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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017 (UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 28 November 2017

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Sep 2017 RM'000	31 Dec 2016 RM'000 (Audited)
ASSETS			
Property, plant and equipment		17,026	21,050
Investment properties		242	247
Intangible assets		1,134,353	1,155,333
Investment in joint venture		67,208	67,655
Investment in associates	A3(a)	240,629	251,854
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Deferred tax assets		39,559	31,906
Long-term trade receivable	A1(c)	357,147	277,470
Deposits, cash and bank balances	B13	32,591	154,123
Total Non-Current Assets		**2,018,380**	**2,089,263**
Inventories		1,503	1,488
Amount due from contract customers		17,668	13,101
Trade receivables	A1(c)	132,714	152,783
Other receivables, deposits and prepayments		8,936	21,342
Tax recoverable		2,044	1,466
Available-for-sale financial assets	B13	65,688	63,020
Deposits, cash and bank balances	B13	110,943	113,576
Total Current Assets		**339,496**	**366,776**
TOTAL ASSETS		**2,357,876**	**2,456,039**
EQUITY AND LIABILITIES			
Share capital		438,561	241,898
Reserves		632,822	879,074
Total Equity Attributable to Owners of the Company		**1,071,383**	**1,120,972**
Non-controlling interests		276,008	277,270
Total Equity		**1,347,391**	**1,398,242**
LIABILITIES			
Long-term borrowings	B7	416,592	416,185
Deferred tax liabilities		238,866	238,866
Long-term trade payables		8,588	7,250
Deferred income		156,294	156,294
Provision for heavy repairs		20,329	16,720
Total Non-Current Liabilities		**840,669**	**835,315**
Trade payables		123,758	88,003
Amount due to contract customers		-	184
Other payables and accruals		40,969	45,361
Tax liabilities		855	2,081
Short-term borrowings	B7	40	70,213
Deferred income		4,194	16,640
Total Current Liabilities		**169,816**	**222,482**
TOTAL LIABILITIES		**1,010,485**	**1,057,797**
TOTAL EQUITY AND LIABILITIES		**2,357,876**	**2,456,039**
Net assets per share attributable to owners of the Company (RM)		**0.8858**	**0.9269**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Sep 2016 RM'000	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
Continuing operations					
Revenue	B1	**74,311**	**83,796**	**236,944**	**235,844**
Cost of operations		(48,527)	(47,272)	(175,160)	(149,801)
Gross profit		**25,784**	**36,524**	**61,784**	**86,043**
Other operating income		3,113	6,265	21,080	27,855
Administrative and other expenses		(10,946)	(10,376)	(36,638)	(36,098)
Operating profit		**17,951**	**32,413**	**46,226**	**77,800**
Finance costs		(5,298)	(7,145)	(17,285)	(17,906)
Share of results of joint venture		19	50	(446)	795
Share of results of associates		1,814	687	6,342	2,863
Profit before tax	B4	**14,486**	**26,005**	**34,837**	**63,552**
Income tax expense	B5	(2,269)	(9)	(6,890)	(7,662)
Profit for the financial period from continuing operations		**12,217**	**25,996**	**27,947**	**55,890**
Discontinued operations	B14				
Profit for the financial period from discontinued operations, net of tax		-	-	-	54,842
PROFIT FOR THE FINANCIAL PERIOD		**12,217**	**25,996**	**27,947**	**110,732**
Other comprehensive income/(loss):					
Net fair value gain on available-for-sale financial assets		118	138	632	291
Currency translation differences of foreign operations		-	-	-	(13,568)
Currency translation differences – transfer to profit or loss upon Disposal of Foreign Operations		-	-	-	(46,176)
Total other comprehensive income/(loss) for the financial period		**118**	**138**	**632**	**(59,453)**
Total comprehensive income for the financial period		**12,335**	**26,134**	**28,579**	**51,279**

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Sep 2016 RM'000	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
Profit for the financial period attributable to:					
Owners of the Company		9,950	19,513	22,628	95,475
Non-controlling interests		2,267	6,483	5,319	15,257
		12,217	**25,996**	**27,947**	**110,732**
Total comprehensive income for the financial period attributable to:					
Owners of the Company		10,009	19,586	22,981	39,332
Non-controlling interests		2,326	6,548	5,598	11,947
		12,335	**26,134**	**28,579**	**51,279**
Earnings per share attributable to owners of the Company (sen per share):	B9				
Basic and diluted					
- From continuing operations		0.82	1.61	1.87	3.58
- From discontinued operations		-	-	-	4.31
Total		0.82	1.61	1.87	7.89

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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							
	Share capital RM'000	Share premium RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
As of 1 January 2017	**241,898**	**196,663**	**(66)**	**(71,500)**	**753,977**	**1,120,972**	**277,270**	**1,398,242**
Available-for-sale financial assets	-	-	353	-	-	353	279	632
Total other comprehensive income for the financial period	-	-	353	-	-	353	279	632
Profit for the financial period	-	-	-	-	22,628	22,628	5,319	27,947
Total comprehensive income for the financial period	-	-	353	-	22,628	22,981	5,598	28,579
Transactions with owners of the Company:								
Dividends paid *(Note A6)*	-	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	(6,860)	(6,860)
Transition to no-par value regime*	196,663	(196,663)	-	-	-	-	-	-
Total transactions with owners of the Company	196,663	(196,663)	-	-	(72,570)	(72,570)	(6,860)	(79,430)
As of 30 September 2017	**438,561**	**-**	**287**	**(71,500)**	**704,035**	**1,071,383**	**276,008**	**1,347,391**

* *Effective from 31 January 2017, the new Companies Act 2016 ('the Act') abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium account of RM196,663,333 becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital RM'000	Share premium RM'000	Currency Translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity 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	-	-	(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:									
Proceeds from exercise of Warrants	-*	-*	-	-	-	-	-*	-	-*
Dividends paid *(Note A6)*	-	-	-	-	-	(72,569)	(72,569)	-	(72,569)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	-	(14,504)	(14,504)
Non-controlling interest arising from issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	200	200
De-recognition on disposal of subsidiaries	-	-	-	-	-	-	-	(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**

*Includes 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018.

