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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2017 (UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 28 February 2018

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2017 RM'000	31 Dec 2016 RM'000 (Audited)
ASSETS			
Property, plant and equipment		16,050	21,050
Investment properties		240	247
Intangible asset		1,129,152	1,155,333
Investment in joint venture		70,403	67,655
Investment in associates	A3(a)	231,972	251,854
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Deferred tax assets		42,553	31,906
Long-term trade receivable	A1(c)	362,318	277,470
Deposits, cash and bank balances	B12	32,957	154,123
Total Non-Current Assets		**2,015,270**	**2,089,263**
Inventories		1,276	1,488
Amount due from contract customers		16,409	13,101
Trade receivables	A1(c)	138,973	152,783
Other receivables, deposits and prepayments		16,023	21,342
Tax recoverable		1,723	1,466
Available-for-sale financial assets	B12	69,770	63,020
Deposits, cash and bank balances	B12	111,490	113,576
Total Current Assets		**355,664**	**366,776**
TOTAL ASSETS		**2,370,934**	**2,456,039**
EQUITY AND LIABILITIES			
Share capital		438,561	241,898
Reserves		614,973	879,074
Total Equity Attributable to Owners of the Company		**1,053,534**	**1,120,972**
Non-controlling interests		274,336	277,270
Total Equity		**1,327,870**	**1,398,242**
LIABILITIES			
Long-term borrowings	B7	416,573	416,185
Deferred tax liabilities		236,162	238,866
Long-term trade payables		8,671	7,250
Deferred income		141,512	156,294
Provision for heavy repairs	A3(c)	13,617	16,720
Total Non-Current Liabilities		**816,535**	**835,315**
Trade payables		132,873	88,003
Amount due to contract customers		-	184
Other payables and accruals		51,176	45,361
Tax liabilities		2,068	2,081
Short-term borrowings	A3(b), B7	157	70,213
Deferred income		16,065	16,640
Proposed dividends	A6 (b)	24,190	-
Total Current Liabilities		**226,529**	**222,482**
TOTAL LIABILITIES		**1,043,064**	**1,057,797**
TOTAL EQUITY AND LIABILITIES		**2,370,934**	**2,456,039**
Net assets per share attributable to owners of the Company (RM)		**0.8711**	**0.9269**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2017 RM'000	3 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
Continuing operations					
Revenue	B1	**131,696**	**69,012**	**368,640**	**304,856**
Cost of operations		(39,120)	(58,000)	(214,280)	(207,801)
Gross profit		**92,576**	**11,012**	**154,360**	**97,055**
Other operating income		(12,784)	14,277	8,296	42,132
Administrative and other expenses		(57,640)	(7,591)	(94,278)	(43,689)
Operating profit		**22,152**	**17,698**	**68,378**	**95,498**
Finance costs		(5,299)	(5,246)	(22,584)	(23,152)
Share of results of joint venture		3,194	(477)	2,748	318
Share of results of associates		(5,157)	9,375	1,185	12,238
Profit before tax	B4	**14,890**	**21,350**	**49,727**	**84,902**
Income tax expense	B5	(757)	16,053	(7,647)	8,391
Profit for the financial period /year from continuing operations		**14,133**	**37,403**	**42,080**	**93,293**
Discontinued operations	B14				
Profit for the financial period/year from discontinued operations, net of tax		-	-	-	54,842
PROFIT FOR THE FINANCIAL PERIOD/YEAR		**14,133**	**37,403**	**42,080**	**148,135**
Other comprehensive income/(loss):					
Net fair value gain on available-for-sale financial assets		(154)	(209)	478	82
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/year		**(154)**	**(209)**	**478**	**(59,662)**
Total comprehensive income for the financial period/year		**13,979**	**37,194**	**42,558**	**88,473**

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 31 Dec 2017 RM'000	3 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
Profit for the financial period/year attributable to:					
Owners of the Company		6,455	31,953	29,083	127,428
Non-controlling interests		7,678	5,450	12,997	20,707
		14,133	**37,403**	**42,080**	**148,135**
Total comprehensive income for the financial period/year attributable to:					
Owners of the Company		6,341	31,797	29,322	71,129
Non-controlling interests		7,638	5,397	13,236	17,344
		13,979	**37,194**	**42,558**	**88,473**
Earnings per share attributable to owners of the Company (sen per share):	B9				
Basic and diluted					
- From continuing operations		0.53	2.65	2.40	6.23
- From discontinued operations		-	-	-	4.31
Total		0.53	2.65	2.40	10.54

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	Share premium	Available-for-sale reserve	Merger deficit	Retained earnings	Total	Non-controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	239	-	-	239	239	478
Total other comprehensive income for the financial year	-	-	239	-	-	239	239	478
Profit for the financial year	-	-	-	-	29,083	29,083	12,997	42,080
Total comprehensive income for the financial year	-	-	239	-	29,083	29,322	13,236	42,558
Transactions with owners of the Company:								
Dividends paid *(Note A6(a))*	-	-	-	-	(72,570)	(72,570)	-	(72,570)
Proposed dividends *(Note A6(b))*	-	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	(16,170)	(16,170)
Transition to no-par value regime*	196,663	(196,663)	-	-	-	-	-	-
Total transactions with owners of the Company	196,663	(196,663)	-	-	(96,760)	(96,760)	(16,170)	(112,930)
As of 31 December 2017	**438,561**	**-**	**173**	**(71,500)**	**686,300**	**1,053,534**	**274,336**	**1,327,870**

