

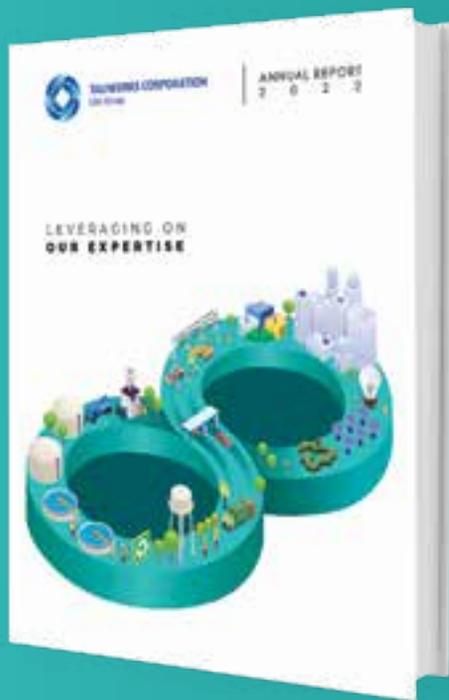


TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT
2 0 2 2

LEVERAGING ON
OUR EXPERTISE





LEVERAGING ON OUR EXPERTISE

By “LEVERAGING ON OUR EXPERTISE” throughout the years, Taliworks has grown from strength to strength to become a prominent player across all our core businesses. We remain committed in growing our business through our investments in human capital, sustainability and digitalisation, propelled by the goal of delivering long-term stakeholder value. The future for Taliworks continues to look bright as we are poised to pursue growth and overcome headwinds through our existing experience and expertise.

2022 AT A GLANCE



PROFIT FOR THE
FINANCIAL YEAR

RM **66.43**
million



REVENUE

RM **337.71**
million



TOTAL
SHAREHOLDERS' EQUITY

RM **1,047.85**
million



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Report 2022 & 32nd AGM

Annual General Meeting

32nd



Online meeting platform
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20 June 2023 (Tuesday)



11.00am local time (GMT+8)

CONTENTS

CORPORATE INFORMATION

Corporate Information	2
Vision Statement	4
Corporate Profile	5
Corporate Milestones	11
Corporate and Financial Events 2022	16
Corporate Structure	18

PERFORMANCE REVIEW

Share Performance Highlights	19
5-Year Financial Highlights	20
Chairman's Statement	22
Management Discussion and Analysis	26

OUR VALUE CREATION STRATEGY

Our Commitment to Shareholders	60
Business Focus and Strategies	61
Overview of Our Strengths, Opportunities, Risks and Challenges	63

LEADERSHIP

Board of Directors	64
Directors' Profile	66

GOVERNANCE

Sustainability Statement	70
Statement on Risk Management and Internal Control	147
Corporate Governance Overview Statement	158
Audit and Risk Management Committee Report	184
Additional Compliance Information	196

FINANCIAL STATEMENTS

Financial Statements	198
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OTHER INFORMATION

Analysis of Shareholdings	327
List of Thirty Largest Shareholders	327
List of Substantial Shareholders	329
List of Directors' Holdings in Shares	330
Notice of Virtual Annual General Meeting	331

Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTORS

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Independent Non-Executive Chairman

RAJA DATUK ZAHARATON BINTI RAJA DATO' ZAINAL ABIDIN

Senior Independent Non-Executive Director

DATO' LIM YEW BOON

Executive Director

DATO' SRI AMRIN BIN AWALUDDIN

Independent Non-Executive Director

AHMAD JAUHARI BIN YAHYA

Independent Non-Executive Director

DATUK ROGER TAN KOR MEE

Independent Non-Executive Director

DATIN PAULINE TAM POH LIN

Independent Non-Executive Director

(appointed on 17 August 2022)

LIM CHIN SEAN

Non-Independent Non-Executive Director

CORPORATE INFORMATION

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

- Datin Pauline Tam Poh Lin
(appointed on 24 August 2022)

Members

- Lim Chin Sean
- Dato' Sri Amrin Bin Awaluddin
- Datuk Roger Tan Kor Mee

NOMINATING COMMITTEE

Chairman

- Raja Datuk Zaharaton Binti Raja
Dato' Zainal Abidin

Members

- Ahmad Jauhari Bin Yahya
- Datuk Roger Tan Kor Mee
(appointed on 24 August 2022)

REMUNERATION COMMITTEE

Chairman

- Raja Datuk Zaharaton Binti Raja
Dato' Zainal Abidin

Members

- Lim Chin Sean
- Datin Pauline Tam Poh Lin
(appointed on 24 August 2022)

REGISTERED OFFICE

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(MAICSA 7009143)
- Tai Yuen Ling
(SSM PC No.: 202008001075)
(LS0008513)

SHARE REGISTRARS

Boardroom Share Registrars

Sdn. Bhd.

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W www.boardroomlimited.com

AUDITORS

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PRINCIPAL BANKERS

- Amlslamic Bank Berhad
- CIMB Bank Berhad
- HSBC Bank Malaysia Berhad
- Hong Leong Bank Berhad
- Malayan Banking Berhad

STOCK EXCHANGE LISTING

- Bursa Malaysia Securities Berhad

Stock & Code:

- TALIWRK & 8524 (Utilities)

AGM HELPDESK

Contact Person:

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- Nur Adlina Izuddin

Corporate Communications

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VISION STATEMENT

1

Provide sustainable and equitable returns to shareholders and investors through business progression and value creation.



2

Provide exceptional services and a compelling value proposition to our clients by engaging with them in a customer-centric manner.



We strive to be an established infrastructure company with capabilities to design, build and operate an infrastructure project; providing end-to-end solutions to prospective customers.

We are committed to:

3



Conduct our business affairs in an ethical and socially responsible manner, with a particular emphasis on implementing environmentally sustainable practices within the organisation.



Promote the development of human capital to enhance the value of employees both as individuals and as assets to the organisation.

4

Taliworks aims to develop new growth platforms by exploring investment and business opportunities both locally and internationally, with a focus on activities that complement its current core businesses. With a track record of success, expertise, and technical know-how, Taliworks is equipped to take on any future opportunities and challenges. In pursuit of responsible and sustainable commercial success, Taliworks is committed to providing services that are socially, environmentally, and economically responsible.

CORPORATE PROFILE

BACKGROUND HISTORY

Taliworks Corporation Berhad (“Taliworks”) is listed on the Main Market of Bursa Malaysia Securities Berhad under the Utilities Sector (Name & Code: TALIWRK & 8524).

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 and supply business subsequently became Taliworks' main core business.

In 2004, Taliworks diversified its business interests to include wastewater 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, focusing on 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 acquired a 35% equity interest in SWM Environment Holdings Sdn. Bhd. (“SWMEH”), adding waste management business in Malaysia to Taliworks' profile.

In 2022, Taliworks successfully acquired four solar assets near Kuala Lumpur International Airport (“KLIA”), with a total capacity of 19 megawatt peak (MWp). The acquisition is an important first step for Taliworks in its journey to become a prominent player in the renewable energy space.

Taliworks, an established infrastructure company, is primarily involved in five core businesses as follows:



Water Treatment and Supply



Waste Management



Highway Toll Concessionaire, Operations and Maintenance Operator



Renewable Energy



Engineering and Construction

CORPORATE PROFILE



WATER TREATMENT AND SUPPLY



One of Taliworks' core businesses is in the water supply sector. The business entails an operations and maintenance ("O&M") contract for the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") that supplies potable water to large parts of Selangor and Kuala Lumpur. Total daily treated water production of SSP1 is almost 20% of total treated water requirement of Klang Valley and Selangor. Taliworks had previously operated and maintained Pulau Langkawi's entire water supply and distribution facilities under the Langkawi Water Supply Privatisation Agreement with the State Government of Kedah. Taliworks Langkawi was granted a 25-year concession to undertake and carry out O&M activities from 7 October 1995 to 31 October 2020. All operations have since been handed

over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the State Government of Kedah. Sungai Harmoni is the O&M operator of SSP1 with a combined design operating capacity of 950 million litres per day. As part of a water restructuring exercise undertaken by the State Government of Selangor to consolidate the water industry in the state, Sungai Harmoni entered into a 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. In order to operate SSP1, Sungai Harmoni was awarded an Individual License pursuant to Section 9 of the Water Services Industry Act 2006 from the Suruhanjaya Perkhidmatan Air Negara ("SPAN").

Operating Capacity

950

Million Litres Per Day

CORPORATE PROFILE



HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR



Taliworks owns and operates two highways, specifically the Cheras-Kajang Highway, also known as Grand Saga Highway and the New North Klang Straits Bypass Expressway, or commonly referred to as the Grand Sepadu Highway.

Grand Saga Sdn. Bhd. (“Grand Saga”)

The acquisition of the 55% equity interest in a 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 dual carriageways in Malaysia measures 11.5 km in length, stretching from the Connaught interchange, Cheras to Saujana Impian, Kajang. It serves the densely populated and fast-growing Cheras-Kajang corridor, easing traffic congestion and reducing 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 Taliworks’ first collaboration with Employees Provident Fund Board (“EPF”) through EPF’s acquisition of an effective 31.85% equity interest in Cerah Sama via TEI Sdn. Bhd. (“TEI”). 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 developed countries. In 2015, TEI acquired the remaining 35% equity interest in Cerah Sama held by SEASAF Highway Sdn. Bhd.. TEI is currently 51% held 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 Grand Sepadu Highway from Lebuhraya Shapadu Sdn. Bhd. (in liquidation) for a cash consideration of RM265 million with 18-year remaining concession ending in December 2032. The Grand Sepadu Highway, which commenced toll operations in 2002 is a 17.5 km two-lane and three-lane dual 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 which holds a 75% equity interest in Grand Sepadu. As a result, Taliworks and EPF now effectively own 37.5% equity interest each in Grand Sepadu, with 45% economic interest each in the Grand Sepadu Highway. This officially marked the second partnership between Taliworks and EPF.

CORPORATE PROFILE

**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 construction project in 2002, i.e., the RM120 million Projek Bekalan Air Kedah Tengah, which was implemented according to the design and build mode of delivery. The State Government of Kedah awarded another design and build water supply project to Taliworks known as the Padang Terap Water Supply Project a contract sum of RM149 million in 2006.

In 2011, Taliworks made a foray into earth fill dam construction and completed the Mengkuang Dam Expansion Project at the final contract sum of RM273 million in 2017. The scope of works comprised site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. In December 2021, the Company achieved a noteworthy milestone by successfully procuring two (2) design and build packages with a total contract value of RM896 million under the overall project titled 'Proposed Development of Sungai Rasau Water Treatment Plant and Water Supply Scheme (Phase 1), Selangor Darul Ehsan'.

Taliworks Construction is a ISO9001 certified construction company, which is registered with the Construction Industry Development Board of Malaysia ("CIDB") and accorded with the highest grade, Grade G7 license. Taliworks Construction also holds the *Sijil Perolehan Kerja Kerajaan* ("SPKK") license awarded by CIDB.

CORPORATE PROFILE



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, SWME provides collection and cleansing services for residential and commercial entities within the municipal jurisdictions. 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 150,000 tonnes of waste a month with an approximate total of 1.8 million tonnes of waste collected for the year 2022.

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 600 cleansing vehicles, machines and a workforce of over 6,000 employees are deployed for the cleansing services.

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

Geographical Region Coverage	Average Waste Collection
<p style="text-align: center;">28,500 Sq. Km</p>	<p style="text-align: center;">5,000 Tonnes Per Day</p>

CORPORATE PROFILE

RENEWABLE
ENERGY

In June 2022, Taliworks completed its maiden foray into the renewable energy sector with the acquisition of 4 brownfield solar asset companies together with its operations and maintenance company in the vicinity of KLIA with an aggregate capacity of 19 MWp:

1. TR Sepang Sdn. Bhd. ("TR Sepang") (previously known as Fortune 11 Sdn. Bhd.), operates a 5.0 MWp ground-mounted solar photovoltaic project, built on a palm oil plantation area accessible via Jalan Pekeliling, Sepang;
2. TR SaTerm Sdn. Bhd. ("TR SaTerm") (previously known as Corporate Season Sdn. Bhd.), operates a 4.0 MWp rooftop-mounted solar project above the satellite terminal of KLIA;
3. TR CPark Sdn. Bhd. ("TR CPark") (previously known as Silverstar Pavilion Sdn. Bhd.), operates two separate 5.0 MWp rooftop-mounted solar projects within two long-term car parks at KLIA; and
4. Taliworks Renewables Operations Sdn. Bhd. (previously known as TerraForm Global Operating (Malaysia) Sdn. Bhd.), provides end-to-end operations and maintenance services to the above solar assets.

TR Sepang, TR SaTerm and TR CPark operate under the Feed-in Tariff ("FIT") programme administered by the Sustainable Energy Development Authority ("SEDA"), a statutory body formed under the Sustainable Energy Development Authority

Act 2011. The FIT programme was designed to encourage development of renewable energy by guaranteeing grid access and favourable tariff rates. These solar assets achieved Commercial Operations Date in 2013.

The acquisition provides Taliworks with 3 diversified premium solar asset companies in Malaysia generating stable operating cashflow. The addition of a strong and capable management team now bolsters Taliworks's capability in the renewables space. With the completion of the acquisition of the four solar projects in the second quarter of 2022, the Group consolidated the financial results from the Renewable Energy division from the date of acquisition. Taliworks started recognising revenue under the newly created renewables segment from second quarter of 2022 from sales of electricity generated from their solar photovoltaic plants.

The management team is working hard on various performance improvements and risk mitigation initiatives. For example, at one of the solar project sites, TR SaTerm had undergone solar panel replacement to increase its panel efficiency and it is anticipated that the financial performance of the Renewable Energy division will improve after the replacement which was completed in the last quarter of 2022.

CORPORATE MILESTONES

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 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 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).

CORPORATE MILESTONES

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 (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 diversified its business 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).

CORPORATE MILESTONES

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-organisation, 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' 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 exercise (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.

CORPORATE MILESTONES

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 Ikatam 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 to enter into a new operations and maintenance agreement (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 for a contract sum of RM42.4 million (October).

The unexercised Warrants 2015/2018 that have lapsed were subsequently delisted (November).

SWME was awarded two silver medals by Perbadanan Teknologi Hijau Melaka under 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.

CORPORATE MILESTONES

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 Suruhanjaya Perkhidmatan Air Negara and commenced 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).

2020

The expiration of Taliworks Langkawi's privatisation contract with the Government of Kedah Darul Aman for the management, operations and maintenance of the water supply system in Pulau Langkawi. All operations were handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the State Government of Kedah (October).

Taliworks was ranked no. 53 out of the Top 100 Malaysian PLCs for Corporate Governance Disclosure 2020 by the Minority Shareholder Watchdog Group.

Taliworks entered into two separate Sales and Purchase Agreements to acquire four (4) solar assets with an aggregate capacity of 19-megawatt peak, located within the vicinity of the Kuala Lumpur International Airport (December).

2021

Taliworks was ranked no.8 out of the top 10 mid-cap companies (RM1 billion to RM2 billion) of the inaugural Malaysia Board Diversity Study & Index, conducted by the Institute of Corporate Directors Malaysia in collaboration with Wills Towers Watson (April).

Taliworks received Letters of Award from Pengurusan Air Selangor Sdn Bhd for the proposed development of Sg. Rasau water treatment plant and water supply scheme (Phase 1), Selangor Darul Ehsan (a) Package 2 – Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works at a contract sum of RM602.4 million and (b) Package 3 – Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works at a contract sum of RM293.9 million (December).

2022

Taliworks successfully acquired the majority economic interest in four (4) brownfield solar projects within the vicinity of the Kuala Lumpur International Airport with an aggregate capacity of 19-megawatt peak and 100% equity in TerraForm Global Operating (Malaysia) Sdn. Bhd. (now known as Taliworks Renewables Operations Sdn. Bhd.), an operations and maintenance services provider of the solar projects (April).

Taliworks completed the acquisition of the remaining minority stake in the four (4) brownfield solar projects (June).

Taliworks was ranked no. 86 out of the Top 100 Malaysian PLCs for Corporate Governance Disclosure 2021 by the Minority Shareholder Watchdog Group (November).

CORPORATE AND FINANCIAL EVENTS 2022

KEY CORPORATE AND FINANCIAL EVENTS
2022

16

March 2022

Taliworks Renewables Sdn. Bhd. ("Taliworks Renewables"), EM Holdings 1 LLC, EM Holdings 2 LLC, EM Holdings 3 LLC, TerraForm Global Palmares Holdings B.V. and TerraForm Global Operating LP have mutually agreed to extend the Long Stop Date in relation to the proposed acquisition of the entire equity interest in Sunedison Solar Holdings 1 Pte Ltd (now known as TR (SG1) Pte. Ltd.), Sunedison Solar Holdings 2 Pte Ltd (now known as TR (SG2) Pte. Ltd.), Sunedison Solar Holdings 3 Pte Ltd (now known as TR (SG3) Pte. Ltd.) and TerraForm Global Operating (Malaysia) Sdn. Bhd. (now known as Taliworks Renewables Operations Sdn. Bhd.) ("Proposed Acquisition I") to 15 June 2022.

25

March 2022

- Taliworks received two approval letters from the Energy Commission for the changes in:
 - a) the shareholding structure of the Feed in Approval Holders from Brookfield Asset Management Inc. and SEV Renewables Sdn. Bhd. ("SEV Renewables") to Taliworks Renewables in conjunction with the Proposed Acquisition I and the proposed acquisition of the remaining equity interest in Fortune 11 Sdn. Bhd. (now known as TR Sepang Sdn. Bhd.), Corporate Season Sdn. Bhd. (now known as TR SaTerm Sdn. Bhd.) and Silverstar Pavilion Sdn. Bhd. (now known as TR CPark Sdn. Bhd.) ("Proposed Acquisition II"); and
 - b) the shareholding structure of the Feed in Approval Holders in conjunction with the internal reorganisation of SEV Renewables.
- Taliworks Renewables and SEV Renewables have mutually agreed to extend the Long Stop Date of the Proposed Acquisition II to 15 June 2022.

21

April 2022

Taliworks successfully completes Proposed Acquisition I and acquires the majority economic interest in 4 brownfield solar projects within the vicinity of Kuala Lumpur International Airport (KLIA) with an aggregate capacity of 19-megawatt peak and 100% in TerraForm Global Operating (Malaysia) Sdn. Bhd. (now known as Taliworks Renewables Operations Sdn. Bhd.), an operations and maintenance services provider of the solar projects.

1

June 2022

The fully virtual Thirty-First Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

15

June 2022

Taliworks announces that all conditions under the SPA for Proposed Acquisition II has been fulfilled on 15 June 2022 and the acquisition has been completed.

CORPORATE AND FINANCIAL EVENTS 2022

RELEASE OF FINANCIAL RESULTS

22

February 2022

Unaudited interim results for the 4th Quarter ended 31 December 2021.

27

April 2022

Audited financial statements for the financial year ended 31 December 2021.

26

May 2022

Unaudited interim results for the 1st Quarter ended 31 March 2022.

24

August 2022

Unaudited interim results for the 2nd Quarter ended 30 June 2022.

21

November 2022

Unaudited interim results for the 3rd Quarter ended 30 September 2022.

DECLARATION OF DIVIDEND PAYMENT

22

February 2022

Fourth interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2021, paid on 25 March 2022.

26

May 2022

First interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2022, paid on 30 June 2022.

24

August 2022

Second interim single-tier dividend of 1.65 sen per share on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ending 31 December 2022, paid on 30 September 2022.

21

November 2022

Third interim single-tier dividend of 1.65 sen per ordinary share, on 2,015,817,574 ordinary shares amounting to RM33.3 million in total in respect of the financial year ended 31 December 2022, paid on 23 December 2022.

CORPORATE STRUCTURE



TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

100%
Sungai Harmoni
Sdn. Bhd.

100%
Taliworks
[Langkawi]
Sdn. Bhd.

100%
Taliworks
Technologies
Sdn. Bhd.

100%
Taliworks
Construction
Sdn. Bhd.

100%
Taliworks
Renewables
Sdn. Bhd.

51%
TEI
Sdn. Bhd.

100%
TR (SG1)
Pte. Ltd.
(f.k.a "Sunedison Solar
Holdings 1 Pte. Ltd.")

48%
TR Sepang
Sdn. Bhd.
(f.k.a. "Fortune 11
Sdn. Bhd.")

52%

100%
Trinitywin
Sdn. Bhd.

10%

100%
TR (SG2)
Pte. Ltd.
(f.k.a "Sunedison Solar
Holdings 2 Pte. Ltd.")

48%
TR Saterm Sdn. Bhd.
(f.k.a. "Corporate
Season Sdn. Bhd.")

52%

90%
Cerah Sama
Sdn. Bhd.

100%
TR (SG3)
Pte. Ltd.
(f.k.a "Sunedison Solar
Holdings 3 Pte. Ltd.")

48%
TR Cpark Sdn. Bhd.
(f.k.a. "Silverstar
Pavillion Sdn. Bhd.")

52%

100%
Taliworks Renewables
Operations Sdn. Bhd.
(f.k.a. "Terraform Global
Operating (Malaysia)
Sdn. Bhd.")

100%
Grand Saga
Sdn. Bhd.

100%
Peak
Synergy
Sdn. Bhd. #

100%
Europlex
Consortium
Sdn. Bhd. #

100%
Trupadu
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.

LEGEND

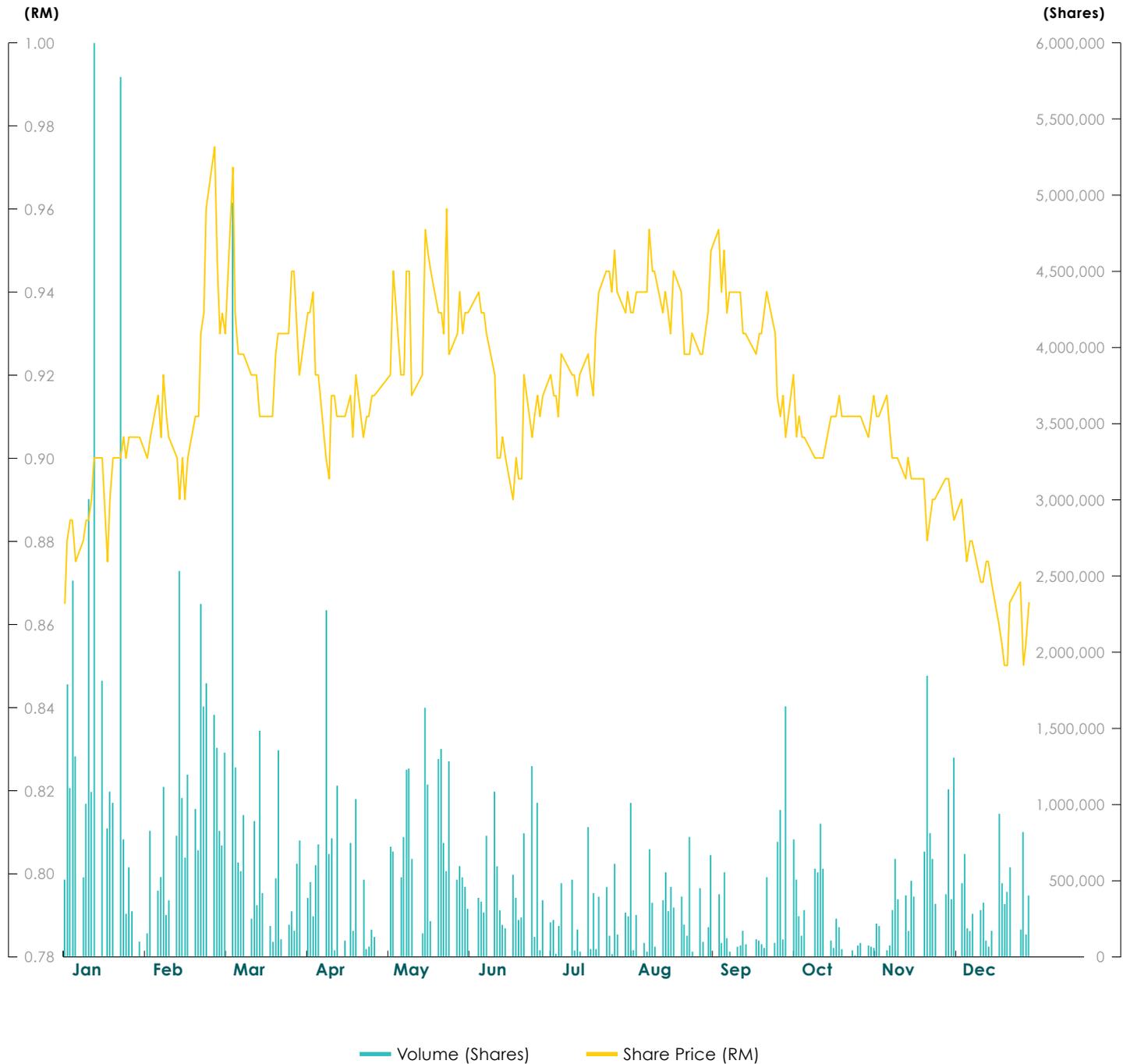
- Investment Holding Company/Others
- Engineering and Construction
- Waste Management
- Highway Toll Concessionaire, Operations and Maintenance Operator
- Water Treatment and Supply
- Renewable Energy

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

SHARE PERFORMANCE HIGHLIGHTS

TALIWORKS SHARE PRICE PERFORMANCE 2022

52W High – RM0.975 | 52W Low – RM0.85 | Year-end closing price – RM0.87



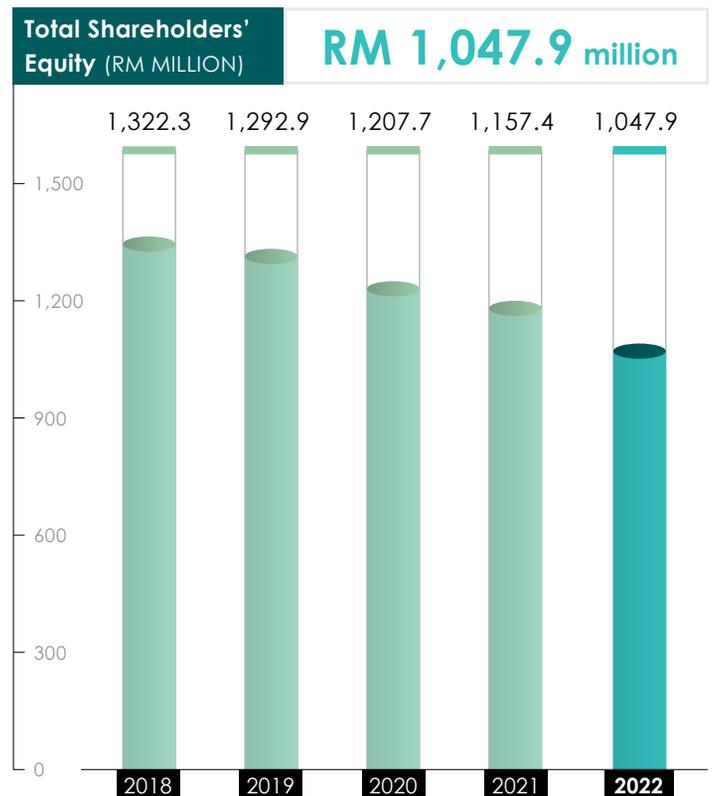
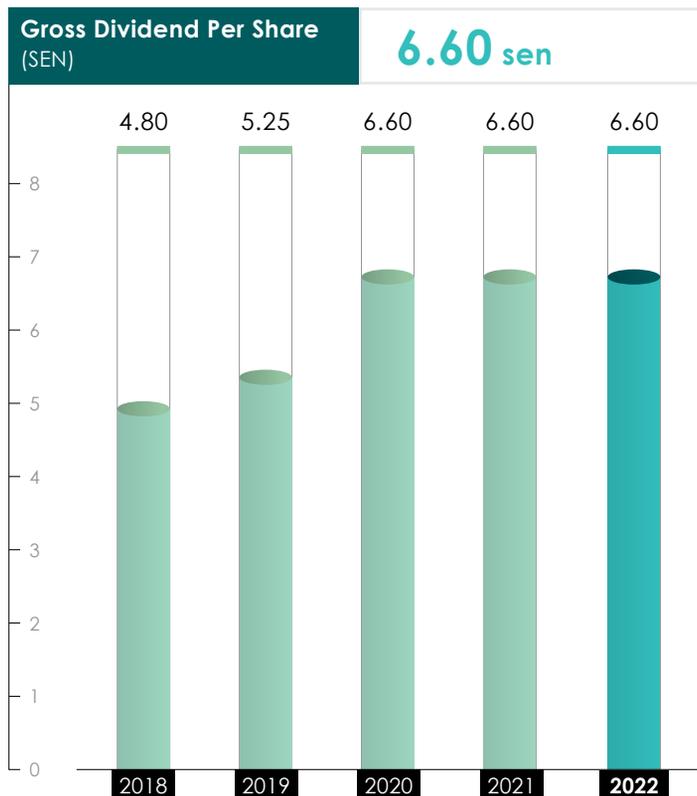
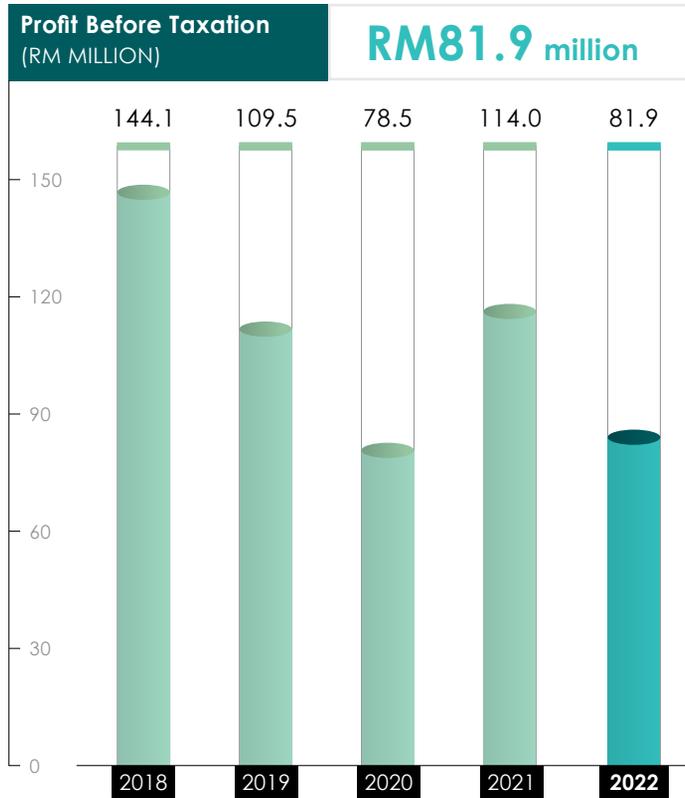
5-YEAR FINANCIAL HIGHLIGHTS

	2018 RM MIL	2019 RM MIL	2020 RM MIL	2021 RM MIL	2022 RM MIL
PROFITABILITY					
Revenue	374.2	377.1	317.9	302.6	337.7
EBITDA ⁽ⁱ⁾	213.5	180.0	128.9	152.2	159.5
Profit Before Taxation	144.1	109.5	78.5	114.0	81.9
Profit for the Financial Year	109.3	86.5	63.5	102.4	66.4
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,443.9	2,353.5	2,075.0	1,943.1	1,854.3
Total Borrowings	447.1	467.6	388.2	358.5	328.9
Total Shareholders' Equity	1,322.3	1,292.9	1,207.7	1,157.4	1,047.9
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 and supply	239.5	247.9	225.5	169.1	184.9
- engineering and construction	42.5	34.5	12.7	14.8	33.0
- highway toll concessionaire, operations and maintenance operator	86.9	89.4	74.4	113.7	97.6
- renewable energy	-	-	-	-	17.2
- others	5.4	5.3	5.3	5.0	5.0
	374.2	377.1	317.9	302.6	337.7
Profit Before Taxation					
- water treatment and supply	152.1	108.8	74.8	58.6	60.9
- engineering and construction	0.2	1.4	0.5	(1.0)	0.7
- highway toll concessionaire, operations and maintenance operator	20.4	22.8	11.2	51.7	34.1
- renewable energy	-	-	-	-	7.8
- others	(13.8)	(13.6)	(10.8)	(9.7)	(4.8)
	158.8	119.4	75.7	99.7	98.7
- share of results of joint venture	1.0	5.3	4.7	6.0	6.2
- share of results of associates	(15.7)	(15.1)	(1.9)	8.3	(23.0)
	144.1	109.6	78.5	114.0	81.9
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	4.80	5.25	6.60	6.60	6.60
Net Assets per share (sen)	52.43	51.24	47.59	44.89	39.06
Earnings per share (sen)					
- basic	4.96	3.78	2.95	3.89	2.74
- fully diluted	4.96	3.78	2.95	3.89	2.74
Return on Equity (%) ⁽ⁱⁱ⁾	8.24	6.61	5.08	8.66	6.02
Return on Assets Employed (%) ⁽ⁱⁱⁱ⁾	4.54	3.60	2.87	5.09	3.50
Dividend payout ratio (%) ^(iv)	88.56	122.42	209.42	129.98	200.28
Net Debt to Equity ratio (%) ^(v)	20.31	-	-	-	10.67

NOTES:

- (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 Total 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.
- (v) Net Debt-to-Equity is calculated by dividing the net deposits, cash and bank balances, investments designated at fair value through profit or loss and total borrowings with Total Shareholders' Equity.

5-YEAR FINANCIAL HIGHLIGHTS



Dear Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Audited Financial Statements of Taliworks Corporation Berhad ("Taliworks") and its subsidiaries ("the Group") for the financial year ended 31 December 2022 ("FYE2022").

**YAM TUNKU ALI
REDHAUDDIN IBNI
TUANKU MUHRIZ**

*Independent
Non-Executive
Chairman*



CHAIRMAN'S STATEMENT

2022 was a year of global recovery, as economies and national borders gradually reopened following the easing of the COVID-19 pandemic, setting the stage for countries and companies to chart their paths toward pre-pandemic levels of activity. However, other significant events continue to impact the globe. Conflict in Eastern Europe, supply chain disruptions, the energy crisis, and mounting inflation all weigh down on global economic activities.

That said, we are optimistic for the year ahead, on the back of positive economic outlook for Malaysia. Bank Negara Malaysia predicts a 4.0% to 5.0% GDP expansion in 2023, supported by strong domestic demand, realisation of large infrastructure projects and higher tourist arrivals. The Government's commitment to sustainability is another potential key growth driver. The recent budget included a RM2 billion allocation for sustainable technology start-ups and initiatives to promote low-carbon practices among small and medium-sized enterprises. We also welcome the proposed extension of the Green Investment Tax Allowance and Green Income Tax Exemption to 31 December 2025, which will incentivise more companies to pursue environmentally friendly business propositions. As a company that is committed to sustainability, we believe these measures will help us achieve our goals.

Overall, Malaysia's stability and various stimulus packages announced in the revised Budget 2023 give us confidence that the economy will continue to grow and thrive in the current year.

FINANCIAL POSITION HIGHLIGHTS

For the financial year 2022, the Group's revenue increased by 12% to RM337.7 million due to increased sales and electricity rebate in the water treatment and supply segment, contributions from two packages under Phase 1 of the Sungai Rasau Water Treatment Plant and Water Supply Scheme, and revenue from our newly established renewables segment. However, profit for the year decreased by RM35.9 million to RM66.4 million, primarily due to lower toll compensation received by Grand Saga, and higher share of losses from associates. Full analysis of our financial performance is provided in the Management Discussion and Analysis section of this Annual Report.

DEVELOPING A NEW PATH WITH RENEWABLES

In 2022, Taliworks achieved a significant milestone by diversifying into the renewable energy sector through our acquisition of four solar projects in the vicinity of the Kuala Lumpur International Airport. The solar projects have a combined capacity of 19-megawatt peak and have begun contributing to the Group's revenue and earnings since the second quarter of 2022.

The renewable energy industry in Malaysia is growing substantially, underpinned by the Government's ambitious goals of 31% renewable energy in Malaysia's energy mix by 2025 and carbon neutrality by 2050. We believe our maiden acquisitions provide a solid foundation for us to leverage on future opportunities stemming from these ambitious goals.



In 2022, Taliworks achieved a significant milestone by diversifying into the renewable energy sector through our acquisition of four solar projects in the vicinity of the Kuala Lumpur International Airport.



CHAIRMAN'S STATEMENT

EXPANDING OUR SUSTAINABILITY EFFORTS

In 2022, we made significant progress in our environmental, social and governance ("ESG") journey, embedding sustainability into our core operations. Our commitment to provide high-quality services is reflected across our business divisions, notably our highway division. Grand Saga has maintained a four-star rating on Malaysian Highway Authority's Expressway Performance Indicator since 2020, while Grand Sepadu has successfully maintained its Silver Status on the Malaysia Green Highway Index since 2018.

We also enhanced the transparency of our climate-related disclosures by reference to the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD"). We have aligned the strategies and the metrics within our TCFD plans to the 12th Malaysia Plan. As part of our efforts to contribute to a circular economy, we have started to track our greenhouse gas emissions, as well as initiated a recycling initiative in our corporate office, successfully recycling 1.5 tons of materials in 2022.

Our commitment to engaging with the communities around us remains a key focus. We actively collaborated with NGOs and government agencies to provide post-pandemic support and contributed over RM900,000 to vulnerable communities in 2022. One of the unique projects we embarked on was the Food Rescue Programme, where we distributed leftover bread to multiple charity centres. The programme helped to prevent more food waste from being sent to landfills while recovering wholesome and nutritious food for underprivileged communities. We look forward to continuing our engagements with these communities in the years to come.

Throughout 2022, we remained committed to ensuring the health and safety of our employees. Our divisions adhered to regulatory requirements and provided employees with the resources to carry out their work safely. We conducted regular training programmes on health and safety, such as a Diabetes Awareness Workshop, with health screening provided to participants. Our business divisions have



We also enhanced the transparency of our climate-related disclosures by reference to the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD").



dedicated committees to oversee and monitor safety practices on-site, for example, our waste management team has 31 safety committees in place to ensure compliance with safety and health practices in line with requirements of the Occupational Safety and Health Act of 1994. As a result, in 2022 we have successfully achieved zero-fatality and over 400,000 cumulative man-hours worked without lost time injury across all business divisions.

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

CHAIRMAN'S STATEMENT

SHAREHOLDERS AT OUR FOREFRONT

Despite unprecedented macroeconomic and global uncertainties, our stable revenue stream and effective cost management efforts have enabled us to continue rewarding our shareholders.

For FYE2022, Taliworks distributed a dividend of 6.6 sen per share, totalling RM133.04 million. This translated to a dividend yield of 7.86% based on the closing price of RM0.84 on 11 April 2023.

We are pleased that we have consistently surpassed our dividend policy of paying out 75% of our normalised profit after tax. We continue to strive to improve our recurring cashflows to continue supporting our dividend policy.

LOOKING AHEAD

We remain focused on our long-term strategies to achieve our goals, drive shareholders' value, and improve the overall performance as a Group, whilst not forgetting our commitment to our employees and the communities we serve. The Group continues to be led by our water treatment and supply business (as the main contributor to the Group's profitability), followed by our toll highway concessions, our newly acquired renewables business, our engineering and construction business, and our waste management business.

As part of our efforts to maximise shareholders' value, we will continue to look for expansion opportunities in mature operational cash-generating utilities and infrastructure businesses. Our objective is to establish ourselves as a leading infrastructure company, capable of designing, building, and operating infrastructure projects while providing end-to-end solutions to our clients.

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to the Board Members for their valuable guidance and unwavering support over the years. I am also grateful to my colleagues in management and throughout the organisation for their dedication to Taliworks, and for creating and executing the strategic plans that have taken the Group to new heights.

Furthermore, I would like to extend my gratitude to all stakeholders, including our customers, suppliers, business partners, regulatory authorities, and financiers. Your support has been instrumental in helping us achieve our goals, and we look forward to continued collaboration in the future.

Lastly, I would like to thank you, our shareholders for your confidence in Taliworks. We remain committed to leveraging our expertise and delivering sustainable growth for the Group while maximising value for our stakeholders.

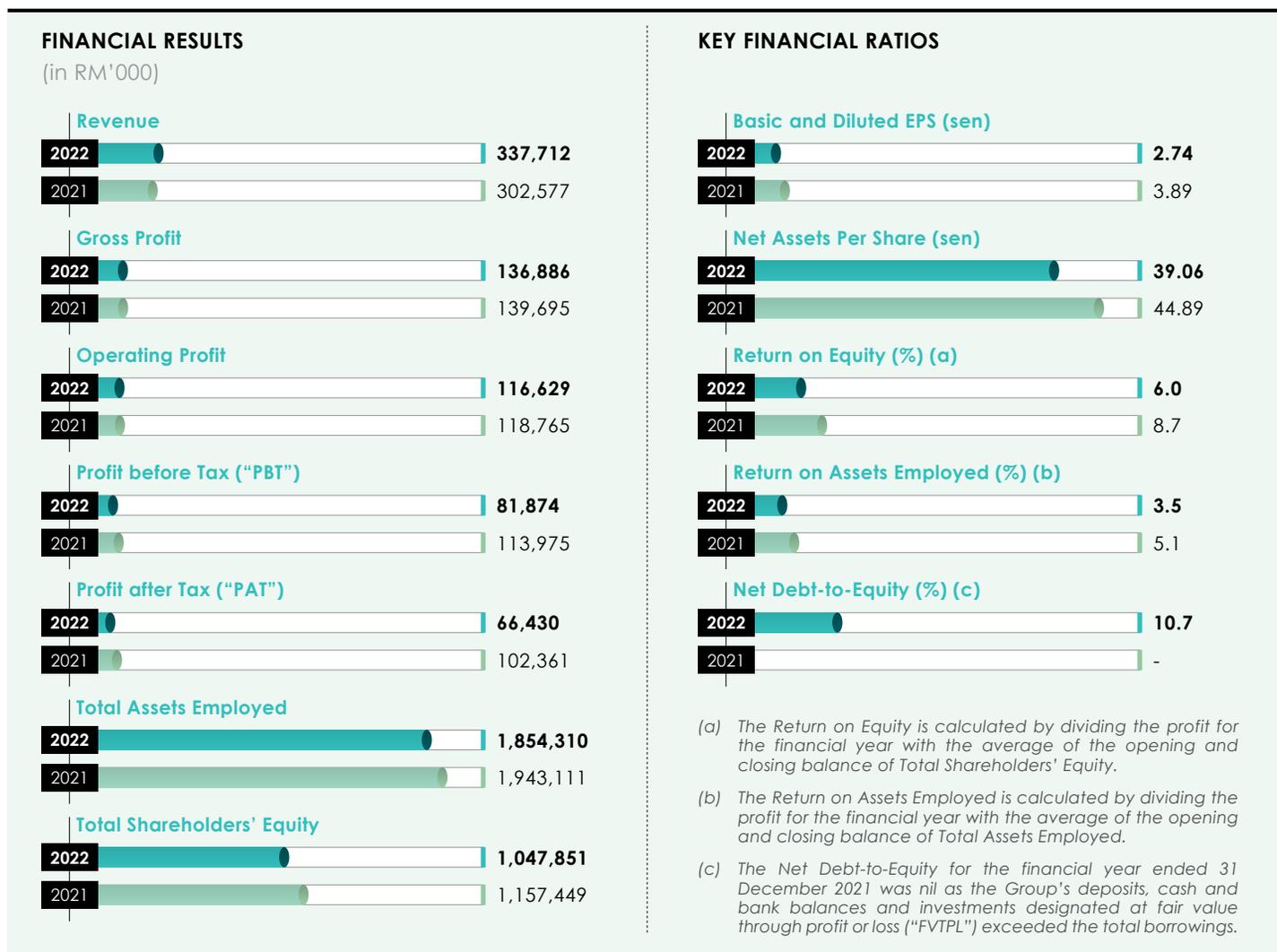
Thank you and stay safe.

Tunku Ali Redhaudin Ibni Tuanku Muhriz
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

The following is a summary of the financial performance of the Group for the financial year ended 31 December 2022 as compared to the previous financial year.



OVERALL SUMMARY OF FINANCIAL RESULTS

For the financial year ended 31 December 2022, the Group reported a revenue of RM337.71 million, an increase of 11.6% or RM35.14 million compared to the previous year. With the exception of the toll highway segment, all other business segments recorded higher revenue. The revenue for the current financial year includes contribution of RM17.24 million from the Renewable Energy segment, which was acquired during the year. Despite the substantial jump in the Average Daily Traffic ("ADT") by 33.2% in the Grand Saga highway, the revenue from the toll highway segment was lower due to a reduced toll compensation of RM11.25 million from the Government of Malaysia compared to RM43.66 million recorded a year ago. The amount of toll compensation for this year of RM11.05 million (2021: RM43.50 million) relate to the non-increase in scheduled toll hike in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in revenue in the water treatment and supply segment was primarily due to higher metered sales and electricity rebate from the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") operations. The higher electricity rebate is mainly due to the Imbalance Cost Pass-Through ("ICPT") surcharge of RM0.037/kWh imposed by Tenaga Nasional Berhad ("TNB") which took effect from 1 February 2022. Nonetheless, the increase in the electricity rebate has no impact to the Group as it is a pass-through mechanism by which the increase in the electricity cost incurred by SSP1 is then passed on to Pengurusan Air Selangor Sdn Bhd ("Air Selangor") in the form of electricity rebate. Apart from the increase in revenue from the water treatment and supply segment, the construction and Renewable Energy segments also contributed to the growth in the revenue of the Group through contribution from the two packages under Phase 1 of the Sungai Rasau Water Supply Scheme ("Rasau Projects") as well as sales of electricity generated by solar photovoltaic plants respectively.

Due to the higher costs of operations of RM200.83 million (2021: RM162.88 million), the Group recorded a lower gross profit of RM136.89 million (2021: RM139.70 million). The higher costs of operations was attributable to amongst others, the on-going Rasau Projects, higher electricity costs at SSP1, operating costs from the Renewable Energy segment and an increase in the amortisation of intangible assets and depreciation

expenses in the current financial year totalling RM37.68 million (2021: RM29.10 million). The lower gross profit margins recorded by the construction segment compared to the other business segments and the higher toll compensation in the previous year, resulted in the overall gross profit of the Group to be lower by RM2.81 million although the revenue of the Group increased by RM35.14 million.

Although the Group recorded a decline in the gross profit by RM2.81 million, PBT also dropped significantly by RM32.10 million or 28.2% to RM81.87 million as a result of share of losses of associates amounting to RM22.96 million as compared to share of profit of RM8.32 million a year ago, higher depreciation expenses and lower net returns from interest income, dividends and net gains on redemption from investments

designated at FVTPL of RM6.22 million (2021: RM8.23 million). Besides these, the Group also recorded lower gain on disposal of property, plant, equipment and sundry income of RM2.79 million (2021: RM4.05 million).

However, the lower PBT was mitigated by contribution from the Renewable Energy segment, higher share of results of a jointly controlled entity, coupled with gain on modification on leases of RM3.54 million (2021: Nil), reversal of gain on modification on trade and other payables of RM1.35 million in the previous year, lower net provision for loss allowance on receivables of RM0.11 million (2021: RM0.71 million) as well as lower financing costs.

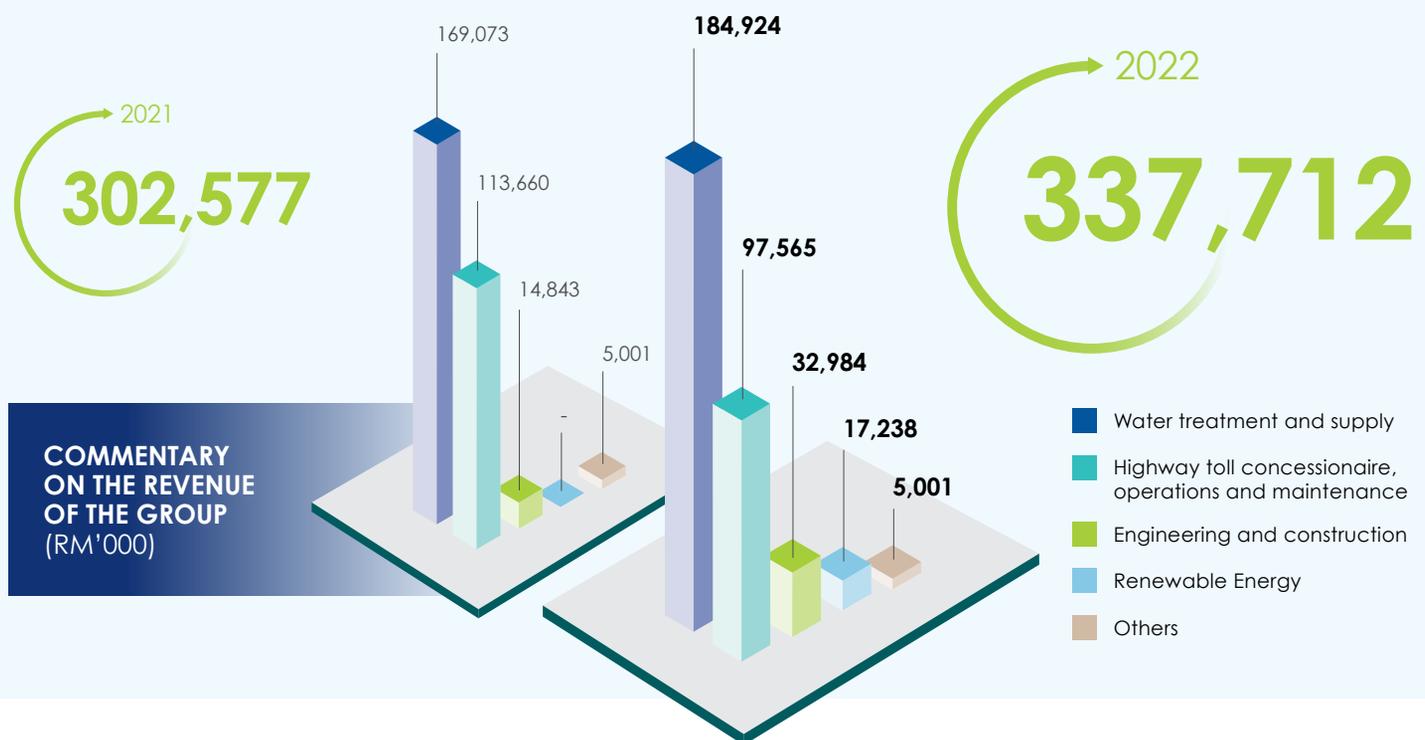
Given the lower profit achieved for the year, the basic and diluted earnings per share was 2.74 sen (2021: 3.89 sen).



The Group reported a revenue of RM337.71 million, an increase of 11.6% or RM35.14 million compared to the previous year. With the exception of the toll highway segment, all other business segments recorded higher revenue.



MANAGEMENT DISCUSSION AND ANALYSIS



The water treatment and supply business recorded an increase in the revenue from RM169.07 million to RM184.92 million or by 9.4%, principally due to higher metered sales of RM149.16 million (2021: RM142.96 million) and electricity and chemical rebates of RM35.76 million (2021: RM26.11 million) in the SSP1 operations. SSP1 recorded an increase in the metered sales from 348.68 million cubic litres or an average of 955.28 million litres per day ("MLD") to 363.80 million cubic litres or an average of 996.72 MLD, an increase of 4.3% on the back of improved consumer demand for treated raw water in the Klang Valley. Similar with the prior years, the water treatment and supply segment remains as the single largest revenue contributor to the Group, accounting close to 54.8% (2021: 55.9%) of the Group's total revenue.

For the toll highway segment, revenue decreased significantly to RM97.57 million from RM113.66 million due to higher toll compensation in the preceding year. The revenue contribution from this segment is derived from Grand Saga Sdn Bhd ("Grand Saga"), which operates the Cheras-Kajang Highway, more commonly known as the

Grand Saga Highway. The average number of vehicles passing through the highway jumped substantially from 110,735 vehicles per day to 147,504 vehicles per day or by 33.2% as the travel restrictions imposed by the Federal Government to contain the COVID-19 pandemic were gradually eased and economic activities started to pick up strongly. The Batu 9 toll plaza recorded a traffic growth of 33.1% almost similar to the traffic growth of 33.3% recorded at the Batu 11 toll plaza. The higher volume of traffic traversing the toll plazas was also contributed by the opening of the Sungai Besi-Ulu Kelang Elevated Expressway ("Suke Expressway") in September 2022 with a one month toll free period. As a result of the higher traffic volume, revenue from toll operations was recorded at RM71.45 million (2021: RM54.63 million). The balance of the revenue from the toll highway segment derived from the Government compensation of RM11.05 million (2021: RM43.66 million) made up the segment's total operating revenue for the year. This segment contributed approximately 28.9% (2021: 37.6%) of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

For the engineering and construction segment, revenue was higher at RM32.98 million, as compared to the previous year's revenue of RM14.84 million, mainly due to contribution from the on-going Rasau Projects, which amounted to approximately RM25.47 million. The lower-than-expected contribution from the Rasau Projects which started in December 2021, was attributable to the delay in the relevant authorities granting approval for physical works to commence. In the previous year, most of the revenue was recognised from the Proposed Construction and Completion of the 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan ("CRJ4 Project"), which was the only on-going project for the Group then. Overall, the division accounted for about 9.8% (2021: 4.9%) of the Group's total revenue. However, with the Rasau Projects having close to RM896 million in contract value, it is expected that the share of contribution from this segment

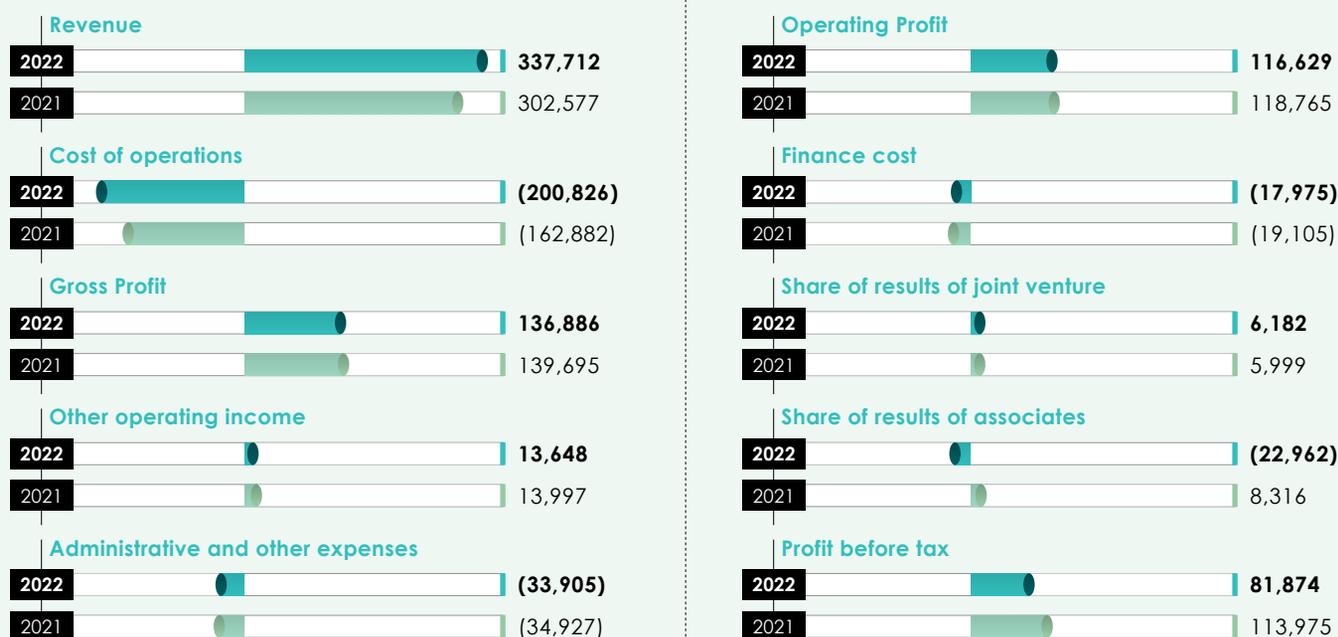
will increase exponentially in the next two years. Based on the projected schedule of work, revenue contribution for 2023 from the on-going projects is expected to be in the region of RM358 million. However, the actual achievement of this revenue will be dependent on the timely securing of the requisite approvals from the authorities for the Rasau Projects.

With the completion of the acquisitions of entire equity interest in three Feed-In Approval Holders ("FIAHs") which make up the Renewable Energy segment during the financial year, the Group consolidated the financial results of the FIAHs and collectively they contributed RM17.24 million (2021: Nil) and RM8.09 million (2021: Nil) in revenue and operating profit respectively. Presently, revenue from the Renewable Energy segment contributed close to 5.1% of total revenue of the Group.

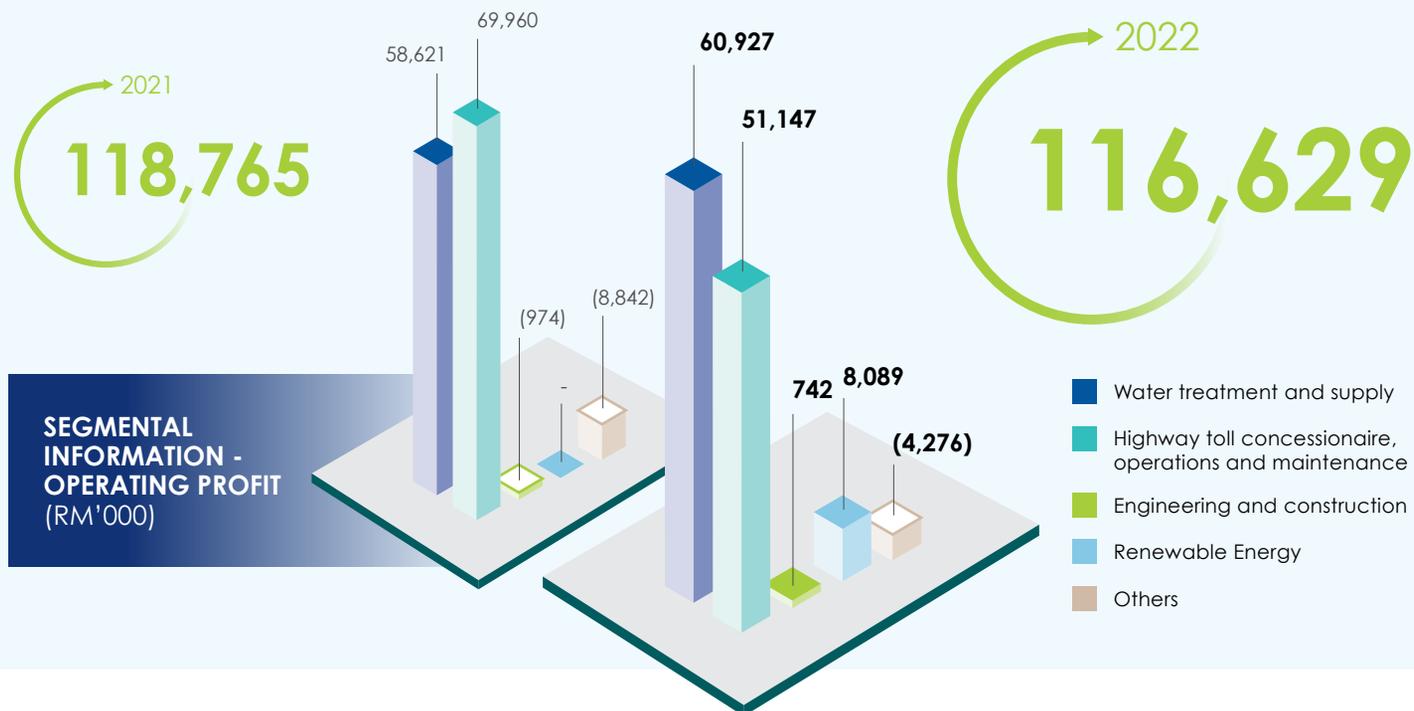
COMMENTARY ON THE PROFIT OF THE GROUP

INCOME STATEMENT

(in RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS



The Group reported a full year PBT of RM81.87 million, considerably lower than the RM113.98 million achieved a year ago. The lower PBT is mainly attributable to the lower toll compensation this year and share of losses of associates. The Group's share of results of 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. Similar to the Grand Saga Highway, the traffic volume at the Grand Sepadu Highway also recorded a substantial increase in the ADT of 86,059 vehicles per day (2021: 73,418 vehicles per day) albeit at a smaller increase of 17.2%. The growth in traffic volume was evident at all the toll plazas i.e. Bukit Raja (16.0%), Kapar (18.1%) and MOC B (44.1%) whilst the MOC A toll plaza saw a decline of 17.7% due in part to the closure of the old toll-free road by the police during the Movement Control Order ("MCO") period which diverted higher traffic into the MOC A toll plaza in 2021. The Group's share of results in Pinggiran Muhibbah was slightly higher at RM6.18 million as compared to the preceding year's RM6.00 million. Toll collections and Government compensation were RM51.30 million (2021: RM45.17 million) and RM21.90 million (2021: RM19.83 million) respectively. The company incurred lower finance cost and tax expenses whilst repair and maintenance as well as

amortisation of intangible assets were higher in the current year. In the previous year, the company wrote-back an over-provision for heavy repairs amounting to RM1.50 million due to a revision in undertaking major heavy repairs from 2023 to 2024.

The Group's share of losses of associates amounted to RM22.96 million compared to a share of profit of RM8.32 million in the corresponding year. The Group's share of results of associates is primarily derived from its 35% stake in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of losses was mainly due to a lower PAT recorded in SWMEH and higher adjustments made by the Group of RM238.39 million (2021: RM194.02 million) to SWMEH's PAT as a result of higher deduction of dividends on cumulative preferences shares held by parties other than the Group commencing 1 January 2022. Although the revenue from both the solid waste collection and public cleansing services were higher by 3.7%, the PAT was lower at RM168.75 million as compared to RM213.75 million due to higher expenses, from amongst others, payroll related costs, provision for loss allowance on receivables and finance costs. Nonetheless, the lower PAT was mitigated by a reduction in depreciation expenses due to certain assets being fully depreciated as well as lower sub-contractor costs.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of segmental performance, the operating profit of the water treatment and supply segment was higher at RM60.93 million compared to RM58.62 million a year ago in line with the increase in metered sales of treated raw water and lower rehabilitation and maintenance expenses of RM15.45 million (2021: RM19.57 million), provision for loss allowance on receivables, reversal of gain on modification on trade and other payable, and loss on derecognition of financial liabilities in the previous year totalling RM2.06 million. However, the higher operating profit was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL of RM0.93 million (2021: RM5.69 million) as well as lower gain on disposal of property, plant and equipment and sundry income of RM0.25 million (2021: RM2.75 million).

As for the highway toll concessionaire, operations and maintenance segment, operating profit decreased by RM18.81 million to RM51.15 million on the back of a lower revenue and higher amortisation of intangible asset and repairs and maintenance expenses in the current financial year.

In spite of the higher revenue of RM32.98 million compared to RM14.84 million a year ago, the engineering and construction segment recorded an operating profit of RM0.74 million against the previous year's operating loss of RM0.97 million. This was due to a downward revision in the project margin for the CRJ4 Project as a result of higher raw material prices and additional overheads incurred. The additional overheads were due to temporary suspension of the project during certain periods of the year caused by the COVID-19 pandemic. Nonetheless, contribution from this division is not significant in comparison to the other business segments in the current financial year. As the Rasau Projects are in progress, this segment will see higher contribution in the next two years.

The Renewable Energy segment contributed RM8.09 million (2021: Nil) in operating profit on the back of a revenue of RM17.24 million. They were consolidated from the date of the acquisition in April of 2022 and a full year's results will be in the next financial year in 2023.

Statement of Financial Position

	As at 31 Dec 2021 RM'000	As at 31 Dec 2022 RM'000
Non-current assets	1,450,331	1,561,071
Current assets	492,780	293,239
Total Assets	1,943,111	1,854,310
Non-current liabilities	676,321	679,018
Current liabilities	109,341	127,441
Total liabilities	785,662	806,459
Total shareholders' equity	1,157,449	1,047,851
Net assets per share (sen)	44.89	39.06



The Renewable Energy segment contributed RM8.09 million (2021: Nil) in operating profit on the back of a revenue of RM17.24 million.



MANAGEMENT DISCUSSION AND ANALYSIS



The Group's total assets declined by 4.6% or approximately RM88.80 million mainly due to a reduction in the following carrying amounts:-

- (a) cash and bank balances, investments designated at FVTPL of approximately RM240.01 million. The decrease in the cash reserves of the Group was principally due to dividend payments to shareholders of RM133.04 million, repayment of previous shareholder's loans owing by the FIAHs of RM125.61 million, repayments of the Islamic Medium-Term Notes under a IMTN (Sukuk) Programme issued by Cerah Sama Sdn Bhd ("Cerah Sama") and other bank borrowings of RM41.13 million, interest payments of RM18.47 million and payments to trade payables;
- (b) intangible assets by approximately RM28.93 million due to higher amortisation charges; and
- (c) investments in associates by approximately RM23.78 million due to share of losses of certain associates during the financial year.

Nonetheless, the decrease in total assets was mitigated by the increase in property, plant and equipment; and right-of-used assets of RM151.82 million, primarily from the impact of a consolidation of these assets from the acquisitions of the FIAHs, increase in trade receivables from a toll compensation of RM11.25 million as well as inventories from materials delivered on-site for the Rasau Projects amounting to RM19.50 million.

Out of the total assets of RM1.85 billion, intangible assets and goodwill comprised approximately RM1.12 billion, cash and bank balances and investments designated at FVTPL at RM0.22 billion and property, plant and equipment;

and right-of-used assets at RM0.17 billion. These asset classes accounted for close to 81.0% (2021: 83.3%) of total assets of the Group. The intangible assets comprised of a concession awarded to Grand Saga for the upgrade and maintenance of the Grand Saga Highway whereas goodwill is related to the restructuring exercise undertaken on Cerah Sama previously.