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	34,837	118,906
Adjustments for:		
Non-cash items	45,990	(26,697)
Interest income	(2,936)	(2,789)
Finance costs	17,285	26,713
Operating Profit Before Working Capital Changes	95,176	116,133
Net increase in inventories, amount due from contract customers, trade and other receivables	(97,166)	(101,960)
Net increase in trade and other payables	37,638	3,762
Cash Used In Operations	35,648	17,935
Income tax paid	(16,569)	(15,241)
Income tax refunded	221	-
Net Cash From Operating Activities	**19,300**	**2,694**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,334	2,761
Property, plant and equipment:		
- proceeds from disposal	294	154
- purchase	(1,336)	(2,003)
Purchase of intangible assets	-	(1,404)
Repayment from joint venture	905	-
Repayment from associates	671	-
Net cash inflow on disposal of subsidiaries	-	152,229
Investment in associate	-	(245,880)
Dividend income from associates	15,180	408
Proceeds from increase of non-controlling interest in a subsidiary	-	200
Compensation received *(Note A3(a))*	17,087	-
Available-for-sale financial assets:		
- purchase	(59,000)	(73,163)
- proceeds from redemption	58,188	264,331
Withdrawal/(Placement) of deposits pledged as security	117,252	(109,560)
Decrease in proceeds deposited in designated bank accounts	-	10,162
Net Cash From/(Used In) Investing Activities	**152,575**	**(1,765)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(22,696)	(28,993)
Repayment of bank borrowings *(Note A3(b))*	(70,000)	(18,311)
Drawdown of bank borrowings	-	103,608
Dividends paid by a subsidiary to non-controlling interest	(6,860)	(14,504)
Repayment of finance lease payables	(176)	(266)
Dividends paid *(Note A6)*	(72,569)	(72,570)
Net Cash Used In Financing Activities	**(172,301)**	**(31,036)**

CONDENSED STATEMENTS OF CASH FLOWS

	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(426)	(30,107)
Effects of foreign exchange rate changes	(2,207)	378
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	113,576	157,939
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**110,943**	**128,210**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	130,259	267,864
Cash and bank balances	13,275	8,263
Total deposits, cash and bank balances	143,534	276,127
Less: Deposits pledged as security	(32,591)	(146,442)
Less: Overdrafts	-	(1,475)
	110,943	**128,210**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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") and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by 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 2016. 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 2017.

MFRSs, Amendments to MFRSs

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014-2016 Cycle	

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

Standards in issue but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Clarification to 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
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2014-2016 Cycle	

The Board anticipates 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:

Foreign currency	30 Sep 2017	30 Jun 2017	30 Sep 2016
	RM	RM	RM
1 US Dollar (USD)	4.22	4.29	4.14

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

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

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

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

(i) In 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn Bhd ("Air Selangor"), a special purpose vehicle created by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya ("Supply Area") by acquiring all the concessionaires ("Water Restructuring") namely, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1 and 3, Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 2, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), the concessionaire for the distribution of treated water in the Supply Area and Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd ("ABASS"). ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

(ii) The Selangor state government, through Air Selangor, completed the acquisitions of Puncak Niaga (M) Sdn Bhd and SYABAS in October 2015 and Titisan Modal (M) Sdn Bhd in January 2016. However, the proposed take-over of SPLASH did not proceed due to pricing disagreements. SPLASH has been given a one-year grace period until 7 October 2016 to re-negotiate terms with the Selangor State Government but there were subsequent extensions given until October 2017. Nevertheless, upon expiry of the said dateline, it was reported in the media that the Ministry of Energy, Green Technology and Water ("KeTTHA") had written to the Selangor State Government to further extend the share sale and purchase agreement for SPLASH until 4 July 2018. Pending the acquisition of SPLASH by Air Selangor, SYABAS has not been making full monthly payments to SPLASH and SPLASH in turn is unable to make full monthly payments to SHSB resulting in the gross invoiced amount from SPLASH to SHSB as of 30 Sept 2017 to be RM587.373 million (30.6.2017: RM559.255 million), an increase of RM28.118 million ("Amount Due from SPLASH").

(iii) In July 2016, the quantum of payments from SPLASH had been reduced from about 60% of the monthly billings to approximately 34% with no indication that the quantum will be increased or decreased in the future. The Group has had discussions with the Selangor Economic Planning Unit and Air Selangor to reach a possible settlement on the Amount Due from SPLASH. Whilst several settlement terms have been discussed, no final terms have been concluded.

(iv) In assessing the timing of repayment of Amount Due from SPLASH, the Board has taken the probability-weighted average approach on three (3) different scenarios, using the repayment terms as parameters to determine the provision for discounting on a deferred payment consideration. Under this approach, the Board has set out the scenarios and placed an equal probability of one-third to each of the scenario. These scenarios are based on the Board's assumptions as to future events which the Board expect to take place as of the time the assumptions were made but the actual outcome could differ from the scenarios taken.