* *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	-	-	-	98	-	-	98	(16)	82
Currency translation differences	-	-	(12,936)	-	-	-	(12,936)	(632)	(13,568)
Currency translation differences – transfer to profit or loss upon Disposal of Foreign Operations	-	-	(43,461)	-	-	-	(43,461)	(2,715)	(46,176)
Total other comprehensive (loss)/income for the financial year	-	-	(56,397)	98	-	-	(56,299)	(3,363)	(59,662)
Profit for the financial year	-	-	-	-	-	127,428	127,428	20,707	148,135
Total comprehensive (loss)/income for the financial year	-	-	(56,397)	98	-	127,428	71,129	17,344	88,473
Transactions with owners of the Company:									
Proceeds from exercise of Warrants	-*	-*	-	-	-	-	-*	-	-*
Dividends paid *(Note A6)*	-	-	-	-	-	(96,759)	(96,759)	-	(96,759)
Dividends paid by a subsidiary to non-controlling interest	-	-	-	-	-	-	-	(19,404)	(19,404)
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	-	-	-	-	-	(96,759)	(96,759)	(26,627)	(123,386)
As of 31 December 2016	**241,898**	**196,663**	-	**(66)**	**(71,500)**	**753,977**	**1,120,972**	**277,270**	**1,398,242**

*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

	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	49,727	140,256
Adjustments for:		
Non-cash items	61,780	(17,168)
Interest income	(4,146)	(4,059)
Finance costs	22,583	32,123
Operating Profit Before Working Capital Changes	129,944	151,152
Net increase in inventories, amount due from contract customers, trade and other receivables	(128,143)	(107,248)
Net increase in amount due to contract customers, trade and other payables	51,496	12,062
Cash Generated From Operations	53,297	55,966
Income tax paid	(21,557)	(20,601)
Income tax refunded	288	51
Net Cash From Operating Activities	**32,028**	**35,416**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,337	4,078
Property, plant and equipment:		
- Proceeds from disposal	294	172
- Purchase	(1,883)	(2,571)
Purchase of intangible assets	-	(1,404)
Repayment from joint venture	1,164	-
Repayment from associates	777	-
Net cash inflow from the Disposal of Foreign Operations	-	152,229
Investment in associate	-	(246,381)
Dividend income from associates	15,180	408
Compensation received *(Note A3(a))*	17,087	-
Available-for-sale financial assets:		
- purchase	(63,500)	(110,163)
- proceeds from redemption	59,196	290,360
Withdrawal/(Placement) of deposits pledged as security	117,252	(117,242)
Decrease in proceeds deposited into a designated bank accounts	-	10,162
Net Cash From/(Used In) Investing Activities	**149,904**	**(20,352)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(22,698)	(29,121)
Repayments of borrowings *(Note A3(b))*	(70,000)	(28,311)
Drawdowns of borrowings	-	103,608
Dividends paid by a subsidiary to non-controlling interest	(16,170)	(19,404)
Proceeds from issuance of ordinary shares in a subsidiary to non-controlling interests	-	200
Repayment of finance lease payables	(215)	(357)
Dividends paid *(Note A6)*	(72,570)	(96,759)
Net Cash Used In Financing Activities	**(181,653)**	**(70,144)**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	279	(55,080)
Effects of foreign exchange rate changes	(2,365)	10,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	113,576	157,938
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**111,490**	**113,576**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	108,295	255,119
Cash and bank balances	36,152	12,580
Total deposits, cash and bank balances	144,447	267,699
Less: Deposits pledged as security	(32,957)	(154,123)
	111,490	**113,576**

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) These 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.

These 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 these 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 year, 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 and the related Clarifications
MFRS 16	Leases
MFRS 17	Insurance Contracts
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2014-2016 Cycle	

A1 – Basis of Preparation (continued)

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 except as disclosed below: -

(i) MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2016, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2016) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' **("FVTOCI")** measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Board has assessed the impact of MFRS 9 to the Group's consolidated financial statements as follows: -

A1 – Basis of Preparation (continued)

(i) MFRS 9 Financial Instruments (continued)

Classification and measurement

- Investment in quoted unit trust were previously classified as available-for-sale investments carried at fair value. Gains and losses arising from changes in fair value were recognised in other comprehensive income and accumulated in the available-for-sale reserve ("FVTOCI"). Where the investment is disposed of, the cumulative gain or loss previously accumulated in the available-for-sale reserve were recycled to profit or loss. In accordance with MFRS 9, the investment will qualify for classification and measurement at fair value through profit and loss ("FVTPL").

