for the approval of the Board (where applicable) the following: - (i) unaudited quarterly financial results for the third quarter ended 30 September 2019; (ii) negotiated external audit fees of the Group; (iii) Internal Audit Plan 2019/2020; (iv) Internal Audit Budget and Resource Plan for 2020; (v) Internal Audit reports; (vi) report from the Risk Management Working Group on its risk assessment of the Group as at 30 September 2019; (vii) quarterly report on the RRPTs of a revenue or trading nature; (viii) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature; (ix) quarterly report on the provision of non-audit services and the provision of Planned Non-Audit Services for 2020; (x) revisions to the Terms of Reference of the ARMC.

- The ARMC held the meetings without the presence of other Directors and employees, except when the ARMC requested their attendance. The General Manager of Group Finance was invited to all ARMC meetings to facilitate and provide clarification on financial issues and risk management. The Head of the Group Internal Audit ("GIA") attended four (4) ARMC meetings to table the respective Internal Audit reports.

- To ensure that the audited financial statements complied with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's and Group's financial statements before they were presented to the ARMC for review and approval. They were then recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit.

- The ARMC had one (1) private session with the GIA on 28 February 2019 and the External Auditors on 2 April 2019 separately without presence of the Management to discuss any issues that were of concern to the GIA and the External Auditors respectively.

- Subsequent to the meetings of the ARMC, the Chairman of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The Chairman of the ARMC conveys to the Board, matters of significant concern as and when raised by the Management, External Auditors and the GIA. Minutes of each ARMC meeting were recorded by the Company Secretaries and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

4.0 TRAINING

The trainings attended by members of the ARMC during the year are disclosed in the Corporate Governance Overview Statement included in this Annual Report.

5.0 SUMMARY OF ACTIVITIES

The ARMC's activities during the year comprised the following: -

5.1 Financial Reporting

- Reviewing and approving the financial results of the Group

  The ARMC reviewed and approved the quarterly financial statements for the fourth quarter ended 31 December 2018, first quarter ended 31 March 2019, second quarter ended 30 June 2019 and third quarter ended 30 September 2019 at the respective ARMC meetings. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters: -

  (a) changes in or implementation of major accounting policies changes;

  (b) significant and unusual events; and

  (c) compliance with accounting standards and other regulatory requirements.

- On 2 April 2019, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2018 with the External Auditors in attendance.

- All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Market Listing Requirements and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by Bursa Malaysia Securities Berhad.

- The ARMC's recommendations were presented for approval at the subsequent Board meetings.

5.2 External Audit

5.2.1 Overseeing the work of the External Auditors

- On 28 February 2019, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2018 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2018 (which was presented earlier to the ARMC on 27 August 2018). The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing its work, and they had received full cooperation from Management with unrestricted access to information.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.1 Overseeing the work of the External Auditors (Cont'd)

- On 2 April 2019, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2018 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval. Besides, the ARMC recommended to the Board to seek shareholders' approval for the re-appointment of the External Auditors at the forthcoming Annual General Meeting after having assessed the performance of the External Auditors. The assessment of the External Auditors was done through a written questionnaire covering thirty-nine (39) questions encompassing the following:

  (a) Section A: Calibre of external audit firm

  (b) Section B: Quality processes/performance

  (c) Section C: Audit team

  (d) Section D: Independence and objectivity

  (e) Section E: Audit scope and planning

  (f) Section F: Audit fees

  (g) Section G: Audit communications

  A copy of the completed Questionnaire has been filed with the Company Secretaries for record purposes.

- On 27 August 2019, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2019 which encompasses the following salient points: -

  (a) Auditor's responsibilities;

  (b) Client service team;

  (c) Materiality;

  (d) Significant risks and areas of audit focus;

  a total of three (3) significant risks and three (3) areas of audit focus were identified

  (e) Internal control plan;

  (f) Involvement of internal auditors, internal specialists and audit data analytics;

  the External Auditors do not expect to use the work of the internal audit function to modify the nature of timing, or reduce the extent, of audit procedures to be performed

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.1 Overseeing the work of the External Auditors (Cont'd)

- On 27 August 2019, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2019 which encompasses the following salient points:- (Cont'd)

  (g) Timing of audit;

  (h) Financial reporting;

  (i) Fraud responsibilities and representations; and

  (j) Engagement quality control, independence policies and procedures.

- Having considered the above and after having further discussion with the External Auditors, the ARMC approved the External Auditors' Professional Services Planning Memorandum 2019 subject to further negotiation of audit fees. In addition, the ARMC noted there was no significant provision for non-audit services as at 30 June 2019.

- On 27 November 2019, the ARMC approved the negotiated external audit fees of the Group. Besides, the ARMC noted there was no significant provision for non-audit services as at 30 September 2019.

5.2.2 Assessing the Independence and Suitability of the External Auditors

- Under the Independence policies and procedures set out in the External Auditors' Professional Services Planning Memorandum 2019, the ARMC noted the following: -

  (a) that the External Auditors complied with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants ("By-Laws"). In this respect, the External Auditors have provided a written assurance to the ARMC on their independence.

  (b) that the External Auditors have developed policies and important safeguards and procedures to address threats to their independence and objectivity including: -

    (i) assessment is made to the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement;
    (ii) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System;
    (iii) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients; and
    (iv) periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with their policies and professional and regulatory requirements.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.2 External Audit (Cont'd)

5.2.2 Assessing the Independence and Suitability of the External Auditors (Cont'd)

- that the External Auditors have issued detailed ethical standards and independence policies to all partners and employees whom are required to confirm their compliance annually. They are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things, these policies: -

  (a) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any the audit clients (unless otherwise expressly permitted);

  (b) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;

  (c) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and

  (d) provide safeguards against potential conflicts of interest.

- the External Auditors' independence policy requires them to communicate in writing to the ARMC all breaches of independence set out in the By-Laws on a timely basis and all insignificant breaches on an annual basis as well as to obtain concurrence from the ARMC on actions taken to satisfactorily address any consequence of any identified breach.

- Upon due consideration on the External Auditors' past performance, client service team, engagement quality control, independence policies and procedures as set out in the External Auditors' Professional Services Planning Memorandum 2019 as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors were suitable to be engaged to undertake the statutory audit and are satisfied that their independence had not been compromised.

5.3 Internal Audit

- The GIA team conducted the audit activities as per two risk-based annual Internal Audit Plans i.e. year 2019 and year 2020 approved by the ARMC on 26 Nov 2018 and 27 November 2019 respectively. The Head of GIA presented the internal audit reports in four (4) ARMC meetings during the year. These reports contain: -

  (a) status and progress of internal audit assignments including summaries of the audit reports issued;

  (b) effects / potential risks and audit recommendations provided by the GIA;

  (c) Management's responses to audit recommendations and their committed action plans; and

  (d) status of follow-up audits on Management's committed action plans.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.3 Internal Audit (Cont'd)

- The risk-based Internal Audit Plans are reviewed on a yearly basis and as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of nineteen (19) full internal audits and eleven (11) follow-up internal audits were completed during the year focusing on the following seventeen (17) key areas: -

(a) Accounts	(j) Maintenance
(b) Business Development & Corporate Affairs	(k) Operation
(c) Business Development & Marketing	(l) Project Management
(d) Contract Management / Administration	(m) Purchasing
(e) Finance	(n) Sales Administration
(f) Fixed Asset Management	(o) Security, Safety & Health Management
(g) Human Resource Management	(p) System & Admin Support
(h) Information Technology	(q) Tender
(i) Inventory Management	

- On 27 November 2019, the ARMC reviewed and approved: -

(a) the annual Internal Audit Plan 2020 that covers all core operations including water treatment, highway management, construction and waste management; and

(b) the Internal Audit Budget and Resource Plan 2020 with the view that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year.

In addition, ARMC noted the annual Declaration of Independence from GIA for the financial year then ending 31 December 2019.

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.4 Risk Management

- The ARMC reviewed the report of the Risk Management Working Group presented bi-annually by the General Manager of Group Finance on 28 May 2019 and 27 November 2019 that covered risk profiles of the following divisions: -

  (a) Engineering and Construction;

  (b) Water and Engineering Division – Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd;

  (c) Toll Highway Division - Grand Saga Sdn. Bhd. and Grand Sepadu (NK) Sdn. Bhd;

  (d) Waste Management Division; and

  (e) Group Strategic Risks

- The Risk Profile indicated the impact, likelihood and residual risk rating of every risks identified for the divisions. It is supported by Risk Registers that detailed the description, cause, consequences, control and its effectiveness etc for each and every identified risk.

- The ARMC presented a summary of the Risk Management Working Group reports at the subsequent Board meetings for notation.

5.5 Recurrent Related Party Transactions ("RRPTs") and Related Party Transactions ("RPTs")

- In accordance with the Main Market Listing Requirements, the ARMC contemplated and reviewed the RRPTs tabled at the every ARMC meetings to ensure that they are: -

  (a) at arm's length;

  (b) on normal commercial terms;

  (c) on terms not more favourable to the Related Party than those generally available to the public;

  (d) in its opinion, are not detrimental to the minority shareholders; and

  (e) in the best interest of the Company.

- The ARMC (except for interested director(s)) thereafter recommended the RRPTs for approval at the subsequent Board meetings.

5.6 Fraud

There was no major incidence of fraud or wrongdoings during the year reported to the ARMC by the Executive Director or to the Chairman of the ARMC under the Company's whistle-blowing policy.

6.0 INTERNAL AUDIT FUNCTION

- The internal audit functions by assisting a company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The internal audit function provides assessments as to whether risks, which may hinder the company from achieving its objectives, are being adequately evaluated, managed and controlled. It further evaluates the effectiveness of the governance, risk management and internal control framework and facilitates enhancement, where appropriate.

- In this respect, the ARMC is supported by an in-house GIA in the discharge of its duties and responsibilities. The ARMC is guided by the Guidelines on Internal Audit Function issued by the Internal Auditors Malaysia and the Internal Audit Charter that provides the framework for the efficient and effective functioning of the internal audit function.

- The GIA reports directly to the ARMC and carries out its role in accordance with the Institute of Internal Auditors International Professional Practices Framework. The GIA is responsible to independently review, appraise and recommend improvements to the governance, risk management and internal control systems established by the Management. The GIA provides timely and impartial advice to the ARMC and the respective Management as to whether activities reviewed are: -

  (a) in accordance with the Group's policies and direction;

  (b) in compliance with prescribed laws and regulations; and

  (c) achieving the desired results effectively and efficiently.

- On a quarterly basis, the GIA submits audit reports to the ARMC for review and action.

- The GIA performs a risk-based*, ad-hoc and routine audits in accordance with the Internal Audit Plans as approved by the ARMC. The audit results were discussed with the respective Management and action plans were put in place to complete the necessary preventive and corrective actions before presenting to ARMC for review. Where applicable, the GIA conducts follow up audits to ensure that Management's commitment on corrective actions were fulfilled timely and appropriately. Internal audit engagements carried out by the GIA include operational, financial and compliance reviews.

  * *high priority risk areas based on risk evaluations including risk management profile.*

- In addition, the GIA plays an advisory role to the Management in the course of performing its internal audit activities. In turn, the Management supports the internal audit function by: -

  (a) inviting the Head of GIA as an observer to the monthly management meetings and meetings of the Risk Management Working Group to keep abreast of any important developments on business, operations, strategies, risks, controls etc;

  (b) providing unrestricted access to information, records and to the Management and making available adequate resources including personnel which are relevant to the internal audit function;

  (c) ensuring that the auditees implement all the internal audit recommendations to improve the effectiveness of governance, risk management, and internal control processes;

  (d) requiring all the heads of department in the Group to indicate in their annual appraisal form the status of all outstanding internal audit findings; and

  (e) not placing any restrictions on the scope of the internal audit undertaken by the GIA.

6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- The GIA provides internal audit services covering the Company, its operating subsidiaries and major associated companies. The total costs for the year incurred by the GIA were approximately RM711,000 (2018: RM870,000).
- The GIA is headed by a Senior Manager (Lee Chee Leong, Henry) who is a fellow member of the Association of Chartered Certified Accountants with double degrees in Applied Accounting and Applied Science with Computing. He was appointed as the Head of GIA since December 2011. He is well qualified to provide the necessary assurances to the ARMC and Management; having over twenty years of experience in internal audit and various other functions (i.e. compliance, information technology, risk management, quality management, finance and credit control) involving multiple industries including merchant banking, investment banking, both life and general insurance, property development and construction.
- As at January 2020, the Head of GIA is supported by a team of six (6) members.
- There is adequate mix of knowledge, skills and other competencies needed to perform the internal audit function. The qualification of the GIA team members and their working experience can be categorised respectively as follows: -

Highest Qualification	No. of internal auditors	%
Professional	2	29
Post Graduate	1	14
Degree	3	43
Diploma	1	14
Total	**7**	**100**

Years of working experience**	No. of internal auditors	%
0 – 5	2	29
> 5 – 10	2	29
> 10 – 15	nil	0
> 15	3	42
Total	**7**	**100**

*** Total of all functions including internal audit, external audit, compliance, finance etc.*

- To enhance the competency of the GIA, team members are provided with internal and external trainings throughout the year.
- Internal reviews are performed by the GIA on a routine basis to appraise the quality of work performed. Independent external reviews may be conducted on a five-year interval at the discretion of ARMC.

7.0 AUDIT AND RISK MANAGEMENT COMMITTEE'S REPORT

The ARMC had approved this Audit and Risk Management Committee Report for inclusion in this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Part A of Appendix 9C of the Main Market Listing Requirements, the following are additional information to be disclosed in this Annual Report: -

1.0 Profile of Directors, Chief Executive and Key Senior Management

(a) The profile of the Directors and Chief Executive of the Company are stated under the Directors' Profile in this Annual Report.

(b) The profile of key senior management of the Group is disclosed in the Company's website at http://taliworks.com.my/corporate-information/ under the caption "Key Senior Management". Key Senior Management include (i) those who are charged with the Company's governance and management collective decision making and (ii) those who are primarily responsible for the business operations of the Group's core businesses.

2.0 Audit and Non-Audit Fees

(a) The amount of audit fees paid or payable by the Company and its subsidiaries to the External Auditors, Deloitte PLT, are as follows:

(i) Company – RM105,400 (2018: RM105,400)
(ii) Group – RM333,000 (2018: RM333,000)

(b) The non-audit fees paid or payable for services rendered to the Company and its subsidiaries by the External Auditors, Deloitte PLT, or a firm or corporation affiliated to it, are as follows:

(i) Company – RM63,700 (2018: RM18,700)
(ii) Group – RM99,400 (2018: RM54,700)

The non-audit fees are mainly in relation to the provision of (i) company taxation services and (ii) tax advisory and independent limited assurance services in connection with an asset-back securitisation exercise, the details on which are further elaborated in the Management Discussion and Analysis included in this Annual Report.

The above fees exclude Sales and Service Tax and out-of-pocket expenses.

3.0 Status of Utilisation of Proceeds

There are no proceeds raised in a corporate proposal. The Group, through a subsidiary, Sungai Harmoni Sdn. Bhd. sold its receivables to a special purpose vehicle, Starbright Capital Berhad, via a Sale and Purchase Agreement for cash. Further details are elaborated in the Management Discussion and Analysis included in this Annual Report.

4.0 Material Contracts

Save as disclosed in the Notes to the Financial Statements on the Significant Related Party Transactions, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

5.0 Recurrent Related Party Transactions

Pursuant to Paragrapgh 3.1.15 of Practice Note 12, the Recurrent Related Party Transactions entered into by the Company and its subsidiaries with related parties pursuant to a shareholders' mandate were as follows:

Related Parties	Type of the Recurrent Related Party Transactions	Aggregate value of Recurrent Related Party Transactions made during the financial year (RM'000)
Exitra Sdn. Bhd. and Exitra Solutions Sdn. Bhd.;	Services rendered to the Company and Group by the related parties in relation to the provision of information technology services, broadband and maintenance, sales of hardware and software either as vendor or re-seller	2,094
SWM Environment Holdings Sdn. Bhd.	Management services rendered by the Company to the related party.	3,800

6.0 Properties of the Group

Particulars of the properties of the Company or its subsidiaries have not been separately disclosed as their respective net book value represent less than 5% of the consolidated total assets of the Group as at the end of the financial year.

7.0 Employee Share Options Scheme ("ESOS")

There is no ESOS implemented by the Company which is subsisting as at the end of the financial year.

FINANCIAL CONTENTS

AUDITED FINANCIAL STATEMENTS

The directors of **TALIWORKS CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	109,549	42,649
Income tax expense	(23,098)	(13)
Profit for the financial year	86,451	42,636
Profit attributable to:		
Owners of the Company	76,189	42,636
Non-controlling interests	10,262	-
	86,451	42,636

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the events as disclosed in Note 25(b) to the Financial Statements.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2018 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 1.2 sen per share paid on 27 May 2019	24,190
In respect of the financial year ended 31 December 2019:	
First interim single-tier dividend of 1.2 sen per share paid on 27 August 2019;	24,190
Second interim single-tier dividend of 1.2 sen per share paid on 26 November 2019; and	24,190
Third interim single-tier dividend of 1.2 sen per share paid on 25 February 2020	24,190
	96,760

Subsequent to the end of the financial year, on 27 February 2020, the directors declared the payment of a fourth interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares, amounting to approximately RM33,260,990 in respect of the current financial year to be paid on 27 March 2020. This dividend has not been included as a liability in the statements of financial position as of 31 December 2019. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2020.

