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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2015 (UNAUDITED)

CONTENTS

This Report is authorised for public release on 25 February 2016

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2015 RM'000	31 Dec 2014 RM'000 (Audited)
ASSETS			
Property, plant and equipment		32,971	40,747
Investment properties		255	260
Intangible assets		1,787,111	1,689,672
Investment in joint venture		66,914	74,621
Investment in associates		7,213	5,881
Other investment		240	240
Goodwill on consolidation		131,889	131,889
Deferred tax assets		19,085	16,048
Long-term trade receivables	A1(c)(i)	233,046	199,754
Long-term other receivables		855	625
Deposits, cash and bank balances	B13	34,237	32,877
Total Non-Current Assets		**2,313,816**	**2,192,614**
Inventories		1,770	1,207
Amount due from contract customers		7,987	1,411
Trade receivables	A1(c)(i)	170,561	179,632
Other receivables, deposits and prepayments		8,808	88,951
Tax recoverable		1,666	7,983
Available-for-sale financial assets	B13	238,692	114,459
Deposits, cash and bank balances	B13	170,744	211,488
		600,228	**605,131**
Asset held-for-sale		-	125
Total Current Assets		**600,228**	**605,256**
TOTAL ASSETS		**2,914,044**	**2,797,870**
EQUITY AND LIABILITIES			
Share capital		241,898	218,246
Reserves		904,731	633,515
Total Equity Attributable to Owners of the Company		**1,146,629**	**851,761**
Non-controlling interests		286,554	523,668
Total Equity		**1,433,183**	**1,375,429**
LIABILITIES			
Long-term borrowings	B7	803,725	719,357
Deferred tax liabilities		254,291	254,514
Long-term trade payables		8,042	6,365
Deferred income		172,933	189,521
Provision for heavy repairs		12,605	9,099
Total Non-Current Liabilities		**1,251,596**	**1,178,856**
Trade payables		86,571	75,637
Amount due to contract customer		1,403	-
Other payables and accruals		98,426	129,193
Tax liabilities		2,253	5,017
Short-term borrowings	B7	23,255	21,756
Deferred income		17,357	11,982
Total Current Liabilities		**229,265**	**243,585**
TOTAL LIABILITIES		**1,480,861**	**1,422,441**
TOTAL EQUITY AND LIABILITIES		**2,914,044**	**2,797,870**
Net assets per share attributable to owners of the Company (RM)		**0.9480**	**0.7806**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 31 Dec 2014 RM'000	12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
Revenue	B1	**100,191**	**114,222**	**410,931**	**353,914**
Cost of operations		(70,134)	(94,400)	(306,523)	(269,710)
Gross profit		**30,057**	**19,822**	**104,408**	**84,204**
Other operating income		62,784	9,636	114,412	303,707
Administrative and other expenses		(26,578)	(11,723)	(64,996)	(43,424)
Operating profit		**66,263**	**17,735**	**153,824**	**344,487**
Finance costs		(11,555)	(11,324)	(44,506)	(32,192)
Share of results of joint venture		(251)	(1,619)	(927)	3,809
Share of results of associate		150	292	1,032	1,090
Profit before tax	B4	**54,607**	**5,084**	**109,423**	**317,194**
Income tax expense	B5	(4,484)	(3,028)	(17,832)	(14,036)
Profit for the financial period/ year		**50,123**	**2,056**	**91,591**	**303,158**
Other comprehensive income/(loss):					
Net fair value (loss)/gain on available-for-sale financial assets		(274)	11	(177)	34
Foreign currency translation differences for foreign operations		(12,895)	9,744	32,849	7,894
Total other comprehensive (loss)/income for the financial period/ year		**(13,169)**	**9,755**	**32,672**	**7,928**
Total comprehensive income for the financial period/ year		**36,954**	**11,811**	**124,263**	**311,086**

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 31 Dec 2014 RM'000	12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
Profit for the financial period/ year attributable to:					
Owners of the Company		51,250	4,428	86,576	301,249
Non-controlling interests		(1,127)	(2,372)	5,015	1,909
		50,123	**2,056**	**91,591**	**303,158**
Total comprehensive income for the financial period/ year attributable to:					
Owners of the Company		38,716	13,629	117,671	309,000
Non-controlling interests		(1,762)	(1,818)	6,592	2,086
		36,954	**11,811**	**124,263**	**311,086**
Earnings per share attributable to owners of the Company (sen per share):	B9				
- basic		4.34	0.41	7.76	27.61
- diluted		4.34	0.40	7.75	27.60

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM'000	Share premium RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total Equity RM'000
		Attributable to owners of the Company									
As of 1 January 2015		**218,246**	**74,176**	**1,591**	**25,140**	**(2)**	**(71,500)**	**604,110**	**851,761**	**523,668**	**1,375,429**
Available-for-sale financial assets		-	-	-	-	(162)	-	-	(162)	(15)	(177)
Foreign currency translation differences		-	-	-	31,257	-	-	-	31,257	1,592	32,849
Total other comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	-	31,095	1,577	32,672
Profit for the financial year		-	-	-	-	-	-	86,576	86,576	5,015	91,591
Total comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	86,576	117,671	6,592	124,263
Transactions with owners of the Company:											
Dividends paid	A6	-	-	-	-	-	-	(67,944)	(67,944)	-	(67,944)
Dividends paid by a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(67,250)	(67,250)
Proceeds from private placement of shares, net of expenses	B6(b)(i)	21,990	116,315	-	-	-	-	-	138,305	-	138,305
Proceeds from exercise of ESOS	A5	1,662	4,653	-	-	-	-	-	6,315	-	6,315
Transfer from reserve upon ESOS options: - exercised		-	1,519	(1,519)	-	-	-	-	-	-	-
- lapsed		-	-	(72)	-	-	-	72	-	-	-
Changes in ownership interests in subsidiaries	A3(a)	-	-	-	-	-	-	100,521	100,521	67,124	167,645
Reduction in non-controlling interest arising from increase in stake in subsidiaries	A3(a)	-	-	-	-	-	-	-	-	(270,496)	(270,496)
Non-controlling interest arising from issuance of redeemable preference shares	A8(b)	-	-	-	-	-	-	-	-	26,916	26,916
Total transactions with owners of the Company		23,652	122,487	(1,591)	-	-	-	32,649	177,197	(243,706)	(66,509)
As of 31 December 2015		**241,898**	**196,663**	**-**	**56,397**	**(164)**	**(71,500)**	**723,335**	**1,146,629**	**286,554**	**1,433,183**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Share Option reserve	Currency Translation reserve	Available-for-sale reserve	Merger deficit	Retained earnings	Total	Non-controlling interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 January 2014	**218,246**	**74,176**	**2,111**	**17,347**	**40**	**(71,500)**	**365,137**	**605,557**	**4,990**	**610,547**
Retained earnings – translation adjustment	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	(42)	-	-	(42)	76	34
Foreign currency translation differences	-	-	-	7,793	-	-	-	7,793	101	7,894
Total other comprehensive (loss)/income for the financial year	-	-	-	7,793	(42)	-	-	7,751	177	7,928
Profit for the financial year	-	-	-	-	-	-	301,249	301,249	1,909	303,158
Total comprehensive (loss)/income for the financial year	-	-	-	7,793	(42)	-	301,249	309,000	2,086	311,086
Transaction with owners of the Company:										
Transfer from reserve upon ESOS options lapsed			(520)				520	-	-	-
Dividends paid	-	-	-	-	-	-	(26,189)	(26,189)	-	(26,189)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	(36,607)	(36,607)	36,607	-
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	479,985	479,985
Total transaction with owners of the Company	-	-	(520)	-	-	-	(62,276)	(62,796)	516,592	453,796
As of 31 December 2014	**218,246**	**74,176**	**1,591**	**25,140**	**(2)**	**(71,500)**	**604,110**	**851,761**	**523,668**	**1,375,429**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