Total liabilities increased by 2.6% or approximately RM20.80 million mainly due to liabilities assumed by the Group arising from the acquisitions of the FIAHs. However, the increase was mitigated by a reduction of borrowings from the redemption of the third tranche of the IMTN of RM30.00 million. In comparison to the total shareholders' equity of RM1.05 billion, total borrowings of the Group are at a comfortable level of RM328.91 million, thus enabling the Group to gear up to invest into other potential infrastructure projects. The Group's borrowings and deferred tax liabilities of RM234.14 million accounted close to 71.3% (2021: 75.4%) of the total liabilities of the Group.

Total shareholders' equity was lower by 9.5% or about RM109.60 million on account of total dividends paid/payable of 6.60 sen per share to shareholders of the Company exceeding the profit recorded for the financial year with the EPS at 2.74 sen per share. Correspondingly, the net assets per share declined to 39.06 sen compared to 44.89 sen as of 31 December 2021.

KEY AUDIT MATTERS

As with the previous years, the auditors have highlighted the impairment assessment of goodwill relating to Cerah Sama, the parent company of Grand Saga, as a Key Audit Matter in the Independent Auditors' Report. Key audit matters are those matters that, in the professional judgement of the auditors, were of most significance in their audit of the financial statements of the Group and of the Company for the current financial year.

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 of 31 December 2022, the carrying amount of goodwill of Cerah Sama remained unchanged at RM129.39 million. The auditors have indicated how the matter was addressed in their report by setting out the audit procedures.

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS SEGMENTS

The following is a review of the operating and financial performance of each of our operating business segments.



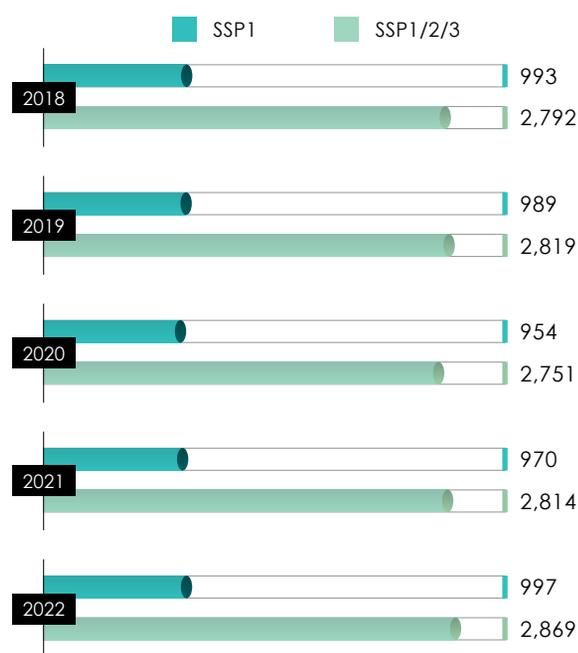
WATER TREATMENT AND SUPPLY

Sungai Harmoni Sdn. Bhd. (“Sungai Harmoni”)

Continuing from the uptrend in economic activities following the easing of the MCOs, the SSP1 recorded an increase of 2.8% in average daily production as compared to an increase of 1.7% in 2021. The higher average daily production for the year on the back of growth in economic and tourism activities was expected as consumer demand for treated raw water had risen as the country progressed into the endemic stage of the COVID-19 pandemic commencing 1 April 2022. Even prior to this period, the country was experiencing a strong pick-up in economic activities and Malaysia's economy continued to build on the momentum of economic recovery, delivering a full year's GDP growth of 8.7% as published by Bank Negara Malaysia.

For the year, SSP1 recorded an average daily production of 997.0 MLD as compared to an average daily production of 969.8 MLD achieved in the previous year. In terms of metered output, the amount of treated water produced was about 363.89 million m³ over a period of 365 days compared to 352.54 million m³ produced over a period of 363.5 days in 2021, after accounting for 1.5 days of scheduled shutdown in October to replace three defective meters at Matang Pagar Balancing Reservoir and one defective meter at Bukit Mayong Balancing Reservoir. Based on the total metered output for the year, this translated to an increase of 3.2%. Except for the slight reduction in 2019 and a contraction in the metered output in the year 2020 arising from the onset of the COVID-19 pandemic, SSP1 has maintained its production during the five-year period from 2018 to 2022 which reflected the consistent and sustained demand for treated raw water in the Klang Valley by both the commercial and residential consumers particularly in the northern part of Kuala Lumpur and Petaling Jaya as well as certain areas of Gombak, Klang and Kuala Selangor.

AVERAGE PRODUCTION IN MLD

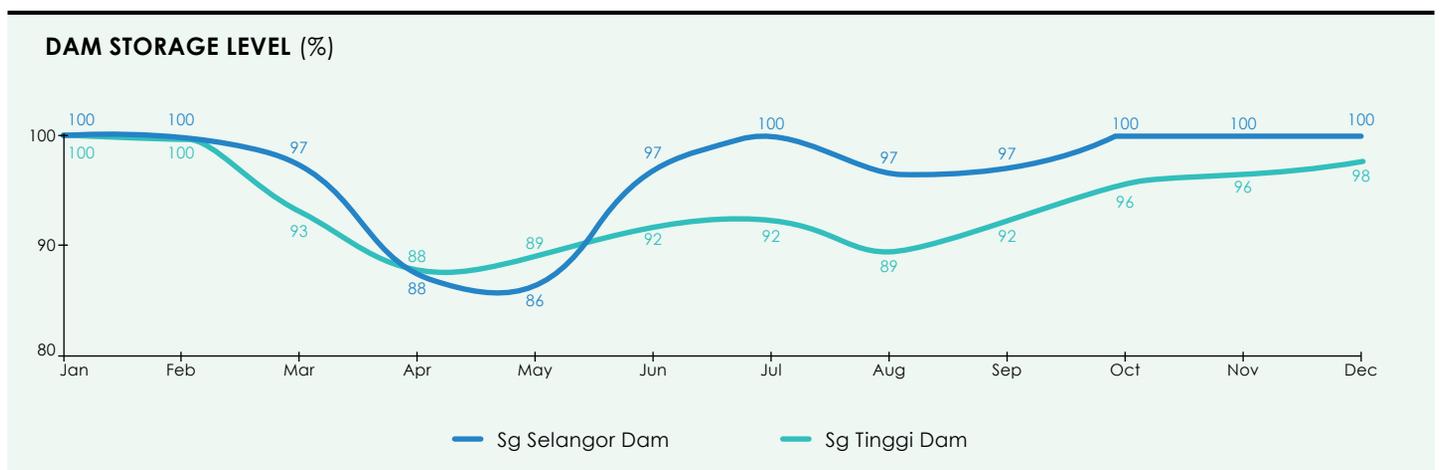


The above is the historical metered output for the past five years from SSP1 and the combined production from SSP1, Sungai Selangor Water Treatment Works Phase 2 (“SSP2”) operated by Air Selangor and Sungai Selangor Water Treatment Works Phase 3 (“SSP3”) operated by Gamuda Waters Sdn Bhd, which were tabulated from internal sources. Water treated in the SSP1 and SSP3 are supplied and sold to Air Selangor, which in turn delivers them to the end consumers. Air Selangor is presently the only entity with the license to extract, treat and distribute treated potable water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya. During the year, the combined production from the three water treatment operators was about 2,869 MLD, an increase of 2.0% from a year ago, slightly lower than the 2.3% growth recorded in 2021. Nonetheless the growth trajectory points to a continual demand by consumers and this augurs well for the water treatment and supply division. SSP1 supplies slightly more than one-third of the treated raw water from the Sungai Selangor basin to Air Selangor.

MANAGEMENT DISCUSSION AND ANALYSIS

At the current operating level, SSP1 is producing well above its design capacity of 950 MLD to meet the overall demand for treated water to the consumers. The stabilisation and continuous monitoring of the metered output from SSP1 had helped to minimise the unexpected fluctuation in the metered readings. Although SSP1 is operating above its design capacity most of the time, it is still able to minimise the incidences of unintended breakdown by having in place a comprehensive maintenance schedule which is submitted to and monitored by Air Selangor, and to the regulator, Suruhanjaya Perkhidmatan Air Negara ("SPAN"), a body established under the SPAN Act 2006 to regulate the water industry in Peninsular Malaysia. In 2019, Sungai Harmoni executed the Bulk Water Supply Agreement ("BWSA") with Air Selangor to manage, operate and maintain the SSP1 until 2036. Since the commencement of the BWSA, Sungai Harmoni has instituted additional procedures and processes to ensure that the SSP1 is well maintained to produce treated water at the designated quantity and quality in accordance to the provisions in the BWSA. With the BWSA, stringent requirements are being complied with and these include, amongst others, maintaining raw water monitoring systems at SSP1 and along the Sungai Selangor to give early warning on occurrence of pollution and in carrying out scheduled rehabilitation and maintenance programme. During the year, total expenditure on rehabilitation, upkeep and maintenance costs including the purchase of critical spares was RM15.44 million (2021: RM19.57 million) which accounted for approximately 13.1% (2021:17.9%) of total operating expenditure for the year.

As with the year before, the continuation of the "La Nina" phenomenon resulted in weather conditions in the country to be extremely erratic with occasional thunderstorms and incessant heavy rain occurring at periods outside of the normal weather pattern. These occurrences could be attributable to climate change which has caused rivers to overflow their banks and resulted in floodings occurring in low-lying areas. Due to heavy rainfalls over the water catchment areas and reduced regulated discharges of raw water to augment higher river flow at Sungai Selangor, water levels at both the Sungai Tinggi Dam and the Sungai Selangor Dam stood at more than 90% of their full capacity for extended periods of the year. Other than the short intermittent dry spells experienced during the year, rainfall was in abundance over the catchment areas and the risk of raw water shortages was not apparent throughout the year. Based on the current weather conditions where it is wetter than usual, the abstraction of raw water from Sungai Selangor for the rest of 2023 is unlikely to be affected as the water levels at both the regulating dams are almost at full capacity which will provide the necessary buffer during the drier seasons. To ensure sufficient supply of raw water for the water treatment operations and to minimise incidence of unscheduled disruptions in the water supply to consumers, state agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN") Air Selangor and Lembaga Urus Air Selangor ("LUAS") together with the water treatment operators, have been playing a proactive role to monitor the flows at Sungai Selangor and dam levels closely.



MANAGEMENT DISCUSSION AND ANALYSIS

We place great importance in ensuring that SSP1 is kept in excellent working condition to supply consumers with the quality of clean water that meets the standards imposed by the Ministry of Health ("MoH"). Hence, sufficient and prompt preventive rehabilitation, upkeep and maintenance programmes are undertaken and strictly complied with. To comply with the licensing requirements imposed by SPAN, Sungai Harmoni is required to furnish a three-year rolling business plan to SPAN detailing a comprehensive maintenance and rehabilitation programme to systematically refurbish all major components in SSP1 back to their original design efficiencies as much as possible. In October 2022, Sungai Harmoni secured the Individual License from SPAN to operate the SSP1 from 13 September 2022 to 31 December 2026 after a comprehensive review of the rolling business plan with SPAN and Air Selangor. Besides the Water Services Industry Act 2006 and its subsidiary legislations, the SSP1 operations are also required to comply with regulations imposed by, amongst others, the MoH, Department of Safety and Health ("DOSH") and the Department of Environment ("DoE") which outlines the importance of the quality of treated raw water supplied to end consumers.

We are committed to a customer-focused service in providing safe drinking water to consumers. Towards this end, we have over the years, leveraged on the advancement of technology in the water treatment process and undertaken continual research and development initiatives to enhance the water supply operations. These include studies carried out on the refurbishment of water treatment plant filters with alternative filtration media, improvements in treatment process efficiencies and the usage of alternative treatment chemicals, especially in the treatment of pollutant spikes that may occur from time to time. Since its introduction in 2013, the use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators at SSP1 have contributed significantly to improving the quality of settled water. Based on the analysis of raw water quality, the treatment regime employed in the SSP1 is relatively effective, as evidenced by the high compliance rate of above 99% for the past three years. Quality of treated water is tested by our in-house laboratories on a two-hourly basis for compliance with water quality parameters set by the MoH. Parallel analysis of samplings are also conducted together with the MoH on the same day.



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MANAGEMENT DISCUSSION AND ANALYSIS

As a responsible water treatment operator, we are cognisant of the impact of our operations on the environment especially when it comes to proper disposal of waste products and the loss of biodiversity. We employ several mitigation programmes e.g. through relevant water industry research and development as well as proper treatment and disposal of the water treatment residuals to the depository lagoons. This is to minimise harmful effects to the water and other migratory birds and the surrounding flora and fauna. We are also collaborating with the Microwave Research Centre of Universiti Teknologi MARA ("UiTM") in a research programme on "Dielectric Properties Investigation on Water Treatment Residuals". The findings will be used to identify suitable treatment to transform residuals into pre-carbonised material for potential application in the agriculture sector and water treatment processes. To protect the firefly colonies at Kampung Kuantan located downstream of the SSP1 intake plant, Sungai Harmoni is collaborating with LUAS and Air Selangor to ensure the release of sufficient water downstream to maintain the firefly ecosystem during the drought seasons.

Sungai Harmoni upholds high standards in the production of treated water and has received several notable achievements including the Brandlaureate Best Brand Awards 2011-2012 for Best Brands in Industrial-Water Treatment. It continues to maintain its standards through several accreditations which include MS.ISO 9001:2015 for the operation and maintenance of SSP1, ISO 17025:2017 for the SSP1 Laboratory, Matang Pagar Reservoir and Bukit Mayong Reservoir laboratories, ISO/IEC 27001:2013 Information Technology – Security Techniques and is in the progress of being certified for ISO 14001:2015 Environmental Management. SSP1 has also been accredited by the Jabatan Pembangunan Kemahiran Malaysia ("JPK") as a National Dual Training System ("NDTS") in-house company and training centre since 2016. This accreditation is valid until March 2023 and allows us to train our internal staff to obtain the Malaysia Skills Certificate certified by JPK.

Emphasis on training and talent development is one of our key priorities in building up our pool of human talent and we are one of the few water operations specialists in Malaysia to have gained such certification. Since the inception of the training programme, a total of eighteen production staff has been certified under the scheme and



it is our plan to have more of our staff attaining higher competency levels and skills through continuous training. In October 2022, we started the third batch of the NDTS with a total of fifteen apprentices and they are due to complete the programme by the middle of 2023. Back in 2019, we took the initiative to recognise the experience and skills of our supervisory staff under the Recognition of Prior Achievement ("RPA") programme conducted by JPK. Six supervisory staff were then awarded the Sijil Kemahiran Malaysia ("SKM") Level 2 for Water Treatment Operation Service after excelling in their practical examination. A further six laboratory staff received their SKM Level 2 under the RPA programme in January 2020. We intend to continue with this programme until all of our supervisory staffs have received their SKM certification for Level 3 or higher. Currently, we are in the midst of applying to be a Practical Training Centre ("PTC") from JPK for the RPA Programme. Once we have secured the approval to be a PTC, we intend to certify the supervisory and experienced staff housed in the Water Treatment Operation, Lab and Water Quality, Facility Management ("M&E") and the Instrument Application departments.

MANAGEMENT DISCUSSION AND ANALYSIS



Besides SSP2, SSP3 and the Sungai Semenyih Water Supply Scheme which is operated by Air Selangor, Sungai Harmoni is a major water treatment plant operator serving close to a fifth of the consumers in the Klang Valley. Being an essential service provider, it is our responsibility to monitor and track all foreseeable operational risks that range from deterioration of quality of raw water, breach of security, major breakdown of plant and equipment to unexpected interruptions to operations due to pollution which may result in unscheduled disruptions in the water treatment process. We constantly assess the impact of environmental, social and governance (“ESG”) risks and opportunities, particularly environmental risks that have an adverse effect on our operations and the impact of our operations on the environment. To mitigate these and other risks, we have implemented an enterprise risk management process to monitor, evaluate and escalate any such risks to the attention of the Group so that appropriate decisions and actions can be taken in a timely manner. Such matters are also highlighted in our long-term business continuity

planning. Short term operational risks will be assessed on a periodic basis and are subject to independent audits by the regulators, external consultants and internal audit checks as part of our ISO certification as well as monitoring by Air Selangor.

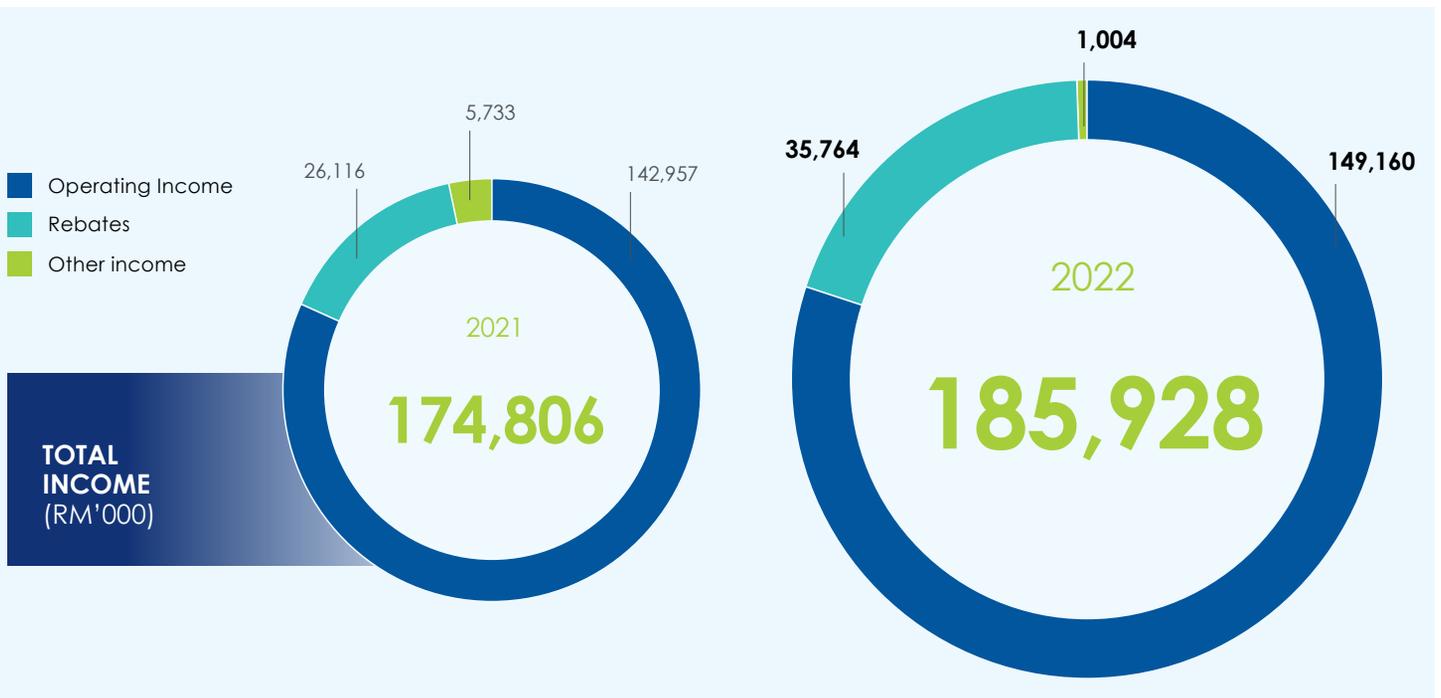
The SSP1 operations run continuously day and night in three shifts. In 2020, there were five major raw water odour incidences and occasional unscheduled shutdown of the water treatment plants. To minimise plant interruption due to river contamination, in particular incidences of odour pollution from commercial developments and agriculture production upstream, we work closely with the relevant stakeholders including the regulators, Air Selangor and the operators of SSP2 and SSP3. This includes raw water quality surveillance programmes undertaken with SSP2 and SSP3 along the Sungai Selangor to provide advance alerts on incidences of pollution and sharing of information. Raw water quality and inflow are being monitored at regular intervals by the river surveillance programme in which water samples are taken from several locations within the catchment areas for analysis. To further enhance the monitoring capabilities, a River Monitoring System (“RMS”) was intended to be commissioned in 2021 at one of the upstream tributaries of Sungai Selangor but due to pending land matters between Air Selangor and the state agencies involved, it could not proceed as planned. The role of the RMS is to monitor specific raw water quality parameters and give advance notification on changes in water quality or pollution. This system when completed, will be used in conjunction with the other RMS set up by Air Selangor, Gamuda Water and LUAS in the Sungai Selangor catchment areas. The Selangor State Government also plays a crucial role in assisting the water operators to prevent any potential pollutant from entering the water treatment intake by constructing a diversion river upstream of the SSP1, SSP2 and SSP3 intake plants under the Skim Jaminan Air Mentah (Raw Water Guarantee Scheme) Project. Once this project is completed, which is expected by the end of 2023, pollutants in the river will be diverted downstream of the Sungai Selangor intake plants and the water treatment plants will be supplied with raw water sourced from the Hybrid Off River Augmented Storage scheme (“HORAS”) and the Operasi Pengepaman Air Kolam Alternatif (“OPAK”) (Alternative Backup Raw Water Supply).

MANAGEMENT DISCUSSION AND ANALYSIS

As a requirement of the BWSA, Sungai Harmoni is to construct, a mechanical residual dewatering plant at its own cost. The construction of the dewatering plant will ensure the proper management, treatment and disposal of dried sludge or residuals, which are necessary by-products from the water treatment process. The SSP1 generates a considerable amount of residuals which are currently treated and deposited at the sludge lagoons within the vicinity of the SSP1 before being transported to the nearby sludge depository area sanctioned by the DoE. This method of handling and managing residuals has been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and an environmentally friendlier method of managing these residuals. The construction of the dewatering plant is estimated to cost around RM40 million

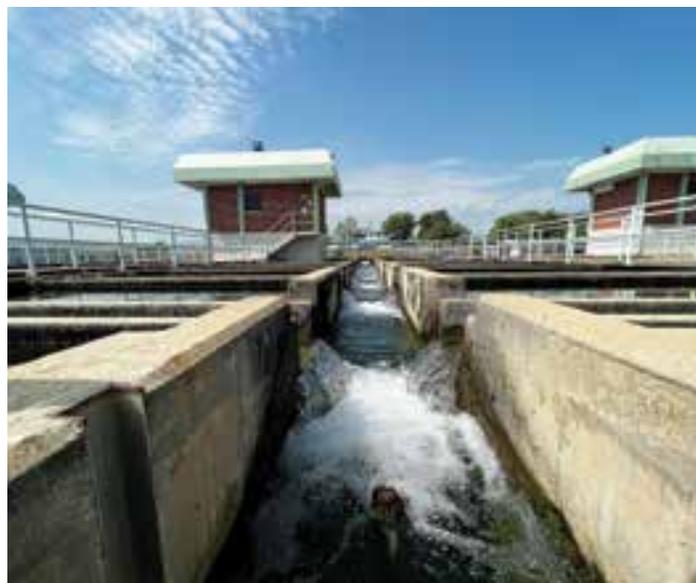
and the conceptual and preliminary engineering design have been approved by Air Selangor. Based on the progress to-date, the dewatering plant is on schedule for completion and commissioning by the end of 2024.

For the financial year 2022, Sungai Harmoni posted a PBT of RM57.69 million (2021: RM53.09 million) on the back of a revenue of RM184.92 million compared to RM169.07 million in the year before. The revenue saw an increase in metered sales billings of 363.80 million m³ from 348.69 million m³ in 2021, generating metered sales of RM149.16 million (2021: RM142.96 million) at RM0.41 per m³ and higher electricity and chemical rebates of RM35.76 million (2021: RM26.12 million) primarily due to the ICPT surcharge imposed by TNB of RM0.037/kWH in 2022. In 2021, TNB offered a rebate of RM0.02/kWH under the ICPT.

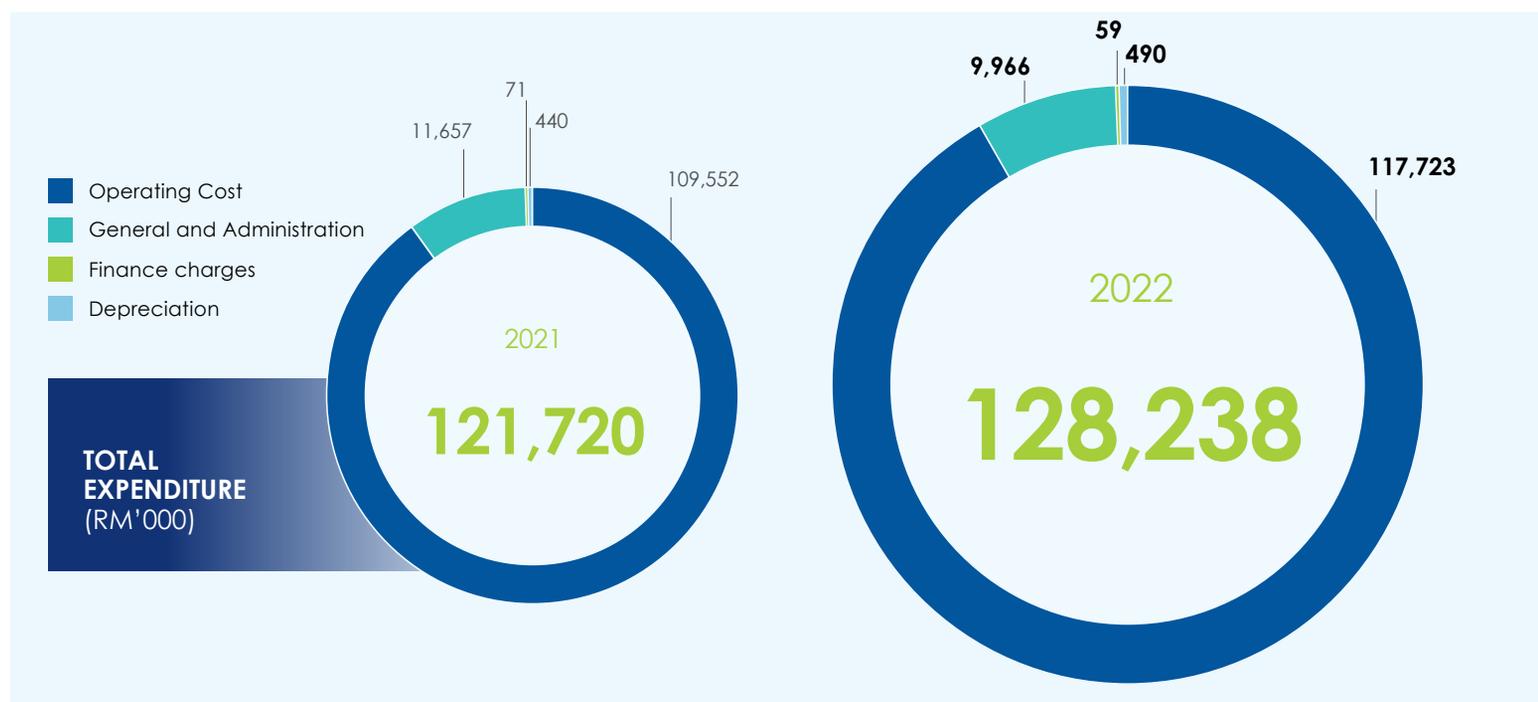


Sungai Harmoni incurred a total operating expenditure of RM117.72 million (2021: RM109.55 million) with electricity and chemical costs accounting for approximately 67.2% (2021: 63.4%) of the total operating expenditure. The higher electricity cost of RM62.13 million (2021: RM53.68 million) was attributable to the ICPT surcharge but it did not result in a significant impact to the Company as the higher electricity costs were primarily passed on to Air Selangor in the form of a higher electricity rebate. Unit electrical cost (net of electricity rebate) was lower by 2.9% to RM0.0903 per m³ (2021: RM0.0930 per m³) due to the effectiveness of energy saving measures initiatives under the Energy Audit Conditional Grant with Malaysian Greentech and Climate Change Centre. The implementation of the energy saving measures includes the replacement of lighting with LED lighting, efficiency tests for big motors and pumps and switching from chiller centralised air-conditioners to energy efficient split air conditioners.

MANAGEMENT DISCUSSION AND ANALYSIS



The unit chemical costs (net of chemical rebate) were also lower by 3.5% at RM 0.0289 per m³ (2021: RM 0.0299 per m³) and this can be attributed to the further overall improvement in raw water quality primarily due to higher frequencies of overflow of good quality water from the regulated dams upstream. As the quality of raw water improved, a lower dosage of chemicals was required to be added to ensure the quality of treated water meets the water quality standards prescribed by the MoH.



Nevertheless, the profitability of the company for the year was impacted by a lower dividend and net gain on redemption from investments designated at FVTPL of RM0.95 million compared to RM5.07 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS



HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

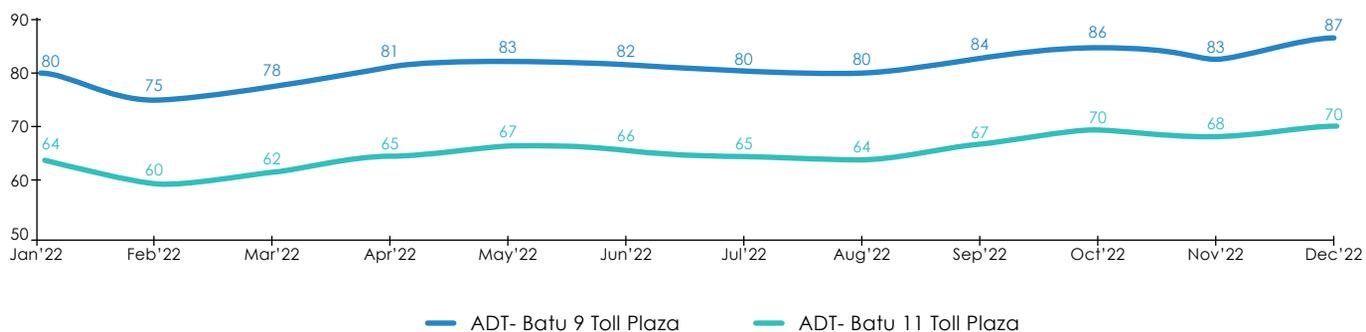
Cerah Sama Sdn. Bhd. (“Cerah Sama”) / Grand Saga Sdn. Bhd. (“Grand Saga”)

After more than two years, Malaysians welcomed the lifting of the MCO with all restrictions removed. The ADT at the Grand Saga Highway which had already shown signs of improvement when the nation progressed to Phase 3 of the National Recovery Plan in the fourth quarter of 2021, finally reached pre-MCO levels by May 2022. Despite the first three months of the year still placed under limited MCO restrictions, the ADT for the year at the Batu 9 toll plaza increased from 61,318 vehicles/day to 81,617 vehicles/day or by a staggering 33.1%, whereas for the Batu 11 toll plaza, the ADT was similarly higher by 33.3% at 65,888 vehicles/day from 49,417 vehicles/day in the previous year. Overall, the two tolls recorded a combined total ADT of 147,505 vehicles/day (2021: 110,735 vehicles/day).

The significant increase in the ADT at both the toll plazas was expected as 2021 started from a low base due to the travel restrictions imposed. As a comparison, the average ADT in the week before the imposition of MCO on 18 March 2020 was 145,701 vehicles/day. Nonetheless, for a better reflection of the current traffic volume traversing the Grand Saga Highway, the average ADT recorded in the last quarter of 2022, was 154,991 vehicles/day, up from 146,939 vehicles/day in the previous quarter. The tremendous increase in traffic volume was also attributable to the opening of the SUKE Expressway which complements the traffic flow on the Grand Saga Highway. The SUKE Expressway opened for traffic on 16 September 2022 with a one-month toll free period. As the Grand Saga Highway is an intra-urban highway that serves numerous housing developments in the vicinity of the Cheras area, about 95% of vehicles that pass through the Batu 9 and Batu 11 toll plazas are predominantly Class 1 vehicles (passenger cars) whilst other classes of vehicles comprising taxis, buses and commercial vehicles made up the balance.

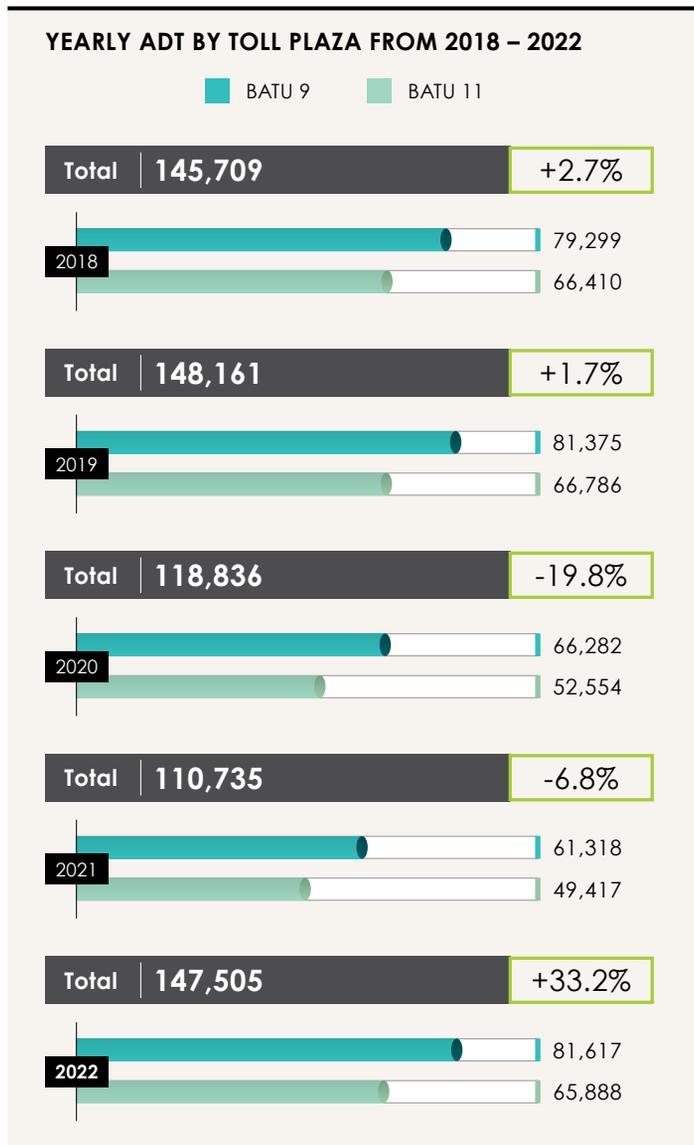
The graphs below depict the trend of the ADT at both toll plazas for the year with the upward trend clearly seen from April 2022 onwards when all MCO restrictions were removed.

AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



The following is a 5-year historical data on the ADT for the Batu 9 and Batu 11 toll plazas and overall growth at the Cheras-Kajang Highway. As expected, the ADT for years 2020 and 2021 saw a sharp contraction with the imposition of travel restrictions during the MCO period.

MANAGEMENT DISCUSSION AND ANALYSIS



One of the risks faced by the highway operations is the potential for traffic disruptions which causes a decline in toll collections. However, with the strong rebound in the volume of traffic during the year, this risk has somewhat abated. The Government is not expected to re-impose any travel restrictions considering that most, if not all, the major economies have opened up their borders and downgraded the pandemic risk. With traffic returning to normalcy after the lifting of the MCO, traffic management became crucial to combat congestion especially during peak periods. As such, we continued with the contra flow operations for the convenience of road users whenever permitted, for the Kuala Lumpur bound traffic in the mornings and for the Kajang bound traffic in the evenings in collaboration with Dewan Bandaraya Kuala Lumpur and the Kuala Lumpur Traffic Police. Development works along the highway undertaken by third parties also gained momentum after the lifting of the MCO. Our traffic and safety division constantly monitors these works to ensure safety and operating procedures are adhered to at all times to minimise disruptions to highway users from construction activities.

Shifting to the level of service at the toll booths, it is important to ensure that there is no prolonged congestion of vehicles queuing up to pay tolls which may be seen in some of the tolled highways. As the traffic flow was lighter during the MCO period, we took the opportunity to re-organise the toll plaza at Batu 9 with the provision of five additional Radio Frequency Identification Tag ("RFID") toll lanes with the purpose of easing traffic congestion which was expected when the MCOs were gradually uplifted. This is also in line with the Government's initiative to promote the RFID system which will eventually lead to the implementation of the barrier-free gantry based on the Multi Lane Fast Flow ("MLFF") system. We are proud to be the first highway in Malaysia to provide six RFID lanes at a single toll plaza.



MANAGEMENT DISCUSSION AND ANALYSIS

The other major risk that we face is the continued uncertainty of the Federal Government's proposal to re-structure the toll industry. In 2022, the Gamuda Group completed the disposal of its four tolled highways located in the Klang Valley to a private trust company, Amanat Lebuhraya Rakyat Berhad, whereby there will be no further increases in the toll rates until the end of the concession of the four highways and no future compensation will be paid by the Federal Government. Two other operating toll highways in the Klang Valley had also completed the restructuring of their toll rates with the Government under similar conditions and announced immediate discounts to existing toll rates upon the commencement of the new concession period. The new Federal Government in power after the recent general elections in November 2022 has continued to pursue the same policy of encouraging toll concessionaires to restructure their toll rates. We draw comfort from the stand taken by the Government that it is committed to the sanctity of the concession agreement and the rights of investors and shareholders.

As part of our service commitment, we continue to provide regular patrolling and break-down services along the highway, including free tow truck services to road users. We have established the "Saga Ronda Service" with a commitment to attend to all incidents along the highway within a prescribed time of ten minutes and to relay information back to our command centre for necessary actions to be taken. We also maintain other related amenities for the convenience of the road users such as the Rest and Service stop at the Bukit Dukong area which has one petrol station, several F&B outlets and a post office. Grand Saga also makes use of Facebook and Twitter to provide regular information on the highway. Other than using social media platforms to reach out to our customers, road users are also updated on traffic conditions and other messages at two video messaging gantries strategically located at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound. As a responsible toll highway operator, both safety and comfort for the road users are our key priorities. Some of the road safety measures undertaken includes ensuring adequate and clear signboards and signages, proper working streetlights and inspection of the highway infrastructure for signs of wear and tear. For the year, we have incurred RM3.83 million (2021: RM2.71 million) in repairs and maintenance with major heavy repair works planned for 2024. Additionally, to enhance our service and operational excellence, we have maintained the ISO9001:2015 Quality Management System as re-certified by INTERTEK Certification during the year. The scope of the certification is for the provision of

Highway Maintenance and Toll Collections. As a result of these proactive measures undertaken, the number of road accidents has progressively declined to 1.80 per million vehicles compared to 2.05 per million in 2021 and 2.46 per million in 2020. This was significantly lower than the threshold of 3.15 per million vehicles set by the Malaysian Highway Authority ("MHA") for highways operating in Peninsular Malaysia.

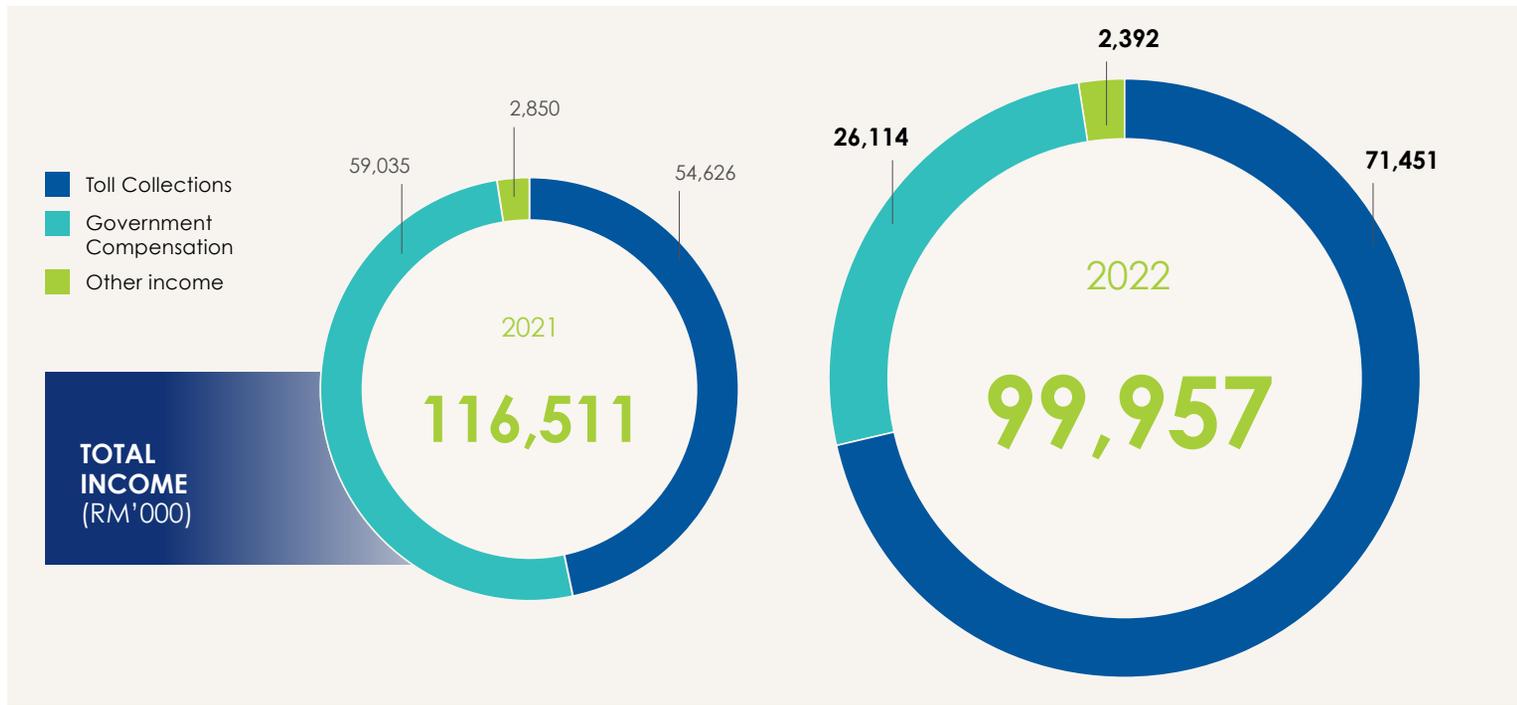
With the significant increase in the ADT, Grand Saga recorded toll collections of RM71.45 million compared to RM54.63 million in 2021. Nonetheless, total operating revenue was lower at RM97.57 million compared to RM113.67 million achieved in 2021 and this was mainly due to lower Government compensation of RM11.25 million (2021: RM43.66 million). The Federal Government has yet to approve the scheduled toll hike due on 1 January 2020 and in lieu thereof, the Government paid a cash compensation as required under the toll concession agreement. Other than toll collections and the toll compensation, operating revenue also consists of deferred income of prior years' compensations arising from amongst others, the closure of one-bound traffic in March 2012, the opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings totalling RM14.86 million (2021: RM15.38 million).



As part of our service commitment, we continue to provide regular patrolling and break-down services along the highway, including free tow truck services to road users.



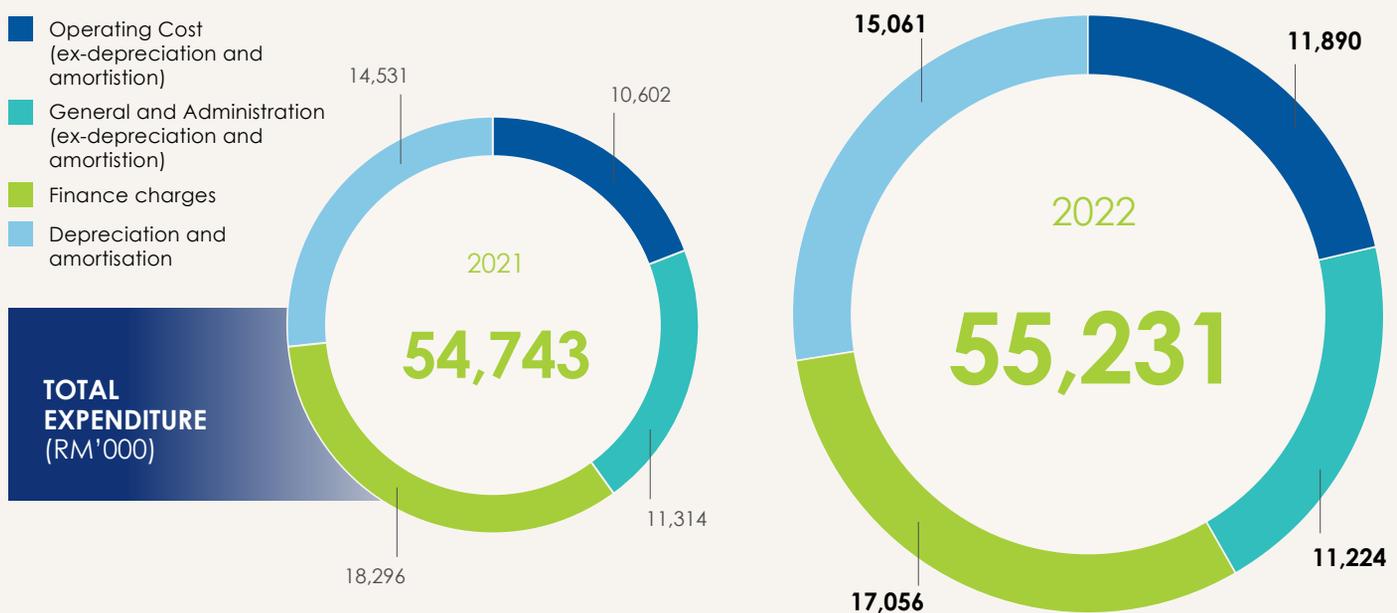
MANAGEMENT DISCUSSION AND ANALYSIS



The company incurred total operating expenditure (excluding depreciation and amortisation) of RM11.89 million (2021: RM10.60 million) which was comparatively higher than the prior year due to higher repair and maintenance costs by RM1.12 million. With traffic volume picking up steadily from the second quarter of the year, Grand Saga incurred higher pavement repair costs of RM1.29 million compared to RM0.36 million in 2021. Depreciation and amortisation accounted for RM15.06 million (2021: RM14.53 million) whereas finance charges from the outstanding IMTN stood at RM17.06 million compared to RM18.30 million last year due to repayment of a principal sum of RM30.00 million during the year. As at the end of the year, the total outstanding IMTN issued by Cerah Sama stood at RM330.0 million. The next principal repayment of RM30.0 million was paid in January 2023. Other income was down from RM2.85 million to RM2.39 million primarily from lower investment income.



MANAGEMENT DISCUSSION AND ANALYSIS



With the lower Government compensation recognised during the year, Cerah Sama recorded a lower PBT of RM44.73 million as compared to RM61.77 million in 2021. Accordingly, the PAT decreased to RM32.70 million from RM61.79 million a year ago with a higher tax expense of RM12.03 million (2021: tax credit of RM0.03 million) due to the expiry of the tax exemption period of ten years from 2012 to 2021 enjoyed by Grand Saga as part of the compensation package from the Government for the closure of one bound traffic at the Batu 9 and Batu 11 toll plazas in 2012.

Grand Sepadu (NK) Sdn Bhd (“Grand Sepadu”)

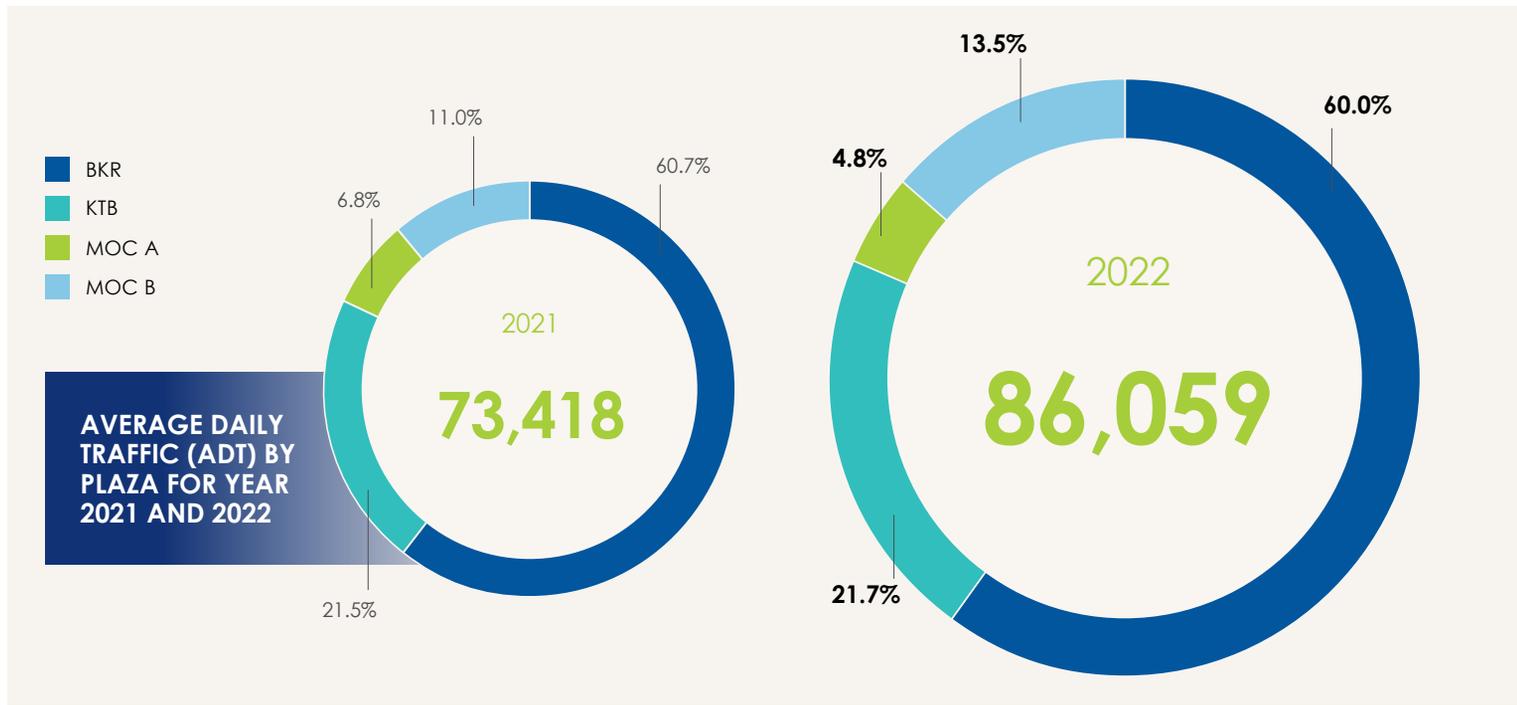
Similar to the Grand Saga Highway, the Grand Sepadu Highway also registered vast improvement in its ADT following the transition to the endemic phase of the COVID-19 pandemic. The overall ADT increased significantly by 17.2% year-on-year as the highway benefited from improved commercial activities in particular the port bound traffic. The ADT for the year attained a daily average of 86,059 vehicles/day (2021:73,418 vehicles/day) passing through the four toll plazas. During the year, the total traffic throughput at the Grand Sepadu Highway was 31.41 million paying vehicles (2021: 26.80 million).

Except for the MOC A toll plaza which recorded a contraction in the ADT by 17.7%, the other toll plazas saw an increase with Bukit Raja, Kapar and MOC B toll plazas

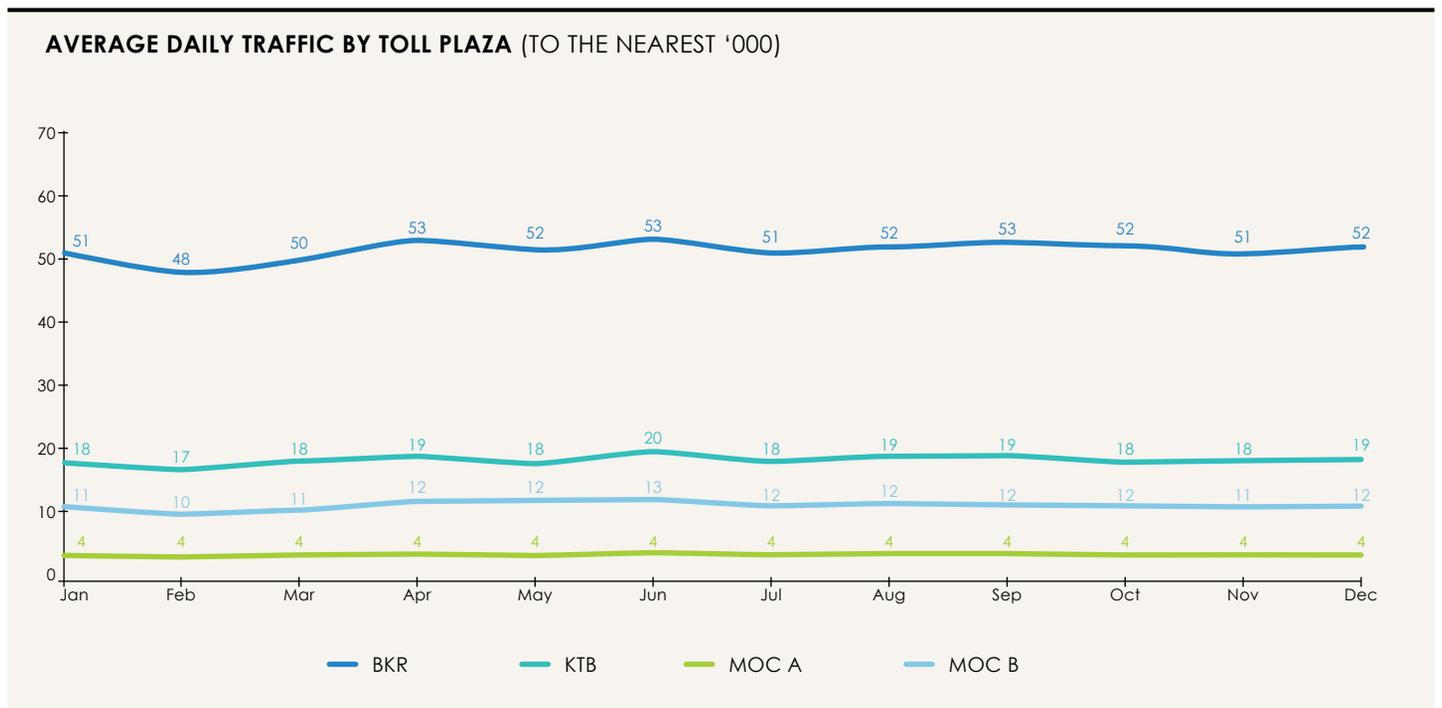
registering positive ADT growth of 15.9%, 18.1% and 44.1% respectively. Out of the total ADT of 86,059 vehicles/day, the Bukit Raja toll plaza recorded the highest number of vehicles passing through at 60.0%, followed by the Kapar, MOC B and MOC A toll plazas. The decline in ADT at the MOC A toll plaza was mainly due to the closure of the old toll-free road by the police during the MCO in 2021 which diverted higher traffic into the MOC A toll plaza then. Even though there was a reduction in the ADT, the financial impact on toll collections was not significant as the MOC A toll plaza accounted for only 4.8% (2021:6.8%) of the total ADT for the year.

In terms of toll collections, the Kapar and Bukit Raja toll plazas generated RM28.74 million (2021: RM25.38 million) and RM12.16 million (2021: RM10.66 million) respectively or close to 80% of total collections for 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

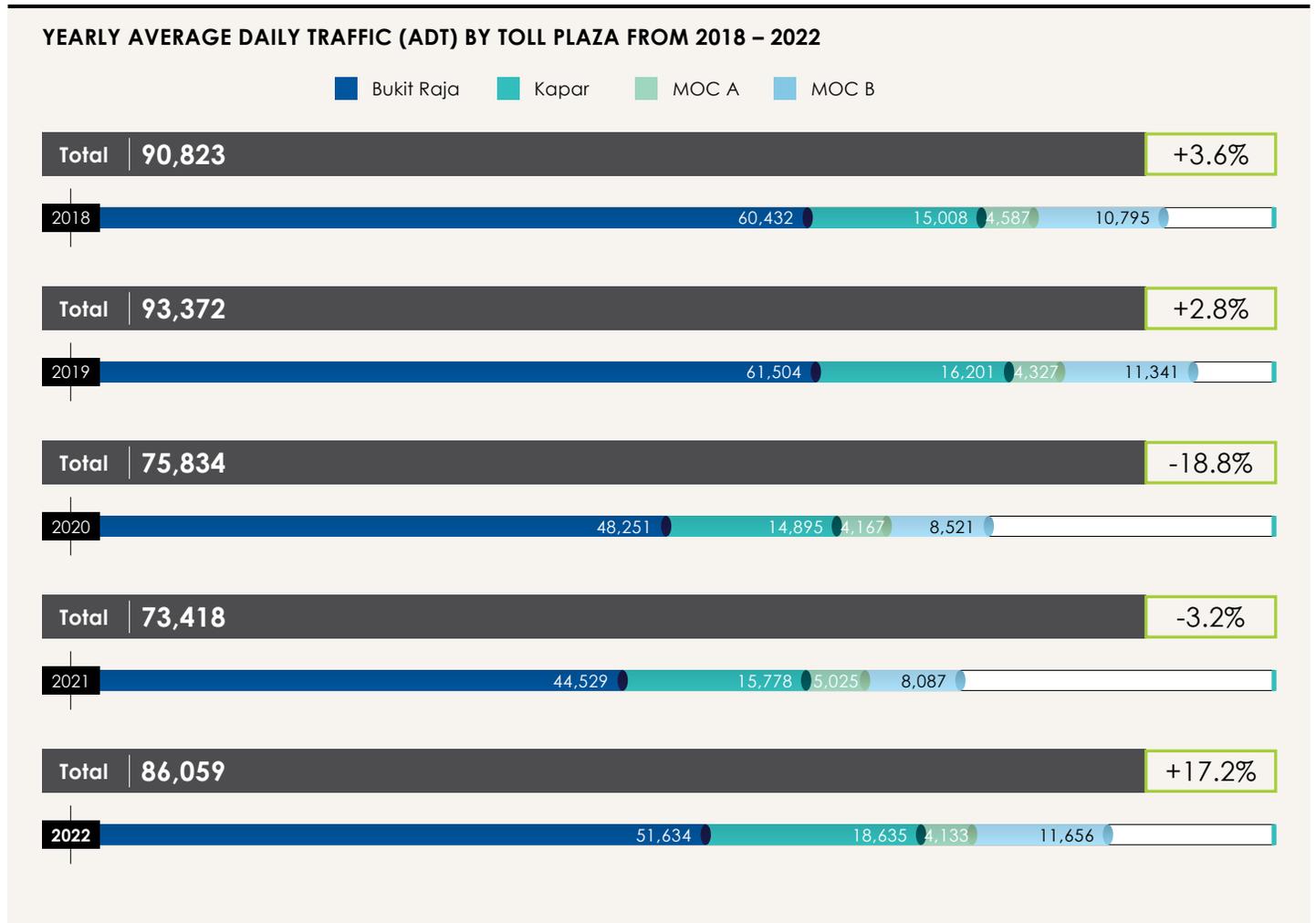


Shown below is the ADT recorded at all the toll plazas for the period from January to December 2022. Fluctuations in monthly traffic volume were evident due to occurrence of festivities and long weekend breaks where the number of vehicles will be conspicuously lesser compared to other months.



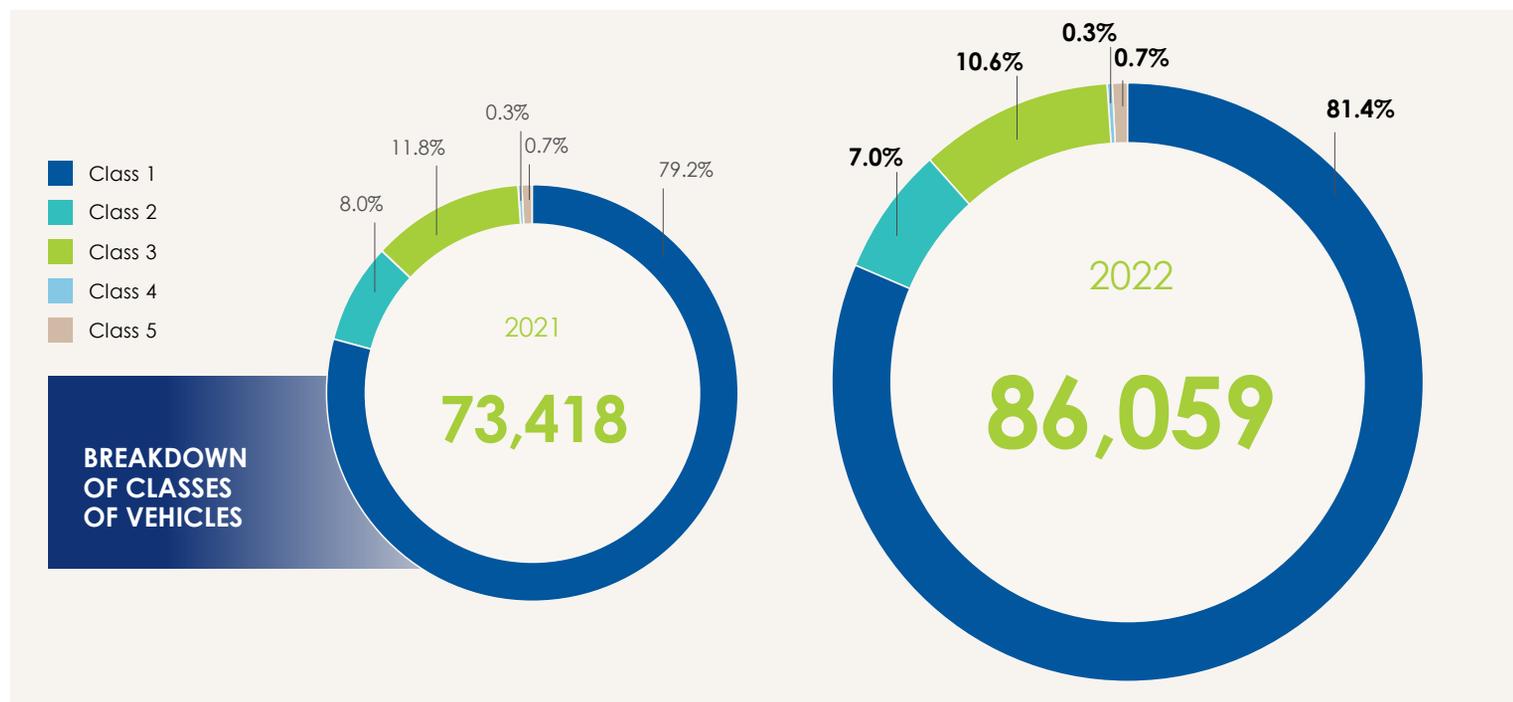
MANAGEMENT DISCUSSION AND ANALYSIS

Based on the five-year historical data below, yearly ADT in 2020 and 2021 recorded a dip of 18.8% and 3.2% before rebounding 17.2% in 2022. However, the current year's ADT of 86,059 vehicles/day was still below the ADT in the week before the imposition of MCO on 18 March 2020 of 90,495 vehicles/day. Unlike the Grand Saga Highway which showed a strong rebound in ADT post-MCO, Grand Sepadu has yet to outperform and this is mainly due to the drop in the number of traffic at the Bukit Raja toll plaza with the opening of Persiaran Astana at Meru towards Setia Alam.



The Grand Sepadu Highway is linked to several major highways in the Klang Valley including Federal Highway Route 2 and PLUS (NKVE) connecting developments in Klang, Bandar Bukit Raja, Bandar Sultan Sulaiman Industrial Zone, Northport and Westport. With the opening of the Hj. Sirat Interchange in June 2018, road users, particularly commercial traffic, have direct access to the highway and a shorter route to the ports. With Class 2 and Class 3 vehicles commanding higher toll rates, this contributed positively to the toll collections. In 2022, Class 2 and 3 vehicles accounted for 17.6% (2021: 19.7%) of the total vehicles but 46.7% (2021: 50.4%) of the total toll collections.

MANAGEMENT DISCUSSION AND ANALYSIS



To further boost the traffic volume in the highway, we are continuing with our marketing efforts such as our Frequent Travellers Programme and promotional activities on Facebook and Twitter social media platforms. We also liaise with the North Port Association to promote activities of mutual benefit including the usage of facilities at the Rest and Service Areas. To better manage and facilitate a smoother traffic flow during morning and evening peak hours particularly around the Bukit Raja and Jalan Meru areas, the assistance of traffic police of Klang Utara is sought and this has so far proven effective in ensuring that traffic congestions along the highway are minimised. As with any other toll operators, health and safety is a top concern in operating and managing a toll highway and as such, every effort is carried out to safeguard the road users. Amongst the causes that could result in fatalities and damage to properties would be the structural integrity of the highway, natural disasters such as flooding, damages caused by road accidents and poor maintenance of the highway.

