

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016
(UNAUDITED)

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CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Jun 2016 RM'000	31 Dec 2015 RM'000 (Audited)
ASSETS			
Property, plant and equipment		23,961	32,971
Investment properties		250	254
Intangible assets		1,175,046	1,787,111
Investment in joint venture		68,082	67,337
Investment in associates		255,972	7,213
Other investment		240	240
Goodwill on consolidation		129,385	131,889
Deferred tax assets		22,545	19,032
Long-term trade receivable	A1(c)	247,159	232,219
Long-term other receivable		-	855
Deposits, cash and bank balances	B13	140,646	36,881
Total Non-Current Assets		2,063,286	2,316,002
Inventories		1,388	1,770
Amount due from contract customers		17,142	8,552
Trade receivables	A1(c)	153,585	171,389
Other receivables, deposits and prepayments		5,538	8,817
Tax recoverable		531	1,221
Available-for-sale financial assets	B13	58,084	238,692
Deposits, cash and bank balances	B13	194,082	168,100
Total Current Assets		430,350	598,541
TOTAL ASSETS		2,493,636	2,914,543
EQUITY AND LIABILITIES			
Share capital		241,898	241,898
Reserves		876,070	904,704
Total Equity Attributable to Owners of the Company		1,117,968	1,146,602
Non-controlling interests		280,119	286,553
Total Equity		1,398,087	1,433,155
LIABILITIES			
Long-term borrowings	B7	416,108	803,725
Deferred tax liabilities		254,290	254,588
Long-term trade payables		7,091	8,043
Deferred income		173,001	193,302
Provision for heavy repairs		14,662	12,605
Total Non-Current Liabilities		865,152	1,272,263
Trade payables		77,941	86,663
Amount due to contract customers		565	1,403
Other payables and accruals		30,311	78,169
Tax liabilities		4,004	1,808
Short-term borrowings	A3(c), B7	84,694	23,255
Deferred income		8,692	17,827
Proposed dividends	A6(b)	24,190	-
Total Current Liabilities		230,397	209,125
TOTAL LIABILITIES		1,095,549	1,481,388
TOTAL EQUITY AND LIABILITIES		2,493,636	2,914,543
Net assets per share attributable to owners of the Company (RM)		0.9243	0.9480

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
		<u>30 Jun</u>		<u>30 Jun</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Continuing operations					
Revenue	B1	76,833	73,297	152,048	144,154
Cost of operations		(50,062)	(53,353)	(102,529)	(104,058)
Gross profit		26,771	19,944	49,519	40,096
Other operating income		12,185	7,686	21,590	27,795
Administrative and other expenses		(14,250)	(8,528)	(25,722)	(18,027)
Operating profit		24,706	19,102	45,387	49,864
Finance costs		(5,531)	(5,301)	(10,761)	(10,440)
Share of results of joint venture		428	(454)	745	(477)
Share of results of associates		2,115	254	2,176	611
Profit before tax	B4	21,718	13,601	37,547	39,558
Income tax expense	B5	(4,448)	(4,304)	(7,653)	(10,826)
Profit for the financial period from continuing operations		17,270	9,297	29,894	28,732
Discontinued operations					
Profit/(Loss) for the financial period from discontinued operations, net of tax	A3(a)(v)	64,526	198	54,842	(2,910)
PROFIT FOR THE FINANCIAL PERIOD		81,796	9,495	84,736	25,822
Other comprehensive income/(loss):					
Net fair value (loss)/gain on available-for-sale financial assets		(56)	114	153	33
Currency translation differences of foreign operations		4,006	3,729	(13,568)	15,033
Currency translation differences - transfer to profit or loss upon disposal of foreign operations	A3(a)(iii)	(46,176)	-	(46,176)	-
Total other comprehensive (loss)/ income for the financial period		(42,226)	3,843	(59,591)	15,066
Total comprehensive income for the financial period		39,570	13,338	25,145	40,888

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		6 Months Ended	
		30 Jun		30 Jun	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Profit for the financial period attributable to:					
Owners of the Company		76,188	9,494	75,962	24,522
Non-controlling interests		5,608	1	8,774	1,300
		81,796	9,495	84,736	25,822
Total comprehensive income for the financial period attributable to:					
Owners of the Company		36,521	13,114	19,746	38,886
Non-controlling interests		3,049	224	5,399	2,002
		39,570	13,338	25,145	40,888
Earnings/(Loss) per share attributable to owners of the Company (sen per share):					
Basic	B9				
- From continuing operations		1.19	0.86	1.97	2.45
- From discontinued operations		5.11	0.01	4.31	(0.20)
Total		6.30	0.87	6.28	2.25
Diluted					
- From continuing operations		1.19	0.86	1.97	2.44
- From discontinued operations		5.11	0.01	4.31	(0.20)
Total		6.30	0.87	6.28	2.24