  For investments which are equity instrument, the Group made an election to measure them at FVTOCI. The fair value gains or losses arising from changes in fair value will be accumulated in the fair value reserve but will no longer be subsequently recycled to profit or loss upon disposal under MFRS 9, which is different from the current treatment. This will affect the amount recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under MFRS 139.

Impairment

Financial assets measured at amortised cost, investments carried at FVTOCI under MFRS 9 and amount due from contract customer under construction contracts will be subject to the impairment provisions of MFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its financial assets measured at amortised cost and amount due from contract customer under construction contracts. As regards to the investments carried at FVTOCI, the Board considers that they have a low credit risk and hence expects to recognise 12 months expected credit losses.

In general, the Board anticipates that the application of the expected credit losses model of MFRS 9 will result in earlier recognition of credit losses for the respective items and based on the preliminary assessment, the amount is immaterial.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

A1 – Basis of Preparation (continued)

(iii) MFRS 15 Revenue from Contracts with Customers (continued)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In April 2016, the MASB issued Clarification to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Board has specifically considered MFRS 15's guidance on contract modifications arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of services to the customer and the timing of the related payments.

The Board has preliminary assessed the following for its MFRS 15 adoption: -

(a) *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")***

The Group have preliminary assessed that the sectional completion indicated in the contract represent a separate performance obligation for each section and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the preliminary assessment of the above, the management estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

(b) *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")***

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the entity considers the nature of the service being offered and the purpose of the payment terms. The entity received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

In general, the Board has assessed that revenue from construction contracts should be recognised over time as the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date and that the customer control the assets during the course of construction by the Group. Furthermore, the Board considers that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The Board intends to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the Board does not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group except that as disclosed above.

A1 – Basis of Preparation (continued)

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

Foreign currency	31 Dec 2017	30 Sep 2017	31 Dec 2016
	RM	RM	RM
1 US Dollar (USD)	4.05	4.22	4.49

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 subsequent extensions were granted. Upon expiry of the latest dateline on 5 October 2017, it was reported in the media that the Ministry of Energy, Green Technology and Water had written to the Selangor State Government to further extend the share sale and purchase agreement for SPLASH until 4 July 2018.

(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, Air Selangor and SPLASH, collectively and/or individually, to reach a possible settlement on the amount due from SPLASH. Whilst several settlement terms have been discussed, right up to the third quarter of 2017, no final terms have been concluded.

(iv) 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 31 Dec 2017 to be RM616.299 million (30.9.2017: RM587.373 million), an increase of RM28.926 million over a period of three months **("Amount Due from SPLASH")**.

A1 – Basis of Preparation (continued)

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

(v) 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.

Scenario	Likelihood of Occurrence	Basis/Rationale
A	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 repayment pattern by SPLASH since July 2016. However, under this scenario, the amount of repayment by SPLASH is not sufficient to sustain the business operations of SHSB.
B	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 repayment pattern by SPLASH prior to July 2016. This is the minimum amount of repayment required to sustain the business operations of SHSB.
C	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.

(vi) For the current quarter, a net impact of RM18,683,000 (31.12.2016: RM17,061,000) provision for discounting on the Amount Due from SPLASH was made, comprising: -

(a) a reversal of discounting on a deferred payment consideration of RM41,862,000 (31.12.2016: provision for discounting on deferred payment consideration of RM16,069,000) which was set-off against revenue; and

(b) a provision for discounting of receivables amounting to RM60,545,000 (31.12.2016: RM992,000) recognised as other expenses.

Repayments from SPLASH are applied to settle current billings over the older billings whereas previously repayments were applied to settle older billings over the current billings. The adoption of this basis resulted in a lower provision being required to discount receivables to be set-off against revenue and correspondingly, a higher provision for discounting of receivables to be recognised as Other Expenses. Previously, a higher provision for discounting on receivables was included in the revenue and a reversal of discounting of receivables was recognised as Other Income. As a result of this application, revenue and Other Expenses for the current financial period/year will be recorded higher than the preceding/corresponding period/year whereas Other Income will be lower than the preceding/corresponding period/year. The net impact from these changes are disclosed in Note (vii) below.

A1 – Basis of Preparation (continued)

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

(vii) The following table summarises the impact to the profit or loss for the financial period/year arising from the provision for discounting on a deferred payment consideration: -

	3 Months Ended 31 Dec		12 Months Ended 31 Dec	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Reversal of/(Provision for) discounting on receivables included in revenue (Note B4)	41,862	(16,069)	(6,232)	(62,318)
Reversal of discounting of receivables included in other operating income(Note B4)	(15,289)	(992)	-	12,860
Provision for discounting on receivables included in cost of operations, administrative and other expenses (Note B4)	(45,256)	-	(45,256)	-
	(60,545)	(992)	(45,256)	12,860
Net impact to profit or loss for the period/year	**(18,683)**	**(17,061)**	**(51,488)**	**(49,458)**

(viii) As at the end of the financial year, the total accumulated provision for discounting of receivables made was approximately RM175.604 million (31.12.2016: RM124.116 million). If 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.