A1 – Basis of Preparation (continued)

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

The three assumptions used in the timing of collection to determine the provision for discounting on the Amount Due from SPLASH are as follows: -

Scenario	Assumption	Basis/Reason
A	The Board assumes that pending the completion of acquisition of SPLASH by Air Selangor, the quantum of payment from SPLASH would remain at approximately 34%.	This is the current payment pattern by SPLASH since July 2016. However, under this scenario, the amount of payment by SPLASH is not sufficient to sustain the business operations of SHSB.
B	The Board assumes that pending the completion of acquisition of SPLASH by Air Selangor, the quantum of payment from SPLASH would be increased to approximately 60%.	This was the payment pattern by SPLASH prior to July 2016. This is the minimum amount of payment required to sustain the business operations of SHSB.
C	The Board assumes that the acquisition of SPLASH by Air Selangor would be completed, but the Amount Due from SPLASH would be settled over several instalments.	This is based on a precedent debt settlement scheme undertaken in 2005 by SHSB and SPLASH.

A net impact of RM9,623,000 (30.9.2016: RM14,536,000) provision for discounting on the Amount Due from SPLASH has been made in the current quarter, comprising:

(a) a provision for discounting on a deferred payment consideration of RM10,805,000 (30.9.2016: RM14,536,000) which was set-off against revenue; and

(b) a reversal of discounting of receivables amounting to RM1,182,000 (30.9.2016: RM NIL) recognised as other operating income.

(v) As at the end of the financial period, the total accumulated provision for discounting of receivables made was approximately RM156.921 million (30.9.2016: RM107.056 million). Assuming that subsequent to the financial period, the Amount Due from SPLASH can be addressed pursuant to the conclusion of the Water Restructuring, the Group will potentially recognise back to the Income Statement the accumulated provision for discounting of receivables on the assumption that the Amount Due from SPLASH is paid in full, without any deductions and not deferred over a period.

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

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

There are no significant seasonal or cyclical factors affecting the operations of the Group.

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

There are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial period, except for the following:-

(a) The Company received a compensation amounting to RM17,087,000 from LGB Holdings Sdn Bhd as disclosed in Note 47 of the Audited Financial Statements - Subsequent Events. The Compensation received has been recognised as a reduction to the carrying amount of investment in associate, SWM Environment Holdings Sdn. Bhd. ("SWMH"), in these interim financial statements.

(b) On 17 May 2016, the Company had drawndown RM80 million from a revolving credit facility of RM100 million to part finance the acquisition of SWMH (referred to in Note 46 of the Audited Financial Statements - Significant Events) pending the conversion of the USD proceeds from the Disposal of Foreign Operations (referred to in Note B14) to the local currency. The revolving credit was to be subsequently repaid from the proceeds from the said disposal. During the financial period, the outstanding balance of the revolving credit amounting to RM70 million has been fully settled by the Group from part conversion of the USD proceeds. RM10 million was paid in 2016.

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

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

(b) As at the end of the financial period, the Company has 241,897,740 outstanding Warrants 2015/2018 ("Warrants") 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 16 February 2017, the Board declared a fourth interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,189,780 in respect of the financial year ended 31 December 2016. The dividends were subsequently paid on 31 March 2017.

(b) On 22 May 2017, the Board declared a first interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,189,780 in respect of the financial year ending 31 December 2017. The dividends were subsequently paid on 14 July 2017.

(c) On 16 August 2017, the Board declared a second interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,189,780 in respect of the financial year ending 31 December 2017. The dividends were subsequently paid on 21 September 2017.

The total dividends paid to shareholders during the financial period amounted to RM72,569,340 (2016: RM72,569,337).

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.

(a) Over-provision of Heavy Repair in Toll Division

The Group makes provision for heavy repairs on the highways that it operates based on estimated cost of heavy repair to be incurred in the future years (which is based on past costs incurred escalated to determine the future cost) and discounted to present value. As a general rule, heavy repairs are scheduled to be undertaken on a seven-year cycle to maintain pavement quality and integrity. A material portion of the Cheras-Kajang Highway pavement was handed over to MRT Corporation in 2014 for the construction of the Kuala Lumpur to Kajang portion of the Klang Valley Mass Rapid Transit ("MRT"). As per their contractual commitment, upon completion of the MRT project works, MRT Corporation had performed substantial pavement repair works covering a material portion of the highway mainline, including road marking works.

As such, based on the management's assessment of the pavement condition and to be re-affirmed by an independent Pavement Condition Assessment ("PCA") consultant's report, the Group has subsequent to the financial period, decided to defer the major heavy repairs scheduled in 2018 to 2021. The deferment will, subject to the concurrence of the company's auditors, result in a write back of approximately RM6.15 million of provision for heavy repairs charged in the previous years.

(b) Receipt of Toll Compensation

Subsequent to the financial period, a joint-venture company, Grand Sepadu (NK) Sdn Bhd ("Grand Sepadu"), the operator of the New North Klang Straits Bypass Expressway, received RM8.125 million compensation from the Federal Government for non-increase in scheduled toll rate hike on 1 January 2016. The compensation was in respect of the balance of the compensation receivable for the year 2016 and a 50% advance compensation for 2017. Arising therefrom, the Group will recognise RM2.3 million from the share of results from this joint venture in the following quarter.