		12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		109,424	317,194
Adjustments for:			
Non-cash items		(17,373)	(235,299)
Interest income		(4,885)	(3,856)
Finance costs		44,506	32,192
Operating Profit Before Working Capital Changes		131,672	110,231
Net decrease in inventories, amount due from contract customers, trade and other receivables		35,343	29,784
Net decrease in amount due to contract customers and trade and other payables		39,968	39,829
Cash Generated From Operations		206,983	179,844
Income tax paid		(24,968)	(21,561)
Income tax refunded		7,813	9,235
Net Cash From Operating Activities		**189,828**	**167,518**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		5,001	3,884
Property, plant and equipment:			
- proceeds from disposal		152	286
- purchase		(2,493)	(4,278)
Proceeds from disposal of investment property		246	-
Decrease in other payables and accruals		-	(3,131)
Purchase of intangible assets		(35,837)	(35,812)
Acquisition of ordinary shares in subsidiaries	A3(a)	(102,851)	-
Payment to non-controlling interests		(37,102)	-
Investment in joint venture		-	(75,015)
Investment in an associate		(300)	-
Net cash inflow on acquisition of subsidiary		-	140,170
Dividend from Joint venture		-	5,500
Available-for-sale financial assets:			
- purchase		(277,075)	(168,535)
- proceeds from redemption		156,009	173,622
Proceeds from the disposal of a subsidiary, net of cash de-recognised		65,822	-
Proceeds from the disposal of shares		-	68,683
Placement of deposits pledged as security		(1,360)	(12,305)
Decrease/(Increase) in proceeds deposited in the designated bank accounts		2,017	(8,660)
Net Cash (Used In)/From Investing Activities		**(227,771)**	**84,409**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(48,256)	(25,085)
Repayment of borrowings		(18,559)	(93,116)
Drawdown of borrowings		50,434	73,099
Dividends paid by a subsidiary to non-controlling interest		(67,250)	-
Repayment of finance lease payables		(358)	(332)
Dividends paid	A6	(67,944)	(26,189)
Proceeds from exercise of ESOS	A5(a)	6,315	-
Net proceeds from private placement of shares		138,305	-
Net Cash Used In Financing Activities		**(7,313)**	**(71,623)**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(45,256)	180,304
Effects of foreign exchange rate changes	8,750	1,739
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	197,088	15,045
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**160,582**	**197,088**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	96,540	193,065
Cash and bank balances	108,441	51,300
Total deposits, cash and bank balances	204,981	244,365
Less: Deposits pledged as security	(34,237)	(32,877)
Less: Proceeds deposited in the designated bank accounts	(10,162)	(12,179)
Less: Overdrafts	-	(2,221)
	160,582	**197,088**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying significant events and transactions attached to these interim financial statements.

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

A1 – Basis of Preparation

(a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Board Listing Requirements of Bursa Securities Sdn Bhd **("Bursa Securities")**.

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries **("Group")** for the financial year ended 31 December 2014. The significant events and transactions attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

(i) *adoption of new Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs and IC Interpretations ("IC Int") mandatory for annual financial periods beginning on or after 1 January 2015 relevant to the Group as follows:-*

MFRSs, Amendments to MFRSs and IC Interpretations

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
Annual improvements to MFRSs 2010-2012 cycle (issued in February 2014)
Annual improvements to MFRSs 2011 - 2013 cycle (issued in February 2014)

The application of the above Amendments to MFRS and Annual improvements to MFRS did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

As at the date of authorisation of these interim financial statements, the following new MFRSs, Amendments to MFRSs and IC Interpretations were in issue but not yet effective and have not early adopted by the Group:-

MFRSs and Amendments to MFRSs

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 10, MFRS 12, and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10, and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116, and MFRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Annual improvements to MFRSs 2012 - 2014 cycle (issued in November 2014)

The Group plans to apply the abovementioned MFRSs in the annual financial statements when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group in the period of initial application.

A1 – Basis of Preparation (continued)

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

Foreign currency	31 Dec 2015 RM	30 Sep 2015 RM	31 Dec 2014 RM
1 US Dollar (USD)	4.29	4.45	3.50
1 Singapore Dollar (SGD)	3.04	3.12	2.65
100 Hong Kong Dollars (HKD)	55.37	57.36	45.08
100 Chinese Renminbi (RMB)	66.10	69.94	56.34

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

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

In these interim financial statements, critical judgments, estimates and assumptions were made on the following:

(i) *to the classification and carrying amount of a trade receivable in a subsidiary, Sungai Harmoni Sdn Bhd **("SHSB")***

As at the end of the financial year, the invoiced amounts due and owing by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd **("SPLASH")** amounted to RM397.338 million (Q3FY15 – RM386.165 million, Q4FY14 – RM337.605 million). Based on current repayment pattern and best estimates, the Group would expect a repayment of approximately RM100.6 million in the next twelve months which will reduce the amount outstanding. The remaining balance is assumed to be paid progressively between 2017 and 2020.

Arising from the above estimation, a net impact of RM6.665 million was made in the current quarter, comprising an additional provision for discounting on a deferred payment consideration of RM4.387 million which was set-off against revenue and an additional provision of discounting of receivables amounting to RM2.278 million was set-off against Other Income.

Other than the above, the Board is of the view that no provision is required to be made for bad and doubtful debts as the Board considers the amount owing by SPLASH to be fully recoverable arising from the recent positive developments in the consolidation of the Selangor water sector as further elaborated in Note B2 below.

The above critical judgments, estimates and assumptions will be re-assessed from time to time as they may have a significant impact to future amounts recognised in the financial statements.

(ii) *the key bases and assumptions used in estimating the recoverable amounts of Intangible Assets and Goodwill on consolidation, which are based on value in use calculations, in particular the Group's investments in its subsidiaries involved in the waste management business in China and the highway concession.*

With respect to the carrying amount of intangible asset of Tianjin-SWM (M) Environment Co Ltd, a 90% owned subsidiary, comprising a 21-year concession right (expiring in October 2025) to operate, use and maintain the Tianjin Panlou Domestic Waste Transfer Station and its related assets in Tianjin, People's Republic of China **("the Transfer Station")**, an impairment review has been undertaken by the Directors at the end of the reporting year.

A1 – Basis of Preparation (continued)

The key bases and assumptions used in the estimation of the recoverable amounts of the Transfer Station, which differ significantly from the latest audited financial statements, were as follows:

(i) Tonnage of waste transfer is projected to be maintained at a minimum guaranteed tonnage of 800 tonnes/day (as stipulated in the concession agreement) in 2016 until the end of the concession period instead of 1,050 tonnes/day until the end of the concession period;

(ii) Truck replacements to be incurred in years 2020 and 2021 instead of a 7-year cycle; and

(iii) Pre-tax discount rate of 12% instead of 12.5%.

The changes in the bases and assumptions used, in particular the amount of daily tonnage of waste to be transferred, were principally due to the tariff re-negotiations which have not been not successfully concluded with the relevant authorities. Without concluding the tariff revision, the company is unable to operate more than the minimum tonnage economically due to changes to operating conditions and regulatory requirements that have occurred since the inception of the concession.

The Group has assessed the impairment on the Transfer Station by comparing the carrying value of the intangible asset and the recoverable amount determined above. Arising thereof, the Group has made an impairment of approximately RM6.745 million (equivalent to RMB10.78 million) in the current quarter and financial year ("**Impairment Loss of Intangible Asset**").

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

There are no significant seasonal or cyclical factors affecting the operations of the Group.

A3 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial year, except for the following:-

(a) Acquisition of non-controlling interests in Cerah Sama Sdn Bhd **("CSSB")** and Pinggiran Muhibbah Sdn Bhd **("PMSB")** as disclosed in Note A8(a) and A8(b) respectively.

