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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018
(UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 22 May 2018

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Mar 2018 RM'000	31 Dec 2017 RM'000 Audited and Restated
ASSETS			
Property, plant and equipment		15,563	16,050
Investment properties		238	240
Intangible asset		1,122,292	1,129,152
Investment in joint venture		70,456	70,403
Investment in associates		229,215	231,972
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Deferred tax assets		45,144	42,553
Long-term trade receivable	A1(c)	373,283	362,318
Deposits, cash and bank balances	B12	29,997	32,957
Total Non-Current Assets		**2,015,813**	**2,015,270**
Inventories		1,316	1,276
Amount due from contract customers		21,706	17,194
Trade receivables	A1(c)	129,155	138,973
Other receivables, deposits and prepayments		14,889	16,024
Tax recoverable		1,784	1,723
Investments designated at fair value through profit or loss ("FVTPL")	B13(a)	70,401	69,770
Deposits, cash and bank balances	B12	102,555	111,490
Total Current Assets		**341,806**	**356,450**
TOTAL ASSETS		**2,357,619**	**2,371,720**
EQUITY AND LIABILITIES			
Share capital		438,561	438,561
Reserves		598,380	614,973
Total Equity Attributable to Owners of the Company		**1,036,941**	**1,053,534**
Non-controlling interests		276,707	274,336
Total Equity		**1,313,648**	**1,327,870**
LIABILITIES			
Long-term borrowings	B7	416,708	416,573
Long-term trade payables		8,987	8,671
Provision for heavy repairs		14,505	13,617
Deferred income		141,512	141,512
Deferred tax liabilities		236,554	236,162
Total Non-Current Liabilities		**818,266**	**816,535**
Amount due to contract customers		-	786
Trade payables		148,164	132,873
Other payables and accruals		39,228	51,176
Dividend payable	A6	24,190	24,190
Short-term borrowings	B7	118	157
Deferred income		12,104	16,065
Tax liabilities		1,901	2,068
Total Current Liabilities		**225,705**	**227,315**
TOTAL LIABILITIES		**1,043,971**	**1,043,850**
TOTAL EQUITY AND LIABILITIES		**2,357,619**	**2,371,720**
Net assets per share attributable to owners of the Company (RM)		**0.8573**	**0.8711**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Mar 2017 RM'000 Restated
Revenue	B1	**81,723**	**71,353**
Cost of operations		(51,599)	(56,220)
Gross profit		**30,124**	**15,133**
Other operating income		1,895	10,390
Administrative and other expenses		(12,743)	(11,712)
Operating profit		**19,276**	**13,811**
Finance costs		(5,125)	(5,977)
Share of results of joint venture		53	(253)
Share of results of associates		(1,254)	2,792
Profit before tax	B4	**12,950**	**10,373**
Income tax expense	B5	(2,982)	(2,095)
Profit for the financial period representing total comprehensive income for the financial period		**9,968**	**8,278**
Profit for the financial period representing total comprehensive income for the financial period attributable to:			
Owners of the Company		7,597	6,874
Non-controlling interests		2,371	1,404
		9,968	**8,278**
Basic and diluted earnings per share attributable to owners of the Company (sen per share):	B9	0.63	0.57

