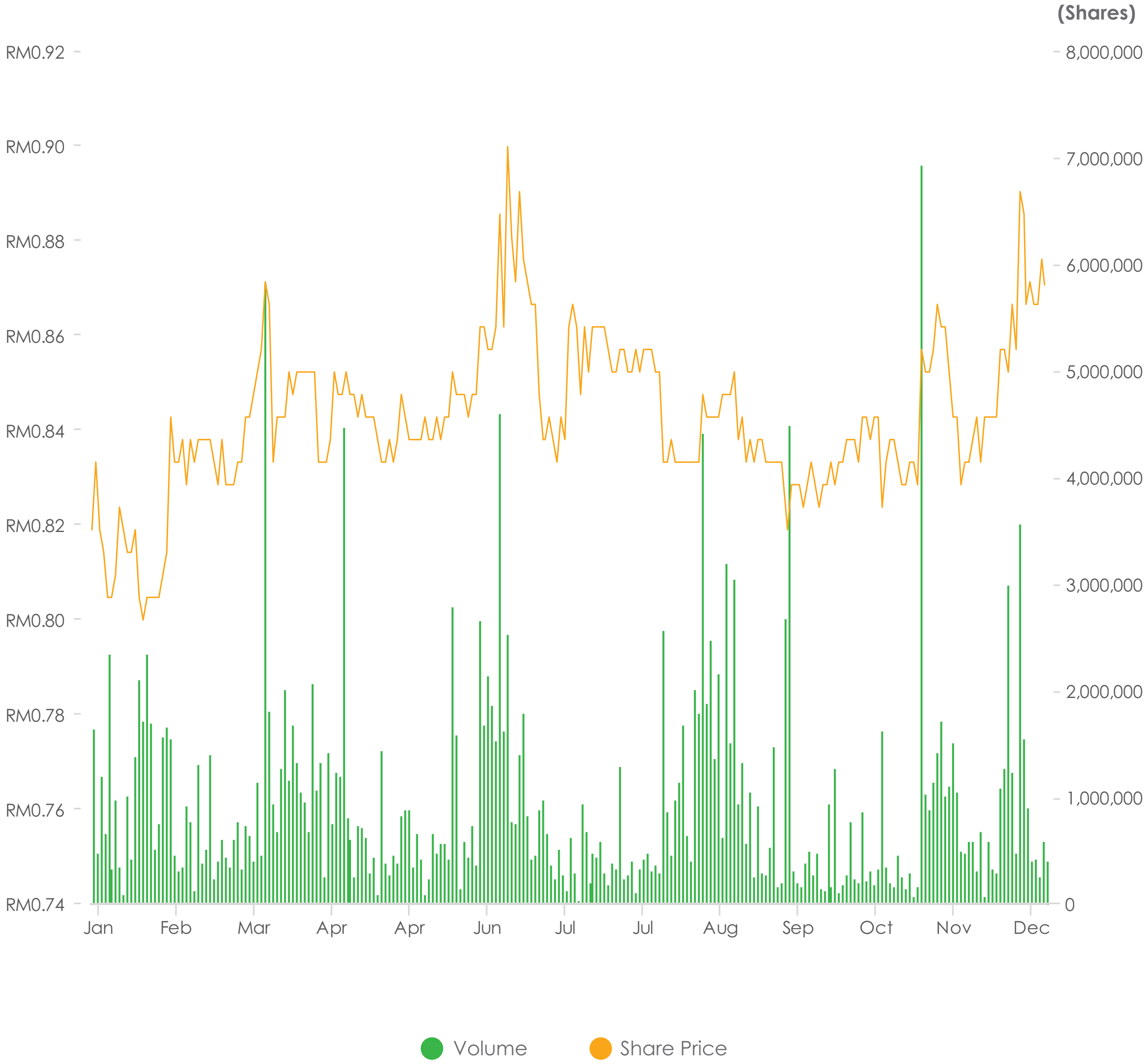
TALIWORKS DAILY SHARE PRICE AND VOLUME

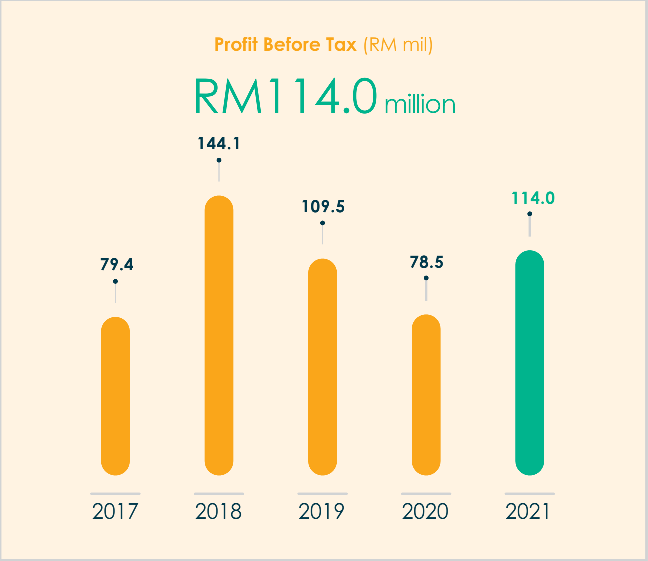
52W High – RM0.90 | **52W Low** – RM0.80 | **Year-end closing price** – RM0.87

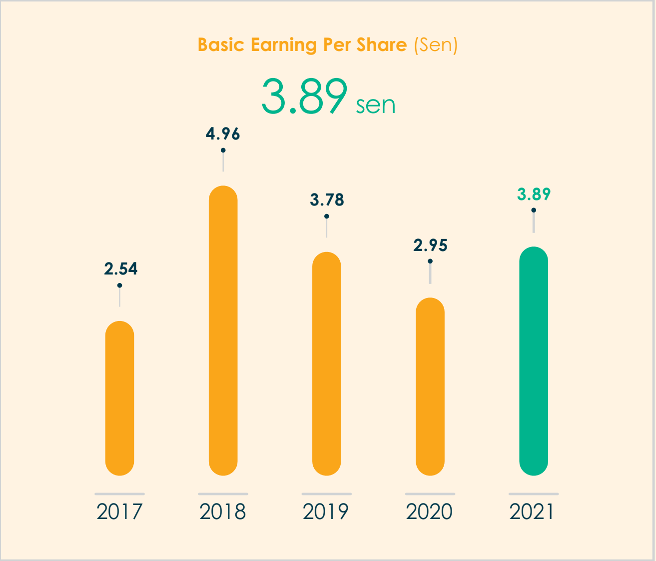


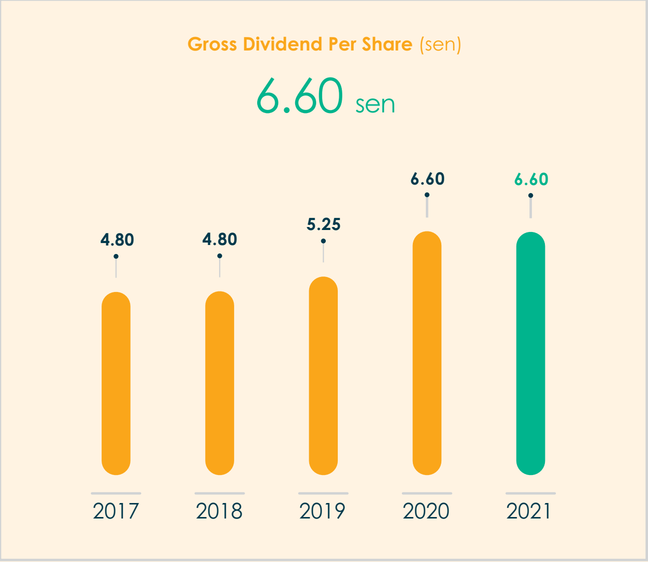
5-Year Financial Highlights

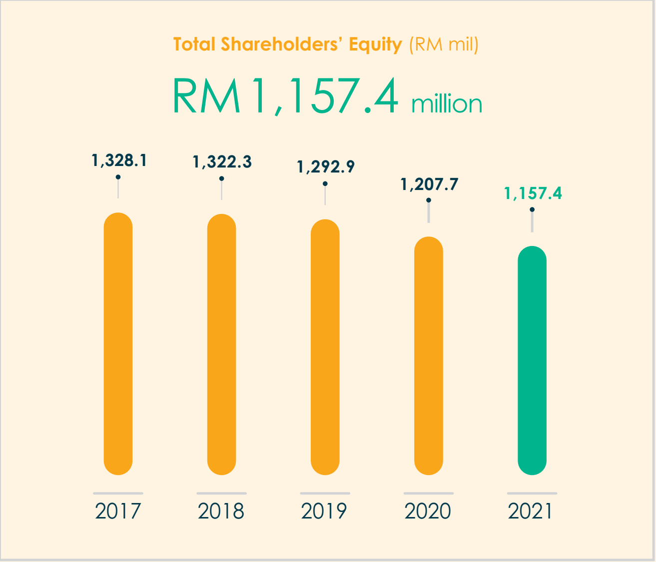
	2017 RM MIL	2018 RM MIL	2019 RM MIL	2020 RM MIL	2021 RM MIL
PROFITABILITY					
Revenue	374.1	374.2	377.1	317.9	302.6
EBITDA(i)	131.2	213.5	180.0	128.9	152.2
Profit Before Taxation	79.4	144.1	109.5	78.5	114.0
Profit for the Financial Year	64.5	109.3	86.5	63.5	102.4
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,371.9	2,443.9	2,353.5	2,075.0	1,943.1
Total Borrowings	416.7	447.1	467.6	388.2	358.5
Total Shareholders' Equity	1,328.1	1,322.3	1,292.9	1,207.7	1,157.4
No of Shares in issue	2,015.8&	2,015.8	2,015.8	2,015.8	2,015.8
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	231.5	239.5	247.9	225.5	169.1
- construction	51.7	42.5	34.5	12.7	14.8
- toll highway	85.6	86.9	89.4	74.4	113.7
- others	5.3	5.4	5.3	5.3	5.0
	374.1	374.2	377.1	317.9	302.6
Profit Before Taxation					
- water treatment, supply and distribution	65.5	152.1	108.8	74.8	58.6
- construction	2.6	0.2	1.4	0.5	(1.0)
- toll highway	28.2	20.4	22.8	11.2	51.7
- others	(20.3)	(13.8)	(13.6)	(10.8)	(9.7)
	76.0	158.8	119.4	75.7	99.7
- share of results of joint venture	2.7	1.0	5.3	4.7	6.0
- share of results of associates	0.6	(15.7)	(15.1)	(1.9)	8.3
	79.4	144.1	109.6	78.5	114.0
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	4.80&	4.80	5.25	6.60	6.60
Net Assets per share (sen)	52.27 &	52.43	51.24	47.59	44.89
Earnings per share (sen)					
- basic	2.54 &	4.96	3.78	2.95	3.89
- fully diluted	2.54 &	4.96	3.78	2.95	3.89
Return on Equity (%)(ii)	4.73	8.24	6.61	5.08	8.66
Return on Assets Employed (%)(iii)	2.67	4.54	3.60	2.87	5.09
Dividend payout ratio (%)(iv)	149.92	88.56	122.42	209.42	129.98
Net Debt to Equity ratio (%)	19.22	25.41	-	-	-

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









Notes:

& adjusted for the effects of bonus shares issued

(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.

CHAIRMAN'S STATEMENT

YAM TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Independent Non-Executive Chairman

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 2021 ("FYE2021").

REVENUE

RM302.58
MILLION

2020: RM317.88 million

PROFIT AFTER TAX

RM102.36
MILLION

2020: RM63.53 million

DIVIDEND

6.60 sen
PER SHARE

2020: 6.60 sen per share

"

WE HAVE SECURED CONTRACTS WORTH A TOTAL OF RM896.3 MILLION FROM AIR SELANGOR TO DEVELOP TWO PACKAGES UNDER PHASE 1 OF THE SUNGAI RASAU WATER TREATMENT PLANT AND WATER SUPPLY SCHEME.

"

Taliworks has been resilient. While COVID-19 left an indelible mark in our history, leaving many institutions and individuals reeling from the effects of the pandemic, we were fortunate, and through persistence and perseverance, we had a successful year.

There is no denying that rising commodity prices, inflation, regional tensions and resulting supply shortages are emerging risks for 2022. Moreover, the resurgence in COVID-19 cases led by Omicron and its sub-variants continues to be a cause for concern. The global outlook remains weak, where the International Monetary Fund projected (in Jan 2022, before the war in Ukraine) that global economic growth will moderate from 5.9% in 2021 to 4.4% in 2022. In comparison, Malaysia is in a better position, with Bank Negara Malaysia projecting the economy to grow between 5.3% and 6.3%, supported by continued expansion in global demand, relaxation of containment measures, reopening of international borders, improvement in labour market conditions and recovery in private investment.

The government's proactive efforts, including the implementation of eight economic stimulus packages totalling RM530 billion, such as the PRIHATIN package, National Economic Recovery Plan, KITA PRIHATIN and the recently announced revival of the MRT3 project, help drive these growth projections. Furthermore, the re-opening of economic and industrial sectors since the end of 2021, the reopening of our borders on 1 April 2022, and Malaysia's high vaccination rates (79.6% of population aged 5 and above, as of the writing of this Annual Report) will help Malaysia return to pre-pandemic trends in the short term, and provide a more resilient outlook over the longer horizon.

FINANCIAL PERFORMANCE

The Group's financial performance remained strong and sustainable during the financial year under review as Malaysia's economic activities gathered pace.

Whilst revenue experienced a 5% year-on-year decline to RM302.58 million mainly due to the expiry of Langkawi water privatisation contract in October 2020, and to a lesser extent, lower electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 operation due to lower electricity costs, I am pleased to report that profit after tax for the Group increased by 61% year-on-year to RM102.36 million, attributable to higher contributions from our toll division and higher share of results from joint ventures and associates. Full analysis of our financial performance is provided in the Management Discussion and Analysis section of this Annual Report.

GROWTH THROUGH NEW PROJECTS AND VENTURES

Under our engineering and construction division, we are delighted to have secured contracts worth a total of RM896.3 million from Pengurusan Air Selangor Sdn. Bhd. to develop two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme ("Rasau Projects"). The award of the Rasau Projects reflects the market's trust in our reliability in executing critical infrastructure.

On the renewable energy front, we achieved a significant milestone in 2020 when we entered into two separate conditional Share Purchase Agreements ("SPA") to acquire four solar assets with an aggregate capacity of 19-megawatt peak, within the vicinity of the Kuala Lumpur International Airport. As of the writing of this Report, regulatory approvals for the acquisition have been obtained, while other conditions are close to being satisfied. Once completed, we expect the solar assets to positively contribute to revenue and earnings for the Group moving forward.

PROGRESSING ON OUR SUSTAINABILITY JOURNEY

As a provider of public utilities and operator of civil infrastructure, we are conscious of the role we play in contributing to a sustainable environment. This journey began in 2017, where we established our Sustainability Steering Committee to ensure accountability for our sustainable goals and performance.

Today, we are proud to have in place a Sustainability Framework, supported by four pillars, "*Better Business Through Innovation*", "*Impact-Positive Environmental Practices*", "*Valued Human Capital*", and "*Enriched Communities*". This Framework lays down our ambitions and time-bound goals and focuses the Group's long-term approach to the fast-evolving sustainability agenda.

As part of these efforts, we continue to work on instilling the economic, environmental, and social ("EES") aspects of sustainability across Taliworks by connecting these EES aspects to the relevant stakeholders. Our efforts have started to bear fruit and as an example, we have achieved the Malaysia Green Highway Index certification. This year, we enhanced the transparency of our climate-related disclosures by aligning with the recommendations of the Task Force on Climate-Related Financial Disclosure ("TCFD").

Throughout 2021, we focused on securing the occupational safety, health, and wellness of our employees, which remains paramount, particularly in the face of an ongoing global health crisis. We strengthened our efforts to ensure employees remain well-protected in the workplace through the provision of Personal Protection Equipment, amongst other preventive measures, to mitigate the spread of COVID-19. Furthermore, we believe it is crucial to embed a culture of safety amongst our employees through training and development, in order to lead in our role as a public utilities and infrastructure provider for all.