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter and financial period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations.

A9 – Other Significant Events and Transactions

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

A10 - Operating Segments

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

	Water		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Amount as per Statement of comprehensive income	
3 months ended 30 Sep	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000 Restated (*Note 4*)	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income Statement																
Revenue	58,673	58,699	75,677	78,729	3,382	7,578	15,469	19,602	1,316	1,731	154,517	166,339	(80,206)	(82,543)	74,311	83,796
Operating profit	21,470	25,601	26,149	24,389	(909)	(858)	6,907	11,768	(3,683)	1,679	49,934	62,579	(31,983)	(30,166)	17,951	32,413
Profit/(Loss) before tax	21,470	25,601	18,954	19,187	(913)	(1,730)	3,204	8,075	(3,683)	687	39,032	51,820	(24,546)	(25,815)	14,486	26,005
Profit/(Loss) after tax	19,102	25,195	14,241	14,418	(778)	(1,302)	2,756	7,801	(3,683)	687	31,638	46,799	(19,421)	(20,803)	12,217	25,996
Other Financial Information																
Depreciation and amortisation	(239)	(228)	(8,518)	(8,663)	(93)	(653)	(5,646)	(4,333)	(455)	(438)	(14,951)	(14,315)	6,473	6,471	(8,478)	(7,844)
EBITDA	21,709	25,830	34,667	33,053	(816)	(205)	12,553	16,101	(3,228)	2,117	64,885	76,896	(38,456)	(36,639)	26,429	40,257
EBDA	19,341	25,424	22,759	23,081	(685)	(649)	8,402	12,134	(3,228)	1,126	46,589	61,116	(25,894)	(27,276)	20,695	33,840
CAPEX	105	302	2,030	579	-	4	213	144	13	44	2,361	1,104				

A10 - Operating Segments (continued)

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associates and joint venture).
(ii) EBDA is defined as earnings before depreciation and amortisation.
(iii) CAPEX is defined as capital expenditure based on the Group's proportionate share on capital expenditure incurred for the year.

Notes

1. *The Group monitors the performance of its business by four main business divisions namely water, waste management, construction and toll highway. Others refer to holding company and other non-core businesses.*

2. *The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Statements of Profit or Loss and Other Comprehensive Income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.*

3. *The segmental information on the water division excludes the provision for discounting on a deferred payment consideration and a reversal of discounting of receivables as disclosed in Note A1(c)(iv) above. This is to better assess the operational performance of the division without the impact from the discounting.*

4. *The segmental information on the waste management division excludes the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of the EBITDA and EBDA) are solely from the concession business, before proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

	Water		Waste management		Construction		Toll highway		Others		Total	
As at 30 Sep	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	541,083	461,791	230,387	247,896	51,089	47,364	1,470,639	1,503,108	64,678	205,653	2,357,876	2,465,812
Segment liabilities	(119,376)	(83,914)	-	-	(37,961)	(31,366)	(841,579)	(869,322)	(11,569)	(91,072)	(1,010,485)	(1,075,674)
Net segment assets	**421,707**	**377,877**	**230,387**	**247,896**	**13,128**	**15,998**	**629,060**	**633,786**	**53,109**	**114,581**	**1,347,391**	**1,390,138**

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

B1 – Overall Review of Group's Financial Performance

Part A – Review of Statement of Financial Position

As at end of the financial period, the carrying amount of investment in associates was lower at RM240.6 million compared to RM251.9 million mainly attributable to the receipt of a compensation as mentioned in Note A3(a).

The high trade receivables particularly the amount owing by SPLASH continues to be a major concern as it has long been outstanding due to the uncertainties in the Selangor water restructuring exercise. Other receivables, deposits and prepayments saw a marked reduction mainly due to the receipt of dividend payments from SWMH which was declared in the previous financial year.

The Group's short-term borrowings reduced to RM0.04 million from RM70.2 million mainly due to the full repayment of the revolving credit and overdraft facilities during the financial period. On the other hand, trade payables increased from RM88.0 million to RM123.8 million mainly due to the increase in trade payables in the construction division as well as in SHSB, owing to the partial payments received from SPLASH which limits the ability of SHSB in paying its creditors in full.

Available-for-sale financial assets and deposits, bank and cash balances totalled RM209.2 million, down from RM330.8 million nine months ago, principally from repayment of revolving credit facility, dividends, interest payments and working capital requirements, which was off-set by the receipt of dividends and compensation from SWMH.

Part B – Review of Income Statement

Revenue

	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Sep 2016 RM'000	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
Water	58,673	58,699	173,988	173,542
Construction	3,382	7,578	43,297	35,331
Toll highway	21,745	30,324	63,754	71,489
Others	1,316	1,731	3,999	1,731
	85,116	98,332	285,038	282,093
Less: Provision for discounting on a deferred payment consideration	(10,805)	(14,536)	(48,094)	(46,249)
Total revenue	**74,311**	**83,796**	**236,944**	**235,844**

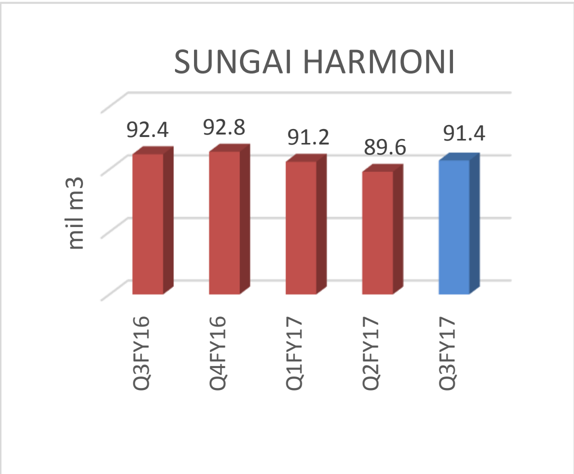
B1 – Overall Review of Group's Financial Performance (continued)