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital 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
		Attributable to owners of the Company						
As of 1 January 2018, as previously stated		**438,561**	**173**	**(71,500)**	**686,300**	**1,053,534**	**274,336**	**1,327,870**
Effects of adoption of MFRS 9	B13(c)	-	(173)	-	173	-	-	-
As of 1 January 2018, as restated		**438,561**	**-**	**(71,500)**	**686,473**	**1,053,534**	**274,336**	**1,327,870**
Profit for the financial period		-	-	-	7,597	7,597	2,371	9,968
Total comprehensive income for the financial period		**-**	-	-	7,597	7,597	2,371	9,968
Transactions with owners of the Company:								
Dividend payable	A6(a)	**-**	-	-	(24,190)	(24,190)	-	(24,190)
Total transactions with owners of the Company		**-**	-	-	(24,190)	(24,190)	-	(24,190)
As of 31 March 2018		**438,561**	**-**	**(71,500)**	**669,880**	**1,036,941**	**276,707**	**1,313,648**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Note	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
		Attributable to owners of the Company							
As of 1 January 2017, as previously stated		**241,898**	**196,663**	**(66)**	**(71,500)**	**753,977**	**1,120,972**	**277,270**	**1,398,242**
Effects of adoption of MFRS 9	B13(c)	-	-	66	-	(66)	-	-	-
As of 1 January 2017, as restated		**241,898**	**196,663**	**-**	**(71,500)**	**753,911**	**1,120,972**	**277,270**	**1,398,242**
Available-for-sale financial assets		-	-	191	-	-	191	133	324
Total comprehensive income for the financial period, as previously stated		-	-	191	-	-	191	133	324
Effects of adoption of MFRS 9	B13(b)	-	-	(191)	-	-	(191)	(133)	324
Total comprehensive income for the financial period, as restated		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the financial period, as previously stated		-	-	-	-	6,683	6,683	1,271	7,954
Effects of adoption of MFRS 9	B13(b)	-	-	-	-	191	191	133	324
Profit for the financial period, as restated		**-**	**-**	**-**	**-**	**6,874**	**6,874**	**1,404**	**8,278**
Total comprehensive income for the financial period		-	-	-	-	6,874	6,874	1,404	8,278
Transactions with owners of the Company:									
Dividends paid		-	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	(1,960)	(1,960)
Total transactions with owners of the Company		-	-	-	-	(24,190)	(24,190)	(1,960)	(26,150)
Transfer arising from no-par value regime*		196,663	(196,663)	-	-	-	-	-	-
As of 31 March 2017		**438,561**	**-**	**-**	**(71,500)**	**736,595**	**1,103,656**	**276,714**	**1,380,370**

* *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.*

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Mar 2017 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax *(Note B13(d))*	12,950	10,373
Adjustments for:		
Non-cash items *(Note B13(d))*	16,550	17,795
Interest income	(836)	(980)
Finance costs	5,125	5,977
Operating Profit Before Working Capital Changes	33,789	33,165
Net increase in inventories, amount due from contract customers, trade and other receivables	(15,710)	(35,826)
Net increase/(decrease) in amount due to contract customers, trade and other payables	10,226	(417)
Cash Generated From/(Used In) Operations	28,305	(3,078)
Income tax paid	(5,411)	(4,872)
Income tax refunded	2	71
Net Cash From/(Used In) Operating Activities	**22,896**	**(7,879)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,026	981
Property, plant and equipment:		
- Proceeds from disposal	74	74
- Purchase	(878)	(539)
Consideration received from disposal of an associate *(Note A8(b))*	358	-
Compensation from investment in associate	-	17,087
Investments designated at FVTPL:		
- purchase	-	(23,000)
- proceeds from redemption	-	25,087
Withdrawal of deposits pledged as security	3,145	1,364
Net Cash From Investing Activities	**3,725**	**21,054**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,535)	(11,503)
Dividends paid by a subsidiary to non-controlling interest	-	(1,960)
Repayment of finance lease payables	(40)	(99)
Dividends paid *(Note A6)*	(24,190)	(24,190)
Net Cash Used In Financing Activities	**(34,765)**	**(37,752)**

CONDENSED STATEMENTS OF CASH FLOWS

	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Mar 2017 RM'000 Restated
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,144)	(24,577)
Effects of foreign exchange rate changes	(791)	(2,064)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	111,490	113,576
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**102,555**	**86,935**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	93,482	236,635
Cash and bank balances	39,070	9,101
Total deposits, cash and bank balances	132,552	245,736
Less: Deposits pledged as security	(29,997)	(152,759)
Less: Overdrafts	-	(6,042)
	102,555	**86,935**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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, 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 2017. 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 2018.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers and the related Clarifications
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 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014-2016 Cycle	

The application of these amendments to MFRSs and 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 except as disclosed below:-

MFRS 9 Financial Instruments

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 Financial Instruments: Recognition and Measurement.

