

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015
(UNAUDITED)

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CONDENSED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>30 Jun 2015</u> <u>RM'000</u>	<u>31 Dec 2014</u> <u>RM'000</u> (Audited)
ASSETS			
Property, plant and equipment		36,752	40,747
Investment properties		258	260
Intangible assets		1,737,654	1,689,672
Investment in joint venture		74,144	74,621
Investment in associate		6,492	5,881
Other investment		240	240
Goodwill on consolidation		131,889	131,889
Deferred tax assets		16,243	16,048
Long-term trade receivables	A1(c)	216,677	199,754
Long-term other receivables		733	625
Deposits, cash and bank balances	B13	33,116	32,877
Total Non-Current Assets		2,254,198	2,192,614
Inventories		1,486	1,207
Amount due from contract customers		6,080	1,411
Trade receivables	A1(c)	187,652	179,632
Other receivables, deposits and prepayments		7,728	88,951
Tax recoverable		346	7,983
Available-for-sale financial assets	B13	59,783	114,459
Deposits, cash and bank balances	B13	148,240	211,488
		411,315	605,131
Asset held-for-sale		125	125
Total Current Assets		411,440	605,256
TOTAL ASSETS		2,665,638	2,797,870
EQUITY AND LIABILITIES			
Share capital		218,690	218,246
Reserves		752,342	633,515
Total Equity Attributable to Owners of the Company		971,032	851,761
Non-controlling interests		287,844	523,668
Total Equity		1,258,876	1,375,429
LIABILITIES			
Long-term borrowings	B7	772,442	719,357
Deferred tax liabilities		254,516	254,514
Long-term trade payables		7,282	6,365
Deferred income		189,521	189,521
Provision for heavy repairs		10,852	9,099
Total Non-Current Liabilities		1,234,613	1,178,856
Trade payables		86,883	75,637
Other payables and accruals		56,838	129,193
Tax liabilities		4,727	5,017
Short-term borrowings	B7	17,270	21,756
Deferred income		6,431	11,982
Total Current Liabilities		172,149	243,585
TOTAL LIABILITIES		1,406,762	1,422,441
TOTAL EQUITY AND LIABILITIES		2,665,638	2,797,870
Net assets per share attributable to owners of the Company (RM)		2.2201	1.9514

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
		<u>30 Jun</u>		<u>30 Jun</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	B1	101,700	81,800	198,717	157,403
Cost of operations		(76,606)	(58,542)	(149,285)	(117,470)
Gross profit		25,094	23,258	49,432	39,933
Other operating income		9,864	5,423	32,967	14,280
Administrative and other expenses		(10,045)	(8,275)	(24,033)	(18,136)
Operating profit		24,913	20,406	58,366	36,077
Finance costs		(10,867)	(5,576)	(21,660)	(11,259)
Share of results of joint venture		(454)	2,480	(477)	4,656
Share of results of associate		254	489	611	723
Profit before tax	B4	13,846	17,799	36,840	30,197
Income tax expense	B5	(4,351)	(5,140)	(11,018)	(10,107)
Profit for the financial period		9,495	12,659	25,822	20,090
Other comprehensive income/(loss):					
Net fair value gain on available-for-sale financial assets		114	20	33	58
Foreign currency translation differences for foreign operations		3,729	(2,599)	15,033	(7,628)
Share of other comprehensive income of joint venture		-	10	-	18
Total other comprehensive income/(loss) for the financial period		3,843	(2,569)	15,066	(7,552)
Total comprehensive income for the financial period		13,338	10,090	40,888	12,538

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
		<u>30 Jun</u>		<u>30 Jun</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial period attributable to:					
Owners of the Company		9,494	12,691	24,522	16,444
Non-controlling interests		1	(32)	1,300	3,646
		9,495	12,659	25,822	20,090
Total comprehensive income/(loss) for the financial period attributable to:					
Owners of the Company		13,114	10,502	38,886	9,568
Non-controlling interests		224	(412)	2,002	2,970
		13,338	10,090	40,888	12,538
Earnings per share attributable to owners of the Company (sen per share):					
- basic	B9	<u>2.17</u>	<u>2.91</u>	<u>5.62</u>	<u>3.77</u>
- diluted		<u>2.17</u>	<u>2.91</u>	<u>5.61</u>	<u>3.77</u>