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

A2 – Comments about the Seasonal or Cyclicality of Interim Operations

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

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

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

(a) The 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 an associate, SWM Environment Holdings Sdn. Bhd. **("SWMH")**, in these interim financial statements.

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

(b) On 17 May 2016, the Company had drawn down 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). In 2016, the Company repaid RM10 million of the revolving credit borrowings. During the current financial year, the outstanding balance of the revolving credit amounting to RM70 million was fully settled.

(c) The Group makes provision for heavy repairs on the highways that it operates based on estimated cost of heavy repairs to be incurred in the future years (which is based on past costs incurred escalated to determine the future costs) 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 Line 1 **("KVMRT")**. Upon completion of the KVMRT project works, MRT Corporation had undertaken substantial pavement repair works covering a material portion of the highway mainline including road marking works as part of its contractual commitments. As such, based on the management's assessment of the pavement condition, the Group has in the current quarter, deferred the major heavy repairs scheduled in 2018 to 2021. The deferment has resulted in a write back of approximately RM6.15 million of provision for heavy repairs charged in the previous years and lower provision recognised in the current financial year by RM1.76 million.

A4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years of the Group that have had a material effect in the current quarter and financial year.

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

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

(b) As at the end of the financial year, the Company has 241,897,740 outstanding Warrants 2015/2018 **("Warrants")** exercisable at a price of RM1.70 per share. The Warrants, if not exercised, will expire on 11 November 2018.

A6 – Dividends Paid

(a) The total dividends paid to shareholders during the financial year amounted to RM72,569,340 (2016: RM96,959,117) as follows:

   (i) 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 paid on 31 March 2017.

   (ii) 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 ended 31 December 2017. The dividends were paid on 14 July 2017.

   (iii) 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 ended 31 December 2017. The dividends were paid on 21 September 2017.

(b) On 28 November 2017, the Board declared 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 ended 31 December 2017. The dividends were subsequently paid on 10 January 2018 and these have been included as dividends payable in these interim financial statements.

A7 – Material Subsequent Events

There were no material events subsequent to the end of the financial year that have not been reflected in these interim financial statements.

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter and financial year including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinued operations except arising from the following: -

(a) On 2 October 2017, the Company incorporated a wholly-owned subsidiary, TE Overseas Ventures Sdn Bhd **("TOVSB")**, under the Companies Act, 2016, with an issued share capital of RM2 comprising 2 ordinary shares.

(b) TOVSB on the even date incorporated a wholly-owned subsidiary, TE Overseas Ventures Pte Ltd **("TOVPL")** under Companies Act (Chapter 50) of Singapore, with an issued share capital of SGD2 comprising 2 ordinary shares.

Following the incorporation, TOVSB and TOVPL became a direct and an indirect wholly-owned subsidiary of the Company respectively.

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 31 Dec	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	58,233	58,286	76,121	76,334	10,874	4,348	18,529	16,438	1,316	1,316	165,073	156,722	(33,377)	(87,710)	131,696	69,012
Operating profit	22,081	21,025	22,757	29,060	3,303	2,279	14,822	2,107	(4,019)	9,851	58,944	64,322	(36,792)	(46,624)	22,152	17,698
Profit/(Loss) before tax	22,081	21,013	14,090	17,416	3,301	3,136	11,119	(1,587)	(4,019)	9,042	46,572	49,020	(31,682)	(27,670)	14,890	21,350
Profit/(Loss) after tax	19,839	21,919	8,199	14,305	2,891	2,832	11,569	5,706	(4,019)	9,042	38,479	53,804	(24,346)	(16,401)	14,133	37,403
Other Financial Information																
Depreciation and amortisation	(232)	(227)	(11,454)	(8,712)	(89)	237	(4,869)	(11,642)	(448)	(445)	(17,092)	(20,789)	10,575	4,958	(6,517)	(15,831)
EBITDA	22,313	21,252	34,211	37,771	3,393	2,042	19,691	13,749	(3,571)	10,295	76,037	85,109	(47,368)	(42,683)	28,669	42,426
EBDA	20,071	22,146	19,653	23,017	2,981	2,595	16,438	17,348	(3,571)	9,485	55,572	74,591	(34,922)	(21,359)	20,650	53,232
CAPEX	72	173	7,141	668	12	5	363	96	-	385	7,588	1,327				

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)(vi) 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 31 Dec	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	556,063	485,416	221,492	242,294	50,798	45,539	1,465,801	1,488,781	76,780	194,009	2,370,934	2,456,039
Segment liabilities	(136,896)	(89,071)	-	-	(33,310)	(30,266)	(836,466)	(856,695)	(36,392)	(81,765)	(1,043,064)	(1,057,797)
Net segment assets	**419,167**	**396,345**	**221,492**	**242,294**	**17,488**	**15,273**	**629,335**	**632,086**	**40,388**	**112,244**	**1,327,870**	**1,398,242**

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 year, the carrying amount of investment in associates was lower at RM232.0 million compared to RM251.9 million a year ago mainly attributable to the receipt of compensation 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. Included in other receivables, deposits and prepayments is a dividend receivable declared by SWMH amounting to RM3,499,950 (2016: RM14,700,000).

