

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

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

CONTENTS

| | |
|---|---------|
| CONDENSED STATEMENTS OF FINANCIAL POSITION | 1 |
| CONDENSED STATEMENTS OF COMPREHENSIVE INCOME | 2 - 3 |
| CONDENSED STATEMENTS OF CHANGES IN EQUITY | 4 - 5 |
| CONDENSED STATEMENTS OF CASH FLOWS | 6 - 7 |
| PART A – DISCLOSURES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING | 8 – 17 |
| PART B – DISCLOSURES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD | 18 – 30 |

CONDENSED STATEMENTS OF FINANCIAL POSITION

| | Note | 30 Sep 2016 RM'000 | 31 Dec 2015 RM'000 (Audited) |
|---|-------|-----------------------|------------------------------------|
| ASSETS | | | |
| Property, plant and equipment | | 22,454 | 32,971 |
| Investment properties | | 248 | 254 |
| Intangible assets | | 1,169,624 | 1,787,111 |
| Investment in joint venture | | 68,132 | 67,337 |
| Investment in associates | A3(b) | 256,679 | 7,213 |
| Other investment | | 240 | 240 |
| Goodwill on consolidation | | 129,385 | 131,889 |
| Deferred tax assets | | 26,605 | 19,032 |
| Long-term trade receivable | A1(c) | 263,806 | 232,219 |
| Long-term other receivable | | - | 855 |
| Deposits, cash and bank balances | B13 | 146,442 | 36,881 |
| Total Non-Current Assets | | 2,083,615 | 2,316,002 |
| Inventories | | 1,641 | 1,770 |
| Amount due from contract customers | | 18,831 | 8,552 |
| Trade receivables | A1(c) | 164,524 | 171,389 |
| Other receivables, deposits and prepayments | | 14,499 | 8,817 |
| Tax recoverable | | 1,478 | 1,221 |
| Available-for-sale financial assets | B13 | 51,539 | 238,692 |
| Deposits, cash and bank balances | B13 | 129,685 | 168,100 |
| Total Current Assets | | 382,197 | 598,541 |
| TOTAL ASSETS | | 2,465,812 | 2,914,543 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 241,898 | 241,898 |
| Reserves | | 871,467 | 904,704 |
| Total Equity Attributable to Owners of the Company | | 1,113,365 | 1,146,602 |
| Non-controlling interests | | 276,773 | 286,553 |
| Total Equity | | 1,390,138 | 1,433,155 |
| LIABILITIES | | | |
| Long-term borrowings | B7 | 416,240 | 803,725 |
| Deferred tax liabilities | | 254,290 | 254,588 |
| Long-term trade payables | | 7,318 | 8,043 |
| Deferred income | | 173,001 | 193,302 |
| Provision for heavy repairs | | 15,691 | 12,605 |
| Total Non-Current Liabilities | | 866,540 | 1,272,263 |
| Trade payables | | 90,424 | 86,663 |
| Amount due to contract customers | | 3,882 | 1,403 |
| Other payables and accruals | | 26,167 | 78,169 |
| Tax liabilities | | 2,729 | 1,808 |
| Short-term borrowings | B7 | 81,586 | 23,255 |
| Deferred income | | 4,346 | 17,827 |
| Total Current Liabilities | | 209,134 | 209,125 |
| TOTAL LIABILITIES | | 1,075,674 | 1,481,388 |
| TOTAL EQUITY AND LIABILITIES | | 2,465,812 | 2,914,543 |
| Net assets per share attributable to owners of the Company (RM) | | 0.9205 | 0.9480 |

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | <u>3 Months Ended</u> | | <u>9 Months Ended</u> | |
|---|------------|-----------------------|---------------|-----------------------|----------------|
| | | <u>30 Sep</u> | | <u>30 Sep</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 | 83,796 | 73,741 | 235,844 | 217,895 |
| Cost of operations | | (47,272) | (53,619) | (149,801) | (157,677) |
| Gross profit | | 36,524 | 20,122 | 86,043 | 60,218 |
| Other operating income | B4 | 6,265 | 13,937 | 27,855 | 41,732 |
| Administrative and other expenses | | (10,376) | (11,323) | (36,098) | (29,350) |
| Operating profit | | 32,413 | 22,736 | 77,800 | 72,600 |
| Finance costs | | (7,145) | (5,433) | (17,906) | (15,873) |
| Share of results of joint venture | | 50 | (199) | 795 | (676) |
| Share of results of associates | | 687 | 271 | 2,863 | 882 |
| Profit before tax | B4 | 26,005 | 17,375 | 63,552 | 56,933 |
| Income tax expense | B5 | (9) | (2,074) | (7,662) | (12,900) |
| Profit for the financial period from continuing operations | | 25,996 | 15,301 | 55,890 | 44,033 |
| Discontinued operations | | | | | |
| Profit/(Loss) for the financial period from discontinued operations, net of tax | A3(a)(v) | - | 345 | 54,842 | (2,565) |
| PROFIT FOR THE FINANCIAL PERIOD | | 25,996 | 15,646 | 110,732 | 41,468 |
| Other comprehensive income/(loss): | | | | | |
| Net fair value gain on available-for-sale financial assets | | 138 | 64 | 291 | 97 |
| Currency translation differences of foreign operations | | - | 30,711 | (13,568) | 45,744 |
| Currency translation differences - transfer to profit or loss upon disposal of foreign operations | A3(a)(iii) | - | - | (46,176) | - |
| Total other comprehensive income/(loss) for the financial period | | 138 | 30,775 | (59,453) | 45,841 |
| Total comprehensive income for the financial period | | 26,134 | 46,421 | 51,279 | 87,309 |