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Note	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	-	-	-	-	44	-	-	44	(11)	33
Foreign currency translation differences	-	-	-	14,320	-	-	-	14,320	713	15,033
Total other comprehensive income for the financial period	-	-	-	14,320	44	-	-	14,364	702	15,066
Profit for the financial period	-	-	-	-	-	-	24,522	24,522	1,300	25,822
Total comprehensive income for the financial period	-	-	-	14,320	44	-	24,522	38,886	2,002	40,888
Transactions 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 issuance of ordinary shares	444	1,245	-	-	-	-	-	1,689	-	1,689
Transfer from reserve upon ESOS options:										
- exercised	-	406	(406)	-	-	-	-	-	-	-
- lapsed	-	-	(57)	-	-	-	57	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	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 transactions with owners of the Company	444	1,651	(463)	-	-	-	78,753	80,385	(237,826)	(157,441)
As of 30 June 2015	218,690	75,827	1,128	39,460	42	(71,500)	707,385	971,032	287,844	1,258,876

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 2014	218,246	74,176	2,111	17,347	40	(71,500)	365,137	605,557	4,990	610,547
Retained earnings – translation adjustment	-	-	-	-	-	-	(35)	(35)	(15)	(50)
Available-for-sale financial assets	-	-	-	-	58	-	-	58	-	58
Share of other comprehensive income of joint venture	-	-	-	-	-	-	18	18	-	18
Foreign currency translation differences	-	-	-	(6,952)	-	-	-	(6,952)	(676)	(7,628)
Total other comprehensive (loss)/income for the financial period	-	-	-	(6,952)	58	-	18	(6,876)	(676)	(7,552)
Profit for the financial period	-	-	-	-	-	-	16,444	16,444	3,646	20,090
Total comprehensive (loss)/income for the financial period	-	-	-	(6,952)	58	-	16,462	9,568	2,970	12,538
Transaction with owners of the Company:										
Dividends paid	-	-	-	-	-	-	(4,365)	(4,365)	-	(4,365)
Total transaction with owners of the Company	-	-	-	-	-	-	(4,365)	(4,365)	-	(4,365)
As of 30 June 2014	218,246	74,176	2,111	10,395	98	(71,500)	377,199	610,725	7,945	618,670

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

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2015</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2014</u> <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,840	30,197
Adjustments for:		
Non-cash items	9,447	17,844
Interest income	(2,449)	(328)
Finance costs	21,660	11,259
Operating Profit Before Working Capital Changes	65,498	58,972
Net decrease/(increase) in inventories, amount due from contract customers, trade and other receivables and amount due from joint venture	47,460	(25,804)
Net increase in amount due to contract customers and trade and other payables	1,794	4,178
Cash Generated From Operations	114,752	37,346
Income tax paid	(11,626)	(8,535)
Income tax refunded	7,813	4,532
Net Cash From Operating Activities	110,939	33,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,621	382
Property, plant and equipment:		
- proceeds from disposal	52	90
- purchase	(703)	(4,167)
Purchase of intangible assets	(12,738)	(1,092)
Acquisition of ordinary shares in subsidiaries	(102,851)	-
Payment to non-controlling interests	(37,102)	-
Available-for-sale financial assets:		
- purchase	(20,368)	(7,490)
- proceeds from redemption	76,491	19,671
Placement of deposits pledged as security	(239)	(6,084)
Decrease/ (Increase) in proceeds deposited in the designated bank accounts	2,238	(2,372)
Net Cash Used In Investing Activities	(92,599)	(1,062)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(23,389)	(11,283)
Repayment of borrowings	(11,585)	(41,485)
Drawdown of borrowings	36,388	57,246
Dividends paid by a subsidiary to non-controlling interest	(61,370)	-
Repayment of finance lease payables	(186)	(153)
Dividends paid	(21,825)	(4,365)
Proceeds from issuance of ordinary shares from exercise of ESOS	1,689	-
Net Cash Used In Financing Activities	(80,278)	(40)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(61,938)	32,241
Effects of foreign exchange rate changes	3,149	800
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD		
	197,088	15,044
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD		
	138,299	48,085

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2015</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2014</u> <u>RM'000</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	119,375	37,636
Cash and bank balances	61,981	47,365
Total deposits, cash and bank balances	181,356	85,001
Less: Deposits pledged as security	(33,116)	(26,656)
Less: Proceeds deposited in the designated bank accounts	(9,941)	(5,891)
Less: Overdrafts	-	(4,369)
	138,299	48,085

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

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

A1 – Basis of Preparation

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

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

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

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

MFRSs, Amendments to MFRSs and IC Interpretations

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

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

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

MFRSs and Amendments to MFRSs

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 10, MFRS 12, and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10, and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116, and MFRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual improvements to MFRSs 2012 - 2014 cycle (issued in November 2014)	

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

A1 – Basis of Preparation (continued)

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

<u>Foreign currency</u>	<u>30 Jun</u> <u>2015</u> <u>RM</u>	<u>31 Mar</u> <u>2015</u> <u>RM</u>	<u>30 Jun</u> <u>2014</u> <u>RM</u>
1 US Dollar (USD)	3.77	3.70	3.21
1 Singapore Dollar (SGD)	2.80	2.69	2.57
100 Hong Kong Dollars (HKD)	48.67	47.76	41.43
100 Chinese Renminbi (RMB)	60.85	59.74	51.76

(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 estimates 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 RM367.824 million. Based on current repayment pattern and its best estimates, the Group would expect a repayment of approximately RM100.6 million in the next twelve months (up from the previous estimate of RM88.8 million in the corresponding quarter) which will reduce the amount outstanding. The remaining balance is assumed to be paid progressively between 2016 and 2019.

