



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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016
(UNAUDITED)

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CONDENSED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>31 Mar 2016</u> <u>RM'000</u>	<u>31 Dec 2015</u> <u>RM'000</u> <u>(Audited)</u>
ASSETS			
Property, plant and equipment		25,513	32,971
Investment properties		252	254
Intangible assets		1,178,750	1,787,111
Investment in joint venture		67,654	67,337
Investment in associates		7,274	7,213
Other investment		240	240
Goodwill on consolidation		129,384	131,889
Deferred tax assets		20,760	19,032
Long-term trade receivables	A1(c)	237,454	232,219
Long-term other receivables		-	855
Deposits, cash and bank balances	B13	34,429	36,881
Total Non-Current Assets		1,701,710	2,316,002
Inventories		1,396	1,770
Amount due from contract customers		10,582	8,552
Trade receivables	A1(c)	157,662	171,389
Other receivables, deposits and prepayments		8,277	8,817
Tax recoverable		1,752	1,221
Available-for-sale financial assets	B13	201,196	238,692
Deposits, cash and bank balances	B13	112,350	168,100
		493,215	598,541
Assets classified as held for sale	A3(iii)	650,833	-
Total Current Assets		1,144,048	598,541
TOTAL ASSETS		2,845,758	2,914,543
EQUITY AND LIABILITIES			
Share capital		241,898	241,898
Reserves		887,930	904,704
Total Equity Attributable to Owners of the Company		1,129,828	1,146,602
Non-controlling interests		284,492	286,553
Total Equity		1,414,320	1,433,155
LIABILITIES			
Long-term borrowings	B7	415,978	803,725
Deferred tax liabilities		254,350	254,588
Long-term trade payables		7,120	8,043
Deferred income		173,001	193,302
Provision for heavy repairs		13,633	12,605
Total Non-Current Liabilities		864,082	1,272,263
Trade payables		78,733	86,663
Amount due to contract customer		210	1,403
Other payables and accruals		22,068	78,169
Tax liabilities		3,560	1,808
Short-term borrowings	B7	3,318	23,255
Deferred income		12,990	17,827
		120,879	209,125
Liabilities directly associated with assets classified as held for sale	A3(iii)	446,477	-
Total Current Liabilities		567,356	209,125
TOTAL LIABILITIES		1,431,438	1,481,388
TOTAL EQUITY AND LIABILITIES		2,845,758	2,914,543
Net assets per share attributable to owners of the Company (RM)		0.9341	0.9480

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>3 Months Ended</u> <u>31 Mar</u>	
		<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>
Continuing operations			
Revenue	B1	75,215	70,857
Cost of operations		(52,467)	(50,705)
Gross profit		22,748	20,152
Other operating income		9,405	20,109
Administrative and other expenses		(11,472)	(9,499)
Operating profit		20,681	30,762
Finance costs		(5,230)	(5,139)
Share of results of joint venture		317	(23)
Share of results of associate		61	357
Profit before tax	B4	15,829	25,957
Income tax expense	B5	(3,205)	(6,522)
Profit for the financial period from continuing operations		12,624	19,435
Discontinued operations			
Loss for the financial period from discontinued operations	A3(ii)	(9,684)	(3,108)
PROFIT FOR THE FINANCIAL PERIOD		2,940	16,327
Other comprehensive income/(loss):			
Net fair value gain/(loss) on available-for-sale financial assets		209	(81)
Foreign currency translation differences for foreign operations		(17,574)	11,304
Total other comprehensive (loss)/income for the financial period		(17,365)	11,223
Total comprehensive (loss)/income for the financial period		(14,425)	27,550

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	3 Months Ended	
		31 Mar	
		2016	2015
		RM'000	RM'000
(Loss)/Profit for the financial period attributable to:			
Owners of the Company		(225)	15,028
Non-controlling interests		3,165	1,299
		2,940	16,327
Total comprehensive (loss)/income for the financial period attributable to:			
Owners of the Company		(16,774)	25,772
Non-controlling interests		2,349	1,778
		(14,425)	27,550
(Loss)/Earnings per share attributable to owners of the Company (sen per share):			
Basic			
- From continuing operations		0.77	1.59
- From discontinued operations		(0.79)	(0.21)
Total		(0.02)	1.38
Diluted			
- From continuing operations		0.77	1.58
- From discontinued operations		(0.79)	(0.21)
Total		(0.02)	1.37