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interest</u> RM'000	<u>Total Equity</u> RM'000
As of 1 January 2016	241,898	196,663	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155
Available-for-sale financial assets	-	-	-	181	-	-	181	(28)	153
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 period	-	-	(56,397)	181	-	-	(56,216)	(3,375)	(59,591)
Profit for the financial period	-	-	-	-	-	75,962	75,962	8,774	84,736
Total comprehensive (loss)/income for the financial period	-	-	(56,397)	181	-	75,962	19,746	5,399	25,145
Transactions with owners of the Company:									
Dividends paid (Note A6)	-	-	-	-	-	(48,380)	(48,380)	-	(48,380)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	-	(4,410)	(4,410)
De-recognition on disposal of subsidiaries (Note A3(a)(ii))	-	-	-	-	-	-	-	(7,423)	(7,423)
Total transactions with owners of the Company	-	-	-	-	-	(48,380)	(48,380)	(11,833)	(60,213)
As of 30 June 2016	241,898	196,663	-	17	(71,500)	750,890	1,117,968	280,119	1,398,087

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interest</u> RM'000	<u>Total Equity</u> RM'000
As of 1 January 2015	218,246	74,176	1,591	25,140	(2)	(71,500)	604,110	851,761	523,668	1,375,429
Available-for-sale financial assets	-	-	-	-	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
Transaction with owners of the Company:										
Dividends paid	-	-	-	-	-	-	(21,825)	(21,825)	-	(21,825)
Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	(61,370)	(61,370)
Proceeds from exercise of ESOS options	444	1,245	-	-	-	-	-	1,689	-	1,689
Transfer to/(from) reserve upon ESOS option:										
- exercised	-	406	(406)	-	-	-	-	-	-	-
- lapsed	-	-	(57)	-	-	-	57	-	-	-
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	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

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

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2016</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2015</u> <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	92,901	36,840
Adjustments for:		
Non-cash items	(39,881)	9,447
Interest income	(1,876)	(2,449)
Finance costs	19,608	21,660
Operating Profit Before Working Capital Changes	70,752	65,498
Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables	(48,884)	47,460
Net (decrease)/ increase in amount due to contract customers and trade and other payables	(13,330)	1,794
Cash Generated From Operations	8,538	114,752
Income tax paid	(8,950)	(11,626)
Income tax refunded	-	7,813
Net Cash (Outflows)/Inflows From Operating Activities	(412)	110,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,853	2,621
Property, plant and equipment:		
- proceeds from disposal	46	52
- purchase	(1,544)	(703)
Purchase of intangible assets	(1,404)	(12,738)
Net cash inflow on disposal of subsidiaries (Note A3(a)(iv))	152,229	-
Investment in associate companies	(245,860)	-
Dividend income from an associate	408	-
Payment for acquisition of non-controlling interest	-	(37,102)
Payment for acquisition of subsidiary	-	(102,851)
Available-for-sale financial assets:		
- purchase	(73,163)	(20,368)
- proceeds from redemption	257,294	76,491
Placement of deposits pledged as security	(103,765)	(239)
Decrease in proceeds deposited in the designated bank	10,162	2,238
Net Cash Outflows from Investing Activities	(3,744)	(92,599)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(16,693)	(23,389)
Repayment of bank borrowings	(4,311)	(11,585)
Drawdown of bank borrowings	89,608	36,388
Dividends paid by a subsidiary to non-controlling interest	(4,410)	(61,370)
Repayment of finance lease payables	(176)	(186)
Dividend paid	(24,190)	(21,825)
Proceeds from issuance of ordinary shares	-	1,689
Net Cash Inflows/(Outflows) from Financing Activities	39,828	(80,278)

CONDENSED STATEMENTS OF CASH FLOWS

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2016</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2015</u> <u>RM'000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35,672	(61,938)
Effects of foreign exchange rate changes	(4,029)	3,149
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	157,939	197,088
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	189,582	138,299
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	317,602	119,375
Cash and bank balances	17,126	61,981
Total deposits, cash and bank balances	334,728	181,356
Less: Deposits pledged as security	(140,646)	(33,116)
Less: Proceeds deposited in the designated bank accounts	-	(9,941)
Less: Overdrafts	(4,500)	-
	189,582	138,299

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

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

A1 – Basis of Preparation

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

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries (“Group”) for the financial year ended 31 December 2015. The significant events and transactions attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

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

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

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

MFRSs, Amendments to MFRSs

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12, and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116, and MFRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual improvements to MFRSs 2012 - 2014 cycle (issued in November 2014)	

The application of these new and revised MFRSs and amendments to MFRS did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

Standards in issue but not yet effective

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

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

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

A1 – Basis of Preparation (continued)

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

<u>Foreign currency</u>	<u>30 Jun</u> <u>2016</u> <u>RM</u>	<u>31 Mar</u> <u>2016</u> <u>RM</u>	<u>30 Jun</u> <u>2015</u> <u>RM</u>
1 US Dollar (USD)	4.03	3.90	3.77
1 Singapore Dollar (SGD)	2.99	2.90	2.80
100 Hong Kong Dollars (HKD)	51.96	50.32	48.67
100 Chinese Renminbi (RMB)	60.66	60.36	60.85

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

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

In these interim financial statements, critical judgments, estimates and assumptions were made to the classification and carrying amount of a trade receivable in Sungai Harmoni Sdn Bhd (“SHSB”) as follows:-

As at the end of the financial period, the invoiced amounts due and owing by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”) amounted to RM440.279 million (Q1FY16 – RM423.546 million), an increase of RM16.733 million. Based on the latest repayments received, the quantum of repayment from SPLASH has reduced from about 60% to approximately 34%. At this juncture, the Board is of the view that it would be premature to make any re-assessment on the quantum of repayments over the next twelve months and as such, based on current best estimates, the Group anticipates a repayment of approximately RM100.6 million in the next twelve months which will reduce the amount outstanding. The remaining balance is assumed to be paid progressively between 2017 and 2021.

