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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2018 (UNAUDITED)

CONTENTS

This Report is authorised by the Board for public release on 26 November 2018

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Sep 2018 RM'000	31 Dec 2017 RM'000 Audited and Restated
ASSETS			
Property, plant and equipment		13,119	16,050
Investment properties		235	240
Intangible asset		1,108,355	1,129,152
Investment in joint venture		71,937	70,403
Investment in associates		227,435	231,972
Other investment		240	240
Goodwill on consolidation		129,385	129,385
Deferred tax assets		44,920	42,553
Long-term trade receivable	A1(c)	407,401	362,318
Deposits, cash and bank balances	B12	29,677	32,957
Total Non-Current Assets		**2,032,704**	**2,015,270**
Inventories		1,348	1,276
Amount due from contract customers		24,002	17,194
Trade receivables	A1(c)	166,476	138,973
Other receivables, deposits and prepayments		13,053	16,024
Tax recoverable		1,457	1,723
Investments designated at fair value through profit or loss ("FVTPL")	B13(a)	54,522	69,770
Deposits, cash and bank balances	B12	74,329	111,490
Total Current Assets		**335,187**	**356,450**
TOTAL ASSETS		**2,367,891**	**2,371,720**
EQUITY AND LIABILITIES			
Share capital		438,561	438,561
Reserves		587,105	614,973
Total Equity Attributable to Owners of the Company		**1,025,666**	**1,053,534**
Non-controlling interests		269,678	274,336
Total Equity		**1,295,344**	**1,327,870**
LIABILITIES			
Long-term borrowings	B7	416,982	416,573
Long-term trade payables		392	8,671
Provision for heavy repairs		16,281	13,617
Deferred income		141,608	141,512
Deferred tax liabilities		235,585	236,162
Total Non-Current Liabilities		**810,848**	**816,535**
Amount due to contract customers		-	786
Trade payables		187,269	132,873
Other payables and accruals		44,037	51,176
Dividend payable	A6(b)	24,190	24,190
Short-term borrowings	B7	229	157
Deferred income		4,049	16,065
Tax liabilities		1,925	2,068
Total Current Liabilities		**261,699**	**227,315**
TOTAL LIABILITIES		**1,072,547**	**1,043,850**
TOTAL EQUITY AND LIABILITIES		**2,367,891**	**2,371,720**
Net assets per share attributable to owners of the Company (RM)		**0.5088**	**0.5226**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Sep 2018 RM'000	3 Months Ended 30 Sep 2017 RM'000 Restated	9 Months Ended 30 Sep 2018 RM'000	9 Months Ended 30 Sep 2017 RM'000 Restated
Revenue	B1	**98,361**	**74,311**	**277,130**	**236,944**
Cost of operations		(58,344)	(48,527)	(166,230)	(175,160)
Gross profit		**40,017**	**25,784**	**110,900**	**61,784**
Other operating income		1,919	3,227	5,857	21,712
Administrative and other expenses		(10,588)	(10,942)	(34,312)	(36,638)
Operating profit		**31,348**	**18,069**	**82,445**	**46,858**
Finance costs		(5,372)	(5,298)	(15,737)	(17,285)
Share of results of joint venture		1,443	19	1,534	(446)
Share of results of associates		185	1,814	(2,342)	6,342
Profit before tax	B4	**27,604**	**14,604**	**65,900**	**35,469**
Income tax expense	B5	(4,996)	(2,269)	(13,664)	(6,890)
Profit for the financial period representing total comprehensive income for the financial period		**22,608**	**12,335**	**52,236**	**28,579**
Profit for the financial period representing total comprehensive income for the financial period attributable to:					
Owners of the Company		19,678	10,009	44,701	22,981
Non-controlling interests		2,930	2,326	7,535	5,598
		22,608	**12,335**	**52,236**	**28,579**
Basic and diluted earnings per share attributable to owners of the Company (sen per share)	B9	0.98	0.50	2.22	1.14

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		-	-	-	44,701	44,701	7,535	52,236
Total comprehensive income for the financial period		**-**	-	-	44,701	44,701	7,535	52,236
Transactions with owners of the Company:								
Dividends paid	B10	**-**	-	-	(48,379)	(48,379)	-	(48,379)
Dividends payable	A6(b)	**-**	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid by a subsidiary to non-controlling interest		**-**	-	-	-	-	(12,005)	(12,005)
Capital distribution from liquidation of a subsidiary		**-**	-	-	-	-	(188)	(188)
Total transactions with owners of the Company		**-**	-	-	(72,569)	(72,569)	(12,193)	(84,762)
As of 30 September 2018		**438,561**	**-**	**(71,500)**	**658,605**	**1,025,666**	**269,678**	**1,295,344**