These acquisitions did not result in a change of control and as such were treated as transactions between owners of the Company. The difference between the proportionate share of the carrying amount of the net assets in CSSB and PMSB as at date of acquisition and the value of the consideration paid has been recognised directly in equity as follows:-

	CSSB RM'000	PMSB RM'000	Total RM'000
Proportionate share of the carrying amount of the net assets as at date of acquisition	198,086	72,410	270,496
Less: Value of consideration paid	(80,000)	(22,851)	(102,851)
Positive movement in equity	118,086	49,559	167,645
	======	======	======
Positive movement in equity attributable to:-			
Owners of the Company	50,962	49,559	100,521
Non-controlling interests	67,124	-	67,124
	118,086	49,559	167,645
	======	======	======

A3 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows (continued)

(b) Proceeds from investment income

During the financial year, a subsidiary, Cerebro International Ltd, the investment of which had earlier been written off in the financial statements, received proceeds totalling USD1.58 million and AUD0.35 million (or RM7.486 million in equivalent) arising from the settlement of a legal suit instituted by its investee company against a third party. The said proceeds were recognised as Other Income in these interim financial statements.

(c) Private Placement of new shares which raised gross proceeds of RM140,736,000 as disclosed in Note B6(b)(i).

(d) The Disposal of PMSB Shares by the Company to the Employees Provident Fund Board ("**EPF**") as disclosed in Note A8(e) below.

The disposal resulted in a loss of control in PMSB. Following that the said disposal, the Group's remaining held interest in PMSB was re-measured to fair value at the disposal date which resulted in a gain on disposal of a subsidiary ("**Gain on Disposal**") amounting to approximately RM59,124,000 and this was recognised in profit or loss in the current financial quarter and year as follows:-

	RM'000
Value of consideration received	66,750
Fair value of remaining stake*	66,750
	133,500
Less: Net assets disposed of	(74,376)
	59,124

* *The Company will undertake an exercise to determine the fair values to be assigned to the remaining stake in PMSB pursuant to the requirement on MFRS 128: Investment in Associates and Joint Ventures. Upon finalisation of this exercise, the Gain on Disposal will be adjusted accordingly.*

A4 – Accounting Estimates

Save as disclosed in Note A1(c)(i) and (ii) above, there were no changes in estimates of amounts reported in prior financial years of the Group that have had a material effect in the current quarter and financial year.

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

During the current quarter and financial year, there was no issuance, repurchase and repayment of debt and equity securities by the Company save and except for the issuance of:-

A5 – Issuance, Repurchases and Repayments of Debt and Equity Securities (continued)

(a) 3,324,000 new ordinary shares of RM0.50 each arising from the exercise of the Employees' Share Option Scheme ("**ESOS**") as follows:-

	Number of ESOS options exercised		Number of ESOS options lapsed	
	Current quarter	YTD	Current quarter	YTD
ESOS options at RM1.90 per share	-	3,324,000	-	159,000
ESOS options at RM1.30 per share	-	-	-	21,000

The ESOS had expired on 29 September 2015 and a total of 21,000 ESOS options at RM1.31 per share and 159,000 ESOS options at RM1.90 per share remained unexercised. In accordance with the ESOS By-laws, all ESOS options to the extent unexercised on the expiry of the ESOS shall lapse and be null and void and of no further force or effect.

The total proceeds raised from the exercise of ESOS for the financial year was RM6,315,600.

(b) 43,980,000 new placement shares of RM0.50 each at RM3.20 per share pursuant to a private placement of shares ("**Private Placement**") which was completed on 23 October 2015. The new placement shares issued ranked pari passu in all respects with the existing ordinary shares of the Company, save and except that they were not entitled to any dividends, rights, allotments and/or other distributions where the entitlement date of which is prior to the issuance of the said new placement shares.

The total proceeds raised from the private placement of new shares for the financial year was RM140,736,000.

(c) 241,897,790 Warrants 2015/2018 in the Company ("**Warrants**") issued on 12 November 2015 on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split referred to in Note B14. The Warrants were subsequently listed and quoted on the Main Market of Bursa Securities on 17 November 2015. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.20 each within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018 **("Exercise Period")** and any Warrants not exercised by that date shall thereafter lapsed and cease to be valid.

Some of the main features of the Warrants are:-

(a) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company **("Deed Poll")**;

(b) each Warrant entitles the holder to subscribe for one new ordinary share of RM0.20 each at an exercise price of RM1.70 per share at any time during the Exercise Period;

(c) the Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities to the ordinary shareholders in the Company until and unless such Warrant holders exercise their Warrants;

(d) the new shares to be allotted and issued pursuant to the exercise of the Warrants shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date of which is prior to the date of the allotment of the new shares;

A5 – Issuance, Repurchases and Repayments of Debt and Equity Securities (continued)

(e) the exercise price of the Warrants and/or the number of unexercised Warrants may from time to time be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

There were no Warrants exercised during the current quarter and financial year.

A6 – Dividends Paid

(a) On 26 February 2015, the Board declared a first interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM21,824,579 in respect of the financial year ending 31 December 2015. The dividends were paid on 1 April 2015.

(b) On 2 July 2015, the Board declared a second interim single-tier dividend of 5.0 sen per share on 438,580,580 ordinary shares of RM0.50 each, amounting to approximately RM21,929,029 in respect of the financial year ending 31 December 2015. The dividends were paid on 31 July 2015.

(c) On 26 November 2015, the Board declared a third interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each (or 5.0 sen before the Share Split), amounting to approximately RM24,189,779 in respect of the financial year ending 31 December 2015. The dividends were paid on 23 December 2015.

Total dividends paid during the financial year amounted to RM67,943,387.

A7 – Material Subsequent Events

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements. Subsequent to the financial year, the Company announced the following related party transactions on the same day as this interim financial report as follows:-

(i) a conditional share sale agreement with LGB Group (HK) Limited for the following:-

  (a) to dispose of 100 ordinary shares at Hong Kong Dollar ("**HKD**") 100 in aggregate in Taliworks International Limited ("**TIL**"), a wholly-owned subsidiary of the Company, representing 100% equity interest in TIL;

  (b) to dispose of 12,000,000 ordinary shares at HKD12,000,000 in aggregate in Taliworks (Sichuan) Limited ("**TSL**"), an 80%-owned subsidiary of the Company, representing 80% equity interest in TSL;

  (c) to dispose of 100 ordinary shares of RM1.00 each in SWM Technologies (Malaysia) Sdn Bhd ("**SWMT**") and 19,000,000 redeemable non-cumulative preference shares of RM0.01 each in SWMT, a wholly-owned subsidiary of the Company, representing 100% equity interest in SWMT;

  (d) the assignment of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to the Company as at 25 February 2016; and

(ii) a conditional share purchase agreement with Conseec Gali Sdn Bhd and Esys Montenay (Malaysia) Sdn Bhd to acquire 3,501 ordinary shares of RM1.00 each in SWM Environment Holdings Sdn Bhd ("**SWMH**"), representing 35% of the total issued and paid-up ordinary shares in SWMH.

For further details of the above transactions, kindly refer to the announcement made by the Company.

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter and financial year including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations save and except for the following:-

(a) on 26 February 2015, TEI Sdn Bhd ("**TEI**"), the then 51% owned subsidiary of PMSB, accepted an offer to acquire the balance of 208,250 ordinary shares of RM1.00 each, representing 35% ordinary share capital in CSSB from SEASAF Highway Sdn Bhd, for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI;

(b) on 26 February 2015, the Company accepted an offer to acquire the balance of 1,538 ordinary shares of RM1.00 each representing 15.38% of the ordinary share capital in PMSB and 26,916,218 redeemable preference shares of RM0.01 each in PMSB from Mercu Majujaya Sdn Bhd, a minority shareholder of PMSB for a cash consideration of RM22,851,538. Upon the completion of the acquisition on 21 April 2015, PMSB became a wholly-owned subsidiary of the Company;

(c) on 23 September 2015, the Company subscribed for 200,000 ordinary shares of RM1.00 each representing 20% equity interest in an associated company, LGB Taliworks Consortium Sdn Bhd ("**Taliworks Consortium**"). Taliworks Consortium has an authorised, issued and paid up share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each and it was incorporated to undertake the Langat 2 – Package 7 Project referred to in Note B2.