Arising from the above estimation, a net impact of RM7.028 million was made in the current quarter due to the increasing receivables; comprising an additional provision for discounting on a deferred payment consideration of RM14.423 million which was set-off against revenue and a reversal of discounting of receivables amounting to RM7.395 million recognised in Other Income.

Other than the above, the Board is of the view that no provision is required to be made for bad and doubtful debts as it considers the amount owing by SPLASH to be fully recoverable.

The above critical judgments, estimates and assumptions will be re-assessed from time to time as they may have a significant impact to future amounts recognised in the financial statements. In this respect, the Board intends to re-assess its position before the release of the next interim financial statements after taking into account of further developments.

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 following:-

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

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

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

The analysis of the Proposed Disposals on the Disposal Date are as follows:-

- (i) Consideration received:

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

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

	<u>The Group</u> <u>RM'000</u>
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	<u>2,464</u>
	<u>579,454</u>
Current assets	
Inventories	658
Trade receivables	12,583
Other receivables, deposits and prepayments	3,568
Deposits, bank and cash balances	<u>64,081</u>
	80,890
Total Assets of Disposal Companies previously classified as held-for-sale	<u>660,344</u>
Current liabilities	
Trade payables	4,556
Other payables and accruals	39,407
Tax liabilities	433
Borrowings	22,258
Deferred income	<u>428</u>
	<u>67,082</u>

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

Non-current liabilities	
Trade payables	1,765
Borrowings	365,786
Deferred tax liability	297
Deferred income	18,827
	<u>386,675</u>
Total Liabilities of Disposal Companies associated with assets previously classified as held-for-sale	<u>453,757</u>
Net assets of the Disposal Companies previously classified as held-for-sale	<u>206,587</u>
Equity attributable to owners of the Company	<u>199,164</u>
Non-controlling interests	<u>7,423</u>

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

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

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:

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

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

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

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

	<u>The Group</u>		<u>The Group</u>	
	<u>3 Months Ended 30 Jun</u>		<u>6 Months Ended 30 Jun</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue (Note B1(a))	9,026	28,401	27,562	54,562
Cost of operations	(8,793)	(23,253)	(27,566)	(45,227)
Gross profit/(loss)	233	5,148	(4)	9,335
Other operating income	1,413	2,178	2,934	5,172
Administrative and other expenses	3*	(1,515)	(4,520)	(6,005)
Finance costs	(2,882)	(5,566)	(8,842)	(11,220)
Profit/(Loss) before tax	(1,233)	245	(10,432)	(2,718)
Income tax expense (Note B5)	(27)	(47)	(512)	(192)
	(1,260)	198	(10,944)	(2,910)
Net gain on disposal (Note A3(a)(iii))	65,786	-	65,786	-
Profit/(Loss) for the financial period from discontinued operations	64,526	198	54,842	(2,910)
Profit/(Loss) for the financial period attributable to:				
Owners of the Company (Note B9(a), (b))	61,772	116	52,181	(2,170)
Non-controlling interests	2,754	82	2,661	(740)
	<u>64,526</u>	<u>198</u>	<u>54,842</u>	<u>(2,910)</u>

* *including impact from the reversal of the realised foreign exchange losses recognised in the previous quarter.*

(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 period.

	<u>The Group</u>	
	<u>6 Months Ended 30 Jun</u>	
	<u>2016</u>	<u>2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Net cash (outflows)/inflows from operating activities	(647)	19,978
Net cash outflows from investing activities	(861)	(10,252)
Net cash (outflows)/inflows from financing activities	(601)	12,033
Net cash (outflows)/inflows	<u>(2,109)</u>	<u>21,759</u>

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

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

The Proposed Acquisition was completed on 17 May 2016 simultaneously with the Proposed Disposals. The assets and liabilities of SWMEH are provisional values as at the end of the financial period and the Group expects to complete the purchase price allocation exercise within the twelve-month period from the acquisition date. Upon finalisation of this exercise, any adjustments to these provisional values will be made accordingly.

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.

Summarised statements of financial position as at 30 Jun 2016

	<u>SWMEH</u> <u>Group</u> <u>RM’000</u>
Non-current assets	995,699
Current assets	870,532
Current liabilities	(189,710)
Non-current liabilities	<u>(955,881)</u>
Net assets	<u><u>720,640</u></u>
Profit for the financial period from 17 May 2016 to 30 June 2016	<u><u>5,057</u></u>
Total comprehensive income for the financial period from 17 May 2016 to 30 June 2016	<u><u>5,057</u></u>

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:

	<u>RM’000</u>
Net assets of SWMEH	720,640
Proportion of the Group’s ownership interest	<u>35%</u>
Adjustments for:-	252,220
- Stamp duties paid	735
Dividends on redeemable cumulative preference shares that are payable to parties other than to the Company	<u>(5,450)</u>
Carrying amount of the investment in SWMEH as at 30 Jun 2016	<u><u>247,505</u></u>

- (c) During the current quarter, the Company had drawdown RM80 million from a revolving credit facility of RM100 million to part finance the Proposed Acquisition pending the conversion of the USD proceeds from the Proposed Disposals to the local currency. The revolving credit will be subsequently repaid from the proceeds from the Proposed Disposals.