The directors do not recommend any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new shares or debentures issued during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Lim Yew Boon
Lim Chin Sean
Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Ahmad Jauhari Bin Yahya
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz (appointed on 27 November 2019)
Datuk Roger Tan Kor Mee (appointed on 27 November 2019)
Tan Sri Ong Ka Ting (retired on 30 May 2019)
Vijay Vijendra Sethu (resigned on 30 May 2019)

The directors of the subsidiaries of the Company in office during the financial year end and during the period from the end of the financial year to the date of this report are:

Abdul Razak Bin Hashim
Chee Lean Thong
Chew Hoong Cheong
Chin Soong Jin
Datin Lee Li-May
Dato' Lim Chee Meng
Dato' Lim Yew Boon
Lim Horng Ling
Lim Siew Ling
Mohamad Hafiz Bin Kassim
Norsam @ Norsamsida Binti Hassan
Phang Kwai Sang
Teh Siok Wah
Vijay Vijendra Sethu
Wang Kwee Luan
Wong Voon Leong
Wong Wai Meng
Zulfikri Bin Suboh
Azrina Binti Mohd Isa (alternate director to Mohamad Hafiz Bin Kassim) (appointed on 22 July 2019)
Kalpana G A/P Gnanachandran (alternate director to Mohamad Hafiz Bin Kassim) (resigned on 22 July 2019)

DIRECTORS' INTERESTS

The interest in shares and options over shares in the Company and in the related corporation of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares			
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Shares in the Company				
Direct interest				
Dato' Lim Yew Boon	625,000	-	-	625,000
Lim Chin Sean	250,006	-	-	250,006
Indirect interest				
Lim Chin Sean#	1,006,833,333	-	-	1,006,833,333

\# Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of his interest in the Company, he is also deemed to have an interest in the shares of all the Company's subsidiaries to the extent the Company has an interest pursuant to Section 8(4) of the Companies Act, 2016.

Other than disclosed above, none of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares and options over shares in the Company or its related corporation during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions between the Company and/or its subsidiaries and companies in which certain directors of the Company or persons connected with such directors have an interest as disclosed in Note 44 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' and officers' liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides indemnity coverage for the directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM15,380 (inclusive of Sales and Service Tax and stamp duty).

There were no indemnities given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount payable as remuneration to the auditors for the financial year ended 31 December 2019 is disclosed in Note 9 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
4 May 2020

STATEMENT BY DIRECTORS

The directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the directors,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur,
4 May 2020

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG VOON LEONG**, the officer primarily responsible for the financial management of **TALIWORKS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **KUALA LUMPUR** this 4th day of May 2020.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W788
SHI' ARATUL AKMAR
BINTI SAHARI
01.05.2019-31.12.2021
MALAYSIA

LOT 81-1, 2ND FLOOR,
SRI BUNUS JALAN MASJID INDIA,
50100 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 156 to 273.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
<u>Impairment assessment of goodwill</u> As at 31 December 2019, the Group has a goodwill of RM129,385,000 relating to Cerah Sama Sdn. Bhd. ("CSSB") which arose from a restructuring exercise in August 2014. The goodwill is allocated to the Toll Highway cash generating unit (the "Toll CGU"). In performing the impairment assessment of goodwill, management is required to estimate the recoverable amount of the Toll CGU. The recoverable amount is calculated based on an estimation of the present value of the future cash flows expected to be generated ("value-in-use model").	Our audit procedures, amongst others, included the following: • Performed inquiries with the management to understand and evaluate the process and controls in developing the value-in-use model; • Evaluated the appropriateness of the methodology of the management's value-in-use model, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management judgements and estimates;

Key Audit Matters (Cont'd)

Key audit matters	How the matter was addressed in the audit
Impairment assessment of goodwill (Cont'd) The key bases and assumptions used in the value-in-use model involve a significant degree of management judgements and estimates, such as the traffic volume, which was projected by an external traffic expert engaged to assist management. Refer to key bases and assumptions used as disclosed in Note 23.	• Performed retrospective review of the cash flow projections used in the value-in-use model to assess the reliability of the management's estimates; • Discussed with the management's traffic expert to understand the methodology and assumptions used in the traffic volume projection valuation model ("traffic volume model"); • Assessed the traffic expert's expertise, competency and objectivity and the appropriateness of the assumptions used in the traffic volume model; • Involved our internal valuation specialists in assessing the appropriateness of the value- in-use model and the discount rate used; • Evaluated the work of our internal valuation specialists which includes the relevance and reasonableness of their findings or conclusions; • Challenged the reasonableness of the key bases and assumptions underpinning the value-in-use model, such as the traffic volume growth rate and the discount rate used; • Performed sensitivity analysis on the key assumptions to assess if any reasonably possible change in these assumptions can lead to an impairment loss; • Assessed the results of the impairment assessment by comparing the recoverable amount of the Toll CGU to its carrying amount; and • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that subsidiaries of which we have not acted as auditors, are disclosed in Note 19 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

KHONG SIEW CHIN
Partner - 03049/03/2021 J
Chartered Accountant

4 May 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Revenue	6	377,112	374,243	69,569	57,003
Cost of operations	7	(229,242)	(221,246)	(20,381)	(26,222)
Gross profit		147,870	152,997	49,188	30,781
Other operating income	8	67,288	73,425	1,300	1,216
Administrative and other expenses	9	(70,833)	(46,277)	(4,526)	(7,085)
Finance costs	10	(24,972)	(21,369)	(3,313)	(296)
Share of results of joint venture		5,275	1,031	-	-
Share of results of associates		(15,079)	(15,728)	-	-
Profit before tax		109,549	144,079	42,649	24,616
Income tax (expense)/credit	13	(23,098)	(34,818)	(13)	205
Profit for the year/Total comprehensive income		86,451	109,261	42,636	24,821
Profit for the year/Total comprehensive income for the year attributable to:					
Owners of the Company		76,189	100,081	42,636	24,821
Non-controlling interests		10,262	9,180	-	-
		86,451	109,261	42,636	24,821
Earnings per share attributable to owners of the Company (sen)					
Basic and diluted	14	3.78	4.96		

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	12,215	12,030	3,213	870
Right-of-use assets*	16	14,765	-	14,765	-
Investment properties	17	226	233	226	233
Intangible assets	18	1,070,798	1,100,762	-	-
Investment in subsidiaries	19	-	-	319,507	319,523
Investment in joint venture	20	65,909	71,434	67,173	67,173
Investment in associates	21	166,537	182,431	230,724	230,724
Other investment	22	240	240	-	-
Goodwill on consolidation	23	129,385	129,385	-	-
Deferred tax assets	24	1,305	17,172	-	-
Long-term trade receivable	25	-	595,204	-	-
Long-term other receivable	29	26,086	-	-	-
Deposits, cash and bank balances	26	58,184	26,828	4,572	4,538
Total Non-Current Assets		1,545,650	2,135,719	640,180	623,061
Current Assets					
Inventories	27	1,167	1,258	-	-
Amount due from contract customers	28	15,838	13,531	5,682	4,194
Trade receivables	25	107,395	127,902	9	9
Other receivables, deposits and prepayments	29	14,594	12,432	1,030	3,077
Amount due from subsidiaries	30	-	-	-	54,171
Tax recoverable		11,320	1,277	266	272
Investment designated at fair value through profit or loss	31	585,061	61,905	26,505	4,465
Deposits, cash and bank balances	26	72,524	89,835	6,142	13,643
Total Current Assets		807,899	308,140	39,634	79,831
TOTAL ASSETS		2,353,549	2,443,859	679,814	702,892

AS AT 31 DECEMBER 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	32	438,354	438,354	438,354	438,354
Merger deficit	33	(71,500)	(71,500)	-	-
Retained earnings	34	666,050	689,995	137,782	195,280
Total Equity Attributable to Owners of the Company		1,032,904	1,056,849	576,136	633,634
Non-controlling interests		260,021	265,443	-	-
Total Equity		1,292,925	1,322,292	576,136	633,634
Deferred and Non-Current Liabilities					
Long-term borrowings	35	427,612	437,064	10,000	20,000
Lease liabilities*	36	15,330	-	15,330	-
Long-term trade payables	37	36,015	1,534	-	-
Provisions	38	19,371	17,170	809	-
Deferred income	39	108,133	124,217	-	-
Deferred tax liabilities	24	236,135	235,260	-	-
Total Deferred and Non-Current Liabilities		842,596	815,245	26,139	20,000
Current Liabilities					
Amount due to subsidiaries	30	-	-	6,590	-
Trade payables	37	87,856	199,737	-	-
Other payables and accruals	40	45,042	53,926	4,156	15,068
Provisions	38	2,368	-	-	-
Dividend payable	41	24,190	24,190	24,190	24,190
Short-term borrowings	35	40,000	10,058	40,000	10,000
Lease liabilities*	36	2,603	-	2,603	-
Deferred income	39	15,966	17,273	-	-
Tax liabilities		3	1,138	-	-
Total Current Liabilities		218,028	306,322	77,539	49,258
Total Liabilities		1,060,624	1,121,567	103,678	69,258
TOTAL EQUITY AND LIABILITIES		2,353,549	2,443,859	679,814	702,892

* The lines indicated are in respect of the application of MFRS 16 in the current year only.

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Distributable reserve Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2018		438,561	(71,500)	686,674	1,053,735	274,336	1,328,071
Profit for the year/Total comprehensive income for the year		-	-	100,081	100,081	9,180	109,261
Total comprehensive income for the year		-	-	100,081	100,081	9,180	109,261
Transactions with Owners of the Company:							
Dividend payable	41	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	41	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(17,885)	(17,885)
Bonus issue expenses	32	(210)	-	-	(210)	-	(210)
Proceeds from exercise of Warrants	32	3	-	-	3	-	3
Capital distribution from winding-up of a subsidiary	19	-	-	-	-	(188)	(188)
Total transactions with Owners of the Company		(207)	-	(96,760)	(96,967)	(18,073)	(115,040)
As at 31 December 2018		438,354	(71,500)	689,995	1,056,849	265,443	1,322,292

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Distributable reserve Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2019, as previously restated		438,354	(71,500)	689,995	1,056,849	265,443	1,322,292
Effects of adoption of MFRS 16	2	-	-	(3,374)	(3,374)	-	(3,374)
As at 1 January 2019, as restated		438,354	(71,500)	686,621	1,053,475	265,443	1,318,918
Profit for the year/Total comprehensive income for the year		-	-	76,189	76,189	10,262	86,451
Total comprehensive income for the year		-	-	76,189	76,189	10,262	86,451
Transactions with Owners of the Company:							
Dividend payable	41	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	41	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(15,680)	(15,680)
Capital distribution from winding-up of a subsidiary	19	-	-	-	-	(4)	(4)
Total transactions with Owners of the Company		-	-	(96,760)	(96,760)	(15,684)	(112,444)
As at 31 December 2019		438,354	(71,500)	666,050	1,032,904	260,021	1,292,925

The Company	**Note**	**Share capital RM'000**	**Distributable reserve-Retained earnings RM'000**	**Total equity RM'000**
As at 1 January 2018		438,561	267,219	705,780
Profit for the year/Total comprehensive income for the year		-	24,821	24,821
Total comprehensive income for the year		-	24,821	24,821
Transactions with Owners of the Company:				
Dividend payable	41	-	(24,190)	(24,190)
Dividends paid	41	-	(72,570)	(72,570)
Proceeds from exercise of Warrants	32	3	-	3
Bonus issue expenses	32	(210)	-	(210)
Total transactions with Owners of the Company		(207)	(96,760)	(96,967)
As at 31 December 2018		438,354	195,280	633,634
As at 1 January 2019, as previously stated		438,354	195,280	633,634
Effects of adoption of MFRS 16	2	-	(3,374)	(3,374)
As of 1 January 2019, as restated		438,354	191,906	630,260
Profit for the year/Total comprehensive income for the year		-	42,636	42,636
Total comprehensive income for the year		-	42,636	42,636
Transactions with Owners of the Company:				
Dividend payable	41	-	(24,190)	(24,190)
Dividends paid	41	-	(72,570)	(72,570)
Total transactions with Owners of the Company		-	(96,760)	(96,760)
As at 31 December 2019		438,354	137,782	576,136

The accompanying Notes form an integral part of the financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	109,549	144,079	42,649	24,616
Adjustments for:				
Net (gain)/loss arising on financial assets measured at fair value through profit or loss	(460)	(210)	5	(5)
Net loss/(reversal of) allowance on receivables and amount due from contract customers	3,472	(64,985)	(27)	102
Amortisation of intangible assets	29,964	28,390	-	-
Finance costs	24,972	21,369	3,313	296
Depreciation of:				
Property, plant and equipment	3,600	5,190	671	1,711
Investment properties	7	7	7	7
Right-of-use assets*	2,266	-	2,266	-
Provision for heavy repairs	1,392	3,553	-	-
Provision for restoration cost	2,368	-	-	-
Write off of:				
Property, plant and equipment	2	3	-	-
Amount owing from a former subsidiary	-	5	43	5
Amount owing from a former associate	38	-	38	-
Inventories	-	16	-	-
Unrealised foreign exchange loss/(gain) – net	2	(3)	1	(4)
Interest expense imputed in borrowings	548	548	-	-
Loss on winding-up of a subsidiary	-	-	11	-
(Interest income)/Reversal of interest income imputed in retention sums	(63)	589	-	-
Deferred income recognised:				
Government compensation	(17,273)	(16,065)	-	-
Rental and maintenance fee	(118)	(118)	-	-
Interest income	(3,898)	(3,555)	(401)	(303)
Share of results of:				
Joint venture	(5,275)	(1,031)	-	-
Associates	15,079	15,728	-	-
(Reversal)/Provision for foreseeable losses from a construction contract	(244)	244	-	-
Investment designated at fair value through profit or loss:				
Dividend income	(1,296)	(2,101)	(39)	(85)
Loss/(Gain) on redemption	16	(24)	(12)	-
(Gain)/Loss on disposal of:				
Property, plant and equipment	(86)	(105)	(77)	(2)
Receivables	29,573	-	-	-
(Gain)/Loss on disposal/striking off of associates	(35)	13	-	631
Waiver of debts	(13,189)	-	-	-
Gain on derecognition of financial assets	(41,140)	-	-	-
Gain on derecognition of financial liabilities	(2,774)	-	-	-
Dividend income	-	-	(47,050)	(30,319)

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Operating Profit/(Loss) Before Working Capital Changes	136,997	131,537	1,398	(3,350)
Decrease/(Increase) in:				
Inventories	91	2	-	-
Amount due from contract customers	(22)	12,266	(1,461)	3,394
Trade and other receivables	593,479	(123,672)	2,047	5,162
Increase/(Decrease) in:				
Amount due to contract customers	-	(786)	-	-
Trade and other payables	(70,258)	57,997	(10,912)	(5,385)
Deferred income	-	96	-	-
Cash Generated From/(Used In) Operations	660,287	77,440	(8,928)	(179)
Income tax paid	(18,490)	(16,629)	(7)	(66)
Income tax refunded	956	635	-	-
Net Cash From/(Used In) Operating Activities	642,753	61,446	(8,935)	(245)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	3,898	3,555	401	303
Net decrease in amount due from subsidiaries and associates	-	-	60,680	-
Property, plant and equipment:				
Proceeds from disposal	89	115	77	2
Purchases#	(3,403)	(1,149)	(2,627)	(426)
Proceeds from disposal of an associate	-	358	-	358
Capital distribution from winding-up of a subsidiary	-	-	5	259
Dividend received from:				
Subsidiaries	-	-	35,400	29,625
Joint venture	10,800	-	10,800	-
Associates	850	4,194	850	4,194
Investment designated at fair value through profit or loss:				
Purchase	(598,800)	(13,800)	(41,000)	(2,300)
Proceeds from redemption	77,384	24,000	19,006	-
(Placement)/Withdrawals of deposits pledged as security	(31,356)	6,129	(34)	(772)
Net Cash (Used In)/From Investing Activities	(540,538)	23,402	83,558	31,243

(Forward)

	Note	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(24,972)	(21,311)	(3,313)	(296)
Dividends paid		(96,760)	(96,760)	(96,760)	(96,760)
Dividends paid by a subsidiary to non-controlling interests		(15,680)	(17,885)	-	-
Repayments of borrowings		(10,000)	-	(10,000)	-
Drawdowns of borrowings		30,000	30,000	30,000	30,000
Capital distribution paid by a subsidiary to non-controlling interest		(4)	(188)	-	-
Proceeds from exercise of Warrants		-	3	-	3
Share issuance costs		-	(210)	-	(210)
Repayment of obligations under finance lease **		-	(156)	-	-
Repayment of lease liabilities *		(2,108)	-	(2,050)	-
Net Cash Used In Financing Activities		(119,524)	(106,507)	(82,123)	(67,263)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(17,309)	(21,659)	(7,500)	(36,265)
Effects of foreign exchange rate changes		(2)	4	(1)	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		89,835	111,490	13,643	49,908
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	26	72,524	89,835	6,142	13,643

* The lines indicated are in respect of the application of MFRS 16 in the current year only.