Subsequently on 8 December 2015, Taliworks Consortium increased its issued and paid-up share capital from RM1,000,000 to RM1,500,000 by way of issuance of new 500,000 ordinary shares of RM1.00 each and the Company subscribed an additional 100,000 ordinary shares of RM1.00 each of Taliworks Consortium for a cash consideration of RM100,000;

(d) on 26 November 2015, the Group carried out an internal re-organisation exercise ("**Reorganisation**") as follows:-

(i) the transfer by the Company to PMSB, the then wholly-owned subsidiary of the Company, of 48,000,000 irredeemable preference shares of RM1.00 each in Grand Sepadu (NK) Sdn Bhd ("**GSNK**") ("**GSNK IPS**"), representing 62.9% of the total GSNK IPS in issue, for a consideration of RM48,000,000;

(ii) the transfer by PMSB to the Company, of 5,100 ordinary shares of RM1.00 each in TEI ("**TEI Shares**"), representing 51% of the total TEI Shares in issue and 238,011,902 redeemable preference shares of par value of RM0.001 each and premium of RM0.999 each in TEI ("**TEI RPS**"), representing 51% of the total TEI RPS in issue for a consideration of RM5,100 and RM238,011,902, respectively; and

(iii) the subscription by the Company of 45,932,920 new redeemable preference shares of par value of RM0.01 each and premium of RM0.99 each in PMSB ("**PMSB RPS**"), for a consideration of RM45,932,920 which was satisfied by capitalising an equivalent amount owing by PMSB to the Company (after taking into consideration the existing net amount owing by PMSB to the Company as well as item (i) and (ii) above).

(e) On 30 November 2015, the Company entered into a joint venture arrangement via a Share Sale and Purchase Agreement ("SSPA) with Pinggiran Ventures Sdn. Bhd. ("**PVSB**"), a wholly-owned subsidiary of EPF, and EPF to dispose of its 50% equity interest in PMSB comprising 5,000 ordinary shares of RM1.00 each and 36,424,569 redeemable cumulative preference shares of par value of RM0.01 each and premium of RM0.99 each, to PVSB for a total cash consideration of RM66,750,000 ("**Disposal of PMSB Shares**"). Upon the completion of the SSPA on 11 December 2015, PMSB ceased to be wholly-owned subsidiary of the Company and became a 50% joint venture company of the Company in accordance with the MFRS 11-Joint Arrangements.

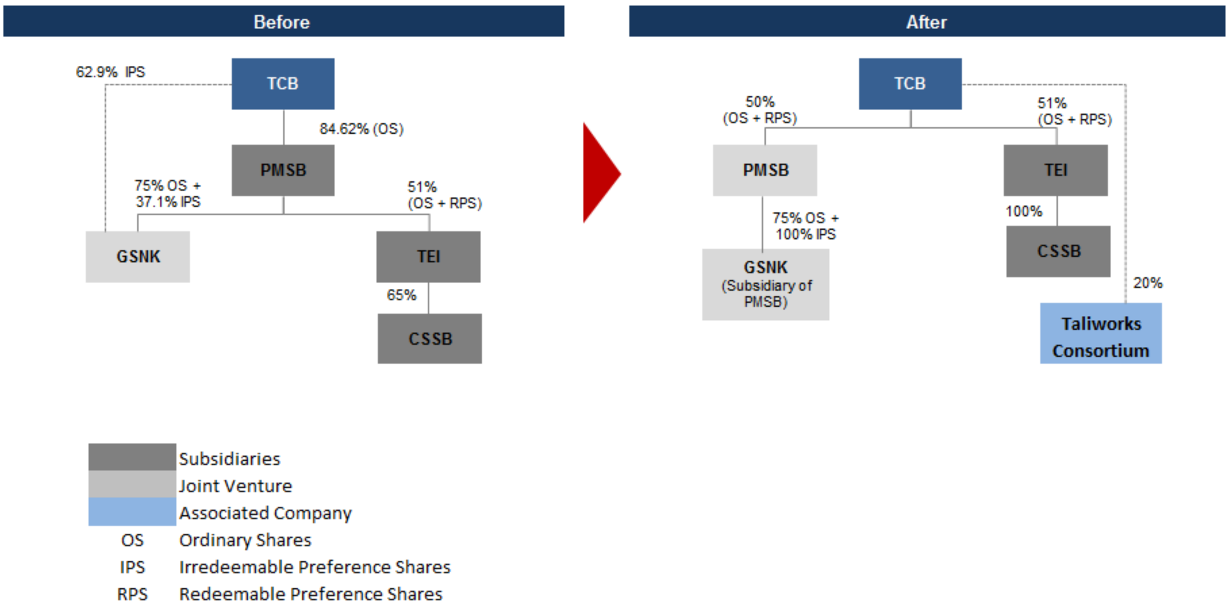
A8 – Changes in Composition of the Group (continued)

Pursuant to the Re-organisation and Disposal of PMSB Shares, on 30 November 2015, the existing shareholders agreement dated 11 August 2014 between the Company, PMSB, EPF, PVSB, and TEI which governs their mutually agreed rights, duties, liabilities and obligations to each other and in respect of PMSB and PVSB as shareholders of TEI, has been terminated. Following that, the Company entered into a new shareholders agreement with PVSB, EPF and TEI for the same purpose of setting out their mutually agreed rights, duties, liabilities and obligations to each other and in respect of the Company and PVSB, as shareholders of TEI.

On 29 December 2015, PMSB executed a Deed of Revocation with Trinitywin Ventures Sdn. Bhd., the other shareholder of GSNK to revoke the existing shareholder's agreement. The existing shareholders' agreement dated 23 June 2014 between PMSB and Trinitywin Ventures Sdn. Bhd. stipulates that the parties contractually agree to jointly share the control to direct the activities that will significantly affect the returns of GSNK.

Arising from the termination of the shareholders agreement, PMSB gained control over GSNK, previously a joint venture and therefore, it has been accounted for using the acquisition method in accordance with MFRS 3-Business Combinations and MFRS 10- Consolidated Financial Statements. GSNK will be consolidated into PMSB whereas the Company will account for the PMSB group under the equity method.

The changes in the composition of the Group at the beginning of the financial year and incorporating (a) to (f) above are illustrated below:-



A9 – Other Significant Transactions and Events

Other than disclosed elsewhere in these Interim Financial Report, there are no other transactions and events that are significant to an understanding of the changes in the financial position and performance of the Group since the end of the last annual reporting period, save for the following:-

(a) Changes in Contingent Liabilities

The outcome of the two litigations referred to in Note B8, which were previously disclosed as contingent liabilities, have now been established and the associated liabilities taken up in these interim financial statements. As such, there are no contingent liabilities to be disclosed as at the date of these interim financial statements.

A10 - Operating Segments

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

	Water treatment, supply and distribution		Waste management		Construction		Toll operations		Others		Total	
3 months ended 31 Dec	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue												
Total revenue	55,591	53,738	19,334	14,985	12,773*	45,219	18,215	14,616	31,150^	4,661	137,063	133,219
Inter-segment revenue	-	-	(206)	(158)	(1,144)	(1,971)	-	-	(31,135)	(4,509)	(32,485)	(6,638)
External revenue	55,591	53,738	19,128	14,827	11,629	43,248	18,215	14,616	15	152	104,578	126,581
Reconciliation:												
Difference in accounting policy (see note below)	(4,387)	(12,359)	-	-	-	-	-	-	-	-	(4,387)	(12,359)
Revenue as per statement of comprehensive income	51,204	41,379	19,128	14,827	11,629	43,248	18,215	14,616	15	152	**100,191**	**114,222**

* *Including RM6.967 million (Q4FY14: RM 33.30 million) construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure.*

^ *Including dividend income of RM 24.19 million (Q4FY14: RM 3.38 million) received from subsidiaries.*

Note: Segment policy is to show the effect of discounting of revenue by reducing revenue recognised instead of within operating expenses.