A4 – Accounting Estimates

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

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

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

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

A6 – Dividends Paid

- (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.

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 period 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 Proposed 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 Proposed 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 Section 308(4) of the Companies Act, 1965;
- (d) the incorporation of a wholly-owned subsidiary of the Company, Taliworks Meruan (Sarawak) Sdn Bhd, under the Companies Act, 1965 as a private company limited by shares on 27 June 2016; and
- (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;

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 maker.

3 months ended 30 Jun	<u>Water treatment, supply and distribution</u>		<u>Construction</u>		<u>Toll operations</u>		<u>Waste management</u>		<u>Others</u>		<u>Total</u>		<u>Reconciliation</u>		<u>Amount as per Statement of comprehensive income</u>	
	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>	<u>2016</u> <u>RM'000</u>	<u>2015</u> <u>RM'000</u>
<u>Income Statement</u>																
Revenue	58,352	54,016	12,186	16,425	15,605	15,508	38,636	-	-	-	124,779	85,949	(47,946)	(12,652)	76,833	73,297
Operating profit	24,203	22,628	963	799	7,814	5,443	4,103	-	(4,498)	(3,441)	32,585	25,429	(7,879)	(6,327)	24,706	19,102
PBT	24,202	22,627	957	791	3,963	555	4,007	-	(4,800)	(3,502)	28,329	20,471	(6,611)	(6,870)	21,718	13,601
PAT	20,135	18,630	603	525	3,401	(360)	1,770	-	(4,800)	(3,495)	21,109	15,300	(3,839)	(6,003)	17,270	9,297
<u>Other Financial Information</u>																
Depreciation and amortisation	(228)	(185)	(129)	(111)	(3,679)	(3,424)	(4,283)	-	(707)	(481)	(9,026)	(4,201)	3,142	(532)	(5,884)	(4,733)
EBITDA	24,431	22,813	1,091	910	11,493	8,867	10,622	-	(3,792)	(2,967)	43,845	29,623	(10,712)	(5,988)	33,133	23,635
EBDA	20,363	18,815	731	637	7,081	3,063	6,052	-	(4,094)	(3,014)	30,133	19,501	(6,979)	(5,471)	23,154	14,030
CAPEX	382	21	8	-	162	655	189	-	272	134						

A10 - Operating Segments (cont'd)

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

Notes

- 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.
- 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 Proposed Acquisition as mentioned in Note A8(b), i.e period from 17May 2016 to 30 June 2016. 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. However, there are no comparatives included.
- 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.
- The water treatment, supply and distribution business included a provision for discounting on a deferred payment consideration of RM14.423 million (Q2FY15: RM12.169 million) which was set-off against revenue; and a net provision of RM7.028 million (Q2FY15: RM6.094 million) which was charged to the profit performance.
- Accordingly, all the comparatives have been reclassified to conform to the current period's presentation.

As at 30 Jun	Water treatment, supply and distribution		Construction		Toll operations		Waste management		Others		Discontinued operations		Total	
	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	445,099	426,652	34,448	43,156	1,516,805	1,505,377	247,505	-	249,779	53,043	-	637,410	2,493,636	2,665,638
Segment liabilities	(72,863)	(67,249)	(29,449)	(30,254)	(877,827)	(887,101)	-	-	(115,410)	(11,710)	-	(410,448)	(1,095,549)	(1,406,762)
Net segment assets	372,236	359,403	4,999	12,902	638,978	618,276	247,505	-	134,369	41,333	-	226,962	1,398,087	1,258,876

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

B1 – Analysis of Performance

Part A – Operating Segments Review

(a) *Revenue*

	<u>3 Months Ended 30 Jun 2016 RM'000</u>	<u>3 Months Ended 30 Jun 2015 RM'000</u>	<u>6 Months Ended 30 Jun 2016 RM'000</u>	<u>6 Months Ended 30 Jun 2015 RM'000</u>
Water treatment, supply and distribution	58,351	54,017	114,843	108,347
Construction	12,186	16,425	27,753	31,543
Toll operations	20,719	15,024	41,165	29,547
	<u>91,256</u>	<u>85,466</u>	<u>183,761</u>	<u>169,437</u>
Less: Provision for discounting on a deferred payment consideration	(14,423)	(12,169)	(31,713)	(25,283)
Revenue from continuing operations	76,833	73,297	152,048	144,154
Revenue from discontinued operations (Note A3(a)(v))	9,026	28,401	27,562	54,562
Total revenue	85,859	101,698	179,610	198,716