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		-	-	353	-	-	353	279	632
Total comprehensive income for the financial period, as previously stated		-	-	353	-	-	353	279	632
Effects of adoption of MFRS 9	B13(b)	-	-	(353)	-	-	(353)	(279)	(632)
Total comprehensive income for the financial period, as restated		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the financial period, as previously stated		-	-	-	-	22,628	22,628	5,319	27,947
Effects of adoption of MFRS 9	B13(b)	-	-	-	-	353	353	279	632
Profit for the financial period, as restated		**-**	**-**	**-**	**-**	**22,981**	**22,981**	**5,598**	**28,579**
Total comprehensive income for the financial period		-	-	-	-	22,981	22,981	5,598	28,579
Transactions with owners of the Company:									
Dividends paid	B10	-	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	(6,860)	(6,860)
Total transactions with owners of the Company		-	-	-	-	(72,570)	(72,570)	(6,860)	(79,430)
Transfer arising from no-par value regime*		196,663	(196,663)	-	-	-	-	-	-
As of 30 September 2017		**438,561**	**-**	**-**	**(71,500)**	**704,322**	**1,071,383**	**276,008**	**1,347,391**

* Effective from 31 January 2017, the new Companies Act 2016 ('the Act') abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium account of RM196,663,333 became 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

	9 Months Ended 30 Sep 2018 RM'000	9 Months Ended 30 Sep 2017 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax *(Note B13(d))*	65,900	35,469
Adjustments for:		
Non-cash items *(Note B13(d))*	25,337	45,358
Interest income	(2,449)	(2,936)
Finance costs	15,736	17,285
Operating Profit Before Working Capital Changes	104,524	95,176
Net increase in inventories, amount due from contract customers, trade and other receivables	(95,152)	(97,166)
Net increase in amount due to contract customers, trade and other payables and deferred income	41,266	37,638
Cash Generated From Operations	50,638	35,648
Income tax paid	(13,718)	(16,569)
Income tax refunded	635	221
Net Cash From Operating Activities	**37,555**	**19,300**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,737	3,334
Property, plant and equipment:		
- Proceeds from disposal	166	294
- Purchase	(1,090)	(1,336)
Consideration received from disposal of an associate *(Note A8(b))*	358	-
Compensation received from associate	-	17,087
Capital distribution from liquidation of a subsidiary *(Note 1)*	282	-
Repayment from joint venture	-	905
Repayment from associates	7,030	671
Dividend income from associates	694	15,180
Investments designated at FVTPL:		
- purchase	(5,500)	(59,000)
- proceeds from redemption	22,500	58,188
Withdrawal of deposits pledged as security	3,827	117,252
Net Cash From Investing Activities	**31,004**	**152,575**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(21,032)	(22,696)
Repayment of bank borrowings	-	(70,000)
Dividends paid by a subsidiary to non-controlling interest	(12,005)	(6,860)
Repayment of finance lease payables	(121)	(176)
Dividends paid *(Note A6(a))*	(72,569)	(72,569)
Capital distribution from liquidation of a subsidiary to non-controlling interest *(Note 1)*	(188)	-
Net Cash Used In Financing Activities	**(105,915)**	**(172,301)**

CONDENSED STATEMENTS OF CASH FLOWS

	9 Months Ended 30 Sep 2018 RM'000	9 Months Ended 30 Sep 2017 RM'000 Restated
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,356)	(426)
Effects of foreign exchange rate changes	4	(2,207)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	111,490	113,576
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**74,138**	**110,943**

Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	87,000	130,259
Cash and bank balances	17,006	13,275
Total deposits, cash and bank balances	104,006	143,534
Less: Deposits pledged as security	(29,677)	(32,591)
Less: Overdrafts	(191)	-
	74,138	**110,943**

Note 1

As disclosed in Note 19 to the Audited Financial Statements – Investments in Subsidiaries, Taliworks Meruan (Sarawak) Sdn Bhd, a 60% owned subsidiary was under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018. The liquidator distributed the capital of the company equivalent to RM0.94 per share amounting to RM282,000 and RM188,000 respectively to the Group and to the non-controlling interest.