(i) <u>Classification of financial assets under MFRS 9</u>

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost **("AC")**, Fair Value through Other Comprehensive Income **("FVTOCI")** and Fair Value through Profit or Loss **("FVTPL")**. The classification of financial assets under MFRS 9 is

A1 – Basis of Preparation (continued)

MFRS 9 Financial Instruments (continued)

(i) Classification of financial assets under MFRS 9 (continued)

generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous MFRS 139 categories of held-to-maturity **("HTM")**, loans and receivables **("LAR")** and available for sale **("AFS")**.

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 139 and MFRS 9 at the date of initial application on 1 January 2018.

Financial assets		**Original classification under MFRS 139**	**New classification under MFRS 9**	**Original carrying amount under MFRS 139 RM'000**	**New* carrying amount under MFRS 9 RM'000**
Trade receivables	(a)	LAR	AC	501,291	501,291
Other receivables and deposits	(a)	LAR	AC	14,833	14,833
Deposits, cash and bank balances	(a)	LAR	AC	144,447	144,447
Investment in quoted unit trusts	(b)	AFS	FVTPL*	69,770	69,770
Other investment	(c)	AFS	FVTPL*	240	240
Investment in redeemable preference shares of a joint venture	(d)	AFS	FVTOCI*	36,424	36,424
Financial liabilities					
Trade payables	(e)	AC	AC	141,544	141,544
Other payables and accruals	(e)	AC	AC	51,176	51,176
Borrowings	(e)	AC	AC	416,730	416,730
Dividend payables	(e)	AC	AC	24,190	24,190

* There were no measurement impacts to the carrying amount upon the adoption of MFRS 9 at the date of initial application on 1 January 2018. For those financial assets carried at FVTOCI and FVTPL, the Board considers that the carrying amounts recognised in the consolidated financial statements approximate its fair values.

A1 – Basis of Preparation (continued)

MFRS 9 Financial Instruments (continued)

(i) Classification of financial assets under MFRS 9 (continued)

(a) Trade receivables, other receivables, deposits, cash and bank balances classified as loans and receivables under MFRS 139 are now classified as financial asset measured at amortised cost under MFRS 9. They will continue to be measured on the same basis as is previously adopted under MFRS 139.

(b) 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. Upon the disposal of investment, the cumulative gain or loss previously recorded in the available-for-sale reserve were recycled to profit or loss. In accordance with MFRS 9, the investments did not fulfil the Solely Payment of Principal and Interest **("SPPI")** test and as such, they will be measured at FVTPL. As of 1 January 2017, the first comparative year of initial application, the Group reclassified the outstanding of the available-for-sale reserve amounting to RM66,000 to retained earnings.

(c) Other investment represents investment in golf membership that were previously classified as AFS investments carried at cost less identified impairment losses. In accordance with MFRS 9, the investments did not fulfil the SPPI test and as such, they will be measured at FVTPL.

(d) Investment in redeemable preference shares of a joint venture were previously classified as AFS investments carried at cost less identified impairment losses. In accordance with MFRS 9, the investments did not fulfil the SPPI test but it carries equity instrument characteristic, and as such, the Group made an election to classified them as FVTOCI.

(e) There were no changes to the classification of financial liabilities upon adoption of MFRS 9. They will continue to be measured on the same basis as is previously adopted under MFRS 139.

(ii) Impairment of financial assets

MFRS 9 replaces the incurred loss model in MFRS 139 with an expected credit loss **("ECL")** model. This requires considerable judgement about how changes in economic factors affect ECLs which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at AC and FVTOCI and contract assets under MFRS 15, but not to investments in equity instruments.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its financial assets measured at amortised cost and contract assets under MFRS 15.

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 assessment, the amount is immaterial except for the trade receivables of SWM Environment Holdings Sdn. Bhd. **("SWMH"),** an associate of the Company, in which the quantitative impact and estimates are still being assessed by SWMH as at end the financial period. If the quantitative estimates are made known, there will be an adjustment to reduce the retained earnings of the Group as of 1 January 2017, the first comparative year of initial application of MFRS 9.