Arising from the above estimation, a net impact of RM6.094 million was made in the current quarter, comprising an additional provision for discounting on a deferred payment consideration of RM12.169 million which was set-off against revenue and a reversal of discounting of receivables amounting to RM6.075 million recognised as Other Income.

The above critical accounting judgement and estimate will be re-assessed 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 financial impact arising from the acquisition of non-controlling interests in Cerah Sama Sdn Bhd (“CSSB”) and Pinggiran Muhibbah Sdn Bhd (“PMSB”) as disclosed in Note A8.

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

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

	<u>CSSB</u> <u>RM'000</u>	<u>PMSB</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Proportionate share of the carrying amount of the net assets as at date of acquisition	198,086	72,410	270,496
Less: Value of consideration paid	(80,000)	(22,851)	(102,851)
Positive movement in equity	<u>118,086</u>	<u>49,559</u>	<u>167,645</u>
Positive movement in equity attributable to:-			
Owners of the Company	50,962	49,559	100,521
Non-controlling interests	<u>67,124</u>	<u>-</u>	<u>67,124</u>
	<u>118,086</u>	<u>49,559</u>	<u>167,645</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 equity or debt securities by the Company, other than arising from the Employees' Share Option Scheme ("ESOS") of the Company as follows:-

	Number of ESOS options exercised		Number of ESOS options lapsed	
	Current quarter	YTD	Current quarter	YTD
ESOS options at RM1.90 per share	843,000	889,000	124,000	124,000

As at the end of the financial period, the Company has outstanding 21,000 ESOS options at RM1.31 per share and 2,470,000 ESOS options at RM1.90 per share respectively. The ESOS options, if not exercised, will expire on 29 September 2015.

A6 – Dividends Paid

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

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

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 proposed share split and proposed free warrant issue on the ordinary shares of the Company as disclosed in Note B6(b).

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 save and except for the following:-

- (i) on 26 February 2015, TEI Sdn Bhd (“**TEI**”) (*formerly known as Pinggiran Infrastructure Sdn Bhd*), a 51% owned subsidiary of PMSB, accepted an offer to acquire 208,250 ordinary shares of RM1.00 each, representing 35% ordinary share capital in CSSB from SEASAF Highway Sdn Bhd for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI.
- (ii) on 26 February 2015, the Company accepted an offer to acquire 1,538 ordinary shares of RM1.00 each representing 15.38% of the ordinary share capital in PMSB and 26,916,218 redeemable preference shares of RM0.01 each in PMSB from a minority shareholder of PMSB for a cash consideration of RM22,851,538. Upon the completion of the acquisition on 21 April 2015, PMSB became a wholly-owned subsidiary of the Company.

A9 – Other Significant Transactions and Events

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

(a) Changes in Contingent Liabilities

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

A10 - Operating Segments

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

<u>3 months ended 30 Jun</u>	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Others</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue												
Total revenue	54,017	54,491	16,347	13,519	30,431*	21,482	15,024	-	1,298^	11,544	117,117	101,036
Inter-segment revenue	-	-	(176)	(150)	(1,774)	-	-	-	(1,298)	(11,394)	(3,248)	(11,544)
External revenue	54,017	54,491	16,171	13,369	28,657	21,482	15,024	-	-	150	113,869	89,492
Reconciliation: Difference in accounting policy (see note below)	(12,169)	(7,692)	-	-	-	-	-	-	-	-	(12,169)	(7,692)
Revenue as per statement of comprehensive income	41,848	46,799	16,171	13,369	28,657	21,482	15,024	-	-	150	101,700	81,800

* Including RM12.23 million (Q2FY14: RM Nil) construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure.

^ Including dividend income of RM Nil (Q2FY14: RM 10,380,000) received from subsidiaries and a joint venture.

