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

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

CONTENTS

This Report is authorised for public release on 16 February 2017

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2016 RM'000	31 Dec 2015 RM'000 (Audited)
ASSETS			
Property, plant and equipment		21,050	32,971
Investment properties		247	254
Intangible assets		1,155,333	1,787,111
Investment in joint venture		67,553	67,337
Investment in associates	A3(b)	252,016	7,213
Other investment		240	240
Goodwill on consolidation		129,385	131,889
Deferred tax assets		31,906	19,032
Long-term trade receivable	A1(c)	277,470	232,219
Long-term other receivable		-	855
Deposits, cash and bank balances	B13	154,123	36,881
Total Non-Current Assets		**2,089,323**	**2,316,002**
Inventories		1,488	1,770
Amount due from contract customers		13,101	8,552
Amount due from associate company		16,431	-
Trade receivables	A1(c)	152,807	171,389
Other receivables, deposits and prepayments		4,911	8,817
Tax recoverable		1,466	1,221
Available-for-sale financial assets	B13	63,020	238,692
Deposits, cash and bank balances	B13	113,576	168,100
Total Current Assets		**366,800**	**598,541**
TOTAL ASSETS		**2,456,123**	**2,914,543**
EQUITY AND LIABILITIES			
Share capital		241,898	241,898
Reserves		879,134	904,704
Total Equity Attributable to Owners of the Company		**1,121,032**	**1,146,602**
Non-controlling interests		277,270	286,553
Total Equity		**1,398,302**	**1,433,155**
LIABILITIES			
Long-term borrowings	B7	416,185	803,725
Deferred tax liabilities		238,866	254,588
Long-term trade payables		7,250	8,043
Deferred income		156,294	193,302
Provision for heavy repairs		16,720	12,605
Total Non-Current Liabilities		**835,315**	**1,272,263**
Trade payables		88,003	86,663
Amount due to contract customers		208	1,403
Amount due to associate company		50	-
Other payables and accruals		45,311	78,169
Tax liabilities		2,081	1,808
Short-term borrowings	B7	70,213	23,255
Deferred income		16,640	17,827
Total Current Liabilities		**222,506**	**209,125**
TOTAL LIABILITIES		**1,057,821**	**1,481,388**
TOTAL EQUITY AND LIABILITIES		**2,456,123**	**2,914,543**
Net assets per share attributable to owners of the Company (RM)		**0.9269**	**0.9480**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2016 RM'000	3 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
Continuing operations					
Revenue	B1	**69,012**	**74,098**	**304,856**	**291,993**
Cost of operations		(58,000)	(45,513)	(207,801)	(203,190)
Gross profit		**11,012**	**28,585**	**97,055**	**88,803**
Other operating income	B4	14,277	62,038	42,132	103,770
Administrative and other expenses		(7,591)	(17,082)	(43,689)	(46,432)
Operating profit		**17,698**	**73,541**	**95,498**	**146,141**
Finance costs		(5,246)	(5,411)	(23,152)	(21,284)
Share of results of joint venture		(579)	(252)	216	(928)
Share of results of associates	A3(b)(ii)	9,537	150	12,400	1,032
Profit before tax	B4	**21,410**	**68,028**	**84,962**	**124,961**
Income tax expense	B5	16,053	(4,187)	8,391	(17,087)
Profit for the financial period/year from continuing operations		**37,463**	**63,841**	**93,353**	**107,874**
Discontinued operations					
Profit/(loss) for the financial period/ year from discontinued operations, net of tax	A3(a)(v)	-	(13,745)	54,842	(16,310)
PROFIT FOR THE FINANCIAL PERIOD/YEAR		**37,463**	**50,096**	**148,195**	**91,564**
Other comprehensive income/(loss):					
Net fair value gain/(loss) on available-for-sale financial assets		(209)	(274)	82	(177)
Currency translation differences of foreign operations		-	(12,896)	(13,568)	32,848
Currency translation differences - transfer to profit or loss upon disposal of foreign operations	A3(a)(iii)	-	-	(46,176)	-
Total other comprehensive income/(loss) for the financial period/year		**(209)**	**(13,170)**	**(59,662)**	**32,671**
Total comprehensive income for the financial period/year		**37,254**	**36,926**	**88,533**	**124,235**

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

	Note	3 Months Ended 31 Dec 2016 RM'000	3 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
Profit/(loss) for the financial period/year attributable to:					
Owners of the Company		32,013	51,223	127,488	86,549
Non-controlling interests		5,450	(1,127)	20,707	5,015
		37,463	**50,096**	**148,195**	**91,564**
Total comprehensive income for the financial period/year attributable to:					
Owners of the Company		31,857	34,297	71,189	117,644
Non-controlling interests		5,397	2,629	17,344	6,591
		37,254	**36,926**	**88,533**	**124,235**
Earnings/(loss) per share attributable to owners of the Company (sen per share):	B9				
Basic					
- From continuing operations		2.65	5.41	6.23	9.09
- From discontinued operations		-	(1.08)	4.31	(1.33)
Total		2.65	4.33	10.54	7.76
Diluted					
- From continuing operations		2.65	5.41	6.23	9.08
- From discontinued operations		-	(1.08)	4.31	(1.33)
Total		2.65	4.33	10.54	7.75

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

	Share capital RM'000	Share premium 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 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	-	-	-	98	-	-	98	(16)	82
Currency translation differences	-	-	(12,936)	-	-	-	(12,936)	(632)	(13,568)
Currency translation differences - transfer to profit or loss upon disposal of foreign operations *(Note A3(a)(iii))*	-	-	(43,461)	-	-	-	(43,461)	(2,715)	(46,176)
Total other comprehensive (loss)/income for the financial year	-	-	(56,397)	98	-	-	(56,299)	(3,363)	(59,662)
Profit for the financial year	-	-	-	-	-	127,488	127,488	20,707	148,195
Total comprehensive (loss)/income for the financial year	-	-	(56,397)	98	-	127,488	71,189	17,344	88,533
Transactions with owners of the Company:									
Dividends paid *(Note A6)*	-	-	-	-	-	(96,759)	(96,759)	-	(96,759)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	-	(19,404)	(19,404)
Proceeds from issuance of ordinary shares	*	*	-	-	-	-	*	-	*
Non-controlling interest arising from issuance of ordinary shares in a subsidiary *(Note A8(d))*	-	-	-	-	-	-	-	200	200
De-recognition on disposal of subsidiaries *(Note A3(a)(ii))*	-	-	-	-	-	-	-	(7,423)	(7,423)
Total transactions with owners of the Company	-	-	-	-	-	(96,759)	(96,759)	(26,627)	(123,386)
As of 31 December 2016	**241,898**	**196,663**	**-**	**(66)**	**(71,500)**	**754,037**	**1,121,032**	**277,270**	**1,398,302**

* *Including 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018 as disclosed in Note A5.*