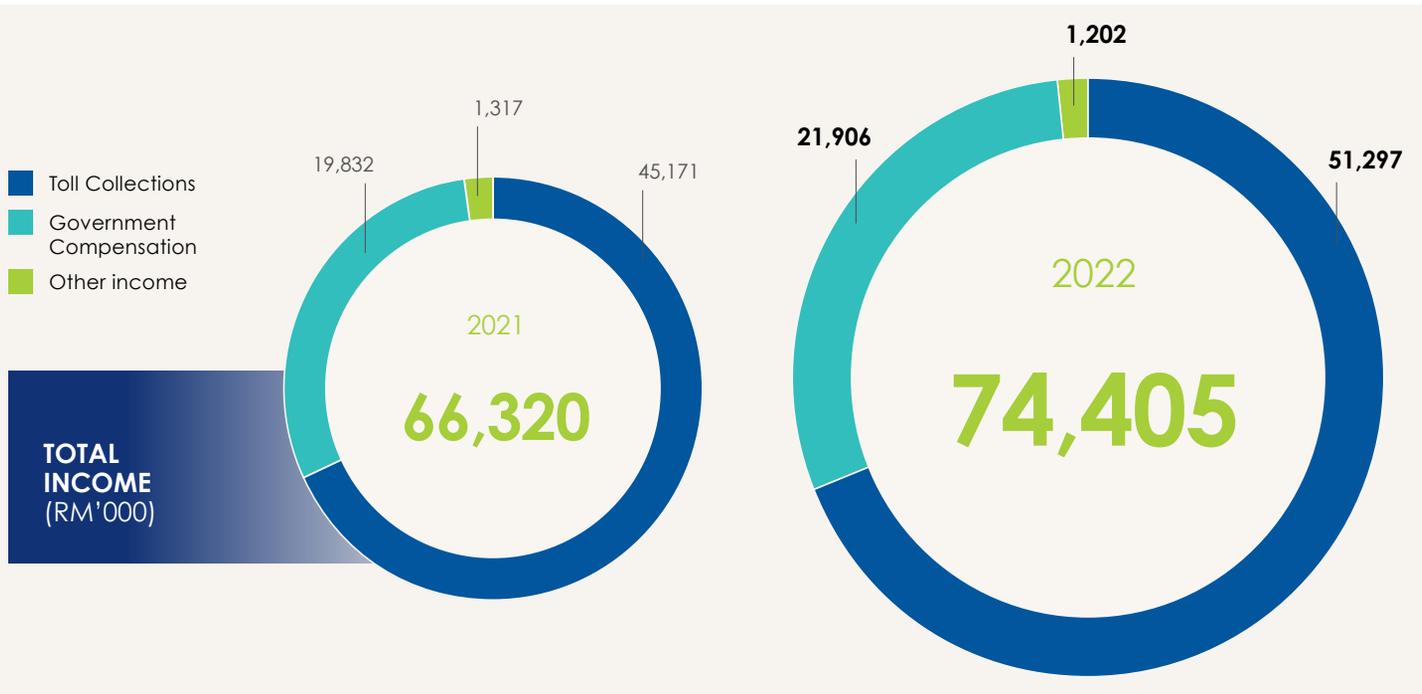
To address these issues, we have instituted various safety precautions including short-term measures such as routine monitoring of pavement for defects, annual visual inspection of drainage, bridges, culverts and retaining structures which are then submitted to the MHA. We are also looking into longer-term measures which comprise heavy repairs for pavements every seven years and a detailed bridge inspection by external consultants every six years. To-date, these efforts have been effective as the number of accidents reported on our highway of 1.21 vehicles per million (2021: 1.57 vehicles per million) is well below the 3.15 benchmark set by the MHA. Nonetheless, we will continue to place traffic safety as our utmost priority to provide assurance to road users of our commitment to ensure each and every one of our users are able to travel with an ease of mind. Since 2018, we have implemented the ISO9001:2015 Quality Management System by SIRIM QAS International. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

MANAGEMENT DISCUSSION AND ANALYSIS

With the unpredictable and extreme weather conditions, floodings at our highway remain a great concern. We have taken mitigation actions to cope with incidences of floodings as certain stretches of the highway are flood prone as they are situated in low lying areas. Amongst actions that we have taken include working together with local authorities on flood mitigation efforts especially within the Jabatan Kerja Raya and Majlis Perbandaran Klang areas by deepening existing retention ponds, routine cleaning and inspections along the drainage system. We have also upgraded the existing drain infrastructure with the construction of additional U drains at flood prone areas to improve drainage and with the completion of

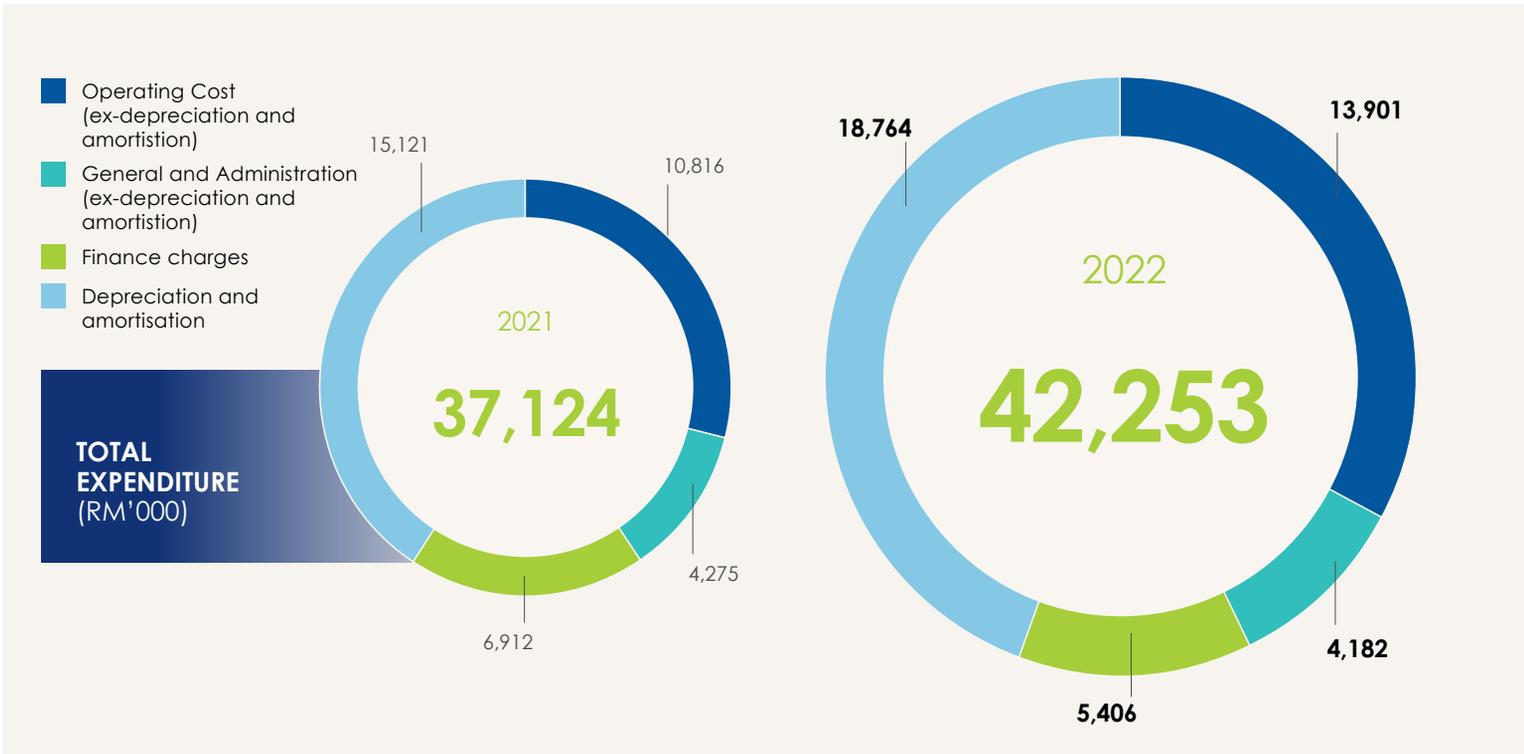
these two drainage upgrades, our operations were able to resume with minimal impact to the integrity structure of the highway. For this purpose, we have incurred total repair and maintenance expenditure of RM4.75 million, higher than the RM3.65 million spent in the year before.

In terms of financial performance, Grand Sepadu recorded higher operating revenue of RM73.20 million (2021: RM65.00 million), an increase of RM8.20 million. Operating revenue comprises toll collection of RM51.30 million (2021: RM45.17 million) and Government compensation of RM21.91 million (2021: RM19.83 million) mainly for non-increase of toll rates in 2016 and 2020.



Total operating costs (excluding amortisation of expressway development expenditure and toll equipment) was recorded at RM13.90 million, higher than RM10.82 million in 2021 whereas the provision for heavy repairs in the current year of RM2.35 million (2021: RM0.52 million) was adjusted to take into account the re-scheduling of heavy repairs to 2023 instead of in 2022 as originally planned. Due to the higher ADT, depreciation and amortisation was up by RM3.64 million to RM18.76 million (2021: RM15.12 million) whereas finance charges from the outstanding Sukuk Murabahah was lower at RM5.41 million compared to RM6.91 million last year due RM30.00 million principal repayment during the year. The Sukuk Murabahah issued in 2015 is rated by the Malaysian Rating Corporation Berhad at AA-is with a stable outlook. The outstanding principal is RM90 million following a further principal sum repayment of RM30 million made in January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS



In tandem with the higher revenue, PBT came in at RM32.15 million, higher than the RM29.20 million recorded the year before whilst PAT was RM20.22 million (2021: RM18.77 million).



MANAGEMENT DISCUSSION AND ANALYSIS



ENGINEERING AND CONSTRUCTION

During the year, we were occupied with three on-going projects, namely:

- (a) the construction and completion of the 76 MI R.C. Reservoir R4 and related ancillary works at Cyberjaya Flagship Zone in Selangor for a contract sum of RM42.36 million.

This project in Cyberjaya commenced in November 2018 and was initially due to be completed in November 2021. However, this was extended to April 2022 with the granting of Extension of Time ("EOT") No. 1 due to the delay by the client, Setia Haruman Sdn Bhd, in securing approval from the authorities on the design by its consultants. The completion has since been further extended by subsequent EOTs to January 2023 due to the delays caused by the MCOs imposed by the Government. Nonetheless, due to additional works imposed by Air Selangor (the authority) in approving the consultant design, a further EOT has been submitted to complete the project by June 2023, the outcome of which is still pending. As at the end of the year, the contract sum for this project was revised upwards to RM42.41 million from RM41.30 million at the end of 2021 due to the progressive finalisation of quantities of the completed works. The works are significantly completed, and the overall progress stands at 95% (2021: 81%) against the planned progress of 98% (2021: 86%). It is expected that the project will be handed over by 2023 subject to Air Selangor's approval.

- (b) Phase 1 of Rasau Water Supply Scheme Package 2 – Construction of Treated Water Pumping Station and Pumping and Distribution Mains for a contract sum of RM602.4 million.

The Rasau Package 2 project is a design and build project secured in December 2021, and it is due to be completed within thirty-six months. The activities carried out during the year were mainly general and preliminary works, detailed design and securing of

the requisite approvals from the relevant authorities for the design and work permits. Given the massive size and complexity of the project, it was anticipated that the approvals by the relevant authorities would be somewhat delayed. The inability of the client, Pengurusan Air Selangor, to acquire land for the purposes of this project in a timely manner has also compounded the lack of progress on this project. At the end of 2022, there was not much physical work carried out on site and the actual progress of 4.1% was way behind the planned progress of 20.4%. Arising therefrom, we have served the Notice of Delay and submitted our application for EOT to Air Selangor. As the costs and supply of materials were highly uncertain then due to the global crisis wreaked by geopolitical tensions and high inflation, we locked in the prices of selected major products, namely steel pipes and pump sets, by awarding the expensive supplies to the respective suppliers without undue delay. The contract sum has been subsequently adjusted to RM614.37 million after taking into consideration the variation in price for pipes as its prices have increased in a short span of time. Air Selangor has issued interim payments promptly so far, which has eased the cash flow requirement at this initial stage of the project pending the procurement of banking facilities to finance both the Rasau projects.

- (c) Phase 1 of Rasau Water Supply Scheme Package 3 – Construction of Booster Pumping Station and Low- and High-Level Reservoirs for a contract sum of RM293.8 million.

The Rasau Package 3 project is also a design and build project secured in December 2021 with a contract period of thirty-six months. Likewise, this project is also delayed, and the actual work progress as at the end of 2022 was 4.8% against the planned progress of 10.9% and way beyond the 20% planned completion at the commencement of the project. Due to the variation of price for pipes, the contract sum for this project was revised to RM295.92 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As these projects are suffering from considerable delay, we will be working closely with the relevant stakeholders to ensure the projects can be handed over in time. We are mindful that these projects are sizeable and costly; business risk can quickly escalate if controls are not instituted from the beginning. Opportunities to enhance profit margins or mitigate losses can be achieved by deciding on the right procurement and supply chain strategies, proactive actions that are closely scrutinised and monitored by us. For example, we explore continually for opportunities with our vendors for win-win collaborations and actively monitor the market to pre-empt market price movement. Successful completion of the Rasau Projects remains a top priority and every effort is made towards achieving this goal. Given that vital resources will be tied up in executing the Rasau Projects until completion, we will take a more discerning approach in tendering for new projects.

On the challenges facing the construction industry, the Government's decision to transition to the endemic phase of the COVID-19 pandemic by allowing business operations to return to normalcy has boosted the national economy. Fortunately, the frequency and severity of COVID-19 cases continue to remain low globally. This has allowed the Government to further relax the mandatory precautionary controls. This has been undoubtedly a boon for the construction industry as construction projects resumed quickly from where they were left off during the pre-pandemic phase. Since the re-opening up the broader economy, the pick-up in construction activities has been evident as reflected in the Ministry of Finance Fiscal Outlook and Federal Government Revenue Estimates 2023 where the construction sector projected an expansion of 5.0% in 2022 and 6.1% in 2023 from a sharp contraction of 5.2% in 2021. In the recent Budget 2023, it was announced that the GDP grew by a strong 8.7% in 2022. Whilst for the following year, a moderate growth of 4.5% is projected and is supported by stable domestic demand, labour market recovery, growth in private investments and external demand as well as improvement in tourism-related activities.



On the challenges facing the construction industry, the Government's decision to transition to the endemic phase of the COVID-19 pandemic by allowing business operations to return to normalcy has boosted the national economy.



The strong recovery in the construction sector is also seen from a rebound in the civil engineering sub-sector buoyed by implementation of new projects such as upgrading of the Klang Valley Double Track ("KVDT") Phase 2 and acceleration of ongoing infrastructure projects which include, the East Coast Rail Link ("ECRL"), Light Rail Transit Line 3 ("LRT3") and the fifth-generation cellular network ("5G") rollout. In addition, the approved investment for projects in the manufacturing sector is anticipated to come onstream and subsequently create a greater demand for non-residential buildings. Activities in the residential buildings sub-sector are projected to grow steadily, supported by an increase in the supply of affordable houses in line with the strategy under the 12th Malaysia Plan 2021-2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Another challenge to the construction industry is the steady rise in global commodity prices that has led to inflationary pressures and upsurge in labour costs to keep abreast with the elevated cost of living.

The minimum wage policy implemented by the Government since May 2022 has also exacerbated the cost of labour that impacted the whole industry. During the MCO, the prolonged freeze in entry permits for foreign workers has inevitably led to a severe shortage of foreign construction workers. Towards this end, the Government has been prioritising its efforts to resolve the current labour shortage experienced not only in the construction industry but across all vital economic sectors that underpin the national economy. To address the long-term ambition to minimise the over-dependence of foreign workers in the construction industry, the Government continues to encourage the adoption of Industrialised Building System ("IBS"), automation and digitalisation by offering tax incentives as well as stepping up its investment in the Technical and Vocational Education and Training ("TVET") Programme and ensuring its relevancy to the construction industry's needs. Skilled workers from the TVET Programme will be able to reduce the country's dependence on migrant workers over time.

The construction industry is notably a highly competitive industry, hence margins can be quite lean. The industry is also beset with higher risks compared to other industries that the Group has business interests in. Construction risks include delays in project completion resulting in imposition of liquidated ascertained damages, mismatches in operating cash flow, cyclical prices of construction consumables, compliance with various regulations, etc. We undertake risk assessment regularly to monitor risks at the enterprise level, for each project, and in specific areas of quality and anti-bribery. We have established procedures to ensure our operations are running systematically with adequate internal checks and balances in place. We are an ISO 9001:2015 certified construction company by Standards Malaysia and UKAS since 2008 for the scope described as Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts.

For 2022, the division recorded total revenue of RM32.98 million (2021: RM14.84 million) and an operating profit of RM0.74 million compared to an operating loss of RM0.97 million in 2021. The lower-than-expected revenue and profit contribution were mainly attributed to delays in commencing the physical works on the two packages of the Rasau Water Supply Scheme as planned due to approval delays from the authorities. However, we are expecting the approvals to be procured in 2023, thus enabling physical works to commence and contribute positively to our financial performance for the next two years.



MANAGEMENT DISCUSSION AND ANALYSIS



WASTE MANAGEMENT

SWM Environment Holdings Sdn. Bhd. ("SWMEH")

After more than two years of business sectors curtailing their level of economic activities due to the various MCOs, the situation has returned to the pre-pandemic level as evident from the upsurge in the amount of waste generated as well as the higher number of service delivery feedback received from the public. Despite the challenges in meeting stakeholders' expectations during the COVID-19 pandemic, we succeeded in completing all the deliverables for both the waste management and public cleansing services in accordance with the concession agreement ("Concession Agreement") signed between the Federal Government and our wholly-owned subsidiary, SWM Environment Sdn Bhd ("SWME").

Being a labour-intensive industry, our workforce is one of our important assets, and their health and safety are an integral aspect to the successful running of our operations. In our effort to ensure that all of our employees are protected against the COVID-19 virus, we achieved 100% full vaccination for all of them. In addition, a total of 5,708 workers were involved in a series of Occupational Safety and Health campaigns to minimise the number of accidents in the workplace. The Jom Tunggang Selamat campaign was launched with the aim of increasing road safety awareness and reducing commuting accidents on the road towards achieving zero accidents in our workplace. We continuously make efforts to empower and build capacity amongst our employees. In this respect, 949 training programmes were conducted during the year benefitting close to 7,474 employees through 23,092 hours of training. Internal and external trainings were provided in line with the 5th Cluster of the National Hygiene Policy - Empowering Human Capital Capacity through strategies to improve the productivity and quality of workers through continuous training towards highly skilled workers.

To further develop our human talent, a total of 46 of our employees have completed the vocational programme under the Ministry of Human Resources namely the National Dual Training System ("SLDN") related to solid waste collection, public cleansing, treatment and disposal of solid waste. All of them were awarded the Malaysian Skills Certificate Level 2. Three of our employees were accorded the recognition of Best Graduate during the second convocation organised by the Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam ("SWCorp") which was held in December 2022. SWCorp is a government body under the Ministry of Local Government Development tasked with the responsibility to regulate solid waste management and public cleansing in the seven states in Peninsular Malaysia that adopted the Solid Waste Management and Public Cleansing Act 2007 (Act 672). To ensure proper succession within the organisation, a team of capable leaders across all our functional divisions were identified and groomed to take on higher responsibilities based on their competencies, capabilities and performance.

SWME is at the forefront on environmental issues. To promote greater environmental awareness and participation, the KitaRecycle programmes with a mobile application developed by us has provided an excellent initiative and tool to effectively educate and encourage the public to participate and play a role in Reduce, Reuse, Recycle ("3R") initiatives and contribute towards the circular economy. With the reopening of the business sectors and the loosening of Standard Operating Procedures by the MoH, our public awareness and KitaRecycle programmes which are aimed at encouraging the public to undertake recycling activities and promote separation at source ("SAS") has successfully conducted 12,488 Communication, Education and Public Awareness ("CEPA") programme with more than 10,000 members registered in 2022, an increase of 141% from 2021. Through the SAS and KitaRecycle programmes, we managed to divert around 2.7 million kilogrammes of recyclables away from the landfill.

MANAGEMENT DISCUSSION AND ANALYSIS



As an important stakeholder, we work and collaborate closely with SWCorp in implementing the National Solid Waste Management Policy.



Our first KitaRecycle Hub which consist of a Drive-Thru Centre in the Seremban City Council and a CEPA Hub located at Negeri Sembilan Public Library Corporation was launched in December 2022 with the aim of encouraging local communities to carry out recycling activities as well as being informed and equipped with 3R knowledge. In addition to this, we took a further step to incentivise and reward the public via Recycling Points ("RP"), which can be redeemed for cash paid through online banking hence inculcating positive behaviour while reinforcing good recycling habit via the KitaRecycle programme. Moving forward, the KitaRecycle Hub will be able to create a bigger impact on environmental awareness and positioning SWME as one of the key advocates of Recycling and Circular Economy within the community. Other than championing environmental issues, we also play a role in assisting the vulnerable B40 communities. Our SWM Kasih volunteers continue to support them by contributing essential items and providing voluntary public cleansing services as part of our community service.



Being in a highly labour-intensive industry, we constantly face shortage of manpower, especially the operatives being one of the key issues. Recruitment of local workers remained an uphill task as the notion of waste management being perceived to be in the 3D sector i.e. dirty, dangerous and difficult, is less attractive and least preferred to the local workers. In mid-2022 as the economic situation gradually improved, the annual attrition rate of the workforce progressively rose again from 21.3% in 2021 to 23.1% in 2022. To reduce dependency on the use of labour over the long term, the introduction of new mechanisation for the labour-intensive cleansing activities particularly in grass cutting and drain cleansing was implemented as part of the operational optimisation plan. To ensure that our operations are able to run smoothly, we have recruited close to 900 foreign workers during the year where we provide them with housing and other amenities.

As an important stakeholder, we work and collaborate closely with SWCorp in implementing the National Solid Waste Management Policy. Optimisation of operational efficiencies via the use of an integrated system namely The Integrated Inventory Data System to capture inventories as well as on the ground improvements in inventory measurement were used extensively to provide updated data. Similarly, the Intelligent Work Scheduling

MANAGEMENT DISCUSSION AND ANALYSIS



System which is integrated seamlessly with the Online Job Completion Report, Automatic Vehicle Location system and SWCorp's online payment system facilitates prompt billing and expedites online payment processes. In addition, the online ticketing system for monitoring of work done which can be accessed by all the concessionaires in monitoring and reporting work performance on the ground including non-conformance to KPI issued by SWCorp are immediately remedied while enhancement efforts made to the internal mobile application for monitoring daily work schedules and activities to alleviate the Job Completion report process for supervisors to submit online reporting of work done to SWCorp. More importantly, the strategic partnership with SWCorp and other concessionaires in utilising the Command, Control, Communications, Computers, and intelligence (C4i) Centre located at Cyberjaya for effective self-regulation of solid waste and public cleansing activities has continuously elevated the level of service for the whole waste management industry. We are continuously working towards automating and digitising our work processes to further improve and optimise our operations and cost efficiencies through Internal Feedback and KPI Monitoring Applications to improve service quality on the ground and to rectify any non-compliance of KPIs before any penalty is issued.

The second cycle tariff review after the first seven years cycle under the Concession Agreement was due in September 2018. However, with the country's political instability and frequent changes in the Government, weakening of the country's currency and financial position and the prolonged impact of the COVID-19 pandemic, the focus of the Government has shifted to other more pressing issues. This resulted in the tariff review being protracted although there had been numerous ongoing discussions and meetings over the years. As a result of the delays in resolving this issue, our financial position has been affected and this has compromised our ability to replace the aging fleet of vehicles and equipment. Approximately 40% of the vehicles and equipment have aged due to wear and tear and were scheduled for replacement to ensure that the service levels are maintained. Despite the financial constraint in procuring new capital expenditure, we have been able to ensure that the fleet and equipment availability is maintained through increased efforts in stepping up preventive and scheduled maintenance.

In terms of financial performance, total operating expenditure for the year recorded an increase of 14.8% on the back of a 3.7% rise in operating revenue due mainly to the hike in staff payroll and related costs as a result of the implementation of the new minimum wage of RM1,500 from RM1,200 previously, effective from 1 May 2022. We together with the other two concessionaires are still pursuing the second cycle tariff review exercise to be concluded in the coming year. Pending the conclusion thereof, we have re-assessed our fleet and machinery requirement at the operational level and have moderated our capital expenditure spending accordingly. Hence, this has translated to a lower depreciation charge of RM21.68 million (2021: RM30.57 million) for the year. As we did not incur the budgeted capital expenditure, we were instead focused on the replacement and refurbishment on an as-needed basis which resulted in an increase of 15.6% in repair and maintenance costs. Payroll and sub-contractor costs accounted for a large component of total direct operating expenditure at 74.5% (2021: 82.4%). Attention is particularly directed at these cost considerations and continuous efforts in various staff retention programme, rationalisation of overtime and staff allowances aimed at managing the operational efficiency and productivity which resulted in a cost increase of 38.1% and 6.6% respectively, in the management of staff payroll and subcontractor costs.

MANAGEMENT DISCUSSION AND ANALYSIS



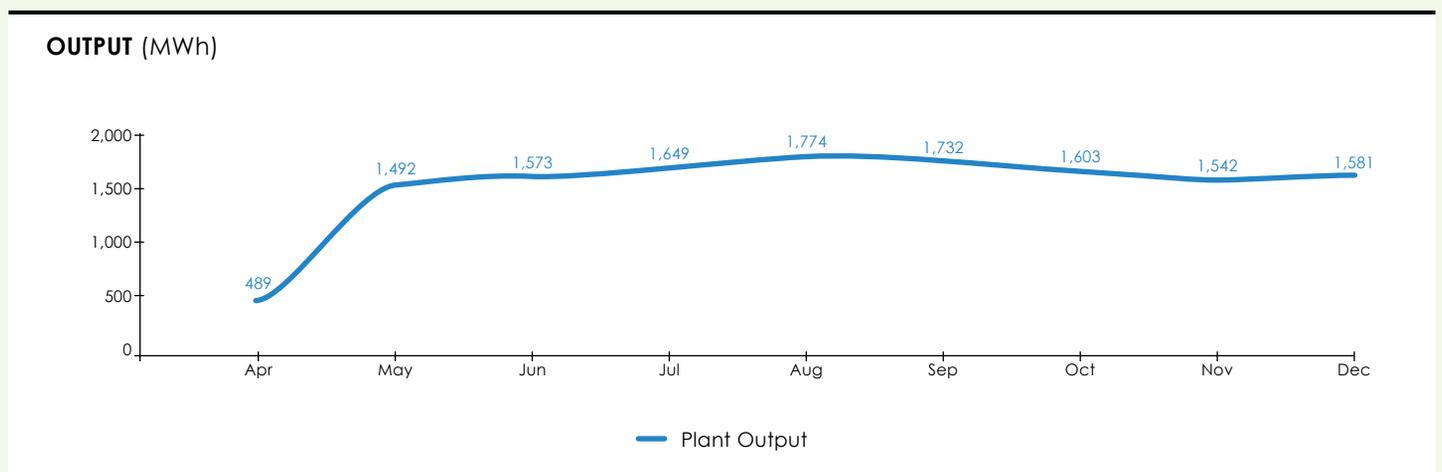
RENEWABLE ENERGY

During the year, the Group diversified its business portfolio into the renewable energy space by acquiring four fully operational solar projects with a total capacity of 19.0-megawatt peak around the vicinity of the Kuala Lumpur International Airport ("KLIA"). These solar projects are housed under the following entities:-

- (a) TR Sepang Sdn. Bhd. which operates a 5.0 MWp ground-mounted solar photovoltaic project built on a palm oil plantation area;
- (b) TR SaTerm Sdn. Bhd ("TR SaTerm"). which operates a 4.0 MWp rooftop-mounted solar project above the satellite terminal of the KLIA; and
- (c) TR CPark Sdn. Bhd. which operates two separate 5.0 MWp rooftop-mounted solar projects within two long-term car parks of KLIA.

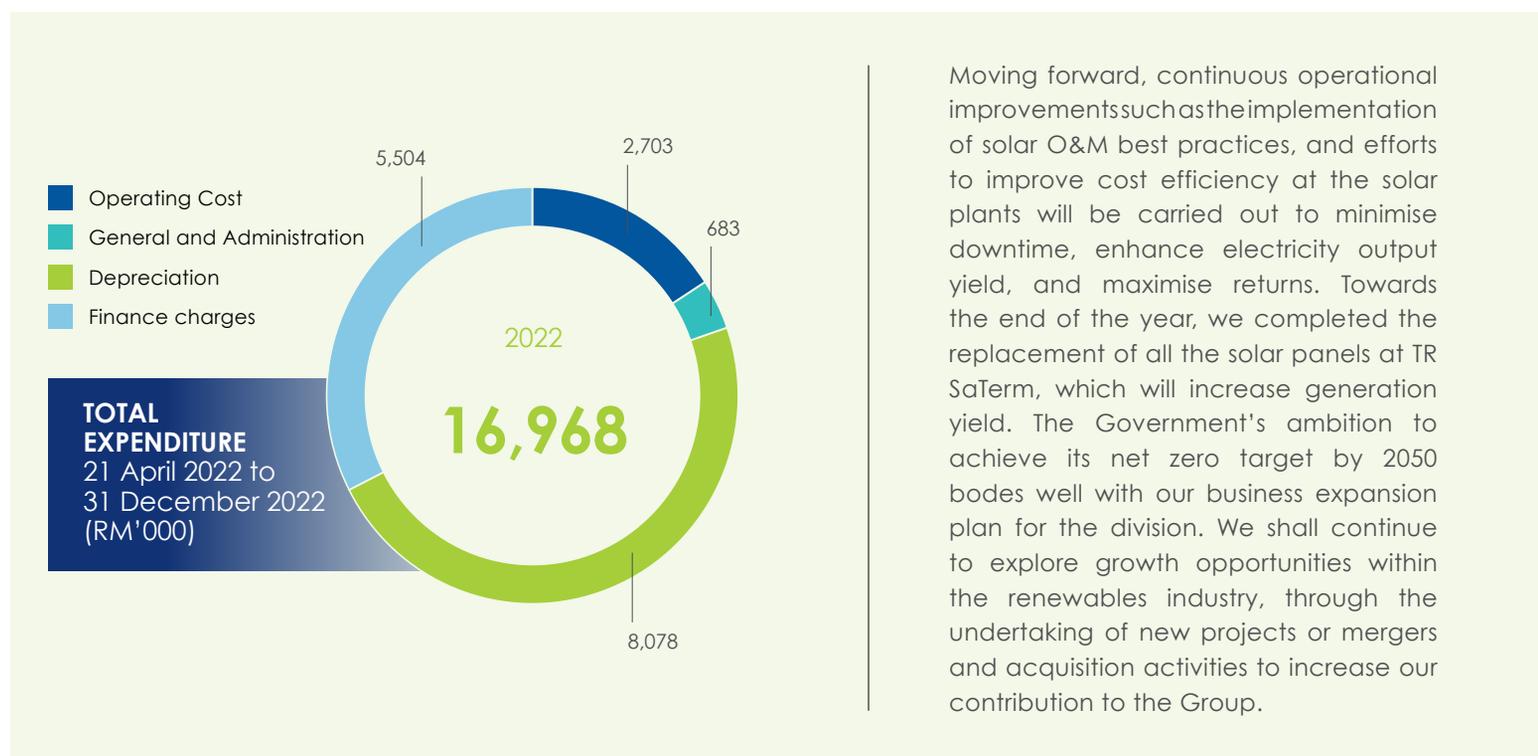
The acquisition saw the addition of a capable team of operations and maintenance ("O&M") engineers to the Group, some of whom have been with the entities since the solar plants' commenced operations back in 2013. The solar entities operate under the Feed-in Tariff ("FIT") programme administered by the Sustainable Energy Development Authority ("SEDA"), a statutory body formed under the Sustainable Energy Development Authority Act 2011. The FIT programme was designed to encourage the development of renewable energy by guaranteeing grid access and favourable tariff rates. Throughout the year, the total energy generated from the solar plants was 14,435 MWh. Based on our internal assessment of carbon footprint impact, this translates to planting approximately 284,231 trees or removing about 43,637 cars from the road, which could effectively reduce the level of carbon dioxide emissions close to 11,085 tonnes per year.

The following is the monthly total output from 21 April 2022 (date of acquisition) to 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of financial performance, the Renewable Energy segment generated PBT and PAT of RM2.59 million and RM6.16 million respectively. The segment recorded total income of RM19.56 million comprising RM17.24 million from sales of electricity for the period of 21 April to 31 December 2022 and other income of RM2.32 million. Total expenditure incurred amounted to RM16.97 million and it included interest on shareholder's loan from the parent company amounting to RM5.13 million. The higher PAT as compared to PBT was mainly due to net of reversal on deferred tax liabilities and recognition of deferred tax assets for the year. In terms of total expenditure for the year, depreciation and finance charges account for approximately 80.1%.



DIVIDEND POLICY

In 2015, we announced a dividend policy of a pay-out ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) subject to a number of factors including the earnings, capital commitments, general financial conditions and distributable reserves. For the financial years ended 2015 to 2018, the Company declared total dividends of 4.80 sen per share for each of the financial year, before it gradually increased to 6.60 sen per share from the fourth quarter of 2019. For the current financial year, the Company declared a total of RM133.04 million of dividends to shareholders, the same quantum as in the previous year.

A summary of the dividend payments together with the historical financial information and key financial ratios are in the 5-Year Financial Highlights in this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE DEVELOPMENTS

We had previously announced that the Group was venturing into the renewable energy sector, which is in line with the Group's vision of being an established infrastructure company with capabilities to design, build and operate an infrastructure project, providing end-to-end solutions to prospective customers. The venture involves the acquisition of 100% interest in four solar projects with an aggregate capacity of 19.0-megawatt peak for a total cash consideration of RM181.60 million financed by our internal funds.

These acquisitions have since been completed in the second quarter of 2022 wherein the Group will hold the entire equity interest in the three FIAHs operating under the Feed-in-Tariff programme administered by the Sustainable Energy Development Authority and an operations and maintenance company servicing the FIAHs. The inclusion of the renewable energy business complements our existing concession-based businesses where we seek to strengthen our ability to provide sustainable dividend payout to our shareholders.

ANTI-BRIBERY

With the introduction of corporate liability under section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act") which took effect on 1 June 2020, we have established the necessary procedures ("Adequate Procedures") pursuant to sub-section (5) of section 17A of the MACC Act to prevent our employees and/or associated persons from undertaking corrupt practices in relation to our business activities. In adopting the Adequate Procedures, we are 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 adopted is a corruption risk assessment to establish appropriate processes, systems and controls to mitigate the specific corruption risks that our businesses are exposed to and a whistleblowing channel for our stakeholders to raise concerns, in writing or anonymously, in relation to actual or suspected corruption practices involving the Group. We have incorporated corruption risks as part of our annual risk assessment. The anti-bribery risk assessment is undertaken and documented in the risk registers of individual business units and reported as part of our risk management processes. Each of our business segments has its own compliance function to ensure the proper implementation of the Anti-Bribery Management System ("ABMS") adopted by the Group.

In compliance with the Main Market Listing Requirements of Bursa Malaysia, we have uploaded the Anti-Bribery and Whistleblowing Policies at <https://taliworks.com.my/corporate-governance/>. We have also made available a dedicated email address where reports can be channelled to the Whistleblowing Committee. Further details on how we have implemented the Whistleblowing Policies are elaborated under Practice 3.2 of the Corporate Governance Report 2022, a copy of which can be found at <https://taliworks.com.my/corporate-governance/> under the Corporate Governance Report section.

IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S BUSINESSES

As the country transitioned to the endemic stage of the COVID-19 pandemic and relaxed the health regulations, we downgraded the risk of the impact of the pandemic on our operations. There were no significant changes to the water treatment and supply and waste management operations as these are essential operations and they continued to provide their services as usual. On the other hand, it was a boon for the toll highway segment as traffic volume continued to climb as travel restrictions diminished over time with the general public largely placing the pandemic behind them and gradually easing their way back to normalcy. Our construction segment also benefitted from the transition to the endemic stage as there were lesser disruptions brought about by the temporary suspension of operations. We foresee that the impact of the COVID-19 pandemic will continue to ebb with the decline in the number of positive cases and fatalities reported.



Each of our business segments has its own compliance function to ensure the proper implementation of the Anti-Bribery Management System ("ABMS") adopted by the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The outlook for the country as indicated in the recent report by Bank Negara Malaysia bodes well for the national economy with a moderate pace of growth supported by continued improvement in the job market, positive effects from China reopening its economy, higher tourism activity and the implementation of new and existing investment projects. Nonetheless, a highly challenging and uncertain global environment will remain the key risk to domestic growth going forward.

Our financial performance in particular our profitability is largely driven by the performance of the water treatment and supply and the toll highway segments. In 2022, these two segments contributed close to 84% and 96% of our revenue and operating profit respectively. The demand for treated raw water will continue to be robust underpinned by the increased economic activities whilst the toll highway segment has seen significant improvements in the traffic volume with all travel restrictions fully lifted. Metered sales of treated raw water from SSP1 increased by a strong 4.3% whilst ADT in the last quarter of 2022 at the Grand Saga highway exceeded the ADT prior to the onset of the COVID-19 pandemic. The Group has about RM169.60 million in cash reserves (excluding pledged amounts) as at the end of 2022 which can be readily deployed for potential acquisitions and new projects.

In the construction segment, the actual progress of the Rasau Projects is relatively behind schedule due to delays in securing the requisite approvals from the authorities. However, we expect to secure the necessary approvals in 2023 where we will be able to recognise a significant contribution in 2023 and 2024. The successful completion of the Rasau Projects is one of our top priorities and every effort is made towards achieving this goal.

In the waste management segment, our associate registered higher revenue of 3.7% compared to a year ago, collectively from both solid waste collection and public cleansing services. Nonetheless, its financial results were affected by the delay in securing a tariff revision and increases in the operating expenditure including from the incremental effects of minimum wages as mandated by the Government, higher deduction of dividends on

cumulative preferences shares held by parties other than the Group and provision made for long outstanding trade receivables. Presently, on-going discussions are held with the Ministry of Local Government Development for a second cycle tariff review to resolve this long-drawn issue.

As for the Renewable Energy segment, we see tremendous potential as the world governing bodies have called for countries to invest into this sector in the coming years to keep global warming in check by reducing greenhouse gas emission ("GHG") by 45% in 2030 and reaching net zero by 2050. The COP27 conference which was concluded in November 2022 continued to highlight the need for immediate and decisive action to reduce carbon emissions and prevent catastrophic global warming. Environmental recovery will continue to be of importance in the coming decades amidst the severity of global warming and the climate change we are experiencing.

In Malaysia, the Government has reiterated and upped its commitment towards green energy adoption with a target of having 31% of renewable energy in its generation mix by 2025. The green incentives offered by the Government will continue to play a key supporting role in encouraging the adoption of renewable energy. The extension of the Green Investment Tax Allowances and Green Income Tax Exemption to 31 Dec 2025 and the Green Technology Financing Scheme until 2025 are designed to encourage investments in renewable energy for Malaysia to reach its generation mix targets.

As Malaysia has committed to a net-zero GHG by 2050, it is anticipated that the strategies and actions for GHG mitigation, particularly for the main economic sectors, will be outlined. Currently, the bulk of the GHG emissions come from three main sources i.e. electricity generation from fossil fuels, road transport and manufacturing. Whilst there are plans to upgrade the infrastructure for the adoption of electric vehicles, there is also an urgency to gradually de-carbonise the electricity sector through a widespread usage of renewables including solar and hydroelectric. It is envisaged that renewables will continue to play an important role and gain prominence as the country moves forward to fulfil its commitments to achieve net-zero emissions.

OUR VALUE CREATION STRATEGY

Our Commitment to Shareholders

We strive to be an established infrastructure company with capabilities to design, build and operate an infrastructure project; providing end-to-end solutions to prospective customers.

01



To provide sustainable and consistent return to our shareholders supported by existing long-term contracts and cash balances



02



To drive market capitalisation via value enhancing mergers and acquisitions (M&A) and new contracts



03



To perform all existing contracts efficiently while meeting all required KPIs under the contracts, in accordance with best practices and guided by regional standards



04



To continue our commitment on environmental, social and governance (ESG) matters and on giving back to the society via Corporate Social Responsibility ("CSR") initiatives



05



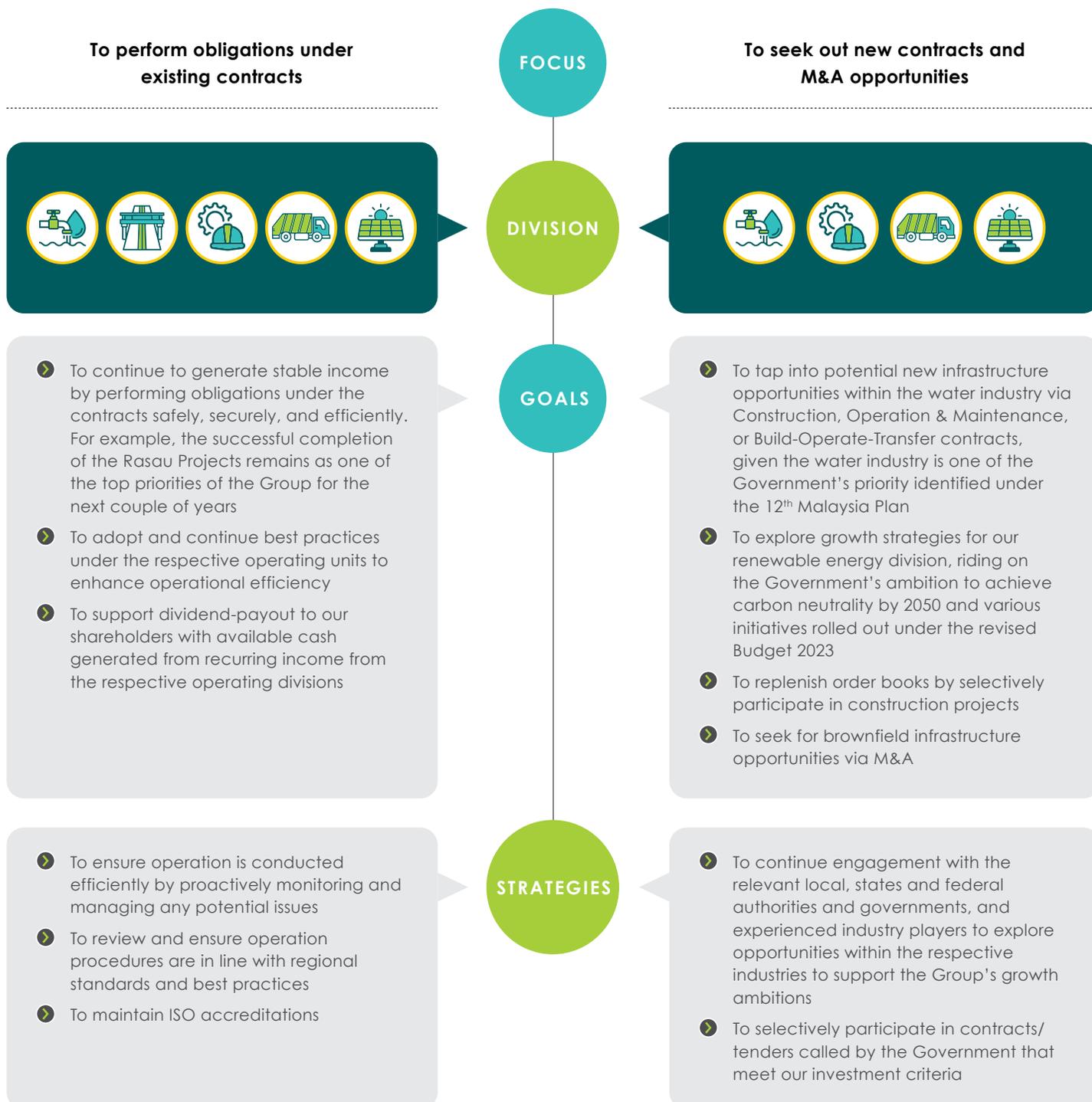
To continue human resource capital development that recognises the worth of employees as an individual and a valuable asset to the organisation



OUR VALUE CREATION STRATEGY

Business Focus and Strategies

We have identified the following strategic focus which will preserve and create long term value for our shareholders.



OUR VALUE CREATION STRATEGY

We will draw upon the following resources to achieve our strategic focus



Financial Capital

- As at 31 Dec 2022, Taliworks has net assets of RM1,047.9 million and cash balances of RM217.1 million
- Taliworks's PAT for FY2022 is RM66.4 million
- Taliworks has healthy cash balances and ability to gear up to pursue new contracts



Intellectual Capital

- Each division has operating procedures which are guided by international standards
- As part of Taliworks's efforts to be in the forefront of the water industry, the water treatment and supply division has a R&D team which promotes new water treatment technologies to the Malaysia water industry such as the ceramic membrane filtration technology, sustainable filtration technology for rural water supply and alternative water usage of water treatment residual



Social and Relationship Capital

- Each division maintains strong relationship with the relevant authorities, contractors, suppliers and the local communities it operates in
- At Taliworks, there are also constant engagements with our shareholders, financiers, the investment community and the press



Manufactured Capital

- Each division has the necessary assets and infrastructure to perform its obligation under the contracts and is undertaking digitalisation efforts to increase efficiencies in their operations
- For example, our water treatment and supply division utilises a Computerised Maintenance Management System (CMMS) and has a river water quality monitoring programme
- Our waste division has the most physical assets, with a Fleet of approximately 1,600 mainly Compactors, ROROs and Suction Basin Cleaner fitted with GPS and fuel sensor for efficiency monitoring, and 27 In-house workshops and mobile tyre unit to ensure fleet and machines are in best working conditions



Human Capital

- The group has a staff strength of over 9,000 staff
- Each division is led by senior management team with multiple decades of experience
- All employees are trained in areas of leadership development, technical aspects relevant to their roles, and occupational safety and health

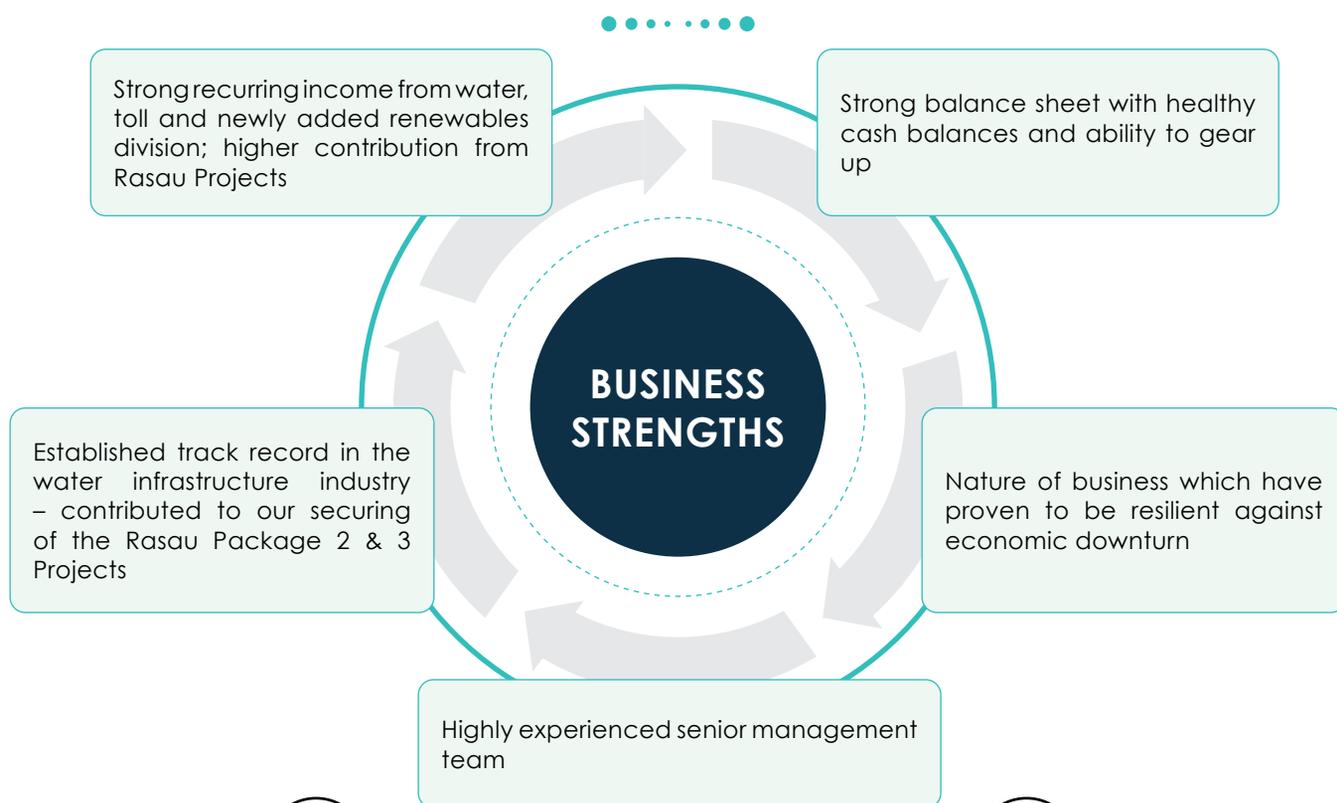


Natural Capital

- Each division embarks on various initiatives to meet its respective timeline driven sustainability goals
- Our newly established renewables division is a testament to our commitment towards sustainability efforts
- For more details, please refer to our sustainability statement included in this Annual Report

OUR VALUE CREATION STRATEGY

Overview of Our Strengths, Opportunities, Risks and Challenges



Industry Landscape



Identified Opportunities and Strategic Priorities

- The water industry has been identified as one of the Government's priority
 - As part of the 12th Malaysian Plan, the Water Sector Transformation 2040 was established to set strategic direction to ensure the water sector is a dynamic growth driver while ensuring water supply for all
 - We foresee new infrastructure opportunities in this sector which the group can readily tap
 - Resolving non-revenue water (NRW) issues, aging water infrastructure, scarcity of potable water in certain states, deteriorating raw water quality where new water treatment technology will be required
- Malaysia's renewable energy commitment to achieve 31% of renewable target mix by 2025, and target of becoming a carbon-neutral nation by as early as 2050 bodes well for the group's expansion plan for the renewable energy division
- To continue our commitment on environmental, social and governance (ESG) matters and to have good risk management practices

Risks and Challenges

- Taliworks' businesses engage in highly competitive markets with finite number of projects, and hence introduce risks in our ability to secure new projects that meet the Group's returns requirement whilst meeting existing contractual obligations
- Given that Taliworks's businesses are all regulated businesses, Taliworks is susceptible to volatility of the political landscape in the country
- Taliworks is susceptible to Inflationary pressures from rising cost supplies and raw materials, in addition to shortage and higher cost of labour
- Growing ESG awareness introduces new market expectations and regulatory requirements which Taliworks has to adapt to

BOARD OF DIRECTORS



**Dato' Sri Amrin Bin
Awaluddin**

A

**Ahmad Jauhari Bin
Yahya**

N

**YAM Tunku Ali Redhauddin
Ibni Tuanku Muhriz**

Chairman

Dato' Lim Yew Boon
Executive Director

OUR LEADERSHIP

Key Committees

A Chairman of Audit and Risk Management Committee

A Member of Audit and Risk Management Committee

N Chairman of Nominating Committee

N Member of Nominating Committee

R Chairman of Remuneration Committee

R Member of Remuneration Committee

BOARD OF DIRECTORS



Lim Chin Sean



Raja Dato' Zaharaton Binti
Raja Dato' Zainal Abidin



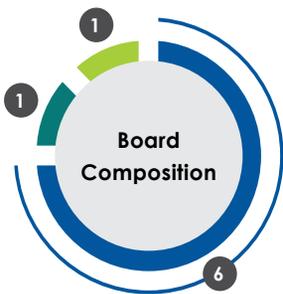
Datuk Roger
Tan Kor Mee



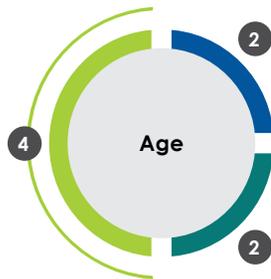
Datin Pauline
Tam Poh Lin



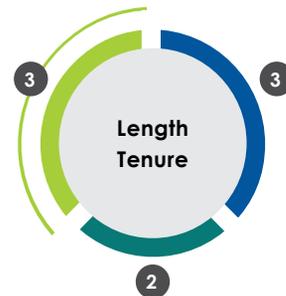
Board At A Glance



- Independent Non-Executive Directors
- Non-Independent Non-Executive Directors
- Executive Director



- < 51 years old
- 51 - 60 years old
- > 60 years old



- < 4 years
- 4 - 8 years
- > 8 years

DIRECTORS' PROFILE

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

Independent
Non-Executive Chairman



DATE OF APPOINTMENT:
27 November 2019

Nationality: Malaysian Aged: 46 Gender: Male

Board Committee

- Nil

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, with extensive governance, strategy consulting and principal investing knowledge across different sectors.

He is a Senior Advisor to TPG Capital, a global private equity firm. In addition, Tunku Ali is Independent Chairman of Bumi Armada Berhad and Chairman of Astro Malaysia Holdings Berhad, and sits on the boards of Bangkok Bank Berhad, Sun Life Malaysia Assurance Berhad, 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. Separately, Tunku Ali is also a Partner at Vynn Capital.

He is the Chairman and Founding Trustee of Teach For Malaysia, President of WWF Malaysia, Chairman of Cancer Research 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 a Director of Investments at Khazanah Nasional Berhad, and prior to that, a management consultant at McKinsey & Company.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interests with the Company. 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.

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

RAJA DATUK ZAHARATON BINTI RAJA DATO' ZAINAL ABIDIN

Senior Independent
Non-Executive Director



DATE OF APPOINTMENT:
2 July 2015

Nationality: Malaysian Aged: 74 Gender: Female

Board Committee

- Chairman of Nominating Committee
- Chairman of Remuneration Committee

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin ("Raja Datuk Zaharaton") was appointed as a Senior Independent Director on 17 February 2020. She also serves as the Chairman of the Remuneration Committee and the Nominating Committee of the Company since 13 February 2018 and 27 August 2019 respectively. As part of succession planning of the Company, she has been appointed as stand-in Chairman for the Board on 18 January 2018.

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.

Raja Datuk Zaharaton resigned as a director of Media Prima Berhad in May 2022. She currently sits on the board of Yinson Holdings Berhad and Areca Capital 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 Company and has no conflict of interests with the Company. 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.

DIRECTORS' PROFILE

DATO' LIM YEW BOON

Executive Director



DATE OF APPOINTMENT:
1 March 2010

Nationality: Malaysian Aged: 64 Gender: Male

Board Committee

- Nil

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

Dato' Lim is currently the Executive Director of Parkwood Holdings Berhad and sits on the board 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 Company and 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 has attended all the Board meetings of the Company held during the financial year.

DATO' SRI AMRIN BIN AWALUDDIN

Independent
Non-Executive Director



DATE OF APPOINTMENT:
15 September 2014

Nationality: Malaysian Aged: 56 Gender: Male

Board Committee

- Member of Audit and Risk Management Committee

Dato' Sri Amrin Bin Awaluddin ("Dato' Sri Amrin") serves as a member of the Audit and Risk Management Committee of the Company since 15 September 2014.

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 ("CIMA"), United Kingdom as well as a member of the Malaysian Institute of Accountants ("MIA").

He is currently the Group Managing Director and the Chief Executive Officer of Lembaga Tabung Haji. He was the Chief Executive Officer of Lembaga Tabung Angkatan Tentera until April 2021. He assumed several senior roles in the past being the Group Managing Director/Chief Executive Officer of Sime Darby Property Berhad and the Group Managing Director of Media Prima Berhad. He was also the Managing Director of Boustead Holdings 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.

Dato' Sri Amrin is also board members of Bank Islam Malaysia Berhad, TH Plantations Berhad, Universiti Kebangsaan Malaysia and TH Properties Sdn. Bhd. He was a board member of CIMB Bank Berhad and the Deputy President of Kuala Lumpur Business Club.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interests with the Company. 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.

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

DIRECTORS' PROFILE

AHMAD JAUHARI BIN YAHYA

Independent
Non-Executive Director



Meeting
attended:



DATE OF APPOINTMENT:

2 July 2015

Nationality: Malaysian **Aged:** 68 **Gender:** Male

Board Committee

- Member of Nominating Committee

Encik Ahmad Jauhari Bin Yahya ("Encik Ahmad Jauhari") serves as a member of the Nominating Committee of the Company since 2 July 2015.

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 Cenergi SEA Sdn. Bhd. and Sapura Resources Berhad since his appointment in 2015 and 2016 respectively. He was appointed as the Deputy Chairman of Minconsult Sdn. Bhd. since 1 March 2020 and has been promoted to the Chairman of the said Company with effect from 1 January 2021.

He was appointed Nominee Director of Composites Technology Research Malaysia Sdn. Bhd. (CTRM) on 1 May 2021 to 30 June 2021 and Chairman/Nominee Director on 1 July 2021 and also Director and Chairman of DRB-HICOM Defence Technologies Sdn. Bhd. (DEFTECH) on 1 May 2021. He was also appointed as Director of Perusahaan Otomobil Nasional Sdn. Bhd. and Proton Holdings Berhad on 13 December 2021.

He has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interests with 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 all the Board meetings of the Company held during the financial year.

DATUK ROGER TAN KOR MEE

Independent
Non-Executive Director



Meeting
attended:



DATE OF APPOINTMENT:

27 November 2019

Nationality: Malaysian **Aged:** 61 **Gender:** Male

Board Committee

- Member of Audit and Risk Management Committee
- Member of Nominating Committee

Datuk Roger Tan Kor Mee ("Datuk Roger Tan") serves as a member of the Audit and Risk Management Committee of the Company since 27 February 2020 and was appointed as a member of the Nominating Committee of the Company on 24 August 2022.

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 Malaya. 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 a senior partner of Messrs Nik Saghir & Ismail between 1995 to 2009. He was an elected member of the Malaysian Bar Council between 2004-2008. He re-joined the Bar Council in March 2018 until March 2023. At the Bar Council, he had 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 its Honorary Secretary.

Between May 2015 to August 2017, he was also an Independent Non-Executive Director of Cityneon Holdings Limited in Singapore.

Datuk Roger Tan is now a Commissioner of the Malaysian Aviation Commission. On 22 March 2023, he was also appointed to the Panel of Experts of the Ministry of Local Government Development.

He had also served as a president of the Strata Management Tribunal between July 2005 to June 2022. On 26 November 2020, he was appointed as a trustee of the TARC Education Foundation.

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 Company and has no conflict of interests with the Company. 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.

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

DIRECTORS' PROFILE

DATIN PAULINE TAM POH LIN

Independent
Non-Executive Director



DATE OF APPOINTMENT:
17 August 2022

Nationality: Malaysian **Aged:** 60 **Gender:** Female

Board Committee

- Chairman of Audit and Risk Management Committee
- Member of Remuneration Committee

Datin Pauline Tam Poh Lin ("Datin Pauline") was an Executive Director/Tax Partner in KPMG Malaysia and retired on 31 December 2017. Datin has 34 ½ years of professional experience with 4 years spent in audit and the balance of 30 ½ years in tax. Datin was leading the Global Mobility Services of KPMG Malaysia in addition to her role as one of the KPMG Corporate Tax Executive Directors prior to her retirement.

Datin Pauline has significant experience in both corporate and personal tax advisory and tax compliance and also immigration related matters.

Some of Datin Pauline's key areas of expertise include corporate and personal tax compliance and also corporate tax advisory, personal tax planning, immigration related matters, payroll tax compliance reviews, advice on stock option plans, corporate tax due diligence reviews, tax audit and investigation, evaluation of tax incentives for foreign/local investments, advise on tax incentives and implications on foreign investment in Malaysia.

Datin Pauline has provided tax services to a diversified portfolio of clients including public listed companies and multinational corporations in a wide range of industries including airlines, oil and gas, infrastructure, manufacturing, trading, investment holding, financial services, educational services, plantation, construction and property development.

Datin Pauline is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and the Chartered Tax Institute of Malaysia.

She has no family relationship with any directors and/or major shareholders of the Company and has no conflict of interests with the Company. 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 since her appointment.

LIM CHIN SEAN

Non-Independent
Non-Executive Director



DATE OF APPOINTMENT:
23 May 2011

Nationality: Malaysian **Aged:** 41 **Gender:** Male

Board Committee

- Member of Audit and Risk Management Committee
- Member of Remuneration Committee

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 since 15 September 2014 and 13 February 2018 respectively.

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 sits on the board of Parkwood Holdings 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.

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.

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

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY COMMITMENTS



SUSTAINABILITY STRATEGY
Our sustainability strategies are focused on generating value for our business. Refer to page 73



SUSTAINABILITY FRAMEWORK
Taliworks adopted a sustainability framework to guide our efforts in integrating sustainability into our business practices. The framework has four pillars, each with well-defined goals and time-bound targets. Refer to page 74



STAKEHOLDER ENGAGEMENT
Our stakeholders represent a variety of entities with differing perspectives and priorities, and have diverse needs. Through stakeholder engagements we are able to shape our business strategies and generate long term value. Refer to page 82



REGULATORY COMPLIANCE
One of our key strengths is our strong compliance towards regulations in our business. Business ethics and compliance is a core focus of governance practice. We aim to achieve zero breach of compliance and enhance our policies that promote stronger regulatory compliance by 2025. Refer to page 94



CUSTOMER SATISFACTION
Across all our business divisions, customer satisfaction is a top priority and we strive to achieve above average customer satisfaction results each year, in order to reach our goal by 2025. Refer to page 104

Taliworks reaffirms our commitment to sustainability with the publication of the 2022 sustainability statement. As we move along our sustainability journey, we remain resolute to integrating sustainability in our business and daily operations.

We identified sustainability challenges and set performance indicators to monitor and measure our progress. This led to the initial steps towards a Sustainability Framework ("SF") with defined pillars, ambitions and goals established in July 2020. To ensure the framework is all-inclusive and supports sustainable growth, we engaged all business divisions and aligned targets to Taliworks' values and culture through benchmarking.

SUSTAINABILITY STATEMENT



REPORTING PERIOD AND BOUNDARIES

We are committed to providing transparent reporting that ensures we hold ourselves accountable to our goals. This Sustainability Statement, covering the reporting period between 1 January 2022 and 31 December 2022 ("FY2022"), encompasses Taliworks' (or the "Group") key operations, its main subsidiaries, major joint ventures and associate companies - all located within the geographical scope of Malaysia.



REPORTING SCOPE AND STANDARDS

This sustainability statement ("SS") has been prepared using the guidelines set by Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Malaysia") for Sustainability Statements in Annual Reports. It is in line with the Global Reporting Initiative ("GRI") Standards. Where applicable, we will also include data from previous years to track year-on-year progress and provide additional context. This statement provides information on Taliworks' five divisions, namely 1) Water Treatment and Supply, 2) Highway Toll Concessionaire Operations and Maintenance Operator, 3) Engineering and Construction and 4) Waste Management, 5) Group. The statement also addresses our response to 15 material topics that impact our business and stakeholder value, which is further elaborated on page 85.

For a holistic understanding of our business, this sustainability statement should be read in conjunction with the annual report to fully understand Taliworks' financial and non-financial performance during FY2022. The Group strives to provide its stakeholders with an overview of the Group's approach as well as the progress made in meeting its sustainability commitments. To enhance credibility and transparency, we are committed to continuously improving our sustainability disclosures by adopting transparent and fair disclosure methodologies.

KEY SUSTAINABILITY HIGHLIGHTS



Waste Management

In 2022, under our **Communication, Education and Public Awareness ("CEPA") Programme**,

a total of **10,122 programmes** and **activities** with **76,623 participants** were initiated.

598 stakeholder engagement activities with **44,715 participants** were conducted.

As a result, we have been mentioned on **660 news publications** and the **publicity** has generated **RM11,316,640** in **PR value**.



Engineering and Construction

A total of **78,462 man hours** worked **without loss time injury ("LTI")**.

Upgraded the passing criterion for **Customer Satisfaction Survey** to

70% satisfaction rating for Rasau Package 2 ("RSP2") and Rasau Package 3 ("RSP3") projects.

SUSTAINABILITY STATEMENT



Water Treatment and Supply

99.99% compliant with the **Ministry of Health's ("MOH") National Drinking Water Quality Standards** since 2020.

Cumulative man-hours without LTI in 2022 was

409,256, an increase of **16.9%** from 2021.

Water Treatment and Supply division has contributed over

RM380,000 to **community engagement programmes**.



Highway Toll Concessionaire, Operations and Maintenance Operator

Grand Saga has maintained the **four-star rating** on Expressway Performance Indicator from the **Malaysian Highway Authority ("MHA")** since 2020.

Grand Sepadu has successfully maintained their

Silver status for **myGHI** since 2018.



Taliworks Group

At Taliworks' corporate office, our **recycling initiative** successfully recycled almost

1,476 kg of waste for 2022.

At the **Board level**, the **representation of women** has increased to **25%** in 2022 as compared to **12.5%** in 2021.



The **senior management level** also saw an increase in the **representation of women** to **21%** in 2022 from **19.2%** in 2021.



To comply with the directive of the Government in promoting **women leadership** in boards of listed companies, the Board has indicated in the **Board Charter** that it intends to reach a target of **30%** of women to be represented in the Board by 30 April 2024.

SUSTAINABILITY STATEMENT

A Roadmap Towards Strategic Sustainability



2023-2025

Accomplishing our sustainability aspirations

Realistic targets and goals on how we integrate sustainability into our core business practices have been set for 2025. Our goal is to achieve all our sustainability aspirations and targets that impact our sustainability agenda and financial profitability by 2025.

2021

Activating sustainability

Accelerated our sustainability journey by formalising our Sustainability Framework and charting our progress through calibrating and setting internal time-bound targets.



2022

Operationalising sustainability

Advancing our sustainability journey by driving high impact initiatives to further integrate sustainability into our core business practices.



2020

Guiding future direction

Initiated the development of a Group-wide Sustainability Framework to focus our approach using core pillars and action plans.



2017

Laying the groundwork

Identified sustainability issues and established performance indicators.



2018-2019

Instilling sustainability

Guided our divisions in identifying relevant ESG aspects and stakeholders, as well as how sustainability can drive growth and productivity while minimising risk.