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interest</u> RM'000	<u>Total Equity</u> RM'000
As of 1 January 2016	241,898	196,663	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155
Available-for-sale financial assets	-	-	-	209	-	-	209	-	209
Foreign currency translation differences	-	-	(16,758)	-	-	-	(16,758)	(816)	(17,574)
Total other comprehensive income/(loss) for the financial period	-	-	(16,758)	209	-	-	(16,549)	(816)	(17,365)
(Loss)/Profit for the financial period	-	-	-	-	-	(225)	(225)	3,165	2,940
Total comprehensive income/(loss) for the financial period	-	-	39,639	45	-	(225)	(16,774)	2,349	(14,425)
Transactions with owners of the Company:									
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	-	(4,410)	(4,410)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(4,410)	(4,410)
As of 31 March 2016	241,898	196,663	39,639	45	(71,500)	723,083	1,129,828	284,492	1,414,320

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available- for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non- controlling interest</u> RM'000	<u>Total Equity</u> RM'000
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	-	-	-	-	(22)	-	-	(22)	(59)	(81)
Foreign currency translation differences	-	-	-	10,766	-	-	-	10,766	538	11,304
Total other comprehensive (loss)/income for the financial period	-	-	-	10,766	(22)	-	-	10,744	479	11,223
Profit for the financial period	-	-	-	-	-	-	15,028	15,028	1,299	16,327
Total comprehensive (loss)/income for the financial period	-	-	-	10,766	(22)	-	15,028	25,772	1,778	27,550
Transaction with owners of the Company:										
Dividends paid			-				(21,825)	(21,825)	-	(21,825)
Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(61,370)	(61,370)
Proceeds from exercise of ESOS	23	64	-	-	-	-	-	87	-	87
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	50,962	50,962	67,124	118,086
Reduction in non-controlling interest arising from increase in stake in a subsidiary	-	-	-	-	-	-	-	-	(198,086)	(198,086)
Non-controlling interest arising from issuance of redeemable preference shares	-	-	-	-	-	-	-	-	26,916	26,916
Total transaction with owners of the Company	23	64	-	-	-	-	29,137	29,224	(165,416)	(136,192)
As of 31 March 2015	218,269	74,240	1,591	35,906	(24)	(71,500)	648,275	906,757	360,030	1,266,787

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>Ended</u> <u>31 Mar</u> <u>2016</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar</u> <u>2015</u> <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,630	22,994
Adjustments for:		
Non-cash items	19,564	(1,147)
Interest income	(982)	(1,492)
Finance costs	11,192	10,793
Operating Profit Before Working Capital Changes	36,404	31,148
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(30,040)	5,113
Net increase in amount due to contract customers and trade and other payables	(10,065)	(1,732)
Cash Generated From Operations	(3,701)	34,529
Income tax paid	(4,282)	(6,681)
Income tax refunded	-	735
Net Cash (Outflows)/Inflows From Operating Activities	(7,983)	28,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,281	1,579
Property, plant and equipment:		
- proceeds from disposal	-	22
- purchase	(727)	(392)
Purchase of intangible assets	(541)	(9,329)
Payment for acquisition of non-controlling interest	-	(80,000)
Payment for acquisition of subsidiary	-	(5,383)
Available-for-sale financial assets:		
- purchase	(65,163)	(8,369)
- proceeds from redemption	104,313	75,392
Withdrawal of deposits pledged as security	38	450
Increase in proceeds deposited in the designated bank	(11)	(2,886)
Net Cash Inflows/(Outflows) from Investing Activities	39,190	(28,916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(16,474)	(16,600)
Repayment of bank borrowings	(4,225)	(5,675)
Drawdown of bank borrowings	9,415	5,854
Dividends paid by a subsidiary to non-controlling interest	(4,410)	(61,370)
Repayment of finance lease payables	(89)	(115)
Proceeds from issuance of ordinary shares	-	87
Net Cash Outflows from Financing Activities	(15,783)	(77,819)

CONDENSED STATEMENTS OF CASH FLOWS

	<u>3 Months</u> <u>Ended</u> <u>31 Mar</u> <u>2016</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar</u> <u>2015</u> <u>RM'000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,424	(78,152)
Effects of foreign exchange rate changes	(8,059)	1,937
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	157,939	197,088
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	165,304	120,873
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	110,374	99,692
Cash and bank balances	36,405	38,998
Total deposits, cash and bank balances	146,779	138,690
Less: Deposits pledged as security	(34,429)	(32,427)
Less: Overdrafts	(3,042)	(4,777)
	109,308	101,486
Cash and bank balances included in the Disposal Companies held for sale, net of pledged deposits	55,996	19,387
	165,304	120,873

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2015. 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:-

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

In the current financial period, the Group adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2016.