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

A10 - Operating Segments (continued)

3 months ended 30 Jun	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Others</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Earnings before finance costs, depreciation and amortisation and income tax expense	16,148	20,183	9,161	7,247	1,856	928	8,567	2,480	3,278	4,822	39,010	35,660
Depreciation and amortisation	(186)	(138)	(4,663)	(4,302)	(111)	(100)	(3,956)	-	(481)	(581)	(9,397)	(5,121)
Finance costs	15,962	20,045	4,498	2,945	1,745	828	4,611	2,480	2,797	4,241	29,613	30,539
Inter-segment results	(2)	-	(5,566)	(4,846)	(8)	(6)	(5,238)	-	(53)	(724)	(10,867)	(5,576)
Segment results	571	510	551	309	162	120	150	-	(6,588)	(8,592)	(5,154)	(7,653)
Share of results of associate	16,531	20,555	(517)	(1,592)	1,899	942	(477)	2,480	(3,844)	(5,075)	13,592	17,310
Profit before tax											254	489
Income tax expense											13,846	17,799
Profit for the financial period as per statement of comprehensive income											(4,351)	(5,140)
											9,495	12,659

As at 30 Jun	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Others</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</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>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment assets	426,652	372,090	630,069	495,487	43,156	35,260	1,505,377	121,419	60,384	39,545	2,665,638	1,063,801
Segment liabilities	(67,249)	(56,536)	(409,473)	(301,409)	(30,254)	(24,629)	(887,101)	-	(12,685)	(62,557)	(1,406,762)	(445,131)
Net segment assets/(liabilities)	359,403	315,554	220,596	194,078	12,902	10,631	618,276	121,419	47,699	(23,012)	1,258,876	618,670

A10 - Operating Segments (continued)

Note 1

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

- (i) Malaysia*- Water, construction, operation and maintenance of toll highway, and provision of technical services relating to waste management.
- (ii) China - Waste management, construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure and water treatment equipment and provision of related services.

* The Company's home country.

Note 2

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

<u>3 months ended 30 Jun</u>	<u>Revenue</u>		<u>Total assets</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	73,298 [^]	68,431 [^]	2,030,732	564,401
China / Hong Kong SAR	28,402 [*]	13,369	634,690	499,222
Singapore	-	-	216	178
	101,700	81,800	2,665,638	1,063,801

[^] including provision for discounting on the deferred payment consideration of RM12.169 million (Q2FY14: RM7.692 million)

^{*} including RM12.23 million (Q2FY14: RM Nil) construction revenue recognised pursuant to IC Int 12 from the construction of a public service infrastructure.

Note 3

In the corresponding period, the financial performance of the toll operations segment reflects the then joint venture entity, CSSB, whereby its results were incorporated in these interim financial statements using the equity method of accounting.

In the current period, the results, assets and liabilities of the toll operations segment reflects those of CSSB, which is now consolidated as a subsidiary, and that of a joint venture entity, Jejak Melewar Sdn Bhd, accounted for under the equity method.

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

B1 – Analysis of Performance

Part A – Operating Segments Review

(a) *Revenue*

	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2014</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun 2014</u> <u>RM'000</u>
Water treatment, supply and distribution	54,017	54,491	108,347	109,331
Construction	28,657	21,482	54,083	40,907
Waste management	16,171	13,369	32,023	26,539
Toll operations	15,024	-	29,547	-
Others	-	150	-	300
	113,869	89,492	224,000	177,077
Less: Provision for discounting on a deferred payment consideration	(12,169)	(7,692)	(25,283)	(19,674)
	101,700	81,800	198,717	157,403