With regards to our Corporate Social Responsibility efforts, we have focused on helping the community in Malaysia, and as such have partnered with several non-governmental organisations such as MERCY Malaysia and Yayasan Food Bank Malaysia to provide the necessary resources to alleviate the plight of the underserved, elderly, children, and communities in need.

Going forward, we will continue to deepen our efforts in integrating sustainability into the heart of our business. More details of our endeavours and various initiatives to address environmental, social, and governance ("ESG") issues are included in the Sustainability Statement section of this Annual Report.

REWARDING SHAREHOLDERS

Against the backdrop of the challenging operating environment, our performance continues to be robust enough for us to meet our commitment to reward our shareholders. For FYE2021, Taliworks has maintained its dividend distribution of 6.60 sen per share totalling RM133.04 million, the same as in the previous year. This translates to a dividend yield of 7.3% based on the closing price of RM0.90 on 11 April 2022. We are pleased that we have not only maintained, but consistently surpassed, our dividend policy of paying out 75% of our normalised profit after tax.

> **"FOR FYE2021, TALIWORKS HAS MAINTAINED ITS DIVIDEND DISTRIBUTION OF 6.6 SEN PER SHARE. WE HAVE CONSISTENTLY OUTPERFORMED OUR DIVIDEND POLICY OF PAYING OUT 75% OF OUR NORMALISED AFTER TAX PROFITS."**

OUR STRATEGIC FOCUS MOVING FORWARD

Our businesses have been resilient amidst the challenges brought about by the COVID-19 pandemic. The water treatment, supply and distribution business remains our core profit contributor while our highway toll concessionaire, operations and maintenance, and waste management divisions fared considerably well to boost our bottom-line.

The first of our strategic focuses moving forward is to consistently perform our obligations under our existing contracts safely, securely, and efficiently. These contracts together will be critical to support the dividend payout to our shareholders in the near term. We will proactively monitor our businesses to ensure our operations run smoothly, and we will also ensure our procedures are in line with international standards and best practices.

Our second strategic focus is to grow our businesses by seeking new contracts and merger & acquisition opportunities. With the water industry being one of the Government's priorities, we foresee new infrastructure opportunities in this sector which the Group can readily tap into, be it construction, operations and maintenance, or build-operate-transfer contracts. The Group also hopes to secure new waste management contracts in other jurisdictions or explore new waste management services. For the existing waste management and cleansing concession agreement, we are actively pursuing a resolution on tariff negotiations with the relevant government agencies. As for our renewable energy initiative, we remain active in exploring value-accretive opportunities, including solar and waste-to-energy projects.

Moving forward, in line with our objective to maximise shareholders' value, we will continue to focus on expanding into mature operational cash-generating utilities and infrastructure businesses with the intention of being an established infrastructure company with capabilities to design, build and operate infrastructure projects, and providing end-to-end solutions to prospective customers.

ACKNOWLEDGEMENTS

From our colleagues to our customers, each person plays a significant role in growing Taliworks to where we are today. We recognise and appreciate the importance and efforts of all our stakeholders, and we will always endeavour to create value for all of you.

I would like to take this opportunity to express my sincere appreciation to my fellow Board members for their astute leadership, valuable counsel, and their steadfast commitment to Taliworks through these unprecedented times. Furthermore, our achievements would not have been possible without the dedication of our management team and all our colleagues' commitment and support throughout this difficult period.

My gratitude also goes to all our customers, suppliers, business partners, regulators, and financiers. I would like to thank you for your unwavering support, trust and the immense cooperation given to the Group during this challenging chapter.

Last, but certainly not least, I would like to thank you, our valued Shareholders, for your confidence in Taliworks. We are passionate about making a significant positive impact in everything we do, and as we grow our business, we will strive to deliver sustainable value for all stakeholders.

Thank you and stay safe.

Tunku Ali Redhauddin Ibni Tuanku Muhriz
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

The following is the summary of the financial performance of the Group for the year ended 31 December 2021 as compared to the previous financial year.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM302.58 million, a 5% decrease from RM317.88 million in the previous year. PBT stood at RM113.98 million (2020: RM78.52 million) while PAT for the year was RM102.36 million (2020: RM63.53 million). The lower revenue was primarily due to the lower revenue recorded from the water treatment, supply and distribution division. This was attributable to the expiration of Taliworks (Langkawi) Sdn. Bhd.'s ("TLSB") privatisation contract with the State Government of Kedah Darul Aman, on 31 October 2020, for the management, operations and maintenance of the water supply system in Pulau Langkawi, in which the company contributed a revenue of RM52.64 million and an operating profit of RM11.19 million in the corresponding year. The lower revenue was also attributable to lower electricity rebates from the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") operations due to lower electricity cost. The lower electricity cost was the result of the Imbalance Cost Pass-Through ("ICPT") rebate offered by Tenaga Nasional Berhad ("TNB") to all its customers from January 2021.

REVIEW OF FINANCIAL PERFORMANCE

FINANCIAL RESULTS (in RM'000)

	2021	2020
Revenue	**302,577**	317,880
Gross Profit	**139,695**	123,659
Operating Profit	**118,765**	96,899
Profit before Tax ("PBT")	**113,975**	78,516
Profit after Tax ("PAT")	**102,361**	63,531
Total Assets Employed	**1,943,111**	2,075,015
Total Shareholders' Equity	**1,157,449**	1,207,732

KEY FINANCIAL RATIOS

	2021	2020
Basic and diluted EPS (sen)	**3.89**	2.95
Net Assets per share (sen)	**44.89**	47.59
Return on Equity (%) (a)	**8.7**	5.1
Return on Assets Employed (%) (b)	**5.1**	2.9
Net Debt-to-Equity (%) (c)	**-**	-

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

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

(c) The Net Debt-to-Equity is nil for both years as the Group's cash reserves exceeded the total borrowings as at the end of the respective financial years.

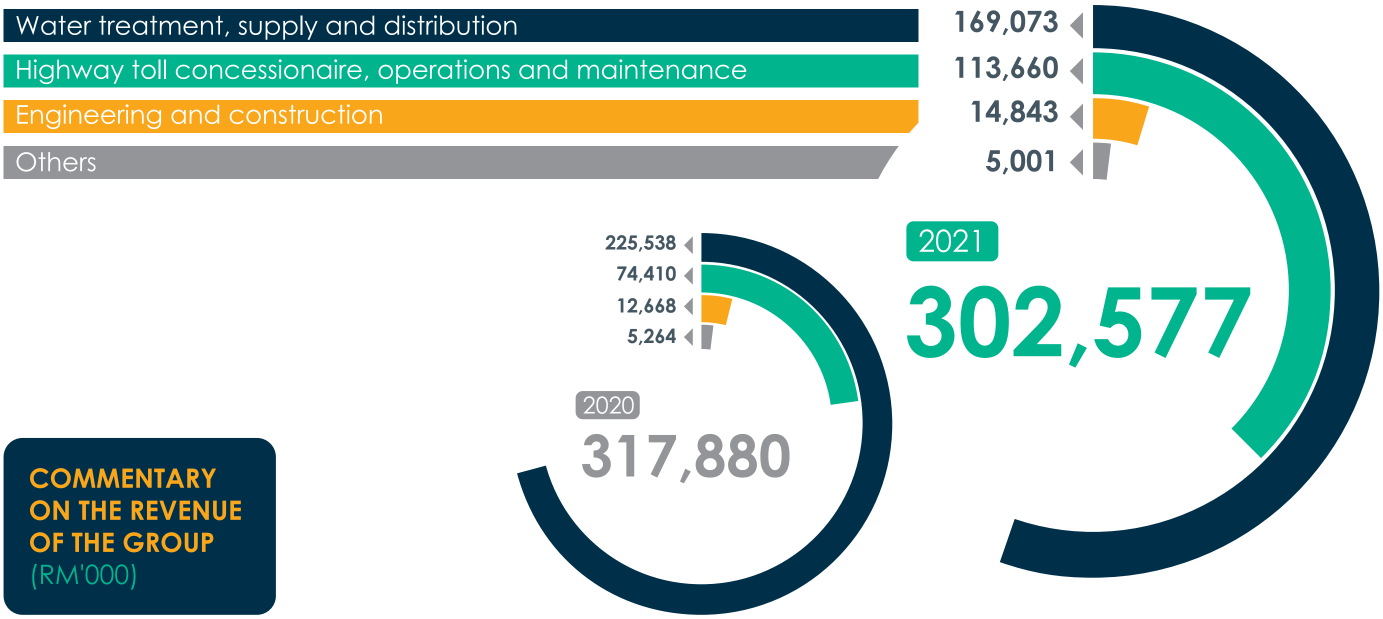
Whilst the Group recorded a lower revenue, gross profit increased by 13% to RM139.70 million from RM123.66 million a year ago. The receipt of the RM43.50 million by Grand Saga Sdn. Bhd. ("Grand Saga") from the Government of Malaysia for the non-increase in scheduled toll hike in respect of 2020 ("Toll Compensation") and to a lesser extent, a RM2.76 million write back of over-provision of heavy repairs recognised in prior years, arising from the deferment of major heavy repairs scheduled in 2022 to 2023 led to the higher gross profit. However, the higher gross profit was impacted by lower contribution from the construction division, mainly due to a downward revision to the estimated project margin from an on-going project, namely, the 76ML RC Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan ("CRJ4 Project") on account of higher cost of materials.

In line with the higher gross profit, PBT increased by 45% or RM35.46 million to RM113.98 million. The higher PBT was also attributable to higher share of results from joint venture and associates; higher gain on disposal of property, plant and equipment and sundry income in TLSB, as well as lower financing costs. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at fair value through profit or loss ("FVTPL") due to reduction in cash reserves from a year ago. It should be noted that the lower PBT in the corresponding year was also due to, amongst others, a provision made for staff termination benefits of RM6.84 million in relation to the expiration of the TLSB's privatisation contract.

Based on the higher profit achieved for the year, the basic and diluted earnings per share was 3.89 sen (2020: 2.95 sen).

Management Discussion and Analysis

COMMENTARY ON THE REVENUE OF THE GROUP (RM'000)



The water treatment, supply and distribution business' revenue recorded a decline from RM225.54 million in the previous year to RM169.07 million or by a substantial 25%, principally due to expiration of TLSB's privatisation contract and to a lesser extent, lower electricity rebates recorded from the SSP1 operations. The latter was due to lower electricity cost on account of the ICPT rebate offered by TNB. On the other hand, the share of contribution from the toll management division noticeably rose to 38% from 23% a year ago due to receipt of the Toll Compensation. Nonetheless, as in the prior years, the water treatment, supply and distribution business still remain as the single largest revenue contributor to the Group accounting close to 56% (2020: 71%) of the Group's total revenue.

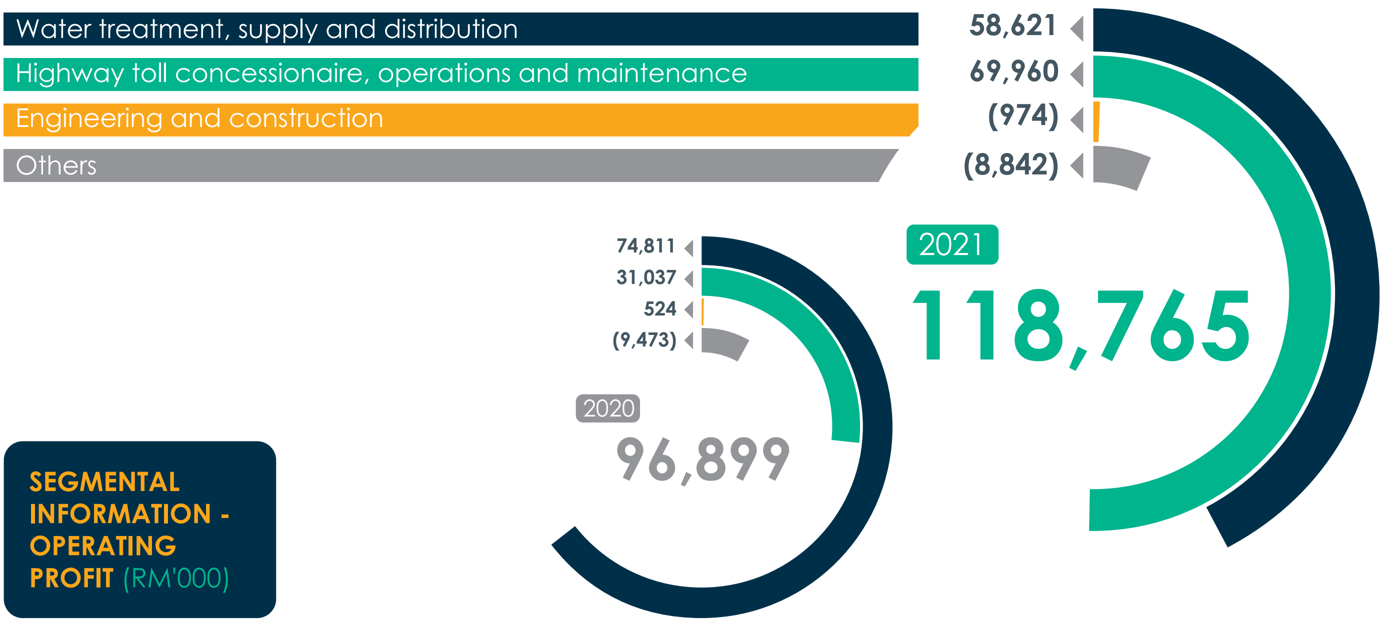
For the SSP1 operations, metered sales were marginally higher by 0.3% at 348.69 million m3 as compared to the previous year's 347.59 million m3, generating a revenue of RM169.07 million (2020: RM172.90 million). Despite the higher metered sales, revenue was lower due to lower electricity rebate of RM20.90 million (2020: RM24.78 million). Prior to the expiry of TLSB's privatisation contract at the end of October 2020, TLSB posted a revenue of RM52.64 million, which was 23% of the water treatment, supply and distribution division's revenue.

For the engineering and construction segment, revenue was higher at RM14.84 million, as compared to the previous year's revenue of RM12.67 million. This was due to the upward adjustment of the contract sum for the Mengkuang Dam Expansion Project upon issuance of final account. This project commenced in 2011 and had since been completed at a final contract price of RM271.45 million. Most of the revenue for this year and the last were recognised from the CRJ4 Project, which is the only on-going project for the Group. Overall, the division accounted for about 5% (2020: 4%) of the Group's total revenue. However, with the securing of the two packages, close to RM896 million, under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme towards the end of 2021, the share of contribution from the construction division for the next three years will increase exponentially. Based on the projected schedule of work, revenue contribution for 2022 from the existing three projects is expected to be in the region of RM166 million.

The revenue contribution from the highway toll concessionaire, operations and maintenance division was derived solely from Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway, more commonly known as the Grand Saga Highway. The Toll Compensation was credited for the 53% revenue hike to RM113.66 million compared to RM74.41 million attained in the previous year, despite the lower average daily traffic ("ADT") by 7% as the toll collections were still severely affected by the travel restrictions imposed by the Federal Government to contain the COVID-19 pandemic. Revenue from toll operations of RM54.63 million (2020: RM58.44 million) and government compensation of RM59.04 million (2020: RM15.97 million) made up the division's total operating revenue for the year.

INCOME STATEMENT (RM'000)

	2021	2020
Revenue	**302,577**	317,880
Cost of operations	**(162,882)**	(194,221)
Gross Profit	**139,695**	123,659
Other operating income	**13,997**	20,009
Administrative and other expenses	**(34,927)**	(46,769)
Operating Profit	**118,765**	96,899
Finance cost	**(19,105)**	(21,212)
Share of results of joint venture	**5,999**	4,693
Share of results of associates	**8,316**	(1,864)
Profit before tax	**113,975**	78,516



SEGMENTAL INFORMATION - OPERATING PROFIT (RM'000)

“

THE GROUP REPORTED A FULL YEAR PBT OF RM113.98 MILLION, CONSIDERABLY HIGHER THAN THE RM78.52 MILLION ACHIEVED A YEAR AGO.