A1 – Basis of Preparation (continued)

MFRS 9 Financial Instruments (continued)

(iii) Transition upon the adoption of MFRS 9

The Group has adopted the full retrospective method of transition to MFRS 9. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2017.

The financial impact for each financial statement line item affected by the application of MFRS 9 for the current and prior years is disclosed in Note B13.

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.

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 June 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 Group has adopted the full retrospective method of transition to MFRS 15.

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 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 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.

A1 – Basis of Preparation (continued)

MFRS 15 Revenue from Contracts with Customers

*(b) 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")** (continued)*

Based on the assessment of the above, the Board 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.

*(c) 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.

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 16	Leases
MFRS 17	Insurance Contracts
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Payments
Annual Improvements to MFRSs 2015-2017 Cycle	
Amendments to References to the Conceptual Framework in MFRS Standards	

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 not have material impact on the financial statements of the Group in the period of initial application.

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

Foreign currency	31 Mar 2018	31 Dec 2017	31 Mar 2017
	RM	RM	RM
1 US Dollar (USD)	3.86	4.05	4.42

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

A1 – Basis of Preparation (continued)

(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, 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 March 2018 to be RM637.974 million (31.12.2017: RM616.299 million), an increase of RM21.675 million over a period of three months **("Amount Due from SPLASH")**.

(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 expects to take place as of the time the assumptions were made but the actual outcome could differ from the scenarios taken.

The three assumptions used in the timing of collection to determine the provision for discounting on the Amount Due from SPLASH are as disclosed in Note 25 to the Audited Financial Statements - Trade Receivables.

A1 – Basis of Preparation (continued)

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

(vi) For the current quarter, a net impact of RM9,987,000 (31.03.2017: RM12,295,000; 31.12.2017: RM18,683,000) on the provision for discounting on the Amount Due from SPLASH has been made as follows: -

	3 Months Ended		
	31 Mar 2018 RM'000	31 Mar 2017 RM'000	31 Dec 2017 RM'000
Reversal of/(Provision for) discounting on receivables included in revenue *(Note B4)*	(8,967)	(20,527)	41,862
Reversal of discounting of receivables included in other operating income *(Note B4)*	-	8,232	(15,289)
Provision for discounting on receivables included in cost of operations, administrative and other expenses *(Note B4)*	(1,020)	-	(45,256)
	(1,020)	8,232	(60,545)
Net impact to profit or loss for the period	**(9,987)**	**(12,295)**	**(18,683)**

Commencing fourth quarter of last year, 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 ("**Payment Allocation**"). The adoption of the Payment Allocation 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 will be recorded higher than the preceding/corresponding period whereas Other Income will be lower than the preceding/corresponding periods. The net impact from these changes are disclosed above.

(vii) As at the end of the financial period, the total accumulated provision for discounting of receivables made was approximately RM185.591 million (31.03.2017: RM136.411 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 less related tax effects, on the assumption that the Amount Due from SPLASH is paid in full, without any deductions and not deferred over a period.

(viii) 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 period.

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")** 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 period amounted to RM24,189,780 (2016: RM24,189,780) as follows:

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 paid on 10 January 2018.

(b) On 28 February 2018, 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 2017. The dividends were subsequently paid on 13 April 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 period that have not been reflected in these interim financial statements.

A8 – Changes in Composition of the Group

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

(a) On 2 March 2018, Air Kedah Sdn. Bhd., a 60% owned subsidiary of the Company, has been struck off from the register of companies pursuant to Section 308(4) of the Companies Act, 1965; and

(b) Hydrovest Sdn Bhd ("**Hydrovest**"), a 40% associate of the Company, is in the process of winding up as disclosed in Note 21 of the Audited Financial Statements – Investment in Associates. The difference between the disposal consideration of RM358,000 and the Group's proportionate share of the carrying amount of the net assets in Hydrovest at the date of disposal resulted in a loss on disposal to the Group amounting to RM13,000.