** The lines indicated are in respect of the MFRS 117 comparatives only.

During the financial year, the Group and the Company purchased property, plant and equipment through the following arrangement:

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Payment by cash	3,403	1,149	2,627	426
Consideration recorded in other payables	387	34	387	-
Total (Note 15)	3,790	1,183	3,014	426

The accompanying Notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia.

The financial statements of the Group and of the Company are presented in their functional currency which is Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 4 May 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and revised MFRSs

In the current financial year, the Group and the Company adopted all the revised MFRSs, amendments to MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2019 as follows:

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

The adoption of these revised MFRSs and amendments to MFRSs and IC Interpretations did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except for the below:

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 16 Leases

In the current year, the Group has applied MFRS 16 (as issued by the MASB in April 2016) that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of MFRS 16 on the Group's consolidated financial statements is described below.

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) which:

- requires the Group to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under MFRS 117.

(a) Impact of the new definition of a lease

The Group has 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 be applied to those contracts entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on "risks and rewards" in MFRS 117 and IC Interpretation 4.

The Group applies the definition of a lease and related guidance set out in MFRS 16 to all contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of MFRS 16, the Group has assessed that the new definition in MFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Impact on Lessee Accounting

(i) Former operating leases

MFRS 16 changes how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off balance sheet.

Applying MFRS 16, for all leases (except as noted below), the Group:

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

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

Lease incentives (e.g. rent-free period) are 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 incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within "administrative and other expenses" in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

The main differences between MFRS 16 and MFRS 117 with respect to contracts formerly classified as finance leases 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. This change did not have a material effect on the Group's consolidated financial statements except for a reclassification of finance lease liabilities as at the date of initial application from borrowings to lease liabilities as disclosed in Note 36.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(c) Impact on Lessor Accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under MFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under MFRS 117).

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

(d) Financial impact of the initial application of MFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position on 1 January 2019 is 5.30%.

The following table shows the operating lease commitments disclosed applying MFRS 117 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	RM'000
Operating lease commitments at 31 December 2018	3,339
Short-term leases and leases of low-value assets	(300)
Present value of lease payment due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	17,005
Effect of discounting	(810)
	19,234
Lease liabilities recognised under MFRS 117 as at 31 December 2018	58
Lease liabilities recognised at 1 January 2019	19,292

The Group has recognised RM15,860,000 of right-of-use assets and RM19,234,000 of lease liabilities upon transition to MFRS 16. The difference of RM3,374,000 is recognised in retained earnings.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs and Amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these 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 and the Company are as listed below:

MFRS 17	Insurance Contracts[2]
Amendments to MFRS 3	Definition of a Business[1]
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[1]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Amendments to References to the Conceptual Framework in MFRS Standards[1]

[1] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
[3] Effective date deferred to a date to be determined and announced by MASB.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 Inventories or value in use in MFRS 136 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the aquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the aquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are re-measured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is initially recognised and measured as set out in "Business Combinations".

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in "Investments in Associates and Joint Venture".

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate or joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with MFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its shares of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the costs of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (Cont'd)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Group classifies to profit or loss the proportion of the gain or loss that had previously been recognised in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profit or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Performance obligations by segment are as follows:

<u>Construction segments</u>

The Group constructs infrastructure facilities under a specific/individual contract with customers. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The Group becomes entitled to invoice customers for construction claims at the end of every calendar month. The customer is sent a statement showing the amount of work executed and supporting documents and an invoice for the related progress billing. The Group will previously have recognised an "amount due from contract customer" for any work performed, of which it will be reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billings exceed the revenue recognised to date under the cost-to-cost method, then the Group recognises an "amount due to contract customer" for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the progress billing is always less than one year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Construction segments (Cont'd)

The directors have performed assessment on the following projects and related findings are disclosed below:

(a) *The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur*

The Group has performed assessment that sectional completion is indicated in the contract. Thus, a separate performance obligation has been identified due to separate defects liability periods for each section and the customer may benefit from them on each distinct section. Each section's transaction price has been allocated from the overall contract price for this contract by first determining the relative revenue attributable for the respective sections of the construction work, and thereafter assign the proportionate percentage of revenue to the total estimated construction costs to derive the estimated contract costs for each section. The Group has a process in place in capturing and tracking the actual costs incurred for each distinct section in relation to revenue recognition. Revenue is recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the assessment of the above, the Group estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

(b) *The proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur*

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the directors consider the nature of the service being offered and the purpose of the payment terms. The Group received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

Toll segment

The revenue from toll segment is derived from toll collection and Government compensation.

The Group recognises revenue from toll collection at a point-in-time as and when toll is chargeable for the usage of its highways.

Water treatment, supply and distribution segment

The revenue from water treatment, supply and distribution segment operated by subsidiaries is derived from the operations and maintenance contract for the Sungai Selangor Phase 1 Water Treatment Plant that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and the water treatment, supply and distribution system for the entire Pulau Langkawi in Kedah.

The Group recognises revenue from water treatment, supply and distribution segment at a point-in-time as and when each cubic meter of treated water is sold to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Other revenue

Revenue from other sources are recognised as follows:

(i) interest income is recognised on an accrual basis using the effective interest method;

(ii) dividend income is recognised when the right to receive payment is established;

(iii) management fee income is recognised on an accrual basis, by reference to the agreements entered into; and

(iv) rental income is recognised on a straight-line basis over the tenure of the lease.

Deferred Income

Deferred income comprises the following:

(i) Fees received by a subsidiary from third parties for the use of ancillary facilities along the Cheras-Kajang Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received by a subsidiary as a result of changes made to the terms and conditions of the concession agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statement of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

Government Grant

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the expenses incurred are recognised in profit or loss on a systematic basis over the year necessary to match them with the related costs that they are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred with no future related costs are recognised in the profit or loss in the period in which they become receivable. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Differences arising in the retranslation of investment designated at fair value through other comprehensive income ("FVTOCI") or a financial instrument designated as a hedge of currency risk are recognised in other comprehensive income.

Employee Benefits

(i) Short-term employee benefit

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave, are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to a statutory pension scheme, the Employees Provident Fund.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation

Income tax expense for the year comprises current and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

(ii) Deferred tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

Depreciation of other property, plant and equipment is computed based on a straight-line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The Group has applied MFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under MFRS 117. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

Policies applicable from 1 January 2019 (Cont'd)

The Group as a lessee (Cont'd)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the year, the Group remeasured the lease liability when the lease payment change due to changes in the expected rental rate by discounting the revised lease payments using an unchanged discount rate. Arising thereof, the Group made a corresponding adjustment amounting to RM362,000 to the right-of-use assets and lease liabilities in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of Tangible and Intangible Assets Other Than Goodwill" policy.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

Policies applicable from 1 January 2019 (Cont'd)

The Group as a lessee (Cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "administrative and other expenses" in profit or loss.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents the advertisement billboards, rest and services area along its highways to business operators or retailers.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Properties

Investment properties, comprising buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight-line basis to write off the cost of the assets over their estimated useful lives.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is taken to profit or loss in the period of the retirement or disposal.

Intangible Assets

Intangible assets comprising concession rights under the intangible asset model, as defined in IC Interpretation 12, are stated at cost less accumulated amortisation and impairment losses.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognises profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with MFRS 15 Revenue from Contract with Customers.

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of MFRS 123 Borrowing Costs.

Following the adoption of Amendments of MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation on 1 January 2016, the Group has adopted prospectively the traffic volume method for amortisation of its intangible assets, comprising the cost of its highway development expenditure based on the following formula:

$$\frac{\text{Cumulative traffic volume from 1.1.2016}}{\text{Cumulative traffic volume from 1.1.2016 plus projected traffic volume till end of concession}} \times \text{Opening Net Book Value as of 1.1.2016 plus Additions to-date}$$

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors' best estimate of the amount required to settle the obligation by the end of the reporting period and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions (Cont'd)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial Instruments

Financial assets and liabilities are recognised when, and only when, the Group become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets (Cont'd)

Financial assets that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets (Cont'd)

(i) Amortised cost and effective interest method (Cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated investment in redeemable preference shares of an equity instruments in a subsidiary and a joint venture that are not held for trading as at FVTOCI on initial application of MFRS 9 (see Notes 19 and 20).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Classification of financial assets (Cont'd)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated investment in quoted unit trust and other investment as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "administrative and other expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables, amount due from contract customers, other receivables and refundable deposits as well as deposits, cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and amount due from contract customers. The ECL on these financial assets are estimated using a credit loss rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date that is available without undue cost or effort, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty;
- having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (Cont'd)

Derecognition of financial assets (Cont'd)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity (Cont'd)

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurement (Cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

Statements of Cash Flows

The Group adopts the indirect method in the preparation of the statements of cash flows.

Cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value, net of outstanding bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as financial assets at amortised cost.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

The directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(c) Amortisation of Intangible Assets

The intangible assets are amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total traffic volume for subsequent financial years to 2045 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economic conditions. Changes in the expected traffic volume could impact future amortisation charges.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(d) Provision for Heavy Repairs

Heavy repairs of highway are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

(e) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

(f) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

(g) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(h) Construction Contracts

The Group recognises contract revenue and cost over time based on the percentage of completion method. The stage of completion is referred to as the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, the Group relies on past experience.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(i) Impairment of Trade Receivables and Amount Due From Contract Customers

Significant estimates are required in determining the impairment of trade receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for trade receivables and amount due from contract customers by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amount due from contract customers are disclosed in Notes 25 and 28.

(j) Lease Term of Agreements with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has the option to renew the lease of the office premises for an additional term of three years. The extension option is exercisable only by the Group and not by the lessor. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Factors considered include historical lease durations and the costs and business disruption required to replace the right-of-use asset. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group includes the renewal period as part of the lease term for its lease of premises due to the significance of the right-of-use assets to its operations.

(k) Estimating the Incremental Borrowing Rate on Leases

The Group is unable to readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate ("IBR") as the discount rate to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(l) Gain on Derecognition of Financial Assets and Financial Liabilities

On initial recognition, financial assets and financial liabilities are classified and measured at amortised cost. Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

When an existing financial asset/liability is replaced by another borrower/lender with substantially different terms or the terms of an existing asset/liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset/liability and the recognition of a new asset/liability. The carrying amount of respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the new effective interest rate. The Group has applied judgement and assumptions in determining the effective interest rate of the respective financial instruments. Any changes arising from the derecognition of original asset/liability and recognition of a new asset/liability are recognised in profit or loss.

The impact of modifications of financial assets and financial liability are disclosed in Note 25 and Note 37.

5. SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee entrusted to make decisions and performance review:

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management	Solid waste collection and public cleansing management and other related activities.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Operations and maintenance of toll highways.
Others	Investment holding and other non-core businesses other than the above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. 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.

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of profit or loss and other comprehensive income	
	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
Revenue	254,861	240,272	38,048	47,714	69,374	63,916	320,301	308,259	5,264	5,282	687,848	665,443	(310,736)	(291,200)	377,112	374,243
EBITDA(i)	103,452	93,969	1,683	1,033	57,395	51,267	70,206	94,446	(7,464)	(12,401)	225,272	228,314	(45,287)	(14,769)	179,985	213,545
Depreciation and amortisation	(720)	(887)	(270)	(516)	(23,308)	(23,423)	(26,862)	(42,056)	(2,943)	(1,716)	(54,103)	(68,598)	18,443	35,198	(35,660)	(33,400)
Operating profit/(loss)	102,732	93,082	1,413	517	34,087	27,844	43,344	52,390	(10,407)	(14,117)	171,169	159,716	(26,844)	20,429	144,325	180,145
Finance costs	(649)	-	(1)	(6)	(14,139)	(14,543)	(25,230)	(26,029)	(3,313)	(296)	(43,332)	(40,874)	18,360	19,505	(24,972)	(21,369)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	5,275	1,031	5,275	1,031
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(15,079)	(15,728)	(15,079)	(15,728)
Profit/(Loss) before tax	102,083	93,082	1,412	511	19,948	13,301	18,114	26,361	(13,720)	(14,413)	127,837	118,842	(18,288)	25,237	109,549	144,079
Income tax (expense)/ credit	(21,918)	(22,386)	(263)	208	(2,467)	(1,199)	(17,520)	(16,095)	(13)	206	(42,181)	(39,266)	19,083	4,448	(23,098)	(34,818)
Profit/(Loss) for the year	80,165	70,696	1,149	719	17,481	12,102	594	10,266	(13,733)	(14,207)	85,656	79,576	795	29,685	86,451	109,261
EBDA(ii)	80,885	71,583	1,419	1,235	40,789	35,525	27,456	52,322	(10,790)	(12,491)	139,759	148,174	(17,648)	(5,513)	122,111	142,661

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results (Cont'd)

The following is an analysis of the Group's revenue and results by reportable segment: (Cont'd)

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Addition of property, plant and equipment (Note 15)	
	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
Capex(iii)	600	348	57	16	285	387	3,598	8,102	3,013	426	7,553	9,279	(3,763)	(8,096)	3,790	1,183

(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 year.

Notes

1. The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, construction, toll operations and waste management. Others refer to investment holding and other non-core businesses. Goodwill has been allocated to reportable segments as described in Note 23.

2. The segmental information on the water treatment, supply and distribution, construction and other divisions excluded the effects of the expected credit losses adjustments made. This is to better assess the operational performance of these divisions.

3. The segmental information on 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 the EBITDA and EBDA), are solely from the concession business, after proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.

5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

	Water		Construction		Toll highway		Waste management		Others		Total	
As of 31 December	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
Segment assets	697,608	758,745	34,364	43,795	1,402,352	1,435,239	155,587	172,388	63,638	33,692	2,353,549	2,443,859
Segment liabilities	(135,745)	(204,695)	(26,866)	(28,225)	(806,806)	(823,151)	-	-	(91,207)	(65,496)	(1,060,624)	(1,121,567)
Net segment assets	561,863	554,050	7,498	15,570	595,546	612,088	155,587	172,388	(27,569)	(31,804)	1,292,925	1,322,292

Geographical segments

No geographical segment information is presented as the Group's revenue is all derived from Malaysia based on the location of services delivered.

Information about major customers

Included in revenue arising from Water segment are revenue of RM183,736,000 and RM64,207,000 (2018: RM176,349,000 and RM63,923,000) from SPLASH (prior to 13 September 2019)/Air Selangor(with effect from 13 September 2019) and SADA respectively as described in Note 25 which arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue in either 2019 or 2018.

6. REVENUE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	359,779	358,069	22,519	26,684
Revenue from other sources:				
Deferred income (Note 39)	17,273	16,065	-	-
Government compensation	60	109	-	-
Dividend from subsidiaries, associates and joint venture (Note 44)	-	-	47,050	30,319
	377,112	374,243	69,569	57,003

The Group recognised its revenue from contracts with customers from the following reportable segments:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Management, operations and maintenance of water treatment plants	247,943	239,454	-	-
Toll revenue and operator fee	72,113	70,813	-	-
Revenue from construction contracts	34,459	42,538	8,972	13,137
Management fees (Note 44)	5,264	5,264	13,547	13,547
	359,779	358,069	22,519	26,684
Timing of revenue recognition:				
At a point in time	320,056	310,267	-	-
Over time	39,723	47,802	22,519	26,684
	359,779	358,069	22,519	26,684

Included in revenue for the management, operations and maintenance of water treatment plants segment is a deduction of RM12,802,000 (2018: RM6,259,000) pertaining to current year's invoices to a customer which is deemed uncollectible and therefore excluded from revenue in accordance with MFRS 15. An amount of RM5,884,000 (2018: Nil) in respect of prior year's deduction was collected and is recognised as revenue in the current year.