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	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
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	1,591	32,848
Total other comprehensive income/(loss) for the financial year	-	-	-	31,257	(162)	-	-	31,095	1,576	32,671
Profit for the financial year	-	-	-	-	-	-	86,549	86,549	5,015	91,564
Total comprehensive income/(loss) for the financial year	-	-	-	31,257	(162)	-	86,549	117,644	6,591	124,235
Transaction with owners of the Company:										
Transfer to/(from) reserve upon ESOS option:										
- exercised	-	1,519	(1,519)	-	-	-	-	-	-	-
- lapsed	-	-	(72)	-	-	-	72	-	-	-
Proceeds from exercise of ESOS	1,662	4,653	-	-	-	-	-	6,315	-	6,315
Proceeds from private placement of shares, net of share issue costs	21,990	116,315						138,305	-	138,305
Dividends paid *(Note A6)*	-	-	-	-	-	-	(67,944)	(67,944)	-	(67,944)
Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(67,250)	(67,250)
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	100,521	100,521	67,124	167,645
Reduction in non-controlling interest arising from increase in stake in subsidiaries	-	-	-	-	-	-	-	-	(270,496)	(270,496)
Non-controlling interest arising from issuance of redeemable preference shares	-	-	-	-	-	-	-	-	26,916	26,916
Total transaction 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)**	**723,308**	**1,146,602**	**286,553**	**1,433,155**

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

	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	140,316	109,744
Adjustments for:		
Non-cash items	(19,538)	(17,662)
Interest income	(4,059)	(4,885)
Finance costs	32,000	44,518
Operating Profit Before Working Capital Changes	148,719	131,715
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(107,209)	34,589
Net increase in amount due to contract customers and trade and other payables	12,086	19,863
Cash Generated From Operations	53,596	186,167
Income tax paid	(20,602)	(24,967)
Income tax refunded	51	7,813
Net Cash Inflows From Operating Activities	**33,045**	**169,013**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,078	5,001
Property, plant and equipment:		
- proceeds from disposal	172	152
- purchase	(2,571)	(2,557)
Proceeds from disposal of investment property	-	245
Purchase of intangible assets	(1,404)	(35,837)
Net cash inflow on disposal of subsidiaries *(Note A3(a)(iv))*	152,229	65,822
Investment in associate companies	(246,380)	(300)
Proceeds from government grant	-	20,883
Dividend income from an associate	408	-
Payment for acquisition of non-controlling interest	-	(37,102)
Payment for acquisition of subsidiary	-	(102,851)
Proceeds from increase of non-controlling interest in a subsidiary *(Note A8(d))*	200	-
Available-for-sale financial assets:		
- purchase	(110,163)	(277,081)
- proceeds from redemption	290,360	156,012
Placement of deposits pledged as security	(117,242)	(4,004)
Decrease in proceeds deposited in designated bank accounts	10,162	2,017
Net Cash Outflows from Investing Activities	**(20,151)**	**(209,600)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(28,998)	(48,210)
Repayment of bank borrowings	(28,311)	(18,917)
Drawdown of bank borrowings	103,608	50,434
Dividends paid by a subsidiary to non-controlling interest	(19,404)	(67,250)
Repayment of finance lease payables	(357)	(46)
Dividends paid *(Note A6)*	(96,759)	(67,944)
Proceeds from exercise of ESOS	-*	6,315
Net proceeds from private placement of shares	-	138,305
Net Cash Outflows from Financing Activities	**(70,221)**	**(7,313)**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,327)	(47,900)
Effects of foreign exchange rate changes	12,965	8,750
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	157,938	197,088
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**113,576**	**157,938**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	255,119	99,184
Cash and bank balances	12,580	105,797
Total deposits, cash and bank balances	267,699	204,981
Less: Deposits pledged as security	(154,123)	(36,881)
Less: Proceeds deposited in the designated bank accounts	-	(10,162)
Less: Overdrafts	-	-
	113,576	**157,938**

* *Including 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018 as disclosed in Note A5.*

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

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 of the Company and had no significant effect on the financial performance or position of the Group and of the Company except as disclosed below:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

On 1 October 2016, Grand Saga Sdn Bhd.(“Grand Saga”), a 51% owned indirect subsidiary and Grand Sepadu (NK) Sdn Bhd. (“Grand Sepadu”), a 37.5% owned indirect joint venture of the Company respectively, changed their accounting policy on the amortisation of Highway Development Expenditure from the revenue based method to the traffic volume based method as disclosed in Note A3(e). This is in accordance with the Amendments to MFRS 116 and MFRS 138, which clarified the acceptable methods of depreciation and amortisation. The amendments are effective prospectively for accounting periods beginning on or after 1 January 2016. The financial effect is shown in Note A3(e).

A1 – Basis of Preparation (continued)

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
MFRS 16	Leases
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 10, and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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.

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

Foreign currency	31 Dec 2016 RM	30 Sep 2016 RM	31 Dec 2015 RM
1 US Dollar (USD)	4.49	4.14	4.29
1 Singapore Dollar (SGD)	*	*	3.04
100 Hong Kong Dollars (HKD)	*	*	55.37
100 Chinese Renminbi (RMB)	*	*	66.10

* *these closing rates were not indicated as the Group's business operations in the People's Republic of China had been discontinued as elaborated in Note A3(a) below*

Source: Bank Negara Malaysia's website at http://www.bnm.gov.my/index.php?ch=statistic&pg=stats_exchangerates

(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"), a wholly owned subsidiary of the Company, as follows:-

(i) 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 RM502.187 million (2015: RM397.338 million), an increase of RM104.849 million over a period of twelve months. Over the same period, the total payment received from SPLASH amounted to RM76.884 million (2015: RM119.687 million).

A1 – Basis of Preparation (continued)

The amount owing by SPLASH has been escalating due to it not receiving payments in full from Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), which is the concessionaire for the distribution of treated water in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

(ii) Currently, the Selangor water consolidation/restructuring exercise which involves the acquisition by the Selangor State Government, through Pengurusan Air Selangor Sdn Bhd ("Air Selangor"), of all the water concessionaires in Selangor ("Water Restructuring") has yet to be fully concluded. This came about as the acquisition of the remaining concessionaire, SPLASH, is yet to complete.

(iii) As mentioned in the previous Interim Financial Report dated 9 August 2016, the quantum of repayment from SPLASH had been reduced from about 60% to approximately 34% since July 2016. In light of the several positive developments surrounding the Water Restructuring, the Board, at that juncture of the said Report, took the view that it was premature to make changes to the prevailing critical judgment, estimate and assumption on the quantum of repayment from SPLASH of approximately RM100.6 million in the next twelve months, which the Board had maintained since the Interim Financial Report for the first quarter of 2015 dated 27 May 2015.