A10 - Operating Segments (continued)

3 months ended 31 Dec	Water treatment, supply and distribution 2015 RM'000	2014 RM'000	Waste management 2015 RM'000	2014 RM'000	Construction 2015 RM'000	2014 RM'000	Toll operations 2015 RM'000	2014 RM'000	Others 2015 RM'000	2014 RM'000	Total 2015 RM'000	2014 RM'000
Earnings before finance costs, depreciation and amortisation and income tax expense	15,223	10,468	(1,120)	1,530	(98)	2,991	10,053	7,765	79,923	11,744	103,981	34,498
Depreciation and amortisation	(218)	(178)	(5,834)	(4,710)	(103)	(130)	(5,246)	(4,126)	(523)	(726)	(11,924)	(9,870)
	15,005	10,290	(6,954)	(3,180)	(201)	2,861	4,807	3,639	79,400	11,018	92,057	24,628
Finance costs	(1)	-	(6,144)	(6,018)	(6)	(9)	(5,353)	(5,296)	(51)	(1)	(11,555)	(11,324)
Inter-segment results	571	756	81	6,051	163	761	150	150	(26,759)	(14,580)	(25,794)	(6,862)
Segment results	15,575	11,046	(13,017)	(3,147)	(44)	3,613	(396)	(1,507)	52,590	(3,563)	54,708	6,442
Share of loss of joint venture											(251)#	(1,650)
Share of results of associate											150	292
Profit before tax											54,607	5,084
Income tax expense											(4,484)	(3,028)
Profit for the financial period as per statement of comprehensive income											**50,123**	**2,056**

As at 31 Dec	Water treatment, supply and distribution 2015 RM'000	2014 RM'000	Waste management 2015 RM'000	2014 RM'000	Construction 2015 RM'000	2014 RM'000	Toll operations 2015 RM'000	2014 RM'000	Others 2015 RM'000	2014 RM'000	Total 2015 RM'000	2014 RM'000
Segment assets	428,091	404,920	707,621	560,269	35,971	39,265	1,521,703	1,687,478	220,657	105,938	2,914,043	2,797,870
Segment liabilities	(71,609)	(67,235)	(482,545)	(351,695)	(25,918)	(28,998)	(887,282)	(895,510)	(13,506)	(79,003)	(1,480,860)	(1,422,441)
Net segment assets/(liabilities)	**356,482**	**337,685**	**225,076**	**208,574**	**10,053**	**10,267**	**634,421**	**791,968**	**207,151**	**26,935**	**1,433,183**	**1,375,429**

A10 - Operating Segments (continued)

Note 1

The Group earns revenues from external customers in two main geographical areas:

(i) Malaysia*- Water treatment, supply and distribution, construction, operation and maintenance of toll highway (exclude GSNK which is accounted for as a joint-venture using equity method), and provision of technical services relating to waste management.

(ii) China - Waste management, construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure and water treatment equipment and provision of related services.

* The Company's home country.

Note 2

The following is an analysis of the Group's revenue and total assets by geographical areas:

3 months ended 31 Dec	Revenue 2015 RM'000	Revenue 2014 RM'000	Total assets 2015 RM'000	Total assets 2014 RM'000
Malaysia	74,098^	66,100^	2,200,945	2,233,416
China / Hong Kong SAR	26,093*	48,123	712,876	564,260
Singapore	-	-	222	194
	100,191	**114,223**	**2,914,043**	**2,797,870**

^ *including provision for discounting on the deferred payment consideration of RM4.387 million (Q4FY14: RM12.36 million)*

* *including RM6.967 million (Q4FY14: RM 33.30 million) construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure.*

\# *the share of results of joint venture comprises the Group's share of profit in GSNK (prior to 29 December 2015) and PMSB (with effective from 11 December 2015), which is accounted for under the equity method.*

PART B – DISCLOSURES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Analysis of Performance

Part A – Operating Segments Review

(a) Revenue

	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 31 Dec 2014 RM'000	12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
Water treatment, supply and distribution	55,591	53,738	216,658	218,392
Construction	11,629	43,248	101,901	99,306
Waste management	19,128	14,827	70,724	55,017
Toll operations	18,215	14,616	62,765	23,150
Others	15	152	15	625
	104,578	126,581	452,063	396,490
Less: Provision for discounting on a deferred payment consideration	(4,387)	(12,359)	(41,132)	(42,576)
	100,191	**114,222**	**410,931**	**353,914**

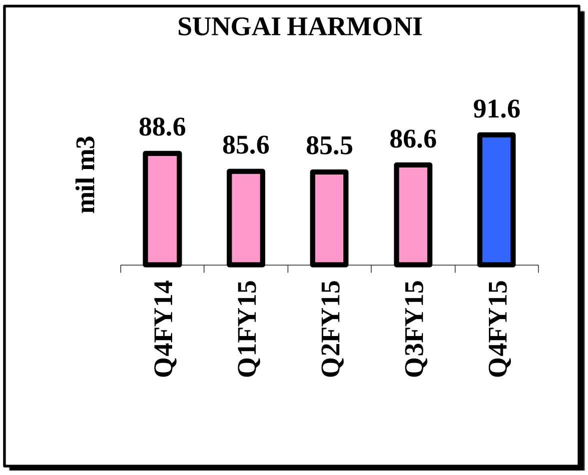
(b) Profit Before Tax

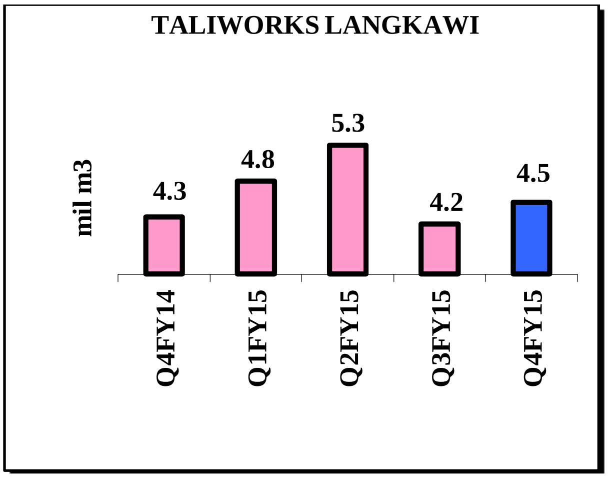
	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 31 Dec 2014 RM'000	12 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2014 RM'000
Water treatment, supply and distribution	15,576	11,047	71,136	63,866
Construction	(38)	3,622	5,620	5,531
Waste management	(6,873)	2,871	5,026	11,513
Toll operations	4,957	3,759	33,270	6,731
Others	52,641	(3,564)	38,772	256,846
Operating profit	**66,263**	**17,735**	**153,824**	**344,487**
Finance cost	(11,555)	(11,324)	(44,506)	(32,192)
Share of (loss)/profit of joint venture	(251)	(1,619)	(927)	3,809
Share of results of associate	150	292	1,032	1,090
Profit before tax	**54,607**	**5,084**	**109,424**	**317,194**

B1 – Analysis of Performance (continued)

Part A – Operating Segments Review (continued)

The following are the metered sales of Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB"):





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

Overall Summary

Before impact from provision for discounting, the Group revenue recorded a significant decline from RM126.6 million to RM104.6 million in the current quarter mainly due to lower contribution from the construction business. However, after taking into account the impact from the provision for discounting, the Group revenue stood at RM100.2 million compared to RM114.2 million achieved a year ago.

On the Group's profit before taxation **("PBT")**, the Group saw a hefty jump to RM54.6 million compared to RM5.1 million in the corresponding quarter due to the exceptional Gain on Disposal of RM59.1 million referred to in Note A3(d) offset by the Impairment Loss of Intangible Asset referred to in Note A1(c)(ii). Stripping out the effects of these exceptional items, the Group's PBT was lower at RM2.2 million due to higher operating cost in Yinchuan operation specifically the higher chemical consumption in the upgraded Wastewater Treatment Plant No. 3 **("WWTP#3")** coupled with higher professional fees incurred for corporate exercises in the current quarter.