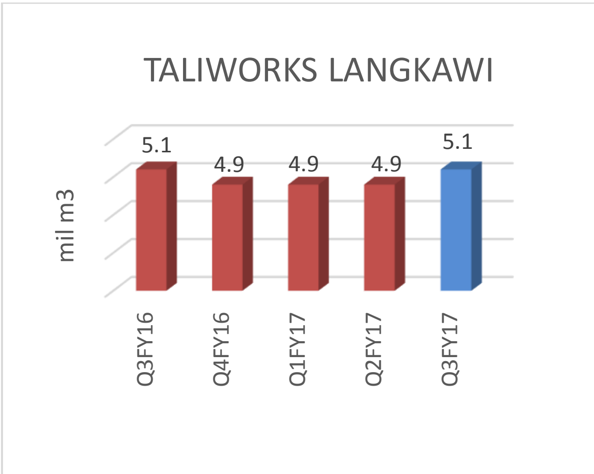
Part B – Review of Income Statement (continued)

Profit Before Tax

	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Sep 2016 RM'000	9 Months Ended 30 Sep 2017 RM'000	9 Months Ended 30 Sep 2016 RM'000
Water	11,847	11,065	32,234	40,896
Construction	(910)	(850)	(134)	406
Toll highway	10,697	20,528	28,895	43,482
Others	(3,683)	1,670	(14,769)	(6,984)
Operating profit	**17,951**	**32,413**	**46,226**	**77,800**
Finance cost	(5,298)	(7,145)	(17,285)	(17,906)
Share of results of joint venture	19	50	(446)	795
Share of results of associates	1,814	687	6,342	2,863
Profit before tax for the period	**14,486**	**26,005**	**34,837**	**63,552**

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





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

Overall Summary

Before the impact from provision for discounting, the Group's revenue recorded a substantial decrease from RM98.3 million to RM85.1 million in the current quarter mainly due to lower contribution from the construction and toll business. However, after considering the impact from the provision for discounting, the Group revenue reduced to RM74.3 million compared to RM83.8 million achieved a year ago.

On the Group's profit before taxation ("PBT"), the Group registered a PBT of RM14.5 million compared to RM26.0 million in the corresponding quarter. However, excluding the effects of discounting, the Group's PBT stood at RM24.1 million compared to RM40.5 million in the corresponding quarter primarily due to the following: -

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

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

(a) compensation from the Government of Malaysia for the deferment in toll tariff increase in the Cheras-Kajang Highway to 15 October 2015 instead of the effective date on 1 January 2015, amounting to RM9.54 million, received and recognised in corresponding quarter ("Toll Compensation");

(b) unrealised loss on foreign exchange amounting to RM0.6 million recognised in the current quarter compared to an unrealised gain on foreign exchange of RM4.4 million in the corresponding quarter on the USD proceeds raised from the Disposal of Foreign Operations referred to in Note B14; and

(c) higher operating costs in both the water treatment plants, as further elaborated below.

Nevertheless, the lower PBT was mitigated by higher share of results from an associate company, SWMH, coupled with lower financing costs arising from the full repayment of the revolving credit facility in the previous quarter.

Water

Revenue from the water segment for the current quarter was almost similar compared to corresponding quarter. In Sungai Selangor Water Treatment Works Phase I ("SSP1"), the metered sales recorded a marginal decrease by 1.1% (i.e. from 92.4 million m3 (or 1,005 million litres per day ("MLD")) to 91.4 million m3 (or 993 MLD), while metered sales in Langkawi operations remained relatively the same compared to the corresponding quarter.

Despite registering similar revenue, the operating profit (excluding the effects of discounting) was lower at RM21.5 million compared to RM25.6 million achieved a year ago on account of higher rehabilitation and maintenance costs incurred during the quarter as well as higher unit electricity costs from the increase in TNB's Special Industrial Tariff commencing January 2017. For the quarter, total rehabilitation and maintenance costs incurred for both water treatment operations was RM5.2 million (2016: RM3.6 million).

Construction

The construction revenue decreased by RM4.2 million to RM3.4 million compared to RM7.6 million achieved a year ago, mainly attributable to completion of the Mengkuang Dam Expansion Project in the previous quarter but pending finalisation of accounts. The revenue for the current quarter was solely contributed from two (2) on-going projects, namely Ganchong-Package 3A Project and New Access to New North Klang Straits Bypass Expressway ("NNKSB") (Jalan Haji Sirat) Project, both of which were secured in September of last year.

Despite revenue from the two on-going projects mentioned above, the division recorded an operating loss of RM0.9 million due to downward revision in the estimated construction margin from the Ganchong-Package 3A Project because increases in the price of raw materials especially steel. In contrast, the operating loss recorded in the corresponding quarter was due to downward revision in margin made in the SSP3 Project "Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3.

The other project undertaken by a 20% associate, namely the proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur ("Langat 2 - Package 7 Balancing Reservoir Project"), of which a portion of the works was sub-contracted to the Group, is at the initial stage of site clearing and earth works.