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) Classification of financial assets under MFRS 9

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

(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) <u>Impairment of financial assets</u>

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 **("L2P7 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

(a) The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur ***("L2P7 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.

(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 ***("GP3A 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	30 Sep 2018	30 Jun 2018	30 Sep 2017
	RM	RM	RM
1 US Dollar (USD)	4.1204	4.0439	4.229

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")**, an entity identified by the Selangor state government, to take over the water supply and distribution services in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya **("Supply Area")** by acquiring all the concessionaires **("Water Restructuring Exercise")** 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. As part of the Water Restructuring Exercise, all concession agreements related to the water supply and distribution in the Supply Area are to be terminated effective from the date to be determined by Air Selangor.

(iii) On 3 August 2018, Syarikat Pengeluar Air Selangor Holdings Berhad (**"SPLASH Holdings"**), the holding company of SPLASH, received a letter of offer from Air Selangor in respect of Air Selangor's proposed purchase of 100% equity interest held by SPLASH Holdings in SPLASH for a sum of RM2.55 billion (**"SPLASH Offer"**). SPLASH Holdings had on 9 August 2018 accepted in principle the SPLASH Offer from Air Selangor. Subsequently both parties entered into a conditional share purchase agreement on 28 September 2018.

(iv) On 21 August 2018, SHSB received a letter of offer from Air Selangor **("SHSB Offer"**) setting out the (i) key terms of settlement between Air Selangor, SPLASH and SHSB relating to SHSB's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 **("SSP1")** under its existing Operations and Maintenance Agreement for SSP1 **(" SSP1 OMA")** with SPLASH; and the (ii) key terms in respect of the new operations and maintenance agreement for the continued operations and maintenance of SSP1 **("New OMA")** between Air Selangor and SHSB.

(v) On 27 August 2018, SHSB accepted the SHSB Offer. To facilitate the conclusion of the Water Restructuring Exercise, SHSB will:

(a) enter into a termination and settlement agreement with Air Selangor and SPLASH in respect of the SSP1 OMA **("Termination and Settlement Agreement")**;

(b) enter into the New OMA; and

(c) terminate all other existing agreements relating to the SSP1 OMA.

A1 - Basis of Preparation (continued)

(vi) As at the end of the financial period, the outstanding amount payable under the SSP1 OMA amounted to RM701.835 million (2017: RM583.37 million) **("Amount Due from SPLASH")** whereas the total accumulated provision for discounting of receivables made is approximately RM185.591 million (2017: RM156.92 million). With the acceptance of the SHSB Offer, the Group did not make any provision for discounting on the Amount Due from SPLASH effective from last quarter. Upon the completion of the Termination and Settlement Agreement, the Group will recognise back to the Income Statement the accumulated provision for discounting of receivables less the amount required to be written off under the terms of the Termination and Settlement Agreement and related tax effects.

(vii) As at the end of the financial period, the net impact of provision for discounting in the financial results of the Group were as follows:-

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Provision for discounting on receivables included in revenue *(Note B4)*	-	(10,805)	(8,967)	(48,094)
Reversal of discounting of receivables included in other operating income *(Note B4)*	-	1,183	-	15,290
Provision for discounting on receivables included in cost of operations, administrative and other expenses *(Note B4)*	-	-	(1,020)	-
	-	1,183	(1,020)	15,290
Net impact to profit or loss for the period	**-**	**(9,622)**	**(9,987)**	**(32,804)**

Note

In determining the amount of provision for discounting, payments received from SPLASH were allocated to settle current billings over the older billings commencing fourth quarter of last year whereas previously payments were allocated to settle older billings over the current billings. The revised allocation of payments 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 the revised allocation of payments, 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.

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.

Arising from the Bonus Issue (referred to in Note B6), the exercise price and number of outstanding Warrants had been adjusted in accordance with the Deed Poll constituting the Warrants. The Notice to Warrantholders dated 8 October 2018 had been despatched to Warrantholders.

Other than 3,335 Warrants which were exercised, all the remaining unexercised Warrants had since lapsed and ceased to be valid on 11 November 2018 and were delisted on 12 November 2018.

A6 – Dividends Paid

(a) The total dividends paid to shareholders during the financial period amounted to RM72,569,340 (2017: RM72,569,340) as follows:

(i) On 28 November 2017, the Board declared a third interim single-tier dividend of 2.0 sen per share *(or 1.2 sen adjusted for the Bonus Issue)* on 1,209,489,000 ordinary shares, amounting to RM24,189,780 in respect of the financial year ended 31 December 2017. The dividends were paid on 10 January 2018.