The Group's short-term borrowings reduced to RM0.16 million from RM70.2 million mainly due to the full repayment of the revolving credit and overdraft facilities during the financial year. On the other hand, trade payables increased from RM88.0 million to RM132.9 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 RM214.2 million, down from RM330.8 million in the previous year principally from repayment of revolving credit facility, dividends, interest payments and working capital requirements, but was off-set by the receipt of dividends from SWMH and compensation as mentioned above.

Part B – Review of Income Statement

Revenue

	3 Months Ended 31 Dec 2017 RM'000	3 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
Water	58,232	58,287	232,220	231,829
Construction	8,393	4,295	51,690	39,626
Toll highway	21,893	21,183	85,647	92,672
Others	1,316	1,316	5,315	3,047
	89,834	85,081	374,872	367,174
Less: Reversal of/(Provision for) discounting on a deferred payment consideration	41,862	(16,069)	(6,232)	(62,318)
Total revenue	**131,696**	**69,012**	**368,640**	**304,856**

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

Part B – Review of Income Statement (continued)

Profit Before Tax

	3 Months Ended 31 Dec 2017 RM'000	3 Months Ended 31 Dec 2016 RM'000	12 Months Ended 31 Dec 2017 RM'000	12 Months Ended 31 Dec 2016 RM'000
Water	3,398	3,966	35,632	44,862
Construction	2,958	2,239	2,824	2,645
Toll highway	19,814	1,693	48,709	45,175
Others	(4,018)	9,800	(18,787)	2,816
Operating profit	**22,152**	**17,698**	**68,378**	**95,498**
Finance cost	(5,299)	(5,246)	(22,584)	(23,152)
Share of results of joint venture	3,194	(477)	2,748	318
Share of results of associates	(5,157)	9,375	1,185	12,238
Profit before tax for the period/ year	**14,890**	**21,350**	**49,727**	**84,902**

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

Overall Summary

Before the impact from provision for discounting, the Group's revenue recorded an increase from RM85.1 million to RM89.8 million in the current quarter mainly due to higher contribution from the construction business. However, after taking into account the impact from the reversal of/provision for discounting, the Group revenue jumped to RM131.7 million from RM69.0 million. The huge variance in the revenue was due to the reversal of discounting on a deferred payment consideration of RM41.9 million as compared to a provision of RM16.1 million in the corresponding quarter.

On the Group's profit before taxation **("PBT")**, the Group registered a PBT of RM14.9 million compared to RM21.4 million in the corresponding quarter. However, excluding the effects of discounting, the Group's PBT was stood at RM33.6 million compared to RM38.4 million in the corresponding quarter.

The profit performance for the current quarter was primarily impacted by: -

(i) write-back of over-provision for heavy repairs in the Toll Division as elaborated in Note A3(c);

(ii) the compensation from the Government of Malaysia for the non-increase in scheduled toll rate hike on 1 January 2016 in a joint-venture company, Grand Sepadu (NK) Sdn Bhd **("Grand Sepadu")**, the operator of the New North Klang Straits Bypass Expressway;

(iii) loss on foreign exchange (both realised and unrealised) amounting to RM1.4 million compared to a gain on foreign exchange (both realised and unrealised) of RM12.6 million in the corresponding quarter; and

(iv) share of loss from an associate, SWMH.

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)

In the corresponding quarter, the Group changed the accounting policy in calculating the amortisation base for intangible assets comprising the Highway Development Expenditure **("HDE")**. The impact of the change in the accounting policy was applied prospectively from 1 January 2016 and accounted for in the corresponding quarter. This resulted in a lower profit contribution from toll division in the corresponding 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 decrease by 1.2% (i.e. from 92.8 million m3 (or 1,009 million litres per day **("MLD")**) to 91.7 million m3 (or 986 MLD), while metered sales in Langkawi operations remained relatively the same compared to the corresponding quarter.

Despite registering almost similar revenue, the operating profit (excluding the effects of discounting) was slightly higher at RM22.1 million compared to RM21.0 million achieved a year ago on account of lower rehabilitation and maintenance costs incurred during the quarter i.e. RM4.9 million compared to RM5.9 million. However, the higher profit was mitigated by higher unit electricity costs from the increase in TNB's Special Industrial Tariff which commenced in January 2017.

Construction

Despite completion of Mengkuang Dam Expansion Project in the first half of the year, the revenue contribution from construction increased by two-fold to RM8.4 million compared to RM4.3 million achieved a year ago. The revenue for the current quarter was mainly derived from three (3) on-going projects, namely Langat 2 - Package 7 Balancing Reservoir Project, Ganchong-Package 3A Project and New Access to New North Klang Straits Bypass Expressway **("NNKSB")** (Jalan Haji Sirat) Project, all of which were secured in prior years.