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

B1 – Overall Review of Group's Financial Performance (continued)

<u>Part B – Review of Income Statement (continued)</u>

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

<u>Toll highway - Subsidiary</u>

The revenue contribution from Grand Saga Sdn. Bhd; the operator of the Cheras-Kajang highway, was lower by RM8.6 million at RM21.7 million compared to RM30.3 million achieved in the corresponding quarter due to recognition of the Toll Compensation. Excluding the Toll Compensation, the revenue was higher by RM1.0 million with higher Average Daily Traffic ("ADT") by 5.6% i.e. 142,707 vehicles per day compared to 135,098 vehicles per day mainly due to the declining effect of the increase in toll rates in October 2015. Nevertheless, the company recorded a drop in operating profit due to higher amortisation expenses arising from the change in the method of amortisation of Highway Development Expenditure ("HDE") in the fourth quarter of last year ("HDE Amortisation") despite lower operating and maintenance costs incurred in the current quarter.

<u>Toll highway – Joint venture</u>

The Group's share of results in Grand Sepadu was lower compared to the corresponding quarter due to higher HDE Amortisation expenses. In terms of overall ADT, there was increase by 0.9% to 88,732 vehicles per day from 87,927 vehicles per day.

<u>Waste management – Associate</u>

The Group's share of results in associates was mainly contributed by SWMH. The Group's share of results from SWMH was higher at RM1.4 million compared to RM0.4 million a year ago due to refinancing costs of its banking facility in the corresponding quarter.

(b) <u>Current Year-to-date vs. Preceding Year-to-date</u>

<u>Overall Summary</u>

For the current financial period, the Group revenue (excluding the impact from discounting) increased from RM282.0 million to RM285.0 million mainly attributable to higher contributions from the construction business. However, after considering the impact from the provision for discounting, the Group revenue was lower at RM236.9 million. Nevertheless, it was still higher than RM235.8 million achieved in the corresponding period.

For the financial period, the Group reported a profit after tax of RM27.9 million compared to RM110.7 million in the corresponding period largely due to RM54.8 million of profits that was recognised from the disposal of the waste management business in the People's Republic of China referred to Note B14.

For the Continuing Operations, the Group registered a lower PBT of RM34.8 million compared to RM63.6 million in the corresponding period. Excluding the provision for discounting on receivables, the Group's PBT stood at RM67.6 million compared to RM95.9 million mainly attributable to the following:-

(a) Toll Compensation recognised in the corresponding period, coupled with higher HDE Amortisation expenses in the current financial period;

(b) higher operating costs in both the water treatment plants;

(c) loss on foreign exchange (both realised and unrealised) amounting to RM6.4 million recognised in the current quarter compared to an unrealised gain on foreign exchange of RM5.7 million in the corresponding period, net of higher income derived from management fee.

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

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

Nevertheless, the lower PBT was mitigated by higher share of results from an associate company, SWMH which was acquired during the second quarter of last year.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business (excluding the impact from discounting) recorded a slight increase from RM173.5 million to RM174.0 million in the current financial period. Metered sales in SSP1 was marginally lower by 0.5% (i.e. from 273.6 million m3 (or 1,002 MLD to 272.2 million m3 (or 997 MLD) whereas in the Langkawi operations, metered sales were lower by 3.2% i.e. from 15.42 million m3 to 14.92 million m3. Despite the lower metered sales in both water treatment operations, the segment still managed to record higher revenue because higher electricity and chemical rebates which was passed through from the higher electricity and chemical costs.

The segment profit was lower by RM8.3 million at RM65.0 million (after stripping out the effects of discounting) on account of higher operating costs in both water treatment operations during the financial period primarily from higher rehabilitation and maintenance costs, increases in unit chemical costs incurred as well as higher unit electricity costs due to increase in TNB's Special Industrial Tariff commencing January 2017. For the financial period, total rehabilitation and maintenance costs incurred for both water treatment operations was RM14.3 million (2016: RM11.2 million).

Construction

Despite completion of SSP3 Project in the corresponding period, the segment recorded a RM8.0 million increase in revenue from RM35.3 million to RM43.3 million due to higher contribution from existing on-going projects. Despite the higher revenue, the profit contributed from this segment was lower on account of higher overhead costs incurred, specifically from staff incentives incurred.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway was decreased significantly at RM63.8 million compared to RM71.5 million in the corresponding period despite the higher ADT growing by 4.4% i.e. 141,063 vehicles per day compared to 135,062 vehicles per day achieved in the corresponding period. The lower toll revenue was primarily due to recognition of Toll Compensation in the corresponding period. However, after stripping out the Toll Compensation, the company recorded a drop in operating profit due to higher HDE Amortisation expenses.

Toll operations -Share of results of joint venture

The Group's share of results in Grand Sepadu was lower compared to the corresponding period mainly arising from higher HDE Amortisation expenses. In terms of overall ADT, there was a slight decrease by 0.9% at 87,794 vehicles per day from 88,635 vehicles per day.

Waste management –Share of results of associate

Following the completion of the SWM Acquisition on 17 May 2016, the Group began to equity account the results of the SWMH. Arising therefrom, the share of results of associates was higher at RM5.2 million compared to RM2.2 million in the corresponding period.