MFRSs, Amendments to MFRSs

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12, and MFRS 128	Investment Entities: Applying the Consolidation Exception
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 application of these new and revised MFRSs and amendments to MFRS did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

Standards in issue but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 10, and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

A1 – Basis of Preparation (continued)

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

<u>Foreign currency</u>	<u>31 Mar</u> <u>2016</u> <u>RM</u>	<u>31 Dec</u> <u>2015</u> <u>RM</u>	<u>31 Mar</u> <u>2015</u> <u>RM</u>
1 US Dollar (USD)	3.90	4.29	3.70
1 Singapore Dollar (SGD)	2.90	3.04	2.69
100 Hong Kong Dollars (HKD)	50.32	55.37	47.76
100 Chinese Renminbi (RMB)	60.36	66.10	59.74

(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 to the classification and carrying amount of a trade receivable in Sungai Harmoni Sdn Bhd (“SHSB”) as follows:-

As at the end of the financial period, the invoiced amounts due and owing by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”) amounted to RM423.546 million (Q4FY15 – RM397.338 million, Q1FY15 – RM351.554 million), an increase of RM71.992 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 2021.

Arising from the above estimation, a net impact of RM10.833 million was made in the current quarter due to the increasing receivables; comprising an additional provision for discounting on a deferred payment consideration of RM17.290 million which was set-off against revenue and a reversal of discounting of receivables amounting to RM6.457 million recognised in 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.

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.

A2 – Comments about the Seasonal or Cyclicity 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 period, except for the discontinued operations of the waste management business in the People’s Republic of China as further elaborate below:

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

(i) Plan to dispose of the Company's entire investment in the People's Republic of China

On 25 February 2016, the Group had announced the Proposed Disposals as mentioned in Note A7 below. Notwithstanding that the Board takes cognisance that the long-term prospects of the Disposal Companies remain viable, the relatively low return on capital employed coupled with the long gestation period of the Company's investments in the Disposal Companies were no longer consistent with the Group's new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support the Company's Dividend Policy.

In this respect, the Proposed Disposals will provide the Company with an opportunity to realise its investments in the Disposal Companies and an avenue for immediate cash liquidity that can be redeployed in a manner that is consistent with the Group's new business strategy.

The disposal consideration of USD54.6 million exceeded the carrying amount of the related net assets to be disposed of. Therefore, no impairment loss was recognised on the reclassification all the assets and liabilities of the Disposal Companies as held-for-sale as at the end of the reporting period pursuant to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

(ii) Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the Income Statement for the financial period are set out below.

	<u>The Group</u>	
	<u>3 Months Ended 31 Mar</u>	
	<u>2016</u>	<u>2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Revenue	18,536	26,161
Cost of operations	<u>(18,773)</u>	<u>(21,974)</u>
Gross (loss)/ profit	(237)	4,187
Other operating income	1,521	2,993
Administrative and other expenses	(4,523)	(4,489)
Finance costs	<u>(5,960)</u>	<u>(5,654)</u>
Loss before tax	<u>(9,199)</u>	<u>(2,963)</u>
Income tax expense	<u>(485)</u>	<u>(145)</u>
Loss for the financial period	<u>(9,684)</u>	<u>(3,108)</u>
Loss for the financial period attributable to:		
Owners of the Company	(9,591)	(2,285)
Non-controlling interests	<u>(93)</u>	<u>(823)</u>
	<u>(9,684)</u>	<u>(3,108)</u>

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

- (iii) The major classes of assets and liabilities of the Disposal Companies at the end of the reporting period are as follow:

	<u>The Group</u> <u>31 Mar 2016</u> <u>RM'000</u>
Non-current assets	
Property, plant and equipment	5,190
Long-term trade receivables	10,526
Long-term other receivables	750
Intangibles assets	547,315
Goodwill	2,505
Deferred tax asset	540
Deposits, bank and cash balances	2,414
	<u>569,240</u>
Current assets	
Inventories	471
Trade receivables	11,226
Other receivables, deposits and prepayments	3,727
Deposits, bank and cash balances	66,169
	<u>81,593</u>
Assets of the Disposal Companies classified as held-for-sale	<u>650,833</u>
Current liabilities	
Trade payables	3,932
Other payables and accruals	40,851
Tax liabilities	448
Borrowings	21,814
Deferred income	420
	<u>67,465</u>
Non-current liabilities	
Trade payables	1,729
Borrowings	358,481
Deferred tax liability	297
Deferred income	18,505
	<u>379,012</u>
Liabilities of the Disposal Companies associated with assets classified as held-for-sale	<u>446,477</u>
Net assets of the Disposal Companies classified as held-for-sale	<u>204,356</u>