”

The Group reported a full year PBT of RM113.98 million, considerably higher than the RM78.52 million achieved a year ago. The improved performance was mainly attributable to the receipt of the Toll Compensation, higher share of results from joint venture and associates, as well as lower financing costs principally from the gradual redemption of the RM420 million nominal value of Islamic Medium-Term Notes ("IMTN") Programme issued by Cerah Sama Sdn. Bhd.. However, the higher PBT was impacted by lower net returns from interest income, dividend and net gain on redemption from investments designated at FVTPL included in Other Income due to the reduction in cash reserves as compared to a year ago. It should be noted that the lower PBT in the previous year was also due to, amongst others, a provision made for staff termination benefits of RM6.84 million in relation to the expiration of TLSB's privatisation contract. The lower Administrative and other expenses for this year of RM34.93 million compared to RM46.77 million was mainly attributable to the staff termination benefits as well as a significant reduction in general expenses incurred by TLSB in the current year with the expiry of TLSB's privatisation contract.

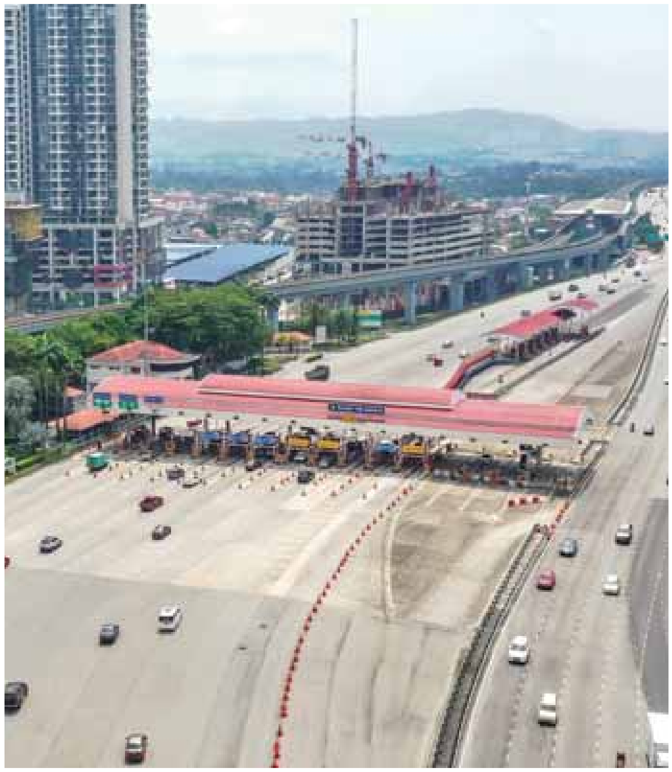
The Group's share of results from joint venture is in respect of its investment in Pinggiran Muhibbah Sdn. Bhd., the parent company of Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway, also known as the Grand Sepadu Highway. For the current financial year, the Group's share of results from joint venture was RM6.00 million, higher than the RM4.70 million recorded in the previous year attributable to higher toll compensation received of RM19.83 million (2020: RM16.97 million), write back of overprovision for heavy repairs and lower finance costs from the gradual repayment of the company's issuance of Sukuk Murabahah of RM210.00 million. Despite a 3.2% drop in the overall ADT, revenue from toll collections increased by 2.4% as a result of more commercial vehicles plying the highway, especially at the Kapar and MOC A toll plazas. Nonetheless, the share of profits was impacted by higher repair and maintenance expenses incurred as well as amortisation of intangible assets.

The Group's share of profit from associates amounted to RM8.32 million reflected a significant turnaround from a share of loss of RM1.86 million the year before. The Group's share of results of associates was primarily derived from its 35% stake in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of profit from SWMEH was RM6.91 million compared to share of loss of RM3.40 million in the corresponding year due to higher PAT recorded by SWMEH and lower adjustments (including deduction of dividend on cumulative preferences shares held by parties other than the Group and adjustments made by the Group) made by the Group of RM194.02 million (2020: RM194.54 million) to SWMEH's PAT. The PAT of SWMEH was higher at RM213.75 million as compared to RM184.85 million mainly due to higher revenue from both solid waste collection and public cleansing services, coupled with lower depreciation expenses. The higher PAT, however, was impacted by higher subcontractor related costs as a result of a write back of over-provision of subcontractor related costs recognised in prior years in the preceding year.

In terms of the segmental performance, the water treatment, supply and distribution division contributed an operating profit of RM58.62 million, lower than previous year's operating profit of RM74.81 million. Other than the decrease in revenue as a result of the cessation of TLSB's operations, the operating profit was also impacted by lower net returns of RM5.69 million (2020: RM12.13 million) from interest income, dividend, and net gain on redemption from investments designated at FVTPL, as well as higher provision for loss allowance on receivables in the current year. However, the lower operating profit was mitigated by lower rehabilitation and maintenance expenses incurred in SSP1 and gain on disposal of property, plant and equipment and sundry income totalling RM2.74 million recognised by TLSB in the current financial year.

In spite of the higher revenue of RM14.84 million compared to RM12.67 million a year ago, the engineering and construction division recorded an operating loss of RM0.97 million against the previous year's operating profit of RM0.52 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 temporarily 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 divisions in the current financial year.

As for the highway toll concessionaire, operations and maintenance division, the operating profit increased by RM38.92 million to RM69.96 million on the back of a higher revenue, coupled with a write-back of over-provision for heavy repairs arising from the deferment of major heavy repairs scheduled in 2022 to 2023. However, the higher operating profit was impacted by lower interest income and higher expenses such as amortisation of intangible asset and repairs and maintenance expenses in the current financial year.



Statement of Financial Position

	As at 31 Dec 2020 RM'000	As at 31 Dec 2021 RM'000
Non-current assets	1,494,334	1,450,331
Current assets	580,691	492,780
Total Assets	**2,075,015**	**1,943,111**
Non-current liabilities	745,665	676,321
Current liabilities	121,618	109,341
Total liabilities	**867,283**	**785,662**
Total shareholders' equity	**1,207,732**	**1,157,449**
Net assets per share (sen)	47.59	44.89

(a) The Group's total assets declined by 6% or approximately RM131.90 million mainly due to lower investments designated at FVTPL and cash and bank balances of approximately RM47.05 million. Dividend payments to shareholders of RM133.04 million, dividends paid by a subsidiary to non-controlling interests of RM19.60 million, repayments of borrowings and interest expenses of RM48.42 million, predominantly the IMTN and payments to trade and other payables during the financial year inevitably reduced the Group's cash and bank balances. However, the receipt of the Toll Compensation contributed positively to the cash reserves.

Trade receivables and amount due from contract customers also shown a decline of approximately RM46.60 million mainly due to the collection of outstanding trade receivables in TLSB amounted to RM42.79 million whereas the carrying amount of intangible assets reduced by approximately RM27.84 million due to amortisation charges. The carrying amount of investment in associates decreased by approximately RM7.23 million mainly due to receipt of dividend totalling RM15.60 million from associates in the current year. The Group has approximately RM408.63 million of cash and bank balances as at the end of the year where it intends to set aside about RM200 million for the proposed acquisitions of the four solar projects (including post-acquisition expenses) as well as payment obligations to trade and other creditors, repay bank borrowings and pay dividends to shareholders as and when declared by the Company.

Out of the total assets of RM1.94 billion, intangible assets and goodwill comprised approximately RM1.15 billion with investments designated at FVTPL and deposits plus cash and bank balances at RM0.46 billion. Both of these asset classes accounted for close to 83% of total assets of the Group for 2021. The intangible assets comprised of a concession awarded to Grand Saga for the upgrade and maintenance of the Grand Saga Highway.

(b) As a result of the high cash reserves and healthy operating cashflows, total liabilities declined by 9% or approximately RM81.62 million to RM785.66 million mainly due to payments made to trade and other payables. Total borrowings were lower from the redemption of the second tranche of the IMTN of RM30.0 million. In comparison to the total shareholders' equity of RM1.16 billion, total borrowings of the Group are at a comfortable level of RM358.54 million, thus

enabling the Group to gear up to invest into other potential infrastructure projects. Group borrowings with deferred tax liabilities of RM234.20 million accounted close to 75% of total liabilities of the Group.

(c) Total shareholders' equity was lower by 4% or about RM50.28 million, in line with dividends paid to shareholders of the Company mitigated by profits recorded for the financial year. As the Company had paid dividends of 6.60 sen per share for the financial year exceeding the EPS of 3.89 sen, the net assets per share had accordingly reduced from 47.59 sen to 44.89 sen as of 31 December 2021.

Key Audit Matters

As with the previous years, the auditors have highlighted the assessment on the impairment of goodwill relating to Cerah Sama as a Key Audit Matter in the Independent Auditors' Report. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. As of 31 December 2021, the carrying amount of goodwill remained unchanged at RM129.39 million. The auditors have indicated how the matter was addressed in their report.

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

REVIEW OF BUSINESS DIVISIONS

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

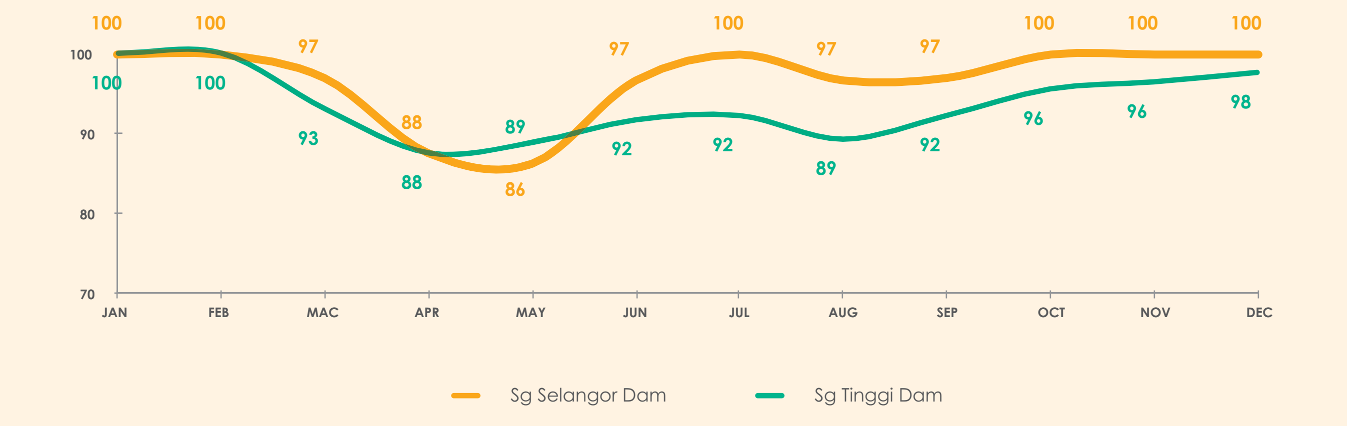
WATER TREATMENT, SUPPLY AND DISTRIBUTION

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

Compared to a year ago, the average daily production from the Sungai Selangor Water Treatment Works Phase 1 ("SSP1"), operated and managed by us, registered an increase of 1.7% as compared to a contraction of 3.5% in 2020. The higher average daily production for this year could be attributable to more economic activities being undertaken as we entered into the second year of the COVID-19 pandemic. For 2021, the average daily production was 969.8 million litres per day ("MLD") as compared to the average daily production of 954.1 MLD recorded in the previous year. In terms of metered output, the amount of treated water produced by SSP1 was about 352.54 million m3 over a period of 365 days compared to 349.20 million m3 produced over a period of 366 days in 2020. This translated to an increase in the metered output by about 1.0% whereas the metered output in 2020 was lower than the 360.96 million m3 (or by 3.2%) recorded the year before. During the five-year period from 2017 to 2021, SSP1 produced well above its design capacity of 950 MLD to meet the overall demand for treated water to consumers particularly in the northern part of Kuala Lumpur and Petaling Jaya plus certain areas of Gombak, Klang and Kuala Selangor. The gradual stabilisation in the metered output from SSP1 had helped to minimise incidences of unexpected breakdown of plant and equipment and increases in wear and tear as SSP1 has been operating way beyond its design capacity. Although SSP1 is currently operating at 102% of its design capacity, it is still able to minimise incidences of unintended breakdown by having in place a comprehensive maintenance schedule which is submitted to Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), and to the regulator, the Suruhanjaya Perkhidmatan Air Negara or in short, SPAN, a body established under the SPAN Act 2006 to regulate the water industry in Peninsular Malaysia. 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. In 2019, we and Air Selangor executed the Bulk Water Supply Agreement for us to manage, operate and maintain SSP1 until 2036.

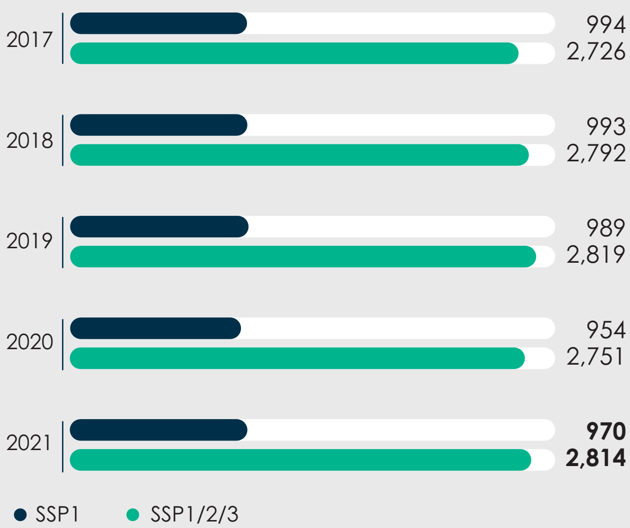
Other than SSP1, other major Water Treatment Plants ("WTPs") operating along Sungai Selangor include Sungai Selangor Water Treatment Works Phase 2 ("SSP2") operated by Air Selangor and Sungai Selangor Water Treatment Works Phase 3 ("SSP3") operated by Gamuda Waters. During the year, the total production from SSP1, SSP2 and SSP3 was about 2,814 MLD, an increase of 2.3% year-on-year. The production of treated water from the three WTPs had registered a decline of 3.5% in 2020 and this could be partly attributable to lesser demand from commercial and industrial consumers as a result of the COVID-19 pandemic. The treatment of raw water for consumption is considered an essential service and as such, the fluctuation in demand for treated water during the last two years was not unexpected, although the contraction was in contrast to the steady growth in water demand in the prior three years. Of the total combined production from all the three WTPs, SSP1 supplied slightly more than one-third of the treated water from the Sungai Selangor basin to Air Selangor.

DAM STORAGE LEVEL



AVERAGE PRODUCTION IN MLD

The following is the historical metered output from SSP1 and the combined production from SSP1, SSP2 and SSP3 (tabulated from internal sources) for the past five years which reflect the consistent and sustained demand for treated water from consumers within the vicinity of the Klang Valley.



With the continuation of the "La Nina" phenomena since 2020, weather conditions for the Klang Valley have been quite unpredictable with occasional thunderstorms and incessant heavy rain occurring at periods outside the normal weather pattern. The wetter than usual occurrences could also be linked to climate change which has caused sporadic floodings and rivers overflowing in low lying areas. Due to heavy rainfall over the catchment areas and reduced regulated discharges of raw water to augment the higher river flow at Sungai Selangor, the dam levels at both the Sungai Tinggi Dam and Sungai Selangor Dam achieved almost 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 remained low throughout the year. Based on the current weather conditions, the abstraction of raw water from Sungai Selangor for the rest of 2022 is not foreseeable to be impacted as the water levels at both the regulating dams are at full capacity and this will provide the necessary buffer during the drier seasons. At the state government level, state agencies, namely the Unit Perancang Ekonomi Negeri, Air Selangor and Lembaga Urus Air Selangor have been vigilantly monitoring the river flows and dam levels to ensure sufficient supply of raw water for water treatment operations so as not to cause unnecessary disruption in water supply to consumers.

“TO ENSURE THAT CONSUMERS ARE ASSURED OF CLEAN WATER THAT MEETS THE MINISTRY OF HEALTH’S STANDARDS AND ADEQUATE SUPPLY OF TREATED RAW WATER AT ALL TIMES, WE PLACE GREAT IMPORTANCE IN ENSURING THAT OUR WTP AND EQUIPMENT ARE KEPT UNDER GOOD AND OPTIMAL WORKING CONDITIONS AND THAT THE PREVENTIVE REHABILITATION, UPKEEP AND MAINTENANCE PROGRAMMES ARE STRICTLY COMPLIED WITH AND PROMPTLY ATTENDED TO.”