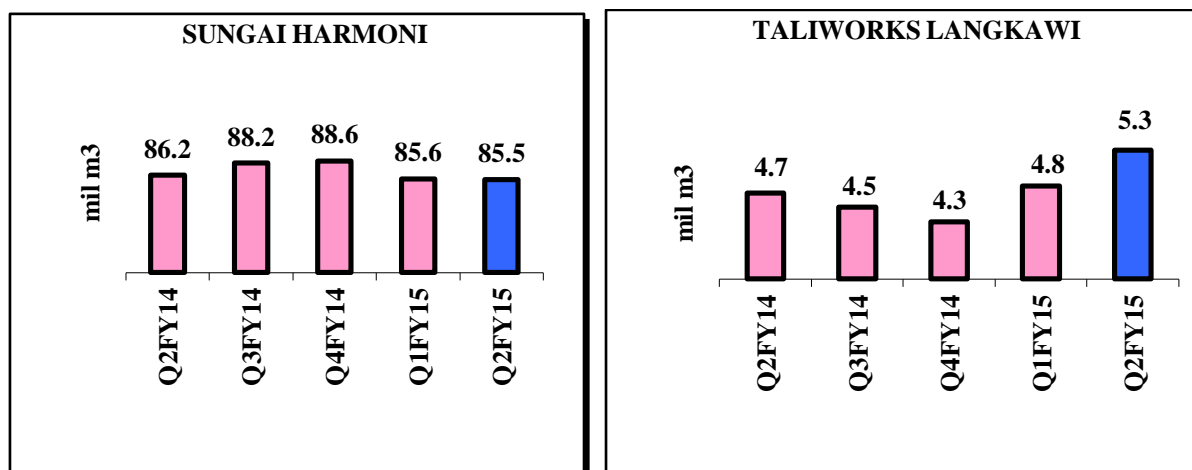
(b) *Profit Before Tax*

	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2014</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun 2014</u> <u>RM'000</u>
Water treatment, supply and distribution	16,533	20,555	42,666	38,491
Construction	1,907	948	4,004	1,479
Waste management	5,049	3,254	6,938	4,439
Toll operations	5,215	-	13,274	-
Others	(3,791)	(4,351)	(8,516)	(8,332)
	24,913	20,406	58,366	36,077
Finance cost	(10,867)	(5,576)	(21,660)	(11,259)
Share of (loss)/profit of joint venture	(454)	2,480	(477)	4,656
Share of results of associate	254	489	611	723
Profit before tax	13,846	17,799	36,840	30,197

B1 – Analysis of Performance (continued)

Part A – Operating Segments Review (continued)

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



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

Overall Summary

Group revenue of RM113.9 million for the current quarter was RM24.4 million or 27% higher than the RM89.5 million recorded in the corresponding quarter (before impact from provision for discounting). The higher revenue was mainly attributable to the consolidation of the financial results of CSSB as a subsidiary and higher contribution from both construction and waste management segments. However, after taking into account the impact from the provision for discounting, the Group revenue reduced to RM101.7 million. Nevertheless, it was still higher than RM81.8 million achieved a year ago.

The Group’s profit before taxation (“PBT”) recorded a drop of about RM4.0 million to RM13.8 million compared to RM17.8 million in the corresponding quarter primarily due to higher provision for discounting and as a result of a significant specific pavement repairs incurred in CSSB. In the current period, the Group consolidated CSSB’s results as a subsidiary with a corresponding drop in share of results from joint venture. However, stripping out the effects from the discounting, the Group’s PBT stood at RM19.9 million, slightly lower than the RM21.5 million recorded in corresponding quarter.

Water treatment, supply and distribution

Revenue for the water treatment, supply and distribution segment for the current quarter registered a marginal decline. In Sungai Selangor Water Treatment Works Phase I (“SSP1”), metered sales was lower by almost 1% (i.e. from 86.2 million m³ (or 947 million litres per day (“MLD”)) to 85.5 million m³ (or 950 MLD). Whereas in the Langkawi operations, although Bulk Sales Rate (“BSR”) rate is lower (i.e. RM2.15/m³ compared to RM2.21/m³), revenue was higher on account of the significant jump in metered sales by 12.7% i.e. from 4.66 million m³ to 5.25 million m³. As announced by the Company on 4 March 2015, the BSR has been revised retrospectively from 2014.

At operating level, the segment profit stood at RM22.6 million compared to RM24.2 million achieved a year ago (after stripping out the effects of discounting). This was mainly due to higher rehabilitation, maintenance and upkeep costs incurred in SSP1 operations.

B1 – Analysis of Performance (continued)

Construction

Included in revenue is approximately RM12.2 million construction revenue recognised pursuant to IC Int 12 from the expansion and upgrading works in Wastewater Treatment Plant No. 3 in Taliworks Yinchuan. Excluding this sum, the revenue contribution was lower at RM16.4 million from RM21.5 million on account of the lower percentage of completion recognised in the on-going Mengkuang Dam Expansion Project. Nevertheless, the dip in revenue was mitigated by revenue recognised in this quarter from Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor) (“SSP3 Project”) that was secured in July of last year.

In line with the higher revenue achieved, profit also registered an increase from contribution of the on-going projects and construction profits recognised pursuant to IC Int 12.

Waste management

The waste management revenue saw a significant increase of RM2.8 million to RM16.2 million from RM13.4 million mainly attributable to the strength of RMB/MYR and the higher contribution from the Guanghan wastewater treatment plant. Due to the strength of RMB/MYR, both the Tianjin and Yinchuan operations saw higher revenue despite the dip in production by 6% and 2% respectively. Production in the Guanghan operations jumped by over 74% on account of the completion of a major rehabilitation works (completed in December 2014) which improved the efficiency of the plant to treat wastewater.

Due to the higher revenue, the segment also reported a higher operating profit of RM5.0 million compared to RM3.2 million despite the higher operating costs incurred in both the Guanghan and Tianjin operations.

Toll operations

The Group consolidated the financial results of CSSB commencing August of last year when CSSB became a subsidiary. The Cheras-Kajang highway which recorded an Average Daily Traffic (“ADT”) of 137,922 vehicles per day, a growth by 5.4%, contributed RM15.0 million to the group revenue in the current quarter. The growth in the ADT was partly attributed to the sectional completion of the MRT works along certain sections along the highway.

Although ADT is higher, the division profit contribution was lower on account of higher maintenance costs incurred on specific pavement repairs work in CSSB and incidental costs arising from the take-over of the New North Klang Straits Bypass Expressway incurred by a joint venture.