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 | | 9 Months Ended | |
|---|----------------|---------------|----------------|---------------|
| | 30 Sep | | 30 Sep | |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial period attributable to: | | | | |
| Owners of the Company | 19,513 | 10,804 | 95,475 | 35,326 |
| Non-controlling interests | 6,483 | 4,842 | 15,257 | 6,142 |
| | 25,996 | 15,646 | 110,732 | 41,468 |
| Total comprehensive income for the financial period attributable to: | | | | |
| Owners of the Company | 19,586 | 44,461 | 39,332 | 83,347 |
| Non-controlling interests | 6,548 | 1,960 | 11,947 | 3,962 |
| | 26,134 | 46,421 | 51,279 | 87,309 |
| Earnings/(Loss) per share attributable to owners of the Company (sen per share): | | | | |
| B9 | | | | |
| Basic | | | | |
| - From continuing operations | 1.61 | 0.97 | 3.58 | 3.41 |
| - From discontinued operations | - | 0.01 | 4.31 | (0.18) |
| Total | 1.61 | 0.98 | 7.89 | 3.23 |
| Diluted | | | | |
| - From continuing operations | 1.61 | 0.97 | 3.58 | 3.40 |
| - From discontinued operations | - | 0.01 | 4.31 | (0.18) |
| Total | 1.61 | 0.98 | 7.89 | 3.22 |

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 | - | - | - | 254 | - | - | 254 | 37 | 291 |
| Currency translation differences | - | - | (12,936) | - | - | - | (12,936) | (632) | (13,568) |
| Currency translation differences - transfer to profit or loss upon disposal of foreign operations <i>(Note A3(a)(iii))</i> | - | - | (43,461) | - | - | - | (43,461) | (2,715) | (46,176) |
| Total other comprehensive (loss)/income for the financial period | - | - | (56,397) | 254 | - | - | (56,143) | (3,310) | (59,453) |
| Profit for the financial period | - | - | - | - | - | 95,475 | 95,475 | 15,257 | 110,732 |
| Total comprehensive (loss)/income for the financial period | - | - | (56,397) | 254 | - | 95,475 | 39,332 | 11,947 | 51,279 |
| Transactions with owners of the Company: | | | | | | | | | |
| Dividends paid <i>(Note A6)</i> | - | - | - | - | - | (72,569) | (72,569) | - | (72,569) |
| Dividends paid by a subsidiary to non-controlling interest | - | - | - | - | - | - | - | (14,504) | (14,504) |
| Proceeds from issuance of ordinary shares | * | * | - | - | - | - | * | - | * |
| Non-controlling interest arising from issuance of ordinary shares in a subsidiary <i>(Note A8(d))</i> | - | - | - | - | - | - | - | 200 | 200 |
| De-recognition on disposal of subsidiaries <i>(Note A3(a)(ii))</i> | - | - | - | - | - | - | - | (7,423) | (7,423) |
| Total transactions with owners of the Company | - | - | - | - | - | (72,569) | (72,569) | (21,727) | (94,296) |
| As of 30 September 2016 | 241,898 | 196,663 | - | 90 | (71,500) | 746,214 | 1,113,365 | 276,773 | 1,390,138 |

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

CONDENSED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

| | <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 | - | - | - | - | 81 | - | - | 81 | 16 | 97 |
| Foreign currency translation differences | - | - | - | 43,549 | - | - | - | 43,549 | 2,195 | 45,744 |
| Total other comprehensive income for the financial period | - | - | - | 43,549 | 81 | - | - | 43,630 | 2,211 | 45,841 |
| Profit for the financial period | - | - | - | - | - | - | 35,326 | 35,326 | 6,142 | 41,468 |
| Total comprehensive income for the financial period | - | - | - | 43,549 | 81 | - | 35,326 | 78,956 | 8,353 | 87,309 |
| Transaction with owners of the Company: | | | | | | | | | | |
| Dividends paid (<i>Note A6</i>) | - | - | - | - | - | - | (43,754) | (43,754) | - | (43,754) |
| Dividends paid by a subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | (61,370) | (61,370) |
| Proceeds from issuance of ordinary shares | 1,662 | 4,653 | - | - | - | - | - | 6,315 | - | 6,315 |
| Transfer to/(from) reserve upon ESOS option: | | | | | | | | | | |
| - exercised | - | 1,519 | (1,519) | - | - | - | - | - | - | - |
| - lapsed | - | - | (72) | - | - | - | 72 | - | - | - |
| 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 | 1,662 | 6,172 | (1,591) | - | - | - | 56,839 | 63,082 | (237,826) | (174,744) |
| As of 30 September 2015 | 219,908 | 80,348 | - | 68,689 | 79 | (71,500) | 696,275 | 993,799 | 294,195 | 1,287,994 |

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>9 Months</u> <u>Ended</u> <u>30 Sep</u> <u>2016</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep</u> <u>2015</u> <u>RM'000</u> |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 118,906 | 54,816 |
| Adjustments for: | | |
| Non-cash items | (26,697) | 19,620 |
| Interest income | (2,789) | (3,472) |
| Finance costs | 26,713 | 32,950 |
| Operating Profit Before Working Capital Changes | 116,133 | 103,914 |
| Net (increase)/decrease in inventories, amount due from contract customers, trade and other receivables | (101,960) | 26,995 |
| Net increase in amount due to contract customers and trade and other payables | 3,762 | 27,985 |
| Cash Generated From Operations | 17,935 | 158,894 |
| Income tax paid | (15,241) | (18,948) |
| Income tax refunded | - | 7,813 |
| Net Cash Inflows From Operating Activities | 2,694 | 147,759 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 2,761 | 3,461 |
| Property, plant and equipment: | | |
| - proceeds from disposal | 154 | 115 |
| - purchase | (2,003) | (1,320) |
| Proceeds from disposal of investment property | - | 246 |
| Purchase of intangible assets | (1,404) | (30,138) |
| Net cash inflow on disposal of subsidiaries (<i>Note A3(a)(iv)</i>) | 152,229 | - |
| Investment in associate companies | (245,880) | (200) |
| Dividend income from an associate | 408 | - |
| Payment for acquisition of non-controlling interest | - | (37,102) |
| Payment for acquisition of subsidiary | - | (102,851) |
| Proceeds from increase of non-controlling interest in a subsidiary (<i>Note A8(d)</i>) | 200 | - |
| Available-for-sale financial assets: | | |
| - purchase | (73,163) | (24,368) |
| - proceeds from redemption | 264,331 | 95,281 |
| Placement of deposits pledged as security | (109,560) | (865) |
| Decrease/(increase) in proceeds deposited in designated bank accounts | 10,162 | (7,442) |
| Net Cash Outflows from Investing Activities | (1,765) | (105,183) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (28,993) | (42,986) |
| Repayment of bank borrowings | (18,311) | (13,316) |
| Drawdown of bank borrowings | 103,608 | 44,971 |
| Dividends paid by a subsidiary to non-controlling interest | (14,504) | (61,370) |
| Repayment of finance lease payables | (266) | (272) |
| Dividends paid (<i>Note A6</i>) | (72,570) | (43,754) |
| Proceeds from issuance of ordinary shares | -* | 6,315 |
| Net Cash Outflows from Financing Activities | (31,036) | (110,412) |