To ensure that consumers are assured of clean water that meets the Ministry of Health’s standards and adequate supply of treated raw water at all times, we place great importance in ensuring that our WTP and equipment are kept under good and optimal working conditions and that the preventive rehabilitation, upkeep and maintenance programmes are strictly complied with and promptly attended to. To comply with the licensing requirements imposed by SPAN, we are required to furnish a three-year rolling business plan to SPAN detailing a comprehensive maintenance and rehabilitation programme to systematically refurbish all the major components of the WTP to improve and to return them to as close as possible to the original design efficiencies. We have obtained the Individual License from SPAN to operate SSP1 from 13 September 2019 to 12 September 2022, the renewal of which will be subjected to compliance to all the conditions stipulated in the Individual License. We submitted the application for the second Licensing Period from 13 September 2022 to 12 September 2025 in September 2021, together with the second Rolling Business Plan at the end of 2021. Other than the Water Services Industry Act 2006 and its subsidiary legislations, SSP1 operations are also required to comply with regulations imposed by, amongst others, the Ministry of Health and the Department of Environment.

Over the years, we undertook several research and development initiatives, such as technological improvement to enhance our water supply operations. This included studies on the refurbishment of water treatment plants with alternative water treatment technologies such as membrane filtration and improvements in treatment process efficiencies and usage of alternative treatment chemicals especially in treatment of pollutant spikes that may occur from time to time. We are committed to a customer-focused service in providing high quality drinking water to the consumers. We also set our sights on managing and preserving the environment which we operate in through relevant water industry research and development, strict adherence to environmental regulations e.g. proper treatment and disposal of our water treatment residuals to minimise harm to the surrounding areas where birds might congregate. Our WTP intake plant is located upstream of the firefly colonies at Kampung Kuantan and we will have to ensure that the release of sufficient water downstream to maintain the firefly ecosystem during the drought season.

As a company that upholds high standards in the production of treated water, we are proud to have received several notable achievements including the Brandlaureate Best Brand Awards 2011-2012 for Best Brands in Industrial - Water Treatment. We continue to maintain our standards through several accreditations which include MS.ISO 9001:2015 for 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. SSP1 has also been accredited by the Jabatan Pembangunan Kemahiran Malaysia (“JPK”) as a National Dual Training System in-house company and training centre since 2016. This accreditation allows us to train our internal staff to obtain the Malaysia Skills Certificate certified by JPK. We place emphasis on training and developing our talent and we are proud to be one of

the few water operations specialists in Malaysia to have gained such certification. Since the inception, a total of eighteen production staff have been certified under the scheme and it is our plans to have more of our staff achieving higher competency levels and skills through continuous trainings. 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 staffs were awarded the Sijil Kemahiran Malaysia (SKM) Level 2 for Water Treatment Operation Service after excelling in their practical examination. A further six laboratory staffs received their SKM Level 2 under the RPA programme in January 2020. However, the onslaught of the COVID-19 pandemic disrupted our efforts for this year. Nevertheless, we intend to continue with this programme until all our supervisory staffs receive their SKM certification for Level 3 or higher.

As a major WTP operator currently serving close to a fifth of the consumers in Selangor, we are constantly monitoring and tracking all potential and emerging operational risks ranging from deterioration of quality of raw water, breach of security, major breakdown of plant and equipment to unexpected interruptions to operations due to the COVID-19 pandemic, which may lead to major disruptions in the treatment and supply of treated water. We have also been assessing the impact of environmental, social and governance ("ESG") risks, particularly climate change which would have an effect on the scarcity of raw water. To mitigate these and other risks, we have undertaken an enterprise risk management process to monitor, evaluate and escalate any such risks to the attention of our top management so that appropriate actions can be taken expeditiously and where remedial actions can only be taken over the long term, to have such actions in our long-term business planning. Operational risks are assessed on a periodic basis and we are subjected to audits by regulators, external consultants, internal audit checks as part of our ISO accreditation as well as monitoring by Air Selangor on the compliance with the terms of the Bulk Water Supply Agreement executed with Air Selangor. Under the said agreement, more stringent requirements are to be complied with to ensure that SSP1 is operated and managed properly to produce and supply the designated quantity and quality of treated water to consumers at large. These include, amongst others, maintaining raw water monitoring systems at SSP1 and along Sungai Selangor to detect pollution and siltation, carrying out all rehabilitation and maintenance works as planned. It is part of our risk mitigation plans to minimise any untoward incidences of major breakdowns and disruptions to our operations. Operations are run continuously throughout the day with three shifts. During the year, we increased the total expenditure on rehabilitation, upkeep and maintenance costs including the purchase of critical spares to RM19.57 million from RM18.43 million a year ago. This expenditure accounted for approximately 18% (2020: 17%) of the total operating expenditure for the year.

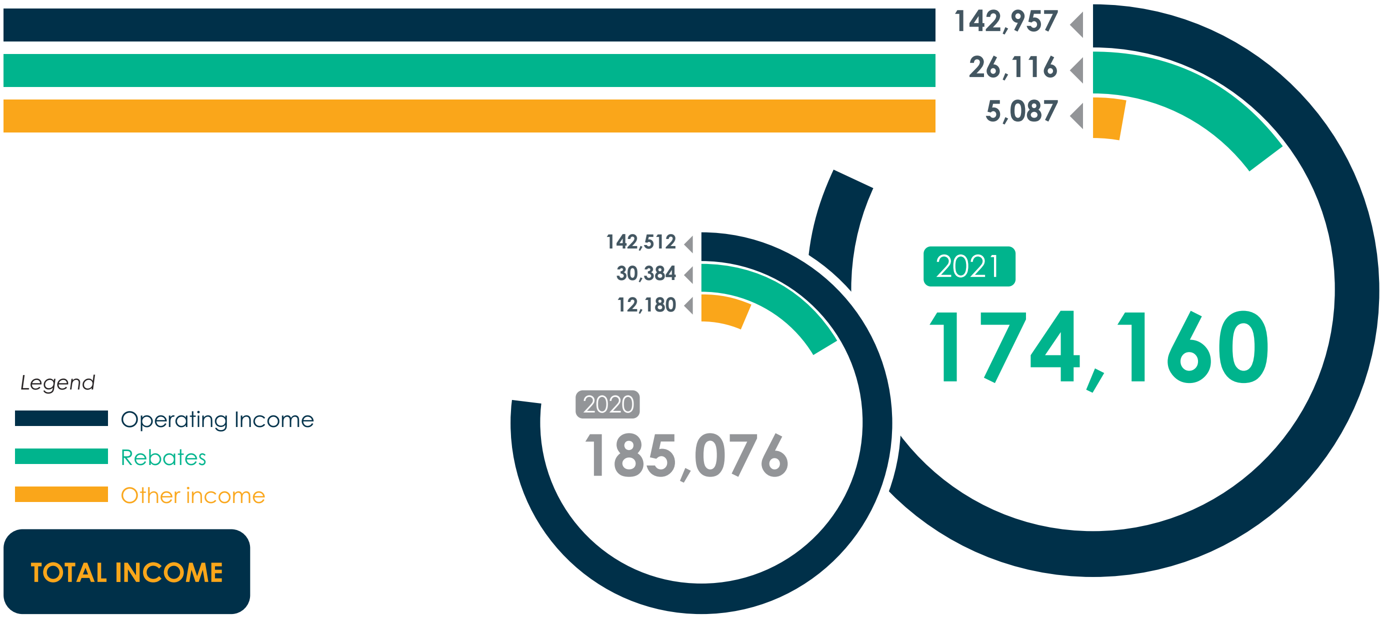
During the year, there were no instances of serious incidences of raw water pollution that resulted in major disruptions to our operations, compared to the five major incidences that occurred in 2020. We are always working closely with other regulators, SSP2 and SSP3 WTP operators to minimise plant interruption due to river contamination, particularly incidences of odour pollution from commercial

developments and agriculture production upstream from where we operate. To provide river pollution alert in advance, raw water quality surveillance programmes undertaken with all the WTP operators along the Sungai Selangor will continue to be implemented at regular intervals including sharing of information with them. We make it a point to continuously monitor raw water quality and inflow at regular intervals by having a river surveillance programme in which water samples were taken from several locations within the catchment areas for analysis of pollution trends. A River Monitoring System ("RMS") which was supposed to be commissioned in 2021 at one of the upstream tributaries of Sungai Selangor could not proceed as planned, due to land matters pending resolution between Air Selangor and the state agencies involved. The RMS's role 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 Lembaga Urus Air Selangor ("LUAS") in the Sungai Selangor catchment. If there are occurrences of quality changes to the raw water, appropriate adjustments to chemical dosing rate will be made to optimise chemical dosage and improve the water treatment regime. 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 the settled water since their introduction in 2013. Given the quality of raw water, the treatment regime employed in the water treatment process has been found to be relatively effective as shown by our high compliance rate of above 99% for the past three years. We test the quality of treated water on a bi-hourly basis for compliance with water quality parameters set by the Ministry of Health through our in-house laboratories which work round the clock.

Under the provisions of the Bulk Water Supply Agreement with Air Selangor, we are required to construct at our own cost, a mechanical residual dewatering plant by 2024. Based on the progress to-date, the dewatering plant is on schedule for completion and commissioning by then. The construction of the dewatering plant is estimated at about RM30 million after preliminary design works by the appointed consultant in 2020 and the conceptual design report having been presented to Air Selangor for their concurrence. 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. SSP1 generated approximately 30,891 metric tonnes of residuals in 2021 and these are treated and deposited at the

sludge lagoons within the vicinity of SSP1 before being transported to the nearby sludge depository area sanctioned by the Department of Environment ("DoE"). This method of handling and managing residuals have been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and environmental friendlier method in managing these residuals.

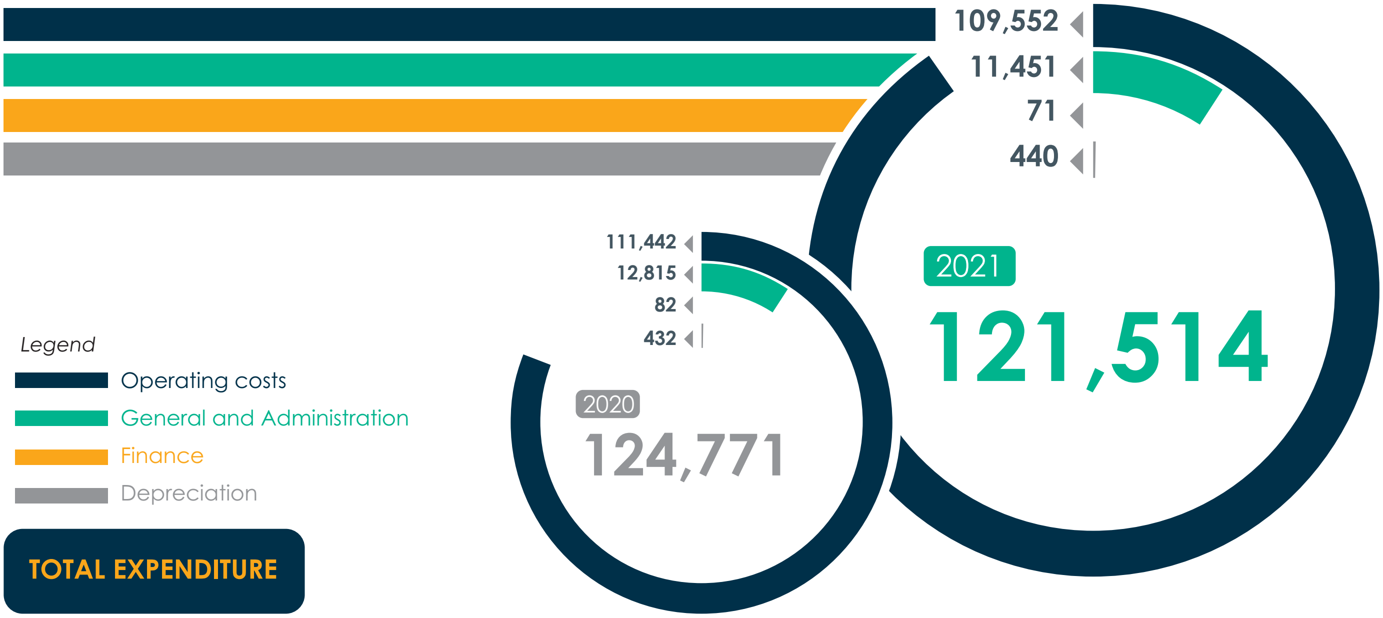
The commencement of the various movement control orders imposed by the Federal Government in response to the COVID-19 pandemic has not affected the operations of SSP1 significantly as it is deemed an essential service. Site operations have implemented all the necessary Standard Operating Procedures and following strictly the health and safety protocols provided by Ministry of Health. All staff are kept well informed of the steps and practices that need to be taken to avoid any possibility of infection including conducting health check and surveillance at the entrance of the WTP and Intake, and conducting on-site practical training sessions for our mechanical, electrical and civil staffs as an immediate back-up to assist the production section during emergency situations or shortage of workforce in the event of a quarantine order. An Emergency Response Plan has been formulated and will be continuously updated to respond to the developments on the COVID-19 pandemic. To-date, our staff has been fully vaccinated with two doses of vaccines. Part of our policy is to have our staff under our employment to be fully vaccinated to ensure that our operations are not duly compromised.



In terms of financial performance, Sungai Harmoni posted a PAT of RM41.53 million (2020: RM48.44 million) on the back of a lower revenue of RM169.07 million compared to RM172.90 million the year before. Despite the increase in metered sales billings of 348.68 million m3 from 347.59 million m3 in 2020, the revenue for the year was lower mainly attributable to the lower electricity rebate of RM20.90 million from RM24.78 million in 2020 as a result of lower electricity cost due to the ICPT rebate offered by TNB to all its customers in 2021. The bulk sale rate remains at RM0.41 per m3 and the next increase to RM0.42 per m3 is scheduled for 2023 under the terms of the Bulk Water Supply Agreement.

Total operating expenditure incurred stood at RM109.55 million (2020: RM111.44 million) with electricity and chemical costs accounted approximately 63% (2020: 66%) of the total operating expenditure. Unit electrical cost was lower by 7% despite no changes in the TNB Special Industrial Tariff in January 2021. This was primarily due to the change in ICPT to a rebate of RM 0.02 per kWHr in January 2021 as compared to a surcharge of RM0.02 per kWHr in January 2020 and was subsequently reduced to RM0.00 per kWhr from July to December 2020. There was also a 2% rebate in electricity billings from April to September 2020 as part of the Pakej Rangsangan Ekonomi, a stimulus package announced by the Federal Government to assist the economic sectors to combat the impact of the COVID-19 pandemic.

Unit chemical costs recorded a decrease by 7% 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, despite the increases in chlorine dosages requested by SPAN and Air Selangor to maintain higher residual chlorine in the distribution occasioned by the COVID-19 pandemic. As the quality of raw water improved, lower dosage of chemicals was required to be added to ensure the quality of treated water meets with the water quality standards prescribed by the Ministry of Health.



The company posted a PBT of RM53.09 million compared to RM60.31 million in 2020, a decrease of RM7.22 million. Other than the lower revenue achieved, the lower PBT was mainly attributable to lower dividend and net gain on redemption from investments designated at FVTPL of RM5.07 million compared to RM11.64 million in 2020. During the year, Sungai Harmoni declared dividends of RM362.30 million to the holding company which resulted in a significant reduction in its cash reserves.

In the previous year, the company disclosed a contingent liability of a penalty imposed by the Royal Malaysian Customs Department ("RMCD") on Sungai Harmoni amounted to RM4.07 million for late payment on Goods and Services Tax ("GST"). We had disagreed with the tax penalty imposed and have accordingly appealed against the penalty. During the year, the RMCD announced that taxpayers are eligible to apply for remission of late payment penalty for any GST and penalty due but has not been remitted to the RMCD on condition that the taxpayer must make full payment of outstanding GST to RMCD within the period from 1 May 2021 to 31 August 2021. We subsequently made the application, and it has been approved by the RMCD.