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 treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Amount as per Statement of comprehensive income	
3 months ended 31 Mar	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Restated				Restated		Restated		Restated		Restated		Restated		Restated
Income Statement																
Revenue	60,199	57,873	75,715	74,472	7,770	12,141	15,288	16,108	1,316	1,316	160,288	161,910	(78,565)	(90,557)	81,723	71,353
Operating profit	23,433	21,926	22,973	25,685	(530)	(373)	6,822	5,968	(4,793)	(4,361)	47,905	48,845	(28,629)	(35,034)	19,276	13,811
Profit/(Loss) before tax	23,433	21,915	17,198	18,335	(532)	(177)	3,229	2,018	(4,793)	(5,142)	38,535	36,949	(25,585)	(26,576)	12,950	10,373
Profit/(Loss) after tax	20,283	19,846	13,070	15,436	(532)	(177)	2,899	1,502	(4,793)	(5,142)	30,927	31,465	(20,959)	(23,187)	9,968	8,278
Other Financial Information																
Depreciation and amortisation	(228)	(243)	(10,305)	(8,546)	(117)	(100)	(5,527)	(6,256)	(460)	(457)	(16,637)	(15,602)	8,468	6,881	(8,169)	(8,721)
EBITDA	23,661	22,170	22,195	23,149	(413)	(73)	12,350	12,224	(4,333)	(3,904)	53,460	53,566	(26,013)	(28,495)	27,447	25,071
EBDA	20,511	20,089	12,292	12,899	(415)	(77)	8,426	7,758	(4,333)	(4,685)	36,481	35,984	(18,344)	(18,985)	18,137	16,999
CAPEX	155	329	3,253	615	-	38	196	113	351	-	3,955	1,095				

A10 - Operating Segments (continued)

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation (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 financial period.

Notes

1. *The Group monitors the performance of its business by four main business divisions namely water treatment, supply and distribution, waste management, construction and toll highway. Others refer to investment holding 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 treatment, supply and distribution 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 income statement in the waste management division are solely from the concession business, excludes the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The calculation of EBITDA and EBDA are arrived at after the proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.*

	Water treatment, supply and distribution		Waste management		Construction		Toll highway		Others		Total	
As at 31 Mar	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	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	577,913	500,461	219,868	227,771	46,967	47,483	1,460,141	1,477,809	52,730	182,484	2,357,619	2,436,008
Segment liabilities	(152,734)	(91,059)	-	-	(30,775)	(29,252)	(825,914)	(847,113)	(34,548)	(88,214)	(1,043,971)	(1,055,638)
Net segment assets	**425,179**	**409,402**	**219,868**	**227,771**	**16,192**	**18,231**	**634,227**	**630,696**	**18,182**	**94,270**	**1,313,648**	**1,380,370**

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

The high trade receivables particularly the amount owing by SPLASH continues to be a major concern as it has been long outstanding due to the uncertainties in the Selangor water restructuring exercise.

The Group's trade payables increased from RM132.9 million to RM148.2 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. On the other hand, Other Payables and Accruals saw a reduction from RM51.2 million to RM39.2 million mainly due to payment of interests on the Islamic Medium-Term Notes.

Investment designated at FVTPL, deposits, bank and cash balances totalled RM203.0 million, down from RM214.2 million principally from dividend and interest payments offset by net cash generated from operations and investing activities.

Part B – Review of Income Statement

Revenue

	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Mar 2017 RM'000 Restated
Water treatment, supply and distribution	60,199	57,873
Construction	7,770	11,885
Toll highway	21,405	20,806
Others	1,316	1,316
	90,690	91,880
Less: Provision for discounting on a deferred payment consideration *(Note A1(c)(vi))*	(8,967)	(20,527)
Total revenue	**81,723**	**71,353**

Profit Before Tax

Water treatment, supply and distribution	13,446	9,631
Construction	(530)	(273)
Toll highway	10,536	8,811
Others	(4,176)	(4,358)
Operating profit	**19,276**	**13,811**
Finance cost	(5,125)	(5,977)
Share of results of joint venture	53	(253)
Share of results of associates	(1,254)	2,792
Profit before tax for the period	**12,950**	**10,373**

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

Overall Summary

Before the impact from provision for discounting, the Group's revenue recorded a slight decrease from RM91.9 million to RM90.7 million in the current quarter mainly due to lower contribution from the construction business. However, after taking into account the impact from the provision for discounting, the Group revenue saw an increase of RM81.7 million from RM71.4 million achieved a year ago. Nevertheless, the lower Group revenue was mitigated by higher revenue contribution from water treatment, supply and distribution business due to increase in the Bulk Sales Rate **("BSR")**.