CONDENSED STATEMENTS OF CASH FLOWS

| | <u>9 Months</u> <u>Ended</u> <u>30 Sep</u> <u>2016</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep</u> <u>2015</u> <u>RM'000</u> |
|--|--|--|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (30,107) | (67,836) |
| Effects of foreign exchange rate changes | 378 | 13,305 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD | 157,939 | 197,088 |
| CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD | 128,210 | 142,557 |
| Cash and cash equivalents comprised the following amounts in the statements of financial position: | | |
| Deposits with licensed banks | 267,864 | 118,823 |
| Cash and bank balances | 8,263 | 84,329 |
| Total deposits, cash and bank balances | 276,127 | 203,152 |
| Less: Deposits pledged as security | (146,442) | (33,742) |
| Less: Proceeds deposited in the designated bank accounts | - | (19,621) |
| Less: Overdrafts | (1,475) | (7,232) |
| | 128,210 | 142,557 |

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

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

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

A1 – Basis of Preparation

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

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

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

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

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

MFRSs, Amendments to MFRSs

| | |
|--|---|
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 10, MFRS 12, and MFRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to MFRS 101 | Disclosure Initiative |
| Amendments to MFRS 116, and MFRS 138 | Classification of Acceptable Methods of Depreciation and Amortisation |
| 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 Sep</u> <u>2016</u> <u>RM</u> | <u>30 Jun</u> <u>2016</u> <u>RM</u> | <u>30 Sep</u> <u>2015</u> <u>RM</u> |
|-----------------------------|---|---|---|
| 1 US Dollar (USD) | 4.14 | 4.03 | 4.45 |
| 1 Singapore Dollar (SGD) | * | 2.99 | 3.12 |
| 100 Hong Kong Dollars (HKD) | * | 51.96 | 57.36 |
| 100 Chinese Renminbi (RMB) | * | 60.66 | 69.94 |

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

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

- (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 RM471.462 million (30.6.2016 – RM440.279 million), an increase of RM31.183 million.

As reported in the previous Interim Financial Report dated 9 August 2016, the quantum of repayment from SPLASH had reduced from about 60% to approximately 34%. At that juncture, the Board was of the view that it was premature to make any re-assessment on the quantum of repayment and as such, the Board had estimated a repayment of approximately RM100.6 million in the next twelve months.

As at the end of this financial period, there had been no change in the repayment trend due to partial payments received by SPLASH from Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"). Nevertheless, the Company has been in discussion with SPLASH together with the State Government of Selangor pursuant to the on-going consolidation/restructuring of the Selangor water sector. With the discussion amongst relevant parties still on-going, the Board requires more time to ascertain the probable outcome of the said consolidation/restructuring exercise before it can make an informed decision and therefore, has taken the stance to maintain the current assumption on the quantum of repayment from SPLASH to be approximately RM100.6 million to be received within the next twelve months to reduce the amount outstanding. On that basis, the Board continues to assume that the remaining balance of the receivable will be paid progressively between 2017 and 2022.

Arising from the above estimation, a provision for discounting on a deferred payment consideration of RM14.536 million was made in the current quarter, which was set-off against revenue.

As at the end of the financial period, the total accumulated provision for discounting of receivables made was approximately RM107.056 million (30.9.2015: RM67.993 million). Assuming that subsequent to the financial period, the on-going consolidation/restructuring of the Selangor water sector is finalised, the Group will potentially recognise back as income the accumulated provision for discounting of receivables on the assumption that the amount owing by SPLASH is paid in full and not deferred over a period.

A1 – Basis of Preparation (continued)

It should be noted that 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 will re-assess its position before the release of the next interim financial statements after taking into account of further developments, if any.

A2 – Comments about the Seasonal or Cyclical 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:-

- (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”).

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

| | | |
|------|---|-----------------------------------|
| (i) | <u>Consideration received:</u> | <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) | <u>Analysis of assets and liabilities over which control was lost:</u> | <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> |

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

| | <u>The Group</u> <u>RM'000</u> |
|---|-----------------------------------|
| 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 | 428 |
| | <u>67,082</u> |
| 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 |
| | (199,164) |
| 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.

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

(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) |
| | <hr/> <hr/> 152,229 |

(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.

| | <u>The Group</u> | | <u>The Group</u> | |
|--|------------------------------|---------------|------------------------------|----------------|
| | <u>3 Months Ended 30 Sep</u> | | <u>9 Months Ended 30 Sep</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 (<i>Note B1(a)</i>) | - | 38,284 | 27,562 | 92,846 |
| Cost of operations | - | (33,486) | (27,566) | (78,713) |
| Gross profit/(loss) | - | 4,798 | (4) | 14,133 |
| Other operating income | - | 4,724 | 2,934 | 9,896 |
| Administrative and other expenses | - | (3,063) | (4,520) | (9,068) |
| Finance costs | - | (5,858) | (8,842) | (17,078) |
| Profit/(Loss) before tax | - | 601 | (10,432) | (2,117) |
| Income tax expense (<i>Note B5</i>) | - | (256) | (512) | (448) |
| | - | 345 | (10,944) | (2,565) |
| Net gain on disposal (<i>Note A3(a)(iii)</i>) | - | - | 65,786 | - |
| Profit/(Loss) for the financial period from discontinued operations | - | 345 | 54,842 | (2,565) |
| Profit/(Loss) for the financial period attributable to: | | | | |
| Owners of the Company (<i>Note B9(a), (b)</i>) | - | 151 | 52,181 | (2,019) |
| Non-controlling interests | - | 194 | 2,661 | (546) |
| | - | 345 | 54,842 | (2,565) |