The division has contributed approximately RM5.2 million to the Group’s operating profit arising from consolidation of the toll division’s results with the corresponding drop in share of results from joint venture. The finance costs of the Group have also increased due to consolidation of the toll division’s results.

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

Overall Summary

For the current financial period, the Group revenue increased from RM177.1 million to RM224.0 million mainly attributable to the consolidation of the financial results of CSSB as a subsidiary and higher contribution from both the construction and waste management segments. However, after taking into account the impact from the provision for discounting, the Group revenue was recorded lower at RM198.7 million. Nevertheless, it was still higher than RM157.4 million achieved in the corresponding period.

B1 – Analysis of Performance (continued)

The Group's PBT recorded an increase to RM36.8 million compared to RM30.2 million in the previous corresponding period due primarily to lower provision for discounting. However, the current financial period was also impacted as a result of a significant specific pavement repairs incurred in CSSB as well as the accrual of the arbitration claim as elaborated in Note B8(a). Nevertheless, stripping out the effects from the discounting, the Group's PBT stood at RM39.2 million, a marginal increase from RM39.0 million recorded in the corresponding period.

Water treatment, supply and distribution

At the operating level, the revenue from water treatment, supply and distribution business was marginally lower at RM108.3 million as compared to RM109.3 million. Metered sales in SSPI operations was lower (i.e. from 172.99 million m³ (or 956 million litres per day (“MLD”)) to 171.10 million m³ (or 950 MLD). Whereas in the Langkawi operations, metered sales registered a robust growth of 7.2% i.e. from 9.39 million m³ to 10.07 million m³ due to higher consumer demand.

At operating level, the segment profit was lower by RM2.2 million at RM45.0 million (after stripping out the effects of discounting) compared to RM47.2 million on account of lower revenue, coupled with higher maintenance and rehabilitation expenses incurred in both SSPI and Langkawi operations.

Construction

In the current financial period, the segment revenue was up significantly to RM54.1 million compared to RM40.9 million. The increase was mainly attributable to RM22.5 million construction revenue recognised pursuant to IC Int 12 and revenue recognised from the SSP3 Project which was secured in July of last year whereas there was a reduction in revenue recognised from the on-going Mengkuang Dam Expansion Project due to lower percentage of completion. The profit contributed from this segment was higher in line with the higher revenue achieved.

Waste management

Revenue from this segment recorded an increase of RM5.5 million to RM32.0 million mainly attributable to the strength of the RMB/MYR and increases in the quantity of wastewater effluent treated from the Yinchuan and Guanghan wastewater treatment plants.

Whilst the segment was impacted by the accrual of an arbitration claim, the segment still managed to report a higher operating profit of RM6.9 million compared to RM4.4 million achieved in the corresponding period on account of the strength of the transacting currencies.

Toll operations

In the toll operations, CSSB contributed approximately RM29.5 million to the group revenue. The Cheras-Kajang highway recorded a higher ADT by 2.8% i.e. 136,152 vehicles per day compared to 132,468 vehicles per day achieved in the corresponding period.

Although revenue was higher in the current period from higher ADT, the profit contribution from toll business was lower on account of higher maintenance costs incurred on specific pavement repairs work in CSSB and incidental costs arising from the take-over of the New North Klang Straits Bypass Expressway incurred by a joint venture.

The division has contributed approximately RM13.3 million to the Group's operating profit arising from consolidation of the toll division's results with the corresponding drop in share of results from joint venture. The finance costs of the Group have also increased due to consolidation of the toll division's results.

B1 – Analysis of Performance (continued)

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

(a) *Revenue*

	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	54,017	54,330
Construction	28,657	25,426
Waste management	16,171	15,852
Toll operations	15,024	14,523
Others	-	-
	<u>113,869</u>	<u>110,131</u>
Less: Provision for discounting on a deferred payment consideration	(12,169)	(13,114)
	<u>101,700</u>	<u>97,017</u>

(b) *Profit Before Tax*

	<u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2015</u> <u>RM'000</u>
Water treatment, supply and distribution	16,533	26,133
Construction	1,907	2,097
Waste management	5,049	1,889
Toll operations	5,215	8,059
Others	(3,791)	(4,725)
	<u>24,913</u>	<u>33,453</u>
Operating profit	24,913	33,453
Finance cost	(10,867)	(10,793)
Share of loss of joint venture	(454)	(23)
Share of results of associate	254	357
Profit before tax	<u>13,846</u>	<u>22,994</u>

Compared to the previous quarter, the Group recorded an increase in revenue of RM3.8 million from RM110.1 million to RM113.9 million (before taking into account the impact from provision for discounting) primarily from higher contribution from the construction segment.