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

(iv) Cash flows from discontinued operations

	<u>The Group</u>	
	<u>3 Months ended 31 Mar</u>	
	<u>2016</u>	<u>2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Net cash inflows from operating activities	11,348	15,213
Net cash inflows/(outflows) from investing activities	155	(12,193)
Net cash outflows from financing activities	(799)	(5,881)
Net cash inflows/(outflows)	<u>10,704</u>	<u>(12,352)</u>

A4 – Accounting Estimates

Save as disclosed in Note A1(c) 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 period.

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

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

As at the end of the financial period, the Company has 241,897,790 Warrants 2015/2018 at an exercise price of RM1.70 per share. The Warrants, if not exercised, will expire on 11 November 2018.

A6 – Dividends Paid

On 25 February 2016, the Board declared 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. The dividends were subsequently paid on 11 April 2016.

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 save and except for the matter disclosed in Note 48 to the Audited Financial Statements – Subsequent Events.

The Proposed Disposals and the Proposed Acquisition (referred to in Note 48 therein) was completed on 17 May 2016. Upon the completion, Taliworks International Limited, Taliworks (Sichuan) Limited, SWM Technologies (Malaysia) Sdn Bhd and their subsidiaries (“Disposal Companies”) ceased to be subsidiaries and SWM Environment Holdings Sdn Bhd (“SWMH”) became a 35% associate of 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 period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations.

A9 – Other Significant Events and Transactions

Other than disclosed elsewhere in this 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.

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.

3 months ended 31 Mar	<u>Water treatment, supply and distribution</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Others</u>		<u>Total</u>		<u>Reconciliation</u>		<u>Amount as per Statement of comprehensive income</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Income Statement</u>														
Revenue	<u>56,492</u>	<u>54,330</u>	<u>15,567</u>	<u>15,118</u>	<u>15,201</u>	<u>10,512</u>	-	-	<u>87,260</u>	<u>79,960</u>	<u>(12,045)</u>	<u>(9,103)</u>	<u>75,215</u>	<u>70,857</u>
Operating profit	12,657	26,133	218	1,158	8,067	4,988	(4,152)	(4,600)	16,790	27,679	3,891	3,083	20,681	30,762
PBT	12,656	26,133	213	1,149	4,216	1,727	(4,152)	(4,600)	12,933	24,409	2,896	1,548	15,829	25,957
PAT	9,536	19,749	137	1,076	3,707	832	(4,152)	(4,607)	9,228	17,050	3,396	2,385	12,624	19,435
<u>Other Financial Information</u>														
Depreciation and amortisation	(220)	(190)	(128)	(128)	(3,608)	(2,908)	(700)	(713)	(4,656)	(3,939)	(1,168)	(956)	(5,824)	(4,895)
EBITDA	12,877	26,323	347	1,285	11,675	7,195	(3,451)	(3,880)	21,448	30,923	5,435	5,068	26,883	35,991
EBDA	9,756	19,939	266	1,204	7,314	3,740	(3,451)	(3,894)	13,885	20,989	4,563	3,341	18,448	24,330
CAPEX	49	163	605	79	55	191	15	30	724	463				

A10 - Operating Segments (cont'd)

- (i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs.
(ii) EBDA is defined as earnings before depreciation and amortisation costs.
(iii) CAPEX is defined as capital expenditure.

Notes

1. *The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, construction, toll operations and waste management. Others refer to holding company and other non core businesses.*
2. *In this Interim Report, the waste management business which are wholly derived from the People's Republic of China has been excluded in the above segmental information on revenue and profit performance as they have been proposed to be disposed off and therefore their information is no longer relevant for management decision making purposes.*
3. *The segmental information on the revenue and profit performance is tabulated based on the Group's proportionate share in the interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the financial performance of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the statement of comprehensive income.*
4. *The water treatment, supply and distribution business included a provision for discounting on a deferred payment consideration of RM17.290 million (Q1FY15- RM4.387 million) which was set-off against revenue; and a net provision of RM10.833 million (Q1FY15: Reversal of provision of RM3.72 million) which was charged/(credited) to the profit performance.*
5. *Accordingly all the comparatives have been reclassified to conform to the current quarter's presentation.*