SUSTAINABILITY STATEMENT

SUSTAINABILITY FRAMEWORK AT A GLANCE

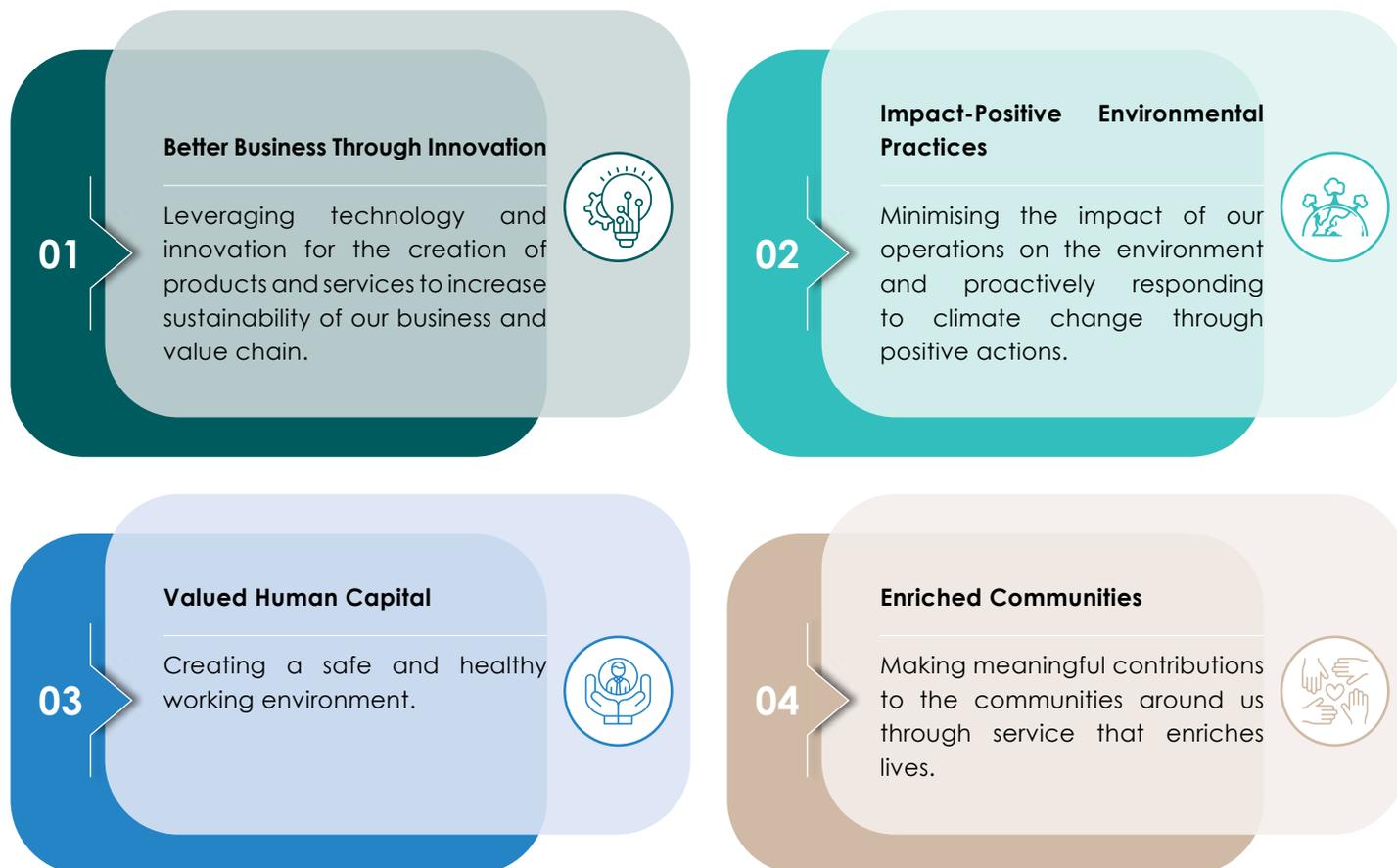
Over time, we have progressively laid the foundation to embed sustainability in our business, which has been a challenging but enriching experience for all of us. Building from Sustainability Statement 2021, we continued our journey to formalise our Sustainability Framework in 2022. This will serve as a guide towards Taliworks' vision of delivering positive impact for the business, environment and communities in locations where we operate, by incorporating sustainability practices into our business operations.



SUSTAINABILITY STATEMENT

SUSTAINABILITY FRAMEWORK PILLARS

Four central pillars support the Sustainability Framework and ensure that all our operations are able to spur growth, enhance productivity and minimise sustainability risks.



We have set 17 ambitions aligned with the ESG aspects within our pillars to guide our sustainability agenda and inform the creation of sustainability initiatives. Through a collaborative approach, we engaged with division leaders and decision-makers to align our internal targets for each goal with specific time frames and closely monitored processes and crucial programmes to integrate sustainability into the core of our business. Our most significant sustainability targets, which we aim to closely monitor, are disclosed under "What We Want to Achieve" by 2025. The Sustainability Framework, which was reviewed and endorsed by the Sustainability Steering Committee ("SSC") after a stakeholder engagement exercise in early 2021, received approval from the Executive Committee ("EXCO") and was adopted by the Board of Directors in March 2022. This will steer the next phase of our journey towards sustainability by fostering deeper involvement and investments for a greener future.

SUSTAINABILITY STATEMENT

OUR AMBITIONS



PILLAR 1

Better Business Through Innovation

AMBITIONS

Digitisation and Innovation to Drive Business Growth

Invest in innovation and digitisation to drive business growth.

Compliance With Taliworks' Code of Conduct

Enforce zero tolerance for non-compliance on Taliworks' Code of Conduct, including our whistleblowing, anti-corruption and anti-bribery policies.

Reinforcing a Sustainable Supply Chain

Extend our Sustainability Procurement Policy by enhancing supplier screenings so that our key suppliers will adhere to minimum good practices.

Ensure Regulatory Compliance

Committed to comply with applicable laws and regulations, as well as applicable business regulations and protocols.

Enhance Customer Management

Achieve above average customer satisfaction rates across our business divisions.

RELATED SDGs



PILLAR 2

Impact-Positive Environmental Practices

AMBITIONS

Energy & Resource Efficiency

Improve water and energy consumption of our operations by increasing efficiency and the use of diversified energy sources.

Towards Emissions Management

Continually innovate to manage emissions from our operations.

Minimise Waste

Generating less waste at source and increasing recycling efforts.

Towards Consumption of Low Environmental Impact Materials

Increase use of low environmental impact materials within our operations.

Minimise Impacts on our Environmental Surroundings

Minimising the impact of our operations on the surrounding ecosystems.

RELATED SDGs



SUSTAINABILITY STATEMENT



PILLAR 3

Valued Human Capital

AMBITIONS

Advance Employee Development

Develop our valued employees' professional growth by ensuring they undergo structured performance reviews supported by development plans and training.

Enhance Employee Satisfaction

Positively engage our employees and achieve an employee satisfaction score of 80% and above.

Prioritise Safety & Health

Prioritise our employees' safety and health through structured management plans, striving for zero fatality.

Equal Opportunities Employer

Promote equal opportunity in our employment practices.

RELATED SDGS



PILLAR 4

Enriched Communities

AMBITIONS

Volunteering to Uplift Communities

Encourage employees to volunteer in our community projects to uplift the wellbeing of the communities in which we operate.

Empower Communities Through Education

Empower our communities by focusing on education initiatives.

Support Community Wellness

Support community wellness through our community projects.

RELATED SDGS



SUSTAINABILITY STATEMENT

WHAT WE WANT TO ACHIEVE BY 2025

Focus Area

COMPLIANCE TO CODE OF CONDUCT



2025 Targets

Formulate structured Anti-Corruption and Anti-Bribery e-learning modules.

Continually enhance existing Anti-Corruption and Anti-Bribery policies and practices.



Achievement in 2022

There were zero incidents of corrupt practices reported across all business divisions in the year under review.

Continual efforts are also being made to enhance our Anti-Corruption and Anti-Bribery policies and practices and these include proposals to have a third party undertaking (a) a gap analysis on the ABMS to ensure that we have established the necessary procedures ("Adequate Procedures") pursuant to section 17A of the MACC Act to prevent our employees and/or associated persons from undertaking corrupt practices in relation to the business activities of the Group; (b) training on corruption risk assessment and auditing the anti-corruption programme; and (c) effectiveness testing including design of our ABMS framework; from 2023 to 2024.

Focus Area

ENSURE REGULATORY COMPLIANCE



2025 Targets

Comply to relevant and applicable regulatory requirements and ensure no major breach of compliance.



Achievement in 2022

There has been no major breach of compliance or regulatory requirements reported across the Group and all of our business divisions that impacted our businesses or operations.

Focus Area

ENERGY & RESOURCE EFFICIENCY



2025 Targets

Track water and energy consumption for relevant business divisions where significant to the operations.

Increase energy saving initiatives and assess feasibility of supplementing existing energy sources with renewable energy and roll out plans.



Achievement in 2022

We have successfully tracked the water consumption (refer to page 131 for breakdown) and energy consumption (refer to pages 128-130 from each business division for a breakdown).

Most of our divisions have implemented initiatives such as installing solar panels at the respective Toll Plazas and fuel tracking by installing GPS in our waste collection fleet.

SUSTAINABILITY STATEMENT

Focus Area

PRIORITISE SAFETY & HEALTH



2025 Targets

Achieve annual occupational fatality rate below national annual rate and Group-wide average of 400,000 man-hours without lost time injury.



Achievement in 2022

The Group and divisions have achieved a Group-wide zero occupational fatality rate.

Focus Area

ADVANCE EMPLOYEE DEVELOPMENT



2025 Targets

100% of permanent employees will undergo yearly performance reviews.

Continue to drive training and development programmes focused on developing industry-related skills and building leadership capacity.



Achievement in 2022

Performance reviews are done on all employees across all divisions annually.

Our Group is committed to providing leadership building and skill-advancement training to our employees across all divisions and will be implementing these programmes throughout our operations. We have also created training programmes specifically for women in the workforce that would allow them to transition to enhanced roles within the organisation.

Focus Area

VOLUNTEERING FOR COMMUNITY WELLBEING



2025 Targets

Encourage employee participation in community programmes and to volunteer for company-approved community programmes.

Continue to strategically contribute to community investment initiatives.



Achievement in 2022

Our Group and each of the divisions have progressed and initiated multiple community investment initiatives such as road awareness campaigns, Iskandar Malaysia Ecolife Challenge ("IMELC") strategic partnership, KITARecycle, Food Rescue with The Lost Food Project and more.

In 2022, we have invested close to RM900,000 towards our community wellbeing initiatives.

SUSTAINABILITY STATEMENT

Aligning with the United Nations Sustainable Development Goals

Taliworks Sustainability Framework Pillars is aligned to the United Nations Sustainable Development Goals ("UNSDGs"). This year we reviewed our existing Sustainable Development Goals ("SDG") impacts, and we have updated as the following:



Definition

Ensure healthy lives and promote well-being for all at all ages

Taliworks adheres to the health and safety protocols set by the Ministry of Health. We will continue investing in initiatives to support SDG 3 by prioritising the health and safety of our staff, particularly in the post-pandemic era.

We care for the community we serve and have set up a food rescue mission to reach out to needy individuals and charity homes, providing them with quality, nutritious food, making lives happier and healthier.



Definition

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Taliworks, as a group, has a staff strength of over 9,000, and we regard human capital as a critical factor in the implementation of SDG 4, making it a priority in our business operations.

We provided training for employees to sharpen and hone their skills, knowledge and competencies through our training programmes. We also ensure that our employees are trained in areas of leadership development as well as occupational safety and health across each business division.



Definition

Ensure availability and sustainable management of water and sanitation for all

Water treatment will be one of the main focuses of Taliworks, in line with the national policy of Water Sector Transformation 2040. Hence, Taliworks embarked on the development of a mechanical residual dewatering plant by 2024. The construction of the dewatering plant will ensure the proper management, treatment and disposal of dried sludge or residuals, which are by-products from the water treatment process. As a result, a mechanical dewatering plant will provide a more sustainable and environmentally friendly solution in the long run.



Definition

Ensure access to affordable, reliable, sustainable and modern energy for all

With the increase in the importance and awareness of alternative fuel sources and Malaysia's commitment to achieve 31% of the renewable target mix by 2025, and 40% by 2035, we believe this bodes well for the Group's expansion plan for the renewable energy division.

Renewable energy will be the main focus of Taliworks to align SDG 7 Affordable and Clean Energy to the Malaysian community.



Definition

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Taliworks continues to strive for decent work for employees by improving our engagement with fellow employees and maintaining happiness in the workplace.

We grow the local economy by procuring from local suppliers, thus showing our support towards empowering our local suppliers.

We also are committed to ensure the health and safety of our employees by ensuring strict adherence to safe work procedures through our health and safety policies that are in line with the current regulatory requirements.

SUSTAINABILITY STATEMENT



Definition

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Taliworks is unleashing digital innovation across all divisions by collectively adopting innovative strategies, digital solutions and new technologies for business growth and operational efficiency to streamline processes and improve our service quality.

Each division has the necessary assets and infrastructure to perform their obligation under the contracts and is undertaking digitalisation efforts to increase efficiencies in their operations to align with SDG 9 Industry, Innovation and Infrastructure.



Definition

Make cities and human settlements inclusive, safe, resilient and sustainable

Taliworks supports and promotes the building of sustainable cities and communities SDG 11.

In 2022, the highway division achieved a lower accident rate amidst higher road user count due to the division's vigilance in providing road safety maintenance and services.

Furthermore, the E&C division has ensured that running projects are monitored for environmental factors such as noise pollution and air quality throughout the construction period, in order to minimise negative impacts affecting the surrounding community.



Definition

Ensure sustainable consumption and production patterns

Taliworks is committed to incorporating circularity, to be our core of delivering a greener tomorrow. We strive to practise responsible management of waste and effluents across our operations through close monitoring and tracking of waste generated by Taliworks' business operations to reduce waste to landfills and strengthen nationwide recycling culture.

Furthermore, we do our best to procure responsibly by considering economic, environmental and social factors throughout the supply chain in order to acquire quality products and services for our customers. We select our suppliers based on their compliance and adherence to our policies and procedures.



Definition

Take urgent action to combat climate change and its impacts

Taliworks is committed to climate action SDG 13 because our nature of business is impactful towards the environment we operate in. We support Malaysia's objective to become a carbon-neutral nation by 2050 and its pledge to reduce the greenhouse gas emission intensity of gross domestic product ("GDP") by 45% in 2030, as outlined in the 12th Malaysia Plan.

Our water treatment and supply division actively monitors and tracks our greenhouse gas ("GHG") emissions in line with environmental regulations and service requirements, and we are proud that there have been improvements in our GHG performance over the years. We look forward to ensuring this practice is carried forward across all divisions by 2025 to comply with Bursa Listing Requirements on disclosure of Common Sustainability Matters Indicators.

Moving forward, we aim to monitor and manage our resource consumption to ensure efficient use whilst mitigating the impacts generated to the environment in support of tackling the issue of climate change.



Definition

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Taliworks recognises the importance of preserving terrestrial life and biodiversity, as such, we strive to conserve biodiversity by avoiding and reducing potential harm to sensitive species, habitats and ecosystems.

This commitment was reflected by our water treatment and supply division. The division is working towards managing bird migration in the area where we operate, whereby species of water and open country birds were observed. Concurrently together with relevant stakeholders, we are planning to execute a firefly conservation programme at Kampung Kuantan in Kuala Selangor, in an effort to repopulate the mangrove area with Pokok Berembang (*Sonneratia Caseolaris*), the natural habitat of fireflies. Such effort exemplifies how Taliworks is working to serve the functional habitat for the local ecosystem, in alignment with SDG 15 Life on Land.

SUSTAINABILITY STATEMENT

Stakeholder Engagement

In our work and decision-making process, we value the diverse perspectives from stakeholders who represent different and often competing interests and seek to understand what matters to them by building strong and constructive relationships through regular engagement. This year, we reinforced our commitment to stakeholder engagement by aligning with Bursa Stakeholder Engagement guidelines and adding the frequency of meetings in our Sustainability Statement. Our stakeholder engagement is facilitated through multiple channels that enable us to identify and assess critical risks and opportunities that can ensure long-term sustainable growth and economic value.

We use multiple channels to engage our stakeholders and understand their views comprehensively. Due to the COVID-19 pandemic, we adapted by conducting virtual engagements with limited in-person interactions. The table below outlines some of our engagement mechanisms for each stakeholder group.



CUSTOMERS

Engagement Mechanism

- Social media
- Suggestion box
- Surveys
- Service hotline
- Mobile and email communication
- Operational meetings
- Whistleblowing channels
- Town halls

Engagement Strategy

Efficient responses, excellent service delivery and competitive pricing form the core focus areas of our customer engagement efforts as they are important to building and strengthening Taliworks' reliability while ensuring compliance to best practices. Our end goal is to meet and exceed customer expectations in our deliverables and at the same time, provide remarkable customer service.



REGULATORS AND GOVERNMENT BODIES

Engagement Mechanism

- Physical and virtual conferences, exhibitions, talks
- Periodical reports
- Face-to-face and virtual meetings
- Press releases
- Audits
- Regulatory meetings
- Peer reviews

Engagement Strategy

Fostering and maintaining worthwhile relationships with government and regulatory bodies is important as they provide regulatory supervision and leadership while also being a part of our customer base. Ensuring excellent quality of service, competitive pricing and regulatory compliance is how we remain a dependable partner and responsible corporate citizen.

SUSTAINABILITY STATEMENT



SHAREHOLDERS, INVESTORS AND ANALYSTS

Engagement Mechanism

- Physical and virtual conferences
- Press releases
- Face-to-face and virtual meetings
- Annual general meetings
- Fund managers' and analysts' briefings
- Email channels
- Public announcement to the stock exchange
- Annual Reports
- Company website
- Whistleblowing channels

Engagement Strategy

We provide updates on the Group's financial and operational performance through public announcements and press releases in conjunction with the release of the Group's quarterly unaudited financial results to Bursa Malaysia as well as strategy, risk management and environmental, social and governance practices annually through the publication of our annual report. These updates are provided to shareholders, investors, fund managers, financiers and analysts to give them an understanding of our business plans and strategies, financial performance, project and business operations updates, as well as information on corporate exercises undertaken.



EMPLOYEES

Engagement Mechanism

- Code of ethics
- Employment handbook
- Employee engagement programmes
- Internal training, webinars, workshops
- Newsletters
- Surveys
- Internal communications
- Team meetings
- Town hall meetings
- Interviews
- Peer reviews
- Performance appraisal
- Whistleblowing channels

Engagement Strategy

Employees of all backgrounds can find a place to grow and thrive with us as we provide equal workplace opportunities. We provide employees with benefits that are relevant and standard industry practices. We respect their rights and prioritise workplace safety as well as work-life balance. To further their professional development, we provide career development opportunities.



SUPPLIERS/VENDORS/SERVICE PROVIDERS

Engagement Mechanism

- Reply to queries
- Tender briefings
- Operational meetings
- Request for proposal/ quotation
- Site visits
- Mobile and email communication
- Whistleblowing channels
- Performance Survey
- Performance Evaluation

Engagement Strategy

We maintain fair procurement practices and provide informative and transparent tendering processes for our suppliers. At the same time, we keep them abreast of our current business standing and uphold health and safety controls.

SUSTAINABILITY STATEMENT



COMMUNITIES/ NGOS

Engagement Mechanism

- Community programmes
- Press releases
- Community meetings
- Whistleblowing channels
- Mobile and email communication

Engagement Strategy

We take care of the welfare of the local communities in which our projects and operations are located, providing them with updates and supporting their participation in our engagement for the communities. We manage environmental threats in a safe and responsible manner, take a proactive approach to health and safety issues, and manage grievance and feedback.



MEDIA

Engagement Mechanism

- Advertising
- Community programmes
- Face-to-face and virtual meetings
- Press releases
- Company website
- Mobile and email communication
- Social gatherings

Engagement Strategy

We provide prompt and definite information on our business direction, impact and financial performance to the public beyond our immediate stakeholders through worthwhile engagements with the media.



BOARD OF DIRECTORS

Engagement Mechanism

- Surveys
- Annual general meetings
- Company reports
- Compliance with stock exchange requirements
- Board and Board Committee meetings
- Evaluation forms
- Trainings

Engagement Strategy

We engage with our Board of Directors in ensuring that sound corporate governance is observed, cultivated, and improved across the Company and its subsidiaries ("Group") in order to safeguard the interests of shareholders as well as various stakeholders such as employees, customers, suppliers, society, and the communities in which the Group operates.



BANKS/ FINANCIERS

Engagement Mechanism

- Email
- Face-to-face meeting
- Social gatherings
- Virtual meetings

Engagement Strategy

We engage with banks and financiers on Taliworks' business strategies and plans, financial performance, project and business operations updates, and corporate exercises. This includes information about the Group's financial and operational performance, strategy, and risk mitigation, as well as Taliworks' environmental, social, and government strategies.

SUSTAINABILITY STATEMENT

Materiality

As we progress on our sustainability journey and prioritise our approach through the Sustainability Framework, Taliworks endeavours to understand what is critical to our stakeholders. We strive to identify which ESG topics have the biggest impact on the Group and our ability to create value. By working together with our stakeholders, we can map out our key ESG topics across our diverse business operations.

In January 2022, we conducted a baseline materiality assessment to refine our Sustainability Framework and determine our sustainability disclosure. This assessment gave us insight into the significance of sustainability to a small unit of key internal stakeholders. Due to pandemic restrictions, we collected input from internal stakeholders through an online survey, as a result the materiality assessment does not include the responses of external stakeholders. In the final quarter of 2022, we carried out a materiality review and confirmation to ensure that the 15 material topics are still relevant to Taliworks. This confirmation was based on an extensive industry benchmark carried out against global and local companies within the same sector. We found that all the material issues are still relevant to Taliworks, and we have aligned each material topic title and their descriptions with the latest sustainability trends, our sustainability goals, and our progress.

Our Materiality Assessment Process



Identify

Identified key material topics through analysis of current global and industry trends, business developments, our value chain, stakeholder engagements, and closer examination of the Group's priorities. We also took into consideration to start aligning with the pillars and ambitions under the Sustainability Framework.



Engage

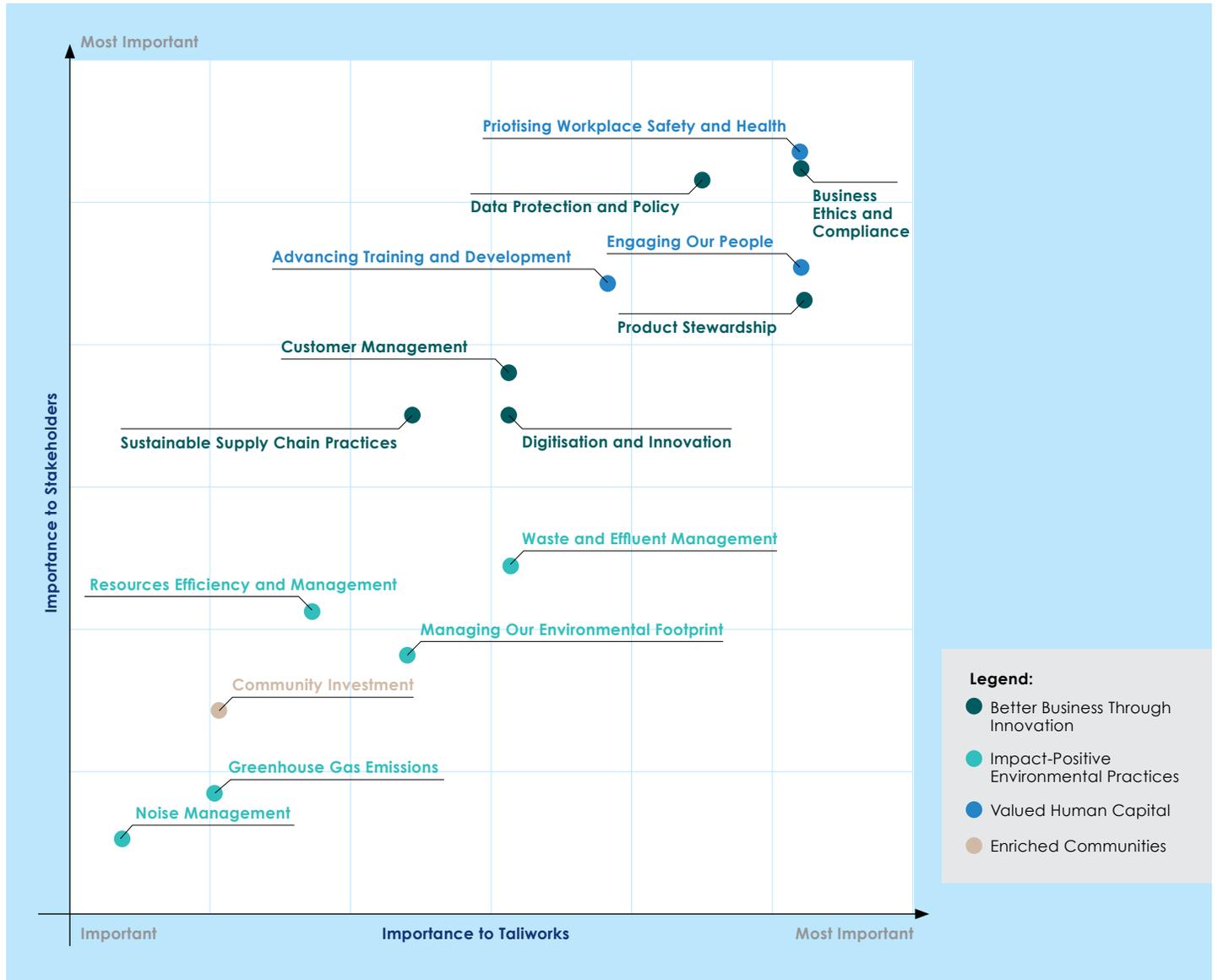
Conducted an online survey with internal stakeholders to gauge their level of importance for each material topic



Prioritise

Collated and analysed online survey results to identify material topics of greatest impact to Taliworks and greatest influence on stakeholder assessment and decisions.

SUSTAINABILITY STATEMENT



From the current materiality matrix, "Prioritising Workplace Safety and Health" was identified as an essential material topic among stakeholders and the Group, given the nature of Taliworks' operations and business continuity challenges during the pandemic. We address this topic by complying with regulatory requirements and implementing health and safety practices. The topic of "Business Ethics and Compliance", which aligns with our focus on integrity and responsibility in business practices, was also identified as highly important, followed by the new topics of "Data Protection and Policy" and "Advancing Training and Development". The other relevant material topics with high priority within the matrix are "Engaging Our People" and "Product Stewardship", each of these two material topics are a significant part of how we manage our employees while ensuring the successful delivery of our products and services to our customers.

SUSTAINABILITY STATEMENT

OUR MATERIAL TOPICS

Themes	
ECONOMIC GROWTH 	
Material Topics	Descriptions
Business Ethics and Compliance	Enabling responsible leadership and governance through industry best practices and risk management whilst maintaining operations by building a culture of good business ethics and regulatory compliance amongst employees and throughout the value chain.
Product Stewardship	Responsible management of our products and services to ensure safety, quality and reliability of our solutions throughout their lifecycle.
Customer Management	Nurturing and maintaining positive customer relationships across the group through customer service excellence.
Digitisation and Innovation	Adopting innovative strategies, digital solutions and new technologies for business growth and operational efficiency to streamline processes and improve our service quality.
Data Protection and Privacy	Upholding data protection practices to safeguard the security of customer and employee personal data.
Sustainable Supply Chain Practices	Responsible procurement practices through consideration of economic, environmental and social factors throughout the supply chain in order to acquire quality products and services to our customers. Responsible selection of suppliers to encourage compliance and adherence to our policies and procedures.

Themes	
ENVIRONMENTAL MANAGEMENT 	
Material Topics	Descriptions
Noise management	Monitoring and managing noise emissions from Taliworks' operations.
Resource Efficiency and Management	Monitoring and managing the consumption of water, energy and material resources to ensure its efficient use whilst mitigating its impacts to the surrounding environment.
Greenhouse Gas Emissions	Monitor and track to manage greenhouse gas ("GHG") emissions in line with environmental regulations and service requirements.
Waste and Effluent Management	Responsible management of waste and effluents across our operations through close monitoring and tracking of waste generated from Taliworks' business operations to reduce waste to landfills and strengthen nationwide recycling culture.
Managing our Environmental Footprint	Minimising the impact of our operations to avoid or reduce potential harm to the natural environment and the biodiverse species that live in it.

SUSTAINABILITY STATEMENT

Themes

SOCIAL CONTRIBUTION AND HUMAN CAPITAL



Material Topics

Descriptions

Engaging Our People		Building a productive, strong and inclusive workforce by regularly engaging with our people for a more harmonious work environment and culture.
Advancing Training and Development		Equipping our people with the necessary skills to remain relevant in the workforce for the future.
Prioritising Workplace Safety and Health		Prioritising safe and healthy working conditions for our people to minimise the risk of accidents and injuries across our operations through strict adherence to the required Occupational, Safety and Health Standards.
Community Investment		Investing in and empowering our communities by actively contributing to engagement programmes centred around community, environment and education activities.

MATERIALITY CONFIRMATION PROCESS

The materiality confirmation process starts off with a review of the existing topics and their alignment to the four main pillars that support Taliworks sustainability goal. The alignment of the material topics to the ambitions is important with respect to Taliworks' commitment to sustainability as it determines the strategies provided in the framework which are further enhanced through the material topics from the materiality assessment.

We have done a thorough analysis of materiality benchmarking against Taliworks local and global industry peers for each of the different business divisions under Taliworks. A total of 22 companies were shortlisted and their materiality assessments were screened, out of which 10 local and global companies' materiality assessments were reviewed in depth to understand their key material topics and their priority within the matrix. This has given us an insight into Taliworks current material topics and their industry relevance and at the same time allow us to prepare for a new materiality assessment in the near future to align new material topics relevant to Taliworks business.

The Sustainability Steering Committee ("SSC") has reviewed and confirmed the relevance of existing material issues, which are still pertinent to the latest sustainability trends and Taliworks' sustainability goals and progress.

Moving forward in 2023, a new materiality assessment will be considered to ensure that a wider range of stakeholders can be involved and review new material topics that may be aligned to the inclusion of the Renewable Energy business division and current industry trends and sustainability practices.

SUSTAINABILITY STATEMENT

The relevance of our material topics was assessed through the following process:



SUSTAINABILITY GOVERNANCE

Our commitment to sustainability is monitored and driven by our governance structures and body, ensuring accountability and transparency. This allows us to deliver on the Group's sustainability agenda and maintain focus on the topic at both the board and senior management levels. Strong leadership guides us through our sustainability journey and ensures that we stay on track.



SUSTAINABILITY STATEMENT

Roles and Responsibilities of the Governing Body

Governing Body	Responsibilities
Board of Directors	<ul style="list-style-type: none"> • Takes responsibility for the governance of sustainability in the Group including setting and implementing the Group's sustainability strategies, priorities and targets. • Takes sustainability factors into account through Board duties. This includes, but is not limited to, the creation and implementation of Group strategies, business plans, significant plans of action, and risk management. • Ensures that the Group's sustainability strategies, priorities and targets, as well as performance against these targets, are communicated to its internal and external stakeholders. • Proactively be informed of and understand the sustainability matters material to the Group and its business, including climate-related risks and opportunities. • Addresses sustainability risks and opportunities in performance reviews of the board and senior management. • Delegates to the SSC to spearhead and manage the integration of sustainability matters into the Group's operations. • Approves and authorises the Sustainability Statement that encapsulate the Group's sustainability efforts.
Company Secretary	<ul style="list-style-type: none"> • Provides sound advice and services to the Board of Directors in furtherance of their duties, as well as ensure adherence to rules and procedures.
Executive Committee	<ul style="list-style-type: none"> • Provides oversight on Taliworks' sustainability objectives and endorses the Sustainability Framework. • Manages the Group's business and day-to-day management to achieve the Group's corporate Sustainability targets and plans.
Sustainability Steering Committee	<ul style="list-style-type: none"> • Ensures accountability of our sustainable goals and performance. • Assists the Board and senior management to manage and drive the implementation of the Group's sustainability agenda.
Sustainability Working Group	<ul style="list-style-type: none"> • Assists the Sustainability Steering Committee in implementing the sustainability agenda, including the tracking and collation of sustainability data.

We have a structured approach to implementing our sustainability initiatives, with the SSC guiding and implementing our sustainability measures, supported by the Sustainability Working Group. The SSC comprises several members represented by Group Finance, Group Corporate Communications, Group Human Resources and the business division. The SSC shall report to the Executive Committee ("EXCO") of the Company. The Group's business divisions are equipped by our governance standards and group structure - to help address their unique ESG risks in line with our sustainability and business priorities. The respective business heads of these divisions implement and manage these initiatives, with the SSC providing annual updates to the Board. The Board is responsible for reviewing the Group's efforts in implementing sustainable business practices covering economic, environmental and social considerations.

SUSTAINABILITY STATEMENT

To stay up-to-date with sustainability issues, top management personnel participated in an ESG risk management briefing in 2022 to learn about managing ESG risks and opportunities. The briefing offered insights into how to incorporate sustainability practices into the group's operations and how to take advantage of the risks and opportunities. We are dedicated to furthering our education and staying aware of the rapidly changing sustainability landscape.

This Annual Report's Corporate Governance Overview Statement gives information on Taliworks' corporate governance framework, including a comprehensive examination of the sustainability governance structure's place within the Group's overall governance structure. Furthermore, the Group's risk management practices are outlined in detail in Section 5.0 of the Statement of Risk Management and Internal Controls, which is also included in this Annual Report.

Managing Our ESG Risks

The Group is aware of the various ESG risks and concerns. This year, we have taken steps to manage these risks by having them incorporated into the Enterprise Risk Management ("ERM") practices of the Group, where the impact of ESG risks are cross-mapped to the identified operational and other risks in the Risk Register. Our current enhanced ERM practices enable us to drive sustainable outcomes for our business by facilitating the identification, evaluation, monitoring and management of principal risks that can affect the Group's business objectives. The senior management are also informed to respond accordingly

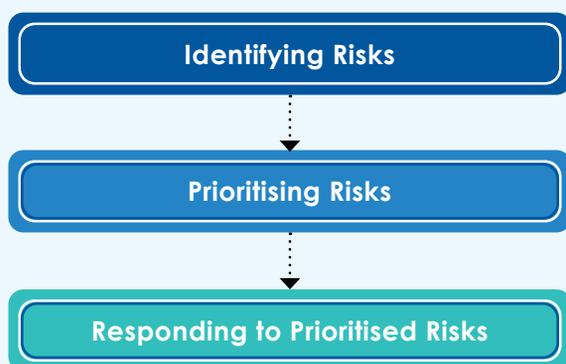
to stakeholders on how they manage their respective operations to minimise the impact to the environment and community including amongst others, climate change, loss of biodiversity, proper waste disposal, etc..

The effective management of risks in Taliworks is carried out by the Audit and Risk Management Committee ("ARMC"). To ensure that the Group's systems, practices, and resources are enhanced, the ARMC oversees risk management and internal control assessment, assisted by the Risk Management Working Group ("RMWG") for the risk management function, and the Internal Audit department for the internal control function. In addition, management holds responsibility for the system of internal controls.

The RMWG ensures consistent assessment of risks by applying a risk-rating matrix which maps out the likelihood of risks and how they may affect the financial and non-financial considerations of the business based on each risk owner's best judgement and knowledge.

This year, we took initial steps to enhance the transparency of our climate risk disclosure by cross-mapping our climate risk initiatives, working towards more comprehensive disclosures in subsequent Statements to align with the Task Force on Climate-related Financial recommendations Disclosures ("TCFD").

The ERM key practises are to identify, measure, control, monitor and report risks are outlined as follows:



For further details on the steps under the ERM practises, please refer to Section 5.0 of the Statement on Risk Management and Internal Control included in this Annual Report.

SUSTAINABILITY STATEMENT

TASK FORCE CLIMATE-RELATED FINANCIAL DISCLOSURE (“TCFD”) REPORTING

This year we harness the Task Force Climate-Related Financial Disclosure in a more structured manner to measure the metrics and targets in line with our governance, strategy and risk management.

Governance	Strategy
<ol style="list-style-type: none"> 1) Board oversight of Climate-related risks and opportunities, performance and strategies relevant to climate change. 2) Sustainability Steering Committee to guide and implement necessary measures to address climate change risk and opportunities. 3) The Executive Committee manages the Group's business and day-to-day management to achieve the Group's corporate Sustainability targets and plans. 	<p>To reinforce our commitment towards environmental, social and governance (“ESG”) matters in line with Malaysia's target of becoming a carbon neutral nation by as early as 2050 and its commitment to reduce the greenhouse gas emissions intensity of gross domestic product (“GDP”) by 45% in 2030, as tabled under the 12th Malaysia Plan.</p> <ul style="list-style-type: none"> • We believe the increased importance of ESG issues, coupled with Malaysia's commitment to achieve 31% of renewable target mix by 2025, and 40% by 2035, bodes well for the Group's expansion plan for the renewable energy division. <p>The water industry has been identified as one of the Government's priorities.</p> <ul style="list-style-type: none"> • As part of the 12th Malaysian Plan, the Water Sector Transformation 2040 was established to set strategic direction to ensure the water sector is a dynamic growth driver while ensuring water supply for all. • We foresee new infrastructure opportunities in this sector which the group can readily tap - Resolving non-revenue water (“NRW”) issues, ageing water infrastructure, scarcity of potable water in certain states, deteriorating raw water quality where new water treatment technology will be required.
Risk Management	Metrics & Targets
<ul style="list-style-type: none"> • Taliworks operates in highly competitive markets where the number of projects is limited, posing a risk to our ability to secure new projects. • As all of Taliworks' businesses are regulated, we are vulnerable to political fluctuations in the country. Furthermore, we are susceptible to inflationary pressures resulting from increased costs of raw materials and supplies, as well as labour shortages and higher costs. • The growing emphasis on ESG awareness has led to new market expectations and regulatory requirements that Taliworks must comply with. 	<ol style="list-style-type: none"> 1) Scope 1: Direct Emission from combustion of fuels (Mobile and Stationary) in water treatment and supply division 2) Scope 2: Indirect Emissions <ul style="list-style-type: none"> • Electricity Consumption in GJ for all the business divisions and the group. • Emissions data for the water treatment and supply division. 3) Scope 3: Indirect Emissions <ul style="list-style-type: none"> • We aim to monitor indirect emissions from our value chain for the group and for respective business divisions in the future. 4) Waste and Effluent Management Performance - Sungai Harmoni <ol style="list-style-type: none"> a) Total waste and residue reused (m³) b) Treated effluent discharged to stream (m³)

SUSTAINABILITY STATEMENT

BETTER BUSINESS THROUGH INNOVATION

In this section, we review our practices in 2022, highlight our achievements, set short-term targets and outline the initiatives that will help us reach these targets. Our sustainability framework, "Better Business Through Innovation," encompasses six key material topics to guide our journey towards sustainability.



Taliworks plays an important role in nation building by providing safe drinking water to critical infrastructure while creating substantial value and contributing to the country's socio-economic development.



Our focus on quality and reliability is essential to our operations and we adhere strictly to regulations to provide end-users with sustainable business offerings of the highest quality. With diversified operations, each division in the Group has its own unique approach to creating value for stakeholders, collectively driving our sustainability efforts.

As a trusted service provider, it is imperative that we continue to meet the needs of our clients and community by maintaining our business resilience through the prolonged global COVID-19 pandemic. Our robust corporate governance and sound business ethics are firm foundations that enable us to continue our operations smoothly during this time of uncertainty.



SUSTAINABILITY STATEMENT

Business Ethics and Compliance

At Taliworks, we are committed to fostering an environment where all employees act with integrity and accountability, with responsible business practices as the cornerstone of our Group ethics and corporate culture. To ensure ethical business conduct, while aiming to prevent and manage fraudulent, unethical or illegal conduct among employees, we have devised policies and procedures that establish our commitment to act responsibly and transparently. We have also integrated compliance ambitions under Pillar I: Better Business Through Innovation of the Sustainability Framework - "Compliance With Taliworks' Code of Conduct" and "Ensure Regulatory Compliance" as we continue to incorporate sustainability deeper into our organisational structure.

We are guided by the following codes and policies:

Code of Business Conduct and Ethics for Directors

The code outlines the Board of Directors' general principles and standards of business conduct and ethical behaviour in the performance and exercise of their responsibilities as directors of the Company or when representing the Company, and includes the expectation of professionalism and trustworthiness from the Directors.

The Board has formally adopted this Code, a copy of which is published on the Company's website, pursuant to Practice 3.1 of the Malaysian Code of Corporate Governance.

Code of Conduct

The Code of Conduct ("CoC") is encompassed within the Employment Handbook. It sets the policies and guidelines for employees on the standards and ethics to adhere to when discharging their duties and responsibilities. In addition, the CoC is disseminated to all new employees joining Taliworks.

In 2022: All of our employees are trained to adhere to the Code of Conduct handbook for their knowledge.

Whistleblowing Policy

The Whistleblowing policy serves as a platform for any individual who suspects or knows of improper conduct, wrongdoing, corruption, fraud or abuse, to channel and report their concerns.

The Whistleblowing Committee informs reported cases to the Executive Director, who then reports to the Board every quarter.

In 2022, no cases involving bribery or corruption were reported to the Whistleblowing Committee.



Concerns can be raised by emailing the Whistleblowing Committee at we_hear@lgb.com.my where all access to information is treated with the strictest confidentiality.

SUSTAINABILITY STATEMENT



Anti-Bribery Policy

The Policy serves as a guiding principle for corporate accountability towards corruption, in line with the amendments made to the Malaysian Anti-Corruption Commission Act of 2009 in 2018, which introduced a new Section 17A. Its aim is to ensure that the business activities and operations of the Group remain untainted by bribery. Amongst the anti-bribery policies and procedures issued by the Group are the following:

1. Conflict of Interest Procedures
2. Donation and Sponsorship Procedures
3. Facilitation and Extortion Procedures
4. Gift, Entertainment and Hospitality Procedures
5. Management of Business Associates Procedures
6. Procurement and Tendering Procedures
7. Whistleblowing Procedures

The Anti-Bribery Compliance function undertakes the implementation of anti-bribery policies and procedures at each of the business divisions. It is our goal to train all existing employees on the Anti-Bribery policies and procedures, while new employees are briefed on the Anti-Bribery policies and procedures during their orientation.

Our goal is for all of our employees to have completed training in the Anti-Bribery Management System ("ABMS") introduced in 2020 to ensure they are aware of what constitutes bribery and how to mitigate the bribery risk.

SUSTAINABILITY STATEMENT

COMPLIANCE WITH TALIWORKS CODE OF CONDUCT:

Taliworks is committed in practising zero-tolerance for non-compliance on Taliworks' Code of Conduct, therefore we have ensured that our employees are well-informed of our policies and practices.

Awareness on **ABMS** and **internal audits** were conducted by the Group in the year **2022**.



To view our Anti-Bribery and Whistleblowing Policies in detail, please visit <https://taliworks.com.my/corporate-governance/>

Data Protection and Policy

Taliworks has increasingly embraced remote work and digitisation by allowing employees to work from home during the COVID-19 pandemic. However, with the endemicity stage starting from April 2022, all our employees are back to working from office as per pre-pandemic rules. The challenge still remains as we face enhanced risks from cybersecurity threats that need to be identified and mitigated through robust cybersecurity controls to prevent breaches and unauthorised access to customer information and personal data.

As we grow as an organisation, we are well aware that we need to be vigilant in solidifying our cybersecurity functions and standards of data governance in order to prevent any system breaches. We are also committed to providing efficient operations, and seeking business opportunities through digitisation presents various risks. At Taliworks, we recognise these risks and are committed to identifying and mitigating them through extensive cybersecurity controls, as well as having standards of data governance that prevent system breaches that can lead to unauthorised access of customer information and private data.

Taliworks has taken steps to safeguard customer information and personal data. To minimise cybersecurity risks, we have established a comprehensive set of Information Technology (IT) policies, which include adhering to ISO/IEC 27001:2013 international standards and complying with the Personal Data Protection Act 2010.

Our water treatment and supply division is ISMS -certified for IT security while our IT services are outsourced to a third-party IT service provider, which has an ISMS certification for the security of its entire Data Center Infrastructure .

We place great importance on ensuring our employees understand the importance of IT security and their role in maintaining it. As part of their induction programme, new employees undergo IT security awareness briefings, as well as monthly phishing email awareness exercises to keep them vigilant of email and IT security. Group IT regularly shares guidelines and advice on managing security-related IT issues and organised the biennial Cybersecurity Awareness Training in 2022. The Group also conducts monthly security awareness (email communication) for all divisions to safeguard from cyberattacks.

As we advance on our digitisation journey by embracing innovation and technology to drive growth and ensure a sustainable future, we remain committed to reinforce data protection and privacy practices. As a result, the Group reported zero complaints or issues concerning data privacy breaches or loss of customer data.

Product Stewardship

At Taliworks, we take pride in being trusted providers of infrastructure development, water treatment, waste management and highway operation services to our customers. As a commitment to our stakeholders, we strive to deliver remarkable quality of service and promote positive customer experiences across our four business divisions and value chain. Our commitment to regulatory compliance ensures that we maintain the highest standards of service and continue to enhance our stewardship, adding value and making a positive impact on our end users.

SUSTAINABILITY STATEMENT

WATER TREATMENT AND SUPPLY



2022 Highlights

Awarded the Accreditation on Extension of Scope (“EOS”)

for their microbiological lab accreditation in Sungai Harmoni Laboratory.



Participation in the Hybrid Off River Augmented Storage (“HORAS”)

water quality monitoring with Air Selangor and Lembaga Urus Air Selangor (“LUAS”) to enhance water security.



Recorded plant loss of **2.2%** which is lower than **3.0%** and **5.0%** in **2021** and **2020** respectively.



Our Management Systems

- ISO 9001:2015
- 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
- ABMS in compliance with adequate procedures pursuant to section 17A of the MACC Act 2009

Regulations & Policies We Comply to:

- Compliance to regulations under ISO 9001:2015, MS ISO/IEC 17025:2017, ISO/IEC 27001:2013
- Water Service Industry Act 2006
- Environmental Quality Act 1974
- Abstraction of Water Source Regulations 2012
- National Drinking Water Quality Standard by Ministry of Health (“MOH”)
- Bulk Water Supply Agreement (BWSA) with Pengurusan Air Selangor
- Section 17A of the MACC Act 2009
- Occupational Safety and Health Act

What does Product Stewardship mean to the Water Treatment and Supply Division?

Maintaining the continuity of the water treatment and supply division over the last couple of years is critical because of our responsibility to ensure continuous water supply to our customer, Pengurusan Air Selangor Sdn. Bhd. (“Air Selangor”). We uphold our customer's trust by frequently monitoring the quality and quantity of water supplied as this reflects our service levels. Despite the many challenges such as consistently meeting customer demands for treated water and adhering to health and quality consumption standards, the division proactively manages these challenges with sound risk management systems and regulatory compliance.

SUSTAINABILITY STATEMENT

Ensuring High Quality Water

Being able to access good quality water is crucial to a community. We prioritise water quality by carefully monitoring the water quality in our reservoir and catchment areas in partnership with the Ministry of Health (“MOH”) and other stakeholders to ensure they are fit for human consumption. In order to be proactive in the early detection of contaminated raw water, we continuously make efforts to ensure that any contaminated natural water receives the appropriate chemical treatment early to avoid further contamination and operational costs and risks.

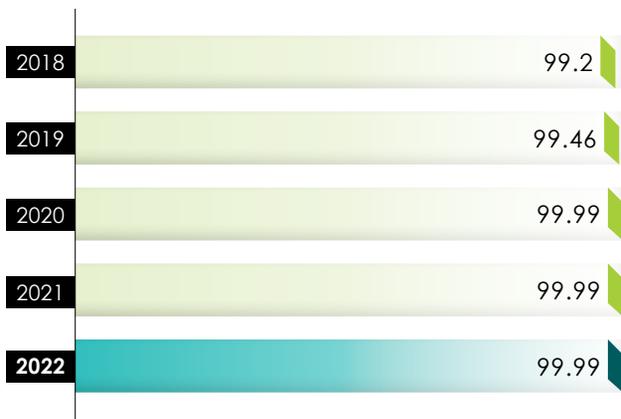
We partnered with Air Selangor and Lembaga Urus Air Selangor (“LUAS”) through the Hybrid Off River Augmented Storage (“HORAS”) water quality monitoring as part of the state government’s initiative to increase the yield of raw water source for Sungai Selangor Water Supply Scheme (SSP1, 2 and 3). To further ensure water quality at Sungai Selangor, we will install a River Monitoring Station (“RMS”) at Sungai Garing to monitor the water quality.

Due to the nature of our service, clean and potable water is our top priority. To maintain this, we regularly conduct plant maintenance and testing of treated water every two hours to ensure we comply with MOH’s National Drinking Water Quality Standards. The water quality results are in the chart below, where we maintained a compliance rate of 99% in 2022.

Compliance rate for selected water quality parameters

(Based on 2-hourly daily treated water samples taken)

Sungai Selangor Phase 1 Water Treatment Plant (SSP 1) (%)



Our commitment to observing regulatory standards and delivering consistently high-quality water supply resulted in zero disruptions reported at the SSP1 in 2022. We will continue to adhere to regulatory measures to maintain water quality and prevent disruptions in the future.

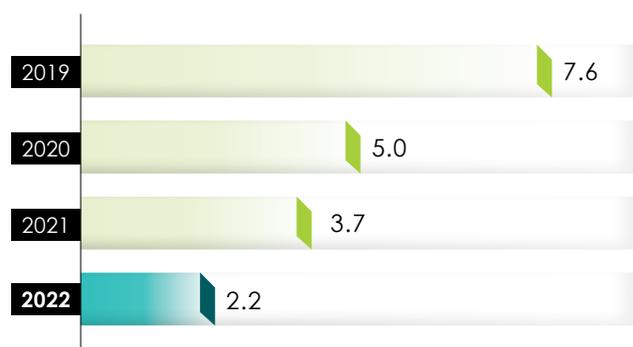
Powered by our sustainable growth mindset, we consistently monitor our water quality and improve our water treatment process through extensive research, such as using alternative treatment chemicals to remedy occasional pollutants. We have obtained the ISO/IEC 17025, a microbiological accreditation for the Sungai Harmoni laboratory.

Towards Operational Efficiency

Taliworks is actively improving our systems to reduce plant water loss. We invested in various technical applications, such as the installation of power metres for energy monitoring of all raw and treated water pumps, improvement of filter operation by upgrading the penstock mechanism and replacing the actuators, as well as actively monitoring all natural and treated water pumps. This resulted in a reduced plant water loss of 2.2% in 2022, as compared to 3.7% in 2021.

Percentage of water loss at plant

Plant water loss (%)



SUSTAINABILITY STATEMENT

HIGHWAY TOLL CONCESSIONAIRE OPERATIONS AND MAINTENANCE OPERATOR



2022 Highlights

Multi-Lane Fast Flow (“MLFF”)

toll Implementation in 2025 as per policy speech by YB Menteri Kanan Kerja Raya.

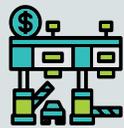
We are working towards MLFF tolls, preparing for two additional RFID lanes in Batu 11 in 2023.



This year our Expressway performance indicator from the **Malaysian Highway Authority for Grand Saga** has maintained the **four-star rating** with an average monthly score of above **90%**.



For 2022, the additional **Grand Saga new RFID lanes** were **2 dedicated lanes**, **2 multiclass** and **2 hybrid RFID lanes** at Batu 9, along with **1 dedicated** and **1 multiclass RFID lane** at Batu 11.



For Grand Sepadu, there was an additional 9 multiclass and 3 dedicated RFID lanes.

Our Management Systems

- ISO 9001:2015 for provision of Highway Maintenance and Toll Collections (Grand Saga)
- MS ISO 9001:2015 for Operation and Maintenance of Highway (Grand Sepadu)
- ABMS in compliance with adequate procedures pursuant to section 17A of the MACC Act 2009

Regulations & Policies We Comply to:

- Malaysian Highway Authority (“MHA”) Guidelines for Monitoring on Operating Procedures
- MHA Guidelines for Monitoring on Operation and Maintenance, including the Assessment for Operation Control and Maintenance for the Environmental Aspect for Highway Currently Operating and Under Construction
- Standard Operating Procedures Guidelines
- Procedures on Maintenance For Toll Collection System - MHA & Concessionaire
- Procedures on Toll Collection System
- Procedures on Compensation, Revenue Sharing And Research Contribution, Highway Training and Development
- Standard Operating Procedure; Traffic Management Plan (“TMP”) Guidelines
- Guidelines and Performance Guidance (“KPI”); Highway Patrol Service
- Standard Operating Procedure; “Pengalihan Kenderaan di Lebuhraya”
- Other various Guidelines & Policies Issued by MHA
- Section 17A of the MACC Act 2009

What does Product Stewardship mean to the Highway Division?

The Group's highway is deemed an important backbone of the Malaysian transportation infrastructure especially in the Cheras-Kajang and Shah Alam-Port Klang areas. Taliworks' highway division takes pride in providing the best possible road user experience to the Grand Saga and Grand Sepadu Highways' commuters by focusing on road safety and reducing traffic congestion. Through our highway network, we contribute to people's quality of life through faster travel times and commutes, efficient transportation of goods and increased socioeconomic opportunities for income generation.

SUSTAINABILITY STATEMENT

Securing the Safety of Our Road Users

As highway toll operators, we are responsible for providing road users with a safe and secure commuting experience. We do this through 24-hour monitoring and surveillance from our network of 20 CCTVs at strategic locations along the highways. We provide real-time updates on road conditions, routine daily inspections and on-site patrols by our Patrol Teams - Saga Ronda at Grand Saga and Sepadu Ronda at Grand Sepadu. In addition, we continue collaborating with Dewan Bandaraya Kuala Lumpur ("DBKL") and the Kuala Lumpur Traffic Police to implement the contra-flow operations for Kuala Lumpur-bound traffic during the day and the Kajang-bound traffic at nightfall.

To ensure the safety of our highways, the Malaysian Highway Authority ("MHA") conducts monthly inspections as a part of the quality assurance process. This year, we focused on routine and unscheduled highway maintenance to comply with MHA regulations. As a result, we invested RM10.61 million to maintain the Grand Saga and Grand Sepadu highways as part of measures to ensure road safety. The maintenance of the highway includes routine and periodic supervision. In accordance with MHA's guidelines and standard operating procedures, maintenance tasks must be

carried out on a daily, weekly, and monthly basis. The execution of these maintenance activities should align with MHA and the Company's approved work programmes.

We have increased efforts to ensure safety on the Grand Saga and Grand Sepadu Highways, where the accident rate is well below MHA's 3.15 per 1 million vehicles requirement. Grand Saga had an accident rate of 1.8 accidents per million vehicles in 2022, a decrease from 2021 following increased efforts such as clearing road obstacles and objects, pavement rehabilitation and repainting road markings. In the same period, Grand Sepadu's accident rate decreased to 1.2 accidents per million vehicles compared to the previous year. This reduction was achieved by optimising operational capacity through the reduction of toll lanes during the COVID-19 pandemic when there were fewer vehicles on the road. Additionally, the highway concessionaire ceased offering the Touch 'n Go reload facility to enhance traffic flow. The division also took steps to promote road safety through campaigns and education initiatives, including safety campaigns during festive seasons and educating schools, which have contributed to the decrease in the accident rate in these areas.

Highway Accident Rates



In Grand Saga and Grand Sepadu, we have achieved a lower accident rate despite having an increase in number of vehicles per day in 2022 compared to 2021 due to our vigilance in providing excellent road safety for our users.



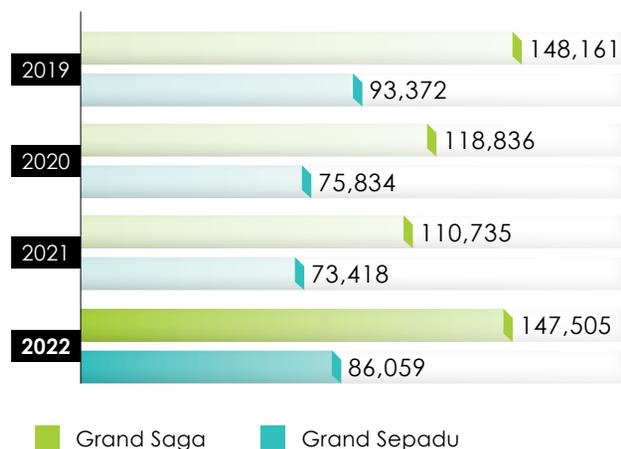
SUSTAINABILITY STATEMENT

Managing Traffic Congestion

We are committed to digitising and enhancing user experience on our highways with innovative solutions. All our tolls are fully automated with support from 24-hour teams. In partnership with the Royal Malaysian Police (“PDRM”), we have increased our efforts to reduce traffic congestion and ensure a safe and comfortable journey for road users by leveraging innovation, data and technology. Through this partnership, we have implemented contraflow systems during peak hours and optimised traffic signal timing to accommodate increasing yearly usage.

We continued to provide services for road users of our highways even as the COVID-19 pandemic turned endemic. As restrictions began to ease, Taliworks strived to improve road users' experience through traffic reports collected from our 24-hour patrol team and facilities such as shelter for motorcyclists, Rest and Service Areas (“RSAs”), petrol stations and pedestrian overpasses along our highways.

Highway User Performance (vehicles per day)



During the COVID-19 pandemic, many Malaysians transitioned to working-from-home throughout the multiple lockdowns, new COVID-19 variants and Movement Control Orders (“MCO”), which led to a reduction in road users from 2019 to 2021. For example, there was an increase of 28% (AM) to 31% (PM) at Grand Saga and a decrease from 13% (AM) to 6% (PM) at Grand Sepadu in 2022. We took advantage of this opportunity to enhance safety measures on our highways by conducting various road works to improve the traffic flow and as an effort to serve our road users with better quality roads for the upcoming year.



For more information on how we care for our highway road users, please see page 100



SUSTAINABILITY STATEMENT

ENGINEERING AND
CONSTRUCTION

2022 Highlights

Project execution guided
by a **Project Quality Plan**.



Annual internal quality audit
conducted on
5 major areas

- the Management, HR, Quality,
Tendering, Cyberjaya Reservoir ("CJR4") project,
RSP2 project and RSP3 project.



Our Management Systems

- ISO 9001:2015
- ABMS in compliance with adequate procedures pursuant to section 17A of the MACC Act 2009

Regulations & Policies We Comply to:

- Compliance with ISO 9001:2015 requirements
- Occupational safety and Health Act ("Act 514")
- Factory and Machinery Act 1967 ("Act 139")
- Environmental Quality Act 1974
- Environmental Quality (Scheduled Wastes) Regulation 2005
- CIDB Act ("Act 520")
- Section 17A of the MACC Act 2009

What does Product Stewardship mean to the Engineering and Construction Division?

As a contractor specialising in water-related infrastructure, we prioritise customer satisfaction and product ownership. We provide customer service to our clients at every stage, from project commencement to the expiration of the Defects Liability Period ("DLP"). Despite the complexity of our projects, quality is at the forefront of our core priorities, with a focus on understanding our client needs and meeting their expectations.

The construction phase of a project is directed by a Project Quality Plan ("PQP"), which contains information such as a project summary, work process layouts and quality assurance procedures. The PQP also serves as a foundation for customising processes to meet specific project requirements and ensure the quality of completed projects.

Engaging with clients in good faith builds trust as well as enhances client focus and satisfaction. Our objective is to modify our services towards meeting the clients' expectations outlined in the contract. The PQP summarises our project objectives and inspection requirements. Upon completion, the contracted works will typically enter a contractual phase known as DLP where any patent defects are addressed. Just before the DLP ends, a joint inspection is normally conducted to verify that the Works are free from defects. If it is agreed that the works are free from defect, the client or his empowered agent will issue the Certificate of Making Good Defects to us thereafter.

SUSTAINABILITY STATEMENT

Ensuring Project Quality and Satisfaction



Submit Work
Programme detailing planned sequence of activities for approval



Monitor progress against approved Work Programme



Engage regularly with clients to understand their needs and expectations



Submit samples of construction materials or goods for approval



Appoint only approved external providers with proven track record

Taliworks was awarded with RSP2 project and RSP3 project in late 2021, which swelled our order book to almost RM1 billion. To accommodate the sudden increase in post-contract activities, we have temporarily disbanded the tender team and reassigned its members to reinforce the project teams.

The Engineering and Construction division is trying to capitalise on this early success and drive the project teams to execute the project in compliance with requirements until completion.

WASTE MANAGEMENT



2022 Highlights

Overall recyclables collected **842,627 kg** of recyclable materials, exceeding the 2021 total of **319,231 kg**.

We implemented a new app to **encourage public recycling** and **formed partnerships** with **government agencies** and **local industries** to **reduce waste at the source**.

In FY2022, IMELC engaged **906** schools and over **1 million** students from Johor, resulting in approximately **301,178 kg** of **recyclable material collected**.

KITARecycle, collected **612,829 kg** of recyclable material in 2022, using its in-house app and new brand positioning, resulting in **Recycling Points ("RP")** being captured in the database.

Our Management Systems

- ISO 9001:2015
- ISO 14001:2015
- ABMS in compliance with adequate procedures pursuant to section 17A of the MACC Act 2009

Regulations & Policies We Comply to:

- Quality and Environmental Policy
- Occupational Safety and Health Policy
- Section 17A of the MACC Act 2009
- Solid Waste and Public Cleansing Management Act 2007

What does Product Stewardship mean to the Waste Management Division?

While the core focus of our operations is on providing reliable waste management services, we also understand the importance of promoting responsible waste practices through education and behaviour change. Consequently, our goal is to educate all communities on sustainable waste management and to empower future generations with an environmentally conscious mindset.

SUSTAINABILITY STATEMENT

Managing Our Operations

Our waste management operations require innovative solutions, which includes risk-based decision-making, daily monitoring, proactive action, incentive systems and strategic target-setting to meet business goals and guide daily operations. Our computerised central command and control centre ("C4I") monitors waste collection and public cleansing as per regulatory requirements. The system provides real-time data for tracking truck routes, public complaints and payments and is used by all concessionaires in collaboration with SWCorp. The mechanism through the SWME mResponz System records public complaints in a database that helps us manage over 8,000 employees in an operational area of 28,500 km². The C4I system allows us to manage inventory, track our waste management fleet in real-time, plan resources, fulfil customers' collection and cleansing schedules and monitor contracts to the regulatory and business standards. This aligns with Pillar I: Better Business through Innovation in our Sustainability Framework.

Strengthening Nationwide Responsible Waste Management Practices

Our nation's sustainability efforts prioritise the education of our citizens, and promoting a shift in their attitudes and behaviors towards waste management. It is crucial that our communities actively participate in responsible waste separation for our solid waste recycling systems to thrive, and to meet our national target of 40% recycling under the Kadar Kitar Semula by 2050. As of December 2022, Kadar Kitar Semula Kebangsaan has achieved a commendable 33% recycling rate, and we remain committed to assist our nation to meet the national target. Our sustainability initiatives aim to empower communities to enhance their surroundings and improve their well-being, aligning with Pillar IV: Enriched Communities of our Sustainability Framework.

Customer Management

Trust is vital in business relationships and at Taliworks, we prioritise customer satisfaction in all our dealings. We have distinct groups of customers, including public end users and corporate clients, in each of our business divisions. All divisions are committed to delivering excellent customer experience. Our customers' needs are paramount and we actively seek feedback to ensure maximum value is delivered while maintaining our reputation as a responsible business.

Based on Pillar I of our Sustainability Framework, "Better Business and Innovation", we aim to enhance customer management across all our divisions. Here's how each division ensures customer satisfaction:



Water: Ensuring Agreement Provider's Satisfaction

We assess the satisfaction of Air Selangor with the services provided by our water treatment and supply division by regularly engaging with them. These interactions are conducted through operation and maintenance meetings, remedial meetings and new project meetings involving SSP1, allowing us to make improvements to our services.

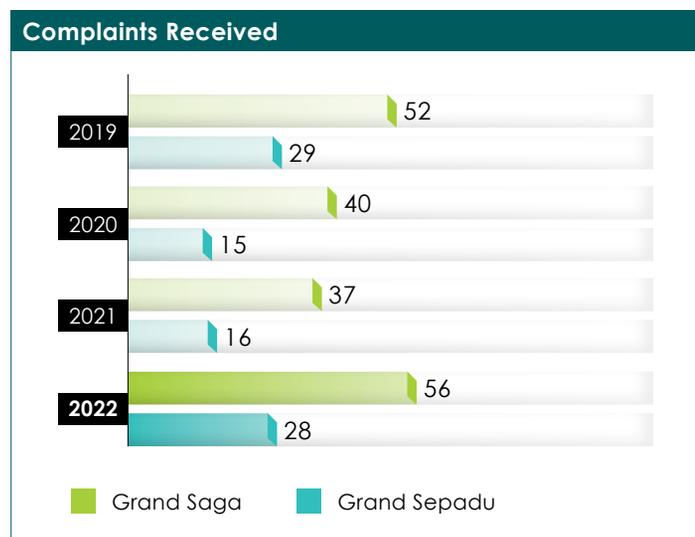
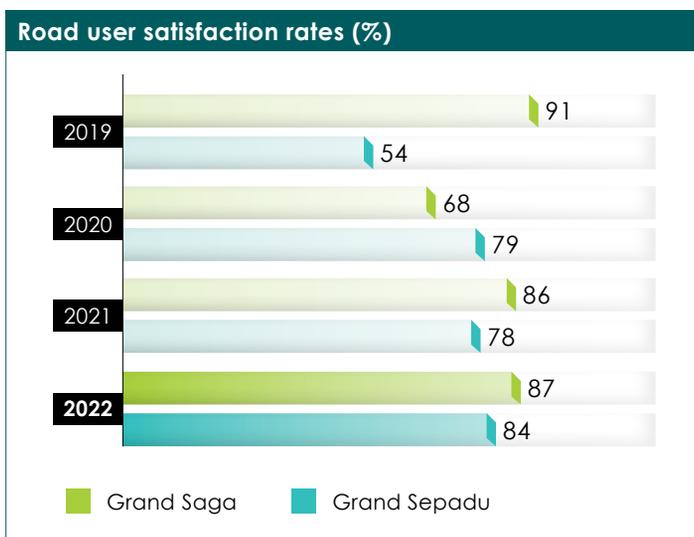


Toll Highway: Caring for Our Road Users

We prioritise a seamless and safe experience for users of our roads. To achieve this, our team at the Grand Saga highway provides free tow truck services for Cheras – Kajang Highway road users.

Our highway team prioritises a safe and seamless experience for road users by managing a 24-hour hotline through various social media platforms and a customer service email account to resolve all road user complaints. All complaints and queries are submitted to relevant departments within two days, while the departments have a seven-day response period to address the issues. We ensure that no complaints have been outstanding for more than six months and in 2022, we achieved a consistent record of resolving 100% of our complaints within 15 working days on both highways.