(ii) On 28 February 2018, the Board declared a fourth interim single-tier dividend of 2.0 sen per share *(or 1.2 sen adjusted for the Bonus Issue)* on 1,209,489,000 ordinary shares, amounting to RM24,189,780 in respect of the financial year ended 31 December 2017. The dividends were paid on 13 April 2018.

(iii) On 22 May 2018, the Board declared a first interim single-tier dividend of 2.0 sen per share *(or 1.2 sen adjusted for the Bonus Issue)* on 1,209,489,000 ordinary shares, amounting to RM24,189,780 in respect of the financial year ending 31 December 2018. The dividends were paid on 13 July 2018.

(b) On 27 August 2018, the Board declared a second interim single-tier dividend of 2.0 sen per share *(or 1.2 sen adjusted for the Bonus Issue)* on 1,209,489,000 ordinary shares, amounting to RM24,189,780 in respect of the financial year ending 31 December 2018. The dividends were subsequently paid on 26 October 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 save and except arising from the completion of the Bonus Issue and the expiry of the Warrants.

A8 – Changes in Composition of the Group

There were no changes to the composition of the Group during the financial period, 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) On 12 July 2018, Hydrovest Sdn Bhd, a 40% associate of the Company was dissolved pursuant to Section 459(5) of the Companies Act, 2016.

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 30 Sep	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Income Statement																
Revenue	61,934	58,673	77,350	75,677	16,800	3,382	17,472	15,469	1,316	1,316	174,872	154,517	(76,511)	(80,206)	98,361	74,311
Operating profit	22,834	21,460	26,368	26,149	274	(904)	8,898	7,030	(3,072)	(3,683)	55,302	50,052	(23,954)	(31,983)	31,348	18,069
Profit/(Loss) before tax	22,834	21,460	19,008	18,954	273	(908)	5,255	3,327	(3,080)	(3,683)	44,290	39,150	(16,686)	(24,546)	27,604	14,604
Profit/(Loss) after tax	17,330	19,092	14,072	14,241	302	(773)	4,871	2,879	(3,318)	(3,683)	33,257	31,756	(10,649)	(19,421)	22,608	12,335
Other Financial Information																
Depreciation and amortisation	(223)	(239)	(9,679)	(8,518)	(133)	(93)	(5,678)	(5,646)	(456)	(455)	(16,169)	(14,951)	7,813	6,473	(8,356)	(8,478)
EBITDA	23,057	21,699	24,964	34,667	407	(811)	14,576	12,676	(2,616)	(3,228)	60,388	65,003	(20,684)	(38,456)	39,704	26,547
EBDA	17,553	19,331	12,669	22,759	435	(680)	10,549	8,525	(2,862)	(3,228)	38,344	46,707	(7,380)	(25,894)	30,964	20,813
CAPEX	85	105	3,997	2,030	16	-	167	213	21	13	4,286	2,361				

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)(vii) 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 30 Sep	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	638,836	541,083	217,745	230,387	47,324	51,089	1,441,462	1,470,639	22,524	64,678	2,367,891	2,357,876
Segment liabilities	(186,033)	(119,376)	-	-	(31,050)	(37,961)	(820,207)	(841,579)	(35,257)	(11,569)	(1,072,547)	(1,010,485)
Net segment assets	**452,803**	**421,707**	**217,745**	**230,387**	**16,274**	**13,128**	**621,255**	**629,060**	**12,733**	**53,109**	**1,295,344**	**1,347,391**

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. Pending the completion of the Termination and Settlement Agreement, the high trade receivables remains a major concern to the Group.

The Group's trade payables increased from RM141.5 million as at the last audited financial statements to RM187.6 million mainly due to the increase in trade payables in SHSB, owing to the partial payments received from SPLASH which limits the ability of SHSB to pay its creditors in full. However, in light of the issue of the high trade receivables being addressed, the trade payables are expected to be reduced over time. Other Payables and Accruals saw a reduction from RM51.2 million to RM44.0 million mainly due to payment of interests on the Islamic Medium-Term Notes issued by a subsidiary.