Whilst the group recorded an increase in revenue, the Group's PBT was significantly reduced primarily due to the provision for discounting on a deferred payment consideration in the current quarter of RM6.1 million, compared to a reversal of discounting of receivables of RM3.72 million recognised in the previous quarter. The specific pavement repairs incurred in CSSB had also contributed to the lower PBT.

Nevertheless, stripping out the effects from the discounting, the Group's PBT stood at RM19.9 million, a marginal increase from RM19.3 million recorded in 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.

However, the current uncertainties in the outcome of the position of SPLASH in the restructuring of the Selangor water sector may weigh down on the Group's performance given the fair value adjustments are required on deferred consideration from continued delays in receiving payments if the matter is not resolved. Depending on further developments, the Board may, consider making specific provisions to the amount outstanding from SPLASH by year end. However, should a favourable outcome be subsequently established, the Group will write back all the prior period's provisions made for discounting on the said receivables.

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 third year of construction. Although there are only two on-going projects, the Group is actively tendering for infrastructure projects to boost its order book.

In the waste management division, the Group is expected to progressively undertake the expansion and upgrading of the four wastewater treatment plants under the Yinchuan TOT Project in the next two years. Our first undertaking is to upgrade and expand one of the wastewater treatment plants for an estimated amount of RMB130 million (RM79.105 million) before proceeding to the following phases. The upgrade and expansion of the Wastewater Treatment Plant No. 3 has commenced in the first half of last year and is currently undergoing testing and commissioning. The upgrade and expansion of the Wastewater Treatment Plants No.1, 2 and 4 are currently in the planning and design stage. The Group is expected to commence work for the upgrade of Wastewater Treatment Plant No.4 in the fourth quarter of 2015. The capital expenditure required for the upgrading and expansion will substantially be funded from domestic bank borrowings.

In the toll highway division, the successful taking over the New North Klang Straits Bypass Expressway is in line with the Group's strategy to further develop and leverage the Group's infrastructure business by acquiring mature operating assets with stable cash flow in Malaysia and the developed markets. The take-over of the concession will generate a valuable new revenue stream, providing a recurring source of income to the Group.

In the short to medium term, the Group is optimistic on the prospects of new infrastructure businesses, in particular mature operating infrastructure assets in developed markets, which the Group has identified to be a new growth area. TEI Sdn Bhd (*formerly known as Pinggiran Infrastructure Sdn Bhd*) is identified by the Group as the flagship entity to pursue this business opportunity both locally and abroad, given that the core expertise of the Group lies in the management and operations of concession-based assets/businesses.

The recent proposed placement of new shares is intended to raise proceeds to enable the Group to pursue future investments with a view to further strengthen and grow its businesses this year.

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</u> <u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 Jun 2015</u> RM'000
<i>Revenue</i>		
Provision for discounting on receivables (<i>Note AI(c)</i>)	(12,169)	(25,283)
<i>Other operating income:</i>		
Interest income on fixed deposits with licensed banks	957	2,449
Interest income imputed on retention sum	17	475
Dividend from available-for-sale financial assets	377	1,148
Rental income	216	378
Unwinding of discount on receivables	8	17
Reversal of discounting of receivables (<i>Note AI(c)</i>)	6,075	22,910
Unrealised foreign exchange gain	403	1,814
Realised gain on available-for-sale financial assets	1	267
Waiver of value-added tax	1,482	2,947
<i>Cost of operations, administrative and other expenses:</i>		
Depreciation and amortisation	(9,397)	(19,267)
Imputed interest on borrowing	(137)	(274)
Unrealised foreign exchange losses	2	(9)

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</u> <u>3 Months</u> <u>Ended</u> <u>30 Jun 2015</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 Jun 2015</u> RM'000
Malaysian income tax:		
- Current year tax	5,703	11,163
- Priors year tax	(2)	(2)
Deferred tax expense	(1,350)	(143)
	<u>4,351</u>	<u>11,018</u>

The income tax expense is in respect of the estimated Malaysian income tax charges and deferred tax for the financial period. 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

As at 13 August 2015 (being a date not earlier than 7 days from the date of this Interim Financial Report), there were no corporate proposals announced but not completed save and except for the following:-

- (a) the proposed placement of new ordinary shares of RM0.50 each in the Company, representing up to 10% of the existing issued and paid-up share capital of the Company as announced on 19 January 2015. The listing of and quotation for the new placement shares was approved by Bursa Securities on 18 March 2015;



<http://www.bursamalaysia.com/market/listed-companies/company-announcements/1100545>

- (b) The Company proposes to undertake the following proposals as announced on 22 July 2015:-

- (i) proposed share split involving the subdivision of every two (2) existing ordinary shares of RM0.50 each in the Company held by the entitled shareholders of the Company on an entitlement date to be determined later into five (5) ordinary shares of RM0.20 each in the Company (“**TCB Shares**”);
- (ii) proposed amendments to the memorandum and articles of association of the Company; and
- (iii) proposed issue of up to 241.93 million free warrants in the Company (“**Warrants**”) on the basis of one (1) Warrant for every five (5) TCB shares held by the entitled shareholders of the Company after the proposed share split on an entitlement date to be determined later.