SUSTAINABILITY STATEMENT



The Grand Saga road user satisfaction rate increased slightly to 87% in 2022 from 86% in 2021, with a 51% increase in the number of complaints received from 2021. The reason for the increase in the number of complaints is because more vehicles are on the road after the COVID-19 restrictions and higher traffic volume from the Cheras – Kajang Interchange of SUKE highway. This improvement reflects our strict compliance with the Standards of Procedure by the Highway Operation & Maintenance team, timely response to feedback received across all platforms and the completion of the Sungai Besi-Ulu Kelang Elevated Expressway ("SUKE").

The Grand Sepadu highway saw an increase in road user satisfaction rates at 84% in 2022 from 78% in 2021, while complaints received saw an increase of 75% due primarily to the significant flash floods that occurred at the end of the year along with high tides causing water backflow at the existing drainage system outside of the maintenance area of the highway that resulted in stagnant water pooling on the highway. The safety of road users on our highways is our priority and we are making continuous efforts to ensure minimal disruptions and inconvenience if such events recur.



Engineering and Construction: Ensuring Client Satisfaction

At Taliworks, we conduct an annual Client Satisfaction Survey to gauge client satisfaction. In 2022, we achieved an average satisfaction rating of 78% for 3 projects, which surpassed our target of 70%. To maintain customer satisfaction throughout a project, we provide multiple channels to enable the customer to give feedback on project management, service quality and delivery.

SUSTAINABILITY STATEMENT



Waste Management: Caring for Our Customers

As waste management services have a profound impact on public health and safety, we provide multiple channels for the public to voice their complaints, provide feedback, or lodge reports, including email, a hotline call centre, social media and a national forum. Our Customer Relationship Management (“CRM”) team manages customer feedback using pre-existing guidelines and frameworks to efficiently resolve issues. We have achieved our target thresholds for the number of complaints received, which will be reviewed annually, depending on historical data and input by our management and operations committee.

We are committed to delivering quality waste management services, as evidenced by our analysis of the 2022 public complaints and customer satisfaction data from the 27 local authorities we serve. Out of these authorities, 11 (or 41%) rated our services as excellent, with an average of zero public complaints per month in 2022. Additionally, 8 other local authorities (or 30%) rated us as good, with an average of one to three public complaints per month. This indicates that a majority (71%) of our clients are satisfied with us as their waste management service provider.

In our division, customer engagement and feedback are taken seriously and we are steadfast in our efforts to understand the relationship between operations and customer satisfaction. To enhance communications, we have made efforts to address this by adding more information and frequently asked questions on our website. In 2022, we identified 3 main channels preferred by the customers based on increased engagements, namely SISPA, WhatsApp and Facebook.



YEAR	CHANNELS									TOTAL
	HOTLINE	WEBSITE	ADUANSISA (PBT & SWCORP)	WHATSAPP	FACEBOOK	E-MEL	SISPA	MEDIA	SMS	
2022	2,268	2,169	420	2,096	28	40	2,842	2	0	9,865
2021	2,345	2,158	607	1,134	7	61	858	9	1	7,180

We prioritise resolving all complaints in 24 hours and our Headquarters efficiently manages communication with the public through the Talian Indahkan Malaysia for lodging complaints. The system we have established is a streamlined digital platform, aimed at efficient waste collection and general cleaning.

Every month, we evaluate our branches' performance based on targets established from threshold reports presented by our CRM at monthly management and SWM EXCO meetings. We then make improvements following the detailed feedback and action plans provided by our operations committee.

SUSTAINABILITY STATEMENT

Digitisation and Innovation

Taliworks is moving towards digital innovation by constantly updating our technology while ensuring sustainable business growth. We have welcomed this digital revolution by implementing advanced technologies, such as data science, the Internet of Things and cloud computing, to enhance the customer experience.

For example, we improved our security network in 2022 and are working towards upgrading our WiFi infrastructure to WiFi-6, a substantial upgrade over the current WiFi-4 network, which will kick-start in the 1st quarter of 2023. WiFi 6 can provide a better experience for users of typical wireless LAN networks.

We are also developing an e-forms process maker to automate forms according to an approval-driven workflow. Our focus on digital transformation to spur business growth is aligned with Pillar I: Better Business Through Innovation of our Sustainability Framework.

Group

In 2022, our security systems were upgraded and a new log management system, SIEM, was introduced to assess and help organisations detect any intrusion, threats and behavioural anomalies. A great example of this is the upgrade of MFA for user accounts which enhance security for users' emails.

Our IT department has made the effort to transition to e-forms, which will be replicated for other departments gradually. Another security feature for user emails is a secure authentication process for employee user accounts.

The other ongoing IT initiatives include Extended Detection and Response ("XDR") Risk Visibility, observation of workbench alerts and endpoints, continuous monitoring of threat and posture risks, organisation of posture visibility and trending and prioritising vulnerabilities for remediation.



Water Treatment and Supply

Our water treatment and supply division has increased its efficiency through the adoption of digital technology, enabling us to monitor our treatment plants in real time and quickly detect any water quality non-compliance or reservoir overflows. We also upgraded our computerised maintenance management system ("CMMS") and installed a digital power metre to improve monitoring of the pumping system. The division is committed to improving operational efficiencies and communications with regulators on management system upgrades to reduce our carbon footprint and comply with ISO14000.

The following digital implementations are under development:

Mobile CMMS

Previously, the maintenance system required the completion of paper work orders that were then submitted for further action by maintenance staff. However, with the introduction of mobile CMMS, this process has become paperless. The management can now directly assign maintenance staff to specific maintenance tasks, and subsequently close the order through their mobile devices. This technology also enables the attachment of photos, records all activities, and can be used as an indicator of staff KPIs and record keeping.

SHSB Website and e-procurement

The SHSB website serves as an important platform for all vendors and interested parties to stay updated on open and upcoming tenders. The e-procurement system allows for hassle-free registration by vendors and supports e-evaluation of tenders, resulting in minimal paper usage.

SUSTAINABILITY STATEMENT



Highway Toll Concessionaire, Operations and Maintenance Operator

In our highway division, we prioritise a safe and seamless experience and are working hard to realise the country's goal of implementing Multi-Lane Fast Flow systems on all tolled highways, with a focus on Radio Frequency Identification ("RFID") technology. RFID car stickers containing a radio frequency chip, each registered to a specific vehicle and owner, are being provided to all road users. Vehicles passing through a toll will have the radio frequency emitted by the chips read by overhead scanners and the toll fare will then be deducted from the vehicle owner's e-Wallet.

The RFID programme, which was introduced in 2017, is now fully operational with multiple dedicated and multiclass

RFID lanes at various highways. The Grand Saga and Batu 9 highways have two dedicated, two multiclass and two hybrid RFID lanes while the Batu 11 highway has one dedicated and one multiclass RFID lane and the Grand Sepadu highway has nine multiclass and three dedicated RFID lanes. We achieved our target of making RFID accessible to all class vehicles with Automatic Number Plate Recognition ("ANPR") in June 2022.

These initiatives listed above show that the highway division is currently following the MLFF Implementation in 2025 as per the policy speech by YB Menteri Kanan Kerja Raya.



Waste Management

In our waste management division, we continue to enhance the mResponz system, and introduced the e-NTC digital platform for better monitoring and compliance.

The other digitisation efforts introduced for smoother operational efficiency include Bin Distribution Management, Employee Management, IT Service Request Management and Purchase Request Management.

In 2022, the division completely developed and upgraded the following systems below:

- **Integrated Inventory Data Centre System**
- **iJadual**
- **Online Work Completion Report**
- **Online ticketing system for work performance, monitoring and reporting**
- **Enhanced mResponz**

The purpose of these initiatives is to improve the storage of inventory data for divisional manpower and vehicle count. This will enable smoother operations and timely collection of waste, as well as facilitate public cleaning works. Real-time tracking of vehicle routes will enhance operational efficiency.

These initiatives demonstrate Taliworks' commitment to staying ahead of the curve in terms of technology and efficiency. By investing in digital growth opportunities, we are confident in our ability to generate long-term value for our stakeholders and drive business resilience.

SUSTAINABILITY STATEMENT

Sustainable Supply Chain Practices

Taliworks is committed to enhance its sustainable supply chain and this is evident in our Sustainability Framework's Pillar I: Better Business Through Innovation, which outlines our new ambition of extending sustainability across our entire value chain. Our Sustainability Procurement Policy underlines this commitment, which focuses on responsible procurement, encourages energy-efficient and environmentally friendly services and advocates for responsible product disposal. We have a stringent supplier selection process that ensures quality and integrity, while building long-term partnerships and facilitating healthy competition.

We will share the targets to help us meet our goals soon.

QUALITY IN OUR SUPPLY CHAIN



Service Quality

We conduct regular assessments of our suppliers once they are approved while they are prequalified for criteria including technical capacity, inventory and past performance



Competitive Suppliers

We will not compromise on regulatory compliance while sourcing for the most competitively priced materials



Efficient Management

We expect our suppliers to deliver according to plan, be adaptable to changes and cooperate

To maintain sustainable operations and strengthen our supply chains, we support the local economy by procuring from local suppliers, effectively reducing our carbon output due to their proximity. In 2022, we expanded with 84 new suppliers across the Group, bringing the total number of suppliers to 1,217.

Division	New suppliers	Total suppliers	Percentage of local suppliers (%)	Proportion of spending on local suppliers (%)
Group	2	22	100	100
E&C	20	293	100	100
Water	1	164	100	100
Highway	7	227	100	100
Waste Management	54	511	99	99



99.8% of our procurement expenditure was on local suppliers in 2022 thus showing our support towards empowering our local suppliers.



SUSTAINABILITY STATEMENT

Supplier Assessments

At Taliworks, we expect our contractors, sub-contractors and suppliers to be similarly committed to maintaining high standards of quality, environmental responsibility and occupational safety. Our goal is to consistently deliver quality in our operations while minimising potential risks. To ensure this, the Group's business divisions regularly evaluate suppliers according to their specific needs and business practices.

GROUP



How we assess our suppliers

We are committed to responsible procurement practices, guided by policies established by the Group Administration Department ("GAD"). These policies prioritise the use of local suppliers by all business divisions, thereby promoting nation-building through the empowerment of local suppliers and contractors. Additionally, our group adheres to a Sustainability Procurement Policy, which promotes sustainable procurement practices when purchasing corporate equipment. This policy encourages the selection of energy-efficient and environmentally friendly products and advocates for responsible disposal of these products.

Our progress in 2022:

100% of the suppliers were assessed. The Supplier Scorecard Rating of the 18 suppliers are as follows:

- Good - **13 suppliers**
- Average - **5 suppliers**
- Poor - **None**

WATER TREATMENT AND SUPPLY



How we assess our suppliers

The Water Treatment and Supply Division mandates that suppliers who provide equipment, devices, and materials for use in water supply and sewerage services must have their products registered with Suruhanjaya Perkhidmatan Air Negara ("SPAN"), as per Section 129 of the Water Services Industry Act 2006, where applicable. Suppliers must also comply with regulatory standards such as health and safety requirements, and are required to provide relevant certificates and certificates of analysis (for chemical suppliers). SPAN conducts audits to ensure that suppliers comply with these requirements. Additionally, we conduct an annual assessment of supplier performance.

Our progress in 2022:

256 supplier were assessed. Their performance rated as below:

- Category A (Excellent Supplier): **77%**
- Category B (Satisfactorily Supplier): **23%**
- Category C (Poor) - None

2 audits on the critical suppliers (Chemical) and facility visit on the appointed emergency contractors

SUSTAINABILITY STATEMENT

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE



How we assess our suppliers

- Maintain a list of competent, competitive & local contractors and suppliers in various fields of work to ensure high quality service can be provided to road users.
- Continually inviting new contractors and suppliers to offer their service via bids for competitive pricing.
- Vendors are assessed based on the following criteria:
 - Conformance to Specification
 - Delivery Efficiency
 - Expressway Operation Safety Passport Programme ("EOSP")
 - Site Management/Supervision
 - Cost Efficiency
 - Price Competitiveness
 - Response Time
 - Pandemic Prevention
 - Cooperation & Support
 - Financial Strength
- Vendors are assessed based on a scoring system, and those with scores below 60 will not receive RFQ from Grand Saga/Grand Sepadu.
- The division also ensures that suppliers are not employing illegal labour by requiring valid work permits during the supplier screening process and conducting on-site work monitoring.
- Our contractors' performance is monitored and assessed, and good performance is rewarded with priority for future projects. Maintaining the same contractors also helps to minimise work disruption and costs due to their prior experience.

Our progress in 2022:

Out of **227 vendors** assessed, only three were identified as underperforming and subsequently delisted from the main vendor list.

ENGINEERING AND CONSTRUCTION



How we assess our suppliers

- The division is responsible for maintaining the List of Approved Subcontractors and Suppliers of pre-qualified external providers, who are authorised to work on projects, unless approved under special circumstances.
- When considering new suppliers, we evaluate their past job profiles, company and financial backgrounds, technical competency and experience of key staff, plant, machinery and equipment owned, relevant licenses, registration with authorities, and Quality Management System.
- For approved suppliers, we review pricing and payment terms, planning and delivery schedule, workmanship and quality control, resources and efficiency, responsiveness to instructions, adaptability to changes, and level of cooperation.
- Underperforming external providers may have their approved status downgraded to conditional acceptance or even revoked in more serious cases.

Our progress in 2022:

The performance of **3 suppliers** and **1 subcontractor** were assessed and were found to meet expectations.

SUSTAINABILITY STATEMENT

WASTE MANAGEMENT



How we assess our suppliers

SWME stringent assessment of suppliers and contractors starts with a preliminary company search and available information in their company profile. Then, where necessary, a site visit to the locations of their operations will be considered. Finally, suppliers and contractors will be evaluated based on general criteria. Once engaged, suppliers and contractors are periodically monitored and evaluated to ensure that their performance meets the requirements of the agreements and, more importantly, that their performance meets the national solid waste management and public cleansing privatisation objectives.

Our progress in 2022:

- **473 general suppliers** were assessed, and their performance is as rated below:
 - Category A (Excellent Supplier): **58%**
 - Category B (Good Supplier): **42%**
 *All our suppliers achieved passes in the top two categories.
- **260 contractors** (collection and cleansing contracts) were assessed

Low-Environmental Impact Purchasing Practices

In our efforts to embed sustainability into our business and value chain, we extended these goals to our supply chain. Procurement decisions can have a substantial effect in advancing our sustainability goals. Taliworks is committed to making purchasing decisions that minimises our environmental impact. Here are some examples of our sustainable purchases:



Group

Procuring paper with green certifications made from elemental chlorine free pulp



Highway Toll Concessionaire, Operations and Maintenance

Solar panel installation at Plaza Toll Batu 11 in 2021 and Batu 9 Grand Saga Highway in 2022.

LED lighting installed for 3 high masts at Grand Saga Batu 9 in 2021 and another 3 high masts at Toll Plaza Batu 11 in 2022 and 3 Mini high masts at Bukit Raja Toll Plaza in 2022.

Bought energy efficient lighting based on My Green Highway Index guidelines and installed solar panels in our buildings

The highway division has trialed using sustainable composite material - including crusher run, granite, asphalt and recycled plastic (product by MacRebur). This material was used in 1,284m² of highway pavements in the pilot test.



Waste Management

Using a total of 323,950 kg of biodegradable plastic bags in 2022



Water Treatment and Supply

Purchasing energy-efficient equipment such as lighting pumps and motors



For more information on our environmental efforts, please visit pages 124 - 134 in Impact-Positive Environmental Practices section

SUSTAINABILITY STATEMENT

VALUED HUMAN CAPITAL

Our employees are highly valued, and we invest in them to ensure they undergo training and development for their growth and to attain their professional ambitions. In addition, we strive to create a safe and healthy working environment for our people at Taliworks.



At Taliworks, employee well-being is our foremost priority, and we endeavour to create a safe, caring and rewarding work environment that can bring out the best in every employee. We offer competitive benefits, a supportive work environment and fair remuneration as part of efforts to maintain employee welfare.



We also provide opportunities for employees to develop their respective career paths regardless of gender, age, or ethnicity. Safety is paramount at Taliworks and our measures to maintain a safe workplace are reflected through minimising exposure to health and safety hazards.



SUSTAINABILITY STATEMENT

Our Human Capital Management Focus

With our Human Capital Management (“HCM”) system in place, we ensure the hiring of the right people in our organisation while also managing them effectively and optimising their productivity at work. The HCM system comprises our three key material topics under the pillar “Valued Human Capital” within our Sustainability Framework 2022.

Diversity and Inclusion

- Career advancement for all employees regardless of gender, age or race.
- Flexible work hours, casual leave and birthday leave to cater to diversity.
- Ensuring equal opportunities for contributing opinions and ideas.

Training and Development

- Across the group, we focus on empowering our employees with technical and soft skills to develop well-rounded individuals who can contribute positively towards our operations.

Wellness, Health and Safety

- Provision of personal protective equipment (“PPE”) in 2022 as part of our commitment to achieve the target of zero-fatality.
- We strongly advocate for good safety and health practices for all employees through programmes and engagement sessions.
- We regularly sanitise our offices and provide face masks for employees required to work on-site.
- We also provide flexible medical benefits to secure our employees personal health.

Taliworks provides Group Personal Accident, Group Term Life and Group Hospitalization insurance coverage as we want to ensure that the well-being and healthcare of our employees are taken care of.



SUSTAINABILITY STATEMENT

Prioritising Workplace Safety and Health

The health and safety of Taliworks' employees and contractors are paramount and we comply with regulations established by the Department of Safety and Health ("DOSH") and relevant global standards and systems. We constantly monitor and review our health and safety practices to ensure compliance and take corrective action when violations occur. Our commitment to providing a safe and healthy workplace drives employee satisfaction and helps retain our workforce.

At the Group corporate office, the Building Management team conducts regular fire and evacuation drills to prepare all employees for fire-related emergencies. We also have regular site inspections to ensure our premises comply with the Fire Department's safety standards.



Water Treatment and Supply

The water treatment and supply division maintains health and safety practices that comply fully with regulations established by Suruhanjaya Perkhidmatan Air Negara ("SPAN"), Department of Environment ("DOE"), Ministry of Health ("MOH") and DOSH. We take seriously the threats to stakeholders' health and safety posed by the effluents and residuals released during the water treatment process throughout our value chain. We work to reduce these risks by annually evaluating internal processes and procedures to make sure they are still applicable and efficient. We eliminate all the possibilities of fatalities in the workplace through our management measures and systems in place.

Our Health and Safety Performance

Water Treatment and Supply

Description	2019	2020	2021	2022
Cumulative man-hours without lost time injury (hours)	315,360	341,114	349,962	409,256
Lost time injury rate ((number of injuries/number of hours worked)x200,000)	0	0.59	0	0
Number of injuries	0	1	0	0
Number of lost days	0	41*	0	0

* One minor injury occurred during cleaning works.



Our cumulative manhours without any time lost due to injury in **2022** amounted to **409,256** hours, an increase from 349,962 hours in 2021.



SUSTAINABILITY STATEMENT



Highway Toll Concessionaire, Operations and Maintenance Operator

In 2017, the Safety and Health Committee was formed to better monitor and update the division's health and safety processes. The Committee, working closely with the management team, identifies potential areas of concern and evaluates the effectiveness of these processes. They also ensure compliance with MHA's regulations, including providing PPE and other equipment to employees who are traffic personnel or toll booth operators.

Some of the major highlights of workplace health and safety in our division are:

At Grand Saga and Grand Sepadu, we work hard to ensure the safety and health of the division's workers go beyond minimum compliance. As part of this commitment, we have ensured that all operational employees of **Grand Saga** and **Grand Sepadu** are provided with a set of **personal protective equipment ("PPE")** in 2022 which we **invested a total** of more than **RM12,000**.

The target of **Zero-fatality** at **Grand Saga** and **Grand Sepadu** was successfully achieved for **2022**.

Grand Saga and Grand Sepadu requires that individuals engaged in **maintenance**, **construction**, and **operation** works on its highways, including its contractors and employees, obtain the Expressway Operations Safety Passport ("EOSP").

We are actively encouraging our contractors to obtain the **EOSP**. The bar chart below displays the number of contractors who have already obtained the EOSP and those currently undergoing the training. To obtain the EOSP, contractors must complete safety training offered by NIOSH. Successful completion of the basic safety course results in the award of the EOSP safety passport from NIOSH.



The division prioritises contractor safety through annual training sessions on updated safety requirements and bi-annual refresher courses. We also conduct external training programmes for senior employees to cultivate a culture of health and safety. On-site highway workers are given daily safety briefings and contractors receive safety briefings before a project's commencement to minimise their time at highway sites. Senior management are also provided

with routine training to reinforce the safety culture at Taliworks.

In 2022, as part of our commitment to safety at our highway worksites, 193 employees were trained on health, safety and environment-related issues at Grand Saga and Grand Sepadu, resulting in zero fatalities reported this year on both highways.

SUSTAINABILITY STATEMENT

Ensuring Contractor Safety

Highway safety is a top priority, with all work along the Grand Saga and Grand Sepadu highways complying with the MHA's Traffic Management Plan Guidelines. Contractors must adhere to our highway's safety regulations, with internal controls ensuring compliance. This includes submitting applications to the Operations Department and Maintenance & Engineering Department that details their insurance policy, traffic management plan, work programme and work methodology. 148 safety briefings were conducted for contractors at Grand Saga, while 92 similar briefings were held for contractors at Grand Sepadu. Our employees also received daily road safety briefings and adhere to MHA guidelines.



Engineering and Construction

The engineering and construction division prioritises safety by following regulatory requirements and implementing measures in our project sites, including for our employees and subcontractors. The Group's Health, Safety and Environmental Policy underpins the division's workplace safety and regulatory compliance.

Regular internal audits on health and safety regulations and monthly Safety and Health Committee meetings are conducted to ensure all projects comply with regulations. The Department of Occupational Safety And Health also makes periodic independent inspections while assigned safety officers at our project sites ensure regulatory compliance at all times.

On-site employees are encouraged to give feedback and recommendations for improved safety, which are highlighted during Toolbox Meetings and monthly reports to management. We also have safety manuals which outline specific safety SOPs for individual projects. Safety personnel are available to both, internal stakeholders and clients, to monitor safety protocols at project sites. Our commitment to safety led to zero fatalities in 2022, testimony to our continuous efforts to provide good safety and health practices for all employees through programmes and engagement sessions.

Our Health and Safety Performance

Engineering and Construction

Description	2019		2020*			2021	2022	
	L2P7	GP3A	L2P7*	GP3A**	CJR4	CJR4	RSP2	RSP3
Cumulative man-hours without lost time injury (hours)	541,168	563,824	557,904	563,824	109,200	142,368	36,194	42,268
Lost time injury rate ((number of injuries/ number of hours worked)x200,000)	0.37	0	0	0	0	0	0	0
Number of injuries	1	0	0	0	0	0	0	0
Number of lost days	0	0	0	0	0	0	0	0

* Langat 2 Package 7. Certificate of Practical Completion for L2p7 was issued in September 2020.

** Ganchong Package 3A. No physical works conducted at the GP3A site in 2020. Certificate of Practical Completion issued in January 2020.

Note: No data for Cyberjaya Reservoir ("CJR4") project in 2022 as the safety reporting for the project has ended in December 2021.

SUSTAINABILITY STATEMENT



Waste Management

The waste management division prioritises safety, with 31 safety committees ("OSHE Committees") in place to uphold the division's health and safety standards. These Committees, comprising 30 sub-committees at the regional or district level and one main OSHE Committee based at our Kuala Lumpur headquarters, hold quarterly meetings and provide regular reports to ensure the division's employees and contractors are updated and compliant with health and safety regulations. The OSHE Committees also collaborate on best practices for health and safety by sharing updates and key insights across our divisions.

To ensure compliance with safety and health practices as required by OSHA 1994, the OSHE Committees conduct site inspections, contractor safety audit programmes and quarterly workplace inspections at regional and district offices and depots. In 2021, they also performed Chemical Health Risk Assessments ("CHRA"), Chemical Exposure Monitoring ("CEM"), Noise Risk Assessments ("NRA") and Audiometric Tests.

Our safety management systems and initiatives led to the achievement of zero fatalities in 2021. The SWME Human Resources department also introduced the "Talian Pekerja" platform, which includes a Hotline, WhatsApp and email to handle all employee grievances, including concerns and risks related to employee contracts, working conditions and workplace incidents.

96

Programmes conducted to raise employee awareness on health and safety in 2022.

26

Road Safety Campaign launching "Jom Tunggang Selamat"

7

Chemical handling training

18

Fire Drill training

27

Taklimat Keselamatan Safety Alert

9

Grass Cutting Machine ("GCM") safety training

3

Mega Toolbox Meeting with state DOSH

6

Audiometric Testing to workers

To increase awareness of safety and health, we issued

4

Safety and

2

Public Awareness

manuals containing information on best practices and essential **do's** and **don'ts** to our site offices and in the residential areas where we operate

17

Safety Alerts were issued to inform all employees of lessons learnt from selected accidents.

2

Road Safety Campaigns in collaboration with SOCSO, conducted at Pura Kencana, Batu Pahat & Kluang

2

Sessions of First Aider Training to all first aiders

17

Emergency drills conducted

SUSTAINABILITY STATEMENT

Our Health and Safety Performance

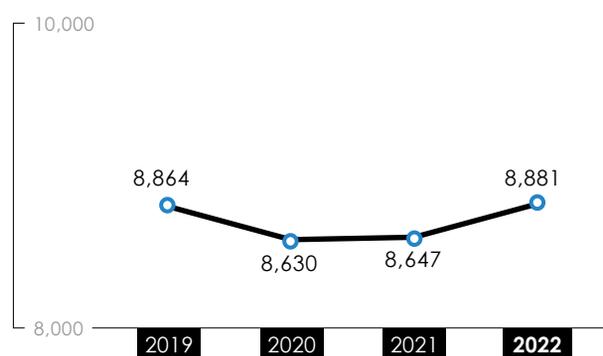
Description	2019	2020	2021	2022
Cumulative man-hours without lost time injury (hours)	19,378,560	19,088,768	19,037,568	20,144,648
Cumulative lost time injury (hours)	8,640	12,832	11,232	8,152
Lost time injury rate ((number of injuries/ number of hours worked)x200,000)	1.28	1.21	1.36	1.24
Injury rate (case rate per 1,000 employees)	15.3	15.1	16.4	14.9

Engaging Our People

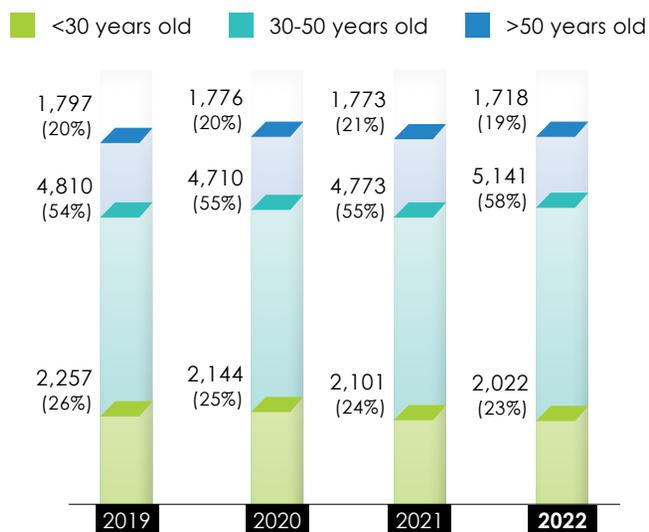
Taliworks actively cultivates an engaging workplace as it is crucial for employee satisfaction and well-being. By fostering empowerment and facilitating employee personal and professional development, we aim to develop a sense of purpose and belonging among our employees.

Our Workforce by Numbers

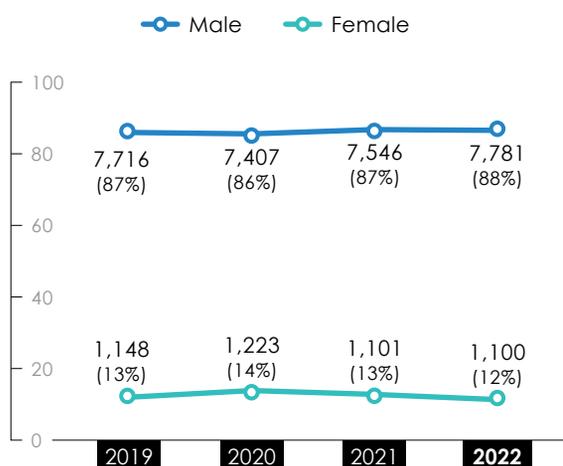
Total Number of Employees



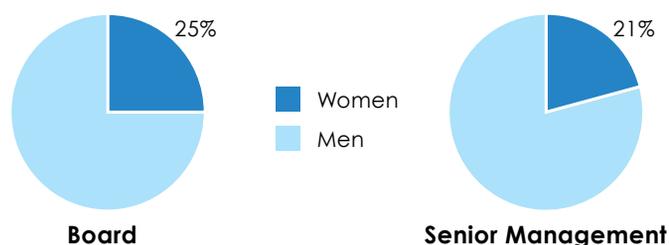
Percentage of Employees by Age Group (%)



Employees by Gender



Percentage of Women in Management by Position (%) at Board Level and Senior Management (General Manager and above)



SUSTAINABILITY STATEMENT

Employee Engagement

At Taliworks, we prioritise employee welfare by creating a work environment that fosters well-being, collaboration and satisfaction. Healthy work-life balance and strong management operations are critical in retaining employees and promoting productivity. To achieve this, we encourage open communication and provide regular engagement sessions, both, virtually and in-person. The human resources department also provides customised employee incentives to meet the unique needs of each division's workforce, ensuring our employees enjoy relevant and up-to-date benefits.

To boost mental wellness and encourage a happier workplace, the Corporate division participated in an hour-long virtual Laughter Yoga session, which encouraged participants to step away from their desks and recharge. These efforts highlight our commitment in promoting health and wellness among our employees.

Advancing Training and Development

In a rapidly evolving industry, we invest in our employees by providing training opportunities in industry-specific programmes to keep abreast of a rapidly evolving industry. To ensure adherence to quality management standards, employees receive training on ISO 9001, ISO 17025 and ISO 14001. Our five divisions also promote internal knowledge transfer through career development training opportunities.

Group-wide training focuses on cultivating a sense of purpose among our employees, including functional, behavioural and leadership programmes. Supplementary training programmes are also carried out by respective divisions to meet their unique needs.

Employee Performance

At Taliworks, we place emphasis on performance management and employee development. Managers and employees engage in regular discussions, which enables us to better monitor and evaluate our employees' performance. In 2022, 94% of our workforce were eligible* for performance appraisals and received a career development review.

* Constituting all available permanent employees.



SUSTAINABILITY STATEMENT

FACILITATING ESSENTIAL TRAININGS IN 2022

Some of the trainings attended by employees of the group.



Group Level

- Cybersecurity Awareness Talks
- Anti-Bribery and Management System Awareness Training
- Soft skills
- Code of Conduct and business ethics
- Conflicts of interest
- Prohibit bribery and corruption
- Equal opportunity or non-discrimination practices
- Whistleblowing
- The Emotionally Intelligent Women Leader Workshop - For Female executives, assistant managers and managers
- UKM Webinar - Sustainable Nanotechnology
- Building Sustainable Future
- JOS x Nutanix Event - Ransomware Attack Prevention



Water Treatment and Supply

- Air Selangor NIOSH Safety Passport
- Chemical Safety Briefing
- Kursus Pertolongan Cemas Asas & CPR
- Chlorine Safety Briefing
- Surface Water Rescue Drill
- Fire Extinguishing Training
- Training on CSQ - MN Spectrophotometer
- ISO/IEC 17025 Micro Lab Accreditation - Workshop and Documentation
- Training and Workshop on Risk Management in Microbiology Lab For Sg Harmoni Laboratory
- Effective and Professional Security Training
- Training on GLP & Environmental Hygiene Monitoring
- CePSWaM Field Training Report ("FTR") Preparation Workshop
- Anti-Bribery and Anti-Corruption Training
- Water Safety Plans & Drinking Water Quality Management
- Borneo International Water & Wastewater Exhibition & Conference ("BIWWEC") 2022
- Cybersecurity Awareness Talk
- Mental Health Awareness Talk 2022: Mental Health in an Unequal World
- The Emotionally Intelligent Women Leader Workshop - For Women
- National Dual Training System ("SLDN")



Highway Toll, Concessionaire, Operations and Maintenance Operator

- Basic Occupational Safety and First Aid ("BOFA")
- Expressway Operation Safety Passport ("EOSP")
- Expressway Performance Indicators
- Technical skills such as surveying
- Laboratory session on matters relating to Land Management and Development Near Toll Areas
- Technical workshop for Building Information Modelling
- Anti Bribery Management system awareness training.
- Malaysian Highway Road Accident Database ("MHROADS") application training



Engineering and Construction

- Work Programme & Progress Monitoring & Controlling using MS Project software
- Work Programme Assessment
- Construction and project planning
- Construction Law
- Understanding Hazard Identification, Risk Assessment and Risk Control ("HIRARC")
- Quality control
- Anti-Bribery and Management System Awareness Training
- Certified Inspector of Sediment & Erosion Control ("MY-CISEC")
- Authorized Entrant & Standby Person ("AESP")
- SOCSO Claim and Compensation
- Soft skills training, focusing on language mastery and presentation skills



Waste Management

- Training and certification (total 949 programmes) for:
- Manual Waste Collection
 - Drivers training
 - Mechanical Waste Collection
 - Manual Public Cleansing
 - Mechanical Public Cleansing
 - Anti-Bribery and Management System Awareness Training
 - Management Trainee Programme
 - CA Operation Excellence Workshop 2022
 - Occupational Safety and Health (Amendment) Act 2022
 - Schedule Waste Risk Assessment
 - Emergency Response Team Training
 - Certified Environmental Professional in Scheduled Waste Management (CePSWaM)
 - Certified Associate in Project Management
 - Latihan Kebakaran dan Pengendalian Tumpahan Minyak

SUSTAINABILITY STATEMENT

Employee Development through Collaboration

We are committed to developing the skill sets of our employees, particularly from the water treatment and supply and waste management divisions, where technical expertise and skills are critical to the type and nature of our operations.

To further enhance employee development, these two divisions partner with the Ministry Of Human Resources (“MoHR”) and its Department of Skills Development. This collaboration includes participating in and developing the National Dual Training System (“NDTS”), which uses a combination of theoretical information and real-world experience to improve technical capabilities and industry preparedness. Upon completion of the programme, employees receive the Malaysian Skills Certificate from the Department of Skills Development as formal recognition of their expertise.

In 2020, our waste management division, along with two other waste management concessionaires, collaborated to develop the NDTs and Recognition of Prior Achievements (“RPA”) programme for Solid Waste and Public Cleansing Management in the Solid Waste Training Centre (“SWTC”) under SWCorp. Three of SWME’s 27 Operations Districts are certified training centres under the NDTs Programme.

Our appointment as a Practical Assessment Centre (“PAC”) by the Department of Skills Development is testimony to Taliworks’ commitment to recognise employees who have made an effort to enhance their skill sets through the Recognition of Prior Achievements (“RPA”) programme. In December 2021, 388 SWME employees received the Level 2 Malaysian Skills Certificate across four categories after completing the 4 to 8 months NDTs or RPA programme. In 2022, the water treatment and supply division resumed implementation of the RPA programme after being dormant during the pandemic.



SUSTAINABILITY STATEMENT

Training and Development Statistics

	2019	2020	2021	2022
Employee training and development expenditure (RM)	1,071,434	99,982*	147,957**	1,010,327
Employee attendances at training programmes	5,680	7,855	4,609**	8,023
Employees who received performance review (%)	>90	>90	>90	94%
Total number of training hours completed	30,097	30,114	14,775	35,716
Average training hours per employee	5.2	3.8	2.8	4.0

* Reduction in training expenditure in 2020 was largely due to the impact of the COVID-19 pandemic, as most training must be conducted in person for hands-on experience. Many external training providers postponed their training sessions due to restrictions enacted in response to the pandemic.

** The employee training and development expenditure was reported to be RM130,580 and employee attendances at training programmes was reported to be 5,207 in the 2021 Annual Report. This number has been corrected to reflect the current figures disclosed in the table.

Diversity and Inclusion

As a diversified infrastructure conglomerate, we strive to provide employment opportunities to individuals of all backgrounds, regardless of gender, age, ethnicity, technical skills and prior experience. Our commitment to diversity and equal opportunity is reflected in our merit-based hiring and career progression opportunities for our motivated, vibrant and qualified workforce. In 2022, to increase the representation of women at decision-making levels, we introduced women leadership programmes.

We are committed to promoting women into leadership roles and have implemented various training programmes specifically catered to women. For instance, participation in the Emotionally Intelligent Women Leader Workshop for female executives, assistant managers and managers, was encouraged across divisions. We plan to have more talks and training sessions to further empower our female workforce in 2023.

Board Diversity

We are committed to promoting diversity and believe this starts with our Board of Directors. In 2021, we updated our Board Charter, whereby the Board shall set a target of 30% women representation by 30 April 2024. In 2022, we achieved 25% women representation at the Board level. We understand that diversity in terms of gender and ethnicity is critical to staying competitive and achieving our objectives. We believe women employees' concerns can be represented more effectively with more women at the highest levels of the organisation and a diverse Board brings a range of perspectives to decision-making in a rapidly changing business landscape.



For more information on Board Diversity Policy, please refer to Section 1.15 of the Corporate Governance Overview Statement included in this Annual Report.

SUSTAINABILITY STATEMENT

IMPACT-POSITIVE ENVIRONMENTAL PRACTICES



At Taliworks, we strive to reduce our environmental impact and proactively address climate change through eco-friendly practices that minimise harm to biodiversity and protect the areas where we operate.



We are committed to fulfilling the ecological standards outlined in agreements with regulatory bodies and these regulations serve as the foundation for our sustainability-related efforts to create long-term value for stakeholders while enhancing operational efficiency. Our environmental footprint is monitored and controlled to ensure a positive impact, with this commitment evident in our procurement, production and maintenance processes.

To further minimise our environmental impact, we have established five ambitions under our Sustainability Framework's Pillar II: Impact-positive Environmental Practices, along with internal time-bounded targets until 2025. Our progress will be tracked annually and we implement measures that support our environmental sustainability goals.



SUSTAINABILITY STATEMENT

Waste and Effluent Management

The Group monitors the effects of our operations on water resources, including consumption and discharge, and strives to minimise this impact. Our goal is to reduce waste at the source, enhance recycling and increase usage of low-environmental impact materials. To promote recycling within the Group, we collected 8 different types of materials from our corporate office in 2022, inspiring our employees to reduce waste and recycle, promoting responsible environmental sustainability which advances understanding of the circular economy within our organisation. This initiative resulted in the recycling of 1,476 kg of material, including the following categories of recyclables:

Items Recycled	Total (kg)
Cardboard	119
Newspaper	56
Magazines/Book	569
Notebook/Diary	15
Paper/shredder paper	615
Malfunctioned equipment	36
Plastics	9
Metals	57
Total (kg)	1,476



Water Treatment and Supply

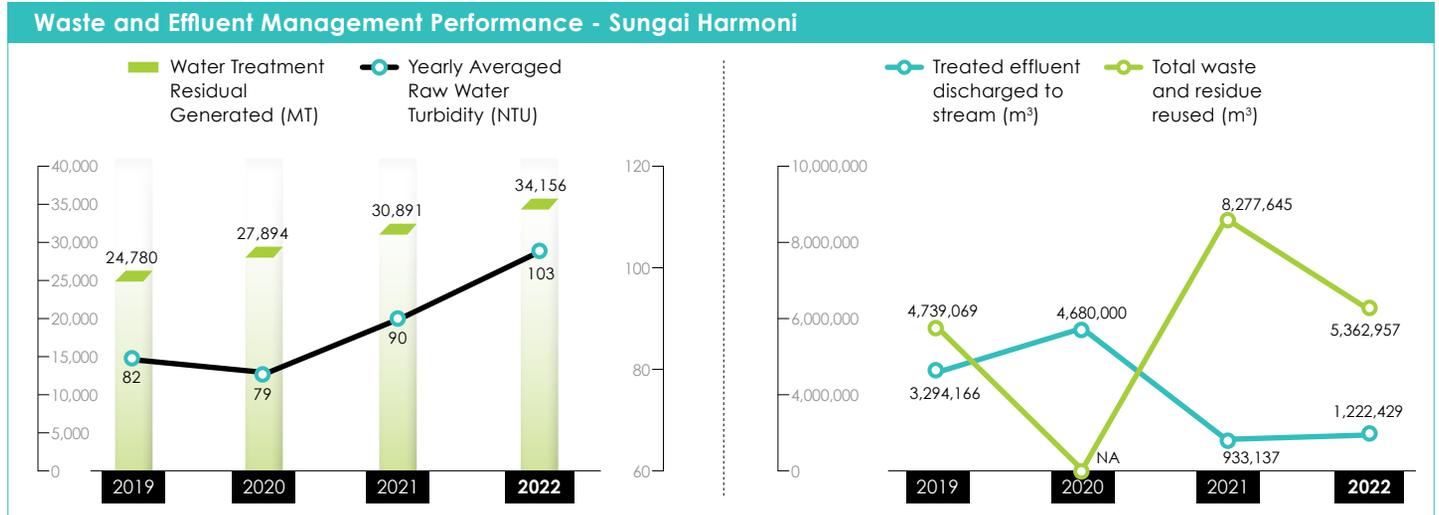
Our water treatment plants discharge effluent water that complies with a Standard B rating from the DOE effluent quality standards. We are committed to self-regulation, and have switched to Polyaluminium Chloride (“PAC”) as a coagulant instead of alum, leading to reduced sludge production. The plants’ waste is disposed of in an environmentally responsible manner, as PAC has been shown to minimise sludge generation. We comply with all regulations from local authorities, prioritise managing effluents and residuals from the water treatment plants and are committed to preserving local water sources and protecting surrounding communities.

To ensure compliance, we conducted regular monitoring and recorded one instance of citation to comply in 2022, which was addressed with several counter-measures to minimise recurrence. We aim to minimise potential future instances through regular monitoring and internal audits.



All residuals and effluents generated in 2022 were disposed of at approved sites, either at our in-house depository or at approved external sites.

SUSTAINABILITY STATEMENT



In 2022, the total volume of treated effluents discharged to stream has increased marginally in comparison to 2021 due to the continuous optimisation of our processes, such as switching to PAC from alum. We observed a consistent increment of the total residue generated from our plant over the years, however this was attributed to the rise in turbidity of our water source - which was beyond our control. To improve our processes, we are investing in a mechanical dewatering plant to ensure safer handling, treatment and disposal of residual material from the SSP1 location, as well as increase the volume of water that can be recycled and reused. In 2022, we fully conceptualised the plant design and specifications. We are moving on to the next phase of finalising the detailed design of the Residual Treatment Facility ("RTF") in agreement with SPAN. We aim to complete the project by the fourth quarter of FY2024.



Highway Toll Concessionaire, Operations and Maintenance Operator

We prioritise the maintenance of our highways and strive to maintain their safety for users while minimising their impact on surrounding communities.

At the Grand Saga highway, we conduct monthly sewage treatment plant ("STP") cleaning and effluent inspection at Plaza Batu 9, Plaza Batu 11, RSA and at our headquarters. We conduct annual water effluent analysis for the STPs at the RSA along the Grand Saga highway, which is reported to MHA and adheres to guidelines set by the DOE. At the Grand Sepadu highway, we clean our STPs at the RSAs monthly and those at toll plazas quarterly. We also conduct an annual water effluent analysis for STPs at our RSAs and report the results to MHA to ensure compliance with regulations.

Every year, we conduct air emission analysis of our generators as part of an environmental monitoring programme to meet MHA and DOE guidelines. We service the Sewerage treatment plants monthly at the RSA of Grand Saga & Grand Sepadu, along with effluent monitoring to ensure the final discharge is within limits and submit yearly reports to MHA.

Yearly flash flood prevention through numerous initiatives by Grand Saga and Grand Sepadu:

- Yearly upgrade for the drainage system, i.e., major culvert desilting to flush out excess water along the highway.
- Monthly drainage cleansing and desilting along the highway was also practised.



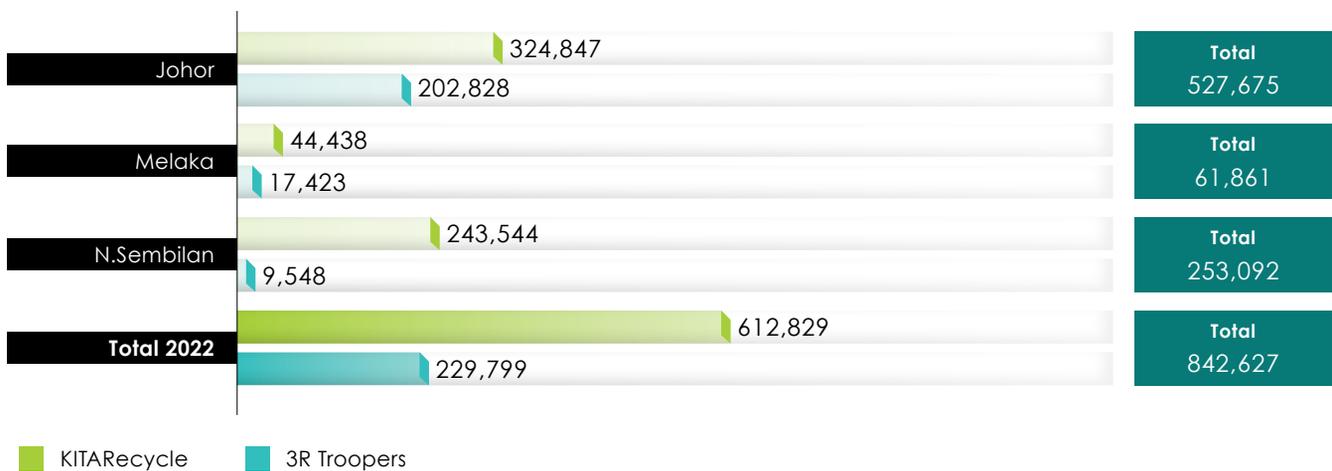
SUSTAINABILITY STATEMENT



Waste Management

Vehicles leachate is a critical issue in waste management. SWME addresses this by monitoring leachate spills from our fleet and subcontractors for a safer and better service for our communities. Our goal is to achieve zero public complaints for any leachate spills. All leachate complaints are resolved within 24 hours. In 2022, we also monitored the amount of recyclables through recycling initiatives, such as the 3R Troopers programme which collected 229,799 kg of recyclables and the KITARecycle programme, which collected 612,829 kg of recyclables. The breakdown of the recycling efforts for the selected states are as follows:

Breakdown of recyclables collected by States under SWME services (kg)



How we prevent leakage from collection vehicles

Inspection and Maintenance

As part of our waste collection operation protocols, fleet drivers are required to conduct daily inspections and regular scheduled maintenance of the condition and of the leachate tank and vehicles. Any vehicle with leachate leakage issues will be grounded for repair works and replaced with a back up vehicle to ensure smooth operation.

SUSTAINABILITY STATEMENT



Engineering and Construction

To promote responsible construction practices, we have established an internal target to maintain construction waste levels of major goods and construction materials to below 5% since 2018. We achieve this by identifying ways to minimise waste, such as by optimising steel bar layouts for better resource utilisation without compromising structural integrity. We also manage effluent and surface runoff along with siltation and sedimentation controls such as constructing silt fences, covering exposed slopes, and monitoring the quality of stormwater discharge to the standards established by the DOE and clients.

To prevent siltation of natural waterways, we construct temporary sediment traps or basins before commencing with bulk earthwork. These temporary

structures are designed by competent professionals and approved by a government agency to control surface runoff from the site. They are appropriately sized to allow sufficient retention time for silt to settle before the stormwater runoff is discharged into the environment. The traps or basins are regularly desilted to maintain their effectiveness in retaining sediment.

Of the three construction projects under our engineering and construction division, two are still in the early stages of implementation with minimal waste generation. However, the Cyberjaya Reservoir ("CJR4") project is nearing completion and has tracked waste generated from ready-mix concrete, large diameter pipes, and steel reinforcement bars.

Resource Efficiency and Management

Managing Our Energy Consumption

We are committed to reducing our environmental impact and achieving cost-savings through the inclusion of energy-efficient solutions in our projects. We regard energy consumption from energy-intensive operations as a major challenge and are taking proactive steps to address it.



Group

As our commitment to reduce the environmental footprint of our operations, we have decided to begin monitoring energy consumption, starting from our corporate office. We believe that through disciplined monitoring of our electricity consumption, we will gain visibility into where and how our facility's energy is consumed, and understand the pattern of usage. In coming years, we aspire to work efficiently with our building facility provider to control our energy consumption in our corporate office.

66

In the year 2022,
we consumed a total of
512.3GJ in our corporate
office.

99

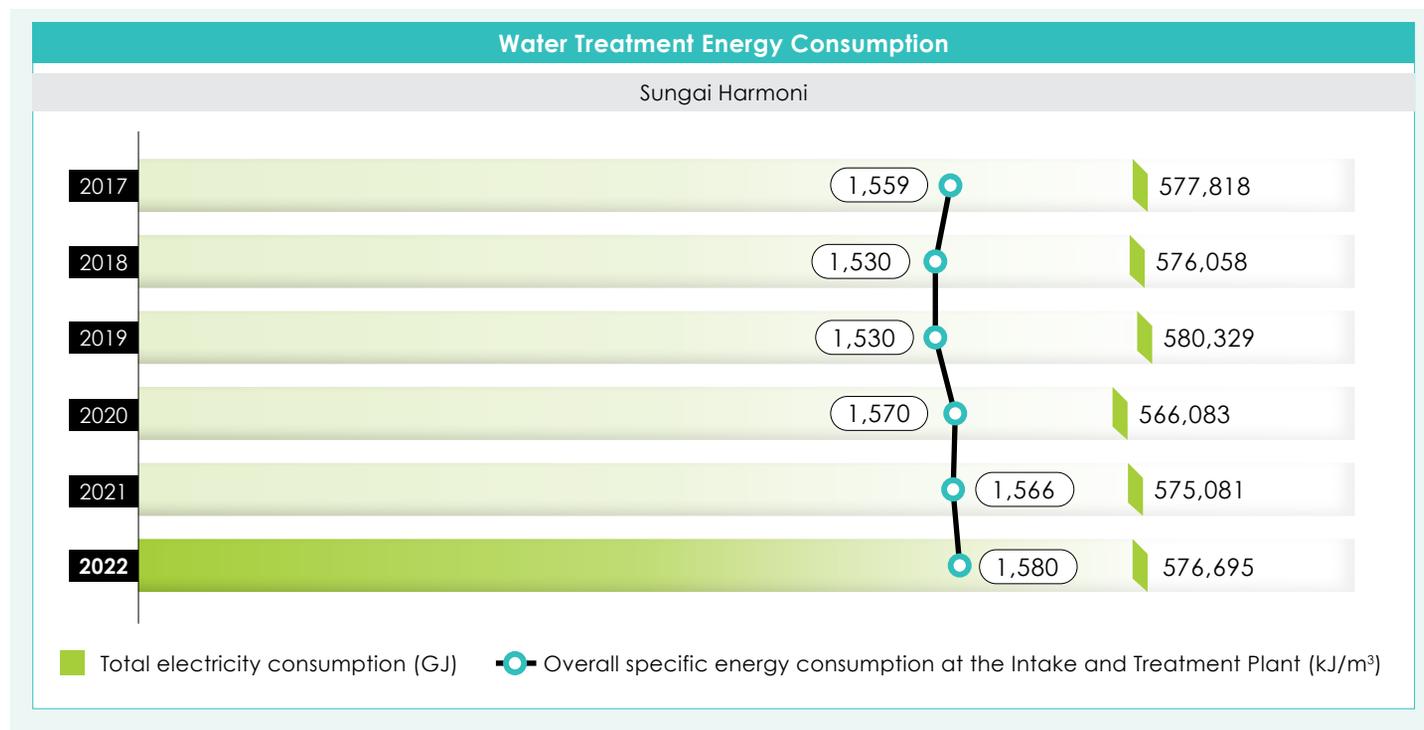


Water Treatment and Supply

To maintain a steady and consistent water supply and efficiently manage water treatment residuals, we closely monitor electricity consumption at our water treatment and supply division. Our division's energy consumption still rose by 0.3% in 2022 compared with 2021 due to the increase in the production of treated water.

Sungai Harmoni is actively seeking to identify energy-saving initiatives by conducting audits through the Energy Audit Conditional Grant ("EACG 2.0") under the 12th Malaysia Plan. Our initiatives include a pump refurbishment programme and monitoring our carbon footprint by tracking year-on-year fuel, diesel and electricity consumption.

SUSTAINABILITY STATEMENT

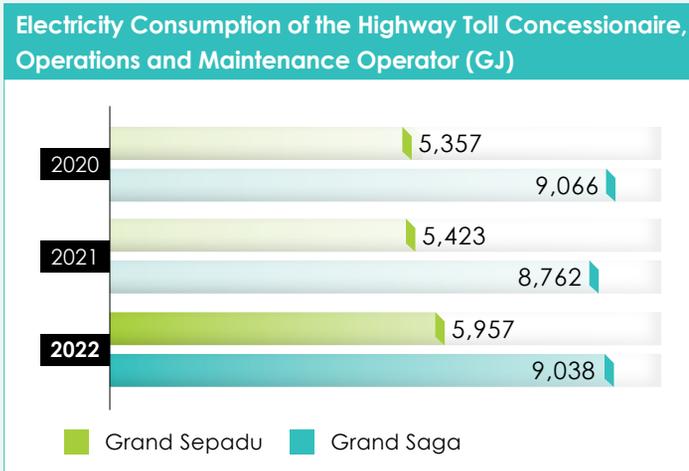


Highway Toll Concessionaire, Operations and Maintenance Operator

In 2022, we implemented energy-saving initiatives, reflected in the Grand Sepadu highway switching from High-Pressure Sodium (“HPS”) to LED lighting at the RSA, including at Bukit Raja Toll Plaza, KTB Toll Plaza and Kapar MOC Toll Plaza. We also completed the installation of three mini High Mast and two High Mast with LED lighting at BKR Toll Plaza, and completed the LED installation for High Mast under the Haji Sirat Ramps and Bandar Sultan Sulaiman Bridge.

In 2021 and 2022, we successfully installed solar panels at Grand Saga Plaza Batu 11 and Batu 9 Toll Plaza respectively, resulting in 25% cost savings on electricity bills. We also completed a pilot project in January 2023 with the bulk of work done in 2022 for installing Solar MOC toll plaza with smart metres at Grand Sepadu as part of myGHI. Our goal is to maintain the Silver status of myGHI.

Electricity consumption records show a reduction of 18% in 2022 compared to 2021 for Grand Sepadu and a decrease of 23% for Grand Saga in the same period. Please refer to the chart below for a year-on-year trajectory of steady reduction.



SUSTAINABILITY STATEMENT



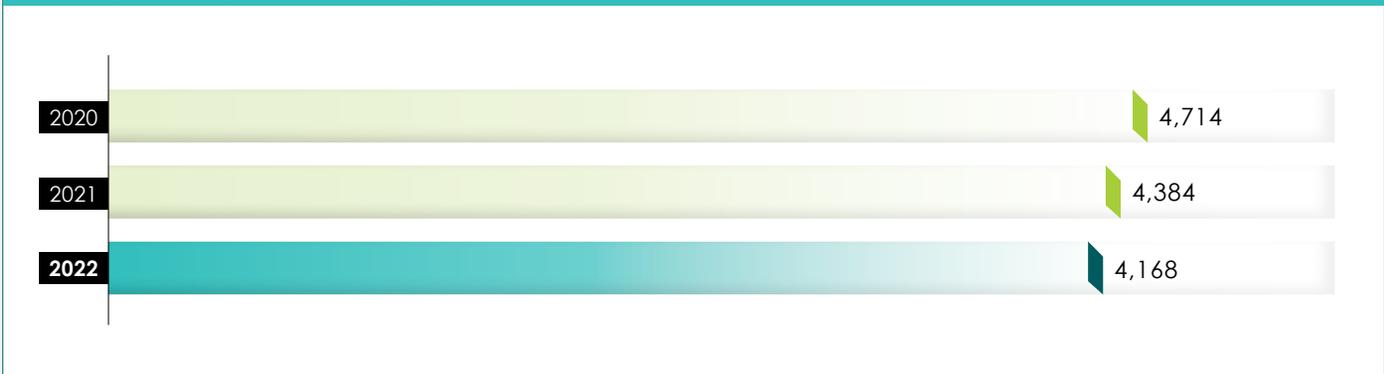
Waste Management

Taliworks recognises the importance of minimising its environmental impact and promoting responsible waste management for the health, safety and wellbeing of the communities we serve. To achieve this, we periodically monitor and track our electricity consumption and implement energy-saving initiatives, including reminders to switch off air-conditioning and lights when not in use, to raise awareness on energy consumption among our employees.

In 2022, we utilised a total of **11,395,429 litres of fuel** to operate our fleet. Our fleet consumes an average of **950,000 litres of fuel** per month.

4,168 GJ of electricity in 2022, a 4.93% reduction compared with 4,384 GJ in 2021. In 2022, we purchased 11,380,830 litres of fuel for our fleet and fuel skid tanks.

Electricity Consumption of SWME (GJ)



Engineering and Construction

Our engineering and construction division manages the impact of our construction activities. In line with our commitment to sustainability, we tried using solar-powered lights for external lighting at our Cyberjaya Reservoir ("CJR4") project but found this alternative power source as neither feasible nor economically viable for the said application.

SUSTAINABILITY STATEMENT

Managing Our Water Consumption

We strive towards reducing our environmental impact and promoting sustainability. In 2022, we monitored our water consumption across our operations to identify ways to improve efficiency, aligned with our Sustainability Framework's ambition of "Energy & Resource Efficiency" under Pillar II: Impact-positive Environmental Practices. Our performance results in 2022 are as follows:

Division	Water Consumption (m ³)
Group	387
Water Treatment and Supply	667
Highway Toll Concessionaire, Operations and Maintenance Operator	31,641
Waste Management	109,050
Total	141,745

Note: Water consumption by the Water Treatment & Supply division was high in 2021 as it included the water used for the plant processes. In contrast, the water consumed by the division in 2022 covers water cleaning at intake and general office usage. Usage for plant processes has been omitted in 2022 as it was not billed.

Greenhouse Gas Emissions

While climate change poses risks to the financial performance of businesses, it also presents opportunities for growth. Our goal is to reduce our carbon footprint by mitigating the negative effects of our business activities, such as the transportation of waste and disposal for our waste management division and traffic congestion in our highway division. We are making business and investment decisions with a focus on climate change, and seeking to allocate capital in a more sustainable, low-carbon economy. This approach will support the transition to a more sustainable economy by minimising negative impacts while fostering growth and innovation. The material topic of managing and monitoring our GHG emissions inventory will take a higher priority in the future as we are actively increasing our efforts to monitor GHG emissions better by 2025. While climate change poses risk to the financial performance of businesses, it also presents opportunities for growth. Our goal is to reduce our carbon footprint by mitigating the negative effects of our business activities, such as the transportation of waste and disposal for our waste management division and traffic congestion in our highway division. We are making business and investment decisions with a focus on climate change, and seeking to allocate capital in a more sustainable, low-carbon economy. This approach will support the transition to a more sustainable economy by minimising negative impacts while fostering growth and innovation.

Climate-Related Disclosures

Our Sustainability Framework includes improved governance for sustainability by incorporating an enhanced strategy for climate-related issues guided by key material topics and aligned with the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD") endorsed by Bursa Malaysia. This alignment with TCFD recommendations will enable us to make more informed decisions.

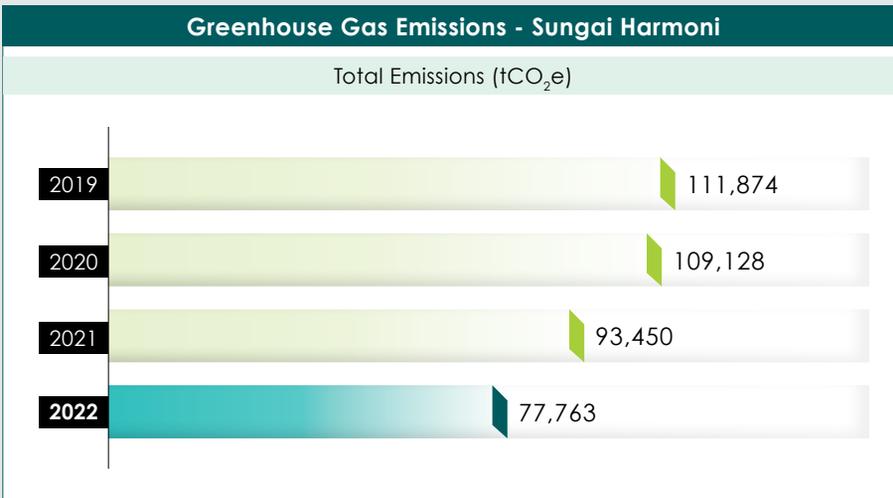


For more details, please refer to page 92.

SUSTAINABILITY STATEMENT

Monitoring Our Emissions

As part of our contract with our client in the water treatment and supply division, we monitor and track GHG emissions. We are currently working to improve the data collection process to better monitor and track emissions data. Our GHG performance are as follows:



In 2022, we have successfully reduced a total of 15,678.2 tCO₂e from the previous year, indicating that our GHG performance has been improving.



The waste management division implements an Automated Vehicle Location System with GPS technology to plan the collection routes for efficient fleet operations. The fleet is also fitted with fuel sensors to track fuel consumption and driver's behavior such as over-speeding and harsh braking for safer driving habits and avoiding accidents.

The division also installed GPS into 1,172 trucks as at 31 December 2021. The truck collection routes are uploaded to the monthly collection schedule under i-Jadual for planning and monitoring of collection schedules. All fleet are maintained internally under the Fleet Maintenance and Workshop unit.



SUSTAINABILITY STATEMENT

Noise Management

To ensure the comfort and well-being of our surrounding communities, we are committed to maintaining acceptable noise levels from our operations.



Highway Toll Concessionaire, Operations and Maintenance Operator

Our highway operations have the potential of creating noise pollution, which is why we invest in highway maintenance and infrastructure to minimise noise on our highways, such as the 900-metre concrete noise barriers at our Grand Saga highway. We regularly monitor noise levels and take steps to minimise their impact on surrounding communities and as a result, we no longer receive noise complaints for our roads from the surrounding areas and neighbourhoods.

The pavements of our highways are critical to ensuring the safety and comfort of users, as well as the well-being of surrounding communities. In 2022, we invested over RM2.48 million in rehabilitating the worn-out pavements in the Grand Saga and Grand Sepadu Highways. This annual rectification work is necessary to replace the pavements that create more friction and generate louder noise, as per MHA requirements. After identifying problematic areas through pavement scanning, we will mill them to 50 mm and 100 mm depth and pave them with hot mix asphalt pavement.



Engineering and Construction

Taliworks is aware that the machinery and equipment used on our construction projects can have a significant impact on surrounding communities. To mitigate these effects, we established noise and vibration measuring stations according to the project-specific Environmental Management Plan. These stations take measurements over a 24-hour cycle on a monthly or quarterly basis to ensure that readings remain within set limits. In 2022, we did not receive any complaints concerning environmental pollution from our projects. No noise complaints were recorded or received.

Caring for Our Surrounding Environment

As a responsible infrastructure conglomerate and public utility provider, we prioritise taking responsibility for the local ecosystems and show care and respect for the species there. It is critical for us to enhance our efforts to preserve these ecosystems to maintain regulatory compliance and earn the trust of our stakeholders. To achieve this, we plan to engage third-party consultants to conduct bio-monitoring and biodiversity studies within our operational sites to better understand the interaction between different species. We are actively addressing this through the “Surrounding Environment” ambition under Pillar II: Impact-positive Environmental Practices of our Sustainability Framework.



For more information of the Sustainability Framework, please refer to pages 74 - 77



Highway Toll Concessionaire, Operations and Maintenance Operator

The highway division conducted a trial using a sustainable composite material consisting of crusher run, granite, asphalt and recycled plastic (a MacRebur product). This mixture enhances modular elasticity and durability. The trial, covering an area of 1284m² or 0.321km out of 72km length of highway lane pavement, was a success.

SUSTAINABILITY STATEMENT



Water Treatment and Supply

In November 2019, our water treatment and supply division conducted a site visit to our SSP1 plant to find a solution for managing bird droppings. 11 different species of water and open country birds were observed, highlighting our facility's role as a functional habitat for the local ecosystem. Therefore, we conducted bird monitoring where we operate, once the frequency of migratory bird species is established, we plan to conserve the habitat for these migratory birds. We are collaborating with Majlis Perbandaran Kuala Selangor to execute a firefly conservation programme by repopulating the mangrove area at Kg. Kuantan with Pokok Berembang (*Sonneratia Caseolaris*), which is the natural habitat for fireflies. The division is considering replanting trees around the water treatment plants and within the community, including schools.



Engineering and Construction

The engineering and construction division's projects are monitored for environmental factors such as noise, air quality and stormwater runoff quality throughout the construction period. These factors are continually monitored and checked against the base values taken at the start of the project according to the approved Environmental Management Plan ("EMP"). The Environmental Officer ensures compliance with the EMP while trained workers monitor and track the aspects outlined in the plan.

We adhere to the EMP's guidelines throughout a project's construction cycle. Our EMP process is as follows:



Pre-construction

Establishment of baselines, assessment of areas of potential impact and determination of placement of controls are facilitated by conducting site surveys.



Construction

The EMP ensures site supervision, control management and monitoring of parameters.



Completion

Debris and construction material waste removal through thorough cleaning of site. Additionally, a report of environmental considerations and results of the parameters monitored is provided through the Project Closure Audit.



Handover

Final environmental audit of completed works to ensure compliance with environmental standards stipulated in statute or contract.

We have control measures put in place to ensure compliance with the EMP and take corrective actions in the event of non-compliance.

For the Cyberjaya Reservoir ("CJR4") project, we employed an independent environmental consultant to conduct bi-annual environmental audits and provide Environmental Quality Reports. For the Rasau Package 3 ("RSP3") project, we engaged an arborist to evaluate how our impending construction activities will impact the existing vegetation in Taman Lipat Kajang site in line with the local authority's conservation efforts.