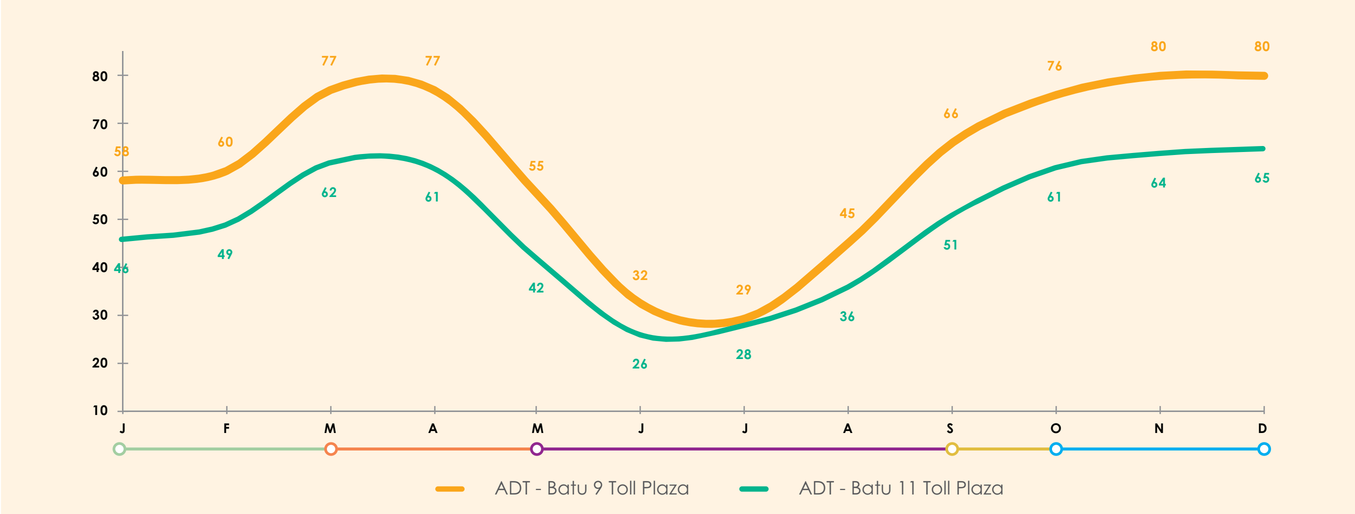
HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

GRAND SAGA SDN. BHD. ("GRAND SAGA")

During the year, the COVID-19 pandemic continued to affect the number of vehicles travelling along the Grand Saga Highway. This was due to the re-imposition of the Movement Control Order ("MCO") which was necessitated by the increasing number of COVID-19 cases in late 2020 and continued well into the following year. The Average Daily Traffic ("ADT") at the Batu 9 toll plaza declined from 66,282 vehicles in 2020 to 61,318 or by 7.5%, whereas for the Batu 11 toll plaza, ADT dropped by 6.0% to 49,417 vehicles from 52,554 in the previous year. The decline in the ADT has somewhat eased compared to a significant contraction of 18.5% and 21.3% experienced at Batu 9 and Batu 11 toll plazas respectively in the previous year.

The Federal Government imposed MCO 2.0 on 13 January 2021 to combat the alarming increase in daily COVID-19 cases. The MCO 2.0 lasted until 4 March and was replaced by the Conditional MCO ("CMCO") whereby the traffic recovered. However, the imposition of MCO 3.0 on 6 May with full lockdown from 1 June, had a severe impact on the ADT which fell to its lowest point since the first MCO back in March 2020. The graphs below depict the performance of the ADT at various points of the MCO implementation during the year.

AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



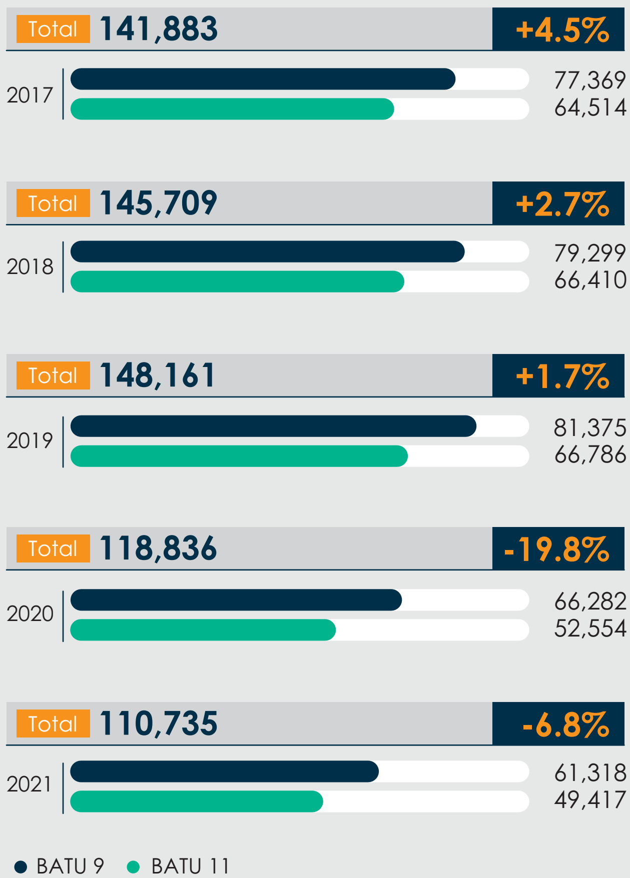
Summary of Movement Restrictions imposed by the Federal Government in 2021

- MCO (2.0): 13 Jan 2021 to 4 Mar 2021
- CMCO: 5 Mar 2021 to 5 May 2021
- MCO (3.0): 6 May 2021 to 9 Sep 2021
- Moved into Phase 2 and Phase 3 of NRP: 10 Sep 2021 and 1 Oct 2021 respectively
- Phase 4 of NRP: 18 October 2021 onwards

The Federal Government commenced the nationwide vaccination programme in February 2021. With factors such as the general public been vaccinated gradually increasing, re-opening of certain businesses from 20 August plus Kuala Lumpur and Selangor moving into Phase 2 and 3 of the National Recovery Plan ("NRP") on 10 September and 1 October respectively, the traffic along our Highway has vastly improved. The ADT increased further after October with Kuala Lumpur and Selangor moving into Phase 4 of the NRP, with the ADT peaking at about 80,000 and 65,000 vehicles at the Batu 9 and Batu 11 toll plazas respectively by end of December. Timely implementation of the booster dose of vaccine further contributed to the decline of daily infections in January 2022. The whole country subsequently moved into Phase 4 of the NRP on 3 January 2022. However with emergence of the new Omicron variant, daily positive cases have since spiked again. Nonetheless, as the Federal Government did not impose further lockdowns, the ADT has remained resilient.

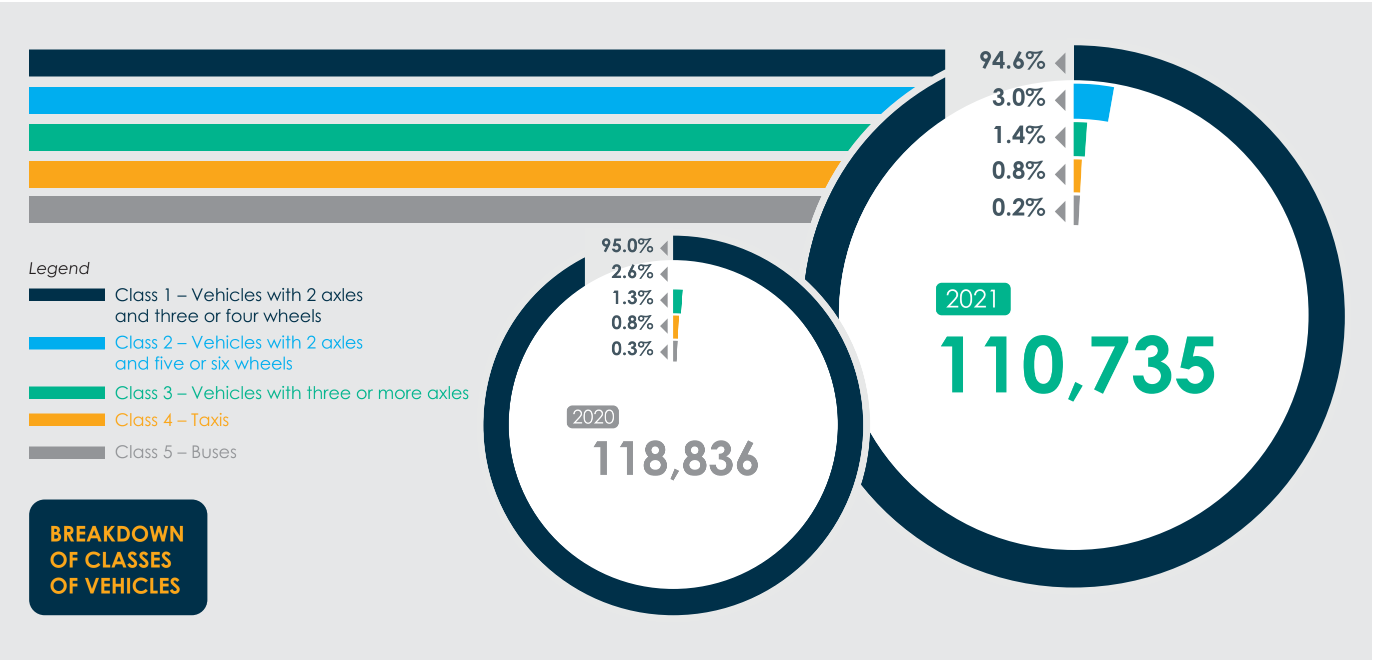
Unlike the previous year, the Batu 9 toll plaza experienced higher decline in ADT compared to Batu 11 toll plaza. This was mainly due to strict enforcements of the MCO restrictions by the police via roadblocks placed at the Kajang bound side of our Highway. Furthermore, the construction works of the Sungai Besi-Ulu Klang Elevated Expressway ("SUKE") at the edge of our Highway's Right of Way (KL bound) is almost completed. This caused less disruptions to traffic flow during the year. Despite the MCO being in place, 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 with the collaboration of Dewan Bandaraya Kuala Lumpur and the Kuala Lumpur Traffic Police. The scheduled opening of the SUKE in 2022 is expected to further complement traffic flow on our Highway.

THE FOLLOWING IS A 5-YEAR HISTORICAL DATA ON THE ADT FOR THE BATU 9 AND BATU 11 TOLL PLAZAS AND OVERALL GROWTH AT OUR HIGHWAY: -



Classes 2 and 3 vehicles (commercial vehicles) that traversed through the Batu 9 and Batu 11 toll plazas has seen a higher percentage by 0.5 percentage point compared to the previous year While Class 1 vehicles (mainly passenger cars) in turn declined by 0.31 percentage point. This is consistent with the periods when the various MCOs were enforced during the year whereby only essential businesses were allowed to operate coupled with the new norm of working remotely from home. The percentage of Class 4 (taxis) and Class 5 (buses) remained almost comparatively the same as in the previous year due to the growing usage of e-hailing services as a preferred mode of transportation and availability of Mass Rapid Transit ("MRT") services.

The other major risk is the continued uncertainty of the Federal Government's proposal to re-structure the toll industry. In 2020, the Federal Government announced a proposal to place all the thirty-five (35) tolled highways, including six (6) that are currently under construction, under one highway trust body and in 2021 also instructed all highway concessionaires to recommend restructuring of individual highway's toll rates with emphasis that new toll rates are not burdensome to road users and that concession periods may be extended in lieu of cash compensations. In April 2022, the Works Minister reported that a private trust company has been set up to acquire 100% equity of four tolled highways operating in the Klang Valley. Whilst the details of the proposed takeover have yet to be finalised, it is understood that there will be no further



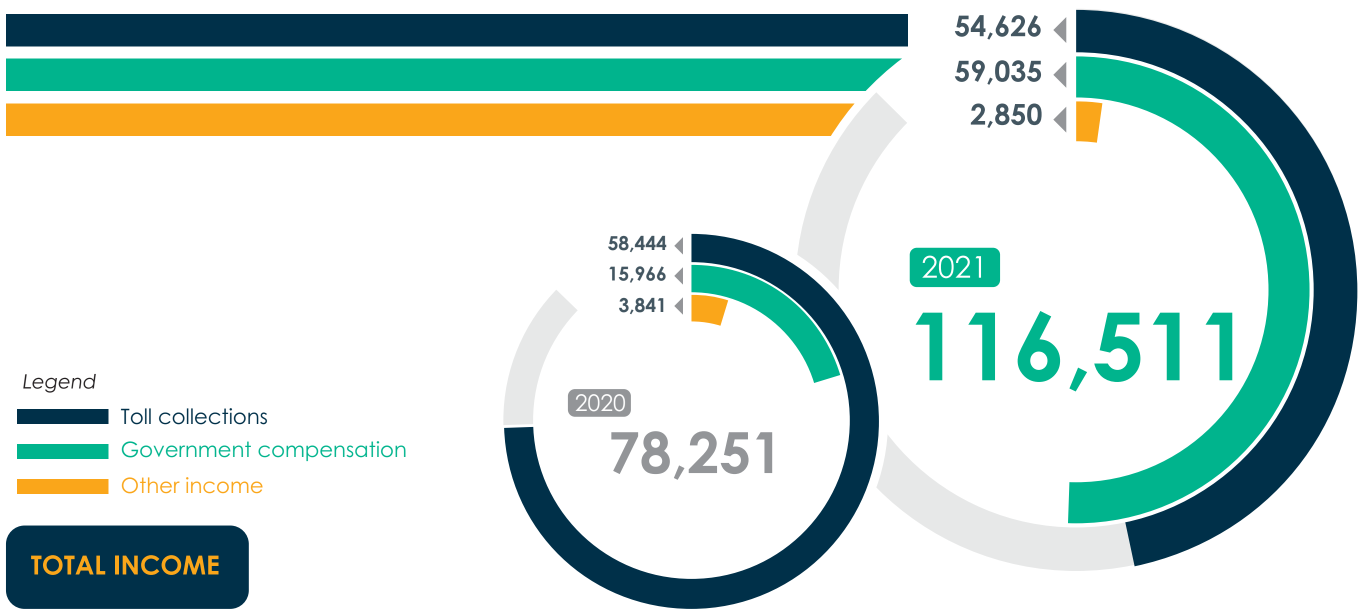
In terms of overall risk factors, the potential of traffic disruptions, which may cause a reduction of toll collections, remains one of our most significant risks. Despite the improved situation related to the COVID-19 pandemic, the sluggish economic recovery process, post COVID-19, may result in the proposed development projects along our Highway which were anticipated to improve future traffic flow, being delayed. However, as the Federal Government is poised to move into the endemicity stage of the COVID-19 pandemic from 1 April 2022, we are quite optimistic that the ADT would be able to achieve the 2019 pre-MCO levels in 2022. As a comparison, the 2019 ADT was 81,375 and 66,786 vehicles at the Batu 9 and Batu 11 toll plazas respectively.

increase in the toll rates until end of concession of the four highways and no future compensations will be paid by the Federal Government. The Minister also clarified that similar restructuring scheme may be applied to other tolled highways. However, we draw comfort from the statement by the Federal Government of its continued commitment to the sanctity of the concession agreements and the rights of investors and shareholders. The Federal Government has yet to approve our scheduled toll hike due on 1 January 2020 but we have been compensated accordingly up to 2020. The anticipated adverse impact caused by alternate modes of transportation, namely the commencement of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT") operations in July

2017 connecting Sungai Buloh to Kajang and traversing the Kuala Lumpur city centre has yet to be seen. However, we now treat the KVMRT service as a complement to our Highway's growth in the longer term by providing connectivity and strong impetus for further development of new townships in its vicinity. We are also cognisant of the ESG risks in particular the health and safety of our road users. As part of our service commitment, we provide regular patrolling and break down services along our Highway, including free tow truck services to the road users. We also maintain other quality related amenities such as the Rest and Service stop at the Bukit Dukong area, which has petrol stations, restaurants and a post office for the convenience of our road users. To provide regular information on our Highway, we leverage on the social media platforms in the likes of Facebook and Twitter. Our road users are also notified of traffic updates and other messages at two video messaging gantries strategically located at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound.

During the year, we installed an additional Radio Frequency Identification Tag ("RFID") system lane at each of the toll plazas as part of the initiative to increase RFID lanes, in line with the directive of the Federal Government to eventually implement the barrier-free gantry based Multi Lane Free Flow system. This would facilitate seamless travels within toll highways to reduce traffic congestion at toll plazas. The RFID system was fully implemented nationwide in January 2022 with the North-South Expressway (PLUS) opening RFID lanes at all its toll plazas. The Federal Government plans to eventually replace the existing Touch N Go and SmartTag tolling system over the next 3 years with the RFID Multi Lane Free Flow system and road users will be allowed to pay for toll using their choice of digital payment.