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment registered an increase of about 3.4%. In Sungai Selangor Water Treatment Works Phase I ("SSP1"), metered sales was higher by 1.3% (i.e. from 88.62 million m^3 (or 963 million litres per day **("MLD")**) to 91.6 million m^3 (or 996 MLD).

Whereas in the Langkawi operations, revenue was higher compared to the corresponding quarter due to the following:-

(i) the downward revision in the Bulk Sales Rate ("**BSR**") to RM2.15/m3 from RM2.21/m3 for the financial year 2014 *(the Company announced on 2 March 2015 that the BSR had been revised retrospectively to take effect from 1 January 2014)*, the impact of which, amounted to approximately RM1.1 million was accounted for in corresponding quarter;

(ii) the impact from a increase in the metered sales by 4.6%. i.e. from 4.34 million m^3 to 4.54 million m^3.

B1 – Analysis of Performance (continued)

At the operating level, the segment profit stood at RM22.2 million compared to RM21.0 million achieved a year ago (after stripping out the effects of discounting). This was mainly due to higher metered sales recorded in both the SSP1 and Langkawi operations. However, higher rehabilitation, maintenance and upkeep costs incurred in the Langkawi operations during the current quarter reduced the gains from the increase in revenue.

Construction

The contribution from the construction segment dropped drastically from RM43.2 million to RM11.6 million and this resulted in a decline in the Group revenue. The lower contribution was mainly due to lower construction revenue recognised pursuant to IC Int 12 from the expansion and upgrading works in WWTP#3 in Taliworks Yinchuan. The Group recognised approximately RM7.0 million of construction revenue as compared to RM33.3 million recorded in the corresponding quarter as the expansion and upgrading works in WWTP#3 was substantially completed.

In addition, there was a reduction in contribution from Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor) **("SSP3 Project")** as the project is near its tail end. However, the higher revenue recognised from the on-going Mengkuang Dam Expansion Project mitigated the reduction in revenue from the other two projects as abovementioned.

In line with the substantially lower revenue arising from reduced construction profits recognised pursuant to IC Int 12 and from the ongoing projects, the division incurred a loss for the quarter.

Waste management

Revenue registered an increase of RM4.3 million to RM19.1 million mainly attributable to higher contributions from all the three waste management operations and strength of RMB/MYR. Production in the Guanghan operations jumped by 40% on account of the completion of a major rehabilitation works in December 2014 which improved the efficiency of the plant to treat wastewater, coupled with longer operating days due to plant closure for rehabilitation work in the corresponding quarter. Whereas in the Tianjin operations, revenue was higher due to higher tipping fee with effect from January of this year and increase in production by 3.6%. Due to strengthening of RMB/MYR, revenue in Yinchuan operations recorded an increase despite of a marginal dip in production by 1.8%.

Whilst revenue has increased, the segment recorded a loss of RM6.9 million compared to an operating profit of RM2.9 million in the corresponding quarter due to higher operating costs in Yinchuan operation and arising from the Impairment Loss of Intangible Asset. The upgraded WWTP#3 is currently operating at effluent standard Class1A without a corresponding increase in tariff rates. Pending the new tariff rate for the upgraded plant to be finalised, Taliworks Yinchuan is recognising revenue based on the existing rate whilst accounting for higher operating costs incurred due to increased chemical consumption. Whereas for Tianjin operations, the Group made an impairment loss in the current quarter due to the projected reduction in tonnage to be processed over the remaining concession period as elaborated in Note A(1)(c)(ii) above.

Toll operations-Subsidiary

The Cheras-Kajang highway which recorded a marginal growth of 0.5% with the Average Daily Traffic **("ADT")** of 131,692 vehicles per day, contributed RM18.2 million to the group revenue compared to RM14.6 million in the corresponding quarter. The higher toll revenue was primarily from the increase in toll rates with effect from 15 October 2015.

B1 – Analysis of Performance (continued)

Apart from higher ADT and toll rate increase, the division profit contribution was higher due to higher specific pavement repair works incurred in the corresponding quarter.

Toll operations -Share of results of joint venture

The Group's share of results in GSNK was higher compared to corresponding quarter due to full recognition of operational results for three months ended this quarter. As the acquisition of New North Klang Straits Bypass Expressway by GSNK was completed in the fourth quarter of last year, there were no operating results in the corresponding quarter except for the preliminary costs incurred on the acquisition.

(b) Current Year-to-date vs. Preceding Year-to-date

Overall Summary

For the current financial year, the Group revenue increased from RM396.5 million to RM452.1 million mainly attributable to the consolidation of the financial results of CSSB as a subsidiary and higher contribution from the waste management segment. However, after taking into account the impact from the provision for discounting, the Group revenue was lower at RM410.9 million. Nevertheless, it was still higher than RM353.9 million achieved in the corresponding year.

The financial results of the Group were significantly impacted by exceptional items recorded in the two financial years. In 2014, the Group registered a Gain on Restructuring of RM272.7 million whereas in 2015, it recorded a Gain on Disposal of RM59.1 million and RM7.486 million of investment income which was offset by the Impairment Loss of Intangible Asset amounting to RM6.745 million.

Excluding these exceptional items, the Group's PBT was higher at RM31.7 million compared to RM30.5 million in the previous year.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business recorded a decrease to RM216.7 million from RM218.4 million in the previous year. Metered sales in SSPI operations for two years was almost similar (i.e. 349.77 million m^3 (or 958.2 MLD) vs 349.32 million m^3 (or 957.0 MLD) in 2015) whereas the Langkawi operations registered higher metered sales of 18.32 million m^3 compared to 18.83 million m^3 in 2014, an increase of 2.8%. Despite the higher metered sales in Langkawi, revenue was lower due to reduced income from electricity rebates when the Government introduced the Imbalance Cost Pass-Through in March 2015 whereby there was a rebate in the electricity billings of 2.25 sen per kW/hour of electricity used.

At the operating level, the segment profit was lower by RM3.1 million at RM87.1 million (after stripping out the effects of discounting) compared to RM90.2 million on account of lower revenue, coupled with higher maintenance and rehabilitation expenses incurred in Langkawi operation.

Construction

In the current financial year the segment recorded an increase in revenue by RM2.6 million to RM101.9 million. The increase was mainly attributable to higher construction revenue recognised pursuant to IC Int 12 whereas revenue contributionfrom the on-going Mengkuang Dam Expansion Project and SSP3 Project declined due to lower percentage of completion. The profit contributed from this segment was higher in line with the higher revenue achieved.

B1 – Analysis of Performance (continued)

Waste management

Revenue from this segment recorded an increase of RM15.7 million to RM70.7 million mainly attributable to the strength of the RMB/MYR and increases in the quantity of wastewater effluent treated Guanghan wastewater treatment plants. Production in the Guanghan operations jumped by over 64% on account of the completion of a major rehabilitation works (completed in December 2014) which improved the efficiency of the plant to treat wastewater.

However, during the financial year the segment recorded a lower operating profit of RM5.0 million compared to RM11.5 million achieved a year ago. The lower operating profit mainly due to the higher operating costs in Taliworks Yinchuan from the upgraded WWTP#3 and arising from the Impairment of Intangible Asset recognised in Tianjin.

Toll operations-Subsidiary

The Group consolidated the financial results of CSSB commencing August of last year when CSSB became a subsidiary. As a results thereof CSSB contributed approximately RM62.8 million to the group revenue as compared to RM23.2 million in the corresponding year. The higher revenue also arose from toll rate increases in October 2015. The Cheras-Kajang highway recorded higher ADT by 3.0% i.e. 135,133 vehicles per day compared to 131,201 vehicles per day achieved in the corresponding year.