(iv) It was highlighted in the previous Interim Financial Report that SHSB has been in discussion with SPLASH together with the Selangor State Government on the terms for the repayment of amount owing by SPLASH should the Water Restructuring come to fruition. Whilst several repayment terms have been discussed, no final terms have been concluded. Since then, there has been no further discussion on the matter. As such, the Board is of the view that it requires more factual details to determine with absolute certainty, the probable outcome of the said Water Restructuring and its impact on the receivables from SPLASH before it can make an informed decision to shareholders.

(v) There have been several media reports on statements made by the relevant government authorities pertaining to the on-going discussions being held between the Federal Government and the Selangor State Government to conclude the Water Restructuring and; based on these reports and/or statements, it is likely that it can be concluded by this year pending an independent valuation exercise being conducted. The conclusion of the Water Restructuring will most likely pave the way for the amount owing by SPLASH to be addressed.

(vi) Based on these premises and in the absence of any clarity to the issues raised above, the Board has taken the stance to maintain the current judgment, estimate and assumption on the quantum of repayment from SPLASH to be approximately RM100.6 million to be received within the next twelve months. On that basis, the Board continues to assume that the remaining balance of the receivable will be paid progressively between 2018 and 2024.

However, it is should be noted that depending on the final outcome, the financial results of the Group may vary, either favourably or otherwise.

(vii) Arising from the above estimation, an impact of RM17.061 million was made in the current quarter (based on the discounting rate applied of between 10.2% to 12.4%) comprising:-

(a) a provision for discounting on a deferred payment consideration of RM16.069 million, which was set-off against revenue; and

(b) an additional provision for discounting of receivables amounting to RM0.992 million.

A1 – Basis of Preparation (continued)

(viii) As at the end of the financial period, the total accumulated provision for discounting of receivables made was approximately RM124.116 million (2015: RM74.658 million). Assuming that subsequent to the financial period, the repayment from SPLASH can be addressed pursuant to the conclusion of the Water Restructuring, the Group will potentially recognise back as income the accumulated provision for discounting of receivables on the assumption that the amount owing by SPLASH is paid in full, without any deductions and not deferred over a period.

(ix) It should be noted that the above critical judgment, estimate and assumption requires to be re-assessed from time to time in light of developments in the Water Restructuring as it may have a significant impact to amounts recognised in the financial statements. In this respect, the Board will re-assess its position before the release of the audited financial statements for the year ended 31 December 2016 and the next interim financial statements after taking into account of these developments, if any.

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) The effect of discontinued operations of the waste management business in the People's Republic of China (referred to Note A8(a) below) where the carrying amount of assets and liabilities held-for-sale of the Disposal Companies have been derecognised from the statements of financial position and the gain arising therefrom;

On 25 February 2016, the Group had announced the PRC Disposals (referred to in Note 48(a) of the Audited Financial Statements – Subsequent Events) in which shareholders of the Company had subsequently approved at an Extraordinary General Meeting held on 10 May 2016. The PRC Disposals were then completed on 17 May 2016 ("Disposal Date").

An analysis of the PRC Disposals on the Disposal Date is as follows:-

(i) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents (USD54.6 million translated based on the spot rate then as quoted by Bank Negara Malaysia)	218,774

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

(ii) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current assets	
Property, plant and equipment	5,284
Long-term trade receivables	11,470
Long-term other receivables	774
Intangibles assets	556,408
Goodwill	2,504
Deferred tax asset	550
Deposits, bank and cash balances	2,464
	579,454
Current assets	
Inventories	658
Trade receivables	12,583
Other receivables, deposits and prepayments	3,568
Deposits, bank and cash balances	64,081
	80,890
Total Assets of Disposal Companies previously classified as held-for-sale	660,344
Current liabilities	
Trade payables	4,556
Other payables and accruals	39,407
Tax liabilities	433
Borrowings	22,258
Deferred income	428
	67,082
Non-current liabilities	
Trade payables	1,765
Borrowings	365,786
Deferred tax liability	297
Deferred income	18,827
	386,675
Total Liabilities of Disposal Companies associated with assets previously classified as held-for-sale	453,757

	The Group RM'000
Net assets of the Disposal Companies previously classified as held-for-sale	**206,587**
Equity attributable to owners of the Company	199,164
Non-controlling interests	7,423

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

(iii) Analysis of net gain in profit or loss for the financial year:

	The Group RM'000
Disposal consideration	218,774
Less: Assignment of outstanding shareholders' advances	(298,200)
Add: Net liabilities disposed of	99,036
	(199,164)
Add: Reclassification of currency translation reserve to profit and loss	46,176
Net gain on the PRC Disposals	65,786

The net gain on disposal is included in the profit for the year from discontinued operations, as disclosed in Note A3(a)(v) below.

(iv) Net cash inflow on disposal of Disposal Companies:

	The Group RM'000
Consideration received in cash	218,774
Cash and cash equivalent disposed of	(66,545)
	152,229

(v) Analysis of profit for the period/year from discontinued operations

The results of the discontinued operations included in the Income Statement for the financial period/year are set out below. The comparatives have been re-presented to include those operations classified as discontinued in the financial period/year.

	The Group 3 Months Ended 31 Dec 2016 RM'000	The Group 3 Months Ended 31 Dec 2015 RM'000	The Group 12 Months Ended 31 Dec 2016 RM'000	The Group 12 Months Ended 31 Dec 2015 RM'000
Revenue *(Note B1(a))*	-	26,093	27,562	118,939
Cost of operations	-	(24,620)	(27,566)	(103,333)
Gross profit/(loss)	**-**	**1,473**	**(4)**	**15,606**
Other operating income	-	1,168	2,934	11,064
Administrative and other expenses	-	(9,597)	(4,520)	(18,665)
Finance costs	-	(6,144)	(8,842)	(23,222)
Profit/(loss) before tax	**-**	**(13,100)**	**(10,432)**	**(15,217)**
Income tax expense *(Note B5)*	-	(645)	(512)	(1,093)
	-	**(13,745)**	**(10,944)**	**(16,310)**
Net gain on disposal *(Note A3(a)(iii))*	-	-	65,786	-

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

Profit/(loss) for the financial period/year from discontinued operations	**-**	**(13,745)**	**54,842**	**(16,310)**
Profit/(loss) for the financial period/year attributable to:				
Owners of the Company *(Note B9(a), (b))*	-	(12,798)	52,181	(14,817)
Non-controlling interests	-	(947)	2,661	(1,493)
	-	13,745	54,842	(16,310)

(vi) Cash flows from discontinued operations

The comparative cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the financial year.

	The Group	
	12 Months Ended 31 Dec	
	2016	2015
	RM'000	RM'000
Net cash (outflows)/inflows from operating activities	(647)	54,018
Net cash outflows from investing activities	(861)	(27,099)
Net cash (outflows)/inflows from financing activities	(601)	4,908
Net cash (outflows)/inflows	(2,109)	31,827

(b) The acquisition of 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH") ("SWM Acquisition") as an associate of the Company referred to in Note 48(b) to the Audited Financial Statements – Subsequent Events.