B1 – Overall Review of Group's Financial Performance (continued)

Part B – Review of Income Statement (continued)

(c) Material Change in Financial Performance for the Current Quarter Compared with Preceding Quarter

Revenue

	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Jun 2017 RM'000
Water	58,673	57,442
Construction	3,382	28,030
Toll highway	21,745	21,203
Others	1,316	1,367
	85,116	108,042
Less: Provision for discounting on a deferred payment consideration	(10,805)	(16,762)
Total revenue	**74,311**	**91,280**

Profit Before Tax

	3 Months Ended 30 Sep 2017 RM'000	3 Months Ended 30 Jun 2017 RM'000
Water	11,847	10,792
Construction	(910)	1,043
Toll highway	10,697	9,659
Others	(3,683)	(6,706)
Operating profit	**17,951**	**14,788**
Finance cost	(5,298)	(6,010)
Share of results of joint venture	19	(212)
Share of results of associate	1,814	1,736
Profit before tax for the period	**14,486**	**10,302**

The Group recorded a decrease in revenue from RM108.0 million to RM85.1 million (excluding the impact from discounting) primarily from construction segment due to upward revision in the contract sum for Mengkuang Dam Expansion Project in the previous quarter. After taking into account the impact from the provision for discounting, the Group revenue stood at RM74.3 million compared to RM91.3 million in previous quarter.

The Group's PBT (after stripping out the effects of discounting) registered an increase of RM2.9 million to RM24.1 million compared to RM21.2 million in the previous quarter due to the following:-

(a) higher profit contribution from both Cheras-Kajang highway and New North Klang Straits Bypass Expressway due to higher ADT, coupled with lower operating costs; and

(b) lower loss on foreign exchange. The Group recorded an unrealised loss of RM0.6 million in the current quarter compared to a realised loss on foreign exchange amounting to RM4.1 million recognised in the previous quarter arising from the conversion of the USD proceeds to settle the outstanding balance of revolving credit as mentioned in Note A3(b);

but the increase was off-set by the impact of downward revision in margin in the Ganchong-Package 3A Project due to increases in the price of raw materials mentioned above.

B1 – Overall Review of Group's Financial Performance (continued)

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM0.4 million during the financial period mainly due to withdrawal of deposits pledged as security of RM117.3 million, receipt of dividend income from SWMH and compensation (Note A3(a)), net of repayment of revolving credit of RM70.0 million, interest payments principally on the ITMN and payment of dividends to shareholders of the Company and to non-controlling interest made by a subsidiary.

Net cash from Operating Activities for the nine months was recorded at RM19.3 million due to the continued partial payments of trade receivables from SPLASH and delayed in payments to trade and other payables.

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 although the YTD average metered production came in slightly lower at about 997 MLD compared to 1,002 MLD a year ago. The Group is optimistic that the Water Restructuring exercise can be concluded in the near term which will address the long outstanding issue on the repayment of trade receivables from SPLASH. Nevertheless, pending the 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 has received the certificate of practical completion. The New Access to NNKSB (Jalan Haji Sirat) Project which commences work in the previous quarter will be due to complete by first quarter of 2018. The other project in the pipeline is the Langat 2 - Package 7 Balancing Reservoir Project which is currently at its initial stage of site clearing and earth works, is due to complete by first quarter of 2019. Currently, the Group has three on-going projects and the Group is continuing with its efforts to tender for more infrastructure projects to boost its order book.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the NNKSB is expected to be moderate. The commencement of the Kuala Lumpur to Kajang portion of the Klang Valley Mass Rapid Transit ("MRT") service on 17 July 2017, saw a decline in ADT at the Cheras-Kajang Highway, albeit at a smaller percentage than the Group had anticipated. However, it is envisaged that the impact of the MRT operations is likely to be temporary and over the long term, the MRT service would complement the Highway's growth by providing connectivity and aiding the development of new townships in surrounding areas. Currently, Grand Sepadu, which operates the NNKSB, is undertaking construction of a new access to the NNKSB at Jalan Haji Sirat. This new inter-change will provide a direct access into the Expressway for residents and business owners from the surrounding industrial areas and is expected to contribute positively to the projected toll revenue of the company once it is completed in early of next year.

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

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

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecasts or guarantees were issued or published.

B4 – Profit before tax

Included in the profit before tax are the following items:-

	3 Months ended 30 Sep		9 Months ended 30 Sep	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue				
Provision for discounting on receivables *(Note A1(c)(iv))*	(10,805)	(14,536)	(48,094)	(46,249)
Government compensation for deferment in toll hikes	-	9,540	-	9,540
Other operating income:				
Interest income on fixed deposits with licensed banks	897	914	2,936	2,573
Dividend from available-for-sale financial assets	561	355	1,179	3,286
Rental income	98	125	368	484
Reversal of discounting of receivables *(Note A1(c)(iv))*	1,182	-	15,289	13,852
Gain on redemption of available-for-sale financial assets	31	2	42	436
Unrealised gain on foreign exchange	-	4,354	-	5,695
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(8,478)	(7,844)	(26,064)	(19,552)
Imputed interest on borrowing	(138)	(138)	(410)	(411)
Loss on redemption of available-for-sale financial assets	5	(2)	-	(2)
Unrealised foreign exchange losses	(607)	(2)	(2,207)	(685)
Realised foreign exchange losses	-	-	(4,149)	-
Reversal of interest income imputed on retention sum	-	14	(474)	(427)

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

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
-Current year tax	5,130	5,499	14,931	17,256
-Over provision in prior years	(387)	(1,431)	(387)	(1,431)
Deferred tax expense	(2,474)	(4,059)	(7,654)	(8,163)
Total income tax expense	**2,269**	**9**	**6,890**	**7,662**

B5 – Income Tax Expense (continued)