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

(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>9 Months Ended 30 Sep</u> | |
| | <u>2016</u> | <u>2015</u> |
| | <u>RM'000</u> | <u>RM'000</u> |
| Net cash (outflows)/inflows from operating activities | (647) | 51,727 |
| Net cash outflows from investing activities | (861) | (37,281) |
| Net cash (outflows)/inflows from financing activities | <u>(601)</u> | <u>9,846</u> |
| Net cash (outflows)/inflows | <u>(2,109)</u> | <u>24,292</u> |

- (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 Sept 2016

| | <u>SWMEH</u> |
|---|-----------------------|
| | <u>Group</u> |
| | <u>RM'000</u> |
| Non-current assets | 965,038 |
| Current assets | 935,846 |
| Current liabilities | (184,367) |
| Non-current liabilities | <u>(962,920)</u> |
| Net assets | <u><u>753,597</u></u> |
| Profit for the financial period from 17 May 2016 to 30 Sept 2016 | <u><u>6,176</u></u> |
| Total comprehensive income for the financial period from 17 May 2016 to 30 Sept 2016 | <u><u>6,176</u></u> |

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

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 | 753,597 |
| Proportion of the Group's ownership interest | <u>35%</u> |
| Adjustments for:- | 263,755 |
| - Stamp duties paid | 735 |
| Dividends on redeemable cumulative preference shares that are payable to parties other than to the Company | <u>(16,594)</u> |
| Carrying amount of the investment in SWMEH as at 30 Sept 2016 | <u>247,896</u> |

- (c) On 17 May 2016, 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.
- (d) Toll Compensation from the Government of Malaysia (“Government”) for Deferral in Toll Tariff Increase

On 19 July 2016, the Government agreed to pay compensation of RM9.54 million for the delay in Grand Saga Sdn Bhd in implementing a toll tariff increase on 1 January 2015. The toll tariff increase was approved on 15 October 2015 whereas the compensation was subsequently received on 5 October 2016 and accrued as receivables in the current quarter (“Toll Compensation”).

A4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years of the Group that have had a material effect in the current quarter and financial 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 except for the issuance of 50 new ordinary shares of RM0.20 each at RM1.70 per share from the exercise of Warrants 2015/2018 (“Warrants”).

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

A6 – Dividends Paid

- (a) On 25 February 2016, the Board declared a fourth interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,189,779 in respect of the financial year ended 31 December 2015. The dividends were subsequently paid on 11 April 2016.
- (b) On 24 May 2016, the Board declared a first interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,189,779 in respect of the financial year ending 31 December 2016. The dividends were subsequently paid on 15 July 2016.

A6 – Dividends Paid (continued)

- (c) On 9 August 2016, the Board declared a second interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,189,779 in respect of the financial year ending 31 December 2016. The dividends were subsequently paid on 15 September 2016.

The total dividends paid to shareholders during the year amounted to RM72,569,337 (2015:RM43,753,608)

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 (“TMSB”) under the Companies Act, 1965 as a private company limited by shares on 27 June 2016. Subsequently, on 26 July 2016, TMSB increased its issued and paid up share capital from RM2 to RM500,000 by way of issuance of 499,998 new ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of TMSB. Out of the 499,998 ordinary shares issued, TMSB allotted 274,999 ordinary shares to the Company; 24,999 ordinary shares to Taliworks Construction Sdn Bhd, a wholly-owned subsidiary of the Company, and the remaining 200,000 ordinary shares to external shareholders. Consequently, TMSB became a 60% owned subsidiary of the Company;
- (e) the acquisition on 30 June 2016 by the Company of a 24% direct interest in Aqua-flo Sdn Bhd (“AFSB”) for RM1.2564 million from its 40% associate, Hydrovest Sdn Bhd, which held 60% of AFSB; and
- (f) on 16 August 2016, the Company announced that it had submitted to the Companies Commission of Malaysia, an application to strike-off Air Kedah Sdn Bhd (“AKSB”), a 60% owned subsidiary of the Company under Section 308 of the Companies Act, 1965 as AKSB has not commenced business since 2013 and has no intention to continue its business in the future.

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 Sep | <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>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</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> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| <u>Income Statement</u> | | | | | | | | | | | | | | | | |
| Revenue | 58,699 | 52,720 | 7,578 | 17,480 | 20,428 | 15,510 | 78,729 | - | 1,731 | - | 167,165 | 85,710 | (83,369) | (11,969) | 83,796 | 73,741 |
| Operating profit | 25,601 | 19,790 | (858) | (47) | 12,026 | 10,385 | 10,363 | - | 1,679 | (5,148) | 48,811 | 24,980 | (16,398) | (2,244) | 32,413 | 22,736 |
| PBT | 25,601 | 19,789 | (1,730) | (53) | 8,133 | 5,649 | 5,161 | - | 687 | (5,220) | 37,852 | 20,165 | (11,847) | (2,790) | 26,005 | 17,375 |
| PAT | 25,195 | 18,042 | (1,302) | (290) | 7,807 | 4,671 | 391 | - | 687 | (5,220) | 32,778 | 17,203 | (6,782) | (1,902) | 25,996 | 15,301 |
| <u>Other Financial Information</u> | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | (228) | (198) | (653) | (143) | (4,533) | (3,477) | (11,547) | - | (438) | (949) | (17,399) | (4,767) | 9,555 | (479) | (7,844) | (5,248) |
| EBITDA | 25,830 | 19,988 | (205) | 97 | 16,560 | 13,862 | 21,910 | - | 2,117 | (4,199) | 66,212 | 29,748 | (25,218) | (1,692) | 40,994 | 28,056 |
| EBDA | 25,424 | 18,240 | (649) | (147) | 12,341 | 8,147 | 11,938 | - | 1,126 | (4,271) | 50,180 | 21,969 | (16,340) | (1,420) | 33,840 | 20,549 |
| CAPEX | 302 | 296 | 4 | 5 | 163 | 225 | 579 | - | 44 | 18 | | | | | | |