Investments designated at FVTPL, deposits, bank and cash balances totalled RM158.5 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 30 Sep 2018 RM'000	3 Months Ended 30 Sep 2017 RM'000 Restated	9 Months Ended 30 Sep 2018 RM'000	9 Months Ended 30 Sep 2017 RM'000 Restated
Water treatment, supply and distribution	61,935	58,673	183,200	173,988
Construction	12,966	3,382	34,155	43,297
Toll highway	22,144	21,745	64,794	63,754
Others	1,316	1,316	3,948	3,999
	98,361	85,116	286,097	285,038
Less: Provision for discounting on a deferred payment consideration *(Note A1(c)(vii))*	-	(10,805)	(8,967)	(48,094)
Total revenue	**98,361**	**74,311**	**277,130**	**236,944**

Profit Before Tax

	3 Months Ended 30 Sep 2018 RM'000	3 Months Ended 30 Sep 2017 RM'000 Restated	9 Months Ended 30 Sep 2018 RM'000	9 Months Ended 30 Sep 2017 RM'000 Restated
Water treatment, supply and distribution	22,835	11,838	60,733	32,274
Construction	226	(905)	(89)	(134)
Toll highway	11,360	10,820	32,256	29,466
Others	(3,073)	(3,682)	(10,455)	(14,747)
Operating profit	**31,348**	**18,070**	**82,445**	**46,859**
Finance cost	(5,372)	(5,298)	(15,737)	(17,285)
Share of results of joint venture	1,443	19	1,534	(446)
Share of results of associates	186	1,814	(2,341)	6,342
Profit before tax for the period	**27,605**	**14,605**	**65,901**	**35,470**

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 recorded an increase in revenue of RM13.3 million from RM85.1 million to RM98.4 million mainly due to higher revenue contribution from the construction business and water treatment, supply and distribution business. However, after accounting for the impact from the provision for discounting, the Group revenue stood at RM98.4 million compared to RM74.3 million in the previous year due to no provision for discounting being made in the current quarter compared to RM10.8 million provided for in the corresponding quarter as disclosed in Note A1(c)(vii).

On the Group's profit before taxation **("PBT")**, the Group registered a PBT of RM27.6 million compared to RM14.6 million in the corresponding quarter. Excluding the effects of discounting, the Group's PBT of RM27.6 million was comparatively higher than RM24.2 million in the corresponding quarter mainly attributable to the following:-

(a) 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")** coupled with higher electricity rebates in SSP1;

(b) 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 ("**NNKSB**");

(c) higher contribution from the construction business and from the toll division particularly from higher traffic volume; and

(d) unrealised foreign exchange losses incurred in the corresponding quarter;

but the increase in PBT was off-set by lower share of results from associates.

Water treatment, supply and distribution

Despite the lower metered sales in both water treatment operations, this business segment still managed to record higher revenue due to the BSR Increase and higher electricity rebates from the higher electricity costs in SSP1. Metered sales in SSP1 was marginally lower by 0.9% (i.e. from 91.4 million m3 (or 993 million litres per day **("MLD")**) to 90.5 million m3 (or 995 MLD), whereas metered sales in Langkawi operations recorded a decrease of 3.9% (i.e. from 5.1 million m3 to 4.9 million m3) over a period of 91 days (2017: 92 days).

The operating profit (excluding the effects of discounting) was higher at RM22.8 million compared to RM21.5 million achieved a year ago on account higher revenue and lower rehabilitation and maintenance costs incurred in both water treatment operations. 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 in SSP1 amounting to RM1.42 million (2017: RM0.52 million).

Construction

The construction revenue increased by RM9.6 million to RM13.0 million compared to RM3.4 million achieved a year ago. Despite completion of New Access to NNKSB (Jalan Haji Sirat) Project in the previous quarter, the construction revenue in the current quarter were mainly from the L2P7 Project which commenced since the fourth quarter of last year. In line with increase in revenue, the segment recorded an operating profit of RM0.2 million compared to an operating loss of RM0.9 million 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)

Currently, the Group is in discussion with a client on a Variation of Pricing 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 RM0.4 million as compared to the corresponding quarter with higher Average Daily Traffic **("ADT")** of 2.7% i.e. 146,611 vehicles per day compared to 142,707 vehicles per day recorded in the corresponding quarter.

The segment's operating profit was higher by RM0.5 million compared to RM10.8 million a year ago. The increase is in line with the higher ADT coupled with lower lower provision for heavy repairs recognised arising from deferment of major heavy repairs scheduled in 2018 to 2021 since the fourth quarter of last year.