<u>As at 31 Mar</u>	<u>Water treatment, supply and distribution</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Others</u>		<u>Discontinued operations</u>		<u>Total</u>	
	<u>2016</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2015</u> RM'000	<u>2016</u> RM'000	<u>2015</u> RM'000	<u>2015</u> RM'000	<u>2014</u> RM'000	<u>2016</u> RM'000	<u>2015</u> RM'000
Segment assets	449,750	412,355	37,300	36,282	1,508,193	1,502,124	199,682	137,190	650,833	604,786	2,845,758	2,692,737
Segment liabilities	(70,516)	(65,431)	(27,727)	(25,233)	(875,413)	(883,654)	(11,305)	(69,615)	(446,477)	(382,017)	(1,431,438)	(1,425,950)
Net segment assets	379,234	346,924	9,573	1,049	632,780	618,470	188,377	67,575	204,356	222,769	1,414,320	1,266,787

**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*

	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Mar 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	56,492	54,330
Construction	15,567	15,118
Toll operations	20,446	14,523
	92,505	83,971
Less: Provision for discounting on a deferred payment consideration	(17,290)	(13,114)
Revenue from continuing operations	75,215	70,857
Revenue from discontinued operations	18,536	26,161
Total revenue	93,751	97,018

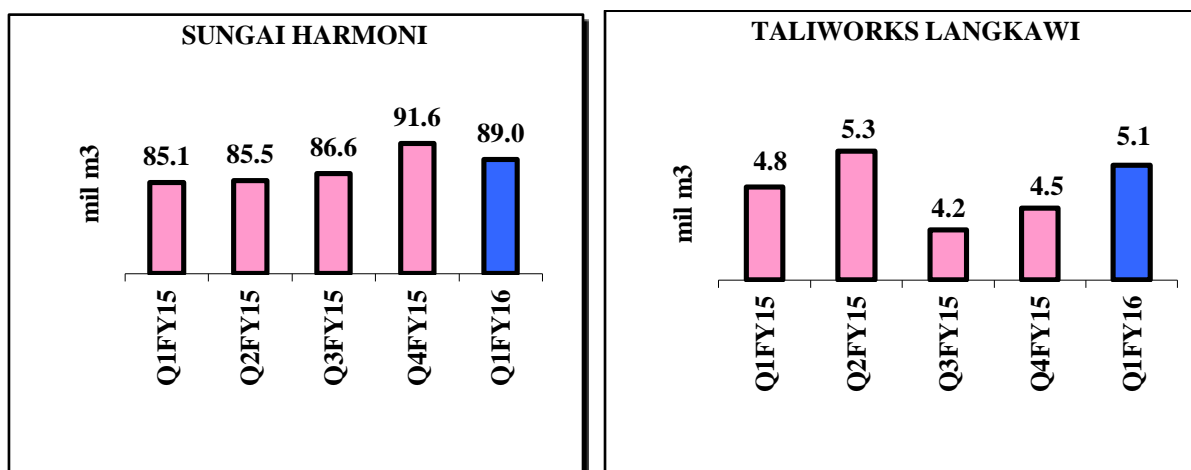
(b) *Profit Before Tax*

	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Mar 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	12,657	26,133
Construction	298	1,160
Toll operations	11,878	8,059
Others	(4,152)	(4,590)
Operating profit	20,681	30,762
Finance cost	(5,230)	(5,139)
Share of results of joint venture	317	(23)
Share of results of associate	61	357
Profit before tax from continuing operations	15,829	25,957
Loss before tax from discontinued operations	(9,199)	(2,963)
Profit before tax for the period	6,630	22,994

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

Continuing operations

Overall Summary

Before the impact from provision for discounting, the Group recorded an increase in revenue from RM84.0 million to RM92.5 million mainly due to higher contribution from the water and toll business. However, after taking into account the impact from the provision for discounting, the Group revenue reduced to RM75.2 million. Nevertheless, it was still higher than RM70.9 million achieved a year ago.

On the Group’s profit before taxation (“PBT”), the Group registered a sharp decline in PBT primarily due to a provision for discounting on a deferred payment consideration of RM10.8 million, compared to a reversal of discounting of receivables of RM3.7 million recognised in the corresponding quarter. Nevertheless, excluding the effects from the discounting, the Group PBT was higher at RM26.7 million, an increase from RM22.2 million recorded in corresponding quarter. The increase was due to higher metered sales from water business and higher toll revenue from the increase in toll rate.