A10 - Operating Segments (continued)

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

Notes

- 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 September 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 excluded a provision for discounting on a deferred payment consideration of RM14.536 million (Q3FY15- RM11.462 million) which was set-off against revenue; and a net provision of RM14.536 million (Q3FY15: RM6.898 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 Sep | 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 | 461,791 | 424,976 | 47,364 | 42,629 | 1,503,108 | 1,508,290 | 247,896 | - | 205,653 | 49,468 | - | 762,208 | 2,465,812 | 2,787,571 |
| Segment liabilities | (83,914) | (69,402) | (31,366) | (30,720) | (869,322) | (880,315) | - | - | (91,072) | (14,951) | - | (504,189) | (1,075,674) | (1,499,577) |
| Net segment assets | 377,877 | 355,574 | 15,998 | 11,909 | 633,786 | 627,975 | 247,896 | - | 114,581 | 34,517 | - | 258,019 | 1,390,138 | 1,287,994 |

**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*

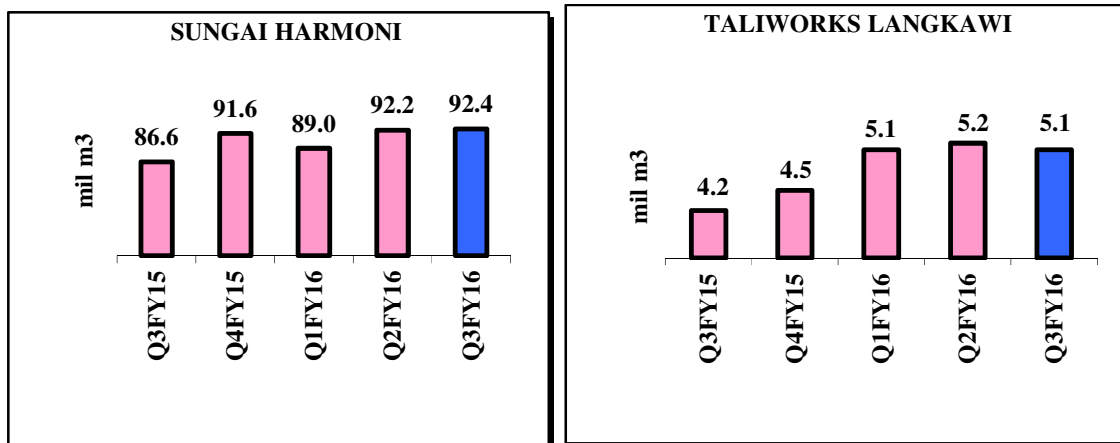
| | <u>3 Months</u> <u>Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>3 Months</u> <u>Ended</u> <u>30 Sep 2015</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2015</u> <u>RM'000</u> |
|---|--|--|--|--|
| Water treatment, supply and distribution | 58,699 | 52,720 | 173,542 | 161,067 |
| Construction | 7,578 | 17,480 | 35,331 | 49,023 |
| Toll operations | 30,324 | 15,003 | 71,489 | 44,550 |
| Others | 1,731 | - | 1,731 | - |
| | <u>98,332</u> | <u>85,203</u> | <u>282,093</u> | <u>254,640</u> |
| Less: Provision for discounting on a deferred payment consideration | (14,536) | (11,462) | (46,249) | (36,745) |
| Revenue from continuing operations | 83,796 | 73,741 | 235,844 | 217,895 |
| Revenue from discontinued operations (<i>Note A3(a)(v)</i>) | - | 38,284 | 27,562 | 92,846 |
| Total revenue | 83,796 | 112,025 | 263,406 | 310,741 |

(b) *Profit Before Tax*

| | <u>3 Months</u> <u>Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>3 Months</u> <u>Ended</u> <u>30 Sep 2015</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2015</u> <u>RM'000</u> |
|--|--|--|--|--|
| Water treatment, supply and distribution | 11,065 | 12,894 | 40,896 | 55,560 |
| Construction | (850) | (47) | 406 | 1,908 |
| Toll operations | 20,528 | 15,039 | 43,482 | 28,313 |
| Others | 1,670 | (5,150) | (6,984) | (13,181) |
| Operating profit | 32,413 | 22,736 | 77,800 | 72,600 |
| Finance cost | (7,145) | (5,433) | (17,906) | (15,873) |
| Share of results of joint venture | 50 | (199) | 795 | (676) |
| Share of results of associate | 687 | 271 | 2,863 | 882 |
| Profit before tax from continuing operations | 26,005 | 17,375 | 63,552 | 56,933 |
| Profit before tax from discontinued operations | - | 601 | 55,354 | (2,117) |
| Profit before tax for the period | 26,005 | 17,976 | 118,906 | 54,816 |

B1 – Analysis of Performance (continued)

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



(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 RM85.2 million to RM98.3 million, despite a lower contribution from the construction business. The increase was attributable to higher contribution from the water treatment, supply and distribution and toll businesses. However, after taking into account the impact from the provision for discounting, the Group revenue reduced to RM83.8 million. Nevertheless, it was still higher than RM73.7 million achieved a year ago.

On the Group’s profit before tax (“PBT”), the Group registered a jump in PBT from RM17.4 million to RM26.0 million, in spite of higher provision for discounting on a deferred payment consideration of RM14.5 million, compared to RM6.9 million in the corresponding quarter. Excluding the effects from the discounting, the Group PBT would be even higher at RM40.5 million, up from RM24.3 million recorded in corresponding quarter attributable to the following:-

- (a) higher metered sales from water business;
- (b) Toll Compensation mentioned in Note A3(d) and effects from toll rate increases commencing 15 October 2015 at the Cheras-Kajang highway (“Toll Increase”); and
- (c) higher income derived from management fees and unrealised foreign exchange gain on disposal proceeds in USD raised from Proposed Disposals.

The increase in PBT has mitigated by effects of downward revision of margins in SSP3 Project (as described below in the construction business) and higher financing costs incurred.