6. REVENUE (CONT'D)

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from construction contracts	29,810	72,518	-	8,380

The Group and the Company expect revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Year 2019	-	47,528	-	8,380
Year 2020	23,203	21,178	-	-
Year 2021	6,607	3,812	-	-
	29,810	72,518	-	8,380

7. COST OF OPERATIONS

The cost of operations for the year has been arrived at after charging/(crediting):

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract costs recognised	31,545	39,102	8,883	13,006
Amortisation of intangible assets (Note 18)	29,964	28,390	-	-
Provision for restoration cost (Note 38)	2,368	-	-	-
Provision for heavy repairs (Note 38)	1,392	3,553	-	-
Depreciation of property, plant and equipment (Note 15)	1,445	1,506	-	-
(Reversal)/Provision for foreseeable losses (Note 28)	(244)	244	-	-
Inventory written off	-	16	-	-
Hire of plant and machinery	77	33	-	-

8. OTHER OPERATING INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on derecognition of:				
Financial assets (Note 25)	41,140	-	-	-
Financial liabilities (Note 37)	2,774	-	-	-
Waiver of debts (Note 37)	13,189	-	-	-
Interest income on fixed deposits with licensed banks	3,898	3,555	236	303
Investment designated at FVTPL:				
Dividend income	1,296	2,101	39	85
Gain on redemption	61	24	12	-
Rental income	468	566	12	723
Income from subleasing right-of-use assets	-	-	716	-
Interest income on amount due from subsidiaries	-	-	165	-
Gain on disposal of property, plant and equipment	86	105	77	2
Gain on striking off of an associate (Note 21)	35	-	-*	-
Fair value gain arising on financial assets measured at FVTPL (Note 31)	472	212	-	5
Recognition of rental and maintenance fee (Note 39)	118	118	-	-
Unrealised gain on foreign exchange	-	4	-	4
Interest income imputed in retention sums (Note 37)	63	-	-	-
Reversal of loss allowances on trade receivables and amount due from contract customers (Notes 25 and 28)	27	65,341	27	2

* Less than RM1,000

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loss on disposal of receivables (Note 25)	29,573	-	-	-
Loss allowance on trade and other receivables and amount due from contract customers (Notes 25, 28 and 29)	3,499	356	-	104
Fair value loss arising on financial assets measured at FVTPL (Note 31)	12	2	5	-
Realised loss on foreign exchange	-	730	-	730
Depreciation of right-of-use assets (Note 16)	2,266	-	2,266	-
Depreciation of property, plant and equipment (Note 15)	1,978	3,497	671	1,711
Expense relating to short-term leases (2018: Rental expense on):				
Office premises	10	3,047	-	1,325
Others	209	166	53	104
Unrealised loss on foreign exchange	2	1	1	-
Auditors' remuneration of:				
Statutory audit	357	333	116	105
Other services β	129	102	64	19
Interest expense imputed in borrowings (Note 35)	548	548	-	-
Write off of:				
Property, plant and equipment	2	3	-	-
Amount owing from a former subsidiary	-	5	43	5
Amount owing from a former associate	38	-	38	-
Depreciation of investment properties (Note 17)	7	7	7	7
Loss on disposal of an associate (Note 21)	-	13	-	631
Loss on winding-up of a subsidiary	-	-	11	-
Loss on redemption of investment designated at FVTPL	77	-	-	-
Reversal of interest income imputed in retention sums (Note 37)	-	589	-	-

β Other services included tax-related services rendered to the Group and the Company amounting to RM95,000 and RM64,000 (2018: RM39,000 and RM19,000) respectively which were paid or payable to a firm affiliated to the Group's auditors.

10. FINANCE COSTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense:				
Borrowings	23,949	21,363	2,291	296
Lease liabilities *	1,023	-	1,022	-
Interest on obligations under finance leases **	-	6	-	-
	24,972	21,369	3,313	296

* The line indicated is in respect of the application of MFRS 16 in the current year only.

** The line indicated is in respect of the MFRS 117 comparatives only.

11. STAFF COSTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and bonus	34,795	33,699	8,537	9,295
Defined contribution plan	3,518	3,604	839	959
Other employee benefits	980	902	118	120
	39,293	38,205	9,494	10,374

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,518,000 (2018: RM1,629,000) and RM1,490,000 (2018: RM1,601,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM255,000 (2018: RM505,000) and RM185,000 (2018: RM280,000) respectively.

12. DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:

Non-executive Directors

Lim Chin Sean
Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Ahmad Jauhari Bin Yahya
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz (appointed on 27 November 2019)
Datuk Roger Tan Kor Mee (appointed on 27 November 2019)
Tan Sri Ong Ka Ting (retired on 30 May 2019)
Vijay Vijendra Sethu (resigned on 30 May 2019)

Executive Director

Dato' Lim Yew Boon

The aggregate amount of emoluments receivable by directors of the Company during the financial year are as follows:

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-executive Directors:				
Fees	802	960	802	960
Other emoluments	59	62	59	62
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	441	370	441	370
Defined contribution plan	38	45	38	45
Other emoluments	34	48	30	44
	1,518	1,629	1,490	1,601

13. INCOME TAX EXPENSE/(CREDIT)

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Malaysian income tax:				
Current year	6,503	21,291	13	-
Overprovision in prior years	(147)	(849)	-	(205)
	6,356	20,442	13	(205)
Deferred tax (Note 24):				
Current year	16,742	14,376	-	-
	23,098	34,818	13	(205)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company are as follows:

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Profit before tax	109,549	144,079	42,649	24,616
Taxation at statutory tax rate	26,292	34,579	10,236	5,908
Tax effects of:				
Non-deductible expenses	9,004	10,721	454	1,645
Non-taxable income	(3,423)	(458)	(11,293)	(7,277)
Tax waiver on statutory income of a subsidiary @	(9,606)	(8,899)	-	-
Deferred tax assets not recognised	978	-	616	-
Utilisation of deferred tax assets previously not recognised	-	(276)	-	(276)
Overprovision of income tax expense in prior years	(147)	(849)	-	(205)
Income tax expense/(credit) recognised in profit or loss	23,098	34,818	13	(205)

@ A subsidiary, Grand Saga Sdn. Bhd. has been granted tax waiver on its statutory income from 2012 to 2021 in consideration of it agreeing to the cessation of toll collections and the discontinuance of operations of two toll plazas at the Cheras-Kajang Highway.

14. EARNINGS PER SHARE

(a) Basic earnings per share ("EPS")

Basic EPS is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2019 RM'000	**2018 RM'000**
Profit for the year attributable to owners of the Company	76,189	100,081
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Basic EPS (sen)	3.78	4.96

(b) Diluted EPS

Diluted EPS is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The diluted EPS in 2018 is the same as basic EPS calculated above as the unexercised Warrants had expired during the financial year 2018.

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2019	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2019	280	700	2,122	2,058	9,414	8,814	6,810	21,645	26	51,869
Additions	-	-	293	-	2,805	613	-	78	1	3,790
Disposals	-	-	(2)	-	(128)	(618)	-	-	-	(748)
Write offs	-	-	(94)	-	(12)	-	-	-	(1)	(107)
As of 31 December 2019	280	700	2,319	2,058	12,079	8,809	6,810	21,723	26	54,804
Accumulated depreciation										
As of 1 January 2019	-	244	1,794	2,057	8,466	6,506	6,347	14,406	19	39,839
Charge for the year	-	14	125	-	836	1,025	153	1,446	1	3,600
Disposals	-	-	(2)	-	(125)	(618)	-	-	-	(745)
Write offs	-	-	(94)	-	(10)	-	-	-	(1)	(105)
As of 31 December 2019	-	258	1,823	2,057	9,167	6,913	6,500	15,852	19	42,589

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 2018	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
As of 1 January 2018	280	700	2,755	2,058	9,466	8,291	6,798	21,638	26	52,012
Additions	-	-	138	-	163	863	12	7	-	1,183
Disposals	-	-	(771)	-	(209)	(340)	-	-	-	(1,320)
Write offs	-	-	-	-	(6)	-	-	-	-	(6)
As of 31 December 2018	280	700	2,122	2,058	9,414	8,814	6,810	21,645	26	51,869
Accumulated depreciation										
As of 1 January 2018	-	230	2,417	1,673	8,019	5,595	5,112	12,900	16	35,962
Charge for the year	-	14	147	384	659	1,242	1,235	1,506	3	5,190
Disposals	-	-	(770)	-	(209)	(331)	-	-	-	(1,310)
Write offs	-	-	-	-	(3)	-	-	-	-	(3)
As of 31 December 2018	-	244	1,794	2,057	8,466	6,506	6,347	14,406	19	39,839
Net book value										
As of 31 December 2019	280	442	496	1	2,912	1,896	310	5,871	7	12,215
As of 31 December 2018	280	456	328	1	948	2,308	463	7,239	7	12,030

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company 2019	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
As of 1 January 2019	17	1,773	5,058	1,494	5,426	13,768
Additions	-	-	2,592	422	-	3,014
Disposals	(1)	-	(104)	(618)	-	(723)
As of 31 December 2019	16	1,773	7,546	1,298	5,426	16,059
Accumulated depreciation						
As of 1 January 2019	17	1,769	4,717	1,212	5,183	12,898
Charge for the year	-	4	491	92	84	671
Disposals	(1)	-	(104)	(618)	-	(723)
As of 31 December 2019	16	1,773	5,104	686	5,267	12,846
2018						
Cost						
As of 1 January 2018	33	1,773	5,023	1,205	5,426	13,460
Additions	-	-	74	352	-	426
Disposals	(16)	-	(39)	(63)	-	(118)
As of 31 December 2018	17	1,773	5,058	1,494	5,426	13,768
Accumulated depreciation						
As of 1 January 2018	33	1,444	4,443	1,205	4,180	11,305
Charge for the year	-	325	313	70	1,003	1,711
Disposals	(16)	-	(39)	(63)	-	(118)
As of 31 December 2018	17	1,769	4,717	1,212	5,183	12,898
Net book value						
As of 31 December 2019	-	-	2,442	612	159	3,213
As of 31 December 2018	-	4	341	282	243	870

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM401,000 and RM401,000 respectively (2018: RM50,000 and Nil).

(b) Depreciation charges for the financial year consist of:

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Capitalised in amount due from contract customers	28	177	187	-	-
Included in statements of profit or loss and other comprehensive income:					
Cost of operations	7	1,445	1,506	-	-
Administrative and other expenses	9	1,978	3,497	671	1,711
		3,423	5,003	671	1,711
		3,600	5,190	671	1,711

16. RIGHT-OF-USE ASSETS

On 1 January 2014, the Company entered into a lease arrangement of an office premises with the landlord for a tenure of 3 years with the option for renewal of 3 terms of 3 years per term. The lease payments are adjusted every term, based on the then prevailing market rental rate agreed by both parties.

At the inception, the Company classified the lease as an operating lease under MFRS 117. At the date of initial application, the remaining non-cancellable period of the lease is one year. Considering the location of the office premises and other factors, the Company now considers that it is reasonably certain to exercise the renewal options up to 31 December 2025.

The following table shows the movements in right-of-use assets in accordance with the cumulative catch-up approach set out in MFRS 16:

	The Group and The Company 2019 RM'000
Cost:	
As of 1 January	-
Adjustment upon application of MFRS 16	27,189
As of 1 January, as restated	27,189
Addition	1,171
As of 31 December	28,360

16. RIGHT-OF-USE ASSETS (CONT'D)

The following table shows the movements in right-of-use assets in accordance with the cumulative catch-up approach set out in MFRS 16: (Cont'd)

	The Group and The Company 2019 RM'000
Accumulated depreciation:	
As of 1 January	-
Adjustment upon application of MFRS 16	11,329
As of 1 January, as restated	11,329
Charge for the year (Note 9)	2,266
As of 31 December	13,595
Net book value:	
As of 1 January, as restated	15,860
As of 31 December	14,765

17. INVESTMENT PROPERTIES

	The Group and The Company	
	2019 RM'000	2018 RM'000
Cost:		
As of 1 January/As of 31 December	369	369
Accumulated depreciation:		
As of 1 January	110	103
Charge for the year (Note 9)	7	7
As of 31 December	117	110
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26

17. INVESTMENT PROPERTIES (CONT'D)

	The Group and The Company	
	2019 RM'000	2018 RM'000
Net book value:		
As of 31 December	226	233
Representing:		
Freehold building	109	112
Leasehold building	117	121
	226	233

Fair value of the investment properties of the Group and of the Company as of 31 December 2019 is estimated at RM542,000 (2018: RM614,000) based on directors' assessment of the current prices in an active market for the respective properties within the vicinity.

Details of the Group's and the Company's investment properties, all of which are located in Malaysia, and information about the fair value hierarchy as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2019				
Freehold building	-	-	272	272
Leasehold building	-	-	270	270
2018				
Freehold building	-	-	320	320
Leasehold building	-	-	294	294

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and of the Company is 74 years (2018: 75 years).

18. INTANGIBLE ASSETS

	The Group	
	2019 RM'000	2018 RM'000
Cost:		
As of 1 January/As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	162,141	133,751
Charge for the year (Note 7)	29,964	28,390
As of 31 December	192,105	162,141
Carrying amount:		
As of 31 December	1,070,798	1,100,762

The intangible assets of the Group at the end of the reporting period consist of a concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn. Bhd. to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway. The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

19. INVESTMENT IN SUBSIDIARIES

	The Company	
	2019 RM'000	2018 RM'000
Unquoted investment in preference shares		
- at FVTOCI	238,012	238,012
Unquoted investment in ordinary shares - at cost:		
As of 1 January	81,511	82,231
Capital distribution from winding-up of a subsidiary	(5)	(259)
Derecognition from strike-off of a subsidiary	-*	-
Derecognition from winding-up of a subsidiary	(11)	(461)
As of 31 December	81,495	81,511
Accumulated impairment loss:		
As of 1 January	-	461
Derecognition from strike-off of a subsidiary	-	(461)
As of 31 December	-	-
Carrying amount	319,507	319,523

* Less than RM1,000

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

There are no measurement impacts to the carrying amount of investment in preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

The investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Country of incorporation	Proportion of ownership interest held by the Group 2019 %	2019 %	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd.	Malaysia	100	100	Management, operations and maintenance of water treatment plants for a concession period expiring in December 2036.
Taliworks (Langkawi) Sdn. Bhd.	Malaysia	100	100	Management, operations and maintenance of water treatment plants and water distribution systems for a concession period expiring in October 2020.
Taliworks Technologies Sdn. Bhd.	Malaysia	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks Meruan (Sarawak) Sdn. Bhd. €	Malaysia	-	60	Provision of construction, development, management, operation and maintenance of water supply schemes, solid waste disposal facilities. The company has been placed under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018. The company was subsequently dissolved on 12 December 2019 under Section 459(5) of the Companies Act, 2016.
Taliworks Construction Sdn. Bhd.	Malaysia	100	100	General construction.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2019 %	2019 %	Principal activities
Held directly by the Company: (Cont'd)				
TEI Sdn. Bhd.	Malaysia	51	51	Investment holding.
TE Overseas Ventures Sdn. Bhd.	Malaysia	-	100	Investment holding company. The company has been struck off from the register of companies on 22 November 2019 under Section 551(3) of the Companies Act, 2016.
Held through TE Overseas Ventures Sdn. Bhd.:				
TE Overseas Ventures Pte. Ltd.	Singapore	-	100	Investment holding company. The company has been struck off from the register of Accounting and Corporate Regulatory Authority on 4 June 2019 pursuant to Section 344A of the Singapore Companies Act (Chapter 50).
Held through TEI Sdn. Bhd.:				
Trinitywin Sdn. Bhd.	Malaysia	51	51	Investment holding.
Cerah Sama Sdn. Bhd.	Malaysia	51	51	Investment holding.
Held through Cerah Sama Sdn. Bhd.:				
Trupadu Sdn. Bhd.#	Malaysia	51	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd.#	Malaysia	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2019 %	2019 %	Principal activities
Held through Cerah Sama Sdn. Bhd.: (Cont'd)				
Europlex Consortium Sdn. Bhd.#	Malaysia	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Grand Saga Sdn. Bhd.#	Malaysia	51	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period expiring in September 2045.

\# The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium-Term Notes borrowings as disclosed in Note 35.

€ During the current year, the liquidator of this subsidiary returned the issued capital of the company equivalent to RM0.02 per ordinary share (2018: RM0.94 per ordinary share) to the Group and non-controlling interest amounting to RM5,000 and RM4,000 (2018: RM282,000 and RM188,000) respectively.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2019	2018
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1
General construction	Malaysia	1	1
Investment holding	Malaysia	-	1
Investment holding	Singapore	-	1
		4	6

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group (Cont'd)

Information about the composition of the Group at the end of the reporting period is as follows: (Cont'd)

Principal activities	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2019	2018
Construction of water treatment works	Malaysia	-	1
Toll highway	Malaysia	7	7
		7	8

Details for non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
	2019 %	2018 %	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
TEI Sdn. Bhd.	49%	49%	10,271	9,180	260,021	265,430
Other individually immaterial subsidiaries	-	-*	(9)	-	-	13
			10,262	9,180	260,021	265,443

* Various proportion of ownership interests and voting rights held by non-controlling interests.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	2019 RM'000	2018 RM'000
Non-current assets	1,231,899	1,217,945
Current assets	82,127	123,466
Current liabilities	(58,990)	(31,825)
Non-current liabilities	(724,382)	(767,894)
Net assets	530,654	541,692
Equity attributable to owners of the Company	270,633	276,262
Non-controlling interest	260,021	265,430
Revenue	89,446	86,987
Expenses	(68,484)	(68,253)
Profit for the year	20,962	18,734
Profit attributable to owners of the Company	10,691	9,554
Profit attributable to non-controlling interest	10,271	9,180
Net cash generated from/(used in):		
Operating activities	53,982	51,424
Investing activities	23,581	12,679
Financing activities	(83,596)	(57,509)
Net change in cash and cash equivalents	(6,033)	6,594

20. INVESTMENT IN JOINT VENTURE

	The Group	
	2019 RM'000	2018 RM'000
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
Group's share of post-acquisition reserve, net of dividend	(1,264)	4,261
	65,909	71,434

	The Company	
	2019 RM'000	2018 RM'000
Unquoted ordinary shares, at cost	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424
	67,173	67,173

There are no measurement impacts to the carrying amount of investment in redeemable preference shares at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

These investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 2019 %	2018 %	Principal activities
Pinggiran Muhibbah Sdn. Bhd.	50	50	Investment holding in Grand Sepadu (NK) Sdn. Bhd. which is engaged in the operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period ending in December 2032.