The SWM Acquisition was completed on 17 May 2016 simultaneously with the PRC Disposals. During the current quarter, the Company completed the fair value measurement exercise ("FVM Exercise") by engaging Crowe Horwath Advisory Sdn Bhd, a licensed Corporate Finance Advicers, to advise on the fair value of identifiable assets, liabilities and contingent liabilities of SWMEH for the purpose of ascertainting whether a positive or negative goodwill arose from the SWMEH Acquisition in compliance with the provisions of MFRS 128: Investment in Associates and Joint Ventures.

In conducting the FVM Exercise by Crowe Horwath Advisory Sdn Bhd, significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

The summarised financial information of SWMEH is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

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

(i) Summarised statements of financial position SWMEH

	As at 31 December 2016 SWMEH RM'000	Increase/ (Decrease) arising from FVM Exercise RM'000	As at 31 December 2016 (after the FVM Exercise) RM'000	As at 30 September 2016 (Provisional values) RM'000
Non-current assets	390,691	3,324,972	3,715,663	965,038
Current assets	933,611	(104,890)	828,721	935,846
Current liabilities	(335,807)	5,600	(330,207)	(184,367)
Non-current liabilities	(976,039)	(1,056,924)	(2,032,963)	(962,920)
Non-controlling interest	-	(1,490,571)	(1,490,571)	-
Net assets	12,456	678,187	690,643	753,597

(ii) Share of Results from SWMEH from 17 May 2016 to 31 Dec 2016

	RM'000
Profit for the financial period	106,726
Less: Group consolidation adjustments arising from the FVM Exercise:-	
- Additional depreciation on PPE and amortisation of Intangible assets	(72,385)
- Adjustment on preference shares	(6,767)
- Adjustment on finance costs	(11,397)
-Tax effect	16,457
(collectively referred to as "FVM Adjustments")	(74,092)
Profit for the financial period	32,634
Total comprehensive income for the financial period	32,634

(iii) Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the financial statements of the Group is as follows:

	RM'000
Net assets of SWMEH	690,643
Proportion of the Group's ownership interest	35%
Adjustments for:-	241,721
- Stamp duties paid	735
Carrying amount of the investment in SWMEH as at 31 Dec 2016	242,456

(c) On 17 May 2016, the Company had drawndown RM80 million from a revolving credit facility of RM100 million to part finance the SWM Acquisition pending the conversion of the USD proceeds from the PRC Disposals to the local currency. The revolving credit will be subsequently repaid from the proceeds from the PRC Disposals. As at the end of financial year, the outstanding balance of the revolving credit amounted to RM70 million.

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

(d) Toll Compensation from the Government of Malaysia ("Government") for Deferment in Toll Tariff Increase

On 19 July 2016, the Government agreed to pay compensation of RM9.54 million for the delay in Grand Saga in implementing a toll tariff increase on 1 January 2015. The toll tariff increase was approved on 15 October 2015 whereas the compensation was subsequently received on 5 October 2016.

In addition, Grand Sepadu has also received advance compensation amounting to RM3.77 million (approximating 50% of total compensation) from the Government during the financial quarter for deferring the toll rate increase which was to be effective on 1 January 2016. The remaining compensation to be paid will only be determined once an audit has been performed to determine the actual traffic volume for 2016.

(e) Changes in methods of amortisation of Intangible Assets

During the current quarter, Grand Saga and Grand Sepadu changed their accounting policy in calculating the amortisation base for intangible assets comprising the Highway Development Expenditure ("HDE").

The Group amortises its HDE using the traffic volume method for the current financial year, based on the following formula:

$$\frac{\text{Actual traffic volume for the year}}{\text{Actual traffic volume for the year plus projected traffic volume till end of concession}} \times \text{Cost, less: Accumulated amortisation brought forward}$$

Prior to this, the Group used the revenue method for amortisation of HDE. The change was made to align with Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation as mentioned in Note A1 above.

The changes in accounting policies affected only the Group's results from continuing operations. To the extent that those changes have had an impact on results reported for the current financial year, they have had an impact on the amounts reported and earnings per share ("EPS").

The following table summarises that effect on both basic and diluted EPS.

	Increase/(decrease) in profit for the year attributable to the owners of the Company	**Increase/ (decrease) in Basic EPS**	**Increase/ (decrease) in Diluted EPS**
	RM'000	**Sen per share**	**Sen per share**
Changes in accounting policies relating to:			
- amortisation of HDE	(4,690)	(0.39)	(0.39)
- deferred tax	7,647	0.63	0.63
	2,957	0.24	0.24

A4 – Accounting Estimates

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

(a) During the current quarter and financial year, there was no issuance, repurchase and repayment of debt and equity securities by the Company except for the issuance of 50 new ordinary shares of RM0.20 each at RM1.70 per share from the exercise of Warrants 2015/2018 ("Warrants").

(b) As at the end of the financial period, the Company has 241,897,740 outstanding Warrants. The Warrants, if not exercised, will expire on 11 November 2018.

A6 – Dividends Paid

(a) 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.

(b) On 24 May 2016, the Board declared 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. The dividends were subsequently paid on 15 July 2016.

(c) On 9 August 2016, the Board declared a second 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. The dividends were subsequently paid on 15 September 2016.

(d) On 16 November 2016, the Board declared a third interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares of RM0.20 each, amounting to approximately RM24,189,780 in respect of the financial year ending 31 December 2016. The dividends were subsequently paid on 23 December 2016.

The total dividends paid to shareholders during the year amounted to RM96,759,117 (2015: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 these interim financial statements.

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 arising from the following:-

(a) the completion of the PRC Disposals on 17 May 2016 whereby Taliworks International Limited, Taliworks (Sichuan) Limited, SWM Technologies (Malaysia) Sdn Bhd and their subsidiaries ("Disposal Companies") ceased to be subsidiaries of the Company;

(b) the completion of the SWM Acquisition on 17 May 2016 whereby SWMEH became a 35% associate of the Company;

(c) the striking-off and dissolution on 10 June 2016 of Prolific Equity Sdn Bhd, Jemari Infiniti Sdn Bhd and Destinasi Teguh Sdn Bhd, wholly owned subsidiaries of the Company, pursuant to the then Section 308(4) of the Companies Act, 1965;

A8 – Changes in Composition of the Group (continued)

(d) the incorporation of a wholly-owned subsidiary of the Company, Taliworks Meruan (Sarawak) Sdn Bhd ("TMSB") under the then Companies Act, 1965 as a private company limited by shares on 27 June 2016. Subsequently, on 26 July 2016, TMSB increased its issued and paid up share capital from RM2 to RM500,000 by way of issuance of 499,998 new ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of TMSB. Out of the 499,998 ordinary shares issued, TMSB allotted 274,999 ordinary shares to the Company; 24,999 ordinary shares to Taliworks Construction Sdn Bhd, a wholly-owned subsidiary of the Company, and the remaining 200,000 ordinary shares to external shareholders. Consequently, TMSB became a 60% owned subsidiary of the Company;