B1 Analysis of Performance (continued)

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

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 6.7% (i.e. from 86.6 million m³ (or 962 million litres per day (“MLD”)) to 92.4 million m³ (or 1,005 MLD), whereas in Langkawi operations, metered sales jumped by 20.9% i.e. from 4.22 million m³ to 5.1 million m³. At the operating level, the segmental profit (excluding the effects of discounting) stood at RM25.6 million compared to RM19.8 million achieved a year ago. This was mainly due to higher metered sales in both water treatment plants, coupled with lower rehabilitation, maintenance and upkeep costs incurred during the current quarter.

Construction

The construction segment recorded a dip in revenue to RM7.6 million in the current quarter, compared to RM17.5 million achieved a year ago. The decline in revenue was mainly attributable to revisions made to the estimates in the ongoing Mengkuang Dam Expansion Project as a result of actual quantity used in excess of the bill of quantities and reduction in the scope of work after an assessment was made. The total estimated construction revenue and costs from the project was revised downwards but with improved margins to be more reflective of the actual financial results in the current quarter in view that the project is nearing completion stage.

In spite of improved margins in Mengkuang Dam Expansion Project, the segment recorded an operating loss of RM0.9 million. The operating loss was mainly from a downward revision in margin made in the SSP3 Project “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)” which has been completed in the first half of this year and pending finalisation of accounts, coupled with higher overhead costs.

The other projects undertaken by the Group namely the Ganchong-Package 3A, the Langat 2 – Package 7 Balancing Reservoir projects, among others, have yet to commence.

It should be noted that the construction projects undertaken of the Group remain profitable and no foreseeable losses are anticipated at this juncture. In addition, the Group is in discussion with a client on a Variation of Pricing (“VOP”) amounting to up to RM5.6 million which can potentially be recognised in the subsequent quarters.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway jumped significantly by two-fold to RM30.3 million compared to RM15.0 million in the corresponding quarter despite a lower Average Daily Traffic (“ADT”) by 1.1% i.e. 135,098 vehicles per day compared to 136,569 vehicles per day recorded in the corresponding quarter. The increase in revenue was primarily from recognition of Toll Compensation coupled with the effect from the Toll Increase.

In line with the increase in revenue, the profit contribution for this quarter was higher compared to the corresponding quarter. However, excluding the Toll Compensation, the profit came in at RM11.0 million, which is lower than corresponding quarter by RM4.0 million due to recognition of proceeds from investment income of RM7.486 million as Other Income in the corresponding quarter.

B1 Analysis of Performance (continued)

(a) Current Quarter vs. Preceding Year's 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 0.3% at 87,927 vehicles per day coupled with lower provision for future resurfacing obligations recognised in the current quarter, despite of an increase in overhead costs.

Waste management – Share of results of associated company

Arising from the Proposed Acquisition, the Company's newly acquired associate, SWMEH contributed RM0.4 million to the Group's PBT in the current quarter.

Discontinued operations

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

(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 RM254.6 million to RM282.1 million mainly attributable to higher contributions from the water and toll business despite the lower contributions from construction business. However, after taking into account the impact from the provision for discounting, the Group revenue was lower at RM235.8 million, but still higher than the RM217.9 million recorded in the corresponding period.

The Group's PBT was higher in spite of higher provision for discounting on a deferred payment consideration of RM32.4 million compared to RM9.3 million recognised in the corresponding period. Excluding the effects from the discounting, the Group PBT was even higher at RM96.0 million, an increase from RM66.2 million recorded in corresponding period. The increase was mainly attributable to:-

- (a) higher metered sales from water business;
- (b) Toll Compensation and effects from the Toll Increase; and
- (c) higher income derived from management fee and unrealised foreign exchange gain on disposal proceeds in USD raised from the Proposal Disposals.

The increase in PBT mentioned above has mitigated by effects of downward revision of margins in the SSP3 Project and higher financing costs incurred.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business (excluding the impact from discounting) recorded an increase from RM161.1 million to RM173.5 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 6.2% (i.e. from 257.7 million m³ (or 954 million litres per day ("MLD")) to 273.6 million m³ (or 1,002 MLD) whereas in Langkawi operations, metered sales was higher by 7.9% i.e. from 14.29 million m³ to 15.42 million m³.

B1 Analysis of Performance (continued)

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

At the operating level, the segment profit was higher by RM8.5 million at RM73.3 million (after stripping out the effects of discounting) on account of higher revenue, coupled with lower rehabilitation, maintenance and upkeep costs incurred.

Construction

In the current financial period, the segmental revenue was lower by RM13.7 million from RM49.0 million to RM35.3 million as a result of the revision in estimate in the Mengkuang Dam Expansion Project. The lower operating profit of RM0.4 million recorded in the current quarter was due to downward revision in margin made in the SSP3 Project.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway was significantly higher at RM71.5 million compared to RM44.6 million in the corresponding period despite the lower ADT by 0.9% i.e. 135,062 vehicles per day compared to 136,292 vehicles per day achieved in the corresponding period. The higher toll revenue was primarily due to recognition of Toll Compensation and effects from the Toll Increase.

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. The profits in the corresponding period also included proceeds from investment income of RM7.486 million.

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 0.8% at 88,634 vehicles per day coupled with lower provision for future resurfacing obligations recognised in the current financial period, despite an increase in overhead costs.

Waste management –Share of results of associate

Arising from the Proposed Acquisition, the Company's newly acquired associate, SWMEH contributed RM2.2 million to the Group's PBT in the current financial period.

Discontinued operations

Following the completion of the Proposed Disposals, the Group ceased consolidating the results of the Disposal Companies. Arising therefrom, the revenue contribution from discontinued operation was significantly lower at RM27.7 million compared to RM92.8 million in the corresponding period.

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 Loss Before Tax ("LBT") of RM10.4 million.