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

20. INVESTMENT IN JOINT VENTURE (CONT'D)

	2019 RM'000	2018 RM'000
Pinggiran Muhibbah Sdn. Bhd.		
Summarised statement of financial position		
Non-current assets	348,289	369,678
Current assets	20,723	29,972
Current liabilities	(4,309)	(2,679)
Non-current liabilities	(191,928)	(214,267)
Non-controlling interests	(40,958)	(39,836)
Net assets	131,817	142,868
Summarised statement of profit or loss and other comprehensive income		
Revenue	63,352	52,140
Profit for the year	10,550	2,062

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

	2019 RM'000	2018 RM'000
Net assets		
Carrying amount of the investment in joint venture	131,817	142,868
Proportion of the Group's ownership interest in the joint venture	50%	50%
	65,909	71,434

21. INVESTMENT IN ASSOCIATES

	The Group 2019 RM'000	 2018 RM'000
Unquoted shares, at cost	247,811	247,811
Compensation	(17,087)	(17,087)
Share of post-acquisition reserve, net of dividend	(64,187)	(48,293)
	166,537	182,431

21. INVESTMENT IN ASSOCIATES (CONT'D)

	The Company 2019 RM'000	The Company 2018 RM'000
Unquoted shares, at cost	247,811	247,811
Compensation	(17,087)	(17,087)
	230,724	230,724

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 2019 %	2018 %	Principal activities
LGB Taliworks Consortium Sdn. Bhd.	20	20	General construction.
SWM Environment Holdings Sdn. Bhd.	35	35	Investment holding with its principal investment in a company managing and carrying on solid waste collection and public cleansing management and other related activities for a concession period until 31 August 2023.
Aqua Flo Sdn. Bhd.	24	24	Trading in chemical products.
LGB & TCB JV Sdn. Bhd.$	-	49	General construction. Application to strike off was made under Section 550 of the Companies Act, 2016 on 17 December 2018. On 5 July 2019, the company has been struck off from the register of the companies pursuant to Section 551(3) of the Companies Act, 2016.
Hydrovest Sdn. Bhd. β	-	-	Provision of water management and project services.

All the associates are audited by a firm other than Deloitte PLT.

β On 12 July 2018, the company was dissolved pursuant to Section 459(5) of the Companies Act, 2016. The difference between the disposal consideration of RM358,000 and the proportionate share of the net assets in the company at the date of disposal resulted in a loss on disposal to the Group and the Company of RM13,000 and RM631,000 respectively (Note 9).

$ On 5 July 2019, the company was struck off from the register of companies pursuant to Section 551(3) of the Companies Act, 2016. The striking off resulted in a gain to the Group of RM35,000 (Note 8).

21. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of the material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group	2019 RM'000	2018 RM'000
Summarised statement of financial position		
Non-current assets	2,913,954	3,139,780
Current assets	620,919	536,292
Current liabilities	(238,338)	(117,153)
Non-current liabilities	(1,627,359)	(1,721,013)
Non-controlling interest	(1,177,911)	(1,298,641)
Net assets	491,265	539,265
Summarised statement of profit or loss and other comprehensive income		
Revenue	915,160	880,753
Profit for the year	158,690	140,882
Less:		
Deduction of the dividend on the cumulative preferences shares held by parties other than the Group	(156,993)	(110,148)
Group consolidation adjustments	(49,700)	(80,684)
Loss for the year	(48,003)	(49,950)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the material associate recognised in the financial statements of the Group is as follows:

	2019 RM'000	2018 RM'000
Net assets	491,265	539,265
Proportion of the Group's ownership interest in the associate	35%	35%
	171,940	188,740
Compensation	(17,087)	(17,087)
Adjustment for stamp duties paid	735	735
Carrying amount of the investment in the associate	155,588	172,388

21. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of other individually immaterial associates is set out below.

The Group	Others 2019 RM'000	2018 RM'000
Summarised statements of financial position		
Non-current assets	3,416	10,032
Current assets	90,313	76,357
Current liabilities	(43,641)	(41,002)
Non-current liabilities	(3,805)	(2,860)
Net assets	46,283	42,527
Summarised statements of profit or loss and other comprehensive income		
Revenue	135,353	137,040
Profit for the year	7,297	7,380

22. OTHER INVESTMENT

	The Group 2019 RM'000	2018 RM'000
Financial assets carried at FVTPL:		
Golf membership	240	240

There are no measurement impacts to the carrying amount of other investment at the end of the reporting period as the directors are of the opinion that the carrying amounts approximate its fair value.

23. GOODWILL ON CONSOLIDATION

	The Group 2019 RM'000	2018 RM'000
As of 1 January/As of 31 December	129,385	129,385

Goodwill on consolidation arose from the acquisition of a subsidiary, Cerah Sama Sdn. Bhd. pursuant to a restructuring exercise in 2014 under the toll highway segment.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the directors by comparing the recoverable amount of the cash generating unit (the "CGU") of the toll highway segment. The recoverable amount was determined based on value-in-use calculations, which uses cash flow projections based on the financial budgets approved by the directors covering the remaining concession period.

23. GOODWILL ON CONSOLIDATION (CONT'D)

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

(a) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.59% and 2.35% (2018: 1.63% and 2.36%) respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3.0% (2018: 3.0%) annually;

(c) Commissions to be paid to Touch & Go and Smart Tag are estimated at a fixed rate of 1.3% (2018: 1.3%) of total toll revenue collected; and

(d) Pre-tax discount rate of 10.86% (2018: 11.47%) applied to the cash flow projections is derived from a subsidiary, Grand Saga Sdn. Bhd.'s weighted average cost of capital.

The recoverable amount of the abovementioned goodwill have been estimated by the directors based on the abovementioned bases and assumptions as to future events which the directors expect to take place and actions which the directors expect to take place as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the goodwill were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and there is no impairment to the carrying amount of goodwill.

24. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group	
	2019 RM'000	2018 RM'000
Deferred tax assets	1,305	17,172
Deferred tax liabilities	(236,135)	(235,260)
	(234,830)	(218,088)

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements during the financial year are as follows:

	The Group 2019 RM'000	The Group 2018 RM'000
As of 1 January	(218,088)	(203,712)
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	11	120
Intangible assets	562	131
Trade receivables	(18,814)	(15,606)
Other receivables, deposits and prepayments	736	4
Provision for heavy repairs	741	770
Trade payables	(666)	-
Other payables and accruals	120	205
Provision for restoration costs	568	-
	(16,742)	(14,376)
As of 31 December	(234,830)	(218,088)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group 2019 RM'000	The Group 2018 RM'000
Deferred tax assets (before offsetting)		
Tax effects of deductible temporary differences arising from:		
Trade receivables	398	16,436
Other receivables, deposits and prepayments	736	-
Other payables and accruals	980	860
Deferred income	95	95
Provision for restoration costs	568	-
Provision for heavy repairs	4,455	3,714
	7,232	21,105
Offsetting	(5,927)	(3,933)
Deferred tax assets (after offsetting)	1,305	17,172

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following: (Cont'd)

	The Group 2019 RM'000	The Group 2018 RM'000
Deferred tax liabilities (before offsetting)		
Tax effects of taxable temporary differences arising from:		
Property, plant and equipment	725	736
Intangible assets	237,892	238,454
Trade receivables	2,776	-
Other receivables, deposits and prepayments	3	3
Trade payables	666	-
	242,062	239,193
Offsetting	(5,927)	(3,933)
Deferred tax liabilities (after offsetting)	236,135	235,260

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group 2019 RM'000	The Group 2018 RM'000
Temporary differences arising from:		
Property, plant and equipment	-	1,138
Right-of-use assets	2,812	-
Other payables and accruals	2,830	3,314
Unused tax losses	17,936	16,777
Unabsorbed capital allowances	8,573	6,848
	32,151	28,077

24. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows: (Cont'd)

	The Company	
	2019 RM'000	2018 RM'000
Temporary differences arising from:		
Property, plant and equipment	-	1,138
Right-of-use assets	2,812	-
Other payables and accruals	2,139	3,314
Unused tax losses	15,247	14,919
Unabsorbed capital allowances	8,480	6,741
	28,678	26,112

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's and the Company's unutilised tax losses with no expiry period amounting to RM16,777,000 and RM14,919,000 respectively as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unused tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025). These unutilised tax losses were classified as "no expiry period" in previous financial years. For tax losses incurred in subsequent years, it will be allowed to be carried for 7 consecutive years from the respective years of assessment.

25. TRADE RECEIVABLES

The analysis of trade receivables between non-current and current is as follows:

	The Group	
	2019 RM'000	2018 RM'000 (Restated)
Non-Current:		
Trade receivables	-	662,172
Less: Loss allowance	-	(66,968)
Net	-	595,204
Current:		
Trade receivables	109,054	129,181
Less: Loss allowance	(1,659)	(1,279)
Net	107,395	127,902
Total	107,395	723,106

25. TRADE RECEIVABLES (CONT'D)

The analysis of trade receivables between non-current and current is as follows: (Cont'd)

	The Company 2019 RM'000	2018 RM'000 (Restated)
Current:		
Trade receivables	10	10
Less: Loss allowance	(1)	(1)
Net	9	9

The Group and the Company apply a simplified approach in calculating loss allowances for trade receivables at an amount equal to lifetime ECL. The Group and the Company estimate the loss allowance on trade receivables by applying an ECL rate at each reporting date. The ECL rate reflects the historical time value loss rate which is computed based on the actual and projected amounts and timing of repayment from the trade receivables on current year billings and the historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. The Group and the Company review the ECL rate at each reporting date to re-measure the loss allowance amount. Changes in the above variables could impact future ECL charges. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9:

The Group	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2018, restated	5	133,507	133,512
Net re-measurement of loss allowances	2	(65,267)	(65,265)
As at 31 December 2018, restated	7	68,240	68,247
Net re-measurement of loss allowances	-	380	380
Write off	-	(66,968)	(66,968)
As at 31 December 2019	7	1,652	1,659
Current	7	1,652	1,659

25. TRADE RECEIVABLES (CONT'D)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9: (Cont'd)

The Company	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2018, restated	1	-	1
Net re-measurement of loss allowances	-	-	-
As at 31 December 2018, restated	1	-	1
Net re-measurement of loss allowances	-	-	-
As at 31 December 2019	1	-	1
Current	1	-	1

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

In 2019, out of the Group's total trade receivables, RM103,605,000 is concentrated on two customers. These customers are Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the Kedah state government and Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), the only entity with the license to extract, treat and distribute water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya following the completion of the Water Restructuring Exercise as disclosed in Note 25(b).

In 2018, out of the Group's total trade receivables, RM704,712,000 was concentrated on two customers. These customers were SADA, a corporatised body under the Kedah state government and Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1 and 3.

(a) SADA

The gross invoiced amount due from SADA to Taliworks (Langkawi) Sdn. Bhd. as of 31 December 2019 of RM58,319,000 (2018: RM46,936,000) was deemed by the Group to be current as payments from SADA have been regular.

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entities of the state government.

During the year, the Group recognised a loss allowance of RM380,000 (2018: RM70,000) on trade receivables due from SADA pursuant to MFRS 9 as disclosed in Note 9.

25. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor/SPLASH

The gross invoiced amount due from Air Selangor as of 31 December 2019 is RM46,938,000 (2018: Amount due from SPLASH is RM726,016,000).

In 2014, the Selangor state and Federal governments executed a heads of agreement for Air Selangor, an entity identified by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya ("Supply Area") by acquiring all the concessionaires ("Water Restructuring Exercise") namely, 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.

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. However, the proposed take-over of SPLASH did not proceed due to pricing disagreements. SPLASH was given a one-year grace period until 7 October 2016 to re-negotiate terms with the Selangor state government but subsequent extensions were granted. As part of the Water Restructuring Exercise, all concession agreements related to the water supply and distribution in the Supply Area are to be terminated effective from the date to be determined by Air Selangor.

On 3 August 2018, Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH Holdings"), the holding company of SPLASH, received a letter of offer from Air Selangor in respect of Air Selangor's proposed purchase of 100% equity interest held by SPLASH Holdings in SPLASH for a sum of RM2.55 billion. SPLASH Holdings had on 9 August 2018 accepted in principle the offer from Air Selangor. The conditional share purchase agreement was signed on 28 September 2018. Subsequently, both parties mutually agreed to extend the cut-off date to fulfil the conditions precedent in the sale purchase agreement from 27 December 2018 to 15 April 2019 before it became unconditional on 24 April 2019.

On 21 August 2018, a subsidiary, Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni"), received a letter of offer from Air Selangor setting out the (i) key terms of settlement between Air Selangor, SPLASH and Sungai Harmoni relating to Sungai Harmoni'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 for SSP1 with SPLASH; and the (ii) key terms in respect of the new bulk water supply agreement for the continued operations and maintenance of SSP1 between Air Selangor and Sungai Harmoni. On 27 August 2018, Sungai Harmoni accepted the offer and upon acceptance of the offer, the directors re-measured the ECL rate at 10% on the basis that SPLASH will settle the outstanding receivables at an amount equal to 90% of the outstanding receivables as at a date to be mutually agreed by the parties. Out of these 90% of the outstanding receivables, an upfront payment of 10% will be paid not later than 14 days from the date to be mutually agreed ("First Payment Date"); and subsequently, the remaining will be paid in 9 equal annual instalments commencing the first anniversary of the First Payment Date, with an interest of 5.25% per annum on the outstanding balance. The re-measurement resulted in a reversal of loss allowance amounting to RM65,337,000 for the year ended 31 December 2018 as disclosed in Note 8.

25. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor/SPLASH (Cont'd)

On 24 May 2019, Sungai Harmoni entered into the following agreements with SPLASH and Air Selangor:

(a) a termination and settlement agreement ("TSA") with Air Selangor and SPLASH in relation to the settlement of outstanding receivables due from SPLASH arising from the Operating & Management Agreement ("OMA") with SPLASH dated 24 January 2000;

(b) a bulk water supply agreement ("BWSA") with Air Selangor in relation to the appointment of Sungai Harmoni for the operations and maintenance of SSP1 and the supply of treated water until 2036; 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.

These agreements became unconditional and were completed on 12 September 2019. The accumulated outstanding amount payable under the SPLASH OMA amounted to RM795,530,373.

Under the TSA, SPLASH will pay 90% of all the outstanding sums due and payable to Sungai Harmoni based on the monthly invoices issued by Sungai Harmoni to SPLASH under the SPLASH OMA accumulated up to 12 September 2019, equivalent to RM715,977,336 ("Settlement Sum"). In addition to the Settlement Sum, SPLASH will pay Sungai Harmoni a sum equivalent to RM6,951,761, being the billing for the treated water supplied from 30 August 2019 to 12 September 2019 based on the reduced bulk supply water rate under the BWSA ("Cut-Over Sum").

On 26 September 2019, being the First Payment Date, SPLASH has paid Sungai Harmoni an upfront sum equivalent to 10% of the Settlement Sum amounting to RM71,597,734 ("Upfront Sum"). Subsequently on 26 November 2019, SPLASH paid Sungai Harmoni a partial payment of the Cut-Over Sum amounting to RM2,898,138. The balance of the Settlement Sum and Cut-Over Sum totalling RM648,433,225 with interest of 5.25% per annum ("Receivables") will be payable in 9 annual instalments commencing the first anniversary of the First Payment Date. Arising from the modification of the SPLASH's original credit terms, the Group recognised a gain on derecognition of the amount due from SPLASH amounting to RM41,140,151 in the current financial year as disclosed in Note 8.

On 18 December 2019, Sungai Harmoni entered into a conditional sale and purchase agreement with Starbright Capital Berhad ("Starbright") to dispose the Receivables for a total disposal cash consideration of RM660,000,000, which comprises an upfront cash consideration of RM626,054,000 and deferred consideration of RM33,946,000 ("Disposal of Receivables"). Starbright is a special purpose bankruptcy remote vehicle under the Companies Act, 2016, incorporated to undertake the asset-backed securitisation ("ABS") exercise which involved the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase of medium-term notes ("MTNs") of up to RM700,000,000 in nominal value arising from the securitisation of the Receivables. During the year, Starbright has issued RM665,000,000 nominal amount of MTNs to meet part of the purchase consideration of the Receivables. The upfront cash consideration was paid upon completion of the Disposal of Receivables on 27 December 2019. The deferred consideration, which has been classified as other receivable, will be receivable at the end of each reporting period over a 9-year term, subject to the projected cash flows of Starbright.

25. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor/SPLASH (Cont'd)

The Disposal of Receivables by Sungai Harmoni under the sale and purchase agreement was legally a "true sale" by way of an absolute legal assignment to Starbright of all of the Sungai Harmoni's rights, title, interests and benefits therein and in the proceeds thereof under the TSA. Arising from the Disposal of Receivables, the Group recognised a loss on disposal amounting to RM29,573,000 in the current financial year, being the difference between the disposal consideration and carrying amount of receivables as disclosed in Note 9.