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment registered an increase due to higher metered sales in both the water treatment plants. In Sungai Selangor Water Treatment Works Phase I (“SSP1”), metered sales was higher by 4.6% (i.e. from 85.1 million m³ (or 935 million litres per day (“MLD”)) to 89.0 million m³ (or 978 MLD) whereas in Langkawi operations, metered sales was higher by 6.3%. i.e. from 4.8 million m³ to 5.1 million m³.

At the operating level, the segment profit stood at RM23.5 million compared to RM22.4 million achieved a year ago (after excluding the effects of discounting). This was mainly due to higher metered sales coupled with lower rehabilitation, maintenance and upkeep costs incurred during the current quarter.

B1 Analysis of Performance (continued)

Construction

The contribution from the construction segment increase slightly from RM15.1 million to RM15.6 million mainly due to contribution from on-going projects. Despite the higher revenue, the operating profit decreased from RM1.2 million to RM0.3 million mainly due to reversal of interest income on retention sums.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway was significantly higher at RM20.4 million compared to RM14.5 million in the corresponding quarter despite the lower Average Daily Traffic (“ADT”) by 0.3% i.e. 134,025 vehicles per day compared to 134,361 vehicles per day achieved in the corresponding period. The higher toll revenue was primarily from the increase in toll rates with effect from 15 October 2015. In line with the increase in revenue, the profit contribution was higher compared to corresponding quarter.

Toll operations –Share of results of joint venture

The Group’s share of results in Grand Sepadu (NK) Sdn Bhd was higher compared to the corresponding quarter mainly arising from the lower provision for future resurfacing obligations recognised in the current quarter. In terms of ADT, there was only a marginal increase by 0.2% at 87,983 vehicles per day.

Discontinued operations

The revenue from discontinued operations was lower at RM18.5 million compared to RM26.2 million mainly due to lower construction revenue recognised pursuant to IC Interpretation 12 (RM1.07 million, Q1FY15: RM10.3 million) from the expansion and upgrading of the Wastewater Treatment Plant No. 3 (“WWTP#3”) of Taliworks Yinchuan which was completed in the third quarter of last year.

Nevertheless, the loss before taxation (“LBT”) was significantly higher than corresponding quarter by RM6.2 million mainly attributable to higher chemical consumption in the WWTP#3 without a corresponding increase in the tariff rates for the upgraded plant. The increase in the tariff rates has not been determined as it is pending finalisation of the audit by the local authority on the operating expenses and capital expenditure incurred.

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

(a) *Revenue*

	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Dec 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	56,492	55,591
Construction	15,567	4,664
Toll operations	20,446	18,215
Others	-	15
	92,505	78,485
Less: Provision for discounting on a deferred payment consideration	(17,290)	(4,387)
Revenue from continuing operations	75,215	74,098
Revenue from discontinued operations	18,536	26,093
Total revenue	93,751	100,191

(b) *Profit Before Tax*

	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Dec 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	12,657	15,576
Construction	298	(672)
Toll operations	11,878	4,957
Others	(4,152)	53,682
Operating profit	20,681	73,543
Finance cost	(5,230)	(5,411)
Share of results of joint venture	317	(252)
Share of results of associate	61	150
Profit before tax from continuing operations	15,829	68,030
Loss before tax from discontinued operations	(9,199)	(13,102)
Profit before tax for the period	6,630	54,928

Continuing operations

Overall summary

Compared to the previous quarter, the Group recorded an increase in revenue from RM78.5 million to RM92.5 million (before taking into account the impact from provision for discounting) primarily from higher recognition of revenue from on-going projects in the construction segment. However, after taking into account the impact from the provision for discounting, the Group revenue stood at RM75.2 as compared to RM74.1 million in previous quarter.

Part B – Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter (cont'd)

In the current quarter, the Group's PBT decreased significantly to RM15.8 million compared to RM68.1 million in the previous quarter primarily due to the recognition of a gain on disposal of a subsidiary amounting to RM59.5 million in previous quarter. The current quarter profit performance was positively impacted by the significant contribution seen from the toll division on account of higher ADT of 1.8% in the Cheras-Kajang Highway and lower maintenance costs incurred on specific pavement repairs work as well from the higher revenue recorded in the other two business segments.