In line with the increase in revenue and the downward revision of the estimated construction costs of Mengkuang Dam Expansion Project, which is currently pending finalisation of accounts, the division recorded operating profit of RM3.0 million in the current quarter. In contrast, the operating profit of RM2.2 million recorded in the corresponding quarter was mainly due to upward revision of construction margin for the SSP3 – Package 3 Pipeline Project **("SSP3 Project")** coupled with lower overhead costs.

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.

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd **("Grand Saga"**); the operator of the Cheras-Kajang highway, was higher by RM0.7 million at RM21.9 million compared to RM21.2 million achieved in the corresponding quarter with higher Average Daily Traffic **("ADT")** by 4.6% i.e. 144,319 vehicles per day compared to 137,936 vehicles per day recorded in the corresponding quarter.

In line with the higher ADT as well as the impact from the write-back of over-provision for heavy repairs, the profit contribution increased significantly by RM18.1 million compared to corresponding quarter. Moreover, the higher profit contribution in the current quarter was also attributable to higher HDE Amortisation expenses recognised in the corresponding quarter.

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)

Toll highway – Joint venture

In October 2017, Grand Sepadu received compensation of RM8.125 million from the Government of Malaysia for the non-increase in scheduled toll rate hike on 1 January 2016 **("Toll Compensation")**. 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 recognised an additional RM2.3 million from the share of results from this joint venture in the current quarter.

The Group's share of results in Grand Sepadu was higher compared to the corresponding quarter due to said Toll Compensation coupled with higher HDE Amortisation expenses in corresponding quarter. In terms of overall ADT, there was a decrease of 0.9% to 87,386 vehicles per day from 88,210 vehicles per day.

Waste management – Associate

The Group's share of results of associates was mainly contributed by SWMH. The Group's share of results from SWMH was a loss of RM5.4 million compared to RM9.1 million profit a year ago due to the positive impact from the group adjustments made to the SWMH's profit arising from the completion of the fair value measurement exercise ("FVM Exercise") (referred to in Note 21 of the Audited Financial Statements – Investment in Associates), which resulted in higher Group's share of results recognised in the corresponding quarter. Whereas, for the current quarter, the loss was due to lower PAT recorded by SWMH on account of lower revenue coupled with higher depreciation and amortisation of intangible assets (identified in the FVM Exercise) incurred.

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

Overall Summary

For the current financial year, the Group revenue (excluding the impact from discounting) increased from RM367.2 million to RM374.9 million mainly attributable to higher contribution from the construction business. However, after considering the impact from the provision for discounting, the Group revenue was lower at RM368.6 million, but still higher than the RM304.9 million achieved in the previous year.

For the financial year, the Group reported a profit after tax of RM42.1 million compared to RM148.1 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 in Note B14.

For the Continuing Operations, the Group registered a lower PBT of RM49.7 million compared to RM84.9 million in the corresponding period. Excluding the provision for discounting on receivables, the Group's PBT stood at RM101.2 million compared to RM134.4 million mainly attributable to the following: -

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

(b) loss on foreign exchange (both realised and unrealised) amounting to RM7.7 million compared to a gain on foreign exchange of RM17.6 million in the corresponding period, net of income derived from management fee; and

(c) share of loss from an associate, SWMH.

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)

However, the lower Group PBT was mitigated by the write-back of over-provision for heavy repairs and receipt of Toll Compensation by Grand Sepadu in the current quarter. The profits in the corresponding period also included proceeds from toll compensation of RM9.54 million for the delay in Grand Saga in implementing a toll tariff increase on 1 January 2015.

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 RM231.8 million to RM232.2 million. Despite the lower metered sales in both water treatment operations, the segment still managed to record higher revenue due to higher electricity and chemical rebates from the higher electricity and chemical costs. Metered sales in SSP1 was marginally lower by 0.7% (i.e. from 366.4 million m3 (or 1,004 MLD to 363.9 million m3 (or 994 MLD) whereas in the Langkawi operations, metered sales were lower by 2.4% i.e. from 20.28 million m3 to 19.78 million m3.

The segment profit was lower by RM7.5 million at RM87.1 million (after stripping out the effects of discounting) on account of higher operating costs in both water treatment operations primarily from higher rehabilitation and maintenance costs, increases in unit chemical costs, higher unit electricity costs due to increase in TNB's Special Industrial Tariff which commenced in January 2017 and late penalty charges on outstanding electricity billings remaining unpaid. For the financial year, total rehabilitation and maintenance costs incurred for both water treatment operations was RM19.2 million (2016: RM17.0 million).

Construction

Despite completion of SSP3 Project last year, the segment recorded a RM12.1 million increased in revenue from RM39.6 million to RM51.7 million due to higher contribution from other existing on-going projects. Despite the higher revenue, the profit contributed from this segment was almost similar compared to a year ago on account of higher overhead costs incurred, specifically from staff incentives incurred.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway decreased by RM7.1 million to RM85.6 million from RM92.7 million despite the higher ADT growing by 4.5% from 135,785 vehicles per day to 141,883 vehicles per day. The lower toll revenue was primarily due to receipt of toll compensation from the Government of Malaysia of RM9.54 million by Grand Saga in the previous year. However, after stripping out the toll compensation, the company recorded an increase in operating profit due to the write-back of over-provision for heavy repairs.