The financial impacts arising from the Disposal of Receivables are analysed as follows:

	The Group 2019 RM'000
Fair value of Receivables:	
Outstanding receivables from SPLASH	648,433
Gain on derecognition of financial asset	41,140
	689,573
Disposal consideration:	
Consideration received	626,054
Deferred consideration	33,946
	660,000
Loss on disposal	29,573

The ageing of the Group's and the Company's trade receivables which was past due but not impaired as of the end of the reporting period is as follows:

The Group	**SADA RM'000**	**SPLASH RM'000**	**Total RM'000**
2019			
Past due up to 3 months	14,941	-	14,941
Past due 3 to 9 months	31,224	-	31,224
	46,165	-	46,165
2018 (Restated)			
Past due up to 3 months	15,262	41,989	57,251
Past due 3 to 9 months	20,227	61,075	81,302
Past due 9 months and above	-	527,616	527,616
	35,489	630,680	666,169

25. TRADE RECEIVABLES (CONT'D)

The ageing of the Group's and the Company's trade receivables which was past due but not impaired as of the end of the reporting period is as follows: (Cont'd)

	The Company	
	2019 RM'000	2018 RM'000
Past due up to 3 months	-	-

Included in trade receivables of the Group are the following:

	The Group	
	2019 RM'000	2018 RM'000
(a) an amount owing from a subsidiary of joint venture	-	1,552
(b) an amount owing from an associate	3,289	4,605

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

26. DEPOSITS, CASH AND BANK BALANCES

	The Group	
	2019 RM'000	2018 RM'000
Non-Current:		
Deposits with licensed banks	58,184	26,828
Current:		
Deposits with licensed banks	50,826	59,397
Cash and bank balances	21,698	30,438
	72,524	89,835
Total	130,708	116,663
Less: Deposits pledged as security	(58,184)	(26,828)
Cash and cash equivalents	72,524	89,835

26. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

	The Company	
	2019 RM'000	2018 RM'000
Non-Current:		
Deposits with licensed banks	4,572	4,538
Current:		
Cash and bank balances	6,142	13,643
Total	10,714	18,181
Less: Deposits pledged as security	(4,572)	(4,538)
Cash and cash equivalents	6,142	13,643

The currency profile of deposits, cash and bank balances is as follows:

	The Group	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	130,639	116,593
United States Dollar	69	70
Total	130,708	116,663

	The Company	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	10,645	18,111
United States Dollar	69	70
Total	10,714	18,181

Included in long-term deposits with licensed banks of the Group are the following:

(i) amounts totalling RM15,030,000 (2018: RM14,135,000) that are pledged as security for banking facilities to facilitate the issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operations and maintenance of water treatment plants and as security for a revolving credit facility as disclosed in Note 35; and

(ii) an amount of RM43,154,000 (2018: RM12,693,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium-Term Notes as disclosed in Note 35.

26. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,572,000 (2018: RM4,538,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects and as security for a revolving credit facility as disclosed in Note 35.

The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 2.05% to 3.60% (2018: 2.35% to 3.60%) per annum and 2.85% to 3.15% (2018: 3.15%) per annum, respectively.

Deposits of the Group and of the Company have an average maturity ranging from 14 days to 365 days (2018: 14 days to 558 days) and from 30 days to 365 days (2018: 365 days) respectively. Bank balances are deposits held at call with licensed banks.

27. INVENTORIES

	The Group	
	2019 RM'000	2018 RM'000
Consumable spares	1,167	1,258

All of the Group's inventories are expected to be used within the next 12 months.

Cost of inventories received as an expense during the year is RM19,395 (2018: RM17,953).

28. AMOUNT DUE FROM CONTRACT CUSTOMERS

	The Group	
	2019 RM'000	2018 RM'000 (Restated)
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	11,272	9,107
Retention receivables of construction contracts (b)	5,035	4,873
Less: Loss allowance	(469)	(449)
	15,838	13,531

28. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	4,057	2,326
Retention receivables of construction contracts (b)	1,813	2,083
Less: Loss allowance	(188)	(215)
	5,682	4,194

(a) Unbilled revenue included in contract assets represents the Group's and the Company's right to receive consideration for work completed but yet to be billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the Company and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group and the Company issue invoices for certified works performed.

(b) Retention receivables included in contract assets represent the Group's and the Company's right to receive consideration for work performed and yet to be billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group and the Company on the service quality of the construction work performed by the Group and the Company. The due dates for retention receivables are usually upon obtaining certificate of completion of making good defects.

During the year, a reversal of foreseeable losses from a construction contract of RM244,000 (2018: provision for foreseeable losses of RM244,000) was recognised.

Typical payment terms which impact the amount of contract assets recognised are as follows:

The Group's and the Company's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

The Group and the Company also typically agrees to a retention period ranging from 12 months to 24 months for 5% of the contract value. This amount is included in receivables until the end of the retention period at the Group's entitlement to this final payment is conditional on the issuance of certificate of making good defect by the customer.

The Group and the Company classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle ranging from 1 to 2 years.

28. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
1 year to 2 years	1,813	-	1,813	-
More than 2 years	3,222	4,873	-	2,083
	5,035	4,873	1,813	2,083

Significant changes in contract assets during the year are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract assets (other than retention sums) at the beginning of the period transferred to trade receivables	8,875	16,376	2,326	3,852
Retention sums receivables included in contract assets at the beginning of the period transferred to trade receivables	732	-	270	-

The Group and the Company apply an ECL rate, which is computed based on the historical time value loss rate from the timing of repayment of trade receivables, adjusted by forward-looking information that is available without undue cost or effort, to calculate the loss allowances for amount due from contract customers. At each reporting date, the Group and the Company review the ECL rate and re-measure the loss allowance amount.

The following table shows the movements in lifetime ECL that has been recognised for contract assets in accordance with simplified approach set out in MFRS 9.

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	449	169	215	113
Net re-measurement of loss allowances	20	280	(27)	102
At 1 December	469	449	188	215

28. AMOUNT DUE FROM CONTRACT CUSTOMERS (CONT'D)

Included in amount due from contract customers are the following:

	The Group	
	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment (Note 15)	177	187
Rental of site office	33	65
Letter of credit charges	124	49

29. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current:				
Other receivables	29,158	-	-	-
Less: Loss allowance	(3,072)	-	-	-
	26,086	-	-	-
Current:				
Other receivables	11,774	7,961	1	12
Interest receivables	61	30	-	-
Prepayments	1,205	859	135	157
Deposits	1,554	1,569	894	895
Amount due from an associate	-	2,013	-	2,013
	14,594	12,432	1,030	3,077
Total	40,680	12,432	1,030	3,077

Included in other receivables of the Group are the deferred consideration of RM33,946,000 due from Starbright pursuant to the Disposal of Receivables as disclosed in Note 25. Out of this amount, the Group expects that RM4,788,000 will be collected in the next 12 months and thus has been classified as current assets. The remaining balance of RM29,158,000 has been classified as long-term other receivables and it is expected to be collected during the year 2021 to 2028.

During the year, the Group measured the loss allowance for other receivables at an amount equal to the lifetime ECL amounting to RM3,072,000 on the deferred consideration due from Starbright as disclosed in Note 9. The loss allowance is computed based on the time value loss rate from the timing of repayment of deferred consideration, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the Group reviews the ECL rate and re-measures the loss allowance amount.

30. AMOUNT DUE (TO)/FROM SUBSIDIARIES

	The Company	
	2019 RM'000	2018 RM'000
Non-current:		
Amount due from subsidiaries	3,415	3,415
Less: Loss allowance	(3,415)	(3,415)
	-	-
Current:		
Amount due (to)/from subsidiaries	(6,590)	54,171
	(6,590)	54,171

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due from/(to) subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

During the current year, the Company has given advances amounted to RM6,000,000 to Sungai Harmoni Sdn. Bhd., a subsidiary, which bears interest at rates ranging from 5.05% to 5.08% per annum. These advances have been fully repaid during the current year.

31. INVESTMENT DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

Investments designated at FVTPL comprise investments in quoted unit trusts in money market securities instruments that are not held for trading.

The movements in the investments designated at FVTPL during the financial year is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
As of 1 January	61,905	69,770	4,465	2,075
Additions	600,096	15,901	41,039	2,385
Disposals	(77,400)	(23,976)	(18,994)	-
Fair value changes recognised in profit or loss (Notes 8 and 9)	460	210	(5)	5
As of 31 December	585,061	61,905	26,505	4,465

32. SHARE CAPITAL

	The Group and The Company			
	2019		2018	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Issued and fully paid:				
As of 1 January	2,015,817	438,354	1,209,489	438,561
Issued during the financial year:				
Bonus Issue	-	-	806,325	-
Exercise of Warrants	-	-	3	3
Share issue costs	-	-	-	(210)
As of 31 December	2,015,817	438,354	2,015,817	438,354

(a) In 2018, the Company issued 806,325,239 new ordinary shares on the basis of two (2) new ordinary shares for every three (3) existing ordinary shares in the Company ("Bonus Issue") by utilising RM161,265,048 from the share premium account at RM0.20 per bonus share and the issuance of 3,335 new ordinary shares pursuant to the exercise of Warrants 2015/2018 ("Warrants") of the Company. As a result, the issued and paid-up share capital of the Company increased from RM438,561,133 comprising 1,209,489,000 ordinary shares to RM438,353,656 (after deduction of share issue costs) comprising 2,015,817,574 ordinary shares.

(b) Warrants

On 12 November 2015, the Company issued 241,897,790 Warrants on the basis of one (1) Warrant for every five (5) ordinary shares held after a share split involving the subdivision of every two (2) then existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each. The Warrants entitle the holders to subscribe for one (1) new ordinary share for every one (1) Warrant held within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018 ("Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants were:

(i) the Warrants were issued in registered form and were constituted and governed by a deed poll executed by the Company ("Deed Poll");

(ii) each Warrant entitles the holder to subscribe for one new ordinary share at an exercise price of RM1.70 per share at any time during the Exercise Period;

(iii) the Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities to the ordinary shareholders in the Company until and unless such Warrant holders exercise their Warrants;

(iv) the new shares to be allotted and issued pursuant to the exercise of the Warrants shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions when the entitlement date of which is prior to the date of the allotment of the new shares;

32. SHARE CAPITAL (CONT'D)

(b) Warrants (Cont'd)

The main features of the Warrants were: (Cont'd)

(v) the exercise price of the Warrant and/or the number of unexercised Warrants may from time to time be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

Arising from the Bonus Issue, the exercise price of RM1.70 per share was adjusted to RM1.02 and additional Warrants of 161,264,870 were issued pursuant to the Deed Poll governing the Warrants. With the expiry of the Warrants on 11 November 2018, a total of 403,159,275 Warrants which remained unexercised at the expiry date has lapsed and ceased to be valid.

Set out below are details of Warrants over ordinary shares of the Company:

		Number of Warrants over ordinary shares				
Date of issue	**Exercise price per share RM**	**As of 1 January '000**	**Addition '000**	**Exercised '000**	**Lapsed '000**	**As of 31 December '000**
2018						
12.11.2015	1.02 - 1.70	241,898	161,265	(3)	(403,160)	-
Weighted average exercise price (RM)		1.70	0.20	1.02	1.02	-

33. MERGER DEFICIT

	The Group	
	2019 RM'000	**2018 RM'000**
Merger deficit	71,500	71,500

33. MERGER DEFICIT (CONT'D)

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in the financial year ended 31 December 2000:			
Sungai Harmoni Sdn. Bhd.	47,000	(5,000)	42,000
Taliworks (Langkawi) Sdn. Bhd.	32,500	(3,000)	29,500
	79,500	(8,000)	71,500

34. RETAINED EARNINGS

The Company is currently under the single-tier income tax system.

The entire retained earnings of the Company as of the end of the reporting period are available for distribution as single-tier dividends under the single-tier income tax system. Under this system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax.

35. BORROWINGS

	The Group	
	2019 RM'000	2018 RM'000
Non-Current:		
Islamic Medium-Term Notes ("IMTN")	417,612	417,064
Revolving credit	10,000	20,000
	427,612	437,064
Current:		
Revolving credit	40,000	10,000
Finance lease liabilities	-	58
	40,000	10,058
Total:		
IMTN (a)	417,612	417,064
Revolving credit (b)	50,000	30,000
Finance lease liabilities (c)	-	58
	467,612	447,122

35. BORROWINGS (CONT'D)

	The Company	
	2019 RM'000	2018 RM'000
Non-Current:		
Revolving credit	10,000	20,000
Current:		
Revolving credit	40,000	10,000
Total revolving credit (b)	50,000	30,000

The Group and the Company have a total of RM890,500,000 and RM95,000,000 (2018: RM842,500,000 and RM65,000,000) of credit facilities, respectively comprising revolving credit and other trade financing facilities granted by financial institutions and RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM822,500,000 (2018: RM804,500,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

Facilities of the Company amounting to RM27,000,000 (2018: RM27,000,000) are secured by way of proceeds deposited into designated bank accounts and fixed deposits.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM67,315,000 (2018: RM67,701,000) issued to financial institutions for banking facilities secured by certain subsidiaries.

Weighted average interest/profit rates that were effective as of the end of the reporting period are as follows:

	The Group	
	2019 %	2018 %
Fixed rates:		
IMTN	3.44 to 4.25	4.27 to 4.87
Finance lease liabilities	-	2.48 to 2.50
Floating rates:		
Revolving credit	5.05 to 5.08	5.30

	The Company	
	2019 %	2018 %
Floating rates:		
Revolving credit	5.05 to 5.08	5.30

35. BORROWINGS (CONT'D)

(a) IMTN

	The Group 2019 RM'000	The Group 2018 RM'000
As of 1 January	417,064	416,516
Interest imputed in borrowing (Note 9)	548	548
As of 31 December	417,612	417,064

The Ringgit Malaysia denominated IMTN was issued by a subsidiary, Cerah Sama Sdn. Bhd. under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account; and

(ii) the subsidiary's equity interest in ordinary shares of all of its subsidiaries.

The IMTN is repayable over 11 annual instalments commencing 2020.

(b) Revolving credit

In 2018, the Company obtained a revolving credit facility of RM30,000,000 from a financial institution to finance its general investment and working capital requirements of the Group. The revolving credit facilities are unsecured and repayable over 3 equal instalments of RM10,000,000 per year over a duration of 3 years commencing from the date of drawdown.

During the current year, the revolving credit facility's limit has increased to RM60,000,000 and fully utilised by the Group. At the end of the reporting period, the outstanding balance of the revolving credit amounted to RM50,000,000.

(c) Finance lease liabilities

The finance lease liabilities are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	The Group 2018 RM'000
The minimum lease payments at the end of the reporting period are as follows:	
Not later than 1 year	59
Future finance charges	(1)
Present value	58
The maturity profile of the present value of the finance lease liabilities are as follows:	
Not later than 1 year	58

35. BORROWINGS (CONT'D)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	As of 1 January RM'000	Drawdown/ (Repayments) RM'000	Interest expense RM'000	As of 31 December RM'000
The Group				
2019				
Revolving credit	30,000	20,000	-	50,000
Lease liabilities, as restated	19,292	(2,382)	1,023	17,933
IMTN	417,064	-	548	417,612
	466,356	17,618	1,571	485,545
2018				
Revolving credit	-	30,000	-	30,000
Finance lease liabilities	214	(156)	-	58
IMTN	416,516	-	548	417,064
	416,730	29,844	548	447,122
The Company				
2019				
Revolving credit	30,000	20,000	-	50,000
Lease liabilities, as restated	19,234	(2,323)	1,022	17,933
	49,234	16,677	1,022	67,933
2018				
Revolving credit	-	30,000	-	30,000

36. LEASE LIABILITIES

	The Group and The Company 2019 RM'000
Non-Current:	
Lease liabilities	15,330
Current:	
Lease liabilities	2,603
Total	17,933

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The lease liabilities are denominated in Ringgit Malaysia and comprises leases on office premises and obligations under finance lease on motor vehicles.

(a) Office premises

During the current year, the Group renewed the rental of its office premises. The rental tenure is for 3 years with the option for renewal of one term of 3 years each up to 31 December 2025.

(b) Obligations under finance lease

The Group's and the Company's obligations under finance lease bore effective interest rate at 2.22% per annum.

The maturity analysis of the future lease payment at the reporting date are as follows:

	The Group and The Company 2019 RM'000
Maturity analysis:	
Year 1	2,603
Year 2	2,706
Year 3	2,675
Year 4	3,147
Year 5	3,313
Onwards	3,489
Present value	17,933

37. TRADE PAYABLES

	The Group 2019 RM'000	The Group 2018 RM'000
Non-Current:		
Trade payables (a)	34,599	-
Retention sums (b)	1,602	1,657
Less: Interest income imputed in retention sum	(186)	(123)
Net	36,015	1,534
Current:		
Trade payables (a)	79,813	190,074
Retention sums (b)	8,043	9,663
Net	87,856	199,737
Total	123,871	201,271

(a) During the financial year, the following transactions have taken place:

(i) Sungai Harmoni reached an agreement with certain major trade creditors for the latter to waive 10% on the gross outstanding payables totalling RM87,429,000, equivalent to RM8,743,000. Out of the remaining outstanding balance, amounts totalling RM56,060,000 has been agreed be repaid over a period of three (3) years, the first payment being 31 March 2020 and accordingly, the subsequent two payments have been reclassified as long-term trade payables. Arising from the modification of the original credit term, the Group recognised a gain on derecognition of the balance outstanding payables in the current financial year, equivalent to RM2,774,000 as disclosed in Note 8; and

(ii) The Group recognised a waiver of late penalty charges on outstanding bills owing to Tenaga Nasional Berhad ("TNB") amounting to RM4,446,000 pursuant to the consent judgement as further disclosed in Note 47.