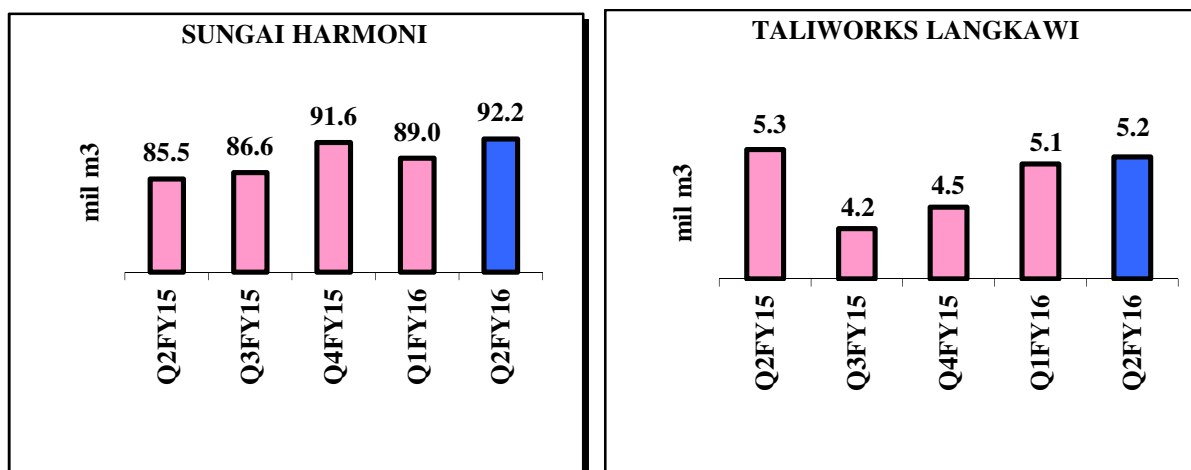
(b) *Profit Before Tax*

	<u>3 Months Ended 30 Jun 2016 RM'000</u>	<u>3 Months Ended 30 Jun 2015 RM'000</u>	<u>6 Months Ended 30 Jun 2016 RM'000</u>	<u>6 Months Ended 30 Jun 2015 RM'000</u>
Water treatment, supply and distribution	17,174	16,533	29,831	42,666
Construction	958	795	1,256	1,955
Toll operations	11,076	5,215	22,954	13,274
Others	(4,502)	(3,441)	(8,654)	(8,031)
Operating profit	24,706	19,102	45,387	49,864
Finance cost	(5,531)	(5,301)	(10,761)	(10,440)
Share of results of joint venture	428	(454)	745	(477)
Share of results of associate	2,115	254	2,176	611
Profit before tax from continuing operations	21,718	13,601	37,547	39,558
Profit/(Loss) before tax from discontinued operations	64,553	245	55,354	(2,718)
Profit before tax for the period	86,271	13,846	92,901	36,840

B1 – Analysis of Performance (continued)

Part A – Operating Segments Review (continued)

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



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

Continuing operations

Overall Summary

Before the impact from provision for discounting, the Group recorded an increase in revenue from RM85.5 million to RM91.3 million mainly due to higher contribution from the water and toll business. However, after taking into account the impact from the provision for discounting, the Group revenue reduced to RM76.8 million. Nevertheless, it was still higher than RM73.3 million achieved a year ago.

On the Group’s profit before taxation (“PBT”), the Group registered a jump in PBT from RM13.6 million to RM21.7 million mainly from the significant increase from the toll operations arising from the impact of toll increase as well recognition of share of results from SWMEH but mitigated by higher corporate exercise costs incurred. Other income saw a significant increase from higher dividend from available-for-sale financial assets, reversal of discounting and unrealised gain on foreign exchange.

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment registered an increase due to contribution in both the water treatment plants. In Sungai Selangor Water Treatment Works Phase I (“SSP1”), metered sales was higher by 7.8% (i.e. from 85.5 million m3 (or 950 million litres per day (“MLD”)) to 92.2 million m3 (or 1,024 MLD)). Whereas in Langkawi operations, metered sales was marginally lower by 0.4% i.e. from 5.25 million m3 to 5.2 million m3. Nevertheless, the revenue reported from Langkawi operation is still higher on account of higher electricity rebates arising from increases in electricity rates.

At the operating level, the segment profit (excluding the effects of discounting) stood at RM24.2 million compared to RM22.6 million achieved a year ago. This was mainly due to higher metered sales in SSPI, coupled with lower chemical and rehabilitation costs incurred during the current quarter.

B1 Analysis of Performance (cont'd)

Construction

The contribution from the construction segment recorded a drop from RM16.4 million to RM12.2 million mainly due to lower contribution from on-going projects. Despite the lower revenue, the operating profit was higher on account of the SSP3 – Package 3 Pipeline Project (which was completed in the current quarter) whereby the final profit margin was higher than originally estimated.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway was significantly higher at RM20.7 million compared to RM15.0 million in the corresponding quarter despite the lower Average Daily Traffic (“ADT”) by 1.3% i.e. 136,062 vehicles per day compared to 137,922 vehicles per day achieved in the corresponding quarter. The higher toll revenue was primarily from the increase in toll rates with effect from 15 October 2015. In line with the increase in revenue as well the impact from the higher maintenance costs incurred on specific pavement repair works in the corresponding quarter, the profit contribution for this quarter was higher compared to the corresponding quarter.

Toll operations –Share of results of joint venture

The Group’s share of results in Grand Sepadu (NK) Sdn Bhd was higher compared to the corresponding quarter mainly arising from the higher ADT by 2.0% at 89,999 vehicles per day coupled with lower provision for future resurfacing obligations recognised in the current quarter.

Waste management – Share of results of associated company

Arising from the Proposed Acquisition, the Company’s newly acquired associate, SWMEH contributed RM1.8 million to the Group’s PBT in the current quarter.