Confronted with back-to-back years of traffic disruptions due to the MCOs which materially impacted the toll collections, we have continued with our initiatives to contain cost, balancing expectations of our stakeholders and the level of service expectations by our road users. Considerable efforts were made to ensure road safety and riding comfort remain as some of the key social considerations of our highway operations. During the year, we incurred higher repair and maintenance cost of RM2.71 million compared to RM1.94 million in the previous year or RM236,000 per km of highway (2020: RM169,000 per km). The repair works included pavement repair works which amounted to RM0.36 million. This was carried out on certain portions of the pavements for better travel comfort based on the independent assessment conducted by our consultant. Notwithstanding the major heavy repairs that are carried out periodically every seven years, such assessment and subsequent requisite repair works are conducted annually to ensure that the road pavements are always maintained to the required standards and quality. This year saw the number of road accidents coming down to 2.05 per million vehicles compared to 2.46 per million in 2020.

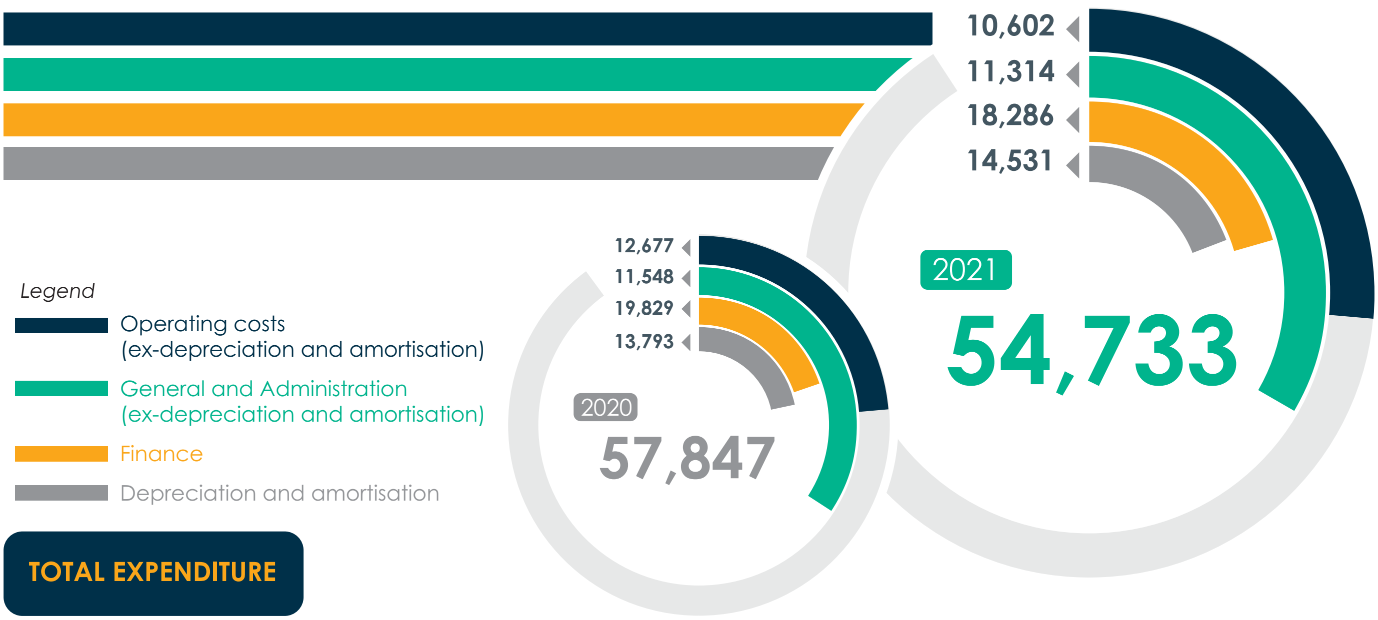


Management Discussion and Analysis

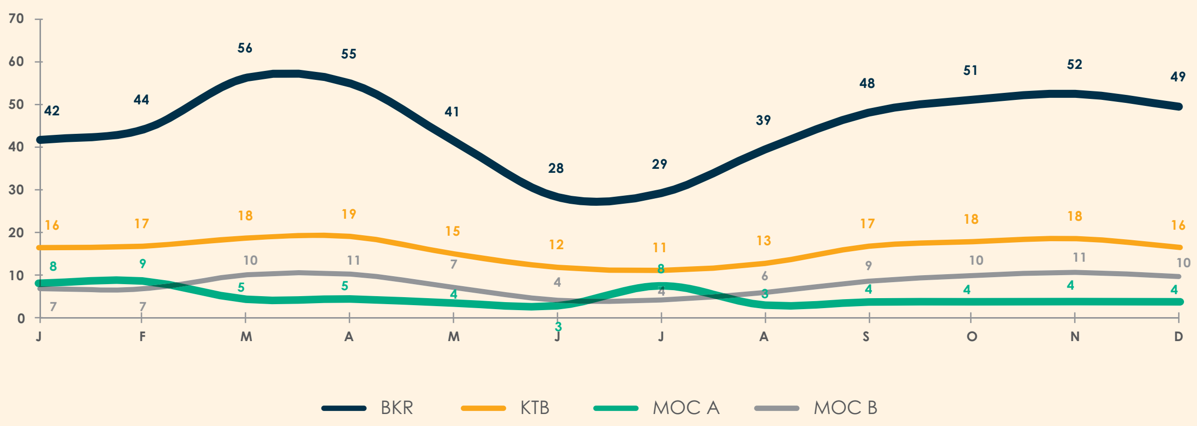
This was significantly lower than the threshold of 3.15 per million vehicles set by the Malaysian Highway Authority ("MHA") for highways operating in Peninsular Malaysia. Additionally, to enhance our service and operational excellence, we have maintained the ISO9001:2015 Quality Management System as re-certified by INTERTEK Certification during the year. The scope of the certification is for the provision of Highway Maintenance and Toll Collections.

In terms of financial performance, Grand Saga posted an operating revenue of RM113.66 million compared to RM74.41 million achieved a year ago whilst PAT came in at RM61.79 million, higher than the PAT of RM20.87 million in 2020. Despite the decline in the actual toll collections by RM3.81 million as a result of lower traffic volume, the higher revenue was primarily due to the receipt of government compensation of RM43.50 million for the non-increase of toll rates in 2020, in accordance with the provisions of the Concession Agreement. Operating revenue comprises toll collection of RM54.63 million (2020: RM58.44 million), deferred income of prior years' compensations arising from amongst others, the closure of one-bound traffic in March 2012, opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings of RM15.38 million (2020: RM15.97 million) and current year's total government compensation of RM43.66 million (2020: Nil)

Total operating cost (excluding depreciation and amortisation) of RM10.60 million (2020: RM12.68 million) was comparatively lower than the prior year despite higher repair and maintenance costs by RM0.76 million due to adjustment in provision for heavy repairs in the current year. Heavy repairs were rescheduled to 2023 instead of in 2022 as originally planned. Actual provision for heavy repairs, nett of reversal of over provision, was RM1.41 million (2020: RM4.17 million). Depreciation and amortisation accounted for RM14.53 million (2020: RM13.79 million) whereas finance charges from the issuance of the IMTN stood at RM18.30 million compared to RM19.83 million last year due to further repayment of RM30.00 million IMTN principal sum during the year. Other income was down by RM0.99 million to RM2.85 million primarily from lower investment income. With the receipt of the government compensation during the year, Grand Saga recorded a PBT of RM61.77 million as compared to RM20.40 million in 2020.



AVERAGE DAILY TRAFFIC (TO THE NEAREST '000)



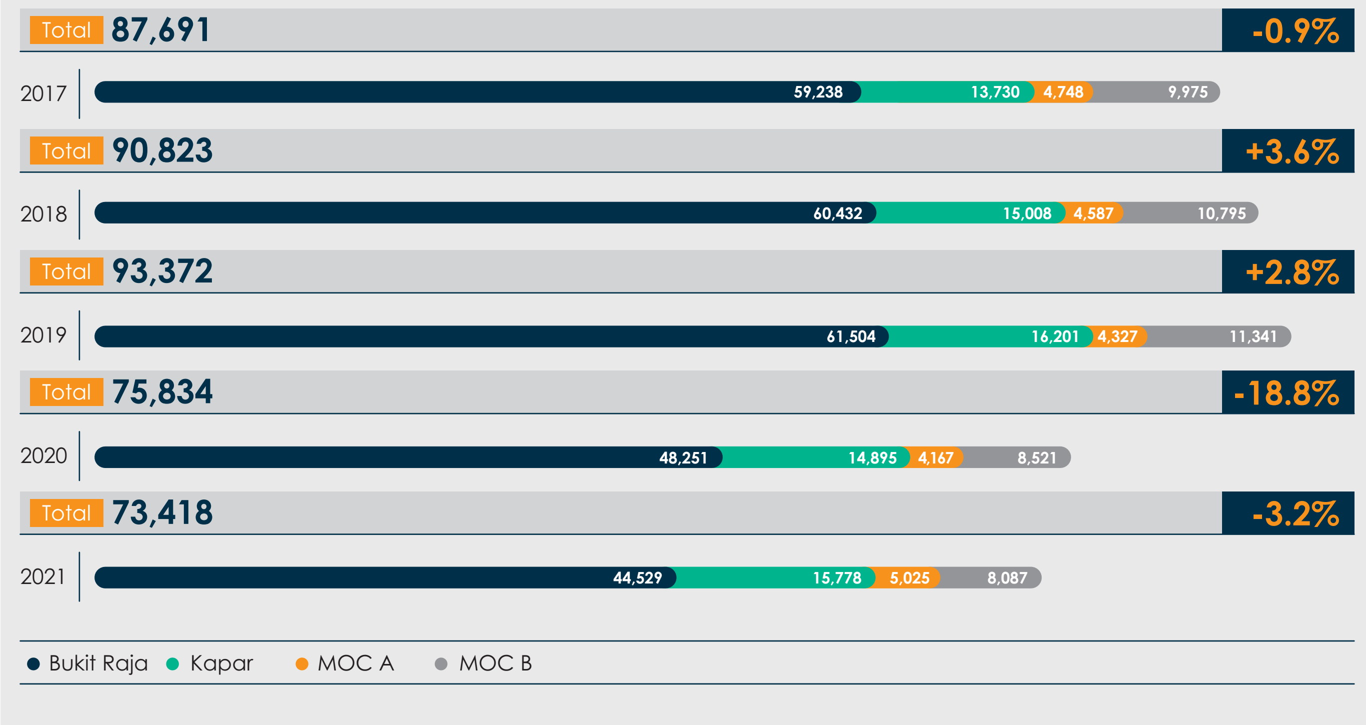
GRAND SEPADU (NK) SDN. BHD. ("Grand Sepadu")

Just like Grand Saga, the Grand Sepadu Highway too had suffered a contraction in the ADT due to the various MCOs imposed during the year. However, the contraction was not as profound when compared to the year before of over 18.8% at the onset of the COVID-19 pandemic in early 2020. The overall ADT dipped by a mere 3.2% year-on-year as the Grand Sepadu Highway benefited from improved commercial activities particularly the port bound traffic with ADT for the year recording a daily average of 73,418 vehicles passing through our four toll plazas. With the implementation of a full MCO lockdown on 1 June, the ADT was at its lowest level in the first week of June, equivalent to 43% of the pre-MCO ADT levels in 2020. ADT rebounded back up in the subsequent months as Kuala Lumpur and Selangor entered into higher phases of the NRP.

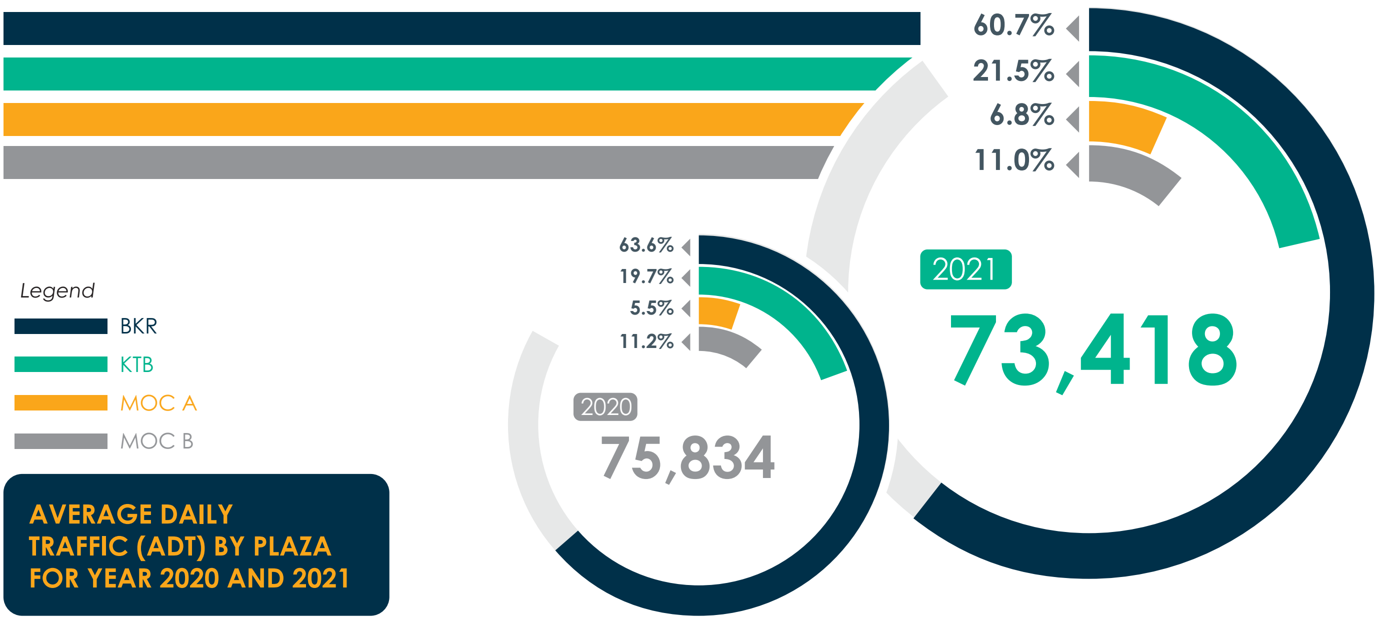
The prolonged COVID-19 pandemic and the resultant MCOs imposed by the Federal Government had substantially affected the traffic flow at the Bukit Raja and MOC B toll plazas as the traffic at these plazas was primarily office bound Class 1 commuter traffic. The ADT at Bukit Raja and MOC B was 50% and 58% lower respectively in June during the MCO 3.0 compared to the ADT in March during the CMCO period. As restrictions were gradually lifted from late August, the overall reduction settled at 7.7% and 5.1% respectively at the two toll plazas compared to 2020.