Toll operations -Share of results of joint venture

The Group's share of results in Grand Sepadu was higher compared to the corresponding period mainly arising from receipt of the Toll Compensation. In terms of overall ADT, there was a slight decrease of 0.9% i.e. 87,691 vehicles per day from 88,528 vehicles per day recorded in the previous year.

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)

Waste management –Share of results of associate

Following the completion of the acquisition of SWMH on 17 May 2016, the Group began to equity account the results of the SWMH. Although the profit contribution commenced from the date of completion of the acquisition, the share of results of SWMH for the current twelve months was share of loss at RM0.2 million compared to RM11.3 million in the corresponding period mainly due to lower PAT recorded by SWMH as a result of lower revenue, higher depreciation and financing cost, as well as higher amortisation of intangible assets incurred. For the year ended 31 December 2017, SWMH reported an unaudited PAT of RM148.4 million compared to RM193.3 million achieved a year ago.

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

Revenue

	3 Months Ended 31 Dec 2017 RM'000	3 Months Ended 30 Sep 2017 RM'000
Water	58,232	58,673
Construction	8,393	3,382
Toll highway	21,893	21,745
Others	1,316	1,316
	89,834	85,116
Less: Reversal of/(Provision for) discounting on a deferred payment consideration	41,862	(10,805)
Total revenue	**131,696**	**74,311**

Profit Before Tax

	3 Months Ended 31 Dec 2017 RM'000	3 Months Ended 30 Sep 2017 RM'000
Water	3,398	11,847
Construction	2,958	(910)
Toll highway	19,814	10,697
Others	(4,018)	(3,683)
Operating profit	**22,152**	**17,951**
Finance cost	(5,299)	(5,298)
Share of results of joint venture	3,194	19
Share of results of associate	(5,157)	1,814
Profit before tax for the period	**14,890**	**14,486**

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 (continued)

The Group recorded an increase in revenue from RM85.1 million to RM89.8 million (excluding the impact from discounting) primarily from construction business attributable to contribution from existing on-going projects. After taking into account the impact from the reversal/provision for discounting, the Group revenue stood at RM131.7 million compared to RM74.3 million in previous quarter. The huge variance in the revenue was due to the reversal of discounting on a deferred payment consideration of RM41.9 million as compared to a provision of RM10.8 million in the preceding quarter.

The Group's PBT (after stripping out the effects of discounting) registered an increase of RM9.5 million to RM33.6 million compared to RM24.1 million in the previous quarter due to the following: -

(i) the write-back of over-provision for heavy repairs and the receipt of the Toll Compensation by Grand Sepadu; and

(ii) the downward revision in the construction cost of Mengkuang Dam Expansion Project in the current quarter and the downward revision in the estimated construction margin from the Ganchong-Package 3A Project due to increases in the price of raw materials especially steel, which resulted in higher profit recognised for the construction activities.

but the above increase was off-set by the higher realised loss on foreign exchange compared to previous quarter arising from the conversion of the USD proceeds from the Disposal of Foreign Operations and the share of losses from SWMH due to higher depreciation and financing cost, as well as higher amortisation of intangible assets incurred in the current quarter.

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) increased by RM0.3 million during the financial year.

Net Cash from Operating Activities for the twelve months was recorded at RM32.0 million compared to RM35.4 million a year ago due to the continued partial payments of trade receivables from SPLASH and delayed in payments to trade and other payables.

Net Cash Used in Financing Activities totalled RM181.7 million (2016: RM70.1 million) comprise mainly of repayment of revolving credit of RM70.0 million, interest payments principally on the Islamic Medium-Term Notes **("IMTN")** and dividends to shareholders of the Company and to non-controlling interest made by a subsidiary.

Net Cash from Investing Activities totalled RM149.9 million comprise mainly of withdrawal of deposits pledged as security to financial institutions primarily from the full settlement of the revolving credit, receipt of dividend income from SWMH and receipt of compensation referred to in Note A3(a).