(e) the acquisition on 30 June 2016 by the Company of a 24% direct interest in Aqua-flo Sdn Bhd ("AFSB") for RM1.2564 million from its 40% associate, Hydrovest Sdn Bhd, which held 60% of AFSB;

(f) on 16 August 2016, the Company announced that it had submitted to the Companies Commission of Malaysia, an application to strike-off Air Kedah Sdn Bhd ("AKSB"), a 60% owned subsidiary of the Company under the then Section 308 of the Companies Act, 1965 as AKSB has not commenced business since 2013 and has no intention to continue its business in the future; and

(g) On 4 November 2016, the Company announced that Europlex Consortium Sdn Bhd ("ECSB"), Peak Synergy Sdn Bhd ("PSSB"), both indirect 51% owned subsidiary of the Company have been placed under Members' Voluntary Winding-up pursuant to the then Section 254(1)(b) of the Companies Act, 1965.

A9 – Other Significant Events and Transactions

Other than disclosed elsewhere in these interim financial statements, 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 makers.

	Water treatment, supply and distribution		Construction		Toll operations		Waste management		Others		Total		Reconciliation		Amount as per Statement of comprehensive income	
3 months ended 31 Dec	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income Statement																
Revenue	58,286	55,591	4,348	4,664	17,565	16,259	76,334	-	1,316	15	157,849	76,529	(88,837)	(2,431)	69,012	74,098
Operating profit	21,025	22,242	2,279	(671)	2,188	3,896	17,916	-	9,851	53,907	53,259	79,374	(35,561)	(5,831)	17,698	73,543
Profit/(Loss) before tax	21,013	22,241	3,136	(677)	(1,705)	(600)	6,273	-	9,042	53,857	37,759	74,821	(16,349)	(6,789)	21,410	68,032
Profit/(Loss) after tax	21,919	17,725	2,832	(531)	5,472	(600)	3,163	-	9,042	53,857	42,428	70,451	(4,965)	(6,606)	37,463	63,845
Other Financial Information																
Depreciation and amortisation	(227)	(219)	237	(103)	(12,401)	(3,238)	(8,712)	-	(445)	(516)	(21,548)	(4,076)	5,717	(2,014)	(15,831)	(6,090)
EBITDA	21,252	22,461	2,042	(568)	14,588	7,836	26,628	-	10,295	54,423	74,805	84,152	(32,319)	(4,619)	42,486	79,533
EBDA	22,146	17,943	2,595	(429)	17,872	2,638	11,874	-	9,485	54,373	63,972	74,525	(10,679)	(4,590)	53,293	69,935
CAPEX	173	371	5	123	114	1,217	668	-	385	63						

A10 - Operating Segments (continued)

(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 these interim financial statements, the segmental information on revenue and profit performance for the waste management business represents those of SWMEH upon completion of SWM Acquisition i.e period from 17May 2016 to 31 December 2016. However, there are no comparatives included. The segmental information on revenue and profit performance from the People's Republic of China has been excluded as they have been 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. Whereas the segmental information on the capex is also based on the Group's proportionate share on capital expenditure incurred for the period.*

4. *The segmental information on the water treatment, supply and distribution business excluded a provision for discounting on a deferred payment consideration of RM16.069 million (Q4FY15-RM4.387 million) which was set-off against revenue; and a total provision of RM17.061 million (Q4FY15: RM6.665 million) which was charged to profit.*

5. *The segmental information on the waste management division excluded the FVM Adjustments made at the Group level. The profit performance has taken into consideration dividend payables to holders of the Class B Redeemable Cumulative Preference Shares in SWMEH.*

6. *Comparatives have been reclassified to conform to the current period's presentation.*

	Water treatment, supply and distribution		Construction		Toll operations		Waste management		Others		Discontinued operations		Total	
As at 31 Dec	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	485,416	427,647	45,563	36,536	1,488,679	1,522,127	242,456	-	194,009	212,684	-	715,549	2,456,123	2,914,543
Segment liabilities	(89,071)	(71,165)	(30,266)	(26,482)	(856,695)	(887,282)	-	-	(81,789)	(12,495)	-	(483,964)	(1,057,821)	(1,481,388)
Net segment assets	**396,345**	**356,482**	**15,297**	**10,054**	**631,984**	**634,845**	**242,456**	**-**	**112,220**	**200,189**	**-**	**231,585**	**1,398,302**	**1,433,155**

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*

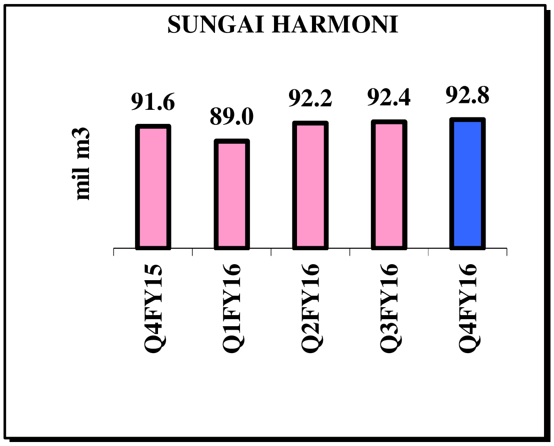
	3 Months Ended 31 Dec 2016 RM'000	3 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
Water treatment, supply and distribution	58,287	55,591	231,829	216,658
Construction	4,295	4,664	39,626	53,687
Toll operations	21,183	18,215	92,672	62,765
Others	1,316	15	3,047	15
	85,081	78,485	367,174	333,125
Less: Provision for discounting on a deferred payment consideration	(16,069)	(4,387)	(62,318)	(41,132)
Revenue from continuing operations	69,012	74,098	304,856	291,993
Revenue from discontinued operations *(Note A3(a)(v)*	-	26,093	27,562	118,939
Total revenue	**69,012**	**100,191**	**332,418**	**410,932**