SUSTAINABILITY STATEMENT

ENRICHED COMMUNITIES

We always strive to strengthen our relationships with the communities around us. Being one of our key stakeholders, we aim to enrich their lives through meaningful contributions and services. In 2022, we engaged in **Community Outreach, Education** and **Festive Season** activities to keep our communities connected.

In 2022, Taliworks took a more hands-on approach to engage with our communities and create shared value. Through these engagements, our divisions identified critical needs to better strategise our assistance.

As we work to integrate sustainability into the core of our business, engaging with local communities and mobilising our employees to volunteer in our community projects is of utmost importance to us. We are proud to be developing high-impact community investment programmes as part of our Sustainability Framework's "Enriched Communities" pillar. These initiatives allow us to give back to the communities we serve and instil principles of good citizenship in our workforce. We are eager to share these programmes and demonstrate our commitment to making a positive and sustainable impact in the near future.



In 2022, we invested almost RM900,000 on our community engagement programmes under all our business divisions and group sustainability initiatives. This is an increment by 51% from the year 2021.



SUSTAINABILITY STATEMENT

Community Enrichment and Investment

Collaborating with established NGOs and charitable initiatives is a key part of our programme to improve the welfare of the communities where we operate. Our holistic approach to community and social development involves working with engaged individuals to maximise impact. Volunteering is therefore crucial in strengthening relationships with surrounding communities and play an active role in their growth. The pandemic posed some challenges but as the situation improves, we are eager to get back to full momentum.

We look forward to making a positive impact and building stronger relationships with these communities again post-pandemic.



Community Outreach

Taliworks acknowledges its responsibility as a responsible corporate citizen and is committed to acting with compassion, empathy, respect, and integrity. Last year, we prioritised COVID-19 aid to support those adversely affected by the pandemic. This year, we continue to enhance our efforts in helping the community through employee-led food distribution, financial donations, and public recycling events that promote sustainable practices. We also encourage staff participation and plan to resume physical volunteering in 2023.



Highway Toll Concessionaire, Operations and Maintenance Operator

Incentive for Frequent Traveller Programme

The Grand Saga Incentive for Frequent Traveller ("GIFT") programme offers a RM40 Touch 'n Go reload redemption to 75 frequent Grand Saga users driving Class 1 vehicles with a minimum of 120 transactions per month at the Grand Saga toll plazas. The Grand Sepadu "Pengguna Setia" programme offers RM20 cash vouchers to users driving Class 1 vehicles with a minimum of 100 transactions per month at Bukit Raja Toll Plaza. These programmes are intended to show our appreciation and reward frequent road users.



SUSTAINABILITY STATEMENT



Water Treatment and Supply

Asnaf

We donated RM22,100 in cash and an equal amount in groceries to the Asnaf Zakat Programme, while 30 employees also volunteered for a total of 360 hours. The Asnaf Zakat programme is meant to alleviate the burdens of the less fortunate.



"Anak Yatim" initiative

We donated and purchased groceries of the same amount to support the orphanage's aid programmes. 30 employees under the division also volunteered for 12 hours each. The money saved from groceries could be used for other essentials for the children.



Pantai Timur Flood Relief December 2022

The Water Treatment and Supply division donated and dispatched 7 employees to volunteered for 3 days to assist in the flood relief efforts in Malaysia's east coast. This helped the flood victims recover.



SUSTAINABILITY STATEMENT



Waste Management

The Consistent Communication, Education and Public Awareness ("CEPA") Programme is designed to raise public awareness about the benefits of environmental protection and recycling. Through this initiative, we hope to encourage the community we serve to adopt the 3R concept of "Reduce, Reuse and Recycle" in their daily routines and reduce waste accumulated at landfills. In 2022, a total of 10,122 CEPA Programmes were conducted and participated by 76,623 individuals, which was a vast increment as compared to the year 2021, which recorded 4,483 CEPA Programmes with 45,027 participants. The 3R Troopers and KITARecycle programme were the key programmes of this initiative.

3R Troopers

We are collaborating on a public education programme to raise awareness of the importance of waste separation at source ("SAS"), 3R ("Reduce, Reuse, Recycle") as well as to promote KITARecycle. The programme, with strong support from the Ministry of Education, local government authorities, industry players and communities includes talks, exhibitions and workshops on reducing, reusing and recycling conducted in schools, malls and public areas. In 2022, a total of 76,623 participants attended 10,122 3R Trooper public awareness activities, resulting in the collection of 229,799 kg of recyclables through 3R Troopers mobile trucks and KITARecycle.

To reach a wider audience, we deliver SAS and 3R communication, education and public awareness ("CEPA") talks to schools online and use social media for engagement through competitions. All physical programmes were compliant with Malaysian National Security Council Standard Operating Procedures ("SOPs"). During operations, waste management and public cleansing services are classified as Essential Services, resulting in the recyclable items being collected without direct contact with school children.



SUSTAINABILITY STATEMENT

KITARecycle Programme

We launched the KITARecycle programme in November 2018 to cultivate recycling habits throughout our service areas. The programme partners with government agencies, industrial players, religious institutions, hotels and commercial spaces. Users can participate through a mobile application ("app") in which recyclable items are exchanged for Recycling Points that incentivises the user to redeem cash through online banking.

The KITARecycle initiative saw great success in 2022. 612,829 kg of recyclable material was collected, with 258,493 Recycling Points ("RP") redeemed by customers. The app was downloaded by a total of 2,143 users, with 852 on Android and 1,291 on iOS. The functionality of the mobile application is illustrated by the following diagram:



Unique identity QR Code with membership number assigned to users are attached to bags of separated recyclable items



Tagged bags are deposited to KITARecycle bins by users



In exchange for the recycled items, Recycling Points are received by users



Users can redeem their Recycling Points to cash using KITARecycle Apps through online bank transfer



For more information on the KITARecycle programme, please visit <https://kitarecycle.com/>



The KITARecycle reward programme was implemented in the southern states of Negeri Sembilan, Malacca and Johor, to encourage residents to recycle. In 2022, this initiative to reduce waste sent to landfills successfully collected 612,829 kg of recyclable materials and gained 11,755 new registrants.

The KITARecycle Facility Hub Centre, first implemented in Negeri Sembilan, features three main components, namely: the KITARecycle Drive-Thru Centre, the KITARecycle Communication, Education and Public Awareness Centre and the KITARecycle Mobile Vehicle. The KITARecycle programme aims to educate the community and support the government's goal of promoting solid waste segregation and increasing recycling. Since its launch, the hub in Negeri Sembilan collected a sum of 20,096 kg of recyclable waste, which indicates a positive starting sum under this initiative. This recycling programme was done through a strategic collaboration with Majlis Bandaraya Seremban and Negeri Sembilan Public Library Corporation ("PPANS"). A similar programme will be implemented in Malacca following the site handover in January 2023.

SUSTAINABILITY STATEMENT

Furthermore, these are some initiatives that SWME undertook in the last year to manage waste:

Jom Kitar Semula Botol Kaca Competition

This school-centric competition aims to raise awareness on glass bottle recycling among young children. 30 primary schools in Johor will have the opportunity to win RM23,000 worth of prizes by collecting glass bottles in a recycling programme by in cooperation of glass manufacturer, O-I BJC Glass Malaysia. This competition is divided into three categories: glass bottle collection, glass bottle recycling angle and poster design.

Through the initiative, a total of 24,000 glass bottles were collected with 67,300 students participating. This programme was a strategic collaboration between SWME with O-I BJC Glass Malaysia.

Sunway City Iskandar Puteri's ("SCIP") Go Green event

In support of Sunway City Iskandar Puteri's ("SCIP") Go Green event, SWME has played a crucial role in this initiative as a key collector of recyclable items and divert them to a new recycling centre at Sunway GRID. This recycling centre serves as a central hub for the collection and processing of recyclable materials, helping to promote environmental conservation and sustainability in the community.

The Go Green initiative is aligned with the state-wide 100 Days Johor Bersih programme, and entails three parts: a mud-ball dispersal activity, tree-planting commitment and a recycling effort within the community.

Post-Flood Cleaning

SWME conducted post-flood cleaning at affected areas in Negeri Sembilan, Melaka and Johor. The initiative involved 1,103 volunteers spending 933 man hours to help 1,823 households.

Among the post-flood cleaning efforts we have contributed to are the Bantuan Operasi Pembersihan Khas, Banjir ("KIR"), Clean & Clear ("C&C") and Operasi Pasca Banjir.

World Clean Up Day 2022

Taliworks continues to forge meaningful partnerships with various stakeholders. For example, in 2022, the partnership with SWCorp followed the successful collaboration of the previous year by organising simultaneous cleaning activities in Negeri Sembilan, Melaka and Johor service areas. A total of 636 volunteers from government agencies, the private sector, learning institutions and non-governmental agencies participated in this year's clean-up efforts. These volunteers collected 3,381 kg of recyclable materials. This beach cleaning programme is intended to achieve the government's goal in creating a clean, sustainable and prosperous Malaysia. The programme was conducted in Batu Pahat and Port Dickson, as outlined below:

Batu Pahat

In celebration of World Clean Up Day 2022, our volunteers conducted a beach cleaning exercise at Pantai Rekreasi Punggur, Batu Pahat that was participated by SWCorp Batu Pahat/Yong Peng Branch, Batu Pahat Municipal Council ("MPBP"), Southern Volunteers, Tun Syed Nasir Polytechnic and Kampung Punggur Laut Community. A total of 253 kg of waste was collected, including 64 kg of recyclable items and 213 cigarette butts.



SUSTAINABILITY STATEMENT

Port Dickson

SWME partnered with government and private agencies to fulfil their social responsibility by cleaning Port Dickson's beach for World Clean Up Day 2022. Cleaning activities at Saujana Beach collected 315 kg of waste.



Group

Feed The Hungry Not The Landfill- Partnership with The Lost Food Project

This 12-month programme aims to enhance food and nutrition security by preventing food wastage and redistributing them to 73 NGOs and charities in the Klang Valley. The focus is on getting quality food to families in low-cost homes who are especially vulnerable to the rising cost of living due to global uncertainties.

The Group donated RM50,000 in this partnership to support rescue and distribution operations over the course of a year. This led to the contribution of 250,000 meals to vulnerable communities, which prevented 218,759 kg of GHG in emissions.

14 employees volunteered in a Food Rescue Programme, distributing bread to 10 charity centres within the Klang Valley back in November 2022. These volunteers rescued rolls and leftover loaves/bread from selected retailers and sent them to charity centres, providing them with quality, nutritious food, making lives happier and healthier. A total of 42 hours of volunteer efforts were accounted for under this initiative.



Contributions to University Tunku Abdul Rahman's ("UTAR") Charity Golf Meet

The Group made a contribution of RM70,000 specifically to UTAR's not-for-profit hospital in Kampar in June 2022. The donation was done via UTAR's initiative of raising funds through a charity golf meet.



SUSTAINABILITY STATEMENT



Education

Our group recognises that as a public utilities and infrastructure provider, it is our responsibility to promote sustainable lifestyle practices, provide necessary services, and support the community, especially young adults. To this end, we have launched an initiative to raise awareness of best recycling practices during the academic journey of students, starting with our back-to-school campaign.



Highway Toll Concessionaire, Operations and Maintenance Operator

School Road Safety Programme

In 2022, the highway division introduced an awareness campaign as part of its community engagement initiatives to promote highway safety. The aim of the programme was to raise awareness of road safety among 350 school children. Grand Saga and Grand Sepadu funded the initiative, which involved two schools near each highway. The campaign included safety talks and demonstrations at these schools and was carried out in collaboration with the Road Transport Department and the Royal Malaysian Police ("PDRM").

Grand Saga conducted their campaigns at Sekolah Menengah Kebangsaan Perimbun Cheras and Sekolah Kebangsaan Kajang while Grand Sepadu had their campaigns at SMK Rantau Panjang and SMK Sultan Sulaiman.

Back-to-School Programme

To give back to our communities, our highway division conducted a Back-to-School programme where selected schools that cater to the lower income group received RM100 cash vouchers. Grand Saga provided 190 recipients with vouchers amounting to RM22,550 and Grand Sepadu provided RM12,000 for 120 recipients.



SUSTAINABILITY STATEMENT



Waste Management

Towards Low Carbon Lifestyles at Iskandar Puteri

In 2022, we collaborated with the Iskandar Puteri City Council ("MBIP") to promote low-carbon practices through education and community projects in the Iskandar Puteri area of Johor. Our collaboration was a success, as we collected 1,003,630 kg of recyclable materials for the Iskandar Puteri Low Carbon 1.0 Community Grant and the Iskandar Puteri Low Carbon Calendar Competition.



Iskandar Malaysia Ecolife Challenge ("IMELC")

Awareness on low-carbon consumption remains a focal point in our sustainability efforts. Since 2013, we have worked with the Iskandar Regional Development Authority ("IRDA"), the University of Technology Malaysia ("UTM") and Jabatan Pendidikan Negeri Johor ("JPNJ") to raise awareness of recycling among students in Johor. Although the IMELC was held virtually in 2021 due to COVID-19 restrictions, it still saw a substantial collection of recyclable materials. In 2022, 301,178 kg of recyclable materials were collected through the participation of 906 schools and over 1 million students, resulting in a total of 861,369 kg of CO₂ reduction from participating students and families in Johor.

Digital platforms and tools, such as webinars and social media, were crucial in overcoming the challenges posed by pandemic restrictions. To enhance effectiveness, we replaced workbooks with a more interactive website that improved access to content and facilitated discussions of IMELC and other modules. For instance, Google Earth was integrated into the computer programme to replace school visits to display projects by Taliworks.

WMAM Eco-Youth Challenge 2022 - Second Edition

The exciting WMAM Eco Youth Challenge ("WEYC") 2022 programme made a triumphant return after a three-year hiatus when it was launched in May 2022. This collaboration between the Waste Management Association Malaysia ("WMAM"), together with the Coca-Cola Malaysia Foundation and SWME, is intended to empower and educate young people on recycling practices. Since its debut in 2018, WEYC has been a great success, and the second edition is poised to exceed all expectations.

Waste Collection Initiatives by Division

The WEYC 2022 Programme is a SAS and 3R themed environmental competition held in 65 secondary schools, featuring five categories of competition: highest recyclable waste collection, short video, poetry recitation, essay writing, and sculpting from waste. A total of 58,759 students from 60 schools participated in the recycling competition, resulting in the collection of 110 tonnes of recyclable items.



- Competition date: **May – October (5 months)**
- Student participations - **222,373**
- Tonnage: **110 tonnes**
- Competition: **5 competitions**

SUSTAINABILITY STATEMENT

Pertandingan Kitar Semula Sekolah-Sekolah ("PerKISS")

The PerKISS programme was a way for the division to continue its initiative with ongoing recycling awareness and education campaigns. Through a partnership between SWME, SWCorp and Department of State Education ("JPN") in 2019, we collected recyclable materials from 865 participating schools in Johor, Melaka and Negeri Sembilan, and collected 311,553 kg of recyclable materials in 2022. In addition, engagements with schools were moved online to ensure the safety of the 27,363 participating school children.



Food Composting Programme - Strategic partnership with UTHM

As we strive to encourage better sustainable living among communities, we have initiated the food composting programme whereby food waste will be converted into fertiliser. This initiative was started in 2021 by utilising black soldier flies to decompose food waste, which will produce high-quality organic fertiliser and also reduce food waste sent to the landfill. In just one year, this programme collected 10,589 kg of food waste and generated 7,500 kg of compost fertiliser. The fertiliser produced was meant to supplement UTHM's research, and was not circulated for commercial usage.

SWME started this programme in February 2021 within the Universiti Tun Hussein Onn Malaysia ("UTHM") campus, as well as two (2) housing communities: Taman Universiti and Taman Pura Kencana community centres, with the aim to promote recycling and sustainable living among students and the local community.



Group

Back to School Community Engagement 2022

The back-to-school programme, held in February 2022, was aimed to equip children from children's homes with new school essentials. The programme provided 49 children from House of Love and Rumah Charis, with new school necessities, including school bags, stationeries, school planners and educational board games to motivate them to learn and stay in school.



SUSTAINABILITY STATEMENT



Festivities

Celebrating the spirit of festivities while prioritising road safety and promoting diversity, this year, we continue to contribute to the community by making multiple donations and introducing road safety campaigns. As the roads experience heavy traffic during the holidays, it is more important than ever to maintain road safety. Our waste management division, SWME has also actively spread the joy of festivities with the vulnerable and less fortunate communities in 2022.

Lunar New Year

In an effort to share the excitement of the festivity, our waste management division has distributed SWM Kasih Kits containing food and personal hygiene items to vulnerable communities under the SWM Kasih Misi Sampul initiative.

During the Lunar New Year, the highway division distributed a total of 750 boxes of mandarin oranges for Grand Saga and Grand Sepadu Highway users. Road safety campaigns were also conducted using Twitter and Facebook, as well as highway signage. This initiative spread holiday cheer to road users and reminded them about road safety.

As a community initiative, Taliworks treated the two children's homes, House of Love and Rumah Charis to Kenny Rogers meals in February. Taliworks also supported the Rumah Charis Charity Cookies Sale by purchasing the cookies and offering them to employees at a 50% discount, allowing our employees to directly contribute to the two children's homes. The aim was to bring love and festive cheer to underprivileged children for Chinese New Year through nourishing meals and heart-warming messages.

Ramadan

Through the Santun Ramadan initiative, our waste management division reached out to vulnerable communities in the southern states by donating household goods, warm meals and other necessities.

The Group donated food to multiple orphanages and old folk's homes to foster greater empathy, love and kindness towards these communities by sharing Iftar during Ramadan. This initiative was held in April with the objective of spreading Ramadhan cheer while maintaining safety through non-physical engagement.

The highway division, comprising Grand Saga and Grand Sepadu, also contributed food to 350 people from 3 homes and 162 people from 5 homes respectively, to share in the spirit of Ramadan.



SUSTAINABILITY STATEMENT

Raya Cheer

During the busy Hari Raya Aidilfitri festive period, our highway division conducted a joint Hari Raya Aidilfitri Safety Campaign and School Road Safety Campaign. The objective was to spread awareness of road safety to school students. To further spread the holiday cheer, 1,000 containers of dates were distributed to highway users. This was in partnership with the Kajang District Royal Malaysian Police, Hulu Langat District Office and Road Transport Department.

Grand Saga and Grand Sepadu Highways also offered toll discounts for highway users during the festive period on 30 April, 1 May, 7 May and 8 May 2022. A total of 610,006 users benefitted from Grand Saga's initiative with a value of over RM400,000, while 298,127 users benefitted from Grand Sepadu with a value of over RM113,000. This is targeted to financially help those going back to their hometown.

To promote road safety during Hari Raya, the highway division used Twitter and Facebook as well as signs along the highways. This was to remind road users to practise safe driving.

Aidiladha

To celebrate Aidiladha, our highway division contributed cattle to various mosques and surau to be distributed to those in need. The following mosques each received 1 cattle: Surau Al-Falah Kg. Bukit Dukung, Surau Nurul Iman Jalan Cuepacs, Surau Balai Polis Klang Utara, Masjid Raudhatul Mukminin Sg Pinang and Masjid Jamiul Hasanah Kapar.

Deepavali Celebration

We have also made contributions to the underprivileged, B40 communities in an effort to make the Festival of Lights celebration a more meaningful one in 2022. This donation was made under our SWM Kasih Ceria Deepavali initiative.

Christmas

In an effort to spread gratitude and festive joy, SWME donated daily necessities to less fortunate families in conjunction with 2022's Christmas celebrations. This donation was made under our SWM Kasih Krismas.

General Election

In November 2022, in conjunction with the General Election 2022, toll discounts were offered where a total of 414,916 first-class vehicles benefitted from this initiative. This was to encourage voters to cast their votes and perform their duty as citizens.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control (“Statement”) is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad which requires the board of directors (“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”).

This Statement also provides an insight on how the Board has established an effective risk management and internal control framework including its features, adequacy and effectiveness as required under Principle B (II) of the Malaysian Code on Corporate Governance 2021 (“MCCG”) issued by the Securities Commission of Malaysia.

1.0 BOARD RESPONSIBILITIES

- To enable the Group to achieve its business objectives, 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 including ensuring the adequacy, integrity and effectiveness of this system.
- The Board is aware that the risk management framework and system of internal controls are designed to minimise and manage risks at an acceptable level rather than to eliminate them. A risk management framework and the system of internal controls 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.
- Accordingly, the Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Group’s business objectives can be mitigated and managed by the establishment of a proper and sound risk management framework and in the maintenance of an appropriate system of internal controls.
- Accompanying the maintenance of an appropriate system of internal controls, 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 controls in their company’s annual report.

2.0 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

- Proper risk management and internal controls are important aspects of the Group’s governance, management and operations. Risk management focuses on identifying threats and opportunities while internal controls help counter threats and take advantage of opportunities. Proper risk management and internal controls assist the Group in making informed decisions about the level of risk that it wants to take and implement the necessary controls to effectively pursue its objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2.0 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

- In fulfilling its responsibilities, the Board has established an Enterprise Risk Management ("ERM") Framework by adopting the Risk Management Policy and Guidelines Document which is designed to:-
 - (i) establish the context for an embedded ERM framework within the Group;
 - (ii) formalise the ERM functions across the Group;
 - (iii) sensitise the Group's personnel to be more adapted to risk identification, measurement, controls, ongoing monitoring, responsibilities and accountabilities;
 - (iv) coordinate and standardise the understanding and application of ERM within the Group; and
 - (v) prove compliance by the Board with its organisational obligations and duties of care and diligence in accordance with good corporate governance practices promulgated by the MCCG and the MMLR via a structured documentation process.
- In 2021, the Group engaged a third party to conduct an independent review on the following:-
 - (i) The Risk Management Policy and Guidelines Document to identify enhancements as a result of the revisions to the MMLR, MCCG and Committee of Sponsoring Organisations of the Treadway Commission ERM Framework; and
 - (ii) The Risk Registers to identify and propose inclusions of obvious and prevalent risks relevant to the Group as a result of, amongst others, changing business environment, legal and regulations.
- Arising from the above, main changes to the ERM Framework were made to incorporate new updates to the Risk Management Policy and Guidelines Document and enhancements to the Group ERM processes.

3.0 GOVERNANCE

The Group's ERM Framework consists of appropriate risk organisational structure to ensure that roles, responsibilities and accountabilities are clearly defined and communicated at all levels to implement the risk management processes which is 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 as explained in the following paragraphs:

3.1 Board

The Board is responsible in identifying and managing risks and in maintaining an appropriate system of internal controls within the Group. This responsibility is delegated to the ARMC under the terms of reference of the ARMC.

3.2 ARMC

The assessment of both the risk management function and system of internal controls are undertaken by the ARMC which reports its findings to the Board. Whilst the ARMC has delegated the implementation of the system of internal controls 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 adequacy, integrity and effectiveness of the risk management function and system of internal controls based on findings from internal audit reviews carried out.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

3.0 GOVERNANCE (CONT'D)

3.3 Risk Management Working Group

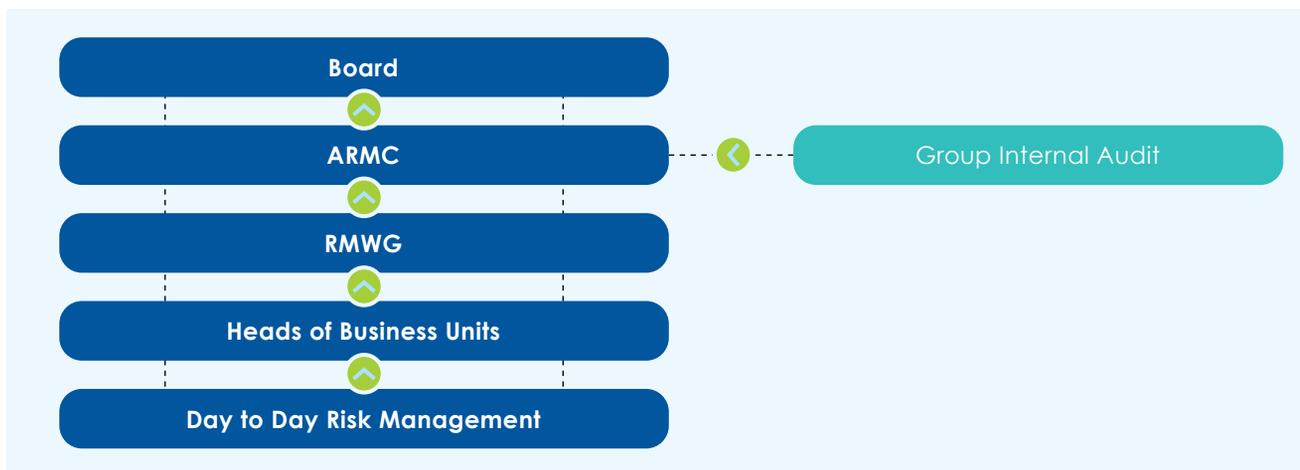
- In respect of the risk management function, this role is undertaken by the Risk Management Working Group ("RMWG") which reports its findings directly to the ARMC. In accordance with its terms of reference, the RMWG is chaired by the personnel designated as the chief executive officer or the executive director of the company and shall consist of no fewer than three other members, comprising the following:-
 - the personnel designated as the chief financial officer of the Group; and
 - such any other directors and officers of the company and/or the Group as may be determined by the Board and/or the ARMC.
- For the year under review, members of the RMWG comprise the Executive Director as the chairperson, a non-Executive Director, the Chief Investment Officer and the General Manager, Group Finance.

3.4 Internal Audit Function

- The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Group. 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 ARMC.
- 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 ARMC 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 are found in the Report of the ARMC included in this Annual Report.

3.5 Governance Structure

To ensure that proper risk management is being undertaken and the system of internal controls are adequate and effective, the following is the governance structure of the Group's ERM and internal control framework:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

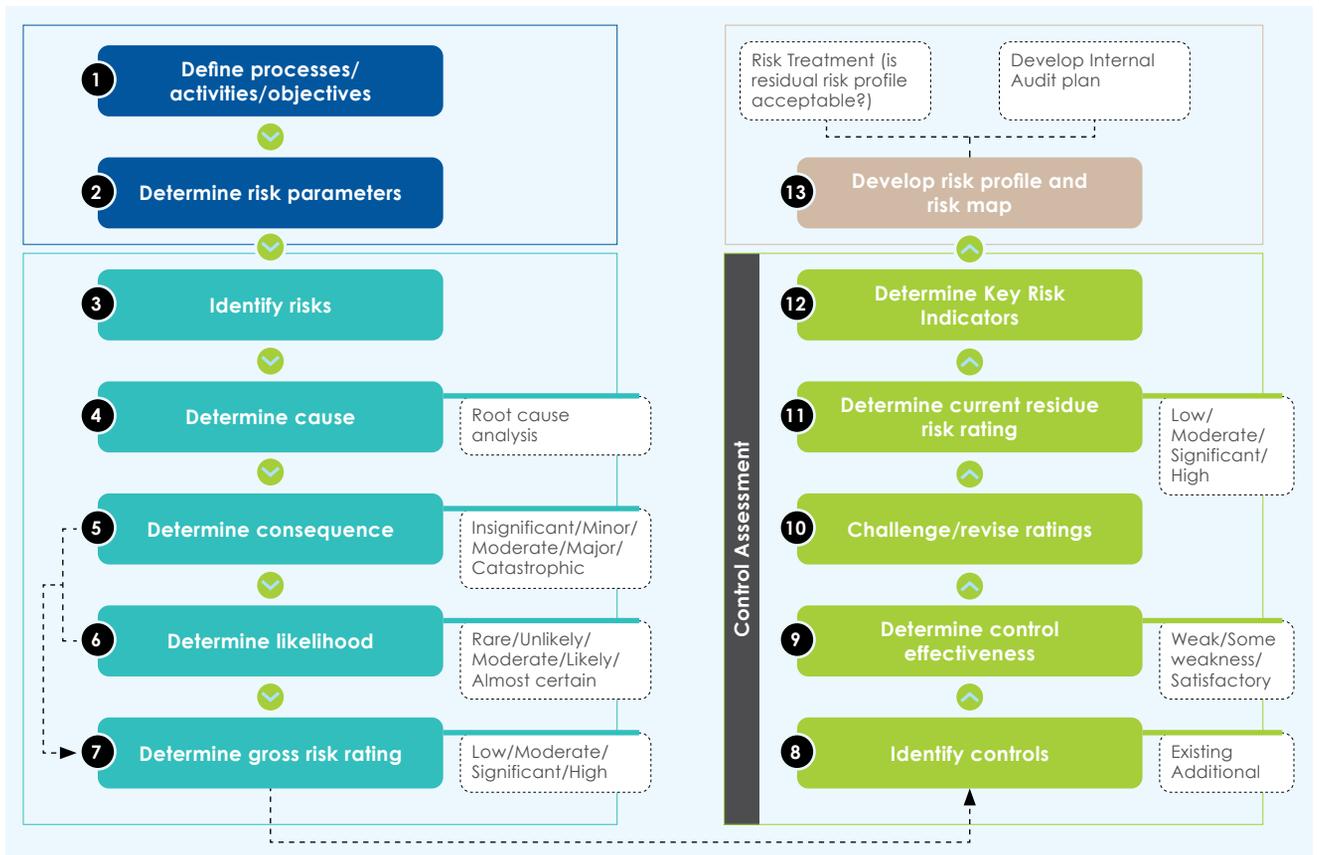
4.0 COVERAGE

- All five business operations of the Group including key operating subsidiaries, major joint-ventures and associates, namely the water treatment and supply, toll highway, engineering and construction, waste management and renewable energy divisions, are subjected to internal audits and risk management assessments. Renewable energy is a newly acquired division during the year and it has adopted and aligned itself with the Group's risk management and internal control framework.
- The ARMC reviews the appropriateness of the system of internal controls in joint ventures which contribute significantly to the Group through the Group Internal Audit. The RMWG is also tasked to evaluate the risk management policies and processes adopted and risk management reports submitted by the joint ventures.
- In situations where the Group does not have full management control over associates that contribute significantly to the Group, the Group Internal Audit will seek the collaboration of the internal audit function of the associates to evaluate the system of internal controls of said associates. Presently, risk management reports by a major associate, which is involved in the waste management business, are submitted to the RMWG for deliberation and review.

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK

5.1 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 ERM Framework:-



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

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

- Risk Profile and Risk Register are prepared for the purposes of identifying, evaluating, monitoring, managing and reporting of risks. In this respect, risk owners are responsible to determine the risk parameters, identify the risks, determine the causes, consequences and likelihood of occurrence to arrive at the Gross Risk Rating.

Thereafter, risk owners will identify appropriate controls that are in place and any additional controls to be implemented and determine their effectiveness to arrive at the Residual Risk Rating. The Key Risk Indicators are metrics used to indicate the severity of a certain risk. Risk owners will then decide on the risk tolerance level to either terminate, reduce, accept or pass on the risks.

- The Risk Profile and Risk Register are updated by the risk owners twice a year to ensure that the risk management process remains regular 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 RMWG 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.

5.2 Main Features of the ERM framework

The main features of the Group's ERM 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;
- (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 heads of business units to the RMWG in a meeting, attended by the head of the Group Internal Audit, where the following are to be 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

5.2 Main Features of the ERM framework (Cont'd)

- (iv) The meetings of the RMWG are held prior to the ARMC meetings. The RMWG, through the General Manager, Group Finance, reports its findings to the ARMC which then reports to the Board. Minutes of the RMWG meetings are made available to the ARMC at subsequent meeting of the ARMC;
- (v) All updated Risk Profiles and Risk Registers are tabled to the ARMC after they had been considered and deliberated by the RMWG;
- (vi) Annual re-assessment is conducted selectively at operational sites by the General Manager, Group Finance, representing the RMWG together with the risk owners where existing controls are verified to ensure their validity and evaluations are conducted to determine their effectiveness.
- (vii) Where appropriate, the Group Internal Audit will develop their internal audit plans around the risks identified.

5.3 Risk Matrix

To ensure that the assessment of risk management can be applied consistently across all business divisions, the RMWG has adopted the following standard Risk Matrix.

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 occur before and is not expected to occur

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

5.0 ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONT'D)

5.3 Risk Matrix (Cont'd)

Magnitude of Impact		
Description	Financial Considerations	Non-Financial Considerations
	% of Budgeted EBITDA	
Catastrophic	> 75%	<ul style="list-style-type: none"> • 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 are subjective in nature, nevertheless the description thereto provide guidance to the risk owners to ascertain according to their best judgement and knowledge on:-
 - (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 circumstances where the non-financial criteria of a particular risk are 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.

6.0 REPORTING OF KEY RISKS

- The Group, through its normal day-to-day operations, is exposed to varied types of risks that could adversely affect the Group's business objectives, reputation, operating results, financial position and its stakeholders. Key risks are monitored regularly by the risk owners and escalated immediately to the management if such situation arises. Status of risks are reported to the RMWG, ARMC and Board on a bi-annually basis.
- For the year under review, the Group has identified several risks which were more prevalent among businesses in the Group. Below is a summary of the key risk factors that the Group has focused on.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

6.0 REPORTING OF KEY RISKS (CONT'D)

Risk Management Category	Key Risks	Description
Operational and Regulatory	Concessions and Contracts	<p>The Group's businesses are primarily premised on concessions and key contracts and as such, it faces inherent political and regulatory risks due to concentration of regulated businesses. Any cancellation, expiration, termination or re-negotiation of these concessions or key contracts may have an adverse impact on the financial condition and results of the operations of the Group.</p> <p>Having established a track record in operations and maintenance coupled with legal protections accorded in these concessions and key contracts minimise the Group's exposure to such risks.</p>
Cybersecurity	Cyber Threats	<p>Cybersecurity consists of technologies, processes and controls designed to protect systems, networks, programmes, devices and data from cyberattacks.</p> <p>The Group has put in place effective cybersecurity protocols that reduce the risk of cyberattacks and protect against the unauthorised exploitation of systems, networks and technologies such as ransomware, phishing email and spoofing email.</p>
Business Continuity and Resilience Risks	Natural Disasters and Climate Change	<p>Operation disruptions maybe caused by natural disasters such as heavy rains, flooding or drought arising from extreme weather conditions brought about by climate change.</p> <p>The impact from natural disasters on the operations may vary depending on the severity but to-date, there has not been a prolonged disruption arising from natural disasters. Nevertheless, the Group would be concerned with the long-term impact of climate changes which may severely jeopardise the business continuity of the Group's business e.g. arising from:-</p> <p>(a) shortage of raw water sources and rising sea levels for the water and supply division;</p> <p>(b) changes in weather patterns impacting the generation of electricity by the solar photovoltaic plants.</p> <p>In view of these risks, the Group has implemented several risk mitigation plans e.g. long-term planning of additional raw storages, flood emergency response plan etc</p>

- As sustainability and the underlying Environmental, Social, and Governance ("ESG") issues become increasingly material to the ability of companies to create durable and sustainable value and confidence to stakeholders, the RMWG has taken proactive and effective measures to anticipate and address material ESG risks and opportunities. In this respect, the Group has undertaken risk assessment to identify and determine the ESG risks within the Group specifically to evaluate their impact to the Group's operations and accordingly take appropriate action plans to mitigate these risks. Material ESG risks to the Group have been identified and are elaborated in the Sustainability Statement included in this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

7.0 OTHER KEY ELEMENTS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS

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

- (i) clearly defined governance structure with the respective terms of reference, duties and responsibilities of the Board and the Board Committees, as described in the Corporate Governance Overview Statement;
- (ii) clearly defined delegation of responsibilities to the Board Committees and to management, including appropriate authorisation levels in the form of written Limits of Authority to assist the Board and the management in determining the appropriate levels of authority in approving transactions or attending to certain issues related to corporate, finance, legal, secretarial, public affairs and investor relations matters;
- (iii) attendance and recording of minutes of Board and Board Committees by the Company Secretaries and attendance and recording of minutes of the RWMG and monthly management meetings by the Secretarial department;
- (iv) 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;
- (v) review of operational and financial performance by the operating unit's management at a monthly management meetings attended by the Executive Committee, heads of department and business units including the Head of Internal Audit. At these meetings, relevant operational, financial and strategic issues are discussed, deliberated and followed up by management;
- (vi) briefing by the Executive Director to the Board on the operational performance of the Group on a quarterly basis;
- (vii) briefing by the General Manager, Group Finance to the ARMC and to Board on the financial performance of the Group on a quarterly basis;
- (viii) a yearly assessment undertaken by the External Auditors to identify any significant risks affecting the preparation of the financial statements;
- (ix) briefing by the head of Group Internal Audit to the ARMC 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 ARMC without the presence of management;
- (x) the existence of a whistleblowing policy and procedure to provide a channel for legitimate concerns related to, amongst others, fraud, financial irregularity, corruption, bribery, serious breaches of the Employees Code of Conduct and Ethics, non-compliance with laws and regulations or company policies, illegal, unethical or questionable practices etc. (collectively referred to as "Misconduct") to be raised or reported, investigated and where necessary, appropriate action to be taken to resolve such issues promptly and effectively within the Group. The Misconduct can be raised to the Executive Director, the Head of Group Human Resource (on staff related matters), head of Group Internal Audit, the Senior Independent Director and/or to the Chairman of the ARMC. The whistleblowing policy is uploaded to the Company's website at <https://taliworks.com.my/corporate-governance> under the caption "Whistleblowing Policy";

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

- (xi) the provision of a dedicated email address to the Whistleblowing Committee at we_hear@lgb.com.my for reporting of Misconduct;
- (xii) the provision of a dedicated email address to the Senior Independent Director at SID@taliworks.com.my and to the Chairperson of the ARMC at ARMC@taliworks.com.my for shareholders and other stakeholders to communicate with them on matters relating to the Group;
- (xiii) 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;
- (xiv) a Board Charter that constitutes, and forms, an integral part of the Director's duties and responsibilities;
- (xv) 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;
- (xvi) an Anti-Bribery Management System approved and adopted by the Group on 1 June 2020 to implement the Guidelines on Adequate Procedures issued pursuant to subsection (5) of section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Act 694) as stated in the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which requires commercial organisations to establish adequate procedures to avert corruption as a defence against corporate liability under the said Act;
- (xvii) In compliance with Paragraph 15.29(1)(c) of the MMLR, the Group has incorporated corruption risks as part of its annual risk assessment. The anti-bribery risk assessment is undertaken and documented in the Risk Registers of individual business units and reported as part of the ERM process.

8.0 ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In accordance with Paragraph 42 of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers), the Board after receiving assurances from the Executive Director and the General Manager, Group Finance, is of the view that the Group's risk management process and internal control systems are operating adequately and effectively in all material aspects. The assurances are also premised on the following:-

- (i) the ERM Framework adopted by the Group, the system of internal controls in place and other key elements of governance, risk management and controls established by the Group as elaborated in section 7 above;
- (ii) similar written assurance given by the respective heads of business units to the Executive Director; and
- (iii) formal feedback on the adequacy of risk management and internal controls from the head of the Group Internal Audit which is based primarily on the scope and coverage of the internal audit's remit for the year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

9.0 REVIEW BY THE EXTERNAL AUDITORS

- As required by paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement. Their limited assurance review is in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control Included in the Annual Report ("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 the risk management and internal controls of the Group.
- AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

10.0 AUTHORISATION FOR ISSUANCE

The Board and the ARMC have reviewed and approved this Statement for inclusion in the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT TOGETHER WITH THE CORPORATE GOVERNANCE REPORT PROVIDE AN OVERVIEW OF THE COMMITMENT BY THE BOARD OF DIRECTORS (“BOARD”) 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 2021 (“MCCG 2021”) PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD. THIS 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 are 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, addressing business sustainability issues including environment, social and governance (“ESG”) risks and opportunities, as well as adherence to regulatory requirements are some of the key challenges for the Board.
- Corporate governance is about having processes and structures to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders. 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 recognises the importance of complying with the Principles and Practices stipulated in the MCCG 2021 published by the Securities Commission of Malaysia on 28 April 2021 and is committed to ensuring that good corporate governance is observed, practised and enhanced throughout the Company and its subsidiaries (“Group”) to safeguard the interest of shareholders and other stakeholders such as our employees, customers, suppliers 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 investors and other valued stakeholders. The Board recognises that good ethical conduct and a high level of accountability are important criteria to support the sustainable development and growth trajectory of the Group’s businesses. Needless to say, good corporate governance is a shared responsibility, with 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Pursuant to paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements"), the Group has disclosed in a prescribed format the extent of how it has applied and complied with the Practices specified in the MCCG 2021 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report 2022 ("CG Report") which is available on the Company's website at <http://taliworks.com.my/corporate-governance/> under the caption "Corporate Governance Report". As defined in the MCCG 2021, 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.
- For 2022, the Group is categorised as a Non-Large Company under the MCCG 2021. Large Companies are defined as companies on the FTSE Bursa Malaysia Top 100 Index or companies with a 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 5.9 - The Board comprises at least 30% women directors. Nonetheless, the Board Charter of the Company stipulates a target of having 30% of women represented in the Board by 30 April 2024. As at the end of 2022, women directors represent 25% of the composition of the Board.
 - (b) Practice 8.2 - 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. The Board has set a target to disclose this by 30 April 2024.
- For the Practices where the Group has yet to comply, the explanation for the departures is 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 the application of the prescribed Practice.
- Over the years, we have been placed in the Malaysian Corporate Governance reports and surveys undertaken by the Minority Shareholder Watchdog Group with the latest being ranked 86th out of the Top 100 Malaysian PLCs for Corporate Governance Disclosure in 2021.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 Clear Roles and Responsibilities

- The business and affairs of the Group are 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

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:-
 - (a) overseeing the conduct of the Group's 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 by the General Manager - Group Finance, detailing the operations of each of the business divisions and the financial performance of the Group respectively;
 - (b) reviewing and adopting a strategic plan prepared by the Executive Director and the Chief Investment Officer for the Group's future growth and expansion with a view to support long term value creation for shareholders;
 - (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 assist the Board and Executive Committee ("EXCO") to manage and drive the 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 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 capable and 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 proposed by the Corporate Human Resource;
 - (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 the Company's website) where shareholders and other stakeholders are able to communicate with the Company and vice versa;
 - (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, governance and statutory issues that concern the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.1 Clear Roles and Responsibilities (Cont'd)

- 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 on 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 key operating subsidiaries have established their respective Limits of Authority that defines the authority given to the respective management to act on specific matters and any matters that require the approval of the Board, Board Committees, EXCO or the board of the subsidiaries, as the case may be. The Limits of Authority of the Company was last reviewed by the Board in February 2022.
- 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, material sustainability and opportunity, employees' competencies and development and securing of new projects. In the Remuneration Committee meeting held in January 2023, it was concluded that all the KPIs have been met by the Executive Director in respect of the financial year ended 31 December 2022.
- The Board is also guided by the new Guidelines on Conduct of Directors of Listed Issuers and Their Subsidiaries ("Guidelines") issued by the Securities Commission ("SC") on 30 July 2020 in discharging their fiduciary duties. These Guidelines set out guidance on duties and responsibilities of the Board in Company group structure and requirements for the establishment of a groupwide framework to enable among others, oversight of the group performance and the implementation of corporate governance policies.
- The Group has adopted an Anti-Bribery Policy and Whistleblowing Policy which can be accessed at the Company's website at <https://taliworks.com.my/corporate-governance/> under the caption "Anti-Bribery Policy" and "Whistleblowing Policy" respectively.

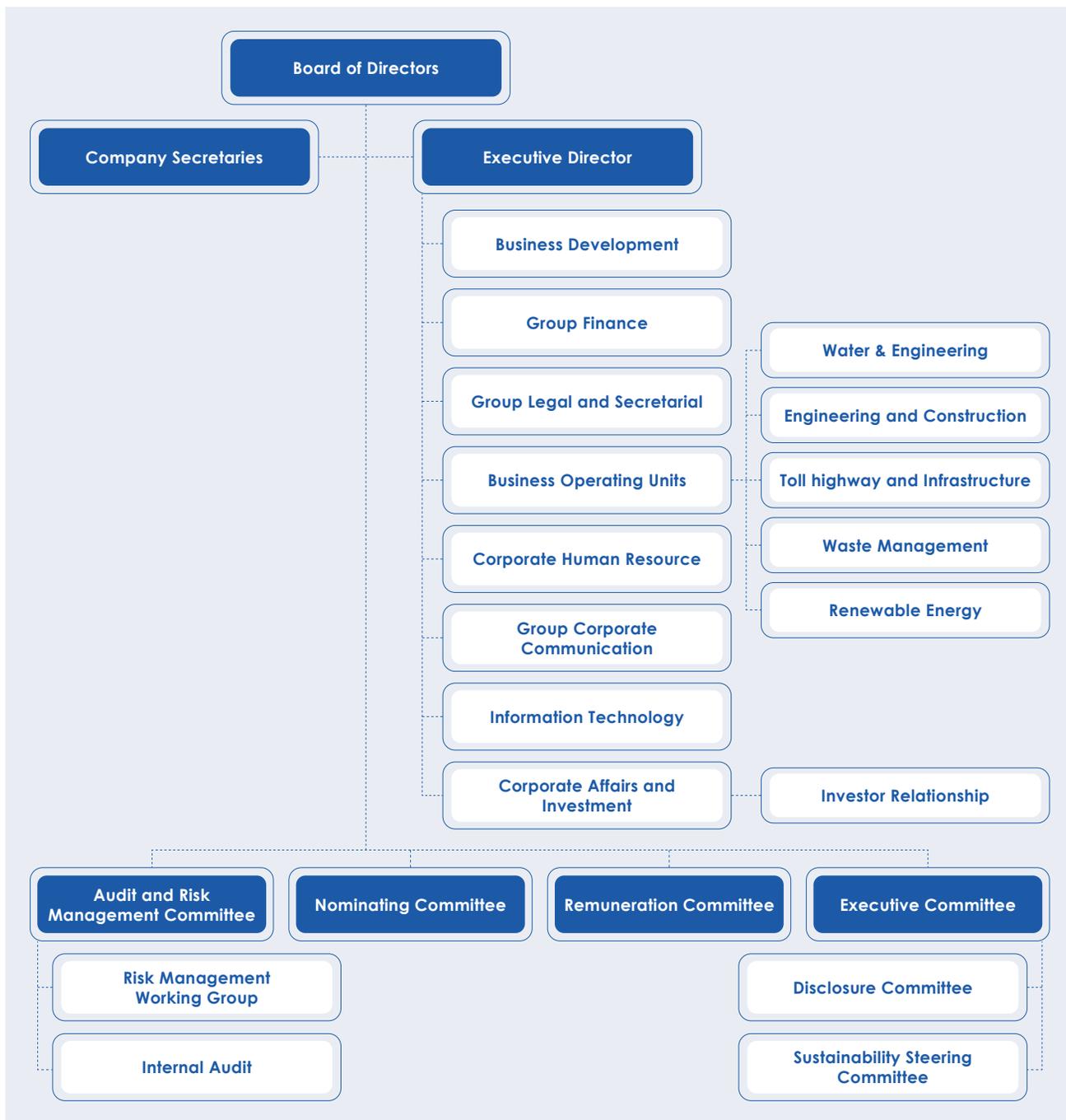
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.2 Governance Structure

The current governance structure of the Group is as follows:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.3 Executive Committee ("EXCO")

- 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 EXCO has been established to speed up the decision-making process on issues that 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 EXCO is subject to defined Limits of Authority and monitoring by the Board. A list of all written resolutions approved by the EXCO is circulated to the Board on a quarterly basis for its notation.
- Members of the EXCO together with other senior management and business divisional heads meet monthly to review the operational issues, financial performance, business prospects and other matters of the Group 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 (a copy of which is available on the Company's website at <https://taliworks.com.my/corporate-governance/> under the caption "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. This provision in the Board Charter has been complied with by the Board.
- 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 and 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.
- As disclosed in the Directors' Profile included in this Annual Report, members of the Board come from varied background (gender, age, qualification, working experience, ethnicity) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.5 Board to comprise a Majority of Independent Directors

- The current Chairman is an Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

1.6 Role of the Chairman

- The role of the Chairman is spelt out in Clause 4.1 of the Board Charter.

1.7 Role of the Executive Director

- The Executive Director is a paid employee of the Company. He is assisted by the EXCO to develop and implement, in conjunction with the Board, the Group's strategic plans for existing businesses and future growth expansion plans. 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. The performance of our Executive Director, including achievements of KPIs, is reviewed annually by the Nominating Committee.

1.8 Role of the Non-Independent Non-Executive Directors

- Non-Independent Non-Executive Directors do not actively participate in the day-to-day management of the Group. However, they contribute to 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

- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

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. Nonetheless, the existence of Independent Directors 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. Other matters considered and deliberated by the Nominating Committee are disclosed in Section 2.2(b) of this Statement and the outcome in Practice 6.1 of the CG Report.
- 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 Bursa Malaysia Securities Berhad, the Independent Directors have themselves self-assessed in the Independent Directors' Self-Assessment Checklist including the application of subjective assessments pursuant to the definition of independent directors in the Listing Requirements which is submitted to the Nominating Committee.

1.11 Tenure of Independent Directors

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

As of 31 December 2022	<4 years	4-8 years	>8 years
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	x		
Dato' Sri Amrin Bin Awaluddin			x
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin		x	
Ahmad Jauhari Bin Yahya		x	
Datuk Roger Tan Kor Mee	x		
Datin Pauline Tam Poh Lin	x		

- Under the MCCG 2021, 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 clause 3.7.1 of the Board Charter, the tenure of an Independent Director shall not exceed a term limit of nine years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.11 Tenure of Independent Directors (Cont'd)

- Nevertheless, in the event where any Independent Director has served the Board for a 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. Under these circumstances, the Board will seek annual shareholder's approval through a two-tier voting process.
- To encourage periodic refresh of Board composition, the Board shall not retain an Independent Director with tenure of more than twelve years. This is provided under Clause 3.7.4 of the Board Charter. So far, the tenure of Independent Directors has not exceeded twelve years.
- 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.

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 Requirements require that all directors of listed companies shall retire once at least 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 YAM Tunku Ali Redhaudin Ibni Tuanku Muhriz, Dato' Roger Tan Kor Mee and Datin Pauline Tam Poh Lin. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile			Skill-set		
	Male	Female	<51 years	51-60 years	>60 years	Finance related	Engineering related	Others
Executive Director	1	-	-	-	1	-	1	-
Independent Non-Executive Directors	4	2	1	2	3	2	1	3
Non-Independent Non-Executive Directors	1	-	1	-	-	-	1	-
Total					8			

- 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 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. The Board has provided in the Board Charter a target of having 30% of women represented in the Board by 30 April 2024.
- In 2021, the Company was ranked 8 out of the top 10 Mid-Cap Companies (RM1-2 billion) of the inaugural Malaysia Board Diversity Study & Index, conducted by the Institute of Corporate Directors Malaysia in collaboration with Wills Towers Watson.

1.15 Board Diversity Policy

The following is a summary of the Board Diversity Policy adopted by the Board:-

- **Policy statement**

The Company 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 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 always comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group. All Board appointments will be based on meritocracy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.15 Board Diversity Policy (Cont'd)

- **Gender diversity**

The Policy is consistent with the Board's intention to set a target of having 30% of women represented in the Board by 30 April 2024. In the appointment process for future directors, the Board shall take diversity of background into account and identify the need for a female perspective on the Board in addition to previous board and leadership experience, candidates' skills and experience in a variety of specified fields to fit and enhance the board skills matrix.

With the appointment of Datin Pauline Tam Poh Lin on 17 August 2022, the Board recorded 25% female directors as at the end of the year.

The Nominating Committee shall make reference to this Policy in selecting and assessing candidates and in presenting recommendations to the Board by considering gender diversity and the objectives of the Policy when considering new appointments.

- **Objectives**

The Nominating Committee should review annually the attributes of all the Board members to ensure that the objective of achieving diversity on the Board is achieved and proposes to the Board for adoption. The Board may seek to improve one or more aspects of its diversity progressively. The ultimate decision for appointment to the Board will be based on merit and contribution that the selected candidates bring to the Board.

- **Monitoring and reporting**

The Nominating Committee will report in the annual report on the Board's composition under diversified perspectives and monitor the implementation of this Policy.

1.16 Senior Management Diversity Policy

- The Senior Management Diversity Policy states that Group recognises the importance of a gender-balanced leadership team as an essential element in supporting the attainment of its strategic objectives and in maintaining a competitive advantage. A diverse senior management 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 senior management should comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group.
- As disclosed in the Sustainability Statement, the percentage of women in senior management role (General Manager and above) is approximately 21%.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.17 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 Board members holds more than five directorships in listed issuers in compliance with paragraph 15.06(1) of the Listing Requirements.
 - (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 listed companies, non-listed 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 the 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 commitment does 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 follow up on all the unusual transactions that come 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 virtually.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training

- The Board recognises 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.
- During the year, all the Directors had attended various training programmes, seminars and/or 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 current issues. There are no restrictions as to the type of training programmes, courses, seminars, conferences, talks, briefings to be attended by the Directors.
- Directors are also kept informed of the latest statutory and regulatory developments by the Company Secretaries at every Board meetings.
- The Company has induction programmes to enable the Directors to familiarise with the operations and other aspects of the group. Members of the Board have participated in relevant training and education programmes to keep themselves updated on developments that are current and relevant. As and when requested by the Directors, site visits will be arranged for the Directors to get themselves familiarised with the Group's operations. A visit to the KLIA project sites for the directors was held on 13 February 2023. A briefing was given at the operation office located at the KLIA long-term car park, which is also the project site of the 10MW solar plant. The visit has provided a first-hand overview on operational aspects of the solar business to the attendees, including Datin Pauline Tam Poh Lin, who has recently been appointed a member of our Board in August 2022.
- The following were the training attended by the Directors during the year:-

Name of Director	Course Title/Organiser
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	<ul style="list-style-type: none"> • AML/CFT & Targeted Financial Sanctions: Compliance a need to protect business • Cyber Risk and awareness • ESG Training – Sustainability & Environmental Training • Forbes Global CEO Conference 2022 - "The Way Forward" • Milken Institute Asia Summit 2022 • Bloomberg New Economy Forum 2022
Dato' Lim Yew Boon	<ul style="list-style-type: none"> • Anti-Bribery Management & Corruption Training
Lim Chin Sean	<ul style="list-style-type: none"> • Anti-Bribery Management & Corruption Training

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training (Cont'd)

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

Name of Director	Course Title/Organiser
Dato' Sri Amrin Bin Awaluddin	<ul style="list-style-type: none"> Fundamental Disruption of Asset Management and Securities Permukiman Agensi Agama Persekutuan Tahun 2022 Internet of Things – Theta Edge Berhad Board Retreat Future of Islamic Banking – Bank Islam Malaysia Berhad Board Retreat Lembaga Tabung Haji Board Retreat Sustainability and its Impact on Organizations: What Directors Need to Know Future of Finance & Society Islamic Finance & Shariah for Board Members AML/CFT – Legal & Regulatory Environment – Bank Islam Khazanah Megatrends Forum 2022 ESG – Phase 2 Project – Bank Islam Voluntary Carbon Market
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	<ul style="list-style-type: none"> The Modern Boardroom: Year in Review and 2023 Outlook Becoming a Future – Focused Risk Management Committee Presentation to Board of Directors: <ul style="list-style-type: none"> Key amendments on new Guidelines of Money Laundering (AML) and Terrorism Financing for Reporting Institutions in the Capital Market, 26 April 2021 Overview of Malaysia National Risk Assessment (NRA) 2020 Fostering Strong Compliance Culture in AML ESG Training for Board of Directors
Ahmad Jauhari Bin Yahya	<ul style="list-style-type: none"> GHG Accounting & Reporting Principles Workshop 5th International Sustainable Energy Summit (ISES) 2022 Khazanah Megatrends Forum 2022
Datuk Roger Tan Kor Mee	<ul style="list-style-type: none"> "A Progressive Judiciary" by Tan Sri Datuk Seri Panglima David Wong Charting a New Frontier: Aviation Consumer Protection Needs Today and Beyond ISWA World Congress WMAM ISWA Beacon Conference IATA Legal Symposium, Hyatt Regency Paris Étoile
Datin Pauline Tam Poh Lin	<ul style="list-style-type: none"> Sustainable Finance Series Towards a Zero Carbon Future – The New Funding Landscape & Supply Chain Opportunities KPMG Board Leadership Centre Exclusive – Human Rights Risk Management for Malaysian Companies KPMG/HSBC Emerging Giants in Asia Pacific Bursa Malaysia Mandatory Accreditation Programme (MAP) Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees 2022 MFRS Updates Seminar

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities (Cont'd)

1.18 Access to Training (Cont'd)

- 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.

1.19 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS**2.0 Board Committees (Cont'd)**

- 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.

2.1 Composition of Board Committees

- The composition of the 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	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	Chairperson (appointed on 27/08/2019)	Chairperson (appointed on 13/02/2018)
Dato' Sri Amrin Bin Awaluddin	Member (appointed on 15/09/2014)	-	-
Ahmad Jauhari Bin Yahya	-	Member (appointed on 02/07/2015)	-
Datuk Roger Tan Kor Mee	Member (appointed on 27/02/2020)	Member (appointed on 24/08/2022)	-
Datin Pauline Tam Poh Lin	Chairperson (appointed as member on 17/08/2022 and re-designated to Chairperson on 24/08/2022)	-	Member (appointed on 24/08/2022)
Non-Independent Non-Executive Directors			
Lim Chin Sean	Member (appointed on 15/09/2014)	-	Member (appointed on 13/02/2018)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

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. Currently, there are four members of the Audit and Risk Management Committee out of eight Board members.
- 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, risk management and related party transactions.
- The functions 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 August 2021.

(b) Nominating Committee

- The Nominating Committee comprises no less than three members made up exclusively of Non-Executive Directors, all of whom are Independent Directors. Currently, there are three members of the Nominating Committee out of eight Board members.
- The terms of reference of the Nominating Committee are 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 August 2021.
- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 5.6 and 6.1 of the CG Report.
- The Nominating Committee met twice during the year in February and August 2022.
- The activities of the Nominating Committee in February 2022 were disclosed in the previous year's Corporate Governance Overview Statement.
- In August 2022, the Nominating Committee convened a meeting to discuss and propose the appointment of a new director to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

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

(b) Nominating Committee (Cont'd)

- In January 2023, the Nominating Committee convened a meeting and the following matters were considered and deliberated:-
 - (a) to review the Assessment Report on Individual Director and make appropriate recommendation to the Board;
 - (b) to review the Independent Director Self-Assessment Report and make appropriate recommendation to the Board;
 - (c) to review the effectiveness of the Board and Board Committees and make appropriate recommendation to the Board;
 - (d) to review the composition of the Board and Board Committees and make appropriate recommendation to the Board;
 - (e) to review the term of office and performance of the Audit and Risk Management Committee and each of the member and make appropriate recommendation to the Board;
 - (f) to discuss training requirements for Directors;
 - (g) to recommend the retirement and re-election of directors at the forthcoming Thirty Second Annual General Meeting in accordance with Clauses 77 and 82 of the Constitution of the Company;
 - (h) to consider and if thought fit, to recommend the appointment of a stand-in Board Chairman and Audit and Risk Management Committee Chairman for the calendar year 2023 to the Board for approval;
 - (i) to consider and if thought fit, to recommend to the Board for approval, to retain Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Lim Chin Sean who have served in the Remuneration Committee for a term of more than five years as members of Remuneration Committee for another year; and
 - (j) to consider and if thought fit, to recommend to the Board for approval, to retain Ahmad Jauhari Bin Yahya who has served in the Nominating Committee for a term of more than five years as member of Nominating Committee for another year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

2.0 Board Committees (Cont'd)

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

(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. Currently, there are three members of the Remuneration Committee out of eight Board members.
- The terms of reference of the Remuneration Committee are 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 August 2021.
- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 of this Statement.

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 for 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 as evidenced by the attendance record is set out in the table below.

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Dates of meetings held during the year	22 February 31 March 26 May 24 August 21 November	18 February 30 March 25 May 22 August 14 November	14 February 11 August	24 January
Total meetings held during the year	5	5	2	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

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
EXECUTIVE DIRECTORS				
Dato' Lim Yew Boon	5/5	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS				
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	4/5	N/A	N/A	N/A
Soong Chee Keong (resigned on 1 June 2022)	3/3	3/3	1/1	1/1
Dato' Sri Amrin Bin Awaluddin	5/5	5/5	N/A	N/A
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	5/5	N/A	2/2	1/1
Ahmad Jauhari Bin Yahya	5/5	N/A	2/2	N/A
Datuk Roger Tan Kor Mee	5/5	5/5	N/A	N/A
Datin Pauline Tam Poh Lin (appointed on 17 August 2022)	2/2	2/2	N/A	N/A
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lim Chin Sean	5/5	5/5	N/A	1/1

The Independent Directors discussed and approved agendas during board meetings without the presence of Executive Director, Non-Independent Non-Executive Director and management who are, in any way, directly or indirectly interested in such agendas during the year under review.

3.0 Remuneration

3.1 Remuneration Committee

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration (Cont'd)

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees and meeting allowances are to be approved by shareholders at annual general meetings 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 2022, the activities of which have been disclosed in the previous year's Corporate Governance Overview Statement. In January 2023, the Remuneration Committee convened a meeting and the following matters were considered and deliberated:-
 - (a) to recommend the revised remuneration package for the Executive Director for the year ending 31 December 2023 to the Board for approval;
 - (b) to recommend the Directors' Fees and benefits for the Directors with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024, to the Board for recommendation of the same to the shareholders for approval;
 - (c) to recommend the budget for meeting allowance for the Non-Executive Directors with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024, to the Board for approval;
 - (d) to recommend the remuneration packages for the Key Senior Management for the year ending 31 December 2023 to the Board for approval; and
 - (e) to recommend to the Board for approval to retain Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Lim Chin Sean who have served in the Remuneration Committee for a term of more than five years as members of Remuneration Committee for another year.

In February 2023, the Remuneration Committee convened another meeting to discuss the revised meeting allowance for the Directors with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024, to the Board for approval.

The extension of employment for the Executive Director for another year from 1 January 2023 to 31 December 2023 was approved by the Remuneration Committee before end of 2022.

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 the industry's standards. In view of this, the remuneration package for the Executive Director and Directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant positions with similar industry and business size.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration (Cont'd)

3.3 Directors' Remuneration (Cont'd)

- 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 a meeting allowance for his attendance at the Board meetings. The Board, through the Nominating Committee, establishes the Key Performance Indicators for the Executive Director.
- Non-Executive Directors are remunerated in the form of Directors' fees as approved by shareholders at annual general meetings and a meeting 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 accorded higher meeting allowance.
- The members of the Board are 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.
- Below are the Directors' fees (which are not performance related) and meeting allowances with effect from 21 June 2023 until the next Annual General Meeting to be held in 2024, subject to the approval of shareholders at the forthcoming Annual General Meeting. The fees remain unchanged 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

The meeting allowances were revised to the following:-

	Meeting allowances (RM per Meeting)			
	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	2,000	2,000	2,000	2,000
Members	1,500	1,500	1,500	1,500

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are disclosed in Practice 8.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

3.0 Remuneration (Cont'd)

3.4 Remuneration of Key Senior Management

- Under the Listing Requirements, key senior management refers to a person, who in the opinion of the listed issuer, is the key senior management of the group, and must include a person who is primarily responsible for the business operations of the listed issuer's core business and principal subsidiaries.
- As at the end of the year, there were six key senior management personnel identified by the Group as primarily being responsible for managing the business operations and corporate divisions of the Group. Subsequently, two of them have been re-assigned to other roles. The profile of the current key senior management is disclosed on the Company's website at <http://www.taliworks.com.my/corporate-information/> under the caption "Key Senior Management".
- The remuneration policy for the key senior management is disclosed in the Company's website at <http://www.taliworks.com.my/corporate-governance/> under the caption "Remuneration Policy".
- The yearly remuneration paid to the then top five key 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	1
RM450,001 to RM500,000	1
RM500,001 to RM550,000	1
RM550,001 to RM600,000	2

The Board has set a target to disclose 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 by 30 April 2024.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee

- The Audit and Risk Management Committee comprises four members, two of whom are members of the Malaysian Institute of Accountants.
- The Audit and Risk Management Committee is headed by Datin Pauline Tam Poh Lin who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee are spelt out in its Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee (Cont'd)

- The performance of the Audit and Risk Management Committee and each of its members is assessed annually by the Nominating Committee. Datuk Roger Tan Kor Mee is a member of the Nominating Committee and the Audit and Risk Management Committee. He was appointed as a member of the Nominating Committee on 24 August 2022 and as such has abstained in respect of his assessment by the Nominating Committee in January 2023. 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 on 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 EXCO, 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 EXCO.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

6.0 Communication with Stakeholders (Cont'd)

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) investor relations including financial information (financial statements, factsheet ratios, financial highlights and dividend policy), stock information, reports (annual reports, quarterly reports and analysts reports), announcements to Bursa Malaysia Securities Berhad, information request (email alert subscription and investor relation contact), general meeting (minutes of shareholders' meeting);
 - (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, Corporate Disclosure Policies & Procedures, Terms of Reference of Board Committees, Corporate Governance Report, Remuneration Policy, Constitution of the Company, Whistleblowing Policy, and Anti-Bribery Policy.

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 on 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 Board is 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 Board is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

6.0 Communication with Stakeholders (Cont'd)

6.3 Integrity in Financial Reporting (Cont'd)

- The Board has 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 are 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 or to the chairman of the Board Committees. Management personnel are also present to respond to any enquiries directed to them by the shareholders.
- The External Auditors are invited to attend the AGM and avail themselves to answer questions from 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.
- Minutes of AGM are posted at the Company's website at <https://taliworks.com.my/general-meeting/> under the caption "Minutes of Shareholders' Meeting" within 1 month from the conclusion of AGMs.

7.2 Poll Voting

- The polling process will be conducted via 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1.0 COMPOSITION

- The Audit and Risk Management Committee (“ARMC”) comprises four (4) members, the majority of whom are Independent Non-Executive Directors, as follows:

Chairperson

Datin Pauline Tam Poh Lin, an Independent Non-Executive Director, was appointed as the Chairperson of the ARMC on 24 August 2022. She replaces Soong Chee Keong who ceased to be the Chairperson of the ARMC on 1 June 2022.