Consequently, the Group recognised a waiver of debts owing to trade payables totalling RM13,189,000 as disclosed in Note 8.

(b) At the end of the financial year, the Group has a retention sum owing to contractors amounting to approximately RM9,645,000 (2018: RM11,320,000). Out of this amount, the Group anticipated that RM8,043,000 (2018: RM9,663,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM1,602,000 (2018: RM1,657,000) has been classified as long-term payables, and it is expected to be released to contractors in year 2021 and 2022 (2018: 2020).

The directors consider that the carrying amount of trade payables approximate to their fair values.

37. TRADE PAYABLES (CONT'D)

(b) The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group 2019 RM'000	2018 RM'000
Non-Current:		
As of 1 January	123	712
Recognised in profit or loss (Notes 8 and 9)	63	(589)
As of 31 December	186	123

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

Included in trade payables of the Group are the following:

	The Group 2019 RM'000	2018 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	43,963	40,364
(b) an amount owing to a company in which major shareholders have an interest	18,289	18,213
(c) an amount owing to an associate	15,659	16,192

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

38. PROVISIONS

	The Group 2019 RM'000	The Group 2018 RM'000
Provision for heavy repairs	18,562	17,170
Provision for restoration costs	3,177	-
	21,739	17,170
Current	2,368	-
Non-current	19,371	17,170
	21,739	17,170

	The Company 2019 RM'000	The Company 2018 RM'000
Provision for restoration costs	809	-
Non-current	809	-

	The Group Provision for heavy repairs RM'000	Provision for restoration costs RM'000	Total RM'000
As of 1 January 2018	13,617	-	13,617
Provision for the year	3,553	-	3,553
As of 31 December 2018/1 January 2019	17,170	-	17,170
Provision for the year	1,392	3,177	4,569
As of 31 December 2019	18,562	3,177	21,739

38. PROVISIONS (CONT'D)

	The Company Provision for restoration costs RM'000
As of 1 January 2018/31 December 2018/ 1 January 2019	-
Provision for the year	809
As of 31 December 2019	809

Provision of heavy repairs of the Group represents management's best estimate of Grand Saga Sdn. Bhd., a subsidiary's obligation to perform heavy repairs for the concession of Cheras-Kajang Highway.

Provision for restoration costs of the Group represents management's best estimate of the liability to restore the concession assets under Taliworks (Langkawi) Sdn. Bhd., a subsidiary at the end of the concession period in October 2020, and the liability to restore the leased office premises for the Group and the Company at the end of the lease term.

39. DEFERRED INCOME

	The Group	
	2019 RM'000	2018 RM'000
Rental and maintenance fee:		
As of 1 January	1,963	1,985
Received	-	96
Recognised in profit or loss (Note 8)	(118)	(118)
As of 31 December	1,845	1,963
Government compensation:		
As of 1 January	139,527	155,592
Recognised in profit or loss (Note 6)	(17,273)	(16,065)
As of 31 December	122,254	139,527
Current	15,966	17,273
Non-current	108,133	124,217
Total deferred income	124,099	141,490

The description of deferred income has been disclosed in Note 3.

40. OTHER PAYABLES AND ACCRUALS

	The Group 2019 RM'000	The Group 2018 RM'000
Other payables and accruals	36,178	45,062
Interest payables	8,864	8,864
	45,042	53,926

	The Company 2019 RM'000	The Company 2018 RM'000
Other payables and accruals	4,156	15,068

Included in other payables and accruals of the Group and of the Company are the following:

	The Group 2019 RM'000	The Group 2018 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	268	7,354

	The Company 2019 RM'000	The Company 2018 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	169	7,301

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

41. DIVIDENDS

Dividends declared and paid/payable in respect of the financial year are as follows:

2019	**The Group and The Company** **Gross dividend per share** **Sen**	**Amount of dividend, net of tax** **RM'000**
Dividends paid:		
In respect of the financial year ended 31 December 2018:		
Fourth interim single-tier dividend paid on 27 May 2019	1.2	24,190
In respect of the financial year ended 31 December 2019:		
First interim single-tier dividend paid on 27 August 2019	1.2	24,190
Second interim single-tier dividend paid on 26 November 2019	1.2	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2019:		
Third interim single-tier dividend paid on 25 February 2020	1.2	24,190
		96,760

On 27 February 2020, the directors declared a fourth interim single-tier dividend of 1.65 sen per share amounting to approximately RM33,260,990 in respect of the current financial year, to be paid on 27 March 2020. This dividend has not been included as a liability in the statements of financial position as of 31 December 2019. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2020.

The directors do not recommend any final dividend in respect of the current financial year.

2018	**The Group and The Company** **Gross dividend per share** **Sen**	**Amount of dividend, net of tax** **RM'000**
Dividends paid:		
In respect of the financial year ended 31 December 2017:		
Fourth interim single-tier dividend paid on 13 April 2018	1.2	24,190
In respect of the financial year ended 31 December 2018:		
First interim single-tier dividend paid on 13 July 2018	1.2	24,190
Second interim single-tier dividend paid on 26 October 2018	1.2	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2018:		
Third interim single-tier dividend paid on 31 January 2019	1.2	24,190
		96,760

42. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and investments designated at FVTPL. Total capital is the "total equity attributable to owners of the Company" as shown in the statements of financial position.

The Group's and the Company's strategy, which was unchanged from the previous year, is to maintain the gearing ratio of less than 100%.

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total borrowings (Note 35)	467,612	447,122	50,000	30,000
Less: Deposits, cash and bank balances (Note 26)	(130,708)	(116,663)	(10,714)	(18,181)
Less: Investments designated at FVTPL (Note 31)	(585,061)	(61,905)	(26,505)	(4,465)
Net debt	-	268,554	12,781	7,354
Total capital	1,032,904	1,056,849	576,136	633,634
Net gearing ratio	N/A	25%	2%	1%

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

42. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments

	The Group 2019 RM'000	The Group 2018 RM'000 (Restated)
Financial assets		
Financial assets at amortised cost:		
Trade receivables	107,395	723,106
Other receivables and deposits (Note 29)	39,475	11,573
Deposits, cash and bank balances	130,708	116,663
Financial assets at FVTPL:		
Investment designated at FVTPL	585,061	61,905
Other investments	240	240
Financial assets at FVTOCI:		
Investment in redeemable preference shares of a joint venture (Note 20)	36,424	36,424
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	123,871	201,271
Other payables and accruals	45,042	53,926
Borrowings	467,612	447,122
Lease liabilities	17,933	-
Dividend payable	24,190	24,190

	The Company 2019 RM'000	The Company 2018 RM'000 (Restated)
Financial assets		
Financial assets at amortised cost:		
Trade receivables	9	9
Other receivables and deposits (Note 29)	895	2,920
Amount due from subsidiaries	-	54,171
Deposits, cash and bank balances	10,714	18,181
Financial assets at FVTPL:		
Investment designated at FVTPL	26,505	4,465
Financial assets at FVTOCI:		
Investment in redeemable preference shares of a subsidiary (Note 19)	238,012	238,012
Investment in redeemable preference shares of a joint venture (Note 20)	36,424	36,424

42. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (Cont'd)

	The Company 2019 RM'000	2018 RM'000 (Restated)
Financial liabilities		
Financial liabilities at amortised cost:		
Other payables and accruals	4,156	15,068
Amount due to subsidiaries	6,590	-
Borrowings	50,000	30,000
Lease liabilities	17,933	-
Dividend payable	24,190	24,190

Financial Risk Management Objectives

The Group's and the Company's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group and of the Company. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group and the Company do not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and the Company are not exposed to significant foreign currency risk as there are no transactions undertaken denominated in currencies other than the functional currencies of the entities.

Sensitivity analysis for foreign currency risk

The Group's and the Company's exposure to foreign currency risk is not material and hence, sensitivity analysis is not presented.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's and the Company's deposits and borrowings. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company closely monitor the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

42. FINANCIAL INSTRUMENTS (CONT'D)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM3,586,000 and RM454,000 (2018: RM3,608,000 and RM255,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group and the Company is concentrated in a few customers. The Group and the Company consider the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's and the Company's receivables. Further disclosure is made in Note 25.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations at the end of the reporting period.

Investments designated at FVTPL comprise investment in liquid securities primarily in quoted unit trusts in money market securities instruments managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia. The carrying amount of investments designated at FVTPL disclosed in Note 31 best represents their maximum exposure to credit risk.

The Group and the Company do not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

As disclosed in Note 25, the concentration of credit risk is in the two largest customers. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

42. FINANCIAL INSTRUMENTS (CONT'D)

Maximum exposure to credit risk (Cont'd)

The credit quality of deposits, cash and bank balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits, cash and bank balances (Note 26):				
External credit rating				
(as rated by a rating agency in Malaysia):				
AAA	105,299	94,085	9,854	17,545
AA2	25,203	22,368	847	623
Without external credit rating	206	210	13	13
	130,708	116,663	10,714	18,181

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group and the Company seek to maintain flexibility in funding by keeping committed credit lines available. If required, the Group and the Company will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceed current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries to enable the subsidiaries to meet their liabilities as and when they fall due.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2019						
Non-interest bearing:						
Trade payables	-	60,482	-	-	-	60,482
Other payables and accruals	-	45,042	-	-	-	45,042
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Trade payables	5.3 to 8.0	27,374	19,308	19,667	-	66,349
Borrowings	3.4 to 5.1	82,369	49,456	128,584	315,085	575,494
Lease liabilities	2.2 to 5.3	3,546	3,512	10,692	3,674	21,424
		243,003	72,276	158,943	318,759	792,981

42. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (Cont'd)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows. (Cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2018						
Non-interest bearing:						
Trade payables	-	189,923	-	-	-	189,923
Other payables and accruals	-	53,926	-	-	-	53,926
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Trade payables	8.0	9,814	1,657	-	-	11,471
Borrowings	2.4 to 5.3	32,657	61,456	153,273	359,852	607,238
		310,510	63,113	153,273	359,852	886,748
The Company						
2019						
Non-interest bearing:						
Other payables and accruals	-	4,156	-	-	-	4,156
Amount due to subsidiaries	-	6,590	-	-	-	6,590
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	3.4 to 5.1	42,650	10,530	-	-	53,180
Lease liabilities	2.2 to 5.3	3,546	3,512	10,692	3,674	21,424
		81,132	14,042	10,692	3,674	109,540
2018						
Non-interest bearing:						
Other payables and accruals	-	15,068	-	-	-	15,068
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	2.4 to 5.3	11,590	11,060	10,530	-	33,180
		50,848	11,060	10,530	-	72,438

42. FINANCIAL INSTRUMENTS (CONT'D)

Financing Facilities

The Group and the Company have access to financing facilities as described in Note 35, of which RM370,371,000 and RM7,678,000 (2018: RM349,292,000 and RM9,599,000) were unused at the reporting date. The Group and the Company expect to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

43. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial assets that are measured at fair value

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2019				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	585,061	-	585,061
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

43. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (Cont'd)

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy: (Cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	61,905	-	61,905
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
The Company				
2019				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	26,505	-	26,505
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2018				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	4,465	-	4,465
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

43. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (Cont'd)

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in unquoted unit trusts in general, fair values have been estimated by reference to quotes published by unit trust companies.

For investment in redeemable preference shares of a subsidiary and a joint venture, fair values have been estimated by discounting the projected cash flows of dividends to be distributed by the subsidiary and joint venture up to the expiry date of the concession agreements at cost of equity of the respective subsidiary and joint venture.

For investment in golf membership, the fair value is based on market comparison technique, comparing to quoted prices of other comparable golf club memberships.

(b) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2019				
IMTN	-	406,292	-	406,292
2018				
IMTN	-	441,252	-	441,252

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 3.4% to 4.3% (2018: 4.3% to 4.9%).

43. FAIR VALUE MEASUREMENT (CONT'D)

(c) Description of key inputs to valuation on the financial assets measured at Level 3

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
2019			
Long-term trade receivables:			
Lifetime ECL method	ECL rate	0.12 to 10.35	An increase in the ECL rate used would result in a decrease in the fair value.
2018			
Long-term trade receivables:			
Lifetime ECL method	ECL rate	0.04 to 10.00	An increase in the ECL rate used would result in a decrease in the fair value.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn. Bhd.	Common director and common major shareholders
Perangsang Water Management Sdn. Bhd.	Indirect common major shareholder
Exitra Sdn. Bhd.	Common director and indirect common major shareholder
Exitra Solutions Sdn. Bhd.	Common director and indirect common major shareholder
GSL Realty Sdn. Bhd.	Common director and indirect common major shareholder
Amalgamated Industrial Steel Berhad	Common directors and indirect common major shareholder
LGB Management Services Sdn. Bhd.	Common director and indirect common major shareholder
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Aqua-Flo Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate
LGB Taliworks Consortium Sdn. Bhd.	Associate

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant from:				
Aqua-Flo Sdn. Bhd.	19,722	18,847	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	6,570	6,242	-	-
Perangsang Water Management Sdn. Bhd. (a)	3,285	3,121	-	-
Contractual payments in respect of royalty fees to:				
Alam Ria Sdn. Bhd. (a)	3,210	3,155	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,938	1,735	457	388
Exitra Solutions Sdn. Bhd. (b)	156	177	100	101
Rental of office premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,038	3,038	3,038	3,038
Progress billings:				
LGB Taliworks Consortium Sdn. Bhd.	17,739	18,267	-	-
Grand Sepadu (NK) Sdn. Bhd.	-	4,663	-	-
Utilities and management services:				
GSL Realty Sdn. Bhd.	84	-	84	-
LGB Management Services Sdn. Bhd.	82	-	82	-
Purchase of steel bar from:				
Amalgamated Industrial Steel Berhad (b)	-	2,162	-	-
Income from subleasing right-of-use assets (2018:Rental income):				
Sungai Harmoni Sdn. Bhd.	-	-	269	269
Taliworks Construction Sdn. Bhd.	-	-	448	448

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions: (Cont'd)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	3,034	3,034
Taliworks (Langkawi) Sdn. Bhd.	-	-	1,494	1,494
Taliworks Construction Sdn. Bhd.	-	-	786	786
Grand Saga Sdn. Bhd.	-	-	2,969	2,969
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,464	1,464	1,464	1,464
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,800	3,800	3,800	3,800
Total (Note 6)	5,264	5,264	13,547	13,547
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	19,080	11,010
TEI Sdn. Bhd.	-	-	16,320	18,615
Joint venture:				
Pinggiran Muhibbah Sdn. Bhd	-	-	10,800	-
Associates:				
Aqua Flo Sdn. Bhd.	-	-	850	694
Total (Note 6)	-	-	47,050	30,319

(a) The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. with Sungai Harmoni and Taliworks (Langkawi) Sdn. Bhd.. The contractual agreement in respect of technical support and management services between Sungai Harmoni and Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. was entered into in 2000. The contractual agreement in respect of royalty fees between Taliworks (Langkawi) Sdn. Bhd. and Alam Ria Sdn. Bhd. was originally entered into in 1996.

Lim Chin Sean is a director and major shareholder of the Company. He is also a director and major shareholder of Alam Ria Sdn. Bhd., and deemed a major shareholder in Perangsang Water Management Sdn. Bhd..

(b) Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd., GSL Realty Sdn. Bhd., LGB Engineering Sdn. Bhd. and Amalgamated Industrial Steel Berhad. He is also a major shareholder in these companies as well as in SWM Environment Holdings Sdn. Bhd..

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees	144	144	120	120
Wages, salaries and bonus	5,032	6,104	2,823	3,836
Defined contribution plan	560	731	314	460
Other emoluments	270	521	190	285
	6,006	7,500	3,447	4,701

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM657,000 (2018: RM607,000) and RM629,000 (2018: RM579,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM255,000 (2018: RM505,000) and RM185,000 (2018: RM280,000) respectively.

45. CAPITAL COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Authorised but not contracted for:				
Property, plant and equipment	3,262	2,296	397	326

45. CAPITAL COMMITMENTS (CONT'D)

(b) Non-cancellable short-term commitments:

Short-term lease for water supply installation and quarters:

	The Group	
	2019 RM'000	2018 RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	-	150
	150	300

The above lease payments relate to a subsidiary, Taliworks (Langkawi) Sdn. Bhd.'s, non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract. Upon the adoption of MFRS 16, the Group adopted the short-term lease exemption and hence was not included in the measurement of the lease liabilities. This expense is presented net of revenue in profit or loss pursuant to MFRS 15.

46. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties, the advertisement billboards, rest and services area along its highways to business operators or retailers. The Group entered into operating lease arrangements of between 1 to 5 years, with extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Year 1	440	456	803	716
Year 2	116	440	803	803
Year 3	32	116	791	803
Year 4	3	32	-	791
	591	1,044	2,397	3,113

47. SIGNIFICANT EVENTS

(a) In March 2018, a subsidiary, Sungai Harmoni, received two writs of summons together with the corresponding statements of claim filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB.