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 994 MLD compared to 1,004 MLD a year ago. Arising from the increases in the bulk sales rates in SHSB from RM0.42/m3 to RM0.44/m3 of metered production and in Taliworks (Langkawi) from RM2.15/m3 to RM2.24/m3 of metered sales, the profit margins will increase accordingly. However, margins will be compressed by higher unit electricity costs from electricity tariff increases and higher costs expected to be incurred for rehabilitation and maintenance of the water treatment facilities. With respect to the outcome of the Water Restructuring, the Group is optimistic that it 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 Ganchong – Package 3A Project which commenced in 2016 will be completed by third quarter of 2018. The New Access to NNKSB (Jalan Haji Sirat) Project commenced work in the second quarter of this year and the Group is in the process of applying an extension of time until April 2018, subject to the approval of the client. The other project i.e. the Langat 2 - Package 7 Balancing Reservoir Project which commenced in the current quarter, is the main construction activities currently underway and will 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 KVMRT 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 KVMRT operations is likely to be temporary and over the long term, the KVMRT 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 interchange 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 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 31 Dec		12 Months ended 31 Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Revenue				
Reversal/(Provision) for discounting on receivables *(Note A1(c)(vi))*	41,862	(16,069)	(6,232)	(62,318)
Government compensation for deferment in toll hike	-	-	-	9,540
Other operating income:				
Interest income on fixed deposits with licensed banks	1,210	1,269	4,146	3,842
Dividend from available-for-sale financial assets	746	684	1,925	3,970
Rental income	185	156	553	640
Reversal of discounting of receivables *(Note A1(c)(vi))*	(15,289)	(992)	-	12,860
Gain on redemption of available-for-sale financial assets	1	32	43	468
Gain on foreign exchange (realised and unrealised)	-	12,638	-	18,333
Interest income imputed on retention sum	-	160	-	160
Recognition of rental and maintenance fee	66	67	66	67
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(6,517)	(15,831)	(32,581)	(35,383)
Imputed interest on borrowing	(138)	(139)	(548)	(550)
Losses on foreign exchange (realised and unrealised)	(1,373)	-	(7,729)	(685)
Provision for discounting on receivables *(Note A1(c)(vi))*	(45,256)	-	(45,256)	-
Reversal of interest income imputed on retention sum	14	427	(460)	-

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 31 Dec		12 Months Ended 31 Dec	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
-Current year tax	5,766	4,700	20,697	21,956
-Under/(Over) provision in prior years	688	(26)	301	(1,457)
Deferred tax expense	(5,697)*	(20,727)^	(13,351)*	(28,890)^
Total income tax expense	**757**	**(16,053)**	**7,647**	**(8,391)**

* *Included in the deferred tax expense is an under-provision of deferred tax asset associated with provision for heavy repairs amounting to RM2.945 million.*

^ *Included in the deferred tax expense is an adjustment to write down the deferred tax liability arising from the change of accounting policy on the amortisation of HDE from the revenue based method to the traffic volume based method in the previous period/year.*

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 22 February 2018 (being a date not earlier than 7 days from the date of these interim financial statements),

(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	216,266	203,998	Within 24 months
Estimated expenses for the corporate proposals	1,168	5,000	5,000	Immediate
	54,600	221,266	208,998 (N1)	
	=======	=======	=======	

(N1) The Company has utilised approximately RM208.998 million (USD49.5 million) principally for repayment of revolving credit facilities (RM80.0 million), dividend payments (RM91.9 million), working capital requirements of the Group and expenses for the corporate proposals.

(N2) The remaining balance of the USD proceeds will be converted to RM 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	157	-	157	57	-	57
IMTN	-	-	-	416,516	-	416,516
As at 31 Dec 2017	**157**	**-**	**157**	**416,573**	**-**	**416,573**
As at 31 Dec 2016	**70,213**	**-**	**70,213**	**416,185**	**-**	**416,185**

The significant reduction in the Group's borrowings was mainly due to the repayment of outstanding revolving credit during the year. 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.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

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

	3 Months Ended 31 Dec 2017	3 Months Ended 31 Dec 2016	12 Months Ended 31Dec 2017	12 Months Ended 31 Dec 2016
Profit for the financial period/year attributable to owners of the Company (RM'000)	6,455	31,953	29,083	127,428
Profit for the financial period/year 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)	6,455	31,953	29,083	75,247
Weighted average number of ordinary shares in issue ('000)	1,209,489	1,209,489	1,209,489	1,209,489
Basic EPS (sen)				

	3 Months Ended 31 Dec 2017	3 Months Ended 31 Dec 2016	12 Months Ended 31Dec 2017	12 Months Ended 31 Dec 2016
- From continuing operations	0.53	2.65	2.40	6.23
- From discontinued operations	-	-	-	4.31
Total Basic EPS (sen)	0.53	2.65	2.40	10.54

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial period/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period/year 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 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 2017, to be payable on 13 April 2018.

For the financial year ended 31 December 2017, the Board has declared a total single-tier dividend of 8.0 sen per share to shareholders amounting to RM96,759,120 (2016: 8.0 sen per share amounting to RM96,759,118).

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

(a) As at the end of the financial year, included in the available-for-sale financial assets and deposits, bank and cash balances totalling RM214.2 million are approximately: -

(i) RM33.0 million held as securities for banking facilities secured by the Group, and

(ii) RM105.2 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	**31 Dec 2017**	**30 Sep 2017**	**31 Dec 2016**
US Dollars ('000)	5,455	8,432	32,722

B13 – Reclassification of Comparatives

Certain comparatives may differ from the unaudited consolidated results announced for the fourth quarter of 2016 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2016.

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 twelve months ended 30 Sept 2016.

B15 – Authorisation for Release

These interim financial statements have 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 February 2018