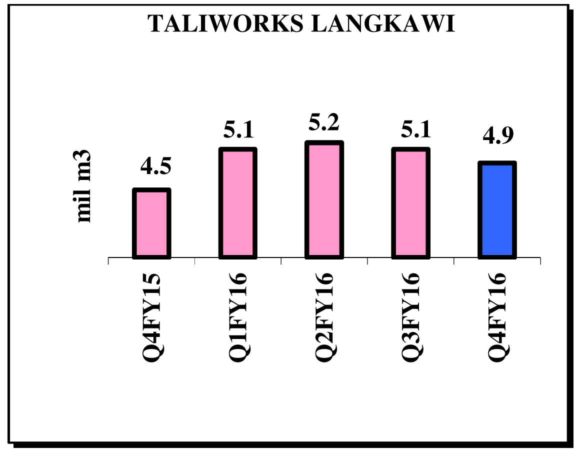
(b) *Profit Before Tax*

	3 Months Ended 31 Dec 2016 RM'000	3 Months Ended 31 Dec 2015 RM'000	12 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2015 RM'000
Water treatment, supply and distribution	3,966	15,576	44,862	71,136
Construction	2,239	(671)	2,645	1,237
Toll operations	1,693	4,957	45,175	33,270
Others	9,800	53,679	2,816	40,498
Operating profit	**17,698**	**73,541**	**95,498**	**146,141**
Finance cost	(5,246)	(5,411)	(23,152)	(21,284)
Share of results of joint venture	(579)	(252)	216	(928)
Share of results of associates	9,537	150	12,400	1,032
Profit before tax from continuing operations	21,410	68,028	84,962	124,961
Profit/(Loss) before tax from discontinued operations	-	(13,100)	55,354	(15,217)
Profit before tax for the period	**21,410**	**54,928**	**140,316**	**109,744**

B1 – Analysis of Performance (continued)

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





(a) <u>Current Quarter vs. Preceding Year's Corresponding Quarter</u>

Continuing operations

<u>Overall Summary</u>

Before the impact from provision for discounting, the Group recorded an increase in revenue from RM78.5 million to RM85.1 million. The increase was attributable to higher contribution from the water treatment, supply and distribution and toll businesses. However, after taking into account the impact from the provision for discounting, the Group revenue reduced to RM69.0 million, which is lower than RM74.1 million achieved a year ago.

On the Group's performance, the Group registered a profit before tax ("PBT") of RM21.4 million compared to RM68.0 million in the corresponding quarter due to the following:-

(a) exceptional gain on disposal arising from disposal of 50% equity interest in Pinggiran Muhibbah Sdn Bhd., now a joint venture company, amounting to RM59.547 million ("Gain on Disposal of PMSB") recognised in corresponding quater; and

(b) higher provision for discounting on a deferred payment consideration of RM17.1 million, compared to RM6.7 million in the corresponding quarter.

Excluding the above effects, the Group PBT would be higher at RM38.5 million, up from RM15.1 million recorded in corresponding quarter mainly attributable to the higher income derived from management fees and unrealised foreign exchange gain on disposal proceeds in USD raised from the PRC Disposals. The increase in PBT has mitigated by higher amortisation expenses arising from the change in the method of amortisation of HDE as described in Note A3(e), coupled with higher operating costs in both the water treatment plants.

B1 Analysis of Performance (continued)

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

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment registered an increase due to contribution by both the water treatment plants. In Sungai Selangor Water Treatment Works Phase I ("SSP1"), metered sales was higher by 1.3% (i.e. from 91.65 million m3 (or 996 million litres per day ("MLD")) to 92.83 million m3 (or 1,009 MLD), whereas in Langkawi operations, metered sales up by 7.0% i.e. from 4.54 million m3 to 4.86 million m3.

In spite of higher revenue, the operating profit (excluding the effects of discounting) was lower at RM21.0 million compared to RM22.2 million achieved a year ago on account of higher operating costs incurred in both water treatment plants during the current quarter primarily arising from higher rehabilitation and maintenance costs incurred as well as higher unit electricity costs from reduction in Imbalance Cost Pass Through ("ICPT") by the Government and the concurrent increase in TNB Tariff.

Construction

The construction revenue was marginally lower by RM0.4 million to RM4.3 million in the current quarter compared to RM4.7 million achieved a year ago as the Mengkuang Dam Expansion Project is nearing completion. At the operating level, the segment recorded a profit at RM2.2 million compared to operating loss RM0.7 million y-o-y. This was mainly due to the revision in the construction margin for the SSP3 Project which has been completed in the first half of this year but pending finalisation of accounts, coupled with lower overhead costs.

The other projects undertaken by the Group namely the proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur ("Ganchong-Package 3A Project") and the proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur ("Langat 2 - Package 7 Balancing Reservoir Project") are at the initial stage of site clearing and earth works.

Currently, the Group is in discussion with a client on a Variation of Pricing ("VOP") amounting to a maximun of RM5.6 million which can potentially be recognised in the subsequent quarters.

Toll operations - Subsidiary

The revenue contribution from Cheras-Kajang highway increased to RM21.2 million from RM18.2 million in the corresponding quarter with the Average Daily Traffic ("ADT") growing by 4.7% i.e. 137,936 vehicles per day compared to 131,692 vehicles per day recorded in the corresponding quarter. Nevertheless, the segment recorded a drop in operating profit due to higher amortisation expenses arising from the change in the method of amortisation of HDE and lower repairs and maintenance costs.

Toll operations – Joint venture

The Group's share of results in Grand Sepadu was lower compared to the corresponding quarter due to higher amortisation expenses arising from change in method of amortisation of HDE, but mitigated by the receipt of toll compensation and lower provision for future resurfacing obligations recognised in the current quarter. In terms of ADT, there was marginal increase by 1.1% at 88,210 vehicles per day from 87,263 vehicles per day.

B1 Analysis of Performance (continued)

Waste management – Associate

Arising from the SWM Acquisition which was completed on 17 May 2016, the Group's share of results amounting to RM9.5 million in the current quarter was mainly attributable to the results of SWMEH which was equity accounted by the Group.

Discontinued operations

There was no contribution to the Group revenue and PBT from the Disposal Companies due to the completion of the PRC Disposals on 17 May 2016.

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

Continuing operations

Overall Summary

For the current financial year, the Group revenue (excluding the impact from discounting) increased from RM333.1 million to RM367.2 million mainly attributable to higher contributions from the water and toll business. However, after taking into account the impact from the provision for discounting, the Group revenue was lower at RM304.9 million, but still higher than the RM292.0 million recorded in the previous year.

Nevertheless, the Group's PBT was significantly lower at RM85.0 million compared to RM125.0 million on account of the Gain on Disposal of PMSB recognised in previous year, coupled with higher provision for discounting on a deferred payment consideration in the current financial year.

Excluding the above effects, the Group PBT would be higher at RM134.4 million, an increase from RM81.4 million recorded in previous year. The increase was mainly attributable to:-

(a) higher metered sales from water business;

(b) toll compensation received and effects from the increase in toll rates at the Cheras-Kajang Highway;

(c) share of results from associates, mainly from SWMEH, amounting to RM12.4 million; and

(d) higher income derived from management fee and unrealised foreign exchange gain from disposal proceeds in USD raised from the Proposal Disposals.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business (excluding the impact from discounting) recorded an increase from RM216.7 million to RM231.8 million in the previous year on account of higher metered sales recorded in both the water treatment plants. In SSP1, metered sales was higher by 4.9% (i.e. from 349.33 million m3 (or 957 MLD) to 366.45 million m3 (or 1,004 MLD) whereas in Langkawi operations, metered sales was higher by 7.7% i.e. from 18.8 million m3 to 20.3 million m3.