<http://www.bursamalaysia.com/market/listed-companies/company-announcements/4808169>

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←-----Short Term-----→			←-----Long Term-----→		
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
Finance lease liabilities	184	-	184	775	-	775
Government loan	-	3,651	3,651	-	-	-
Term loans*	13,435	-	13,435	356,523	-	356,523
Islamic Medium Term Notes (“ IMTN ”)	-	-	-	415,144	-	415,144
	13,619	3,651	17,270	772,442	-	772,442

The currency profile of borrowings is as follows:

	←-----Short Term-----→			←-----Long Term-----→		
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
Chinese Renminbi	13,435	3,651	17,086	356,523	-	356,523
Ringgit Malaysia	184	-	184	415,919	-	415,919
	13,619	3,651	17,270	772,442	-	772,442

B7 – Group Borrowings and Debt Securities (continued)

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

B8 – Changes in Material Litigations

As at 13 August 2015 (being a date not earlier than 7 days from the date of this Interim Financial Report), the Group is not aware of any significant changes in the material litigations since the date of the last annual statement of financial position date, except as disclosed below:-

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



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

As a result thereof, the penalty and other associated costs amounting to approximately RMB4.66 million (equivalent to RM2.83 million) have been accrued in these interim financial statements.

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

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

Arising thereof, the Group has accrued the additional claims and other associated costs amounting to approximately of RMB0.35 million (equivalent to RM0.21 million) in these interim financial statements.

B9 – Earnings Per Share (“EPS”)

(a) Basic earnings per share

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

	<u>Current Quarter</u>		<u>Year-to-date</u>	
	<u>3 Months</u>	<u>3 Months</u>	<u>6 Months</u>	<u>6 Months</u>
	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>
	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>
Profit for the financial period attributable to owners of the Company (RM'000)	9,494	12,691	24,522	16,444
Weighted average number of ordinary shares in issue ('000)	436,722	436,492	436,610	436,492
Basic EPS (sen)	<u>2.17</u>	<u>2.91</u>	<u>5.62</u>	<u>3.77</u>

(b) Diluted earnings per share

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

	<u>Current Quarter</u>		<u>Year-to-date</u>	
	<u>3 Months</u>	<u>3 Months</u>	<u>6 Months</u>	<u>6 Months</u>
	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>
	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>	<u>30 Jun 2015</u>	<u>30 Jun 2014</u>
Profit for the financial period attributable to owners of the Company (RM'000)	9,494	12,691	24,522	16,444
Weighted average number of ordinary shares in issue ('000)	436,722	436,492	436,610	436,492
Effects of dilution from ESOS Options ('000)	713	-	620	-
Adjusted weighted average number of ordinary shares in issue ('000)	437,435	436,492	437,230	436,492
Diluted EPS (sen)	<u>2.17</u>	<u>2.91</u>	<u>5.61</u>	<u>3.77</u>

B10 – Dividends

- (a) As the second interim single-tier dividends were recently paid on 31 July 2015 as described in Note A6, the Board is not recommending any dividend payment for this current quarter.
- (b) As at the date of this Interim Financial Report, the total dividends declared was 10.0 sen per share, amounting to approximately RM43,753,608 in respect of the financial year ending 31 December 2015.

B11 – Auditors’ Reports

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

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

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

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

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

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

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

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

	<u>Current Quarter Ended 30 Jun 2015 RM’000</u>	<u>Preceding Quarter Ended 31 Mar 2015 RM’000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	686,742	629,130
- Unrealised profits	18,048	16,350
	704,790	645,480
Total share of retained earnings from associate:		
- Realised profits	4,751	4,497
Total share of retained earnings from joint venture:		
- Realised loss	(2,156)	(1,702)
Total Group’s retained earnings	707,385	648,275

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 RM241.1 million are:-

- (a) RM33.1 million held as securities for banking facilities secured by the Group;
- (b) RM47.7 million held in subsidiaries operating in the People's Republic of China which are subject to exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country;
- (c) RM105.0 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and
- (d) RM21.9 million committed subsequent to the financial period, as second interim dividend referred to in Note A6 and B10.

B14 – 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
19 August 2015

For more information on **TALIWORKS CORPORATION BERHAD**, shareholders and the general public can access the Company's website at <http://www.taliworks.com.my>. The Company had participated in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Previous copies of independent research reports on the Company can be downloaded from <http://www.bursamalaysia.com>