Despite the higher operating and maintenance costs incurred on specific pavement repairs work during the financial year, the segment still manage to record a higher profit contribution due to proceeds from investment income, higher ADT and unrealised foreign exchange gain in the financial year. In addition, the PBT in the corresponding year was also impacted by the higher incidental costs incurred by TEI from the Re-organisation exercise as abovementioned.

The division has contributed approximately RM33.3 million to the Group's operating profit arising from consolidation of the toll division's results with the corresponding drop in share of results from joint venture.

The finance costs of the Group have also increased due to consolidation of the toll division's results.

Toll operations -Share of results of joint venture

The Group's share of results in GSNK was higher compared to last year due to the recognition of operational results for 12 months. As the acquisition of New North Klang Straits Bypass Expressway by GSNK was completed in the fourth quarter of last year, there were no operating results in the corresponding quarter except for the preliminary expenses incurred on the acquisition.

Part B – Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter

(a) Revenue

	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 30 Sep 2015 RM'000
Water treatment, supply and distribution	55,591	52,720
Construction	11,629	36,189
Waste management	19,128	19,574
Toll operations	18,215	15,003
Others	15	-
	104,578	123,486
Less: Provision for discounting on a deferred payment consideration	(4,387)	(11,462)
	100,191	**112,024**

(b) Profit Before Tax

	3 Months Ended 31 Dec 2015 RM'000	3 Months Ended 30 Sep 2015 RM'000
Water treatment, supply and distribution	15,576	12,894
Construction	(38)	1,654
Waste management	(6,873)	4,962
Toll operations	4,957	15,039
Others	52,641	(5,354)
Operating profit	**66,263**	**29,195**
Finance cost	(11,555)	(11,291)
Share of loss of joint venture	(251)	(199)
Share of results of associate	150	271
Profit before tax	**54,607**	**17,976**

Compared to the previous quarter, the Group recorded a decrease in revenue from RM123.5 million to RM104.6 million (before taking into account the impact from provision for discounting) primarily from the construction segment. The segment contribution dropped drastically from RM36.2 million to RM11.6 million mainly on account of lower construction revenue recognised pursuant to IC Int 12 from the expansion and upgrading works in WWTP#3 in Taliworks Yinchuan as well as reduction in contribution from both the on-going Mengkuang Dam Expansion Project and SSP3 Project.

In the current quarter, the Group's PBT increased significantly to RM54.6 million compared to the previous quarter's RM18.0 million from the Gain on Disposal offset by the Impairment Loss on Intangible Asset. In the previous quarter, the financial results also included proceeds from investment income of RM7.486 million. Stripping out the effects of these exceptional items, the Group's PBT was lower at RM2.2 million compared to RM10.5 million due to higher operating cost in the Yinchuan operations, higher maintenance costs incurred on specific pavement repairs work in the toll division and higher professional fees incurred for corporate exercises in the current quarter.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business as this segment contributes the bulk of the revenue and profits. The Group expects that SSP1, which is the main contributor to the Group, will continue to run its production above its design capacity of 950 MLD due to continuous increase in demand for treated water in the Klang Valley.

As reported in the previous Interim Financial Report dated 26 November 2015, there have been positive developments in the consolidation/restructuring of the Selangor water sector whereby the Selangor State Government, through Pengurusan Air Selangor Sdn Bhd **("Air Selangor")**, had completed the acquisitions of Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Treatment Works Phase 2, and Syarikat Bekalan Air Selangor Sdn Bhd **("SYABAS")** on 15 October 2015.

Further on 26 January 2016, Kumpulan Perangsang Selangor Berhad announced the completion of the disposal of Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd ("**ABASS**") to Air Selangor. ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

It is also reported that SPLASH has been given a one-year grace period until middle of next year to re-negotiate terms with the Selangor government. All of these points to a favourable outlook on the progress of the on-going consolidation/restructuring of the Selangor water sector. Nevertheless, pending the final outcome, the Group will continue to provide for discounting on a deferred payment consideration in respect of delay in payments from SPLASH.

In the construction segment, the on-going Mengkuang Dam Expansion Project in Pulau Pinang is expected to continue to contribute positively to the Group given that the project has advanced into its fourth year of construction. During the financial year, the Group, via a newly incorporated associate company, was awarded the Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor and Wilayah Persekutuan Kuala Lumpur (Pakej 7-Membina dan Menyiapkan Kolam Air Imbangan Hulu Langat Berkapasiti 92 Juta Liter) ("Langat 2- Package 7 Project") for a contract sum of approximately RM75.9 million, to be completed within 27 months from the commencement date (to be determined later).

In the waste management division, the Group is expected to progressively undertake the expansion and/or upgrading of the three remaining wastewater treatment plants under the Yinchuan TOT Project in the next two years. The completion of the upgrading and expansion works for WWTP#3 will result in a jump in revenue once the new tariff rates are determined and confirmed by the relevant authorities. The Group is expected to commence the upgrading of Wastewater Treatment Plant No.4 in March 2016. The capital expenditure required for the upgrading and expansion will substantially be funded from domestic bank borrowings. However, it should be noted that the Company had on the date of this Interim Financial Report proposed to dispose off its waste management businesses in China as stated in Note A7.

In the toll highway division, the revenue growth at Cheras-Kajang Highway is expected to be driven by two factors; i. e. the recent toll increase and the completion of MRT groundwork resulting in less traffic congestion. Whereas the New North Klang Straits Bypass Expressway **("NNKSB")** is due for a toll increase in 2016 but the company would be compensated if the toll increase is not approved by the Federal Government. Ever since the operations of the NNKSB was taken over late of last year, efforts are on-going to rationalise the operating costs as well as traffic flow.

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

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

	Current Quarter 3 Months Ended 31 Dec 2015 RM'000	Year-to-date 12 Months Ended 31 Dec 2015 RM'000
Revenue		
Provision for discounting on receivables *(Note A1(c)(i))*	(4,387)	(41,132)
Other operating income:		
Interest income on fixed deposits with licensed banks	1,413	4,885
Interest income imputed on retention sum	6	43
Dividend from available-for-sale financial assets	1,500	2,989
Rental income	119	590
Unwinding of discount on receivables	9	35
Reversal of discounting of receivables *(Note A1(c)(i))*	(2,278)	25,196
Unrealised foreign exchange gain	(1,293)	5,345
Realised gain on available-for-sale financial assets	94	368
Waiver of value-added tax	1,740	5,047
Proceeds from investment income (*Note A3(b))*	-	7,486
Gain on disposal of a subsidiary (*Note A3(d))*	59,124	59,124
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(11,923)	(41,869)
Impairment loss of intangible asset *(Note A1(c)(ii))*	(6,745)	(6,745)
Imputed interest on borrowing	(167)	(548)
Unrealised foreign exchange losses	(383)	(1,502)
Reversal of interest income imputed on retention sum	23	(209)
Loss on redemption of available-for-sale	(15)	(15)
Provision for discounting on:		
- trade receivable	(612)	(612)
- other receivables	(7)	(7)

Save as disclosed above, the other items required under Chapter 9, Appendix 9B, Part A(16) of the Listing Requirements of Bursa Securities are not applicable.

B5 – Income Tax Expense

	Current Quarter 3 Months Ended 31 Dec 2015 RM'000	Year-to-date 12 Months Ended 31 Dec 2015 RM'000
Malaysian income tax:		
-Current year tax	5,533	22,035
-Over provision in prior years	-	(1,327)
Deferred tax expense	(1,129)	(3,157)
Foreign income tax	80	281
	4,484	17,832

B5 – Income Tax Expense (continued)

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

B6 – Status of Corporate Proposals Announced But Not Completed and Status of Utilisation of Proceeds Raised from Corporate Proposals

(a) As at 18 February 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report), there were no corporate proposals announced but not completed.

(b) Status of utilisation of proceeds as at the end of the financial year raised from corporate proposals were as follows:-

(i) Private placement of 43,980,000 new shares of RM0.50 each which was completed on 23 October 2015.