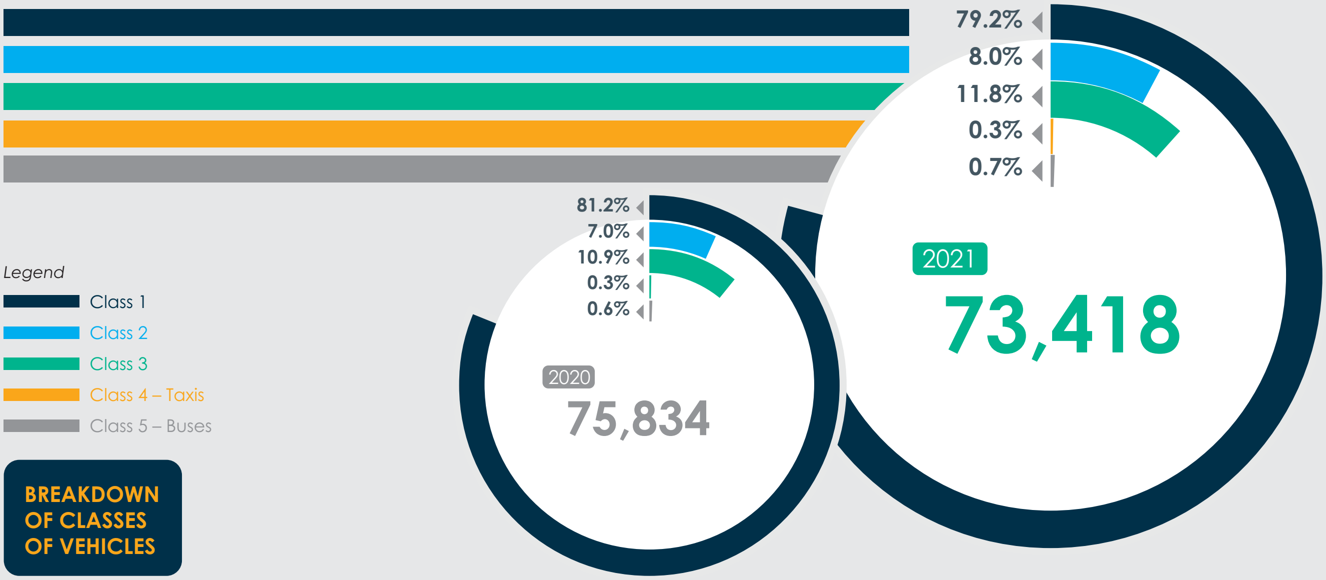
Collectively, the four toll plazas experienced a 3.2% decline in ADT in 2021. Nonetheless, the port bound traffic at both the Kapar and MOC A toll plazas witnessed an uptrend in the ADT when compared to a year ago. Economic activities particularly those related to the Northport/ Westport operations contributed to the resurgence in the ADT where the ADT at the Kapar toll plaza increased by 5.9% whereas the ADT at MOC A surged by 20.6% compared to 2020. Furthermore, the closure of the old New North Klang Straits Bypass Expressway toll free road by the police for a month due to high incidence of COVID-19 cases during the MCO period saw traffic being diverted to our Highway through MOC A Toll Plaza.

YEARLY AVERAGE DAILY TRAFFIC (ADT) BY PLAZA FROM 2017 – 2021



During the year, the total traffic throughput at our Highway was 26.80 million (2020: 27.76 million) paying vehicles with Bukit Raja Toll Plaza accounted for approximately 61% of the total ADT compared to 64% in 2020. Kapar Toll Plaza and MOC B accounted for 22% and 11.0% compared to 20% and 11% respectively in 2020.



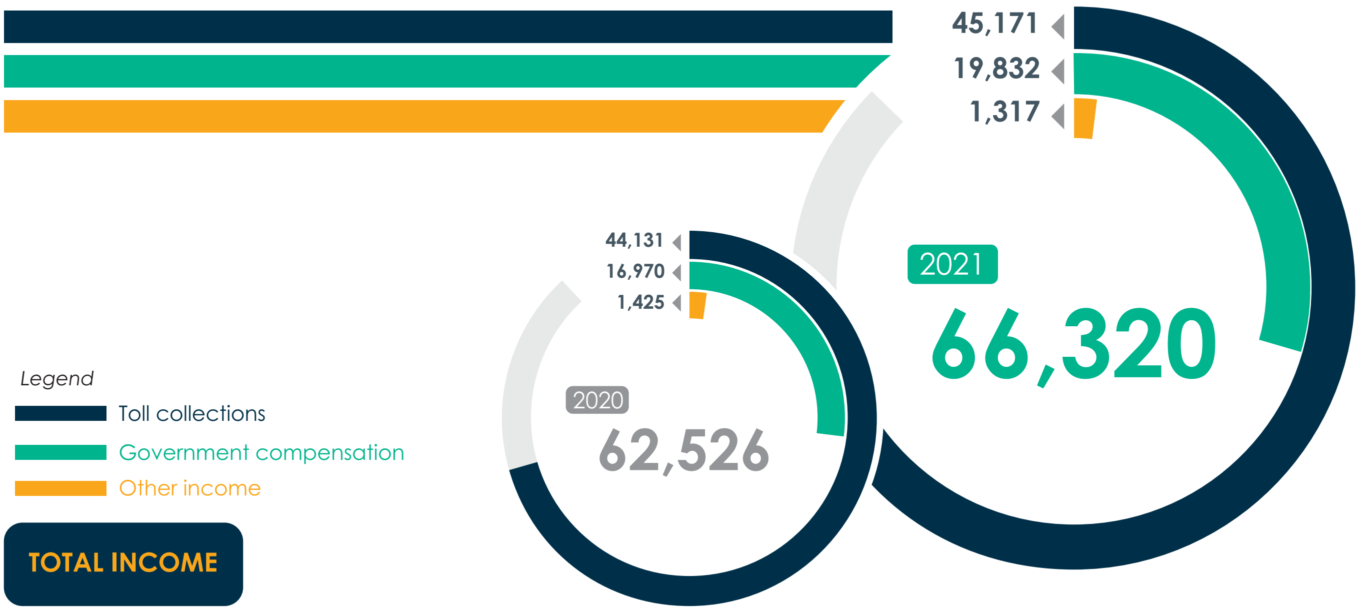


Our Highway is linked to major highways in the Klang Valley including Federal Highway Route 2 and PLUS (NKVE) connecting developments in Klang, Bandar Bukit Raja, Bandar Sultan Sulaiman Industrial Zone, Northport and Westport. Given the construction and opening of the Hj. Sirat Interchange in June 2018 at a cost of RM11.5 million, road users, particularly commercial traffic, have direct access to our Highway and a shorter route to the ports. This has boosted patronage by Class 2 and Class 3 commercial traffic, comprising 8.0% and 11.8% respectively of the total traffic compared to 6.9% and 10.9% a year ago, a trend of increasing commercial traffic which started in 2019. With Class 2 and Class 3 vehicles commanding higher toll rates, this has contributed positively to the toll revenue for the year and expectedly so, in the years ahead.

In order to increase traffic throughout our Highway, we have embarked on various initiatives which included continuation of our marketing strategies such as installation of buntings, Frequent Travellers Programme and intensive promotion on Facebook and Twitter social media including liaison with the North Port Association in discussing matters of mutual benefit including usage of our Rest and Service Area facilities. Additionally, we have been collaborating with the traffic police of Klang Utara to manage traffic flow during peak periods particularly around the Bukit Raja and Jalan Meru areas to ensure a smoother travelling experience for our road users. The efforts taken have resulted in a positive outcome as can be seen from the higher volume of traffic passing through the Kapar and MOC A toll plazas. As the COVID-19 pandemic continued well into 2021, we were required to overcome numerous challenges to optimise our Highway operations' service level whilst coping with increases in costs. Nonetheless, we did not compromise on our performance standards but continued to achieve excellence in the rating of highway maintenance based on criteria set by the MHA. We are indeed proud to have been again awarded the 4-Star Rating for another year from January to December 2021. In terms of traffic safety, we implemented numerous traffic safety improvement programmes along our Highway and the accidents reported at our Highway of 1.57 vehicles per million (2020: 1.44) is well below the 3.15 benchmark set by MHA. To enhance our service and operation excellence, we have implemented the ISO9001:2015 Quality Management System by SIRIM QAS International since 2018 and we will continue to maintain our accreditation as a commitment to our stakeholders particularly those who travel on our Highway. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

With the COVID-19 pandemic situation prevailing in 2021, stringent actions were taken to enforce SOPs to protect our staff, crew members and to ensure the continuity of our operations. To avoid exposure to the risk of close contact among the front liners and our road users, operational procedures are reviewed and if necessary revised from time-to-time, to comprise protocols to include, amongst others, the use of personal protection equipment, taking of temperature at office entrance and the practice of social distancing. On top of these measures, hand gloves, face masks, test kits and hand sanitisers were provided to our staff. As vaccinations are being encouraged by the

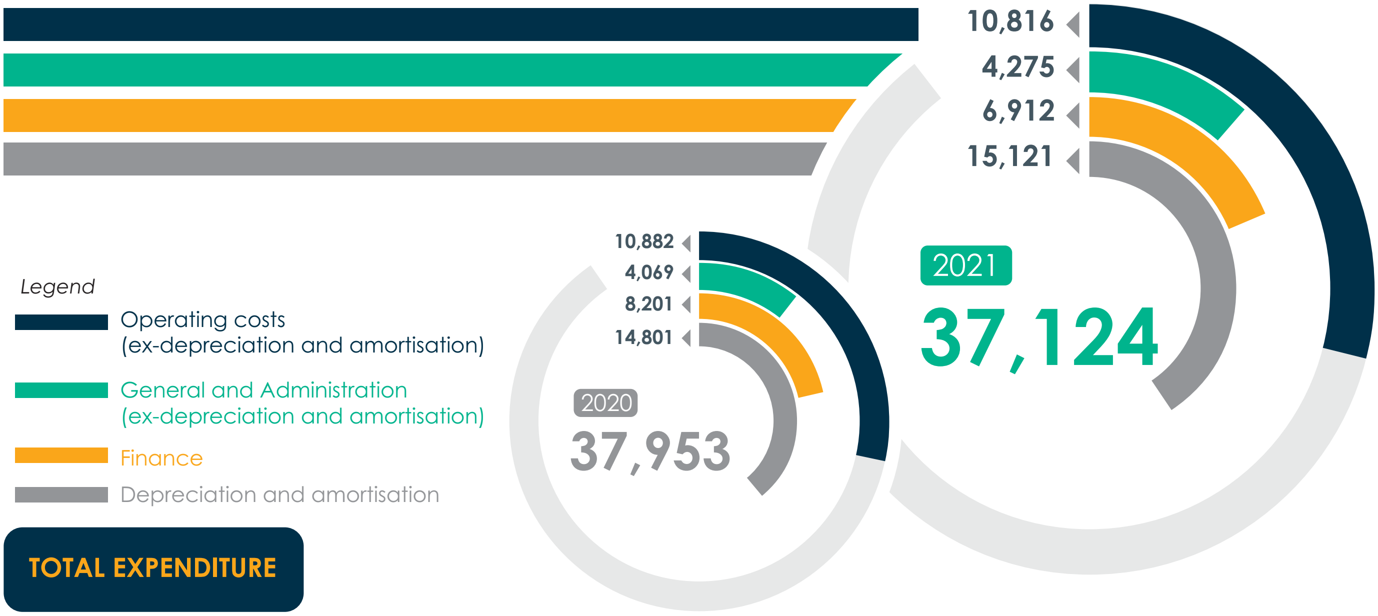
Management Discussion and Analysis



Ministry of Health, the Highway division staff, including those from Grand Saga, has received two doses of the vaccination and with more than half of them also having received their booster shots.

With the unpredictable and extreme weather conditions, flooding at our Highway remains a great concern to us. We have taken the requisite risk mitigation to manage incidences of flooding as certain stretches of our Highway, being situated in low lying areas, are flood prone. Amongst actions taken are working together with local authorities on flood mitigation efforts especially within the Jabatan Kerja Raya ("JKR") and Majlis Perbadanan Klang ("MPK") areas by deepening existing retention ponds, routine cleaning and inspections along the drainage system and liaising with JKR. We are also upgrading the drain infrastructures with the construction of additional U drains at flood prone areas to improve drainage. Despite these efforts, the Klang Valley witnessed a heavy thunderstorm on 18 December. This led to major flash floods at KM11-KM12, KM13-KM14, Meru interchange and the surrounding Kapar and Klang areas which crippled traffic movement for a period of 3 days on our Highway. Fortunately, the flood receded and our operations were able to resume with minimal impact to the integrity of our Highway infrastructure.

In terms of financial performance, Grand Sepadu managed to post an operating revenue of RM65.00 million, an increase of RM3.90 million. In tandem with the higher revenue, PAT came in at RM18.77 million, higher than the PAT of RM15.12 million in 2020. Despite average traffic volume having declined by 3.2%, revenue from toll collections was comparatively higher, attributable to the higher number of commercial vehicles plying the Kapar and MOC A toll plazas and the higher receipt of Government compensation of RM19.83 million (2020: RM16.97 million) for the non-increase of toll rates in 2016 and 2020, in accordance with the provisions of the Concession Agreement. Operating revenue comprises of toll collection of RM45.17 million (2020: RM44.13 million) and the Government compensation. Other income which comprises mainly of interest income was lower on account of a reduction in the cash reserves to pay the principal and interest expenses of the RM210 million nominal amount of Sukuk Murabahah issued.



Total operating costs (excluding depreciation and amortisation) was recorded at RM10.82 million, slightly lower than RM10.88 million in 2020. We incurred total repair and maintenance costs of RM3.65 million (2020: RM1.97 million) whilst provision for heavy repairs in the current year was adjusted to take into account the re-scheduling of heavy repairs to 2023 instead of in 2022 as originally planned. Depreciation and amortisation accounted for RM15.12 million (2020: RM14.80 million) whereas finance charges from the issuance of the Sukuk Murabahah stood at RM6.91 million compared to RM8.20 million last year due to further repayment of a principal sum of RM30.00 million Sukuk Murabahah during the year. The Sukuk Murabahah issued in 2015 carried a rating of AA-is with stable outlook by the Malaysian Rating Corporation Berhad. The outstanding unpaid Sukuk Murabahah is RM120 million with a further principal sum repayment of RM30 million made in January 2022.

ENGINEERING AND CONSTRUCTION

In 2021, disruptive effect to the construction sector from the COVID-19 pandemic continued unabated. Prices of basic construction materials escalated as a result of global supply chain disruptions, higher manufacturing and logistic costs in adhering to stringent SOPs and regulations issued by the relevant authorities particularly, the Ministry of International Trade and Industry and Ministry of Health. The higher costs rendered many on-going projects no alternative but to hold back their progress with some of the worst-off being shelved. Some newly awarded projects were unable to commence largely due to cost over-runs that overwhelmed the project budget. As the construction industry is vital to the national economy, quite a number of important and critical infrastructure projects require assistance from the government in the form of Variation Order of Price ("VOP") in supplemental agreements to kick start these projects after they had been successfully awarded.

Whilst most of the foreign construction workers have benefited under the national vaccination programme, the prolonged freeze in entry permit of foreign workers has led to foreign workers who left the country not being able to return or being replaced. As such, the shortage of foreign construction workers is greatly felt in the entire industry. The shortage of foreign construction workers, if left unattended will eventually undermine the government's effort in rolling out new construction projects to stimulate the economy. But with the expectations of better global health performance and gradual opening of country borders, greater cross-border labour mobility is anticipated. Hence, the number of foreign workers is projected to increase with the acceleration of construction and main projects that were temporarily suspended during the pandemic. Nonetheless, the government continues to encourage productivity improvements through automation and digitalisation, particularly in labour-intensive industries. These efforts are expected to reduce the dependence on migrant workers, thus allowing for more job opportunities in the market for Malaysians. To enhance project performance and productivity, technological applications are adopted such as the usage of drone to capture the progress of works for accurate and speedy reporting and customised software for recording and filing of documents in some of the projects undertaken.

According to the Economic Outlook Report 2022 released by the Ministry of Finance in October 2021, the construction sector contracted by 19.4% in 2020 and 0.8% in 2021 with the value of construction projects awarded declining by 22.6% to RM86.7 billion for 2020 compared with RM112 billion for the year before as reported by the Construction Industry Development Board. The domestic economy is forecasted to expand between 5.5% and 6.5% in 2022, while construction sector is expected to grow 11.5% on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects. Nevertheless, the favourable outlook is predicated on strong economic fundamentals and a diversified structure, including the successful containment of the COVID-19 pandemic, effective implementation of the National COVID-19 Immunisation Programme and strong global economic prospects.

For the whole of 2021, we have only one active on-going project i.e. construction and completion of the CRJ4 Project at Cyberjaya Flagship Zone in Selangor for a contract sum of RM42.36 million. This project commenced in November 2018 and was initially due to complete in November 2021. This, however, was subsequently extended to April 2022 due to the delay by our client in securing approval of the consultant's design with the authorities. The completion date has since been further extended to November 2022 due to the delay caused by the MCOs imposed by the government. The contract sum for this project was previously revised downwards to RM37.99 million at the end of 2020 after taking into consideration adjustments made to the quantity and prices of certain raw materials to be used in the project. After an assessment was made during the year, the contract sum was revised upwards to RM41.30 million at the end of 2021 in view of actual quantity becoming more apparent. At the end of the year, the actual progress of works was 81% (2020: 53%) against the planned progress of 86% (2020: 72%). The delay in the progress of the project was mainly attributable to further MCO and restrictions on the number of workers working at any one time imposed by the government. On this reason we have made a third application for extension of time to complete the project by the first quarter of 2023, the outcome of which is still pending approval. As this project utilises quite a fair quantity of steel pipes and bars, we were fortunate to have locked in the price of steel pipes well before the imposition of the MCO. In respect of steel bars, we have purchased 94% of our required quantity by the end of 2021. We foresee that the overall project cost will not be significant impacted.