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 Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>3 Months Ended</u> <u>30 Jun 2016</u> <u>RM'000</u> |
|---|--|--|
| Water treatment, supply and distribution | 58,699 | 58,351 |
| Construction | 7,578 | 12,186 |
| Toll operations | 30,324 | 20,719 |
| Others | 1,731 | - |
| | <u>98,332</u> | <u>91,256</u> |
| Less: Provision for discounting on a deferred payment consideration | (14,536) | (14,423) |
| Revenue from continuing operations | 83,796 | 76,833 |
| Revenue from discontinued operations | - | 9,026 |
| Total revenue | <u>83,796</u> | <u>85,859</u> |

(b) Profit Before Tax

| | <u>3 Months Ended</u> <u>30 Sep 2016</u> <u>RM'000</u> | <u>3 Months Ended</u> <u>30 Jun 2016</u> <u>RM'000</u> |
|--|--|--|
| Water treatment, supply and distribution | 11,065 | 17,174 |
| Construction | (850) | 958 |
| Toll operations | 20,528 | 11,076 |
| Others | 1,670 | (4,502) |
| | <u>32,413</u> | <u>24,706</u> |
| Operating profit | <u>32,413</u> | <u>24,706</u> |
| Finance cost | (7,145) | (5,531) |
| Share of results of joint venture | 50 | 428 |
| Share of results of associate | 687 | 2,115 |
| Profit before tax from continuing operations | 26,005 | 21,718 |
| Profit before tax from discontinued operations | - | 64,553 |
| Profit before tax for the period | <u>26,005</u> | <u>86,271</u> |

Continuing operations

The Group recorded a slight increase in revenue (excluding the impact from discounting) of RM7.0 million from RM91.3 million to RM98.3 million primarily from the Toll Compensation whilst the construction segment recorded a significant dip. However, after taking into account the impact from the provision for discounting, the Group revenue much lower at RM83.8 million, but still higher than RM76.8 million in previous quarter.

In line with the increase in Group revenue, the Group's PBT (after stripping out the effects of discounting) recorded an increase of RM11.8 million to RM40.5 million compared to RM28.7 million in the previous quarter due recognition of unrealised gain on foreign exchange on the disposal proceeds in USD raised from the Proposal Disposals, but mitigated by the higher financing costs and lower share of results from SWMEH. The Group's share of results from SWMEH is lower compared to previous quarter due to refinancing costs of its banking facility.

B1 Analysis of Performance (continued)

Discontinued operations

Due to the completion of Proposed Disposals on 17 May of this year, there was no contribution to the Group revenue and PBT from the Disposal Companies in the current quarter.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business as this segment contributes the bulk of the revenue and profits. The Group expects that the SSP1 operation, which is the main contributor to the Group, will continue to run its production above its design capacity of 950 MLD due to continuous increase in demand for treated water in the Klang Valley. The YTD average metered production stood at about 1,002 MLD compared to 950.4 MLD a year ago.

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 7 October of this year to re-negotiate terms with the Selangor government and which was reported to be extended by another 3 months. All of these points to a favourable development in the progress of the final stages 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 Mengkuang Dam Expansion Project in Pulau Pinang which commenced in 2011 is almost completed. Other projects in the pipeline include Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor and Wilayah Persekutuan Kuala Lumpur (“Langat 2-Package 7 Balancing Reservoir Project”) and the proposed construction and completion of the Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur (“Ganchong-Package 3A Project”) which were announced.

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. It is expected that both the highways will see modest traffic growth.

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 Sep 2016</u> RM'000 | <u>Year-to-date</u> <u>9 Months Ended</u> <u>30 Sep 2016</u> RM'000 |
|--|---|--|
| <u>Continuing operations</u> | | |
| <i>Revenue</i> | | |
| Provision for discounting on receivables (<i>Note A1(c)</i>) | (14,536) | (46,249) |
| Government compensation for deferment in toll hikes (<i>Note A3(d)</i>) | 9,540 | 9,540 |
| <i>Other operating income:</i> | | |
| Interest income on fixed deposits with licensed banks | 914 | 2,573 |
| Dividend from available-for-sale financial assets | 355 | 3,286 |
| Rental income | 125 | 484 |
| Reversal of discounting of receivables | - | 13,852 |
| Gain on redemption of available-for-sale financial assets | 2 | 436 |
| Unrealised gain on foreign exchange | 4,354 | 5,695 |
| <i>Cost of operations, administrative and other expenses:</i> | | |
| Depreciation and amortisation | (7,844) | (19,552) |
| Imputed interest on borrowing | (138) | (411) |
| Loss on redemption of available-for-sale financial assets | (2) | (2) |
| Unrealised foreign exchange losses | (2) | (685) |
| Reversal of interest income imputed on retention sum | 14 | (427) |
| <u>Discontinued operations</u> | | |
| <i>Other operating income:</i> | | |
| Gain on disposal of subsidiaries | - | 65,786 |
| Interest income on fixed deposits with licensed banks | - | 217 |
| Dividend income from available-for-sale financial assets | - | 2 |
| Gain on redemption of available-for-sale financial assets | - | 3 |
| Unrealised gain on foreign exchange | - | 58 |
| Recognition of government grant | - | 163 |
| Unwinding of discount on receivables | - | 9 |
| Value-added tax exempted by tax authority | - | 1,350 |
| <i>Cost of operations, administrative and other expenses:</i> | | |
| Depreciation and amortisation | - | (8,919) |
| Foreign exchange losses | - | (1,779) |

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

B5 – Income Tax Expense

| | <u>Current Quarter</u> | <u>Year-to-date</u> |
|---|------------------------|---------------------|
| | <u>3 Months</u> | <u>9 Months</u> |
| | <u>Ended</u> | <u>Ended</u> |
| | <u>30 Sep 2016</u> | <u>30 Sep 2016</u> |
| | <u>RM'000</u> | <u>RM'000</u> |
| Malaysian income tax: | | |
| -Current year tax | 5,499 | 17,256 |
| -Over provision in prior years | (1,431) | (1,431) |
| Deferred tax expense | (4,059) | (8,163) |
| Income tax expense from continuing operations | 9 | 7,662 |
| Income tax expense from discontinued operations (Note A3(a)(v)) | - | 512 |
| Total income tax expense | <u>9</u> | <u>8,174</u> |

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

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

As at 9 November 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 was as follows:-

| | <u>Gross proceeds raised</u> | | <u>Actual</u> | <u>Intended</u> |
|---|------------------------------|-------------------|--------------------|--------------------|
| | <u>USD'000</u> | <u>RM'000</u> | <u>utilisation</u> | <u>timeframe</u> |
| | | <u>Equivalent</u> | <u>RM'000</u> | <u>for</u> |
| | | | | <u>utilisation</u> |
| | | | | <u>RM'000</u> |
| Part finance the Proposed Acquisition /future investments/ working capital purposes/payment of dividends/ repayment of borrowings | 53,408 | 224,102 | 40,025 (N1) | Within 24 months |
| Estimated expenses for the proposals | 1,192 | 5,000 | 5,000 | Immediate |
| | <u>54,600</u> | <u>229,102</u> | <u>45,025</u> | |
| | ===== | ===== | ===== | |

(N1) The Company has utilised approximately RM39.605 million (USD10.0 million) for payment of dividends and working capital purposes. The remaining balance of RM0.42 million was for payment of actual expenses incurred in connection with the Proposed Disposals, which was higher than estimated.