Discontinued operations

With effective from 17 May of this year, the Group ceased consolidating the results of the Disposal Companies. Arising therefrom, the revenue contribution from discontinued operations was significantly lower at RM9.0 million compared to RM28.4 million in the corresponding quarter. The lower revenue was also on account of lower construction revenue recognised pursuant to IC Interpretation 12 (RM0.12 million, Q2FY15: RM12.2 million) from the expansion and upgrading of the Wastewater Treatment Plant No. 3 (“WWTP#3”) of Taliworks Yinchuan which was completed in the third quarter of last year.

On the PBT, the Group recorded an exceptional Gain on Disposal of RM65.8 million arising from the Proposed Disposals which accounted significantly for the PBT of RM64.5 million recorded in the current quarter. However, excluding this exceptional gain, the discontinued operations came in at loss before taxation (“LBT”) at RM1.3 million compared to corresponding quarter’s PBT of RM0.2 million. The LBT was mainly attributable to higher chemical consumption in the WWTP#3 without a corresponding increase in the tariff rates for the upgraded plant. The increase in the tariff rates has not been determined as it is pending finalisation of the audit by the local authority on the operating expenses and capital expenditure incurred.

B1 Analysis of Performance (cont'd)

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

Continuing operations

Overall Summary

For the current financial period, the Group revenue (excluding the impact from discounting) increased from RM169.4 million to RM183.8 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 RM152.0 million. Nevertheless, it was still higher than RM144.2 million achieved in the corresponding period.

On the Group's PBT, the Group registered a decrease in PBT primarily due to higher net provision for discounting on a deferred payment consideration of RM17.9 million compared to RM2.4 million recognised in the corresponding period. Nevertheless, excluding the effects from the discounting, the Group PBT was higher at RM55.4 million, an increase from RM41.9 million recorded in corresponding period. The increase was mainly due to higher toll revenue from the increase in toll rate.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business excluding the impact from discounting) recorded a 6.0% increase from RM108.3 million to RM114.8 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 5.9% (i.e. from 171.1 million m³ (or 945 million litres per day ("MLD")) to 181.2 million m³ (or 1,001 MLD) whereas in Langkawi operations, metered sales was higher by 2.5% i.e. from 10.07 million m³ to 10.32 million m³.

At the operating level, the segment profit was higher by RM2.7 million at RM47.7 million (after stripping out the effects of discounting) on account of higher revenue, coupled with lower chemical and rehabilitation costs incurred in both water treatment plants.

Construction

In the current financial period, the segment recorded a decrease in revenue by RM3.8 million from RM31.5 million to RM27.8 million due to lower contribution from on-going projects. The profit contributed from this segment was lower in line with the lower revenue achieved.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway was significantly higher at RM41.2 million compared to RM29.5 million in the corresponding period despite the lower Average Daily Traffic ("ADT") by 0.8% i.e. 135,044 vehicles per day compared to 136,152 vehicles per day achieved in the corresponding period. The higher toll revenue was primarily from the increase in toll rates. In line with the increase in revenue as well the impact from the higher maintenance costs incurred on specific pavement repair works in the corresponding period, the profit contribution was higher compared to corresponding period.

B1 Analysis of Performance (cont'd)

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

Toll operations -Share of results of joint venture

The Group's share of results in Grand Sepadu (NK) Sdn Bhd was higher compared to the corresponding period mainly arising from the higher ADT by 1.1% at 89,991 vehicles per day coupled with lower provision for future resurfacing obligations recognised in the current financial period.

Waste management –Share of results of associate

Arising from the Proposed Acquisition, the Company's newly acquired associate, SWMEH contributed RM1.8 million to the Group's PBT in the current financial period.

Discontinued operations

Following the completion of the Proposed Disposals, the revenue contribution from discontinued operation was significantly lower at RM27.7 million compared to RM54.6 million in the corresponding period. The lower revenue also on account of lower construction revenue recognised pursuant to IC Interpretation 12 from the expansion and upgrading of the WWTP#3 of Taliworks Yinchuan which was completed in the third quarter of last year.

During the financial period, the Group PBT was boosted by the Gain on Disposal. However, excluding this exceptional gain, the discontinued operations came in at LBT of RM10.4 million. The LBT was significantly higher than corresponding period by RM7.7 million mainly attributable to higher chemical consumption in the WWTP#3 without a corresponding increase in the tariff rates for the upgraded plant as previously mentioned above.

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

(a) Revenue

	<u>3 Months Ended</u> <u>30 Jun 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>
Water treatment, supply and distribution	58,351	56,492
Construction	12,186	15,567
Toll operations	20,719	20,446
	91,256	92,505
Less: Provision for discounting on a deferred payment consideration	(14,423)	(17,290)
Revenue from continuing operations	76,833	75,215
Revenue from discontinued operations	9,026	18,536
Total revenue	85,859	93,751

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

(b) *Profit Before Tax*

	<u>3 Months Ended</u> <u>30 Jun 2016</u> <u>RM'000</u>	<u>3 Months Ended</u> <u>31 Mar 2016</u> <u>RM'000</u>
Water treatment, supply and distribution	17,174	12,657
Construction	958	298
Toll operations	11,076	11,878
Others	(4,502)	(4,152)
Operating profit	24,706	20,681
Finance cost	(5,531)	(5,230)
Share of results of joint venture	428	317
Share of results of associate	2,115	61
Profit before tax from continuing operations	21,718	15,829
Loss before tax from discontinued operations	64,553	(9,199)
Profit before tax for the period	86,271	6,630

Continuing operations

Compared to the previous quarter, the Group recorded a slight drop in revenue (excluding the impact from discounting) of RM1.2 million from RM92.5 million to RM91.3 million primarily from lower recognition of revenue from on-going projects in the construction segment. However, after taking into account the impact from the provision for discounting, the Group revenue was slightly higher at RM76.8 as compared to RM75.2 million in previous quarter.