On the Group's profit before taxation **("PBT")**, the Group registered a PBT of RM12.9 million compared to RM10.4 million in the corresponding quarter. However, excluding the effects of discounting, the Group's PBT was almost similar at RM22.9 million compared to RM22.7 million in the corresponding quarter.

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

(i) the increase in the BSR from RM0.42/m3 to RM0.44/m3 for SHSB and from RM2.15/m3 to RM2.24/m3 for Taliworks (Langkawi) Sdn Bhd effective 1 January 2018 **("BSR Increase");**

(ii) lower provisioning for discounting of trade receivables;

(iii) higher toll revenue coupled with lower operating cost from toll division; and

(iv) share of loss from an associate.

Water treatment, supply and distribution

Revenue from the water treatment, supply and distribution segment for the current quarter was higher compared to corresponding quarter due to the BSR Increase. Sungai Selangor Water Treatment Works Phase I **("SSP1")** recorded a decrease in metered sales by 3.5% (i.e. from 91.2 million m3 (or 1,002 million litres per day **("MLD")**) to 88.0 million m3 (or 989 MLD), whereas metered sales in Langkawi operations recorded an increase of 7.6% (i.e. from 4.9 million m3 to 5.3 million m3) over a period of 90 days (2017: 92 days).

The operating profit (excluding the effects of discounting) was slightly higher at RM23.4 million compared to RM21.9 million achieved a year ago on account of the BSR Increase and lower rehabilitation and maintenance costs incurred during the quarter i.e. RM4.1 million compared to RM4.7 million. However, the higher profit was mitigated by higher unit electricity costs due to increase in TNB's Special Industrial Tariff in January 2018 and penalty charges on TNB bills remaining unpaid.

Construction

The construction revenue declined by RM4.1 million to RM7.8 million compared to RM11.9 million achieved a year ago due to the Mengkuang Dam Expansion Project which was almost completed in the same period last year. However, the dip in revenue was mitigated by contribution recognised from current existing projects. In line with decreased in revenue, losses were also higher compared to the corresponding quarter.

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)

Part B – Review of Income Statement (continued)

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

Toll highway - Subsidiary

The revenue contribution from Grand Saga Sdn. Bhd **("Grand Saga"**); the operator of the Cheras-Kajang highway, was higher by RM0.6 million at RM21.4 million compared to RM20.8 million achieved in the corresponding quarter with higher Average Daily Traffic **("ADT")** of 4.1% i.e. 145,259 vehicles per day compared to 139,588 vehicles per day recorded in the corresponding quarter.

Despite the marginal increase in revenue, the segment's operating profit was higher by RM2.0 million from RM8.5 million a year ago. The increase is in line with the higher ADT coupled with lower depreciation, repairs and maintenance costs. Moreover, the higher profit contribution in the current quarter was also attributable to lower provision for heavy repairs recognised arising from deferment of major heavy repairs scheduled in 2018 to 2021 since the second half of last year.

Toll highway – Joint venture

The Group's share of results in Grand Sepadu (NK) Sdn Bhd ("**Grand Sepadu**"); the operator of the New North Klang Straits Bypass Expressway **("NNKSB")**, was higher compared to the corresponding quarter due to higher ADT and lower repairs and maintenance costs as well as lower provision for heavy repairs in the current quarter. In terms of overall ADT, there was an increase of 3.3% to 90,625 vehicles per day from 87,758 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 RM1.6 million compared to RM2.6 million profit a year ago due to higher depreciation and hiring cost, as well as higher amortisation of intangible assets and interest expense imputed in borrowings incurred in the current quarter.