TNB is claiming for the outstanding sums owed amounting to approximately RM8,015,000 ("Outstanding Sums 1") and RM27,693,000 ("Outstanding Sums 2") as of 31 January 2019, interest on Outstanding Sums 1 and 2 at the rate of 5% per annum calculated from 31 January 2019 until the date of full settlement, costs, and such other reliefs and/or order that the court deems fit and proper. The subsidiary is defending both suits and has engaged solicitors in connection therewith.

The subsidiary had on 29 March 2018 served two third party notices on each of TNB, SPLASH and the Shah Alam High Court for the purpose of making SPLASH a party to each respective suits.

During the current year, the subsidiary through its legal counsels with the agreement of TNB, filed a consent judgement with the Shah Alam High Court to record the settlement terms and conditions between the subsidiary and TNB in respect of the Suit and other related matters in connection therewith. Pursuant to the consent judgement, the Group recognised a waiver of late penalty charges on outstanding bills owing to TNB of approximately RM4,446,000 in the current financial year.

(b) During the year, Sungai Harmoni has entered into agreements relating to the termination and settlement of receivables from SPLASH and the disposal of such receivables to Starbright Capital Berhad under an asset-backed securitisation exercise as disclosed in Note 25.

48. COMPARATIVE FIGURES

Certain comparative figures in the financial statements has been reclassified to conform with the current presentation:

	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
The Group			
Statement of Financial Position			
Non-Current Assets:			
Trade receivables	599,631	(4,427)	595,204
Current Assets:			
Amount due from contract customers	9,104	4,427	13,531
Non-Current Liabilities:			
Provision for heavy repairs	17,170	(17,170)	-
Provisions	-	17,170	17,170
The Company			
Statement of Financial Position			
Non-Current Assets:			
Trade receivables	1,868	(1,868)	-
Current Assets:			
Amount due from contract customers	2,326	1,868	4,194

48. COMPARATIVE FIGURES (CONT'D)

Certain comparative figures in the financial statements has been reclassified to conform with the current presentation: (Cont'd)

	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
The Group			
Statement of Cash Flows			
Cash flows from operating activities:			
(Increase)/Decrease in:			
Amount due from contract customers	7,839	4,427	12,266
Trade and other receivables	(119,245)	(4,427)	(123,672)
The Company			
Statement of Cash Flows			
Cash flows from operating activities:			
(Increase)/Decrease in:			
Amount due from contract customers	1,526	1,868	3,394
Trade and other receivables	7,030	(1,868)	5,162

49. SUBSEQUENT EVENT

Subsequent to the end of the financial year, the outbreak of the Coronavirus Disease 2019 ("Covid-19") has spread to Malaysia and it has affected the business activities in the country to a certain extent following the Government's Movement Control Order from 18 March 2020.

However, as the Group is predominantly involved in businesses that provide essential services to the public, the directors do not foresee that the Covid-19 outbreak will materially impact the business outlook or financial performance of the Group.

Arising from the outbreak, the Group has implemented a series of measures to contain the spread of Covid-19 and to minimise its impact to its businesses. The Group will closely monitor the development of the Covid-19 and continuously assess the impact on its operations. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and cannot be reliably estimated as of the date of these financial statements.

SHAREHOLDINGS STRUCTURE

The total number of issued shares of the Company stands at 2,015,817,574 ordinary shares, with voting right of one vote per ordinary share.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	316	9.15	10,295	0.00
100 – 1,000	357	10.33	186,534	0.01
1,001 – 10,000	1,235	35.75	6,646,290	0.33
10,001 – 100,000	1,184	34.27	35,946,171	1.78
100,001 to less than 5% of issued shares	358	10.36	924,964,951	45.89
5% and above of issued shares	5	0.14	1,048,063,333	51.99
Total	**3,455**	**100.00**	**2,015,817,574**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	383,385,000	19.02
2.	Water Clinic Sdn Bhd	270,000,000	13.39
3.	Lembaga Tabung Haji	146,950,000	7.29
4.	Malar Terang Sdn Bhd	124,638,333	6.18
5.	Century General Water (M) Sdn Bhd	123,090,000	6.11
6.	Mal Monte Sdn Bhd	95,850,000	4.75
7.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for AIA Bhd.*	88,050,667	4.37
8.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for UBS AG Hong Kong (Foreign)*	75,000,000	3.72
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	75,000,000	3.72
10.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	64,915,500	3.22
11.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)*	42,669,583	2.12

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
12.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Lim Chee Meng (PB)*	41,666,666	2.07
13.	Lim Chee Meng	36,628,750	1.82
14.	CIMB Group Nominees (Asing) Sdn Bhd *Pledged Securities Account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)*	31,250,000	1.55
15.	Maybank Nominees (Tempatan) Sdn Bhd *National Trust Fund (IFM Maybank)*	19,637,700	0.97
16.	Ng Yim Hoo	18,063,333	0.90
17.	Minhat Bin Mion	13,333,333	0.66
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Ka Ting (E-SS2)*	13,300,000	0.66
19.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 14)*	13,102,500	0.65
20.	Hong Leong Investment Bank Berhad *IVT*	12,016,300	0.60
21.	Amanahraya Trustees Berhad *PMB Shariah Aggressive Fund*	10,427,300	0.52
22.	CIMB Islamic Nominees (Tempatan) Sdn Bhd *Principal Islamic Asset Management Sdn Bhd for Lembaga Tabung Haji*	9,500,033	0.47
23.	Century General Water (M) Sdn Bhd	8,745,000	0.43
24.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CPIAM EQ)*	8,473,200	0.42
25.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Ng Lee Ling (PBCL-0G0594)*	7,000,000	0.35
26.	Maybank Nominees (Tempatan) Sdn Bhd *National Trust Fund (IFM Kenanga)*	6,880,700	0.34
27.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Principal Dali Opportunities Fund*	5,404,600	0.27
28.	Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Maybank Kim Eng Securities Pte Ltd*	5,269,800	0.26
29.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB PRIN)*	5,065,900	0.25
30	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund*	4,806,266	0.24
	TOTAL	**1,760,120,464**	**87.32**

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	383,385,000	19.02	-	-	-
Water Clinic Sdn Bhd	270,000,000	13.39	-	-	-
Lembaga Tabung Haji	156,662,833	7.77	-	-	-
Century General Water (M) Sdn Bhd	131,835,000	6.54	-	-	-
Malar Terang Sdn Bhd	124,638,333	6.18	-	-	-
Vijay Vijendra Sethu	106,250,000	5.27	75,000,000	(a)	3.72
Anekawal Sdn Bhd	-	-	383,385,000	(b)	19.02
LGB Holdings Sdn Bhd	-	-	1,005,708,333	(c)	49.89
Adil Cita Sdn Bhd	-	-	515,220,000	(d)	25.56
Dato' Lim Chee Meng	78,295,416	3.88	1,006,833,333	(e)	49.95
Lim Chin Sean	250,006	0.01	1,006,833,333	(e)	49.95
GSL Development Sdn Bhd	-	-	131,835,000	(f)	6.54

Notes:-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.

(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.

(d) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.

(e) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.

(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	-	-	-	-
Dato' Lim Yew Boon	625,000	0.03	-	-	-
Lim Chin Sean	250,006	0.01	1,006,833,333	(a)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-
Datuk Roger Tan Kor Mee	-	-	-	-	-

Note:-

(a) Deemed interest by virtue of his substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.

By virtue of his interest in the Company pursuant to Section 8 of the Companies Act 2016, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting ("29th AGM") of the Company will be held fully virtual at the broadcast venue at Banyan Room, Ground Floor, Sime Darby Convention Centre, No 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 16 June 2020 at 2.30 p.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees of RM922,192 in respect of the financial year ended 31 December 2019 (2018: RM1,080,000). **(Resolution 1)** **(Please refer to Note 2)**

3. To approve the payment of Directors' fees with effect from 1 January 2020 until the next Annual General Meeting of the Company to be held in 2021. **(Resolution 2)** **(Please refer to Note 3)**

4. To approve the payment of Directors' benefits with effect from 17 June 2020 until the next Annual General Meeting of the Company to be held in 2021. **(Resolution 3)** **(Please refer to Note 4)**

5. To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) Dato' Lim Yew Boon **(Resolution 4)**
   (b) Lim Chin Sean **(Resolution 5)**
   (Please refer to Note 5)

6. To re-elect the following Directors who are retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz **(Resolution 6)**
   (b) Datuk Roger Tan Kor Mee **(Resolution 7)**
   (Please refer to Note 6)

7. To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 8)** **(Please refer to Note 7)**

As Special Business

To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

8. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

"THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed twenty per centum (20%) of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **(Resolution 9)** **(Please refer to Note 8)**

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company, or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

9. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 18 May 2020 ("the Circular") provided that such transactions are: **(Resolution 10)** **(Please refer to Note 9)**

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate").

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said Annual General Meeting;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

WONG WAI FOONG
(SSM PC No.: 202008001472) (MAICSA 7001358)
TAN BEE HWEE
(SSM PC No.: 202008001497) (MAICSA 7021024)
Company Secretaries

Kuala Lumpur
Dated this 18th day of May, 2020

Explanatory Notes on Ordinary Business / Special Business:

1. **Item 1 of the Agenda**

   To receive the Audited Financial Statements for the financial year ended 31 December 2019

   This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 2 of the Agenda**

   To approve the payment of Directors' fees of RM922,192 in respect of the financial year ended 31 December 2019 (2018: RM1,080,000)

   The proposed Ordinary Resolution 1, if passed, will give authority to the Company to pay the Directors' fees of RM922,192 in respect of the financial year ended 31 December 2019. The Directors' fees were calculated based on the rate of RM200,000 per year for Chairman of the Board, RM160,000 per year for Chairman of the Audit and Risk Management Committee and RM120,000 per year for other Directors. The quantum of the Directors' fees remained unchanged. The difference in Directors' fees for the financial year ended 31 December 2019 as compared to the previous year was due to the retirement and resignation of two Directors respectively on 30 May 2019, and in place thereof, two Directors were appointed on 27 November 2019.

3. **Item 3 of the Agenda**

   To approve the payment of Directors' fees with effect from 1 January 2020 until the next Annual General Meeting of the Company to be held in 2021

   The proposed Ordinary Resolution 2, if passed, will give authority to the Company to pay the Directors' fees with effect from 1 January 2020 until the next Annual General Meeting of the Company to be held in 2021, as and when their services are rendered. The quantum of the Directors' fees for each category of Directors remains unchanged as compared with the year 2019.

   The Directors' fees were calculated based on the rate of RM200,000 per year for Chairman of the Board, RM160,000 per year for Chairman of the Audit and Risk Management Committee and RM120,000 per year for other Directors.

4. **Item 4 of the Agenda**

   To approve the payment of Directors' benefits with effect from 17 June 2020 until the next Annual General Meeting of the Company to be held in 2021

   The proposed Ordinary Resolution 3, if passed, will give authority to the Company to pay the Directors' benefits with effect from 17 June 2020 until the next Annual General Meeting of the Company to be held in 2021.

The Directors' benefits comprise the following and will be paid as and when incurred:

Benefits	Description	Amount
Meeting allowance	Chairman of the Board/Board Committees	RM1,600 per meeting
	Members of the Board/Board Committees	RM1,000 per meeting
Directors' and Officers' Indemnity Insurance	-	RM14,500

5. **Item 5 of the Agenda**

To re-elect the following Directors who are retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:
(a) Dato' Lim Yew Boon
(b) Lim Chin Sean

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Dato' Lim Yew Boon and Mr. Lim Chin Sean and recommended for their re-election at the forthcoming Annual General Meeting. The Board endorsed the NC's recommendation that Dato' Lim Yew Boon and Mr. Lim Chin Sean be re-elected as Directors of the Company. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by the NC and the Board.

6. **Item 6 of the Agenda**

To re-elect the following Directors who are retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, have offered themselves for re-election:
(a) YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz
(b) Datuk Roger Tan Kor Mee

Pursuant to Clause 82 of the Constitution of the Company, any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at that meeting.

YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz and Datuk Roger Tan Kor Mee who were appointed on 27 November 2019 shall hold office until the conclusion of the 29th AGM and shall be eligible for re-election pursuant to Clause 82 of the Constitution of the Company.

7. **Item 7 of the Agenda**

To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration

The Audit and Risk Management Committee ("ARMC") had conducted assessment on the performance of Deloitte PLT. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by ARMC.

8. **Item 8 of the Agenda**

Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 9 is intended to renew the authority granted to the Directors of the Company at the Twenty-Eighth Annual General Meeting of the Company held on 30 May 2019, and if passed, will give the Directors authority to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate granted by the shareholders at the Twenty-Eighth Annual General Meeting of the Company held on 30 May 2019 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

9. **Item 9 of the Agenda**

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 10 is intended to seek shareholders' mandate to renew the existing shareholders' mandate granted by the shareholders of the Company at the Twenty-Eighth Annual General Meeting held on 30 May 2019 for recurrent related party transactions. The Proposed Shareholders' Mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approvals as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 10 is set out in the Circular to Shareholders dated 18 May 2020.

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the 29th Annual General Meeting ("AGM") of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPV") facilities which are available on Boardroom Share Registrars Sdn Bhd's website at Boardroom Smart Investor Online Portal at www.boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 29th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The venue of the 29th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The venue of the 29th AGM is to inform shareholders where the electronic AGM production and streaming would be conducted from. No shareholder(s)/proxy(ies) from the public will be physically present at the meeting venue.

3. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 10 June 2020 shall be eligible to attend the 29th AGM.

4. A member/shareholder of the Company entitled to attend and vote at the 29th AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the 29th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 29th AGM shall have the same rights as the member of the Company to speak at the 29th AGM.

5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

8. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty four (24) hours before the time for holding the 29th AGM, i.e. by 2.30 p.m. on Monday, 15 June 2020 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through the Share Registrar's website, Boardroom Smart Investor Online Portal at www.boardroomlimited.my before the proxy form lodgement cut-off time as mentioned above.

FORM OF PROXY

TALIWORKS CORPORATION
LGB Group

CDS Account No.	
No. of ordinary shares held	

*I/We (full name) ____

bearing *NRIC No./Passport No./Company No. ____

of (full address) ____

being a shareholder of Taliworks Corporation Berhad ("the Company") (196501000264) (6052-V) hereby appoint:

First Proxy "A"

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings to be represented	
		No. of Shares	%
Full Address			

and /or failing *him/her,

Second Proxy "B"

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings to be represented	
		No. of Shares	%
Full Address			
			100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held fully virtual at the broadcast venue at Banyan Room, Ground Floor, Sime Darby Convention Centre, No 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 16 June 2020 at 2.30 p.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy ______________ (one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon.			
Ordinary Resolutions		**Resolution No.**	**For**	**Against**
2.	To approve the payment of Directors' fees of RM922,192 in respect of the financial year ended 31 December 2019 (2018: RM1,080,000).	1		
3.	To approve the payment of Directors' fees with effect from 1 January 2020 until the next Annual General Meeting of the Company to be held in 2021.	2		
4.	To approve the payment of Directors' benefits with effect from 17 June 2020 until the next Annual General Meeting of the Company to be held in 2021.	3		
5. (a)	To re-elect Dato' Lim Yew Boon who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered himself for re-election.	4		
5. (b)	To re-elect Lim Chin Sean who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered himself for re-election.	5		
6. (a)	To re-elect YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz who is retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, has offered himself for re-election.	6		
6. (b)	To re-elect Datuk Roger Tan Kor Mee who is retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, has offered himself for re-election.	7		
7.	To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	8		
Special Business				
8.	**Ordinary Resolution:** Authority to issue shares pursuant to sections 75 and 76 of the Companies Act 2016.	9		
9.	**Ordinary Resolution:** Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	10		

As witness my/our hand(s) this day ________ of ______________, 2020.

____
*Signature/Common Seal of Shareholder
Contact number: ______________________

** Strike out whichever not applicable.*

Notes:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 ("COVID-19"), the 29th Annual General Meeting ("AGM") of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPV") facilities which are available on Boardroom Share Registrars Sdn Bhd's website at Boardroom Smart Investor Online Portal at www.boardroomlimited.my. Please follow the procedures provided in the Administrative Guide for the 29th AGM in order to register, participate and vote remotely via the RPV facilities.
2. The venue of the 29th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. The venue of the 29th AGM is to inform shareholders where the electronic AGM production and streaming would be conducted from. No shareholder(s)/proxy(ies) from the public will be physically present at the meeting venue.
3. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 10 June 2020 shall be eligible to attend the 29th AGM.
4. A member/shareholder of the Company entitled to attend and vote at the 29th AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the 29th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 29th AGM shall have the same rights as the member of the Company to speak at the 29th AGM.
5. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
8. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than twenty four (24) hours before the time for holding the 29th AGM, i.e. by 2.30 p.m. on Monday, 15 June 2020 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through the Share Registrar's website, Boardroom Smart Investor Online Portal at www.boardroomlimited.my before the proxy form lodgement cut-off time as mentioned above.

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Affix Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (196501000264) (6052-V)
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Section 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +60 3 7890 4700
F +60 3 7890 4670

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Fold this flap for sealing

Taliworks Corporation Berhad
[Company No. 196501000264 (6052-V)]

Level 19, Menara LGB,
No. 1, Jalan Wan Kadir,
Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia

T +603 2788 9100
F +603 2788 9101
E info@taliworks.com.my
W www.taliworks.com.my