The construction industry is notably highly competitive given the numerous players with different strengths and capabilities. It is also a sector that is fraught with tremendous risks ranging from, amongst others, delay in completion, insufficient operating cash flow and compliance with environmental, health and safety regulations. To be able to survive the keen competition and staying afloat, we have several strategies in place, including having the financial strength, adequate banking facilities and requisite ISO accreditation to provide us with a competitive edge. At present, we have been accorded the ISO 9001:2015 under SGS United Kingdom and Malaysia for Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts, which is valid until 2023. Other business strategies include providing propositions on viable infrastructure projects to be considered by the state governments.

In terms of financial performance, we achieved a revenue of RM14.84 million as compared to a year ago of RM12.67 million. Despite the increase in revenue, we posted an operating loss of RM0.97 million against an operating profit of RM0.52 million in 2020 on account of a downward revision in the estimated project margin for the CRJ4 Project due principally to the increases in prices of steel bars at the end of 2020. Nonetheless, 2021 was an eventful year for us as our persistent efforts in tendering for new projects has borne fruits where in the last quarter of 2021, we managed to secure two packages of the 700 MLd Phase 1 of Rasau Water Supply Scheme from Air Selangor of about RM896 million on an open tender basis. These newly secured projects will contribute positively to our financial performance for the next three years from 2022 to 2024.

“2021 WAS AN EVENTFUL YEAR FOR US AS OUR PERSISTENT EFFORTS IN TENDERING FOR NEW PROJECTS HAS BORNE FRUITS WHERE IN THE LAST QUARTER OF 2021, THESE NEWLY SECURED PROJECTS WILL CONTRIBUTE POSITIVELY TO OUR FINANCIAL PERFORMANCE FOR THE NEXT THREE YEARS FROM 2022 TO 2024.”

WASTE MANAGEMENT

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

As with the other business divisions of our Group, our waste management division too, had its fair share of challenges as the COVID-19 pandemic continued to affect business sentiments. The enforcement of MCOs and the NRP have had dire consequences on the economic sector, particularly those that are engaged in the retail and hospitality sectors. However, when compared to most of the other segments of industries, our waste management business was fortunate not to be severely impacted by the pandemic, as waste management is categorised as one of the sectors that provides essential services to the public and therefore, was allowed to operate without much undue limitations. As part of the health and safety measures and precaution to prevent the widespread of COVID-19, amongst our staff, including the frontliners, strict SOPs have been put in place requiring our staff both at the head office and our operational sites at Negeri Sembilan, Melaka, Johor to wear face masks, minimising physical contact via online meeting, adhering to social distancing protocols and regular disinfection of the workplace including all of the vehicles and equipment that we use for our daily operations.

Other than the rollout of the national vaccination programme by the Ministry of Health, we are also working closely with several other government agencies namely, the COVID-19 Immunisation Task Force and district offices under respective local councils to ensure every of our staff employee receive receives the COVID-19 vaccination promptly. Presently, all of our employees have been fully vaccinated with double doses whilst a number of them have either obtained or in the midst of getting their booster shots.

Maintaining a safe and healthy environment at work is one of our top priorities under our ESG considerations as we value the contribution of a large base of our employees of over 8,000 personnel. We take pro-active actions to prevent and minimise the number of workplace accidents by promoting the "Jom Kerja Selamat" campaign by conducting a total of sixty-four health and safety awareness activities during the year including creating and disseminating operational manuals, implementing safety training programmes, as well as establishing and enforcing hazardous materials handling policies. We are proud that we do not have any fatalities recorded at our workplace attributable to inadequate safety procedures.

As the operations are highly labour intensive involving both the waste collection and public cleansing activities, shortage of manpower, especially the operatives, is one of the key issues for us as the recruitment of foreign workers has been frozen and the hiring of local workers remains an uphill task as the notion of waste management being perceived to be in the 3D sector i.e. dirty, dangerous and difficult, is strongly engrained amongst the local workers. Currently, foreign workers account for up to 10% of our total workforce, down from 15% previously. Nevertheless, were able to mitigate the shortage of operating manpower from 410 headcount in 2020 to 306 headcounts in 2021. With the high unemployment rate brought about by the economic downturn, more hiring of locals took place these past two years, thus temporarily easing the manpower shortage with higher numbers of recruits and lower manpower turnover rate of less than 2%. However, with the gradual improving economic situation expected in 2022, it is anticipated that attrition rate would progressively rise again. To reduce dependency on the use of labour over the long term, we will be introducing as part of operational optimisation, new mechanisation for the labour-intensive cleansing activities particularly in grass cutting and drain cleansing.

"OUR HUMAN RESOURCE DEPARTMENT HAS BEEN KEPT CONSIDERABLY OCCUPIED WITH DRIVING CONTINUOUS EFFORT IN DEVELOPING KNOWLEDGE, SKILLS, COMPETENCIES AND CAPABILITIES OF OUR WORKFORCE BY EXPOSING THEM TO APPROPRIATE AND CONSISTENT TRAINING WITH THE OBJECTIVE OF BOOSTING PERFORMANCE AND PRODUCTIVITY AT THE WORKPLACE."

As most industries are progressing towards technological advancement and innovation, our human resource department has been kept considerably occupied with driving continuous effort in developing knowledge, skills, competencies and capabilities of our workforce by exposing them to appropriate and consistent training with the objective of boosting performance and productivity at the workplace. Towards this end, we have conducted 649 training programmes during the year which benefited about 3,700 of our employees and a total of 8,335 training hours was logged. In line with the fifth 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, we have been working closely with Solid Waste and Public Cleansing Management Corporation ("SWCorp") and the Skills Development Department to roll out the National Dual Training System ("SLDN"). Through this initiative, 388 of our staff from Negeri Sembilan, Melaka and Johor offices who participated in the upskilling programme related to solid waste collection, public cleaning, treatment and disposal of solid waste were awarded the Malaysian Skills Certificate Level 2 at the first SWCorp Convocation Ceremony held towards the end 2021. SWCorp is a government body under the Ministry of Local Government and Housing tasked with the responsibility to regulate solid waste management and public cleansing in the seven states in Peninsular Malaysia that adopt the Solid Waste Management and Public Cleansing Act 2007 (Act 672).

Being an important stakeholder, we work and collaborate closely with SWCorp in implementing the National Solid Waste Management Policy. Optimization of operational efficiencies, via integrated system such as The Integrated Inventory Data System ("PIDB" – Sistem Pusat Data Inventori Bersepadu) to capture inventories as well as on ground improvement in sump measurement were used extensively to provide updated data. Similarly, for the Intelligent Work Scheduling System ("i-jadual") which is integrated seamlessly with the Online Job Completion Report ("LSK"- Laporan Siap Kerja), Automatic Vehicle Locator system ("AVLS") and SWCorp's online payment ("SPBP" – System Pengurusan Bayaran Perkhidmatan) that facilitates prompt billing and expedites online payment process. In addition, the online ticketing system through Sistem Pemantauan Kawalan Kebersihan ("SPKK") which can also be accessed by all the concessionaires in monitoring and reporting work performance on the ground KPI issued by SWCorp are immediately remedied while enhancement efforts made to the mResponz to alleviate the LSK completion 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 towards effective monitoring of solid waste and public cleansing activities has greatly elevated the level of service for the whole waste management industry. We are also working towards automating and digitising some of our processes to further improve on our operational and costs efficiencies such as the Internal Complaint and KPI Monitoring Application (SPEED Apps) to identify any non-compliance to work quality on the ground, eNTC System for sub-contractors to rectify work quality issues before any KPI penalty is issued.

Other than our core business activities, we have been actively organising sustainability initiatives and participating in various community programmes as part of our Corporate Social Responsibility ("CSR"). Consistent communication, education and public awareness ("CEPA") initiatives on environmental and recycling benefits had resulted in the birth of the KITARecycle programme in 2018. This programme aims to encourage the general public to undertake recycling activities under the 3R concept of "Reduce, Reuse and Recycle" to reduce the amount of waste illegally dumped or that ends up in the sanitary landfills. The objective of this programme is also aim at gradually making it a habit, as well as the opportunity for the public to earn and collect Recycling Point ("RP") that can be redeemed for cash through online banking. Further details of our sustainability credentials can be found in the Sustainability Statement within this Annual Report.

> **"OTHER THAN OUR CORE BUSINESS ACTIVITIES, WE HAVE BEEN ACTIVELY ORGANISING SUSTAINABILITY INITIATIVES AND PARTICIPATING IN VARIOUS COMMUNITY PROGRAMMES AS PART OF OUR CORPORATE SOCIAL RESPONSIBILITY ("CSR")."**

The concession under the division prescribes for a tariff review after 7 years into the concession i.e. by September 2018. However, the tariff review negotiations have not been concluded although there had been numerous ongoing discussions and meetings over the years. As a result of the delay in resolving this issue, our waste management division's financial position does not afford an ability to replace its entire aging fleet of vehicles and equipment. Currently, approximately 40% of the vehicles and equipment require replacement to ensure our service levels are maintained. Despite the shortcomings, the management have been able to ensure that the fleet and equipment availability is met through increased efforts in preventive and scheduled maintenance.

Despite a challenging year, the total operating expenditure for the year recorded a slight decrease of 1.4% on the back of a 2.6% rise in operating revenue. Pending the second cycle concession tariff negotiations with the Federal Government, we have deferred our plan to replace the entire existing fleet of aging vehicles and other plant, equipment and machineries and this translated in a substantially lower depreciation charge of RM32.32 million (2020: RM53.95 million) for the year. As we have not incurred the budgeted capital expenditures, we focused instead on the replacement and refurbishment where required basis which resulted in an increase of 12% in repair and maintenance costs. Payroll and

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.

subcontractor costs accounted for a large component of total direct operating expenditure at 83% (2020: 80%). Attention is particularly directed at these cost considerations and continuous efforts in various staff retention programmes, rationalisation of overtime and staff allowances aimed towards managing the operational efficiency and productivity had resulted in a cost increase of 2.0% and 2.5% respectively in the management of staff and sub-contractor costs.

DIVIDEND POLICY

In 2015, the Group announced its dividend policy of a pay-out ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) subject to a number of considerations including the earnings, capital commitments, general financial conditions, distributable reserves and other factors. 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.

CORPORATE DEVELOPMENTS

Towards the end of 2020, the Group announced that it was venturing into the renewable energy sector, a move that is in line with the Group's ambitions to broaden its footprint in the infrastructure space. The venture involves the proposed acquisition of 100% interest in four solar projects with an aggregate capacity of 19.0-megawatt peak within the vicinity of Kuala Lumpur International Airport for a total cash consideration of RM181.60 million. This amount to be financed from our internal funds includes the purchase consideration and repayment of shareholders' loan. This acquisition complements our existing concession-based businesses where we seek to strengthen our capacity to provide steady and sustainable income to our shareholders. The acquisition represents a small but important step in our endeavour to grow this segment into a business that will contribute to the growth trajectory of our Group. The proposed acquisitions are expected to be completed by the second quarter of 2022.

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, the Group has 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 the business activities of the Group. In adopting the Adequate Procedures, the Group is 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 are a corruption risk assessment to establish appropriate processes, systems and controls approved by the top-level management to mitigate the specific corruption risks that the business is exposed to and a whistleblowing channel which may be used anonymously, for internal and external parties to raise concerns in relation to 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 process.

Each business unit 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 our Anti-Bribery and Whistle-blowing Policies at https://taliworks.com.my/corporate-governance/. We have also made available a dedicated email address where reports can be channelled to the Whistle-Blowing Committee. Further details on how we have implemented the Whistle-blowing Policies are elaborated under Practice 3.2 of the Corporate Governance Report 2021, 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

Save for the highway toll concessionaire, operations and maintenance division which encountered a drastic reduction in the number of vehicles commuting along our highways for the past two years and the temporary suspension of construction activities from the imposition of the MCOs, the financial performance of the other two business divisions were minimally impacted as they are in the essential services sectors. The financial performance of the water treatment, supply and distribution business was in line with our expectations whilst the waste management division performed reasonably well despite the various operational challenges arising from the COVID-19 pandemic.

As the country move towards normalcy by the second quarter of 2022, it is envisaged that there will be a gradual recovery in the national economy as business sentiments return. Traffic numbers at both of our highways have rebounded fairly strongly with the ADT almost achieving the pre-COVID-19 traffic numbers. Whilst there are current concerns raised on the emergence of COVID-19 virus variants, at this juncture, the government has indicated that it is unlikely to be re-imposing a total lockdown which is more likely to cause considerable damage to the economic recovery. As such, we foresee that the impact of the COVID-19 will diminish in 2022 and the impact on us will be less severe as compared to the previous two years.

"WITH THE AWARD OF CONTRACTS FROM AIR SELANGOR FOR THE DEVELOPMENT OF THE TWO PACKAGES UNDER PHASE 1 OF THE SUNGAI RASAU WATER TREATMENT PLANT AND WATER SUPPLY SCHEME, A LOT OF ATTENTION WILL BE PLACED ON OUR CONSTRUCTION DIVISION. THESE SIGNIFICANT CONTRACTS WILL CONTRIBUTE POSITIVELY TO THE REVENUE AND PROFIT OF OUR GROUP OVER THE NEXT 3 YEARS."

PROSPECTS

In March 2022, Bank Negara Malaysia reported that the Malaysian economy expanded by 3.1% in 2021, a rebound from a contraction of 5.6% last year, supported by the easing of movement curbs and higher vaccination. Bank Negara Malaysia further asserted that real gross domestic product for 2022 is expected to grow between 5.3% and 6.3%, underpinned by stronger global trade and the reopening of international borders. The central bank also indicated that it would remain focused on facilitating a sustainable economic recovery in 2022 against the backdrop of fast-evolving conditions and uncertainties surrounding COVID-19 developments, geopolitical conflicts and supply chain disruptions, among others.

In terms of the prospects of our Group for 2022, the water treatment, supply and distribution and the highway toll concessionaire, operations and maintenance divisions will continue to contribute significantly to our profits and cash flows. Our cash flow position is projected to remain relatively healthy from cash generated from these operations. Demand for treated raw water is expected to remain robust whilst revenue from toll collections is expected to improve in line with the higher ADT. However, the waiver of income tax for ten years from the year of assessment 2012 granted to Grand Saga for the discontinuation of toll collections at the Kuala Lumpur bound lane at Batu 9 toll plaza and the Kajang bound lane at Batu 11 toll plaza of the Cheras-Kajang Highway with effect from 2 March 2012, ended at the end of 2021. As such, statutory income generated from Grand Saga will be subjected to corporate tax from 2022 and this will result in a lower profit contribution from the company. As for the waste management division, SWMEH is expected to continue to grow its revenue from both solid waste collection and public cleansing services. In 2021, revenue grew by over 2.6% as more areas were serviced. As SWMEH is still in negotiations with the Federal Government on the second cycle tariff review, we are hopeful for a definite resolution which will put the waste management division in a better financial position.

With the award of contracts from Air Selangor for the development of the two packages under Phase 1 of the Sungai Rasau water treatment plant and water supply scheme, a lot of attention will be placed on our construction division. The commencement of work has begun with earnest and completion is expected by end of 2024. These significant contracts will contribute positively to the revenue and profit of our Group over the next 3 years. Whilst 2022 will see some contribution from these projects, a major portion of the revenue and profit will be realised in 2023 and 2024. Although we would be pre-occupied with these projects, the division will continue to pursue other infrastructure projects as we intend to build up our order book to achieve better economy of scales and cost advantage.

With the Federal Government's recent announcement to increase minimum wage to RM1,500 per month effective 1 May 2022, the Group will remain vigilant in terms of our cost optimisation strategy to mitigate the impact of the anticipated higher labour costs, especially in our waste management division. The minimum wage may also increase our cost in doing business if our suppliers and service providers were to pass on the higher cost to us. Current geopolitical tensions may also heightened the risk of price escalation of goods and services particularly utility, fuel and chemical costs.