	Gross proceeds raised RM'000	Actual utilisation RM'000	Intended timeframe for utilisation RM'000
For future investments/ working capital purposes	138,236	-	Within 12 months from the completion date
Estimated expenses	2,500	2,431	Immediate
	140,736	2,431	

(ii) Disposal of PMSB Shares which was completed on 11 December 2015.

	Gross proceeds raised RM'000	Actual utilisation RM'000	Intended timeframe for utilisation RM'000
For future investments/ working capital purposes	65,250	15,394	Within 12 months from the completion date
Estimated expenses	1,500	1,610	Within 1 month from the completion date
	66,750	17,004	

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←---------Short Term--------------→			←------------Long Term--------------→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Finance lease liabilities	358	-	358	429	-	429
Bank overdraft	-	-	-	-	-	-
Government loan	-	3,966	3,966	-	-	-
Term loans*	18,931	-	18,931	387,878	-	387,878
Islamic Medium Term Notes ("**IMTN**")	-	-	-	415,418	-	415,418
	19,289	3,966	23,255	803,725	-	803,725

The currency profile of borrowings is as follows:

	←---------Short Term--------------→			←------------Long Term--------------→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Chinese Renminbi	18,931	3,966	22,897	387,878	-	387,878
Ringgit Malaysia	358	-	358	415,847	-	415,847
	19,289	3,966	23,255	803,725	-	803,725

* *Secured by Taliworks (Yinchuan) Wastewater Co Ltd, a subsidiary, denominated in RMB to finance the acquisition of the Yinchuan TOT Project and the capital expenditure incurred for the expansion and upgrading of the wastewater treatment plant as described in Note B2. The repayment of the term loans will be from proceeds generated from the operations.*

B8 – Changes in Material Litigations

As at 18 February 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report), the Group is not aware of any significant changes in the material litigations since the date of the last annual statement of financial position date, except as disclosed below:-

(a) the outcome of the arbitral award in favour of the Applicant in the arbitration between Hua Sheng Construction Group Co. Ltd (as the Applicant) and Ningxia Eco Wastewater Treatment Co. Ltd, a subsidiary of the Company (as the Respondent) as announced to Bursa Securities on 17 April 2015.

☞ http://www.bursamalaysia.com/market/listed-companies/company-announcements/4708213

As a result thereof, the penalty and other associated costs amounting to approximately RMB4.66 million (equivalent to RM3.26 million) have been accrued in these Interim Financial Statements.

(b) *Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd. ("2nd Defendant") 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental") 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")*

B8 – Changes in Material Litigations (continued)

Under the Deyang Intermediate People's Court mediation, the case was settled out of court on 3 July 2015 and no liquidated damages and incidental expenses were awarded. Under the settlement agreement, Puresino Guanghan is required to settle the outstanding amount of RMB4.296 million (equivalent to RM2.61 million) to the Plaintiff by 31 December 2015.

Arising thereof, the Group has accrued the additional claims and other associated costs amounting to approximately of RMB0.35 million (equivalent to RM0.24 million) in these Interim Financial Statements.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

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

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2015	3 Months Ended 31 Dec 2014	12 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2014
Profit for the financial quarter/ year attributable to owners of the Company (RM'000)	51,250	4,428	86,576	301,249
Weighted average number of ordinary shares in issue ('000)	1,182,001	1,091,229	1,115,867	1,091,229
Basic EPS (sen)	4.34	0.41	7.76	27.61

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial quarter/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the reporting date adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

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

The Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2015	3 Months Ended 31 Dec 2014	12 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2014
Profit for the financial quarter/year attributable to owners of the Company (RM'000)	51,250	4,428	86,576	301,249
Weighted average number of ordinary shares in issue ('000)	1,182,001	1,091,229	1,115,867	1,091,229
Effects of dilution from ESOS Options ('000)	-	240	1,477	240
Adjusted weighted average number of ordinary shares in issue ('000)	1,182,001	1,091,469	1,117,344	1,091,469
Diluted EPS (sen)	4.34	0.40	7.75	27.60

B10 – Dividends

The Board is pleased to declare a fourth interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,189,779 in respect of the financial year ended 31 December 2015, to be paid on 11 April 2016.

As at the date of this Interim Financial Report, the total dividends declared was 8.0 sen per share (adjusted for Share Split), amounting to approximately RM92,133,166 in respect of the financial year ending 31 December 2015.

The quantum of dividends declared up to the date of this Interim Financial Report for the financial year ended 31 December 2015 exceeded the quantum of dividend stipulated under the dividend policy adopted by the Group as announced on 23 September 2014.

B11 – Auditors' Reports

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

However, an emphasis of matter had been included by the Group's auditors to draw attention on the uncertainty over the collectability of amounts owing by a customer in a subsidiary and the key bases and assumptions used by the Directors in estimating the recoverable amounts of the Intangible Assets of subsidiaries in China.

Pursuant to Section 174(3) of the Companies Act 1965, the Group's auditor also reported that the auditors' reports of certain subsidiaries have included an emphasis of matter regarding the ability of these subsidiaries to continue as a going-concern in view of their capital deficiency position as at the end of the reporting period. The financial statements of these subsidiaries have been prepared on a going-concern basis as the Company has undertaken to provide continued financial support to these subsidiaries.

B11 – Auditors' Reports (continued)

In addition, the subsidiary auditor of a subsidiary, Puresino (Guanghan) Water Co Ltd has also included an emphasis of matter on the going concern basis used in the preparation of the financial statements which is dependent on the resolution of the disputes between the shareholders of the subsidiary.

B12 – Supplementary Information Disclosed Pursuant to the Listing Requirements of Bursa Securities

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Current Quarter Ended 31 Dec 2015 RM'000	Preceding Quarter Ended 30 Sep 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	695,071	669,858
- Unrealised profits	22,928	23,751
	717,999	693,609
Total share of retained earnings from associate:		
- Realised profits	5,172	5,021
Total share of retained earnings from joint venture:		
- Realised profit/(loss)	164	(2,355)
Total Group's retained earnings	723,335	696,275

B13 – Available-for-Sale Financial Assets and Deposits, Bank and Cash Balances

As at the end of the financial year, included in the available-for-sale financial assets and deposits, bank and cash balances totalling RM443.67 million are approximately:-

(a) RM34.2 million held as securities for banking facilities secured by the Group;

(b) RM69.1 million held in subsidiaries operating in the People's Republic of China which are subject to exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country;

(c) RM131.5 million and RM56.5 million from the Private Placement and proceeds from Disposal of PMSB Shares respectively set aside for future investment/working capital purposes referred to in Note B6(b); and

(d) RM108.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B14 - Retrospective Adjustment from Share Split

On 22 July 2015, the Company announced a share split involving the subdivision of every two (2) existing ordinary shares of RM0.50 each in the Company into five (5) ordinary shares of RM0.20 each in the Company **("Share Split")**. Subsequently on 9 November 2015, 483,795,580 ordinary shares of RM0.50 each in the Company were subdivided into 1,209,488,950 ordinary shares of RM0.20 each.

For the avoidance of doubt, the computation of net asset per share in the Condensed Statement of Financial Position and EPS in the Condensed Statement of Comprehensive Income (as disclosed in pages 1 and 3 of this Interim Financial Report respectively) have been adjusted in this interim financial statements in line with the adjustment made to the Company's share price arising from the completion of Share Split. Other than these, all references to the Company's shares are at RM0.50 par value, which is before the Share Split, unless as indicated otherwise. Notes B9 (EPS) and B10 (Dividends) are stated on the basis of the par value of shares at RM0.20 each.

B15 – Reclassification of Comparatives

Certain comparatives may differ from the unaudited consolidated results announced for the 4th quarter of 2014 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2014.

B16 – Authorisation for Release

This Interim Financial Report has been seen and approved by the Board for public release.

By Order of the Board
Tan Bee Hwee (MAICSA 7021024)
Queck Wai Fong (MAICSA 7023051)
Company Secretaries
25 February 2016