Datin Pauline Tam is a member of the Malaysian Institute of Accountants (“MIA”), Malaysian Institute of Certified Public Accountants (“MICPA”) and the Chartered Tax Institute of Malaysia (“CTIM”).

Members

- Lim Chin Sean, a Non-Independent Non-Executive Director, appointed on 23 May 2011;
- Dato' Sri Amrin Bin Awaluddin, an Independent Non-Executive Director, appointed on 15 September 2014; and
- Datuk Tan Kor Mee, an Independent Non-Executive Director, appointed on 27 February 2020.
- 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 Chairperson of the ARMC, Datin Pauline Tam, and prior to her appointment, Soong Chee Keong, are both independent non-executive directors and members of the MIA. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the Main Market Listing Requirements have been complied with. Besides being a member of the MIA, Soong Chee Keong is also a member of the Association of Chartered Certified Accountants (“ACCA”).
- Other than the Chairperson of the ARMC, Dato' Sri Amrin Bin Awaluddin is also a member of the MIA. He is also a member of the Chartered Institute of Management Accountants (“CIMA”).

2.0 TERMS OF REFERENCE (“TOR”)

- A copy of the TOR of the ARMC is published in the Company's website at <http://taliworks.com.my/corporate-governance/>.
- The TOR were last revised on 23 August 2021. In accordance with the TOR of the ARMC, the Board will review and reassess the adequacy of these TOR at least once in every three years or as and when required.

3.0 MEETINGS

- The ARMC convened five (5) meetings during the year. These meetings were scheduled to align with the key dates within the financial reporting and audit cycle and prior to Board meetings being held to approve the release of the quarterly unaudited financial results and the year-end audited financial statements of the Group and the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3.0 MEETINGS (CONT'D)

- Details of the ARMC members' attendance for the financial year ended 31 December 2022 are as follows:

	No. of meetings attended
1 Datin Pauline Tam Poh Lin <i>Independent Non-Executive Director</i> <i>(appointed as a member on 17 August 2022 before being appointed as the Chairperson on 24 August 2022)</i>	2/2
2 Lim Chin Sean <i>Non-Independent Non-Executive Director</i>	5/5
3 Dato' Sri Amrin Bin Awaluddin* <i>Independent Non-Executive Director</i>	5/5
4 Datuk Tan Kor Mee <i>Independent Non-Executive Director</i>	5/5
5 Soong Chee Keong <i>Independent Non-Executive Director</i> <i>(resigned on 1 June 2022)</i>	3/3

* Dato' Sri Amrin Bin Awaluddin presided as the chairperson of the meeting held on 22 August 2022.

- The meetings were held on the following dates and the main agenda are summarised in the table below. A more detailed elaboration on the activities of the ARMC are summarised in Section 5.0 below.

Date	Main Agenda
18 February 2022	<ul style="list-style-type: none"> to review, approve and recommend for the approval of the Board the following: <ol style="list-style-type: none"> unaudited quarterly financial results for the fourth quarter ended 31 December 2021; and ARMC Report for inclusion in the 2021 Annual Report. to discuss the Internal Audit reports. to note the External Auditors' progress report on the unaudited results for the financial year ended 31 December 2021 and the Transparency Report for the year ended 31 May 2021. to review and approve the Internal Audit Plan, Internal Audit Budget and Resource Plan for the financial year 2022. The Internal Audit Plan was developed by the Group Internal Audit ("GIA") department and prioritised based on the adequacy and integrity of key processes and controls. The Internal Audit Budget and Resource Plan are related to the budget proposal covering capital and operational expenditures, as well as workforce adequacy and qualifications. to note the minutes of the Risk Management Working Group ("RMWG") meeting held on 2 November 2021, quarterly report on the recurrent related party transactions ("RRPTs") of a revenue or trading nature and quarterly report on the provision of non-audit services.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3.0 MEETINGS (CONT'D)

- The meetings were held on the following dates and the main agenda are summarised in the table below. A more detailed elaboration on the activities of the ARMC are summarised in Section 5.0 below. (Cont'd)

Date	Main Agenda
30 March 2022	<ul style="list-style-type: none"> to review, approve and recommend for the approval of the Board the following: <ol style="list-style-type: none"> audited financial statements for the financial year ended 31 December 2021; Statement of Risk Management and Internal Controls for inclusion in the 2021 Annual Report; and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature. to note the Final Report from External Auditors on the final audit for the financial year ended 31 December 2021. 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 the External Auditors at the forthcoming Annual General Meeting. 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.
25 May 2022	<ul style="list-style-type: none"> to review, approve and recommend for the approval of the Board the unaudited quarterly financial results for the first quarter ended 31 March 2022. to approve the revisions to the TOR of the RMWG. to review the report from the RMWG on the risk assessment of the Group as of 30 April 2022. to discuss the Internal Audit reports. to note the updated risk registers, quarterly report on the RRPTs of a revenue or trading nature and quarterly report on the provision of non-audit services.
22 August 2022	<ul style="list-style-type: none"> to review, approve and recommend for the approval of the Board the following: <ol style="list-style-type: none"> unaudited quarterly financial results for the second quarter ended 30 June 2022; and a related party transaction related to software and hardware maintenance and support services. to discuss the Internal Audit reports. to note the quarterly report on the RRPTs of a revenue or trading nature, quarterly report on the provision of non-audit services and the minutes of the RMWG meeting held on 11 May 2022.
14 November 2022	<ul style="list-style-type: none"> to review, approve and recommend for the approval of the Board the following: <ol style="list-style-type: none"> unaudited quarterly financial results for the third quarter ended 30 September 2022; Letter of engagement for the Statutory Audit and Statement of Risk Management and Internal Control for 2022; proposed external audit fees of the Group for 2022; and renewal and execution of new contractual agreements which are recurrent transactions of a revenue or trading nature. to approve the External Auditors' Professional Services Planning Memorandum 2022. to discuss the Internal Audit reports. to review the report from the RMWG on its risk assessment of the Group as of 31 August 2022. to note the following: <ol style="list-style-type: none"> Transparency Report for the year ended 31 May 2022 from External Auditors; minutes of the RMWG meeting held on 1 November 2022; updated risk registers; quarterly report on the RRPTs of a revenue or trading nature; quarterly report on the provision of non-audit services and the provision of Planned Non-Audit Services for 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3.0 MEETINGS (CONT'D)

- The ARMC held its meetings without the presence of other Directors and Management, except where the ARMC requested their attendance. The General Manager of Group Finance, representing the Management, was invited to all ARMC meetings to facilitate and provide clarification on issues raised by the ARMC. The Head of the GIA attended the ARMC meetings to present the Internal Audit reports for the discussion of the ARMC.
- To ensure that the audited financial statements complied with the Malaysian Financial Reporting Standards ("MFRS"), External Auditors are engaged to audit the Company's and Group's financial statements before they are presented to the ARMC for review and recommendation to the Board for its approval. The ARMC had two (2) private sessions with the External Auditors without the presence of the Management and GIA on 18 February 2022 and 14 November 2022. During the private sessions, it was noted that there were no major concerns, and that the External Auditors had unlimited access to information as well as having received full co-operation from the Management throughout the course of the audit. On several occasions, the Chairperson held separate meetings with the General Manager of Group Finance or the Head of GIA to review any concerns or issues affecting their area of work.
- Subsequent to the meetings of the ARMC, the Chairperson of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The Chairperson of the ARMC also conveyed to the Board, matters of significant concern as and when raised by the Management, External Auditors and the GIA.
- Minutes of the ARMC meeting were recorded by the Company Secretary and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

4.0 TRAININGS

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

During the financial year, the ARMC carried out the following activities:

5.1 Financial Reporting

- Reviewing and approving the Group's quarterly unaudited financial results as well as the Group's and Company's audited financial statements for the financial year ended 31 December 2021. Following the conclusion of the ARMC meeting, the ARMC recommended them for approval at the subsequent Board meeting.
- In the review of the quarterly unaudited financial results, the ARMC discussed with the Management, amongst others, the following:
 - (a) changes in or implementation of major accounting policies changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) compliance with accounting standards and other regulatory requirements.

In this respect, the ARMC was satisfied that the quarterly unaudited financial statements had been 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 guidance communication notes issued by Bursa Malaysia Securities Berhad before recommending the same to the Board for its approval.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.1 Financial Reporting (Cont'd)

- In the review of the audited financial statements, the ARMC discussed with the Management and the External Auditors in attendance, amongst others, the following:
 - (a) the impact of the new accounting standards on the financial results and statements for the financial period being reported;
 - (b) the underlying accounting policies applied, as well as the use of critical accounting estimates and the exercise of judgement in applying the Group's accounting policies, that have significant impact on the amounts recognised in the financial statements;
 - (c) significant and unusual events; and
 - (d) confirming with the Management and the External Auditors that the audited financial statements had been prepared in compliance with the MFRS and the requirements of the Companies Act, 2016 in Malaysia.

The ARMC, having satisfied that the audited financial statements had been prepared in compliance with accounting standards and other regulatory requirements and that all issues have been adequately addressed with the Management and the External Auditors, recommended the same to the Board for its approval.

5.2 External Audit

5.2.1 Overseeing the work of the External Auditors

- On 18 February 2022, the ARMC reviewed and discussed the progress report by the External Auditors on the unaudited financial results for the financial year ended 31 December 2021. The ARMC noted that the External Auditors had substantially completed their audit in accordance with the Professional Services Planning Memorandum 2021 which was presented earlier to the ARMC on 15 November 2021. The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing their work, and they had received full cooperation from Management with unrestricted access to documents and information.
- On 30 March 2022, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2021 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval.
- On 14 November 2022, the ARMC reviewed and approved the External Auditors' Professional Services Planning Memorandum 2022 which includes, amongst others,
 - (a) materiality;
 - (b) the overall work plan, including significant risks and areas of audit focus, as well as their audit scope of work;
 - (c) level of involvement from other specialists; and
 - (d) engagement quality control as well as independent policies and procedures.

The approval sought was then subject to further negotiation of audit fees by the Management. Subsequently, the ARMC approved the proposed audit fees of the Group as recommended by the Management and agreed to by the External Auditors.

- The ARMC noted the provision of any non-audit services by the External Auditors permissible to undertake, as provided under the By-Laws of the MIA and the Independence policies and procedures set out in the External Auditors' Professional Services Planning Memorandum.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

- Prior to the ARMC recommending to the Board for approval to re-appoint the External Auditors by shareholders at the forthcoming Annual General Meeting, the ARMC assessed and rated the performance of the External Auditors through a written questionnaire covering forty (40) 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

The Evaluation Form provides ratings from one (1) to five (5), or 'yes' and 'no', with indicators to be responded in relation to the nature of the questions. In assigning the rating to each of the questions, members of the ARMC discussed amongst themselves to reach a consensus.

- Based on the results of the Questionnaire, the ARMC was satisfied with the performance as well as the suitability, objectivity and independence of the External Auditors and these were duly recorded by the Company Secretary. A completed copy of the Questionnaire was filed with the Company Secretary for record purposes.
- Other than the above, the ARMC also noted the following matters disclosed in the Independence Policies and Procedures set out in the External Auditors' Professional Services Planning Memorandum 2022:
 - (a) that the External Auditors complied with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the MIA ("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 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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)

- Other than the above, the ARMC also noted the following matters disclosed in the Independence Policies and Procedures set out in the External Auditors' Professional Services Planning Memorandum 2022: (Cont'd)
 - (c) that the External Auditors have issued a detailed ethical standards and independence policies to all partners and employees who 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:
 - (i) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any of their audit clients (unless otherwise expressly permitted);
 - (ii) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;
 - (iii) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and
 - (iv) provide safeguards against potential conflicts of interest.
 - (d) 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.
- Based on the Audit Transparency Report for the year ended 31 May 2021 and 31 May 2022 presented by the External Auditors, the ARMC noted that the audit firm as a whole is able to uphold high-quality audits based on assessment using the required Audit Quality Indicators mandated by the Audit Oversight Board including audit partner workload, audit independence, capacity and competence of the audit practice, audit engagement supervision, audit firm's investment to uphold audit quality as well as internal and external monitoring (inspection) reviews.
- 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 2022 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.
- The current Audit Engagement Partner has been auditing the financial statements of the Group since 31 December 2020. According to the External Auditors' Professional Services Planning Memorandum 2022, it is a policy to rotate the audit engagement partner, the independent review partner and key audit partners periodically.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.3 Internal Audit

- On 18 February 2022, the ARMC reviewed and approved:
 - (a) the annual risk-based Internal Audit Plan 2022 that covers all core operations including water treatment, highway management, construction and waste management; and
 - (b) the Internal Audit Budget and Resource Plan 2022 to ensure that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year.
- The ARMC reviewed and discussed with the Head of GIA all the internal audit reports presented. These reports contain:
 - (a) status and progress of internal audit assignments including summaries of findings and 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.

The ARMC then discussed and considered those findings including the Management's responses thereon, before proposing that those noted weaknesses be rectified and recommendations for improvements be implemented where appropriate, in a timely manner.

- The risk-based Internal Audit Plans are reviewed on a yearly basis and as required contingent on the changes in internal and external risks encountered by the various core operations and industries. During the year, a total of eight (8) full internal audits and six (6) follow-up internal audits were conducted, with a focus on the five (5) key areas listed below:
 - (a) Anti-Bribery Management System
 - (b) Finance Reporting & Management
 - (c) Fixed Asset Management
 - (d) Inventory Management
 - (e) Risk Management
- On 14 November 2022, the ARMC noted and was satisfied that the GIA's independence had been maintained through the annual Declaration of Independence from GIA.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.4 Risk Management

- The ARMC reviewed the report of the RMWG which was presented by the General Manager of Group Finance as a member of the RMWG. RMWG meetings were held on 11 May 2022 and 1 November 2022 to discuss the Risk Management Reports of the following divisions:
 - (a) Engineering and Construction Division;
 - (b) Water and Engineering Division;
 - (c) Toll Highway Division;
 - (d) Waste Management Division;
 - (e) Renewables Division (on 1 November 2022 only); and
 - (f) Group Strategic Risks
- The Risk Management Reports comprise the Risk Profile which indicate the impact, likelihood of occurrence and residual risk rating of every risk identified and supported by individual Risk Registers that details the description, causes, consequences, controls, its effectiveness and action plans for each and every identified risk.
- The ARMC presented a summary of the RMWG 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 and subject to the approved Limits of Authority, the ARMC reviewed all RPTs tabled 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)) would recommend the RPTs and/or the RRPTs for approval at the subsequent Board meetings.

- In addition to that, the ARMC also noted the Quarterly Report on RRPT that the cumulative amount of RRPT is within the shareholders' mandate obtained at the Annual General Meeting.
- Management is also guided by the Group internal policy on RPTs i.e. Policies and Procedures on Related Party Transactions in identifying related parties and in the reporting of RPTs in compliance with the Main Market Listing Requirements.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

5.0 SUMMARY OF ACTIVITIES (CONT'D)

5.6 Fraud, Bribery and Corruption

- There was no incident of fraud, bribery or corruption reported to the ARMC by the Executive Director or to the Chairperson of the ARMC during the year under the Group's whistleblowing policy.
- The Chairperson of the ARMC has also not received any reports requiring further investigation sent to a dedicated email at ARMC@taliworks.com.my.

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 (including RPTs) 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 GIA is guided by the Guidelines on Internal Audit Function issued by the Internal Auditors Malaysia and the Internal Audit Charter as approved by the ARMC that provides the framework for the efficient and effective functioning of the internal audit function.
- The GIA personnel have declared themselves to be free from any relationships or conflicts of interest which might impair their objectivity and independence. To further safeguard their impartiality, the GIA reports directly to the ARMC and it is not involved, directly or indirectly, in any operational responsibilities. The GIA 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 risk-based (i.e. high priority risk areas based on risk evaluations including risk management profile), ad-hoc and routine audits in accordance with the Internal Audit Plans as approved by the ARMC. Root-cause analysis is conducted as part of the IA work to enable relevant recommendations to address the weaknesses noted. The audit results are 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 are fulfilled timely and appropriately. Internal audit engagements carried out by the GIA include operational, financial and compliance reviews.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

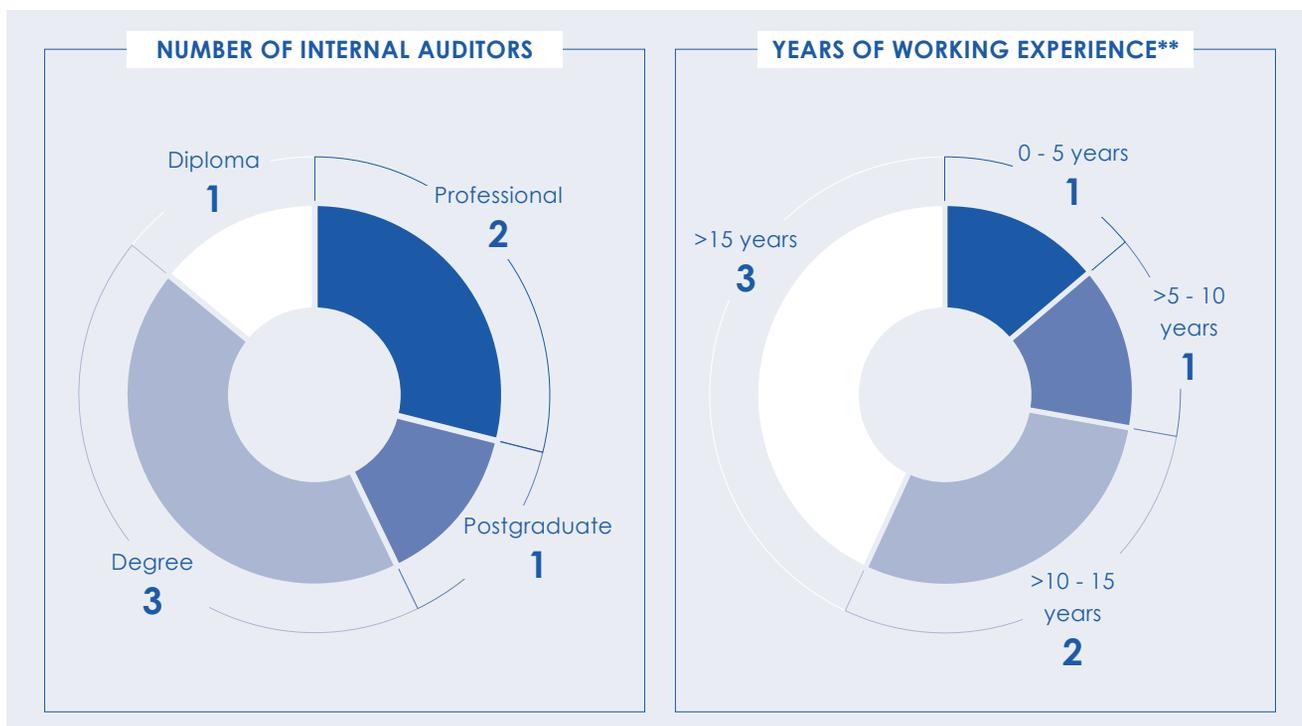
6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- 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 RMWG to keep abreast of any important developments on business, operations, strategies, risks, controls etc;
 - (b) providing unrestricted access to information and records, as well as 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.
- The GIA provides internal audit services covering the Company, its operating subsidiaries and major associated companies. The total staff costs for the year (including remuneration, training, administrative charges etc) incurred by the GIA were approximately RM776,772 (2021: RM685,030).
- 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 of 31 December 2022, the Head of GIA is supported by a team of six (6) members.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

6.0 INTERNAL AUDIT FUNCTION (CONT'D)

- There is an 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:



** 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 that include on-the-job trainings in auditing, report writing, presentation and communication skills, as well as external trainings e.g. cybersecurity awareness talk, sustainability, grammar bytes workshop, Microsoft training modules (Microsoft Cloud Storage: OneDrive for Business and SharePoint Online), Microsoft Power Point workshop etc.
- Internal reviews are performed by the GIA on a routine basis to appraise the quality of work performed.

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 – RM109,000 (2021: RM100,130)
 - (ii) Group – RM502,385 (2021: RM298,330)
- (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 – RM35,000 (2021: RM24,600)
 - (ii) Group – RM119,300 (2021: RM73,800)

The non-audit fees are mainly in relation to the following services:-

- (i) provision of company taxation;
- (ii) tax advisory services; and
- (iii) provision of accounting review services with respect to the adoption of MFRS by newly acquired subsidiaries during the financial year.

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.

4.0 Material Contracts

Save as disclosed in the Note 46 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.

ADDITIONAL COMPLIANCE INFORMATION

5.0 Recurrent Related Party Transactions

Pursuant to Paragraph 3.1.5 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.	1,628
SWM Environment Holdings Sdn Bhd	Management services rendered by the Company to the related party.	3,610

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 STATEMENTS

- 199** Directors' Report
- 206** Statement by Directors
- 206** Declaration by the Officer Primarily Responsible for the Financial Management of the Company
- 207** Independent Auditors' Report
- 212** Statements of Profit or Loss and Other Comprehensive Income
- 213** Statements of Financial Position
- 215** Statements of Changes in Equity
- 218** Statements of Cash Flows
- 221** Notes to the Financial Statements

DIRECTORS' REPORT

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 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The information on the name, principal place of business, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 20 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	81,874	9,422
Income tax (expense)/credit	(15,444)	2,866
Profit for the year	66,430	12,288
Profit attributable to:		
Owners of the Company	55,140	12,288
Non-controlling interests	11,290	-
	66,430	12,288

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 Notes 20 and 49 to the financial statements.

DIRECTORS' REPORT

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 2021 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 1.65 sen per share paid on 25 March 2022	33,261
In respect of the financial year ended 31 December 2022:	
First interim single-tier dividend of 1.65 sen per share paid on 30 June 2022;	33,261
Second interim single-tier dividend of 1.65 sen per share paid on 30 September 2022; and	33,261
Third interim single-tier dividend of 1.65 sen per share paid on 23 December 2022	33,261
	133,044

Subsequent to the end of the financial year, on 16 February 2023, 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 31 March 2023. This dividend has not been included as a liability in the statements of financial position as of 31 December 2022. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2023.

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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

Before the 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 had satisfied themselves that there were no known bad debts to be 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 require the writing off of bad debts or render 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' REPORT

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:

YAM Tunku Ali Redhaudidin Ibni Tuanku Muhriz
Dato' Lim Yew Boon
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Dato' Sri Amrin Bin Awaluddin
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
Lim Chin Sean
Datin Tam Poh Lin (appointed on 17 August 2022)
Soong Chee Keong (resigned on 1 June 2022)

The directors of the subsidiaries 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:

Chee Lean Thong
Chew Hoong Cheong
Chin Soong Jin
Chua Yueh Ling
Datin Lee Li May
Dato' Lim Chee Meng
Dato' Lim Yew Boon
Lim Siew Ling
Norsam @ Norsamsida Binti Hassan
Phang Kwai Sang
Teh Siok Wah
Wang Kwee Luan
Wong Voon Leong
Wong Wai Meng
Zulfikri Bin Suboh
Azrina Binti Mohd Isa (alternate director to Mohamad Hafiz Bin Kassim and Annie Binti Rosle)
Annie Binti Rosle (appointed on 17 March 2023)
Abdul Razak Bin Hashim (resigned on 19 May 2022)
Jiang TingTing (resigned on 21 April 2022)
Seow Hooi Ju (resigned on 7 February 2022)
Su Yong Yun (resigned on 21 April 2022)
Suzi Suliana Binti Mohd Sidek (resigned on 21 April 2022)
Todd Michael Morath (resigned on 21 April 2022)
Taufiq Bin Hussain (resigned on 26 August 2022)
Mohamad Hafiz Bin Kassim (resigned on 17 March 2023)

DIRECTORS' REPORT

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:

	Balance as at 1.1.2022/ Date of appointment	Number of Ordinary Shares		Balance as at 31.12.2022
		Bought	Sold	

Shares in the Company

Direct interest

Dato' Lim Yew Boon	1,000,000	-	-	1,000,000
Lim Chin Sean	250,006	-	-	250,006

Indirect interest

Lim Chin Sean #	1,006,833,333	-	-	1,006,833,333
Datin Tam Poh Lin @	275,000	-	-	275,000

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.

@ Deemed interest by virtue of her spouse's shareholdings in the Company pursuant to Section 59(11)(c) 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) 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 46 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.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by directors of the Group and of the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Non-executive Directors:		
Fees	926	926
Other emoluments	69	69
Executive Director:		
Fees	144	120
Salaries and bonus	492	492
Defined contribution plan	20	20
Other emoluments	44	40
	1,695	1,667

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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 RM18,984 (inclusive of Sales and Service Tax and stamp duty).

There was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 49 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

DIRECTORS' REPORT

AUDITORS' REMUNERATION

The details of auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM'000	Company RM'000
Statutory audit	502	109
Non-audit services	119	35
	621	144

Signed on behalf of the Board
in accordance with a resolution of the directors,



DATO' LIM YEW BOON



LIM CHIN SEAN

Kuala Lumpur,
28 March 2023

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 2022 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,
28 March 2023

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **WONG VOON LEONG (CA 7225)**, 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 28th day of March, 2023.

Before me,



COMMISSIONER FOR OATHS



No. 12-1, Jalan 9/23A,
Medan Makmur,
Off Jalan Usahawan, Setapak,
53200 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 2022 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 212 to 326.

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 2022, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

INDEPENDENT AUDITORS' REPORT

To the Members of Taliworks Corporation Berhad
(Incorporated in Malaysia)

Key audit matters (Cont'd)

Key audit matters	How the matter was addressed in the audit
<p>Impairment assessment of goodwill</p> <p>As at 31 December 2022, the Group has goodwill of RM132,503,000, of which RM129,385,000 is relating to a subsidiary, 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").</p> <p>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").</p> <p>The key bases and assumptions used in the value-in-use model involve a significant degree of management judgements and estimates, such as discount rate and the traffic volume growth, which was projected by an external traffic expert engaged to assist management.</p> <p>Refer to key bases and assumptions used as disclosed in Note 24.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> • Performed inquiries with the management to understand and evaluated 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; • Performed retrospective review of the cash flow projections used in the value-in-use model to assess the reliability of the management's estimates; • Involved our internal valuation specialists in assessing the appropriateness of 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.

INDEPENDENT AUDITORS' REPORT

To the Members of Taliworks Corporation Berhad
(Incorporated in Malaysia)

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.

INDEPENDENT AUDITORS' REPORT

To the Members of Taliworks Corporation Berhad
(Incorporated in Malaysia)

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, actions taken to eliminate threats or safeguards applied.

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.

INDEPENDENT AUDITORS' REPORT

To the Members of Taliworks Corporation Berhad
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 20 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 (LLP0010145-LCA)
Chartered Accountants (AF 0080)



WONG KAR CHOON
Partner - 03153/08/2024 J
Chartered Accountant

Kuala Lumpur,
28 March 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	6	337,712	302,577	65,627	448,658
Cost of operations	7	(200,826)	(162,882)	(34,600)	(9,666)
Gross profit		136,886	139,695	31,027	438,992
Other operating income	8	13,648	13,997	16,488	2,404
Administrative and other expenses	9	(33,905)	(34,927)	(37,548)	(4,923)
Finance costs	10	(17,975)	(19,105)	(545)	(809)
Share of results of joint venture		6,182	5,999	-	-
Share of results of associates		(22,962)	8,316	-	-
Profit before tax		81,874	113,975	9,422	435,664
Income tax (expense)/credit	13	(15,444)	(11,614)	2,866	183
Profit for the year		66,430	102,361	12,288	435,847
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(217)	-	-	-
Total comprehensive income for the financial year		66,213	102,361	12,288	435,847
Profit for the year attributable to:					
Owners of the Company		55,140	78,500	12,288	435,847
Non-controlling interests		11,290	23,861	-	-
		66,430	102,361	12,288	435,847
Total comprehensive income for the year attributable to:					
Owners of the Company		54,923	78,500	12,288	435,847
Non-controlling interests		11,290	23,861	-	-
		66,213	102,361	12,288	435,847
Earnings per share attributable to owners of the Company (sen)					
Basic and diluted	14	2.74	3.89		

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	132,047	6,133	320	1,081
Right-of-use assets	16	35,750	9,843	26,375	9,843
Investment properties	17	99	212	99	212
Intangible assets	19	988,040	1,016,966	-	-
Investment in subsidiaries	20	-	-	331,989	319,507
Investment in joint venture	21	73,783	67,601	67,173	67,173
Investment in associates	22	129,343	153,123	230,784	230,784
Other investment	23	200	240	-	-
Goodwill on consolidation	24	132,503	129,385	-	-
Long-term other receivable	30	15,561	18,379	-	-
Amount due from subsidiaries	31	-	-	124,226	-
Deposits, cash and bank balances	27	47,517	48,449	4,524	4,516
Deferred tax assets	25	6,228	-	3,961	-
Total Non-Current Assets		1,561,071	1,450,331	789,451	633,116
Current Assets					
Inventories	28	20,914	2,287	-	-
Amount due from contract customers	29	-	6,581	-	308
Amount due from subsidiaries	31	-	-	24,276	-
Trade receivables	26	74,758	50,523	12,548	-
Other receivables, deposits and prepayments	30	17,924	11,346	1,725	1,448
Tax recoverable		9,355	12,678	1,249	141
Investments designated at fair value through profit or loss	32	120,740	346,443	26,611	300,850
Deposits, cash and bank balances	27	48,854	62,228	10,000	9,522
		292,545	492,086	76,409	312,269
Assets held-for-sale	18	694	694	-	-
Total Current Assets		293,239	492,780	76,409	312,269
TOTAL ASSETS		1,854,310	1,943,111	865,860	945,385

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	33	438,354	438,354	438,354	438,354
Merger deficit	34	(71,500)	(71,500)	-	-
Currency translation reserve	35	(217)	-	-	-
Retained earnings	36	420,755	537,949	370,069	490,825
Total Equity Attributable to Owners of the Company		787,392	904,803	808,423	929,179
Non-controlling interests		260,459	252,646	-	-
Total Equity		1,047,851	1,157,449	808,423	929,179
Non-Current Liabilities					
Long-term borrowings	37	298,907	328,540	-	-
Lease liabilities	38	33,391	9,950	23,900	9,950
Long-term trade payables	39	1,050	893	-	-
Provisions	40	34,253	24,952	809	809
Deferred income	41	63,278	77,790	-	-
Deferred tax liabilities	25	248,139	234,196	-	-
Total Non-Current Liabilities		679,018	676,321	24,709	10,759
Current Liabilities					
Trade payables	39	23,882	41,516	606	-
Other payables and accruals	42	37,176	17,624	12,550	1,738
Amount due to contract customers	29	13,772	-	16,324	-
Amount due to subsidiaries	31	-	-	-	1,034
Provisions	40	93	563	-	-
Short-term borrowings	37	30,000	30,000	-	-
Lease liabilities	38	2,738	2,675	2,152	2,675
Deferred income	41	14,389	14,864	-	-
Tax liabilities		5,391	2,099	1,096	-
Total Current Liabilities		127,441	109,341	32,728	5,447
Total Liabilities		806,459	785,662	57,437	16,206
TOTAL EQUITY AND LIABILITIES		1,854,310	1,943,111	865,860	945,385

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

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 2021		438,354	(71,500)	592,493	959,347	248,385	1,207,732
Profit for the year/Total comprehensive income for the year		-	-	78,500	78,500	23,861	102,361
Total comprehensive income for the year		-	-	78,500	78,500	23,861	102,361
Transactions with Owners of the Company:							
Dividends paid	43	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	(19,600)	(19,600)
Total transactions with Owners of the Company		-	-	(133,044)	(133,044)	(19,600)	(152,644)
As at 31 December 2021		438,354	(71,500)	537,949	904,803	252,646	1,157,449

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

The Group	Note	Share capital RM'000	Non-distributable reserve Merger deficit RM'000	Currency translation reserve 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 2022		438,354	(71,500)	-	537,949	904,803	252,646	1,157,449
Profit for the year		-	-	-	55,140	55,140	11,290	66,430
Other Comprehensive Loss:								
Currency translation differences		-	-	(217)	-	(217)	-	(217)
Total comprehensive income for the year		-	-	(217)	55,140	54,923	11,290	66,213
Transactions with Owners of the Company:								
Dividends paid	43	-	-	-	(133,044)	(133,044)	-	(133,044)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	(3,430)	(3,430)
Non-controlling interest arising from business combination	49	-	-	-	-	-	(2,081)	(2,081)
Changes in ownership interests in subsidiaries	49	-	-	-	(39,290)	(39,290)	-	(39,290)
Reduction in non-controlling interest arising from increase in stake in subsidiaries	49	-	-	-	-	-	2,034	2,034
Total transactions with Owners of the Company		-	-	-	(172,334)	(172,334)	(3,477)	(175,811)
As at 31 December 2022		438,354	(71,500)	(217)	420,755	787,392	260,459	1,047,851

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

The Company	Note	Share capital RM'000	Distributable reserve Retained earnings RM'000	Total equity RM'000
As at 1 January 2021		438,354	188,022	626,376
Profit for the year/Total comprehensive income for the year		-	435,847	435,847
Total comprehensive income for the year		-	435,847	435,847
Transactions with Owners of the Company:				
Dividends paid	43	-	(133,044)	(133,044)
As at 31 December 2021		438,354	490,825	929,179
As at 1 January 2022		438,354	490,825	929,179
Profit for the year/Total comprehensive income for the year		-	12,288	12,288
Total comprehensive income for the year		-	12,288	12,288
Transactions with Owners of the Company:				
Dividends paid	43	-	(133,044)	(133,044)
As at 31 December 2022		438,354	370,069	808,423

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2022

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	81,874	113,975	9,422	435,664
Adjustments for:				
Net (gain)/loss arising on financial assets measured at fair value through profit or loss	33	(367)	199	(198)
Net loss/(reversal of) allowance on receivables and amount due from contract customers	226	798	24	(119)
Amortisation of intangible assets	28,926	27,840	-	-
Finance costs	17,975	19,105	545	809
Depreciation of:				
Property, plant and equipment	10,648	3,165	831	1,132
Investment properties	3	7	3	7
Right-of-use assets	3,751	2,461	3,161	2,461
Gain on lease modifications	(3,537)	-	(3,537)	-
Loss on disposal of other investments	6	-	-	-
Gain on disposal of assets held for sale	(130)	-	(130)	-
Provision for heavy repairs	4,658	4,222	-	-
Provision for restoration cost	6	165	-	-
Reversal of impairment of amount owing from a subsidiary	-	-	(3,465)	-
Impairment loss on investment in subsidiaries	-	-	30,818	-
Write off of property, plant and equipment	64	33	6	-
Unrealised foreign exchange gain - net	(180)	-	(4)	(2)
Interest expense imputed in borrowings	367	381	-	-
Interest income imputed in retention sums	10	41	-	-
Deferred income recognised:				
Government compensation	(14,864)	(15,375)	-	-
Rental and maintenance fee	(123)	(120)	-	-
Interest income from banks	(2,258)	(2,081)	(322)	(481)
Interest income on intercompany loans	-	-	(5,131)	-
Share of results of:				
Joint venture	(6,182)	(5,999)	-	-
Associates	22,962	(8,316)	-	-
Investment designated at fair value through profit or loss:				
Dividend income	(2,107)	(6,418)	(1,196)	(648)
Loss/(Gain) on redemption	(1,863)	270	(1,964)	-
Gain on disposal of property, plant and equipment	(258)	(1,102)	-	-
Reversal of gain on modification of other payables	-	408	-	-
Reversal of gain on modification on trade payables	-	941	-	-
Dividend income	-	-	(28,687)	(437,270)
Operating Profit Before Working Capital Changes	140,007	134,034	573	1,355

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2022

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Decrease/(Increase) in:				
Inventories	(18,627)	614	-	-
Amount due from contract customers	20,353	5,324	16,631	3,795
Trade and other receivables	(25,255)	45,031	(9,389)	(43)
Trade and other payables	(2,516)	(36,980)	11,597	(698)
Provisions	(3,361)	(4,618)	-	-
Deferred income	-	133	-	-
Cash Generated From Operations	110,601	143,538	19,412	4,409
Income tax paid	(23,948)	(11,804)	(1,108)	(64)
Income tax refunded	40	18	-	-
Net Cash From Operating Activities	86,693	131,752	18,304	4,345
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	2,028	1,541	273	481
Net decrease in amount due from subsidiaries and associates	-	-	(55,107)	(2,091)
Property, plant and equipment:				
Proceeds from disposal	263	1,182	-	-
Purchases	(3,683)	(1,164)	(76)	(83)
Dividends received from:				
Subsidiaries	-	-	27,870	420,320
Joint venture	-	1,350	-	1,350
Associates	817	15,600	817	15,600
Investment designated at fair value through profit or loss:				
Dividend income	2,107	6,418	1,196	648
Purchase	(161,172)	(366,425)	(74,096)	(300,652)
Proceeds from redemption	388,705	406,405	350,100	5
Proceeds from disposal of other investments	34	-	-	-
Proceeds from assets held-for-sale	240	-	240	-
Payment for acquisition of non-controlling interests	(37,256)	-	-	-
Net cash inflow from acquisition of subsidiaries	32,588	-	-	-
Subscription of additional shares in a subsidiary	-	-	(35)	-
Loan to subsidiaries	-	-	(138,800)	-
Repayment of loan from subsidiaries	-	-	6,060	-
Increase in investment in a joint venture	-	(60)	-	(60)
Withdrawals of deposits pledged as security	989	4,782	50	97
Net Cash From Investing Activities	225,660	69,629	118,492	135,615

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES					
Interest paid		(18,471)	(18,421)	(545)	(809)
Dividends paid		(133,044)	(133,044)	(133,044)	(133,044)
Dividends paid by a subsidiary to non-controlling interests		(3,430)	(19,600)	-	-
Repayments of borrowings		(42,121)	(30,000)	-	-
Repayment of previous shareholder' loans owing by subsidiaries		(125,614)	-	-	-
Repayment of lease liabilities		(3,054)	(2,705)	(2,729)	(2,705)
Net Cash Used In Financing Activities		(325,734)	(203,770)	(136,318)	(136,558)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(13,381)	(2,389)	478	3,402
Effects of foreign exchange rate changes		7	-	-	2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR					
		62,228	64,617	9,522	6,118
CASH AND CASH EQUIVALENTS AT THE END OF YEAR					
	27	48,854	62,228	10,000	9,522

The accompanying Notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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, principal place of business, principal activities and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 20.

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, 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 dated 28 March 2023.

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 revised MFRSs

In the current financial year, the Group and the Company adopted all the amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2022 as follows:

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

The adoption of these amendments to MFRSs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CON'TD)

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

At the date of authorisation for issue of these financial statements, the new 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 ¹
Amendments to MFRS 17	Insurance Contracts ¹
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information ¹
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to MFRS 108	Definition of Accounting Estimates ¹
Amendments to MFRS 101	Disclosure of Accounting Policies ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants 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 MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2024, 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 *Leases*, 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*.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

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 *Financial Instruments* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

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 acquiree 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 acquiree'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.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

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".

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue Recognition

Revenue is recognised when 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 good 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Performance obligations by segment are as follows:

Construction segments

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.

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 had 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Performance obligations by segment are as follows: (Cont'd)

Construction segments (Cont'd)

The directors have performed assessment on the following projects and related findings are disclosed below: (Cont'd)

- (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.

- (c) *The two packages under Stage 1 of the Sungai Rasau water supply scheme. The projects are (a) Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to Existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works (Package 2); and (b) Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works (Package 3) (collectively referred to as the "The Rasau Projects")*

The Group has performed assessment in determining the stage of completion, the extent of the construction contract costs incurred, the estimated total revenue and total costs and the recoverability of the construction contracts. Apart from that the Group also continuously assesses the progress towards complete satisfaction of performance obligations and determine whether there is any exposure to Liquidated Ascertained Damage ("LAD") based on the facts and circumstances of the relevant construction or development projects being delayed. In making these judgements, the Group relies on past experience and, if necessary, the work of specialists.

The Group has also received upfront payment from customer. The Group has performed assessment whether advance payment received relates to the activities to be performed near contract inception or for future services. In many cases, even though a non-refundable upfront fee relates to an activity that the Group is required to undertake at or near contract inception to fulfil the contract, that activity does not result in the transfer of a promised service to the customer. Instead, the upfront fee is an advance payment for future services and, therefore, would be recognised as revenue when those future services are provided.

Toll segment

The revenue from toll segment is derived from toll collection and Government compensation due to deferment of toll hike compensation from the Government.

The Group recognises revenue from toll collection at a point-in-time as and when toll is chargeable for the usage of its highways while the compensation is recognised as and when recovery is probable and the amount that is recoverable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Performance obligations by segment are as follows: (Cont'd)

Water treatment and supply segment

The revenue from water treatment and supply segment operated by a subsidiary is derived from the operations and maintenance contract for the Sungai Selangor Water Treatment Plant Phase 1 owned by Pengurusan Air Selangor Sdn. Bhd which supplies treated potable water to large parts of Selangor and Kuala Lumpur.

The Group recognises revenue from water treatment and supply segment at a point-in-time as and when each cubic meter of treated water is produced for Pengurusan Air Selangor Sdn. Bhd.

Renewables segment

The revenue from renewables segment is derived from the sale of electricity generated from solar photovoltaic plants by subsidiaries with feed-in approval certificate by the Sustainable Energy Development Authority ("SEDA").

The Group recognises revenue from the sale of electricity at the point in time as and when electricity is delivered to the off-takers, based on the invoiced value of sale of electricity computed at a pre-determined rate.

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, Grand Saga Sdn. Bhd; 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, Grand Saga Sdn. Bhd; 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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the reporting date of each statement of financial position;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as 'currency translation reserve', a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency (Cont'd)

On consolidation, exchange differences arising on a monetary item that forms part of the Company's net investment in foreign entities are recognised initially in other comprehensive income. When a foreign operation is sold, the cumulative amount of the foreign exchange differences recognised in other comprehensive income previously and accumulated in foreign exchange reserve shall be reclassified from currency translation reserve to profit or loss as part of the gain or loss arising from the disposal. When a foreign operation is partially disposed, a proportionate share of the cumulative amount of the foreign exchange differences recognised in other comprehensive income shall attribute to the non-controlling interests in that foreign operation, and only the proportionate share of accumulated currency translation reserve is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liability of the foreign entity and translated at the closing rate.

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.

(iii) Termination benefit

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

Assets under construction will only be depreciated when it is available for use, i.e.; when it is in the location and condition necessary for it to be operated.

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
Asset retirement obligations	12 to 13 years
Renewable energy plants	12 to 13 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

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.

Leases

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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (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 liabilities for the reasons as stated below:

- (a) Extension of the lease term which includes an additional lettable area, in which the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. Arising thereof, the Group and the Company made a corresponding adjustment amounting to RM16,188,000 to the right-of-use assets and lease liabilities in the statements of financial position as disclosed in Note 16 and Note 38, respectively; and
- (b) Lease payment change due to changes in the scope of a lease by discounting the revised lease payments using a revised discount rate as at the date of modification. Arising thereof, the Group and the Company recognised a gain on lease modification in the current financial year, equivalent to RM3,537,000 as disclosed in Note 8.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

The Group as a lessee (Cont'd)

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.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Properties (Cont'd)

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:

<u>Cumulative traffic volume from 1.1.2016</u>	X	Opening Net Book Value
Cumulative traffic volume from 1.1.2016		as of 1.1.2016 plus
plus projected traffic volume		Additions to-date
till end of concession		

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

Costs of materials on site are determined using the first-in first-out 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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 20 and 21).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity (Cont'd)

Financial guarantee contract liabilities (Cont'd)

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 MFRS 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurement (Cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(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 24.

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 24.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(e) Provision for asset retirement obligations

Asset retirement obligations are provided based on estimates of the future cost to restore the leased land, include amongst others, disassembling costs of the solar photovoltaic modules as stipulated under the land lease agreement, adjusted with inflation rate and discounted to present value. Changes to the future disassembling costs and technological developments could impact future requirements for asset retirement obligations, and therefore, the provision could be revised.

(f) 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.

(g) 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.

Deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of the Group's and of the Company's deferred tax assets are disclosed in Note 25.

(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.

(i) Impairment of Other Receivables and Amount Due From Contract Customers

Significant estimates are required in determining the impairment of other receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for other 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.

The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's other receivables and amount due from contract customers are disclosed in Notes 29 and 30.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

(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 two term of three years. 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.

(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 liabilities are disclosed in Note 39 and Note 42.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

- (m) Determination of fair value of identifiable asset and liabilities assumed on the acquisition of Feed-in approval holders ("FIAHs")

Upon business combination, the acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The Group has completed the fair value measurement exercise ("FVM Exercise") arising from the acquisition of FIAHs by engaging an independent firm. In conducting the FVM Exercise, significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions. The impact of the FVM Exercise is disclosed in Note 49.

The directors are of the opinion that the assumptions used in determining fair value of identifiable assets and liabilities of FIAHs are reasonable.

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.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Operations and maintenance of toll highways.
Waste management	Solid waste collection and public cleansing management and other related activities.
Renewables	Business development of solar and other renewable energy projects.
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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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		Renewables		Others		Total		Reconciliation		Amount as per statement of profit or loss and other comprehensive income	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	184,924	169,073	32,984	14,843	77,210	82,342	332,910	321,099	17,288	-	5,001	5,001	650,267	592,388	(312,555)	(289,781)	337,712	302,577
EBIDA(i)	61,233	59,044	1,289	(922)	62,949	70,134	42,628	93,289	16,168	-	(288)	(5,250)	183,979	216,295	(24,478)	(64,066)	159,501	152,229
Depreciation and amortisation	(308)	(423)	(22)	(37)	(24,682)	(22,354)	(7,589)	(10,700)	(8,078)	-	(3,993)	(3,592)	(44,672)	(37,106)	1,800	3,642	(42,872)	(33,464)
Operating profit/(loss)	60,925	58,621	1,267	(959)	38,267	47,780	35,039	82,589	8,090	-	(4,281)	(8,842)	139,307	179,189	(22,678)	(60,424)	116,629	118,765
Finance costs	-	-	-	-	(10,726)	(11,924)	(28,463)	(26,743)	(374)	-	(545)	(809)	(40,108)	(39,476)	22,133	20,371	(17,975)	(19,105)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,182	5,999	6,182	5,999
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,962)	8,316	(22,962)	8,316
Profit/(Loss) before tax	60,925	58,621	1,267	(959)	27,541	35,856	6,576	55,846	7,716	-	(4,826)	(9,651)	99,199	139,713	(17,325)	(25,738)	81,874	113,975
Income tax (expense)/credit	(13,699)	(11,649)	4,106	(8)	(8,216)	(3,581)	(21,397)	(25,364)	3,570	-	(1,096)	184	(36,732)	(40,418)	21,288	28,804	(15,444)	(11,614)
Profit/(Loss) for the year	47,226	46,972	5,373	(967)	19,325	32,275	(14,821)	30,482	11,286	-	(5,922)	(9,467)	62,467	99,295	3,963	3,066	66,430	102,361
EBDA(ii)	47,534	47,395	5,395	(930)	44,007	54,629	(7,232)	41,182	19,364	-	(1,929)	(5,875)	107,139	136,401	2,163	(576)	109,302	135,825
Copex(iii)	682	370	3,100	29	361	411	22,102	4,152	293	-	76	83	26,614	5,045	(22,373)	(3,881)	4,241	1,164

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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)

- (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 five main business divisions namely water treatment and supply, construction, toll highway, waste management and renewables. Others refer to investment holding and other non-core businesses. Goodwill has been allocated to reportable segments as described in Note 24.
2. The segmental information on the water treatment and supply, construction and other divisions excluded the effects of the expected credit loss 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

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

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 customer

Revenue from Water segment of RM184,924,000 (2021: RM169,073,000) and Construction segment of RM25,489,000 (2021: Nil) are contributed from sales to Pengurusan Air Selangor Sdn. Bhd, the Group's one and only largest customer, as described in Note 26. No other single customer contributed 10% or more to the Group's revenue in either 2022 or 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

6. REVENUE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers	311,598	243,542	36,940	11,388
Revenue from other sources:				
Deferred income (Note 41)	14,864	15,375	-	-
Government compensation	11,250	43,660	-	-
Dividend from subsidiaries, associates and joint venture (Note 46)	-	-	28,687	437,270
	337,712	302,577	65,627	448,658

Government compensation represents mainly compensation from the Government of Malaysia as a result of the deferment of toll increase due in the year 2021 (FY2021:2020) recognised by a subsidiary, Grand Saga Sdn. Bhd.

The Group recognised its revenue from contracts with customers from the following reportable segments:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Management, operations and maintenance of water treatment plants	184,924	169,073	-	-
Toll revenue and operator fee	71,451	54,625	-	-
Revenue from construction contracts	32,984	14,843	25,490	(62)
Management fees (Note 46)	5,001	5,001	11,450	11,450
Sales of electricity	17,238	-	-	-
	311,598	243,542	36,940	11,388
Timing of revenue recognition				
At a point in time	273,613	223,698	-	-
Over time	37,985	19,844	36,940	11,388
	311,598	243,542	36,940	11,388

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from construction contracts	889,262	894,230	884,816	883,091

The Group and the Company expect revenue from unsatisfied performance obligations to be recognised in the following years as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Year 2022	-	165,771	-	154,632
Year 2023	358,203	376,458	353,757	376,458
Year 2024	531,059	351,094	531,059	351,094
Year 2025	-	907	-	907
	889,262	894,230	884,816	883,091

In 2021, the Group and the Company secured two (2) contracts from Pengurusan Air Selangor Sdn. Bhd. to develop two packages under Stage 1 of the Sungai Rasau water supply scheme. The details of the packages are as follows:-

- (i) Package 2 - Design and Build of Proposed Rasau Treated Water Pumping Station, Treated Water Pumping Mains to Existing Bukit Lipat Kajang Reservoirs, Distribution and Associated Works.
- (ii) Package 3 - Design and Build of Proposed New Bukit Lipat Kajang Booster Station, Reservoirs and Associated Works.

The construction of 2 packages under Rasau Projects commenced in 2021 and is expected to complete by 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

7. COST OF OPERATIONS

The cost of operations for the year has been arrived at after charging/(crediting):

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contract costs recognised/(over-recognised)	30,826	13,171	24,874	(62)
Amortisation of intangible assets (Note 19)	28,926	27,840	-	-
Provision for restoration cost (Note 40)	6	165	-	-
Provision for heavy repairs (Note 40)	4,658	4,222	-	-
Depreciation of property, plant and equipment (Note 15)	8,756	1,264	-	-
Short term lease of plant and machinery	16	37	-	-

8. OTHER OPERATING INCOME

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income on fixed deposits with licensed banks	2,258	2,081	322	481
Interest income on intercompany loan	-	-	5,131	-
Investment designated at FVTPL:				
Dividend income	2,107	6,418	1,196	648
Gain on redemption	1,989	21	1,964	-
Rental income	373	748	14	14
Income from subleasing right-of-use assets	-	-	718	788
Gain on disposal of property, plant and equipment	258	1,102	-	-
Unrealised gain on foreign exchange	182	2	4	2
Fair value gain arising on financial assets measured at FVTPL (Note 32)	166	433	-	198
Gain on disposal of consumables expensed off in prior years	-	1,676	-	-
Recognition of rental and maintenance fee (Note 41)	123	120	-	-
Reversal of loss allowances on:				
Amount due from contract customers (Note 29)	1	119	-	119
Amount due from subsidiaries	-	-	3,465	-
Gain on disposal of assets held for sale (Note 18)	130	-	130	-
Gain on lease modification (Note 16)	3,537	-	3,537	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Reversal of gain on modification on trade payables (Note 39)	-	941	-	-
Reversal of gain on modification on other payables (Note 42)	-	408	-	-
Loss allowance on:				
Trade receivables (Note 26)	24	1	24	-
Other receivables (Note 30)	84	711	-	-
Amount due from contract customers (Note 29)	119	205	-	-
Fair value loss arising on financial assets measured at FVTPL (Note 32)	199	66	199	-
Depreciation of right-of-use assets (Note 16)	3,751	2,461	3,161	2,461
Depreciation of property, plant and equipment (Note 15)	1,436	1,893	831	1,132
Expense relating to short-term leases:				
Premises	27	98	-	-
Others	105	144	55	55
Unrealised loss on foreign exchange	2	2	-	-
Realised loss on foreign exchange	17	-	-	-
Auditors' remuneration of:				
Statutory audit	502	298	109	100
Other services ^β	119	74	35	25
Interest expense imputed in borrowings (Note 37)	367	381	-	-
Written off of property, plant and equipment	64	33	6	-
Depreciation of investment properties (Note 17)	3	7	3	7
Loss on redemption of investment designated at FVTPL	126	291	-	-
Loss on disposal of other investment	6	-	-	-
Reversal of interest income imputed in retention sums (Note 39)	10	41	-	-
Impairment on investment in subsidiaries (Note 20)	-	-	30,818	-

^β Other services included, amongst others, tax-related services rendered to the Group and the Company amounting to RM119,300 and RM35,000 (2021: RM73,800 and RM24,600) respectively which were paid or payable to a firm affiliated to the Group's auditors.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

10. FINANCE COST

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense:				
IMTN	17,056	18,296	-	-
Lease liabilities	919	807	545	807
Others	-	2	-	2
	17,975	19,105	545	809

11. STAFF COSTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and bonus	26,232	26,452	8,297	7,816
Defined contribution plan	2,546	2,661	809	773
Other employee benefits	606	582	125	128
	29,384	29,695	9,231	8,717

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,695,000 (2021: RM1,674,000) and RM1,667,000 (2021: RM1,646,000) 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 RM148,000 (2021: RM144,000) and RM81,000 (2021: RM103,000) respectively.

12. DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:

Non-executive Directors

YAM Tunku Ali Redhaudin Ibni Tuanku Muhriz
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Dato' Sri Amrin Bin Awaluddin
Ahmad Jauhari Bin Yahya
Datuk Roger Tan Kor Mee
Lim Chin Sean
Datin Tam Poh Lin (appointed on 17 August 2022)
Soong Chee Keong (resigned on 1 June 2022)

Executive Director

Dato' Lim Yew Boon

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

12. DIRECTORS' REMUNERATION (CONT'D)

The aggregate amount of emoluments receivable by directors of the Company during the financial year are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-executive Directors:				
Fees	926	960	926	960
Other emoluments	69	74	69	74
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	492	437	492	437
Defined contribution plan	20	18	20	18
Other emoluments	44	41	40	37
	1,695	1,674	1,667	1,646

13. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax:				
Current year	31,098	12,681	1,095	-
Overprovision in prior years	(188)	(276)	-	(183)
	30,910	12,405	1,095	(183)
Deferred tax (Note 25):				
Current year	(15,466)	(791)	(3,961)	-
	15,444	11,614	(2,866)	(183)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

13. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

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		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	81,874	113,975	9,422	435,664
Taxation at statutory tax rate	19,650	27,354	2,261	104,559
Tax effects of:				
Non-deductible expenses	12,669	11,101	7,379	199
Non-taxable income	(12,168)	(8,990)	(8,035)	(105,101)
Tax waiver on statutory income of a subsidiary @	-	(18,035)	-	-
Utilisation of previously unrecognised deferred tax assets	(4,528)	-	(4,471)	-
Deferred tax assets not recognised	9	460	-	343
Overprovision of income tax expense in prior years	(188)	(276)	-	(183)
Income tax expense/(credit) recognised in profit or loss	15,444	11,614	(2,866)	(183)

@ In the previous financial year, a subsidiary, Grand Saga Sdn. Bhd. was granted tax waiver on its statutory income from years of assessment 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

Basic and diluted earnings per share attributable to owner of the Company are computed 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	
	2022 RM'000	2021 RM'000
Profit for the year attributable to owners of the Company	55,140	78,500
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,817
Earnings per share (sen)	2.74	3.89

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2022	Renewable energy plant RM'000	Assets refirement obligation RM'000	Assets under construction 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 2022	-	-	-	822	2,058	10,589	4,920	6,385	22,278	26	47,078
Arising from business combination (Note 49)	127,218	5,163	-	-	-	10	-	-	-	-	132,391
Additions	-	-	95	107	-	755	3,105	153	26	-	4,241
Disposals	-	-	-	(2)	-	(78)	(1,224)	-	-	-	(1,304)
Write offs	-	-	-	(383)	-	(534)	(355)	(431)	-	-	(1,703)
As of 31 December 2022	127,218	5,163	95	544	2,058	10,742	6,446	6,107	22,304	26	180,703
Accumulated depreciation											
As of 1 January 2022	-	-	-	287	2,058	9,394	4,338	6,329	18,516	23	40,945
Charge for the year	7,208	250	-	154	-	928	741	69	1,296	2	10,648
Disposals	-	-	-	(1)	-	(73)	(1,224)	-	-	-	(1,298)
Write offs	-	-	-	(331)	-	(528)	(349)	(431)	-	-	(1,639)
As of 31 December 2022	7,208	250	-	109	2,058	9,721	3,506	5,967	19,812	25	48,656

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company 2022	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 2022	1,773	6,683	1,104	5,426	14,986
Additions	-	76	-	-	76
Write offs	-	-	(352)	-	(352)
As of 31 December 2022	1,773	6,759	752	5,426	14,710
Accumulated depreciation					
As of 1 January 2022	1,773	5,933	802	5,397	13,905
Charge for the year	-	653	149	29	831
Write offs	-	-	(346)	-	(346)
As of 31 December 2022	1,773	6,586	605	5,426	14,390
2021					
Cost					
As of 1 January 2021	1,773	6,690	1,270	5,426	15,159
Additions	-	83	-	-	83
Disposals	-	-	(166)	-	(166)
Write off	-	(90)	-	-	(90)
As of 31 December 2021	1,773	6,683	1,104	5,426	14,986
Accumulated depreciation					
As of 1 January 2021	1,773	5,094	813	5,349	13,029
Charge for the year	-	929	155	48	1,132
Disposals	-	-	(166)	-	(166)
Write off	-	(90)	-	-	(90)
As of 31 December 2021	1,773	5,933	802	5,397	13,905
Net book value					
As of 31 December 2022	-	173	147	-	320
As of 31 December 2021	-	750	302	29	1,081

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

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 as at financial year end amounted to RM 452,000 and RM Nil respectively (2021: RM Nil).
- (b) Depreciation charges for the financial year consist of:

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Capitalised in amount due from contract customers	29	456	8	-	-
Included in statements of profit or loss and other comprehensive income:					
Cost of operations	7	8,756	1,264	-	-
Administrative and other expenses	9	1,436	1,893	831	1,132
		10,192	3,157	831	1,132
		10,648	3,165	831	1,132

16. RIGHT-OF-USE ASSETS

The right-of-use assets of the Group include the following:

- (a) Office premises lease

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 of MFRS 16, the remaining non-cancellable period of the lease was 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.

During the financial year, the Company renewed the lease arrangement with the landlord for a tenure of 3 years at RM3,519,757 per annum, commencing from 1 January 2023 and expiring on 31 December 2025 with the option of renewal of two (2) terms of 3 years each up to 31 December 2031. In addition, the Company added the right to use of additional office space in the lease arrangement. These changes were deemed as "a change in the scope of a lease" pursuant to MFRS 16 Leases and therefore, the lease modification is remeasured by discounting the revised lease payments using a revised discount rate at the date of the modification. Arising thereof, the Group and the Company recognised a gain on lease modification in the current financial year, equivalent to RM3,537,000, being the difference between carrying amount of right-of-use assets and lease liabilities as at the date of modification, as disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

16. RIGHT-OF-USE ASSETS (CONT'D)

The right-of-use assets of the Group include the following: (Cont'd)

(b) Land leases

During the current financial year, the Group completed the acquisition of several subsidiaries as disclosed in Note 49. These subsidiaries had entered into agreements with Malaysia Airports (Sepang) Sdn. Bhd. to lease several parcels of land located at Sepang, Selangor for a tenure of 21 years from feed-in tariff commencement date or by 31 December 2033, whichever is earlier, for the right to use the concession area for the purpose of constructing and operating the solar photovoltaic system and related facilities to produce solar energy during the concession period. Accordingly, right-of-use assets are recognised for the leases.

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		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost:				
As of 1 January	28,360	28,360	28,360	28,360
Addition	16,188	-	16,188	-
Arising from business combination (Note 49)	9,965	-	-	-
Reassessment (Note 8)	(15,627)	-	(15,627)	-
As of 31 December	38,886	28,360	28,921	28,360
Accumulated depreciation:				
As of 1 January	18,517	16,056	18,517	16,056
Charge for the year (Note 9)	3,751	2,461	3,161	2,461
Reassessment (Note 8)	(19,132)	-	(19,132)	-
As of 31 December	3,136	18,517	2,546	18,517
Net book value:				
As of 31 December	35,750	9,843	26,375	9,843

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

17. INVESTMENT PROPERTIES

	The Group and The Company	
	2022 RM'000	2021 RM'000
Cost:		
As of 1 January	369	369
Transfer to Assets held for sale (Note 18)	(182)	-
As of 31 December	187	369
Accumulated depreciation:		
As of 1 January	131	124
Charge for the year (Note 9)	3	7
Transfer to Assets held for sale (Note 18)	(72)	-
As of 31 December	62	131
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26
Net book value:		
As of 31 December	99	212
Representing:		
Freehold building	99	103
Leasehold building	-	109
	99	212

Fair value of the investment properties of the Group and of the Company as of 31 December 2022 is estimated at RM 250,000 (2021: RM485,000) based on directors' assessment of the current prices in an active market for the respective properties within the vicinity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

17. INVESTMENT PROPERTIES (CONT'D)

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
2022				
Freehold building	-	-	250	250
2021				
Freehold building	-	-	244	244
Leasehold building	-	-	241	241

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 71 years (2021: 72 years).

18. ASSETS HELD-FOR-SALE

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of year	694	-	-	-
Transfer from property plant and equipment (Note 15)	-	694	-	-
Transfer from investment properties (Note 17)	110	-	110	-
Disposal	(110)	-	(110)	-
	694	694	-	-

(a) In 2021, a subsidiary, Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi"), has accepted a purchase offer from Syarikat Air Darul Aman Sdn. Bhd. for the disposal of a parcel of land and building located in Kuah, Langkawi for a cash consideration of RM2.5 million. The said disposal is expected to be completed after the end of this reporting period and therefore have been classified as assets held-for-sale.

(b) During the financial year, the Company accepted an offer from a third party buyer to acquire its investment properties located in Pekan Serdang, Daerah Petaling, Negeri Selangor for a cash consideration of RM240,000. The disposal has been completed and arising thereof, the Group and the Company recognised a gain on disposal amounting to RM130,000 in the current financial year as disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

19. INTANGIBLE ASSETS

	The Group	
	2022 RM'000	2021 RM'000
Cost:		
As of 1 January/As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	245,937	218,097
Charge for the year (Note 7)	28,926	27,840
As of 31 December	274,863	245,937
Carrying amount:		
As of 31 December	988,040	1,016,966

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 24.

20. INVESTMENT IN SUBSIDIARIES

	The Company	
	2022 RM'000	2021 RM'000
Unquoted investment in preference shares - at FVTOCI		
As of 1 January	238,012	238,012
Additions	37,800	-
As of 31 December	275,812	238,012
Unquoted investment in ordinary shares - at cost:		
As of 1 January	81,495	81,495
Additions (Note 20(b) and Note 31(a))	5,500	-
As of 31 December	86,995	81,495

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

	The Company	
	2022 RM'000	2021 RM'000
Accumulated impairment loss:		
As of 1 January	-	-
Addition (Note 9)	30,818	-
As of 31 December	30,818	-
Carrying amount	331,989	319,507

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 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	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Management, operations and maintenance of Sungai Selangor Water Treatment Plant Phase 1 for a period expiring in December 2036.
Taliworks Construction Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	General construction.
TEI Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.
Taliworks Renewables Sdn. Bhd. ("TRSB") €	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
Held directly by the Company: (Cont'd)				
Taliworks (Langkawi) Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	The concession for management, operations and maintenance of water treatment plants and water distribution systems has expired on 31 October 2020. Upon expiration of the concession, the operations have been handed over to Syarikat Air Darul Aman Sdn. Bhd., a corporatised body under the state government of Kedah.
Taliworks Technologies Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Held through TEI Sdn. Bhd.:				
Trinitywin Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.
Cerah Sama Sdn. Bhd.	Cheras, Selangor	51	51	Investment holding.
Held through Cerah Sama Sdn. Bhd.:				
Grand Saga Sdn. Bhd. #	Cheras, Selangor	51	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period expiring in September 2045.
Trupadu Sdn. Bhd. #	Cheras, Selangor	51	51	Toll operator and general contractor of Cheras-Kajang Highway.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
Held through Cerah Sama Sdn. Bhd.: (Cont'd)				
Peak Synergy Sdn. Bhd. #	Cheras, Selangor	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.
Europlex Consortium Sdn. Bhd. #	Cheras, Selangor	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.
Held through TRSB:				
TR (SG1) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 1 Pte. Ltd.") @£ ("SG1")	Robinson Road, Singapore	100	-	Investment holding.
TR (SG2) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 2 Pte. Ltd.") @£ ("SG2")	Robinson Road, Singapore	100	-	Investment holding.
TR (SG3) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 3 Pte. Ltd.") @£ ("SG3")	Robinson Road, Singapore	100	-	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
Held through TRSB: (Cont'd)				
Taliworks Renewables Operations Sdn. Bhd. (f.k.a. "Terraform Global Operating (Malaysia) Sdn. Bhd.") @	Taman Tun Dr. Ismail, Kuala Lumpur	100	-	Provision of operation and maintenance services in relation with the business development of solar and other renewable energy projects.
TR Sepang Sdn. Bhd. (f.k.a. "Fortune 11 Sdn. Bhd.") @¥ (of which 48% (2021:Nil) is held directly by SG1)	Taman Tun Dr. Ismail, Kuala Lumpur	100	-	Business development of solar and other renewable energy projects. Operate a 5.0 MWp ground-mounted solar photovoltaic plant on a Build-Own-Operate project model. The company holds a feed-in approval granted by the SEDA pursuant to Section 7 of the Renewable Energy Act 2011 ("REA") for a period of 21 years expiring on 6 October 2034.
TR Saterm Sdn. Bhd. (f.k.a. "Corporate Season Sdn. Bhd.") @¥ (of which 48% (2021:Nil) is held directly by SG2)	Taman Tun Dr. Ismail, Kuala Lumpur	100	-	Business development of solar and other renewable energy projects. Operate a 4.0 MWp rooftop-mounted solar photovoltaic plant on a Build-Own-Operate project model. The company holds a feed-in approval granted by the SEDA pursuant to Section 7 of the REA for a period of 21 years expiring on 17 December 2034.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

Name	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	

Held through TRSB: (Cont'd)

TR Cpark Sdn. Bhd. (f.k.a. "Silverstar Pavillion Sdn. Bhd.") @¥ (of which 48% (2021:Nil) is held directly by SG3)	Taman Tun Dr. Ismail, Kuala Lumpur	100	-	Business development of solar and other renewable energy projects. Operate two (2) separate 5.0 MWp parking rooftop-mounted solar photovoltaic plant on a Build-Own-Operate project model. The company holds two (2) feed-in approvals granted by the SEDA pursuant to Section 7 of the REA for a period of 21 years expiring on 23 November 2034 and 4 December 2034 respectively.
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£ The financial statements of these subsidiaries are not audited by the member firms of the auditors of the Company.