At the operating level, the segment profit was higher by RM7.2 million at RM94.3 million (after stripping out the effects of discounting) on account of higher revenue despite higher operating costs incurred primarily arising from higher rehabilitation and maintenance costs incurred as well as higher unit electricity costs from reduction ICPT and the concurrent increase in TNB Tariff.

B1 Analysis of Performance (continued)

Construction

In the current financial year, the segmental revenue was lower by RM14.1 million from RM53.7 million to RM39.6 million as the SSP3 Project has been completed during the first quarter of the year and the Mengkuang Dam Expansion Project is nearing completion. The higher operating profit of RM1.4 million recorded in the current period was due to upward revision in margin made in the SSP3 Project and lower overhead costs.

Toll operations - Subsidiary

The revenue contribution from Cheras-Kajang highway was significantly higher at RM92.7 million compared to RM62.8 million in the previous year primarily due to recognition of the toll compensation from the Government and effects from the increase in toll rates. The higher toll revenue was also attributable to higher ADT by 0.5% i.e. 135,785 vehicles per day compared to 135,133 vehicles per day achieved in the previous year.

In line with the increase in revenue as well the impact from the higher maintenance costs incurred on specific pavement repair works in the previous year, the profit contribution was higher compared to previous year. However, the higher profit was mitigated by the higher amortisation expenses. The profits in the previous year also included proceeds from investment income of RM7.486 million.

Toll operations - Joint venture

Despite higher amortisation expenses incurred in Grand Sepadu, the Group's share of results in the company was still higher compared to previous year mainly arising from the recognition of toll compensation, higher ADT by 0.9% at 88,528 vehicles per day, coupled with lower provision for future resurfacing obligations recognised in the current financial year.

Waste management – Associate

Arising from the SWM Acquisition which was completed on 17 May 2016, the Group's share of results amounting to RM12.4 million in the current year was mainly attributable to the results of SWMEH which was equity accounted by the Group.

Discontinued operations

Following the completion of the PRC Disposals, the Group ceased consolidating the results of the Disposal Companies. Arising therefrom, the revenue contribution from discontinued operation was significantly lower at RM27.6 million compared to RM118.9 million in the previous year.

During the financial year, the Group recorded a gain from the PRC Disposal of RM65.786 million. The discontinued operations recorded a loss before tax of RM10.432 million prior to the PRC Disposal, thus the profit before tax from discountinued operations came in at RM55.354 million.

B1 Analysis of Performance (continued)

<u>Part B – Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter</u>

(a) Revenue

	3 Months Ended 31 Dec 2016 RM'000	3 Months Ended 30 Sep 2016 RM'000
Water treatment, supply and distribution	58,287	58,699
Construction	4,295	7,578
Toll operations	21,183	30,324
Others	1,316	1,731
	85,081	98,332
Less: Provision for discounting on a deferred payment consideration	(16,069)	(14,536)
Revenue from continuing operations	69,012	83,796
Revenue from discontinued operations	-	-
Total revenue	**69,012**	**83,796**

(b) Profit Before Tax

	3 Months Ended 31 Dec 2016 RM'000	**3 Months Ended 30 Sep 2016 RM'000**
Water treatment, supply and distribution	3,966	11,065
Construction	2,239	(850)
Toll operations	1,693	20,528
Others	9,800	1,670
Operating profit	**17,698**	**32,413**
Finance cost	(5,246)	(7,145)
Share of results of joint venture	(579)	50
Share of results of associate	9,537	687
Profit before tax from continuing operations	21,410	26,005
Profit before tax from discontinued operations	-	-
Profit before tax for the period	**21,410**	**26,005**

Continuing operations

The Group recorded a decrease in revenue (excluding the impact from discounting) of RM14.3 million from RM98.3 million to RM85.1 million primarily from the recognition of toll compensation in Grand Saga in the previous quarter and lower contribution from the construction segment. After taking into account the impact from the provision for discounting, the Group revenue declined to RM69.0 million, which is still lower than RM83.8 million in previous quarter.

B1 Analysis of Performance (continued)

The Group's PBT (after stripping out the effects of discounting) registered a decrease of RM2.0 million to RM38.5 million compared to RM40.5 million in the previous quarter mainly from higher amortisation expenses in the toll division, coupled with higher rehabilitation, maintenance and upkeep costs incurred in the water business and recognition of toll compensation in Grand Saga in the previous quarter. However, the decrease in PBT was mitigated by higher share of results in associate and unrealised gain on foreign exchange due to the appreciation of USD/MYR as the Group still holds approximately USD32.7 million from the proceeds raised from the PRC Disposals.

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 the SSP1 operation, 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. The YTD average metered production stood at about 1,004 MLD compared to 957 MLD a year ago. It is anticipated that the Water Restucturing exercise can be concluded in 2017 which will address the long outstanding issue on the repayment from SPLASH. 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 Mengkuang Dam Expansion Project in Pulau Pinang which commenced in 2011 is expected to be completed by the first quarter of 2017. Other projects in the pipeline include the Langat 2 - Package 7 Balancing Reservior Project (due to complete by first quarter of 2019) and the Ganchong-Package 3A Project (due to complete by third quarter of 2018). Currently, the projects are at their initial stage of site clearing and earth works. The Group will continue to tender for more infrastructure projects to boost its order book.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the New North Klang Straits Bypass Expressway is expected to be moderate. The commencement of the Kuala Lumpur to Kajang portion of the Klang Valley Mass Rapid Transit ("MRT") service anticipated to be operational in July 2017, may see a decline in ADT. However, it is envisaged that the impact of the MRT operations is likely to be temporary and over the long term, the MRT service would complement the Highway's growth by providing connectivity and aiding the development of new townships in surrounding areas.

In the waste management division, SWMEH is expected to grow its revenue with the ever increasing solid waste generation as well as improving its operational efficiency to deal with the escalating costs in managing solid waste in the concession areas where is it currently serving.

The Group will continue with its strategy to focus on mature operational cash-generating utilities/infrastructure businesses with a view of generating new income stream and provide a recurring and stable source of cash flow to the Group to support the Company's dividend policy.