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

Revenue

	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Dec 2017 RM'000
Water treatment, supply and distribution	60,199	58,232
Construction	7,770	8,393
Toll highway	21,405	21,893
Others	1,316	1,316
	90,690	89,834
Less: (Provision for)/Reversal of discounting on a deferred payment consideration *(Note A1(c)(vi))*	(8,967)	41,862
Total revenue	**81,723**	**131,696**

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

Part B – Review of Income Statement (continued)

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

Profit Before Tax

	3 Months Ended 31 Mar 2018 RM'000	3 Months Ended 31 Dec 2017 RM'000 Restated
Water treatment, supply and distribution	13,446	3,327
Construction	(530)	2,957
Toll highway	10,536	19,731
Others	(4,176)	(4,018)
Operating profit	**19,276**	**21,997**
Finance cost	(5,125)	(5,299)
Share of results of joint venture	53	3,194
Share of results of associate	(1,254)	(5,157)
Profit before tax for the period	**12,950**	**14,735**

The Group recorded a marginal increase in revenue from RM89.8 million to RM90.7 million (excluding the impact from discounting) primarily from water treatment, supply and distribution business attributable to the BSR Increase. After taking into account the impact from the provision/reversal for discounting, the Group revenue stood at RM81.7 million compared to RM131.7 million in previous quarter. The huge variance in the revenue was due to the Payment Allocation elaborated in Note A1(c)(iv).

The Group's PBT (after stripping out the effects of discounting) registered a decrease of RM10.7 million to RM22.9 million compared to RM33.4 million in the previous quarter due to the following: -

(i) the write-back of over-provision for heavy repairs in Grand Saga, and the receipt of toll compensation by Grand Sepadu in previous quarter; and

(ii) the downward revision in the construction cost of Mengkuang Dam Expansion Project which resulted in higher profit recognised for the construction activities amounting to RM3.2 million in previous quarter.

However, the lower Group PBT was mitigated by the BSR Increase and lower rehabilitation and maintenance costs incurred during the quarter from water treatment, supply and distribution segment, i.e.RM4.1 million compared to RM4.9 million. Moreover, the share of losses from SWMH in the current quarter is lower due to higher depreciation and financing cost, as well as higher amortisation of intangible assets incurred in the previous quarter.

<u>Part C – Review of Statement of Cash Flow</u>

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM8.1 million during the financial period.

Net Cash generated from Operating Activities for the three months was recorded at RM22.9 million compared to RM7.9 million used a year ago due to the continued partial payments of trade receivables from SPLASH and delayed in payments to trade payables.

Net Cash from Investing Activities totalled RM3.7 million compared to RM21.1 million a year ago due to the compensation received in the previous year as disclosed in Note 46(b) of the Audited Financial Statements - Significant Events.

Net Cash Used in Financing Activities totalled RM34.8 million (2017: RM37.8 million) comprise mainly of interest payments on the Islamic Medium-Term Notes **("IMTN")** and dividends to shareholders of the Company.

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 989 MLD compared to 1,002 MLD a year ago. However, in 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 in last year and the Group is in the process of applying an extension of time until May 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 fourth quarter of last year, 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. 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 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: -

	Current Quarter and Year-to-date 3 Months Ended	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000 Restated
Revenue		
Provision for discounting on receivables *(Note A1(c)(vi))*	(8,967)	(20,527)
Other operating income:		
Interest income on fixed deposits with licensed banks	836	980
Dividend from investments designated at FVTPL	545	270
Rental income	130	120
Reversal of discounting of receivables *(Note A1(c)(vi))*	-	8,232
Gain on redemption of investments designated at FVTPL	-	11
Gain on foreign exchange (realised)	-	15
Interest income imputed on retention sum	25	-
Fair value gain from investments designated at FVTPL *(Note B13(b))*	87	324
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(8,169)	(8,721)
Imputed interest on borrowing	(135)	(135)
Loss on redemption of investments designated at FVTPL	-	(5)
Loss on disposal of an associate *(Note A8(b))*	(13)	-
Loss on foreign exchange (unrealised)	(791)	(2,063)
Provision for discounting on receivables *(Note A1(c)(vi))*	(1,020)	-
Reversal of interest income imputed on retention sum	-	(506)