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 21 November 2017 (being a date not earlier than 7 days from the date of this Interim Financial Report),

(a) there were no corporate proposals announced but not completed;

(b) the status of utilisation of proceeds raised from the Disposal of Foreign Operations was as follows:-

	Gross proceeds raised		Actual utilisation	Intended timeframe for utilisation
	USD'000	RM'000 Equivalent	RM'000	RM'000
Part finance the acquisition of SWMH /future investments/ working capital purposes/payment of dividends/ repayment of borrowings	53,432	226,472	191,755 (N1)	Within 24 months
Estimated expenses for the corporate proposals	1,168	5,000	5,000	Immediate
	54,600	231,472	196,755	
	=======	=======	=======	

(N1) The Company has utilised approximately RM196.755 million (USD46.5 million) principally for repayment of revolving credit facilities (RM80.0 million), dividend payments (RM79.6 million), working capital requirements of the Group and expenses for the corporate proposals.

(N2) In the absence of any investments abroad, the remaining balance of the USD proceeds are expected to be converted to RM. Other than using the proceeds for future investments/working capital, the Board proposes to use the proceeds principally for payment of dividends.

B7 – Group Borrowings and Debt Securities

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

	←---------Short Term-------------→			←------------Long Term-------------→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Finance lease liabilities	40	-	40	215	-	215
Islamic Medium Term Notes ("IMTN")	-	-	-	416,377	-	416,377
As at 30 Sep 2017	**40**	**-**	**40**	**416,592**	**-**	**416,592**
As at 31 Dec 2016	**70,213**	**-**	**70,213**	**416,185**	**-**	**416,185**

B7 – Group Borrowings and Debt Securities (continued)

The significant reduction in the Group's borrowings as at the end of the financial period from the latest audited financial statements was mainly due to the repayment of outstanding balance of the revolving credit. The revolving credit facility imposes an interest rate of 4.27% per annum. The interest savings arising from the said repayment is approximately RM1.5 million compared to if the revolving credit facility was to be settled at the end of the financial year end.

B8 – Changes in Material Litigations

The Group does not have any material litigation as at the last annual statement of financial position and the Board is not aware of any material litigations affecting the Company or its subsidiary companies as at 21 November 2017 (being a date not earlier than 7 days from the date of this Interim Financial Report).

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

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

	Current Quarter		Year-to-date	
	3 Months Ended 30 Sep 2017	3 Months Ended 30 Sep 2016	9 Months Ended 30 Sep 2017	9 Months Ended 30 Sep 2016
Profit for the financial period attributable to owners of the Company (RM'000)	9,950	19,513	22,628	95,475
Profit for the financial period from discontinued operations used in the calculation of basic EPS from discontinued operations (RM'000)	-	-	-	52,181
Earnings used in the calculation of basic EPS from continued operations (RM'000)	9,950	19,513	22,628	43,294
Weighted average number of ordinary shares in issue ('000)	1,209,489	1,209,489	1,209,489	1,209,489
Basic EPS (sen)				
- From continuing operations	0.82	1.61	1.87	3.58
- From discontinued operations	-	-	-	4.31
Total Basic EPS (sen)	0.82	1.61	1.87	7.89

B9 – Earnings Per Share ("EPS") (continued)

(b) Diluted earnings per share

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

The diluted earnings per share is the same as basic earnings per share calculated above as the Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive.

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 amounting to approximately RM24,189,780 in respect of the financial year ending 31 December 2017, to be payable on 10 January 2018.

For the financial year ending 31 December 2017, the Board has declared a total single-tier dividend of 6.0 sen per share to shareholders amounting to RM72,569,340 (2016: 6.0 sen per share amounting to RM72,569,338).

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 SPLASH.

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:

	Current Quarter Ended 30 Sep 2017 RM'000	Preceding Quarter Ended 30 Jun 2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	612,911	630,847
- Unrealised gains	67,338	65,473
	680,249	696,320
Total share of retained earnings from associates:		
- Realised profits	23,751	21,939
Total share of retained earnings from joint venture:		
- Realised profit	35	16
Total Group's retained earnings	704,035	718,275

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

(a) As at the end of the financial period, included in the available-for-sale financial assets and deposits, bank and cash balances totalling RM209.2 million are approximately:-

(i) RM32.6 million held as securities for banking facilities secured by the Group, and

(ii) RM107.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program.

(b) Included in deposits, bank and cash balances held by the Group were the following:-

Foreign currency	30 Sep 2017	30 Jun 2017	30 Sep 2016
US Dollars ('000)	8,432	8,419	44,670

B14 – Discontinued Operations

On 25 February 2016, the Company entered into a conditional share sale agreement ("Disposal SSA") with LGB (Group) HK Limited, a related party of the Company, for an aggregate cash consideration of USD54.6 million for the disposal of the Company's entire investment in the People's Republic of China ("Disposal of Foreign Operations"), as disclosed in Note 14 of the Audited Financial Statements - Discontinued Operations.

Upon completion of the Disposal SSA on 17 May 2016, Taliworks International Limited, Taliworks Sichuan Limited, SWM Technologies (Malaysia) Sdn Bhd and their subsidiaries ceased to be subsidiaries of the Company. Arising from the Disposal SSA, the Group recognised a profit from discontinued operations of RM54.842 million for the nine months ended 30 Sept 2016.

B15 – Authorisation for Release

This Interim Financial Report has been reviewed by the Audit and Risk Management Committee 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
28 November 2017