Despite the drop in Group revenue, the Group's PBT recorded an increase of RM2.0 million to RM28.7 million (after stripping out the effects of discounting) compared to RM26.7 million in the previous quarter primarily due to the recognition of a share of profit in SWMEH which was acquired in the current period.

Discontinued operations

Due to the completion of Proposed Disposals, the revenue from discontinued operations was lower at RM9.0 million compared to RM18.5 in the previous quarter.

However, the PBT increased significantly to RM64.6 million compared to LBT of RM9.2 million in previous quarter, mainly on account of the Gain on Disposal. Stripping out the effects of this exceptional item, the discontinued operation came in at LBT of RM1.2 million.

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 operations, 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 average metered production for the financial period stood at about 1,001 MLD compared to 950.3 MLD a year ago.

B2 – Current Year Prospects (cont'd)

As reported in the previous Interim Financial Reports, there have been positive developments in the consolidation/restructuring of the Selangor water sector whereby the Selangor State Government, through Pengurusan Air Selangor Sdn Bhd, had completed the acquisitions of Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Treatment Works Phase 2, Syarikat Bekalan Air Selangor Sdn Bhd on 15 October 2015, and Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd on 26 January 2016.

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

In the construction segment, the on-going Mengkuang Dam Expansion Project in Pulau Pinang is expected to continue to contribute positively to the Group given that the project has advanced into its fifth year of construction. In September of last year, the Group, via a newly incorporated associate company, was awarded the Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor and Wilayah Persekutuan Kuala Lumpur for a contract sum of approximately RM75.9 million, to be completed within 27 months from the commencement date to be determined later. Efforts are also continuing to tender for more infrastructure projects to replenish the order book.

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

In the toll highway division, the revenue growth at Cheras-Kajang Highway is expected to be driven by two factors; i. e. the toll increase and the completion of MRT groundwork resulting in lesser traffic congestion. Whereas the New North Klang Straits Bypass Expressway is due for a toll increase in January 2016 but this has yet to be approved by the Federal Government. Ever since the operations of the expressway were taken over in December 2014, efforts have been on-going to rationalise the operating costs as well as efforts being made to increase the traffic flow along the expressway. In this respect, average daily traffic has seen an increase over the period.

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 Ended</u> <u>30 Jun 2016</u> RM'000	<u>Year-to-date</u> <u>6 Months Ended</u> <u>30 Jun 2016</u> RM'000
<u>Continuing operations</u>		
<i>Revenue</i>		
Provision for discounting on receivables (<i>Note A1(c)</i>)	(14,423)	(31,713)

B4 – Profit before tax (cont'd)

	<u>Current Quarter</u> <u>3 Months Ended</u> <u>30 Jun 2016</u> RM'000	<u>Current Quarter</u> <u>6 Months Ended</u> <u>30 Jun 2016</u> RM'000
<i>Other operating income:</i>		
Interest income on fixed deposits with licensed banks	881	1,659
Dividend from available-for-sale financial assets	1,655	2,931
Rental income	193	359
Reversal of discounting of receivables (Note A1(c))	7,395	13,852
Gain on redemption of available-for-sale financial assets	270	434
Unrealised gain on foreign exchange	1,341	1,341
Realised gain on foreign exchange	4	4
<i>Cost of operations, administrative and other expenses:</i>		
Depreciation and amortisation	(5,884)	(11,708)
Imputed interest on borrowing	(136)	(273)
Unrealised foreign exchange losses	(211)	(683)
Reversal of interest income imputed on retention sum	14	(441)
<u>Discontinued operations</u>		
<i>Other operating income:</i>		
Gain on disposal of subsidiaries	65,786	65,786
Interest income on fixed deposits with licensed banks	13	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	(88)	58
Recognition of government grant	54	163
Unwinding of discount on receivables	-	9
Value-added tax exempted by tax authority	317	1,350
<i>Cost of operations, administrative and other expenses:</i>		
Depreciation and amortisation	(3,029)	(8,919)
Foreign exchange losses	588	(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

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Jun 2016</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 Jun 2016</u> RM'000
Malaysian income tax:		
- Current year tax	6,291	11,757
Deferred tax expense	(1,843)	(4,104)
Income tax expense from continuing operations	4,448	7,653
Income tax expense from discontinued operations (Note A3(a)(v))	27	512
Total income tax expense	4,475	8,165

B5 – Income Tax Expense (cont'd)

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

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

As at 2 August 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report),

- (a) there were no corporate proposals announced but not completed;
- (b) the status of utilisation of proceeds raised from the Proposed Disposals is as follows:-