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

| | ←-----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 | 111 | - | 111 | 410 | - | 410 |
| Bank overdraft | 1,475 | - | 1,475 | - | - | - |
| Revolving credit (Note A3(c)) | 80,000 | - | 80,000 | - | - | - |
| Islamic Medium Term Notes (“IMTN”) | - | - | - | 415,830 | - | 415,830 |
| | 81,586 | - | 81,586 | 416,240 | - | 416,240 |

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

B8 – Changes in Material Litigations

As at 9 November 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 (loss)/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>Ended</u> <u>30 Sep 2016</u> | <u>3 Months</u> <u>Ended</u> <u>30 Sep 2015</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2016</u> | <u>9 Months</u> <u>Ended</u> <u>30 Sep 2015</u> |
| (Loss)/Profit for the financial period attributable to owners of the Company (RM'000) | 19,513 | 10,804 | 95,475 | 35,326 |
| 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)) | - | 151 | 52,181 | (2,019) |
| (Loss)/Earnings used in the calculation of basic EPS from continued operations (RM'000) | 19,513 | 10,653 | 43,294 | 37,345 |
| Weighted average number of ordinary shares in issue ('000) # | 1,209,489 | 1,097,620 | 1,209,489 | 1,093,580 |

| | <u>Current Quarter</u> | | <u>Year-to-date</u> | |
|--------------------------------|------------------------|--------------------|---------------------|--------------------|
| | <u>3 Months</u> | <u>3 Months</u> | <u>9 Months</u> | <u>9 Months</u> |
| | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> |
| | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> |
| Basic EPS/(loss) (sen) | | | | |
| - From continuing operations | 1.61 | 0.97 | 3.58 | 3.41 |
| - From discontinued operations | - | 0.01 | 4.31 | (0.18) |
| Total Basic EPS (sen) | <u>1.61</u> | <u>0.98</u> | <u>7.89</u> | <u>3.23</u> |

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the (loss)/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 Q3FY15*). The Warrants (*applicable for FY16*) were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

| | <u>Current Quarter</u> | | <u>Year-to-date</u> | |
|--|------------------------|--------------------|---------------------|--------------------|
| | <u>3 Months</u> | <u>3 Months</u> | <u>9 Months</u> | <u>9 Months</u> |
| | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> |
| | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> |
| (Loss)/Profit for the financial period attributable to owners of the Company (RM'000) | 19,513 | 10,804 | 95,475 | 35,326 |
| Profit/(Loss) for the financial period from discontinued operations used in the calculation of diluted EPS from discontinued operations (RM'000) (<i>Note A3(a)(v)</i>) | - | 151 | 52,181 | (2,019) |
| (Loss)/Earnings used in the calculation of diluted EPS from continued operations (RM'000) | 19,513 | 10,653 | 43,294 | 37,345 |
| Weighted average number of ordinary shares in issue ('000) # | 1,209,489 | 1,097,620 | 1,209,489 | 1,093,580 |
| Effects of dilution from ESOS Options ('000) | - | 1,885 | - | 2,585 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 1,209,489 | 1,099,505 | 1,209,489 | 1,096,165 |

| | <u>Current Quarter</u> | | <u>Year-to-date</u> | |
|--------------------------------|------------------------|--------------------|---------------------|--------------------|
| | <u>3 Months</u> | <u>3 Months</u> | <u>9 Months</u> | <u>9 Months</u> |
| | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> | <u>Ended</u> |
| | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> | <u>30 Sep 2016</u> | <u>30 Sep 2015</u> |
| Diluted EPS/(loss) (sen) | | | | |
| - From continuing operations | 1.61 | 0.97 | 3.58 | 3.40 |
| - From discontinued operations | - | 0.01 | 4.31 | (0.18) |
| Total Diluted EPS (sen) | <u>1.61</u> | <u>0.98</u> | <u>7.89</u> | <u>3.22</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 third interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares of RM0.20 each, amounting to approximately RM24,189,780 in respect of the financial year ending 31 December 2016, to be paid on 23 December 2016.

For the financial year ending 31 December 2016, the Board has declared a total single-tier dividend of 6.0 sen per share to shareholders amounting to RM72,569,338 (2015: 6.0 sen per share amounting to RM67,943,387)

B11 – Auditors’ Reports

The auditors’ report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification. However, an emphasis of matter had been included by the Group’s auditors to draw attention on the uncertainty over the collectability of amounts owing by a customer in a subsidiary and the key bases and assumptions used by the Directors in estimating the recoverable amounts of the Intangible Assets of subsidiaries in the People’s Republic of China (which had since been disposed off on 17 May 2016).

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

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

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

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

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 Sep 2016 RM'000</u> | <u>Preceding Quarter Ended 30 Jun 2016 RM'000</u> |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised profits | 675,620 | 689,445 |
| - Unrealised profits | 61,600 | 53,188 |
| | 737,220 | 742,633 |
| Total share of retained earnings from associate: | | |
| - Realised profits | 8,035 | 7,348 |
| Total share of retained earnings from joint venture: | | |
| - Realised profit/(loss) | 959 | 909 |
| Total Group's retained earnings | 746,214 | 750,890 |

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 RM327.7 million are approximately:-

- (a) RM144.4 million held as securities for banking facilities secured by the Group, and
- (b) RM93.3 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
16 November 2016