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 2016 RM'000	Year-to-date 12 Months Ended 31 Dec 2016 RM'000
Continuing operations		
Revenue		
Provision for discounting on receivables *(Note A1(c))*	(16,069)	(62,318)
Government compensation for deferment in toll hikes *(Note A3(d))*	-	9,540
Other operating income:		
Interest income on fixed deposits with licensed banks	1,269	3,842
Dividend from available-for-sale financial assets	684	3,970
Rental income	156	640
Reversal of discounting of receivables	(992)	12,860
Gain on redemption of available-for-sale financial assets	35	471
Unrealised gain on foreign exchange	12,638	18,333
Interest income imputed on retention sum	160	160
Recognition of rental and maintenance fee	67	67
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(15,831)	(35,383)
Imputed interest on borrowing	(138)	(549)
Loss on redemption of available-for-sale financial assets	(1)	(3)
Unrealised foreign exchange losses	-	(685)
Reversal of interest income imputed on retention sum	427	-
Discontinued operations		
Other operating income:		
Gain on disposal of subsidiaries	-	65,786
Interest income on fixed deposits with licensed banks	-	217
Dividend income from available-for-sale financial assets	-	2
Gain on redemption of available-for-sale financial assets	-	3
Unrealised gain on foreign exchange	-	58
Recognition of government grant	-	163
Unwinding of discount on receivables	-	9
Value-added tax exempted by tax authority	-	1,350
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	-	(8,919)
Foreign exchange losses	-	(1,779)

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 2016 RM'000	Year-to-date 12 Months Ended 31 Dec 2016 RM'000
Malaysian income tax:		
-Current year tax	4,700	21,956
-Over provision in prior years	(26)	(1,457)
Deferred tax expense	(20,727)	(28,890)
Income tax expense from continuing operations	(16,053)	(8,391)
Income tax expense from discontinued operations *(Note A3(a)(v))*	-	512
Total income tax expense	(16,053)	(7,879)

The income tax expense is in respect of the estimated Malaysian income tax charges and deferred tax expenses. 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.

Arising from the change of accounting policy on the amortisation of HDE from the revenue based method to the traffic volume based method as disclosed in Note A3(e), the Group has made an adjustment to write down the deferred tax liability in the current quarter.

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

As at 9 February 2017 (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 status of utilisation of proceeds raised from the PRC Disposals was as follows:-

	Gross proceeds raised		Actual utilisation	Intended timeframe for utilisation
	USD'000	RM'000 Equivalent	RM'000	RM'000
Part finance the SWM Acquisition /future investments/ working capital purposes/payment of dividends/ repayment of borrowings	53,408	239,936	85,315 (N1)	Within 24 months
Estimated expenses for the proposals	1,192	5,000	5,000	Immediate
	54,600	244,936	90,315	

(N1) The Company has utilised approximately RM84.89 million (USD22.0 million) for payment of dividends and working capital purposes. The remaining balance of RM0.42 million was for payment of actual expenses incurred in connection with the PRC Disposals, which was higher than estimated.

(N2) In the absence of any investments abroad, the remaining proceeds in USD are expected to be converted to RM. Other than using the proceeds for future investments/working capital, the Board proposes to use some of the proceeds for payment of dividends and repayment of the revolving credit mentioned in Note A3(c).

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are borrowings denominated in Ringgit Malaysia as follows:-

	←---------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	213	-	213	217	-	217
Bank overdraft	-	-	-	-	-	-
Revolving credit *(Note A3(c))*	70,000	-	70,000	-	-	-
Islamic Medium Term Notes ("IMTN")	-	-	-	415,968	-	415,968
	70,213	-	70,213	416,185	-	416,185

The revolving credit is secured by an assignment and charge over 110% marginal deposits placed in a USD Escrow account with the lender.

B8 – Changes in Material Litigations

As at 9 February 2017 (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 to the Audited Financial Statements – Contingent Liabilities were no longer applicable arising from the PRC Disposals.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period/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 2016	3 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2016	12 Months Ended 31 Dec 2015
Profit for the financial period/year attributable to owners of the Company (RM'000)	32,013	51,223	127,488	86,549
(Loss)/profit for the financial period/year from discontinued operations used in the calculation of basic EPS from discontinued operations (RM'000) *(Note A3(a)(v))*	-	(12,798)	52,181	(14,817)
Earnings used in the calculation of basic EPS from continued operations (RM'000)	32,013	64,021	75,307	101,366

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2016	3 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2016	12 Months Ended 31 Dec 2015
Weighted average number of ordinary shares in issue ('000) #	1,209,489	1,182,001	1,209,489	1,115,867
Basic EPS/(loss) (sen)				
- From continuing operations	2.65	5.41	6.23	9.09
- From discontinued operations	-	(1.08)	4.31	(1.33)
Total Basic EPS (sen)	2.65	4.33	10.54	7.76

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the profit for the financial period/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 *(applicable for FY15).* 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 2016	3 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2016	12 Months Ended 31 Dec 2015
Profit for the financial period attributable to owners of the Company (RM'000)	32,013	51,223	127,488	86,549
(Loss)/profit for the financial period from discontinued operations used in the calculation of diluted EPS from discontinued operations (RM'000) *(Note A3(a)(v))*	-	(12,798)	52,181	(14,817)
Earnings used in the calculation of diluted EPS from continued operations (RM'000)	32,013	64,021	75,307	101,366
Weighted average number of ordinary shares in issue ('000) #	1,209,489	1,182,001	1,209,489	1,115,867
Effects of dilution from ESOS Options ('000)	-	-	-	1,477

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2016	3 Months Ended 31 Dec 2015	12 Months Ended 31 Dec 2016	12 Months Ended 31 Dec 2015
Adjusted weighted average number of ordinary shares in issue ('000)	1,209,489	1,182,001	1,209,489	1,117,344
Diluted EPS/(loss) (sen)				
- From continuing operations	2.65	5.41	6.23	9.08
- From discontinued operations	-	(1.08)	4.31	(1.33)
Total Diluted EPS (sen)	2.65	4.33	10.54	7.75

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

B10 – Dividends

The Board is pleased to declare a fourth interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares amounting to approximately RM24,189,780 in respect of the financial year ended 31 December 2016, to be payable on 31 March 2017.

For the financial year ending 31 December 2016, the Board has declared a total single-tier dividend of 8.0 sen per share to shareholders amounting to RM96,759,118 (2015: 8.0 sen per share amounting to RM92,133,166)

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 the People's Republic of China (which had since been disposed off on 17 May 2016).

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 Audited Financial Statements – Investment in Subsidiaries.

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.

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

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 2016 RM'000	Preceding Quarter Ended 30 Sep 2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	656,546	675,620
- Unrealised profits	79,539	61,600
	736,085	737,220
Total share of retained earnings from associates:		
- Realised profits	17,572	8,035
Total share of retained earnings from joint venture:		
- Realised profit	380	959
Total Group's retained earnings	754,037	746,214

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 RM330.7 million are approximately:-

(a) RM154.1 million held as securities for banking facilities secured by the Group, and

(b) RM106.5 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B14 – Reclassification of Comparatives

(a) Certain comparatives have been reclassified to conform to the current year's presentation to reflect the reclassification of discontinued operations.

(b) Certain comparatives may differ from the unaudited consolidated results announced for the fourth 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.

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
16 February 2017