	<u>Gross proceeds raised</u>		<u>Actual</u>	<u>Intended</u>
	<u>USD'000</u>	<u>RM'000</u> <u>Equivalent</u>	<u>utilisation</u> <u>RM'000</u>	<u>timeframe for</u> <u>utilisation</u> <u>RM'000</u>
Part finance the Proposed Acquisition /future investments/ working capital purposes (N2)	53,374	217,579	(N1) 420	Within 24 months
Estimated expenses for the proposals	1,226	5,000	5,000	Immediate
	<u>54,600</u>	<u>222,579</u>	<u>5,420</u>	
	=====	=====	=====	

(N1) The actual expenses incurred relating to the Proposed Disposals are higher than budgeted, hence the deficit will be funded from the portion earmarked for future investments/working capital purposes.

(N2) The proceeds in USD have yet to be converted to RM as at the end of the financial period. Other than using the proceeds for the above intended purposes, the Board proposes to use some of the proceeds for payment of dividends and repayment of the revolving credit mentioned earlier 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:-

	<u>←-----Short Term-----→</u>			<u>←-----Long Term-----→</u>		
	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Finance lease liabilities	194	-	194	417	-	417
Bank overdraft	4,500	-	4,500	-	-	-
Revolving credit *	80,000	-	80,000	-	-	-
Islamic Medium Term Notes (“IMTN”)	-	-	-	415,691	-	415,691
	<u>84,694</u>	<u>-</u>	<u>84,694</u>	<u>416,108</u>	<u>-</u>	<u>416,108</u>

* 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 2 August 2016 (being a date not earlier than 7 days from the date of this Interim Financial Report), all of the Group's litigations as disclosed in Note 45 to the Audited Financial Statements – Contingent Liabilities were no longer applicable arising from the Proposed Disposals.

B9 – Earnings Per Share (“EPS”)

(a) Basic (loss)/earnings per share

Basic (loss)/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 reporting date.

	<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 2016</u>	<u>30 Jun 2015</u>	<u>30 Jun 2016</u>	<u>30 Jun 2015</u>
Profit for the financial period attributable to owners of the Company (RM'000)	76,188	9,494	75,962	24,522
Profit/(Loss) for the financial period from discontinued operations used in the calculation of basic EPS from discontinued operations (RM'000) (Note A3(a)(v))	61,772	116	52,181	(2,170)
Earnings used in the calculation of basic EPS from continued operations (RM'000)	14,416	9,378	23,781	26,692
Weighted average number of ordinary shares in issue ('000) #	1,209,489	1,091,804	1,209,489	1,091,526
Basic EPS/(loss) (sen)				
- From continuing operations	1.19	0.86	1.97	2.45
- From discontinued operations	5.11	0.01	4.31	(0.20)
Total Basic EPS (sen)	<u>6.30</u>	<u>0.87</u>	<u>6.28</u>	<u>2.25</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 reporting date adjusted for potential dilutive ordinary shares from the exercise of ESOS options (*applicable for Q2FY15*). The Warrants (*applicable for FY16*) were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

B9 – Earnings Per Share (“EPS”) (cont’d)

	<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 2016</u>	<u>30 Jun 2015</u>	<u>30 Jun 2016</u>	<u>30 Jun 2015</u>
Profit for the financial period attributable to owners of the Company (RM’000)	76,188	9,494	75,962	24,522
Profit/(Loss) for the financial period from discontinued operations used in the calculation of diluted EPS from discontinued operations (RM’000) (Note A3(a)(v))	61,772	116	52,181	(2,170)
Earnings used in the calculation of diluted EPS from continued operations (RM’000)	14,416	9,378	23,781	26,692
Weighted average number of ordinary shares in issue (‘000) #	1,209,489	1,091,804	1,209,489	1,091,526
Effects of dilution from ESOS Options (‘000)	-	1,783	-	1,551
Adjusted weighted average number of ordinary shares in issue (‘000)	1,209,489	1,093,587	1,209,489	1,093,076
Diluted EPS/(loss) (sen)				
- From continuing operations	1.19	0.86	1.97	2.44
- From discontinued operations	5.11	0.01	4.31	(0.20)
Total Diluted EPS (sen)	<u>6.30</u>	<u>0.87</u>	<u>6.28</u>	<u>2.24</u>

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 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, to be paid on 15 September 2016.

For the financial year ending 31 December 2016, the Board has declared a total single-tier dividend of 4.0 sen to shareholders amounting to RM48,379,558.

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 as mentioned in this Interim Report).

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.

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 2016 RM’000</u>	<u>Preceding Quarter Ended 31 Mar 2016 RM’000</u>
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	689,445	668,774
- Unrealised profits	53,188	48,593
	742,633	717,367
Total share of retained earnings from associate:		
- Realised profits	7,348	5,235
Total share of retained earnings from joint venture:		
- Realised profit/(loss)	909	481
Total Group’s retained earnings	750,890	723,083

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 RM392.813 million are approximately:-

- (a) RM140.6 million held as securities for banking facilities secured by the Group, and
- (b) RM113.6 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

B14 – Reclassification of Comparatives

Certain comparatives have been reclassified to conform to the current period's presentation to reflect the reclassification of discontinued operations.

B15 – Authorisation for Release

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

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