Discontinued operations

The revenue from discontinued operations was lower at RM18.5 million compared to previous quarter of RM26.1 million mainly due to lower construction revenue recognised pursuant to IC Interpretation 12 (RM1.07 million, Q4FY15: RM7.0 million) as well as lower production recorded from all three waste management operations.

However, the LBT from discontinued operations was lower than previous quarter mainly due to an impairment of intangible asset in the Tianjin operations amounting to RM6.745 million in the previous 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 25 February 2016, 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, had completed the acquisitions of Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Treatment Works Phase 2, Syarikat Bekalan Air Selangor Sdn Bhd on 15 October 2015, and Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd on 26 January 2016.

It is also reported that SPLASH has been given a one-year grace period until this year to re-negotiate terms with the Selangor government. All of these points to a favourable development in 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 fifth year of construction. In September of last 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 for a contract sum of approximately RM75.9 million, to be completed within 27 months from the commencement date to be determined later.

B2 – Current Year Prospects (cont'd)

In the waste management division, the acquisition of SWMH strategically fits into the Group's new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses with a view to generate new income stream and provide a recurring and stable source of cash flow to the Group to support the Company's dividend policy.

In the toll highway division, the revenue growth at Cheras-Kajang Highway is expected to be driven by two factors; i. e. the toll increase with effective from October of last year and the completion of MRT groundwork resulting in lesser traffic congestion. Whereas the New North Klang Straits Bypass Expressway is due for a toll increase in January 2016 but the company would be compensated if the toll increase is not approved by the Federal Government. Ever since the operations of the expressway were taken over in December 2014, efforts have been on-going to rationalise the operating costs as well as efforts being made to increase the traffic flow along the expressway.

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:-

	<u>Current Quarter and Year-to-date 3 Months Ended 31 Mar 2016 RM'000</u>
<u>Continuing operations</u>	
<i>Revenue</i>	
Provision for discounting on receivables (<i>Note AI(c)</i>)	(17,290)
<i>Other operating income:</i>	
Interest income on fixed deposits with licensed banks	778
Dividend from available-for-sale financial assets	1,276
Rental income	166
Reversal of discounting of receivables (<i>Note AI(c)</i>)	6,457
Gain on redemption of available-for-sale financial assets	164
<i>Cost of operations, administrative and other expenses:</i>	
Depreciation and amortisation	(5,824)
Imputed interest on borrowing	(137)
Unrealised foreign exchange losses	(472)
Reversal of interest income imputed on retention sum	(455)
<u>Discontinued operations</u>	
<i>Other operating income:</i>	
Interest income on fixed deposits with licensed banks	204
Dividend income from available-for-sale financial assets	2
Foreign exchange gain	146
Recognition of government grant	109
Unwinding of discount on receivables	9

	<u>Current Quarter and Year-to-date 3 Months Ended 31 Mar 2016 RM'000</u>
Gain on redemption of available-for-sale financial assets	3
Value-added tax exempted by tax authority	1,033
<i>Cost of operations, administrative and other expenses:</i>	
Depreciation and amortisation	(5,890)
Foreign exchange losses	(2,367)

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

	<u>Current Quarter 3 Months Ended 31 Mar 2016 RM'000</u>
Malaysian income tax:	
- Current year tax	5,466
Deferred tax expense	(2,261)
Income tax expense on continuing operations	3,205
Income tax expense on discontinued operations	485
Total income tax expense	3,690

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

As at 17 May 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report),

- (a) there were no corporate proposals announced but not completed;
- (b) the proceeds raised from the private placement of 43,980,000 new shares and from Disposal of PMSB Shares (as disclosed in the previous Interim Financial Report) were fully utilised to settle the consideration for the acquisition of SWMH; and
- (c) the status of utilisation of proceeds raised from the Proposed Disposal:-

	<u>Gross proceeds raised</u>	<u>Actual utilisation</u>	<u>Intended timeframe for utilisation</u>
	<u>USD'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>Equivalent</u>	
Part finance the Proposed Acquisition /future investments/	53,356	214,410	-
			Within 24 months

	<u>Gross proceeds raised</u>		<u>Actual utilisation</u>	<u>Intended timeframe for utilisation</u>
	<u>USD'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>Equivalent</u>		
working capital purposes				
Estimated expenses for the proposals	1,244	5,000	1,681	Immediate
	<u>54,600</u>	<u>219,410</u>	<u>1,681</u>	
	=====	=====	=====	