The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium-Term Notes borrowings as disclosed in Note 37.

@ The acquisition of equity interest in these subsidiaries formed part of the significant event in the financial year as disclosed in Note 49.

¥ The feed-in approval holders, namely TR Sepang Sdn. Bhd. TR Satern Sdn. Bhd. and TR Cpark Sdn. Bhd. have 21 years renewable energy power purchase agreements ("REPPAs) with offtakers, Tenaga Nasional Berhad and Malaysia Airports (Sepang) Sdn Bhd., which allows the companies to exclusively sell its power generation to offtakers at the applicable feed-in tariff rate as prescribed under the REA.

€ TRSB was incorporated on 20 October 2020 as a wholly-owned subsidiary of the Company with an issued share capital of RM2.

To facilitate the settlement of the purchase consideration of the acquisition by TRSB as disclosed in Note 49, the Company had on 21 April 2022 undertaken the following:

(a) Subscribed for 37,800,000 redeemable preference shares ("RPS") in the share capital of TRSB, at an issue price of RM1 per RPS for a total consideration of RM37,800,000, satisfied by capitalising the amount owing by TRSB to the Company, in which 300,000 RPS were subscribed on 21 April 2022 and remaining 37,500,000 RPS subscribed on 15 June 2022;

(b) Subscribed for 2,000,000 new ordinary shares in the share capital of TRSB, at an issue price of RM1 per share for a total consideration of RM2,000,000, satisfied by capitalising the amount owing by TRSB to the Company. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of TRSB; and

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. INVESTMENT IN SUBSIDIARIES (CONT'D)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (Cont'd)

To facilitate the settlement of the purchase consideration of the acquisition by TRSB as disclosed in Note 49, the Company had on 21 April 2022 undertaken the following: (Cont'd)

- (c) Provided a shareholder's loan amounting to RM138,800,000 to TRSB, at an interest rate of 5.4% per annum as disclosed in Note 31. The shareholder's loan was to enable TRSB to extend funding to its subsidiaries to settle the latter's loans owing to their former shareholder and a bank loan.

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		Number of non-wholly-owned subsidiaries	
		2022	2021	2022	2021
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	1	5	5
Investment holding	Singapore	3	-	-	-
Toll highway	Malaysia	-	-	2	2
Provision of operation and maintenance services in relation with the business development of solar and other renewable energy projects.	Malaysia	1	-	-	-
Business development of solar and other renewable energy projects.	Malaysia	3	-	-	-
		12	5	7	7

Details for non-wholly-owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary 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	
	2022	2021	2022	2021	2022	2021
	%	%	RM'000	RM'000	RM'000	RM'000
TEI Sdn. Bhd.	49%	49%	11,243	23,861	260,459	252,646

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

20. 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	
	2022 RM'000	2021 RM'000
Non-current assets	1,140,760	1,172,130
Current assets	37,924	40,271
Current liabilities	(56,617)	(56,377)
Non-current liabilities	(590,519)	(640,421)
Net assets	531,548	515,603
Equity attributable to owners of the Company	271,089	262,958
Non-controlling interest	260,459	252,645
Revenue*	97,565	113,660
Expenses	(74,621)	(64,965)
Profit for the year	22,944	48,695
Profit attributable to owners of the Company	11,701	24,834
Profit attributable to non-controlling interest	11,243	23,861
Net cash generated from/(used in):		
Operating activities	38,718	81,946
Investing activities	2,220	4,692
Financing activities	(54,552)	(88,980)
Net change in cash and cash equivalents	(13,614)	(2,342)

* Included in the revenue is government compensation for deferment of toll hike amounted to RM11,050,000 (2021: RM43,660,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

21. INVESTMENT IN JOINT VENTURE

	The Group	
	2022 RM'000	2021 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	6,610	428
	73,783	67,601

	The Company	
	2022 RM'000	2021 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 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	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
Pinggiran Muhibbah Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

21. INVESTMENT IN JOINT VENTURE (CONT'D)

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.

Pinggiran Muhibbah Sdn. Bhd.	2022 RM'000	2021 RM'000
Summarised statement of financial position		
Non-current assets	294,159	318,695
Current assets	19,914	8,707
Current liabilities	(35,678)	(35,751)
Non-current liabilities	(80,598)	(110,348)
Non-controlling interests	(50,231)	(46,102)
Net assets	147,566	135,201
Summarised statement of profit or loss and other comprehensive income		
Revenue*	73,203	65,003
Profit for the year	12,364	11,997

* Included in the revenue is government compensation for deferment of toll hike amounted to RM21,821,000 (2021: RM19,832,000).

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:

	2022 RM'000	2021 RM'000
Net assets		
Carrying amount of the investment in joint venture	147,566	135,201
Proportion of the Group's ownership interest in the joint venture	50%	50%
	73,783	67,601

22. INVESTMENT IN ASSOCIATES

	The Group	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	247,871	247,871
Compensation	(17,087)	(17,087)
Share of post-acquisition reserve, net of dividend	(101,441)	(77,661)
	129,343	153,123

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

22. INVESTMENT IN ASSOCIATES (CONT'D)

	The Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	247,871	247,871
Compensation	(17,087)	(17,087)
	230,784	230,784

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
		2022 %	2021 %	
LGB Taliworks Consortium Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	20	20	General construction.
SWM Environment Holdings Sdn. Bhd.	Taman Tun Dr. Ismail, Kuala Lumpur	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 2033.
Aqua Flo Sdn. Bhd.	Petaling Jaya, Selangor	24	24	Trading in chemical products.

All the associates are audited by a firm other than Deloitte PLT.

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	2022 RM'000	2021 RM'000
Summarised statements of financial position		
Non-current assets	2,397,376	2,499,273
Current assets	621,241	761,476
Current liabilities	(226,892)	(301,470)
Non-current liabilities	(1,504,922)	(1,489,242)
Non-controlling interest	(907,152)	(1,020,749)
Net assets	379,651	449,288

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

22. 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. (Cont'd)

The Group	2022 RM'000	2021 RM'000
Summarised statements of profit or loss and other comprehensive income		
Revenue	951,186	917,438
Profit for the year	168,752	213,751
Less:		
Adjustment relating to interest on dividend on the cumulative preferences shares held by parties other than the Group	(97,503)	(51,775)
Group consolidation adjustments	(140,887)	(142,246)
(Loss)/Profit for the year	(69,638)	19,730

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:

	2022 RM'000	2021 RM'000
Net assets	379,651	449,288
Proportion of the Group's ownership interest in the associate	35%	35%
Compensation	132,878	157,250
Adjustment for stamp duties paid	(17,087)	(17,087)
	735	735
Carrying amount of the investment in the associate	116,526	140,898

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

22. INVESTMENT IN ASSOCIATES (CONT'D)

The summarised financial information of other individually immaterial associates is set out below.

The Group	Others	
	2022 RM'000	2021 RM'000
Summarised statements of financial position		
Non-current assets	3,572	3,579
Current assets	106,125	97,055
Current liabilities	(52,308)	(45,731)
Non-current liabilities	(3,284)	(3,284)
Net assets	54,105	51,619
Summarised statements of profit or loss and other comprehensive income		
Revenue	158,312	121,886
Profit for the year	5,889	6,486

During the financial year, the Company conducted a review of the recoverable amounts of certain associated company and no impairments loss is required due to higher recoverable amounts as compared to carrying amounts based on value in use calculations.

23. OTHER INVESTMENT

	The Group	
	2022 RM'000	2021 RM'000
Financial assets carried at FVTPL:		
<u>Golf membership</u>		
At 1 January	240	240
Disposal	(40)	-
At 31 December	200	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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

24. GOODWILL ON CONSOLIDATION

	The Group	
	2022 RM'000	2021 RM'000
As of 1 January	129,385	129,385
Arising from business combination (Note 49)	3,118	-
As of 31 December	132,503	129,385

Goodwill on consolidation arose from:

- (i) acquisition of majority equity interest in subsidiaries which formed part of the significant event in the financial year as disclosed in Note 49.

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

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

- (ii) the acquisition of a subsidiary, Cerah Sama Sdn. Bhd. pursuant to a restructuring exercise in 2014.

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 and solar photovoltaic plants. 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 and renewable energy power purchase agreements ("REPPAs") whichever is applicable.

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

- (a) Cerah Sama Sdn. Bhd.
- (i) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.83% and 2.80% (2021: 2.97% and 3.91%) respectively;
 - (ii) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3.0% (2021: 3.0%) annually;
 - (iii) Commissions to be paid to Touch & Go and Smart Tag are estimated at a fixed rate of 1.3% (2021: 1.3%) of total toll revenue collected; and
 - (iv) Pre-tax discount rate of 10.86% (2021: 10.86%) applied to the cash flow projections is derived from a subsidiary, Grand Saga Sdn. Bhd.'s weighted average cost of capital.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

24. GOODWILL ON CONSOLIDATION (CONT'D)

The key bases and assumptions used in the estimation of the recoverable amount are as follows: (Cont'd)

(b) Solar Photovoltaic Plants

- (i) Total capital expenditure of RM24,471,000 on replacement of solar panels for Renewable Energy plant of TR Sepang and TR Cpark.
- (ii) Energy output are projected based on irradiance of 1,785 kWh/m²/year, performance ratio of 80% per year and degradation of 0.5% per year;
- (iii) Operation costs and other operating expenses are expected to increase at the rate of 3.0% annually;
- (iv) Pre-tax discount rate of 7.06% applied to the cash flow projections is derived from FIAH's weighted average cost of capital.

The recoverable amount of the abovementioned goodwill has 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 do not foresee any possible changes in the above key assumptions that would cause the carrying amounts of the goodwill to materially exceed its recoverable amount.

25. DEFERRED TAX (LIABILITIES)/ASSETS

The movements during the financial year relating to deferred tax liabilities are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As of 1 January	(234,196)	(234,987)	-	-
Arising from business combination (Note 49)	(23,181)	-	-	-
Transfer from/(to) profit or loss (Note 13):				
Property, plant and equipment	3,694	(282)	-	-
Intangible assets	6,760	(1,132)	-	-
Trade receivables	308	308	-	-
Other receivables, deposits and prepayments	148	171	-	-
Provision for heavy repairs	78	1,413	-	-
Trade payables	-	226	-	-
Other payables and accruals	320	93	-	-
Deferred income	(15)	(6)	-	-
Unabsorbed business losses	4,322	-	3,961	-
Unabsorbed capital allowances	(384)	-	-	-
Net of right-of-use assets and lease liabilities	235	-	-	-
	15,466	791	3,961	-
As of 31 December	(241,911)	(234,196)	3,961	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

25. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting)				
Tax effects of deductible temporary differences arising from:				
Property, plant and equipment	-	20	-	-
Other receivables, deposits and prepayments	1,452	1,304	-	-
Other payables and accruals	922	551	-	-
Deferred income	74	89	-	-
Provision for heavy repairs	6,941	6,868	-	-
Unabsorbed business losses	4,624	-	3,961	-
Unabsorbed capital allowance	8,029	-	-	-
Right-of-use asset	122	-	-	-
	22,164	8,832	3,961	-
Offsetting	(15,936)	(8,832)	-	-
Deferred tax assets (after offsetting)	6,228	-	3,961	-
Deferred tax liabilities (before offsetting)				
Tax effects of taxable temporary differences arising from:				
Property, plant and equipment	28,522	961	-	-
Intangible assets	233,150	239,910	-	-
Trade receivables	1,847	2,155	-	-
Other receivables, deposits and prepayments	2	2	-	-
Right-of-use asset	9	-	-	-
Provision for heavy repairs	545	-	-	-
	264,075	243,028	-	-
Offsetting	(15,936)	(8,832)	-	-
Deferred tax liabilities (after offsetting)	248,139	234,196	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

25. DEFERRED TAX (LIABILITIES)/ASSETS (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:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Temporary differences arising from:				
Property, plant and equipment	(584)	(690)	(585)	(631)
Right-of-use assets	(323)	3,198	(323)	2,781
Other payables and accruals	1,650	2,909	1,557	1,248
Unused tax losses	6,922	21,334	-	16,505
Unabsorbed capital allowances	11,687	11,430	11,589	10,964
	19,352	38,181	12,238	30,867

The Malaysia Finance Act 2021 gazetted on 31 December 2021 stated that the time frame to carry forward unutilised tax losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. Unutilised tax losses accumulated up to year of assessment 2018 can now be carried forward for ten consecutive years of assessment until year of assessment 2028.

At the end of the reporting period, the Group and the Company has unused tax losses that are available for offsetting against future taxable profits, subject to the agreement with the tax authorities.

Expiry date of the unused tax losses is summarised below:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Years of assessment				
2028	20,450	17,069	15,238	15,238
2029	158	158	-	-
2030	1,442	1,442	524	524
2031	2,694	2,665	743	743
2032	1,471	-	-	-
	26,215	21,334	16,505	16,505

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

26. TRADE RECEIVABLES

The analysis of trade receivables is as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables	74,783	50,524	12,572	-
Less: Loss allowance	(25)	(1)	(24)	-
Net	74,758	50,523	12,548	-

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 2021	-	-	-
Net re-measurement of loss allowances	1	-	1
As at 31 December 2021/1 January 2022	1	-	1
Net re-measurement of loss allowances	24	-	24
As at 31 December 2022	25	-	25

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

26. 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 2021	-	-	-
Net re-measurement of loss allowances	-	-	-
As at 31 December 2021/1 January 2022	-	-	-
Net re-measurement of loss allowances	24	-	24
As at 31 December 2022	24	-	24

The average credit period granted to the customers is 60 days. No interest is charged on trade receivables, even for those which are past due.

Of the Group's total trade receivables, RM59,324,000 and RM Nil (2021: RM43,178,000 and RM4,219,000) come from Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), the sole entity with the license to extract, treat and distribute water to consumers in Selangor, Federal Territories of Kuala Lumpur and Putrajaya, and Syarikat Air Darul Aman Sdn. Bhd. ("SADA"), a corporatised body under the Kedah state government, respectively.

(a) SADA

Taliworks Langkawi was awarded the Privatisation Contract by the State Government of Kedah to take-over, manage, operate and maintain the Langkawi Water Supply System (refer to as "the Privatisation Contract") on 7 October 1995 for a period of 25 years commencing from 1 November 1995 to 31 October 2020. Subsequently, on 1 January 2010, the function of the State Government of Kedah with respect to the Privatisation Contract had been taken over by SADA thereafter.

The Privatisation Contract has expired on 31 October 2020. Upon expiration of the contract, the operations have been handed over to SADA. During the financial year, SADA has fully repaid all the amount outstanding (2021: RM4,219,000).

(b) Air Selangor

The gross invoiced amount due from Air Selangor to the Group and the Company as of 31 December 2022 is RM59,324,000 (2021: RM43,178,000) and RM12,573,000 (2021: RM Nil) under the following contracts:

(i) Bulk Water Supply Agreement ("BWSA")

On 24 May 2019, Sungai Harmoni entered into a BWSA with Air Selangor in relation to the appointment of Sungai Harmoni for the operations and maintenance of Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") and the supply of treated water until December 2036. Sungai Harmoni started operating and maintaining the SSP1 under the BWSA from 13 September 2019 onwards, being the date where the agreement become unconditional and completed.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

26. TRADE RECEIVABLES (CONT'D)

(b) Air Selangor (Cont'd)

(ii) The Rasau Projects

The amounts represent invoiced value for certified work performed. The amounts were transferred from amount due from/(to) contract customers when the rights became unconditional.

The ageing of the Group's trade receivables which was past due but not impaired as of the end of the reporting period is as follows:

	SADA RM'000
The Group	
2022	
Past due 9 months and above	-
2021	
Past due 9 months and above	4,219

Included in trade receivables of the Group are the following:

	The Group	
	2022 RM'000	2021 RM'000
An amount owing from an associate	1,186	2,361

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

27. DEPOSITS, CASH AND BANK BALANCES

	The Group	
	2022 RM'000	2021 RM'000
Non-Current:		
Deposits with licensed banks	47,517	48,449
Current:		
Deposits with licensed banks	34,306	33,520
Cash and bank balances	14,548	28,708
	48,854	62,228
Total	96,371	110,677
Less: Deposits pledged as security	(47,517)	(48,449)
Cash and cash equivalents	48,854	62,228

	The Company	
	2022 RM'000	2021 RM'000
Non-Current:		
Deposits with licensed banks	4,524	4,516
Current:		
Cash and bank balances	10,000	9,522
Total	14,524	14,038
Less: Deposits pledged as security	(4,524)	(4,516)
Cash and cash equivalents	10,000	9,522

The currency profile of deposits, cash and bank balances is as follows:

	The Group	
	2022 RM'000	2021 RM'000
Ringgit Malaysia	96,098	110,523
Australian Dollar	82	84
United States Dollar	191	70
Total	96,371	110,677

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

27. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

The currency profile of deposits, cash and bank balances is as follows: (Cont'd)

	The Company	
	2022 RM'000	2021 RM'000
Ringgit Malaysia	14,451	13,968
United States Dollar	73	70
Total	14,524	14,038

Included in long-term deposits with licensed banks of the Group are the following:

- (i) amounts totalling RM8,906,000 (2021: RM8,824,000) 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 as disclosed in Note 37; and
- (ii) an amount of RM38,611,000 (2021: RM39,625,000) set aside under the Financial Service Reserve Account as part of the security arrangements of Islamic Medium-Term Notes as disclosed in Note 37.

Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,524,000 (2021: RM4,516,000) 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 37. Included in current deposits with licensed banks are short-term investments amounting to RM34,306,000 (2021: RM33,520,000) which are highly liquid investments that are readily convertible to known amounts of cash and have an insignificant risk of changes in value.

The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 1.50% to 3.52% (2021: 1.50% to 2.81%) per annum and 1.85% to 2.65% (2021: 1.60% to 1.65%) per annum, respectively.

Deposits of the Group and of the Company have an average maturity ranging from 7 days to 365 days (2021: 30 days to 365 days) and from 30 days to 365 days (2021: 30 days to 365 days) respectively. Bank balances are deposits held at call with licensed banks.

28. INVENTORIES

	The Group	
	2022 RM'000	2021 RM'000
Consumable spares	1,410	1,554
Materials on site	19,504	733
Total	20,914	2,287

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

28. INVENTORIES (CONT'D)

All of the Group's inventories are expected to be used within the next 12 months.

Materials on site are capitalised to construction work-in-progress when utilised.

Cost of inventories recognised as cost of sales during the year is RM17,198,000 (2021: RM15,930,000).

29. AMOUNT DUE (TO)/FROM CONTRACT CUSTOMERS

	The Group	
	2022 RM'000	2021 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	1,441	3,694
Retention receivables of construction contracts (b)	3,303	3,303
Less: Loss allowance	(534)	(416)
	4,210	6,581
Less:		
Contract liabilities	(17,982)	-
	(13,772)	6,581

	The Company	
	2022 RM'000	2021 RM'000
Construction contracts:		
Contract assets:		
Unbilled revenue of construction contracts (a)	-	308
	-	308
Less:		
Contract liabilities	(16,324)	-
	(16,324)	308

- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

29. AMOUNT DUE (TO)/FROM CONTRACT CUSTOMERS (CONT'D)

- (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.

There is no provision for foreseeable losses recognised during the current and previous financial year.

Typical payment terms which impact the amount of contract assets recognised are as follows:

- (a) 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.
- (b) 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.

Retention receivables are unsecured, interest-free and are expected to be collected as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within 1 year	1,185	1,185	-	-
1 year to 2 years	2,118	2,118	-	-
	3,303	3,303	-	-

Significant changes in contract assets during the year are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contract assets (other than retention sums) at the beginning of the period transferred to trade receivables	2,253	5,474	308	1,919
Retention sums receivables included in contract assets at the beginning of the period transferred to trade receivables	-	3,119	-	1,795

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

29. AMOUNT DUE (TO)/FROM CONTRACT CUSTOMERS (CONT'D)

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.

Included in the retention receivables of the Group are the following:

	The Group	
	2022 RM'000	2021 RM'000
An amount owing from an associate	1,186	1,186

The above amounts owing mainly arose from trade transactions which are unsecured and interest free.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	416	330	-	119
Net re-measurement of loss allowances	118	86	-	(119)
At 31 December	534	416	-	-

Included in amount due from contract customers are the following:

	The Group	
	2022 RM'000	2021 RM'000
Depreciation of property, plant and equipment (Note 15)	456	8
Loss on disposal of property, plant and equipment	2	-
Short term lease of site office	57	5

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

30. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current:				
Other receivables	21,080	23,814	-	-
Less: Loss allowance	(5,519)	(5,435)	-	-
	15,561	18,379	-	-
Current:				
Other receivables	4,010	4,420	288	359
Interest receivables	400	320	-	-
GST refundable	4,317	4,317	-	-
Prepayments	6,581	597	480	105
Deposits	2,616	1,692	957	984
	17,924	11,346	1,725	1,448
Total	33,485	29,725	1,725	1,448

Arising from disposal of trade receivables to a special purpose bankruptcy remote vehicle, Starbright Capital Berhad ("Starbright"), by Sungai Harmoni in 2019 under an asset-backed securitisation exercise, a deferred consideration of RM33,946,000 is to be repaid over a 9-year term, subject to the projected cash flows of Starbright.

As at 31 December 2022, the outstanding deferred consideration included in other receivables of the Group is RM23,898,000 (2021: RM27,345,000) receivable from Starbright. Out of this amount, the Group expects that RM2,818,000 (2021: RM3,531,000) will be collected in the next 12 months and thus has been classified as current assets. The remaining balance of RM21,080,000 (2021: RM23,814,000) has been classified as long-term other receivables and it is expected to be collected during the year 2024 to 2028 (2021: year 2023 to 2028).

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	5,435	4,724	-	-
Net re-measurement of loss allowances (Note 9)	84	711	-	-
At 31 December	5,519	5,435	-	-

During the year, the Group remeasured the loss allowance for other receivables at an amount equal to the lifetime ECL amounting to RM84,000 (2021: RM711,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

31. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2022	2021
	RM'000	RM'000
Non-current:		
Amount due from subsidiaries	124,226	3,465
Less: Loss allowance	-	(3,465)
	124,226	-
Current:		
Amount due from/(to) subsidiaries	24,276	(1,034)
	148,502	(1,034)

The following table shows the movements in loss allowance:

	The Company	
	2022	2021
	RM'000	RM'000
At 1 January	3,465	3,465
Reversal of loss allowance	(3,465)	-
At 31 December	-	3,465

Included in the amount due from/(to) subsidiaries are as follows:-

- In 2021, the non-current portion of amount due from subsidiaries relates to amount owing from Taliworks Technologies Sdn. Bhd., a wholly-owned subsidiary of the Company, arose from non-trade transactions was interest free, and unsecured. During the financial year, the Company subscribed for additional RM3,499,900 new ordinary shares issued by the subsidiary, for a total consideration of RM3,499,900 which was satisfied by capitalising the amount owing by the subsidiary to the Company of RM3,464,841 and the remaining balance of RM35,059 by cash.
- During the financial year, the Company provided a shareholder's loan amounting RM138,800,000 at 5.4% interest to TRSB as disclosed in Note 20. The outstanding loan included in the amount due from subsidiaries as of the end of the reporting period is RM132,554,000, of which RM8,328,000 is expected to be collected in the next 12 months and thus has been classified as current. The remaining balance of RM124,226,000 has been classified as long-term amount due from subsidiaries and it is expected to be collected between year 2024 to 2034.
- Trade transactions are interest free, unsecured and repayable on demand. This amount is classified as current.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

32. INVESTMENTS 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
As of 1 January	346,443	386,326	300,850	5
Additions	161,172	366,425	74,096	300,652
Disposals	(386,842)	(406,675)	(348,136)	(5)
Fair value changes recognised in profit or loss (Notes 8 and 9)	(33)	367	(199)	198
As of 31 December	120,740	346,443	26,611	300,850

33. SHARE CAPITAL

	The Group and The Company			
	2022 Number of shares '000	2022 Nominal value RM'000	2021 Number of shares '000	2021 Nominal value RM'000
Issued and fully paid:				
As of 1 January/31 December	2,015,817	438,354	2,015,817	438,354

34. MERGER DEFICIT

	The Group	
	2022 RM'000	2021 RM'000
Merger deficit	71,500	71,500

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

34. 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

35. CURRENCY TRANSLATION RESERVE

	The Group	
	2022 RM'000	2021 RM'000
Non-distributable:		
Currency translation reserve	217	-

Currency translation reserve represents exchange differences arising from the translation of foreign controlled subsidiaries as described in the accounting policies.

36. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

37. BORROWINGS

	The Group	
	2022 RM'000	2021 RM'000
Non-Current:		
Islamic Medium-Term Notes ("IMTN")	298,907	328,540
Current:		
Islamic Medium-Term Notes ("IMTN")	30,000	30,000
Total:		
IMTN (a)	328,907	358,540

The Group and the Company have a total of RM934,121,000 and RM115,121,000 (2021: RM874,121,000 and RM105,121,000) 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 RM836,121,000 (2021: RM826,121,000) are secured by way of either proceeds deposited into designated bank accounts and fixed deposits.

Facilities of the Company amounting to RM67,121,000 (2021: RM57,121,000) 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.

(a) IMTN

	The Group	
	2022 RM'000	2021 RM'000
As of 1 January	358,540	388,159
Redeemed	(30,000)	(30,000)
Interest imputed in borrowing (Note 9)	367	381
As of 31 December	328,907	358,540
Analysed as:		
Non-current liabilities	298,907	328,540
Current liabilities	30,000	30,000
	328,907	358,540

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

37. BORROWINGS (CONT'D)

(a) IMTN (Cont'd)

The non-current portion is repayable as follows:

	The Group	
	2022 RM'000	2021 RM'000
Between 1 to 2 years	29,946	29,936
Between 2 to 5 years	169,322	149,276
Over 5 years	99,639	149,328
As of 31 December	298,907	328,540

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 banks, set aside under the subsidiary's Financial Service Reserve Account as disclosed in Note 27;
- (ii) the subsidiary's equity interest in ordinary shares of all of its subsidiaries as disclosed in Note 20; and
- (iii) the subsidiary's revenue and income including but not limited to any dividends and distributions, whether income or capital in nature, from its group of companies.

The IMTN bears profit at fixed rates ranging from 4.78% to 5.39% (2021: 4.68% to 5.39%) per annum. The weighted average profit rate that was effective as of the end of the reporting period is 5.1% (2021: 5.1%).

The RM420 million in nominal value IMTN is repayable over 11 annual instalments commencing 2020. During the year, the third tranche of the IMTN amounting to RM30,000,000 in nominal value was redeemed in full at maturity on 31 January 2022. The repayment terms of the remaining IMTN tranches are as follows:-

- (i) a nominal value of RM60,000,000 in which each RM30,000,000 is repayable annually from 2023 to 2024;
- (ii) a nominal value of RM120,000,000 in which each RM40,000,000 is repayable annually from 2025 to 2027; and
- (iii) a nominal value of RM150,000,000 in which each RM50,000,000 is repayable annually from 2028 to 2030.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

37. BORROWINGS (CONT'D)

(b) 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.

	Lease liabilities		IMTN	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
As of 1 January 2021	15,330	15,330	388,159	-
Cash flows	(3,512)	(3,512)	(30,000)	-
Non-cash flows:				
- Unwinding of interest	807	807	381	-
As of 31 December 2021/1 January 2022	12,625	12,625	358,540	-
Cash flows (Note 38)	(3,977)	(3,274)	(30,000)	-
Non-cash flows:				
- Additions	16,625	16,188	-	-
- Unwinding of interest	923	545	367	-
- Reassessment of lease (Note 8)	(32)	(32)	-	-
- Acquisition of subsidiaries	9,965	-	-	-
As of 31 December 2022	36,129	26,052	328,907	-

38. LEASE LIABILITIES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Current:				
Lease liabilities	33,391	9,950	23,900	9,950
Current:				
Lease liabilities	2,738	2,675	2,152	2,675
Total	36,129	12,625	26,052	12,625

The Group does not face a significant liquidity risk with regard to its lease liabilities.

The lease liabilities are denominated in Ringgit Malaysia and comprises leases on land and office premises as well as obligations under finance lease on motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

38. LEASE LIABILITIES (CONT'D)

(a) Office premises

During the current year, the Company renewed the rental of its office premises for a tenure of 3 years with the option for renewal of two (2) terms of 3 years each up to 31 December 2031, and an addition of office space in the lease arrangement, as disclosed in Note 16. The Company applied the incremental borrowing rate to the lease liabilities of 5.25% (2021: 5.30%) per annum.

(b) Land

During the current financial year, the Group acquired new subsidiaries as disclosed in Note 49, which has entered into land lease agreements for the purpose of installing solar photovoltaic system and related facilities to generate electricity as disclosed in Note 16. The amount recognised is based on the remaining payment obligations from existing operating leases which are discounted using the incremental borrowing rate to the lease liabilities of 5.40% per annum (2021: Nil).

(c) Obligations under finance lease

The Group's obligations under finance lease bear effective interest rate ranging from 2.50% to 2.60% per annum.

Cash outflows for leases as a lessee are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in the net cash from operating activities:				
Payment relating to short-term leases	166	242	55	57
Included in the net cash from financing activities:				
Payment of lease liabilities	3,054	2,705	2,729	2,705
Interest paid in relation to lease liabilities	923	807	545	807
Total cash outflows for leases (Note 37)	3,977	3,512	3,274	3,512

The maturity analysis of the future lease payments at the reporting date are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Maturity analysis:				
Year 1	2,738	2,675	2,152	2,675
Year 2	2,921	3,147	2,265	3,147
Year 3	3,130	3,313	2,384	3,313
Year 4	3,500	3,490	2,714	3,490
Year 5 onwards	23,840	-	16,537	-
Present value	36,129	12,625	26,052	12,625

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

39. TRADE PAYABLES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-Current:				
Retention sums (b)	1,120	973	-	-
Less: Interest income imputed in retention sum	(70)	(80)	-	-
Net	1,050	893	-	-
Current:				
Trade payables (a)	22,822	36,508	358	-
Retention sums (b)	1,060	5,008	248	-
Net	23,882	41,516	606	-
Total	24,932	42,409	606	-

- (a) Arising from the debt settlement arrangement between Sungai Harmoni and certain major trade payables in 2019, the latter waived 10% on the gross outstanding payables totalling RM87,429,000, equivalent to RM8,743,000. Out of the remaining outstanding balance, the amount totalling RM56,060,000 was agreed to be repaid over a period of three (3) years, commencing from 31 March 2020 and ending on 31 March 2022.

During the financial year, the Group has fully settled the outstanding payables of RM16,984,000, representing the final instalment under the debt settlement arrangement (2021: RM16,984,000) and accordingly, there are no measurement impact of modification on trade payables recognised pursuant to MFRS 9 (2021: a reversal of gain on modification of RM941,000) as disclosed in Note 9.

- (b) At the end of the financial year, the Group has a retention sum owing to contractors amounting to approximately RM2,180,000 (2021: RM5,981,000). Out of this amount, the Group anticipated that RM1,060,000 (2021: RM5,008,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM1,120,000 (2021: RM973,000) has been classified as long-term payables, and it is expected to be released to contractors in year 2024 (2021: 2023 and 2024).

The directors consider that the carrying amount of trade payables approximate to their fair values.

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2022 RM'000	2021 RM'000
Non-Current:		
As of 1 January	80	121
Reversal (Notes 9)	(10)	(41)
As of 31 December	70	80

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

39. TRADE PAYABLES (CONT'D)

The average credit period of trade payables is 30 days (2021: 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	
	2022 RM'000	2021 RM'000
(i) an amount owing to a company in which a director and major shareholders have an interest	1,189	12,802
(ii) an amount owing to a company in which major shareholders have an interest	595	6,013
(iii) an amount owing to an associate	4,766	4,267

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

40. PROVISIONS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision for heavy repairs (a)	25,544	24,143	-	-
Provision for restoration costs (b)	902	1,372	809	809
Provision for asset retirement obligations (c)	7,900	-	-	-
	34,346	25,515	809	809
Current	93	563	-	-
Non-current	34,253	24,952	809	809
	34,346	25,515	809	809

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

40. PROVISIONS (CONT'D)

The Group	Provision for heavy repairs RM'000	Provision for restoration costs RM'000	Provision for asset retirement obligations RM'000	Total RM'000
As of 1 January 2021	22,730	3,016	-	25,746
Provision for the year	4,222	165	-	4,387
Utilisation for the year	(2,809)	(1,809)	-	(4,618)
As of 31 December 2021/1 January 2022	24,143	1,372	-	25,515
Arising from business combination (Note 49)	-	-	7,528	7,528
Provision for the year	4,286	6	372	4,664
Utilisation for the year	(2,885)	(476)	-	(3,361)
As of 31 December 2022	25,544	902	7,900	34,346

The Company	Provision for restoration costs RM'000
As of 1 January 2021/31 December 2021/1 January 2022/31 December 2022	809

- (a) 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.
- (b) Provision for restoration costs of the Group represents management's best estimate of the liabilities to restore the concession assets under Taliworks Langkawi, a subsidiary as at the date of expiration of the Privatisation Contract on 31 October 2020 as disclosed in Note 26(a), and the liability to restore the leased office premises for the Group and the Company at the end of the lease term.
- (c) Provision for asset retirement obligations represents management's best estimate of the feed-in approval holders' obligation to restore the leased land, include amongst others, disassembling costs of the solar photovoltaic modules as stipulated under the land lease agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

41. DEFERRED INCOME

	The Group	
	2022 RM'000	2021 RM'000
Rental and maintenance fee:		
As of 1 January	1,741	1,728
Addition	-	133
Recognised in profit or loss (Note 8)	(123)	(120)
As of 31 December	1,618	1,741
Government compensation:		
As of 1 January	90,913	106,288
Recognised in profit or loss (Note 6)	(14,864)	(15,375)
As of 31 December	76,049	90,913
Current	14,389	14,864
Non-current	63,278	77,790
Total deferred income	77,667	92,654

The description of deferred income has been disclosed in Note 3.

42. OTHER PAYABLES AND ACCRUALS

	The Group	
	2022 RM'000	2021 RM'000
Other payables and accruals	30,005	9,957
Interest payables	7,171	7,667
	37,176	17,624

	The Company	
	2022 RM'000	2021 RM'000
Other payables and accruals	12,550	1,738

In 2020, there was an outstanding Goods and Services Tax ("GST") payable owing to Royal Malaysian Customs Department ("RMCD") by Sungai Harmoni of RM14,693,000, comprising GST payable of RM10,625,000 and GST penalty of RM4,068,000. Sungai Harmoni disagreed with the GST penalty imposed and has appealed against the penalty and therefore, no provision was made.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

42. OTHER PAYABLES AND ACCRUALS (CONT'D)

In 2021, the outstanding GST payable was fully repaid and accordingly, the Group recognised a reversal of gain on modification of RM408,000 as disclosed in Note 9 to the financial statements.

On 26 November 2021, RMCD approved Sungai Harmoni's application to waive the GST penalty amounting to RM4,068,000.

Included in other payables and accruals of the Group and of the Company are the following:

	The Group	
	2022 RM'000	2021 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	98	101
(a) an amount owing to a company in which a director and major shareholders have an interest	-	31

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

43. DIVIDENDS

Dividends declared and paid/payable in respect of the financial year are as follows:

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2022		
Dividends paid:		
In respect of the financial year ended 31 December 2021:		
Fourth interim single-tier dividend paid on 25 March 2022	1.65	33,261
In respect of the financial year ended 31 December 2022:		
First interim single-tier dividend paid on 30 June 2022	1.65	33,261
Second interim single-tier dividend paid on 30 September 2022	1.65	33,261
Third interim single-tier dividend paid on 23 December 2022	1.65	33,261
		133,044

On 16 February 2023, 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 31 March 2023. This dividend has not been included as a liability in the statements of financial position as of 31 December 2022. The dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

43. DIVIDENDS (CONT'D)

The directors do not recommend any final dividend in respect of the current financial year.

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2021		
Dividends paid:		
In respect of the financial year ended 31 December 2020:		
Fourth interim single-tier dividend paid on 31 March 2021	1.65	33,261
In respect of the financial year ended 31 December 2021:		
First interim single-tier dividend paid on 30 June 2021	1.65	33,261
Second interim single-tier dividend paid on 30 September 2021	1.65	33,261
Third interim single-tier dividend paid on 31 December 2021	1.65	33,261
		133,044

44. 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" 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Capital Risk Management (Cont'd)

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Total borrowings (Note 37)	328,907	358,540	-	-
Less: Deposits, cash and bank balances (Note 27)	(96,371)	(110,677)	(14,524)	(14,038)
Less: Investments designated at FVTPL (Note 32)	(120,740)	(346,443)	(26,611)	(300,850)
Net debt	111,796	-	-	-
Total capital	1,047,851	1,157,449	808,423	929,179
Net gearing ratio	10.7	N/A	N/A	N/A

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.

Categories of financial instruments

	The Group	
	2022 RM'000	2021 RM'000
Financial assets		
<u>Financial assets at amortised cost:</u>		
Trade receivables	74,758	50,523
Other receivables and deposits (Note 30)	22,587	24,811
Deposits, cash and bank balances	96,371	110,677
<u>Financial assets at FVTPL:</u>		
Investment designated at FVTPL	120,740	346,443
Other investment	200	240
<u>Financial assets at FVTOCI:</u>		
Investment in redeemable preference shares of a joint venture (Note 21)	36,424	36,424
Financial liabilities		
<u>Financial liabilities at amortised cost:</u>		
Trade payables	24,932	42,409
Other payables and accruals	37,176	17,624
Borrowings	328,907	358,540
Lease liabilities	36,129	12,625

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (Cont'd)

	The Company	
	2022 RM'000	2021 RM'000
Financial assets		
<u>Financial assets at amortised cost:</u>		
Trade receivables	12,548	-
Other receivables and deposits (Note 30)	1,245	1,343
Amount due from subsidiaries (Note 31)	148,502	-
Deposits, cash and bank balances	14,524	14,038
<u>Financial assets at FVTPL:</u>		
Investment designated at FVTPL	26,611	300,850
<u>Financial assets at FVTOCI</u>		
Investment in redeemable preference shares of a subsidiary (Note 20)	275,812	238,012
Investment in redeemable preference shares of a joint venture (Note 21)	36,424	36,424
Financial liabilities		
<u>Financial liabilities at amortised cost:</u>		
Trade payables	606	-
Other payables and accruals	12,550	1,738
Amount due to subsidiaries	-	1,034
Lease liabilities	26,052	12,625

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 are not exposed to significant foreign currency risk as there are minimal transactions undertaken denominated in currencies other than the functional currencies of the entities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (Cont'd)

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of US Dollar.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes all monetary assets/liabilities denominated in foreign currency and adjusts their translation at year end for a 5% change in foreign currency rates. If US Dollar strengthens/weakens against RM by 5%, with all other variables held constant, the impact to the Group's pre-tax profit for the financial year would have been RM107,000 higher/lower.

In the Director's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

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.

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 RM2,471,000 and RM135,000 (2021: RM2,766,000 and RM45,000) 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 26.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (Cont'd)

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 32 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 26, the concentration of credit risk is in the one single largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits, cash and bank balances (Note 27):				
External credit rating (as rated by a rating agency in Malaysia):				
AAA	95,265	104,732	14,059	13,397
AA1	28	-	-	-
AA2	213	5,145	457	635
AA3	471	648	-	-
Without external credit rating	394	152	8	6
	96,371	110,677	14,524	14,038

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (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.

	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						
2022						
Non-interest bearing:						
Trade payables	-	23,882	-	-	-	23,882
Other payables and accruals	-	37,176	-	-	-	37,176
Interest bearing:						
Trade payables	4.0 to 8.0	-	1,120	-	-	1,120
Borrowings	4.78 to 5.39	46,264	44,767	152,990	162,094	406,115
Lease liabilities	4.24 to 7.24	4,646	4,685	14,648	23,294	47,273
		111,968	50,572	167,638	185,388	515,566
2021						
Non-interest bearing:						
Trade payables	-	41,516	-	-	-	41,516
Other payables and accruals	-	17,624	-	-	-	17,624
Interest bearing:						
Trade payables	4.0 to 8.0	-	973	-	-	973
Borrowings	4.68 to 5.39	47,552	46,264	148,798	211,055	453,669
Lease liabilities	5.3	3,344	3,674	7,348	-	14,366
		110,036	50,911	156,146	211,055	528,148

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives (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 Company						
2022						
Non-interest bearing:						
Trade Payables	-	606	-	-	-	606
Other payables and accruals	-	12,550	-	-	-	12,550
Interest bearing:						
Lease liabilities	5.25	3,520	3,520	10,970	15,538	33,548
		16,676	3,520	10,970	15,538	46,704
2021						
Non-interest bearing:						
Other payables and accruals	-	1,738	-	-	-	1,738
Amount due to subsidiaries	-	1,034	-	-	-	1,034
Interest bearing:						
Lease liabilities	5.3	3,344	3,674	7,348	-	14,366
		6,116	3,674	7,348	-	17,138

At the end of the reporting period, no events have arisen which may cause the Financial Guarantees provided by the Group and the Company to be called upon or claimed by any counterparty pursuant to the relevant contracts entered by the Group or the Company. Consequently, no amount is included.

Financing Facilities

The Group and the Company have access to financing facilities as described in Note 37, of which RM524,882,000 and RM52,389,000 (2021: RM449,807,000 and RM57,314,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

45. 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				
2022				
Investment designated at FVTPL:				
Investment in golf membership	-	-	200	200
Investment in unquoted unit trusts	-	120,740	-	120,740
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2021				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in unquoted unit trusts	-	346,443	-	346,443
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

45. 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 Company				
2022				
Investment designated at FVTPL:				
Investment in unquoted unit trusts	-	26,611	-	26,611
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	275,812	275,812
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
2021				
Investment designated FVTPL:				
Investment in unquoted unit trusts	-	300,850	-	300,850
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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

45. FAIR VALUE MEASUREMENT (CONT'D)

(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				
2022				
IMTN	-	342,180	-	342,180
2021				
IMTN	-	382,864	-	382,864

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 3.77% to 5.04% (2021: 2.50% to 4.47%).

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out on an arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the non-related parties.

Terms offered by the related parties are fair and reasonable and in the commercial interests of the Company and comparable with those offered by the non-related parties.

The related parties and the relationship with the Company are as follows:

<u>Related party</u>	<u>Relationship</u>
Alam Ria Sdn. Bhd.	Common director and common major shareholders
Perangas 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
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Taliworks Renewables 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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

46. 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 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.	17,659	16,392	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	7,109	6,874	-	-
Perangang Water Management Sdn. Bhd. (a)	3,554	3,437	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,487	1,368	340	308
Exitra Solutions Sdn. Bhd. (b)	141	141	93	94
Rental of office premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,274	3,344	3,274	3,344
Progress billings:				
LGB Taliworks Consortium Sdn. Bhd.	-	2,361	-	-
Interest income on intercompany loan from Taliworks Renewables Sdn. Bhd.	-	-	5,131	-
Income from subleasing right-of-use assets:				
Sungai Harmoni Sdn. Bhd.	-	-	295	295
Taliworks Construction Sdn. Bhd.	-	-	422	493
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	2,882	2,882
Taliworks Construction Sdn. Bhd.	-	-	747	747
Grand Saga Sdn. Bhd.	-	-	2,820	2,820
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,391	1,391	1,391	1,391
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,610	3,610	3,610	3,610
Total (Note 6)	5,001	5,001	11,450	11,450

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

46. 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	24,300	37,620
Sungai Harmoni Sdn. Bhd.	-	-	-	362,300
TEI Sdn. Bhd.	-	-	3,570	20,400
Joint venture:				
Pinggiran Muhibbah Sdn. Bhd.	-	-	-	1,350
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	-	-	-	14,699
Aqua Flo Sdn. Bhd.	-	-	817	901
Total (Note 6)	-	-	28,687	437,270

- (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. 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.

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 indirect major shareholder in Perangsang Water Management Sdn. Bhd..

- (b) Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd. and GSL Realty Sdn. Bhd.. He is also indirect major shareholder in these companies as well as in SWM Environment Holdings Sdn. Bhd..

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel (Cont'd)

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	144	144	120	120
Wages, salaries and bonus	4,786	4,255	2,639	2,467
Defined contribution plan	445	395	247	238
Other emoluments	498	352	292	201
	5,873	5,146	3,298	3,026

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 RM700,000 (2021: RM640,000) and RM672,000 (2021: RM612,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM148,000 (2021: RM144,000) and RM81,000 (2021: RM103,000) respectively.

47. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Capital commitments not provided for in the financial statements are as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Authorised but not contracted for:				
Property, plant and equipment	34,022	4,264	410	419

Contingent liabilities

There are no contingent liabilities in the Group and in the Company which have arisen as at the end the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

48. 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Year 1	286	252	752	803
Year 2	65	76	752	2
Year 3	3	64	739	-
Year 4	-	33	779	-
Year 5 onwards	-	-	4,020	-
	354	425	7,042	805

49. SIGNIFICANT EVENTS

On 30 November 2020 and 15 December 2020, TRSB, a wholly-owned subsidiary of the Company, executed two (2) separate Conditional Share Sale and Purchase Agreements ("SSPA") to acquire the entire equity interest in four solar projects held by feed-in approval holders namely TR Sepang Sdn. Bhd. (f.k.a. "Fortune 11 Sdn. Bhd.") ("TR Sepang"), TR Satern Sdn. Bhd. (f.k.a. "Corporate Season Sdn. Bhd.") ("TR Satern") and TR Cpark Sdn. Bhd. (f.k.a. "Silverstar Pavillion Sdn. Bhd.") ("TR Cpark") (collectively known as "FIAHs"), with an aggregate capacity of 19MW within the vicinity of the Kuala Lumpur International Airport.

The proposed acquisition entails the following:

- (i) direct acquisition of the entire equity interest in TR (SG1) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 1 Pte. Ltd.") ("SG1"), TR (SG2) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 2 Pte. Ltd.") ("SG2"), TR (SG3) Pte. Ltd. (f.k.a "Sunedison Solar Holdings 3 Pte. Ltd.") ("SG3") and Taliworks Renewables Operations Sdn. Bhd. (f.k.a. "Terraform Global Operating (Malaysia) Sdn. Bhd.") ("TRO"), for a purchase consideration of RM144.1 million where SG1, SG2 and SG3 held majority economic interest in each of the FIAH (collectively known as "Renewables Group")
- (ii) direct acquisition of the remaining equity interest in FIAHs not held by SG1, SG2 and SG3 for a purchase consideration of RM36.3 million.

On 30 November 2021, the SSPA of the proposed acquisition (i) has been extended to 15 March 2022 and was further extended until 15 June 2022 on 15 March 2022. On 25 March 2022, the SSPA for the proposed acquisition (ii) which has lapsed on 16 December 2021 was extended to 15 June 2022 with the purchase consideration being revised to RM37.5 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

49. SIGNIFICANT EVENTS (CONT'D)

Proposed Acquisition (i)

On 21 April 2022, the SSPA of the proposed acquisition (i) has been completed. Accordingly, SG1, SG2, SG3 and TRO became wholly-owned subsidiaries of TRSB, a wholly-owned subsidiary of the Company. Due to that, the Group obtained control over the FIAHs by virtue of the majority economic interest held by SG1, SG2 and SG3 and TRO, and therefore, they have been accounted for using the acquisition method in accordance with MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements, which resulted in a goodwill on consolidation to the Group amounting to RM3,118,000.

The analysis of the above acquisition is as follows:-

(i) Consideration transferred

	The Group 2022 RM'000
Aggregate Transaction Sum	144,050
Adjustments*	(16,217)
	127,833
Settlement of previous shareholders' loans owing by FIAHs	(125,614)
	2,219

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

49. SIGNIFICANT EVENTS (CONT'D)

Proposed Acquisition (i) (Cont'd)

The analysis of the above acquisition is as follows:- (Cont'd)

(ii) The fair value of the identifiable assets acquired and liabilities at the date of acquisition:

	Acquiree's carrying amount RM'000	FVM adjustments RM'000	Fair values recognised on acquisition date RM'000
Non-current assets			
Property, plant & equipment (Note 15)	114,150	18,241	132,391
Lease assets (Note 16)	8,309	1,656	9,965
Current assets			
Trade and other receivables	2,338	-	2,338
Tax recoverable	387	-	387
Bank and cash balances	34,807	-	34,807
Non-current liabilities			
Lease liabilities (Note 38)	(8,466)	(839)	(9,305)
Provision for asset retirement obligations (Note 40)	(10,080)	2,552	(7,528)
Deferred tax liabilities (Note 25)	(18,070)	(5,111)	(23,181)
Current liabilities			
Trade and other payables	(141,950)	-	(141,950)
Proposed Dividends	(244)	-	(244)
Lease liabilities (Note 38)	(351)	(309)	(660)
Total identifiable net liabilities	(19,170)	16,190	(2,980)

Goodwill recognised as a result of the acquisition is as follows:

	The Group 2022 RM'000
Equity consideration paid	2,219
Add: the non-controlling interest measured at its acquisition-date at fair value	(2,081)
Add: fair value of net identifiable liabilities	2,980
Goodwill on consolidation (Note 24)	3,118

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

49. SIGNIFICANT EVENTS (CONT'D)

Proposed Acquisition (i) (Cont'd)

The analysis of the above acquisition is as follows:- (Cont'd)

(iii) Net cash inflow on acquisition of subsidiaries

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

Proposed Acquisition (ii)

On 15 June 2022, the SSPA of the proposed acquisition (ii) has been completed. Accordingly, TRSB, a wholly-owned subsidiary of the Company, will hold the entire equity interest in FIAHs via direct ownership in SG1, SG2 and SG3 and remaining equity interest in FIAHs not held by SG1, SG2 and SG3. The analysis of the above acquisition is as follows:

(i) Consideration transferred

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

49. SIGNIFICANT EVENTS (CONT'D)

The seller and the Group agreed to a capital expenditure of RM5.67 million (referred to as "Agreed Mitigation Costs") to be incurred on the site of a photovoltaic plant. Out of this sum, RM4,120,000 is borne by the vendor and the amount has been adjusted to the equity consideration as elaborated in Note 49(i). Pursuant to the SPA, if the total Mitigation Costs incurred is less than RM4,800,000 by 28 February 2023 ("Shortfall"), the Group would undertake to pay to the seller an amount equivalent to 85% of the Shortfall, as calculated using an agreed formulae stipulated in the SPA.

As at the date of this report, both parties had reached a consensus of the mitigation work plan estimated fee at more than RM4,800,000, and hence, there was no refund was required by the Group.

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2023

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	351	5.12	10,704	0.00
100 – 1,000	944	13.76	561,616	0.03
1,001 – 10,000	3,045	44.39	16,246,025	0.80
10,001 – 100,000	2,067	30.14	65,466,537	3.25
100,001 to less than 5% of issued shares	446	6.50	779,219,359	38.66
5% and above of issued shares	6	0.09	1,154,313,333	57.26
Total	6,859	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.	CIMB Group Nominees (Asing) Sdn Bhd Pledged Securities Account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)	106,250,000	5.27
7.	Mal Monte Sdn Bhd	95,850,000	4.75
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	75,000,000	3.72
9.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	72,131,056	3.58
10.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd.	43,186,998	2.14
11.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)	42,669,583	2.12
12.	Lim Chee Meng	42,645,050	2.12
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Chee Meng (PB)	41,666,666	2.07

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2023

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
14.	Ng Yim Hoo	18,063,333	0.90
15.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Family Takaful Berhad (Family)	15,224,400	0.76
16.	Minhat Bin Mion	13,333,333	0.66
17.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Life Insurance Berhad (Life Par)	10,823,400	0.54
18.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ng Lee Ling (PB)	9,000,000	0.45
19.	Century General Water (M) Sdn Bhd	8,745,000	0.43
20.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Ka Ting (E-SS2)	7,900,000	0.39
21.	Amanahraya Trustees Berhad PMB Shariah Growth Fund	7,695,900	0.38
22.	CIMB Islamic Nominees (Tempatan) Sdn Bhd Principal Islamic Asset Management Sdn Bhd for Lembaga Tabung Haji	7,272,433	0.36
23.	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (Principal 2)	7,262,100	0.36
24.	Citigroup Nominees (Tempatan) Sdn Bhd Urusharta Jamaah Sdn. Bhd. (Maybank 2)	7,098,300	0.35
25.	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund	6,849,766	0.34
26.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Life Insurance Berhad (Life Non Par)	6,368,600	0.32
27.	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank) (412183)	6,047,400	0.30
28.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa General Takaful Berhad (Shareholders Fund – EQ)	6,043,200	0.30
29.	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Family Takaful Berhad (Shareholders)	5,793,900	0.29
30.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CGS CIMB)	5,039,544	0.25
TOTAL		1,716,023,295	85.14

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2023

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	154,222,433	7.65	-	-	-
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	84,311,716	4.18	1,006,833,333	(e)	49.95
Lim Chin Sean	250,006	0.01	1,006,833,333	(e)	49.95
LGB Group Sdn Bhd	-	-	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 shareholdings in Tali-Eaux Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.
- (c) Deemed interest by virtue of its 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 pursuant to Section 8(4) of the Companies Act 2016.
- (d) Deemed interest by virtue of its shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.
- (e) Deemed interest by virtue of their 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 pursuant to Section 8(4) of the Companies Act 2016.
- (f) Deemed interest by virtue of its shareholdings in Century General Water (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

As at 24 March 2023

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	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Dato' Lim Yew Boon	1,000,000	0.05	-	-	-
Datin Pauline Tam Poh Lin	-	-	275,000	(a)	0.014
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-
Datuk Roger Tan Kor Mee	-	-	-	-	-
Lim Chin Sean	250,006	0.01	1,006,833,333	(b)	49.95

Notes:-

(a) Deemed interest by virtue of her spouse's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.

(b) Deemed interest by virtue of his 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 OF VIRTUAL ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting (“32nd AGM”) of the Company will be held on a virtual basis through live streaming and online voting via the Remote Participation and Electronic Voting (“RPEV”) Facilities on Tuesday, 20 June 2023 at 11.00 a.m. or any adjournment thereof for the following purposes:

Online Meeting Platform : <https://meeting.boardroomlimited.my>
(Domain Registration No. with MYNIC – D6A357657)
Broadcast Venue : Level 3, Menara LGB, No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail, 60000 Kuala Lumpur

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**
2. To approve the payment of Directors' fees with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024. **(Resolution 1)**
(Please refer to Note 2)
3. To approve the payment of Directors' benefits with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024. **(Resolution 2)**
(Please refer to Note 3)
4. 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) YAM Tunku Ali Redhaudin Ibni Tuanku Muhriz **(Resolution 3)**
 - (b) Datuk Roger Tan Kor Mee **(Resolution 4)****(Please refer to Note 4)**
5. To re-elect Datin Pauline Tam Poh Lin who is retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, has offered herself for re-election. **(Resolution 5)**
(Please refer to Note 5)
6. 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 6)**
(Please refer to Note 6)

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

As Special Business

To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

7. **AUTHORITY TO ISSUE AND ALLOT SHARES OF THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“PROPOSED GENERAL MANDATE”)**

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approvals of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby empowered to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed ten per centum (10%) of the total number of the issued shares (excluding any treasury shares) of the Company for the time being.

THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

- a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b. at the expiration of the period within which the next Annual General Meeting is required to be held after the approval was given; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(Resolution 7)
(Please refer to Note 7)

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

8. **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 28 April 2023 ("the Circular") provided that such transactions are:

- (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;

(Resolution 8)
(Please refer to Note 8)

NOTICE OF VIRTUAL 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."

- 9. 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

TAI YIT CHAN
(SSM PC No.:202008001023) (MAICSA 7009143)
TAI YUEN LING
(SSM PC No.: 202008001075) (LS 0008513)
Company Secretaries

Petaling Jaya
Dated this 28th day of April, 2023

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 2022

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.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

2. Item 2 of the Agenda

To approve the payment of Directors' fees with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024

The proposed Ordinary Resolution 1, if passed, will give authority to the Company to pay the Directors' fees with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024, 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 2022.

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.

3. Item 3 of the Agenda

To approve the payment of Directors' benefits with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024

The proposed Ordinary Resolution 2, if passed, will give authority to the Company to pay the Directors' benefits with effect from 21 June 2023 until the next Annual General Meeting of the Company to be held in 2024.

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	RM2,000 per meeting
	Members of the Board/Board Committees	RM1,500 per meeting
Directors' and Officers' Indemnity Insurance	-	RM17,900

4. Item 4 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) **YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz ("YAM Tunku Ali")**

(b) **Datuk Roger Tan Kor Mee ("Datuk Roger Tan")**

The Nominating Committee ("NC") of the Company has reviewed the performance of each Director who are subject for re-election and has assessed the criteria and contribution of YAM Tunku Ali and Datuk Roger Tan through an annual assessment, are satisfied with the performance, contribution and effectiveness of the Directors being eligible, have offered themselves for re-election at this AGM.

These two (2) retiring Directors have abstained from deliberations and decisions on their own eligibility and suitability to stand for re-election at the relevant Board and Board Committees meetings and have no conflict of interests with the Company. The profiles of these retiring Directors are set out on pages 66 and 68 of the Annual Report 2022.

NC has recommended for their re-election at the forthcoming AGM of the Company. The Board endorsed the NC's recommendation that YAM Tunku Ali and Datuk Roger Tan 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.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

(a) Ordinary Resolution 3 – Re-election of YAM Tunku Ali as Independent Non-Executive Director

YAM Tunku Ali fulfils the requirement of independence set out in the Main Market Listing Requirements of Bursa Securities as well as the prescribed criteria under the MCCG 2021. He demonstrates his independence through his constructive feedback to the Company in developing the Group's business strategies. He also exercised his due care and carried out his duties professionally during his tenure as Independent Non-Executive Director.

(b) Ordinary Resolution 4 – Re-election of Datuk Roger Tan as Independent Non-Executive Director

Datuk Roger Tan fulfils the requirement of independence set out in the Main Market Listing Requirements of Bursa Securities as well as the prescribed criteria under the MCCG 2021. He demonstrates his independence through his constructive feedback to the Company in developing the Group's business strategies. He also exercised his due care and carried out his duties professionally during his tenure as Independent Non-Executive Director.

5. Item 5 of the Agenda

To re-elect Datin Pauline Tam Poh Lin who is retiring pursuant to Clause 82 of the Constitution of the Company and being eligible, has offered herself for re-election

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.

Datin Pauline Tam Poh Lin ("Datin Pauline Tam") who was appointed on 17 August 2022 shall hold office until the conclusion of the 32nd AGM and shall be eligible for re-election pursuant to Clause 82 of the Constitution of the Company.

The NC of the Company has reviewed the performance of Datin Pauline Tam who is subject for re-election and has assessed the criteria and contribution of Datin Pauline Tam through an annual assessment, is satisfied with the performance, contribution and effectiveness of the Director being eligible, have offered herself for re-election at this AGM.

Datin Pauline Tam has abstained from deliberations and decisions on her own eligibility and suitability to stand for re-election at the relevant Board and Board Committee meetings and has no conflict of interests with the Company. The profile of Datin Pauline Tam is set out on page 69 of the Annual Report 2022.

NC has recommended for her re-election at the forthcoming AGM of the Company. The Board endorsed the NC's recommendation that Datin Pauline Tam be re-elected as Director 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.

Ordinary Resolution 5 – Re-election of Datin Pauline Tam as Independent Non-Executive Director

Datin Pauline Tam fulfils the requirement of independence set out in the Main Market Listing Requirements of Bursa Securities as well as the prescribed criteria under the MCCG 2021. She demonstrates her independence through her constructive feedback to the Company in developing the Group's business strategies. She also exercised her due care and carried out her duties professionally during her tenure as Independent Non-Executive Director.

6. Item 6 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.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

7. Item 7 of the Agenda

Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 (“Proposed General Mandate”)

The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Thirty-First Annual General Meeting of the Company held on 1 June 2022, and if passed, will give the Directors authority to issue and allot shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“New Shares”), provided that the aggregate number of such New Shares to be issued and allotted pursuant to this resolution does not exceed 10% of the total number of the issued shares (excluding any treasury shares) of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance. The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting (“AGM”) or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors of the Company at the 31st AGM held on 1 June 2022 and which will lapse at the conclusion of the 32nd AGM. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect thereof.

The 20% General Mandate granted by the shareholders at the Thirty-First Annual General Meeting of the Company held on 1 June 2022 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the Proposed 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 current and/or future investment project(s), working capital, acquisition(s) and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors of the Company may deem fit in the best interest of the Company.

8. Item 8 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 8 is intended to seek shareholders' mandate to renew the existing shareholders' mandate granted by the shareholders of the Company at the Thirty-First Annual General Meeting held on 1 June 2022 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 8 is set out in the Circular to Shareholders dated 28 April 2023.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING

Notes:

1. The conduct of a virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022 ("Revised Guidance Note and FAQs"). The Revised Guidance Note and FAQs state that in a virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the CA 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Shareholders **WILL NOT BE ALLOWED** to attend the 32nd AGM in person at the Broadcast Venue on the day of the meeting.
3. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 14 June 2023 shall be eligible to attend the 32nd AGM.
4. A member/shareholder of the Company entitled to attend and vote at the 32nd 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 32nd 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 32nd AGM shall have the same rights as the member of the Company to speak at the 32nd 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 at 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 32nd AGM, i.e. by 11.00 a.m. on Monday, 19 June 2023 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> before the proxy form lodgement cut-off time as mentioned above. **Please follow the procedures in the Administrative Guide for the 32nd AGM in order to participate remotely via RPEV facilities.**

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**TALIWORKS CORPORATION BERHAD**Company No. 196501000264 (6052-V)
(Incorporated in Malaysia)**FORM OF PROXY**

No. of shares held	:	
CDS Account No.	:	

I/We* _____ NRIC/Passport/Registration No.* _____
(Name in full)of _____
(Address)

with email address _____ tel. no. _____

being a member/members* of TALIWORKS CORPORATION BERHAD ("the Company"), hereby appoint:-

Full Name:	NRIC/Passport No.:	Proportion of shareholding to be represented by the proxy/proxies:	
		No. of Shares	%
Address:			
Tel. No.:		Email Address:	
*And/or			

Full Name:	NRIC/Passport No.:	Proportion of shareholding to be represented by the proxy/proxies:	
		No. of Shares	%
Address:			
Tel. No.:		Email Address:	
*And/or			

or failing him/her, the *Chair of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Second Annual General Meeting ("32nd AGM") of the Company to be conducted on a virtual basis through live streaming and online voting via the Remote Participation and Electronic Voting ("RPEV") Facilities on Tuesday, 20 June 2023 at 11.00 a.m. or any adjournment thereof at for the following purposes.

Online Meeting Platform : <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657)
Broadcast Venue : Level 3, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur

*Please delete as appropriate.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an 'X' in the appropriate spaces below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

No.	Resolution		For	Against
Ordinary Business				
1	To approve the payment of Directors' fees	Ordinary Resolution 1		
2	To approve the payment of Directors' benefits	Ordinary Resolution 2		
3	Re-election of YAM Tunku Ali Redhaudin Ibni Tuanku Muhriz as Director	Ordinary Resolution 3		
4	Re-election of Datuk Roger Tan Kor Mee as Director	Ordinary Resolution 4		
5	Re-election of Dafin Pauline Tam Poh Lin as Director	Ordinary Resolution 5		
6	Re-appointment of Messrs. 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	Ordinary Resolution 6		
7	Authority to issue and allot shares of the Company pursuant to Sections 75 and 76 of the Companies Act 2016 ("proposed general mandate")	Ordinary Resolution 7		
Special Business				
8	Proposed renewal of existing Shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature	Ordinary Resolution 8		

Signed this _____ day of _____, 2023.

Signature or Common Seal of Member(s)

Tel. No. _____

Notes:

(i) The 32nd Annual General Meeting ("AGM") of the Company will be conducted on a virtual basis through live streaming and online voting via the Remote Participation and Electronic Voting ("RPEV") Facilities. Please follow the procedures provided in the Administrative Guide for the 32nd AGM in order to register, participate and vote remotely via the RPEV facilities.

(ii) The conduct of a virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022 ("Revised Guidance Note and FAQs"). The Revised Guidance Note and FAQs state that in a virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.

- (iii) In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 14 June 2023 shall be eligible to attend the 32nd AGM.
- (iv) A member/shareholder of the Company entitled to attend and vote at the 32nd 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 32nd 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 32nd AGM shall have the same rights as the member of the Company to speak at the 32nd AGM.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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 at 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 32nd AGM, i.e. by 11.00 a.m. on Monday, 19 June 2023 or any adjournment thereof. Alternatively, the form of proxy can be deposited electronically through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> before the proxy form lodgement cut-off time as mentioned above.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of 32nd AGM dated 28 April 2023.

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Affix Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (196501000264) (6052-V)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Section 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +60 3 7890 4700
F +60 3 7890 4670

Then fold here

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