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

	Current Quarter and Year-to-date 3 Months Ended	
	31 Mar 2018 RM'000	31 Mar 2017 RM'000
Income tax:		
- Current year tax	5,182	4,492
- Deferred tax expense	(2,200)	(2,397)
Total income tax expense	**2,982**	**2,095**

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

As at 15 May 2018 (being a date not earlier than 7 days from the date of these interim financial statements), there were no corporate proposals announced but not completed as at end of the reporting period.

The balance of proceeds raised from the Disposal of Foreign Operations (as disclosed in the previous Interim Financial Report) was fully utilised except for USD500,000 referred to in Note B12(b), which will be used for payment of dividends in future.

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	118	-	118	57	-	57
IMTN	-	-	-	416,651	-	416,651
As at 31 Mar 2018	**118**	**-**	**118**	**416,708**	**-**	**416,708**
As at 31 Mar 2017	**71,116**	**5,042**	**76,158**	**416,318**	**-**	**416,318**

The reduction in the Group's short-term borrowings was mainly due to the repayment of outstanding revolving credit in the previous year.

B8 – Changes in Material Litigations

As disclosed in Note 47 to the Audited Financial Statements – Subsequent Event, SHSB received two writs of summons together with the corresponding statements of claim dated 1 March 2018 filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB.

There are no material developments in respect of Suit 1 and Suit 2 and both suits are on-going.

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.

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

	Current Quarter and Year-to-date	
	3 Months Ended 31 Mar 2018	3 Months Ended 31 Mar 2017 Restated
Profit for the financial period attributable to owners of the Company (RM'000)	7,597	6,874
Weighted average number of ordinary shares in issue ('000)	1,209,489	1,209,489
Basic EPS (sen)	0.63	0.57

(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 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 2018, to be payable on 13 July 2018.

For the financial year ending 31 December 2018, the Board has declared a total single-tier dividend of 2.0 sen per share to shareholders amounting to RM24,189,780 (2017: 2.0 sen per share amounting to RM24,189,780).

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 – Investment Designated at FVTPL, Deposits, Bank and Cash Balances

(a) As at the end of the financial period, included in the investment designated at FVTPL, deposits, bank and cash balances totalling RM203.0 million are approximately: -

(i) RM30.0 million held as securities for banking facilities secured by the Group,

(ii) RM97.9 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and

(iii) RM24.2 million earmarked for the fourth interim single-tier dividend payable in respect of the financial year ended 31 December 2017.

B12– Investments Designated at FVTPL, Deposits, Bank and Cash Balances (continued)

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

Foreign currency	31 Mar 2018	31 Dec 2017	31 Mar 2017
US Dollars ('000)	500	5,455	32,871

B13 – Restatement of Comparative

The table below show the amount of adjustment for each financial statement line item affected by the application of MFRS 9 for the prior years.

	As previously reported RM'000	MFRS 9 adjustments RM'000	As restated RM'000
(a) Impact on Condensed Statements of Financial Position			
As at 31 Dec 2017			
Available-for-sale financial assets	69,770	(69,770)	-
Investments designated at fair value through profit or loss ("FVTPL")	-	69,770	69,770
(b) Impact on Condensed Statements of Comprehensive Income			
3 months ended 31 Mar 2017			
Other operating income	10,066	324	10,390
Net fair value gain on available-for-sale financial assets	324	(324)	-
(c) Impact on Condensed Statements of Changes in Equity			
As at 1 January 2017			
Available-for-sale reserve	(66)	66	-
Retained earnings	753,977	(66)	753,911
As at 1 January 2018			
Available-for-sale reserve	173	(173)	-
Retained earnings	686,300	173	686,473
(d) Impact on Condensed Statements of Cash Flow			
3 months ended 31 Mar 2017			
Profit before tax	10,049	324	10,373
Non-cash items	18,119	(324)	17,795

B14 – 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
22 May 2018