B7 – Group Borrowings and Debt Securities

Included in the borrowings all in Ringgit Malaysia currency of the Group are:-

	<u>←-----Short Term-----→</u>			<u>←-----Long Term-----→</u>		
	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Finance lease liabilities	276	-	276	423	-	423
Bank overdraft	-	3,042	3,042	-	-	-
Islamic Medium Term Notes (“IMTN”)	-	-	-	415,555	-	415,555
	<u>276</u>	<u>3,042</u>	<u>3,318</u>	<u>415,978</u>	<u>-</u>	<u>415,978</u>

B8 – Changes in Material Litigations

As at 17 May 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report), all of the Group’s litigations as disclosed in Note 45 of the Audited Financial Statements – Contingent Liabilities are no longer applicable arising from the Proposed Disposal.

B9 – (Loss)/Earnings Per Share (“EPS”)

(a) Basic (loss)/earnings per share

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

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months</u>	<u>3 Months</u>
	<u>Ended</u>	<u>Ended</u>
	<u>31 Mar 2016</u>	<u>31 Mar 2015</u>
(Loss)/Profit for the financial quarter attributable to owners of the Company (RM'000)	(225)	15,028
Loss for the financial quarter from discontinued operations used in the calculation of basic EPS from discontinued operations (RM'000)	(9,591)	(2,285)
Earnings used in the calculation of basic EPS from continued operations (RM'000)	9,366	17,313

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2016</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2015</u>
Weighted average number of ordinary shares in issue ('000) #	1,209,489	1,091,245
Basic (loss)/EPS (sen)		
- From continuing operations	0.77	1.59
- From discontinued operations	(0.79)	(0.21)
Total Basic (loss)/EPS (sen)	<u>(0.02)</u>	<u>1.38</u>

(b) *Diluted (loss)/earnings per share*

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the financial quarter 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 (*applicable for Q1FY15*). The Warrants (*applicable for Q1FY16*) were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

	<u>Current Quarter and Year-to-date</u>	
	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2016</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2015</u>
(Loss)/ Profit for the financial quarter attributable to owners of the Company (RM'000)	(225)	15,028
Loss for the financial quarter from discontinued operations used in the calculation of diluted EPS from discontinued operations (RM'000)	(9,591)	(2,285)
Earnings used in the calculation of diluted EPS from continued operations (RM'000)	9,366	17,313
Weighted average number of ordinary shares in issue ('000) #	1,209,489	1,091,245
Effects of dilution from ESOS Options ('000)	-	1,382
Adjusted weighted average number of ordinary shares in issue ('000)	1,209,489	1,092,627
Diluted (loss)/EPS (sen)		
- From continuing operations	0.77	1.58
- From discontinued operations	(0.79)	(0.21)
Total Diluted (loss)/EPS (sen)	<u>(0.02)</u>	<u>1.37</u>

In accordance to MFRS 133 Earnings Per Share, the comparatives have been computed/restated to account for the share split which was completed on 9 November 2015.

B10 – Dividends

The Board is pleased to declare a first 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 ending 31 December 2016, to be paid on 15 July 2016.

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.

The auditors’ reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 other than as disclosed in Note 19 to the Financial Statements.

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:

	<u>Current Quarter Ended 31 Mar 2016 RM’000</u>	<u>Preceding Quarter Ended 31 Dec 2015 RM’000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	668,774	665,112
- Unrealised profits	48,593	52,860
	<u>717,367</u>	<u>717,972</u>
Total share of retained earnings from associate:		
- Realised profits	5,235	5,172
Total share of retained earnings from joint venture:		
- Realised profit/(loss)	481	164
Total Group’s retained earnings	<u>723,083</u>	<u>723,308</u>

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

As at the end of the financial period, included in the available-for-sale financial assets and deposits, bank and cash balances totalling RM347.975 million are approximately:-

- (a) RM34.4 million held as securities for banking facilities secured by the Group;
- (b) The balance proceeds from the Private Placement and Disposal of PMSB Shares amounting to RM151.6 million set aside for the proposed acquisition of SWMH;
- (c) RM99.3 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and
- (d) RM21.4 million (USD5.46 million) held as deposit in respect of the Proposed Disposal; and
- (e) RM24.2 million for the payment of dividends referred to in Note A6.

B14 – Reclassification of Comparatives

- (a) Certain comparatives may differ from the unaudited consolidated results announced for the 4th quarter of 2015 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2015;
- (b) Certain comparatives have been reclassified to conform to the current quarter's presentation to reflect the reclassification of discontinued operations.

B15 – 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
24 May 2016