Toll highway – Share of results of joint venture

During the current quarter, Grand Sepadu received compensation of RM4.130 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 2017. Arising therefrom, the Group recognised an additional RM1.2 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 ADT by 2.7% to 91,115 vehicles per day from 88,732 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 RM0.5 million compared to RM1.4 million profit a year ago due to higher group adjustments made to the SWM's profit arising from a fair value measurement exercise **("FVM Exercise")** pursuant to the requirements of MFRS 128 - Investments in Associates and Joint Ventures, particularly adjustments made with regards to the amortisation of intangible assets and interest expense imputed in borrowings.

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

Overall Summary

For the current financial period, the Group revenue (excluding the impact from discounting) increased from RM285.0 million to RM286.1 million mainly attributable to the water treatment, supply and distribution business and from the toll division. However, the higher revenue was mitigated by lower contribution from construction business due to upward revision made to the estimated contract sum in the Mengkuang Dam Expansion Project a year ago. After considering the impact from the provision for discounting, the Group revenue was lower at RM277.1 million, but still higher than the RM236.9 million achieved 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)

The Group registered a higher PBT of RM65.9 million compared to RM35.5 million in the corresponding period. Excluding the provision for discounting on receivables, the Group's PBT stood at RM75.9 million compared to RM68.3 million mainly attributable to the following: -

(a) effects from the BSR Increase;

(b) lower provision for heavy repairs arising from deferment of major heavy repairs scheduled in 2018 to 2021 in fourth quarter of last year; and lower depreciation expenses in the toll division;

(c) receipt of Toll Compensation in Grand Sepadu; and

(d) lower financing costs, coupled with higher foreign exchange losses in the corresponding period;

but the increase was off-set by share of losses from SWMH.

Water treatment, supply and distribution

At the operating level, revenue from water treatment, supply and distribution business (excluding the impact from discounting) recorded an increase from RM174.0 million to RM183.2 million due to the BSR Increase and higher electricity rebates in SSP1. SSP1 recorded a decrease in metered sales by 1.4% (i.e. from 272.2 million m3 (or 997 MLD) to 268.3 million m3 (or 990 MLD), whereas in the Langkawi operations, metered sales were higher by 3.6% i.e. from 14.92 million m3 to 15.46 million m3.

The segment operating profit (after stripping out the effects of discounting) was higher by RM5.6 million at RM70.7 million due to the BSR Increase and lower rehabilitation and maintenance costs incurred in the Langkawi operations during the period. However, the higher profit was mitigated by the late penalty charges on outstanding TNB bills remaining unpaid in SSP1 amounting to RM3.45 million (2017: RM1.00 million).

Construction

The revenue from construction decreased to RM34.2 million compared to RM43.3 million due to the upward revision in the estimated contract sum in the Mengkuang Dam Expansion Project a year ago. However, the dip in revenue in the current financial period was mitigated by higher contribution from the L2P7 Project. The segment recorded an operating losses in the current and corresponding period due to higher administrative expenses.

Toll operations-Subsidiary

The revenue contribution from Cheras-Kajang highway increased by RM1.0 million to RM64.8 million from RM63.8 million due to the higher ADT growing by 2.9% from 141,063 vehicles per day to 145,176 vehicles per day. The company's operating profit was higher by RM2.8 million in line with the higher ADT coupled with lower depreciation expenses and 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 Toll Compensation, higher ADT as well as lower provision for heavy repairs in the current quarter. In terms of overall ADT, there was a slight increase of 3.2% i.e. 90,579 vehicles per day from 87,794 vechicles 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

The Group recorded a share of loss of RM3.8 million from SWMH compared to RM5.2 million profit in the corresponding period due to higher depreciation and payroll cost, as well as the impact from the group adjustments made from the FVM Exercise mentioned earlier.

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

Revenue

	3 Months Ended 30 Sep 2018 RM'000	3 Months Ended 30 Jun 2018 RM'000
Water treatment, supply and distribution	61,935	61,066
Construction	12,966	13,419
Toll highway	22,144	21,245
Others	1,316	1,316
Total revenue	**98,361**	**97,046**

Profit Before Tax

	3 Months Ended 30 Sep 2018 RM'000	3 Months Ended 30 Jun 2018 RM'000
Water treatment, supply and distribution	22,835	24,452
Construction	226	214
Toll highway	11,360	10,361
Others	(3,073)	(3,206)
Operating profit	**31,348**	**31,821**
Finance cost	(5,372)	(5,240)
Share of results of joint venture	1,443	38
Share of results of associate	186	(1,273)
Profit before tax for the period	**27,605**	**25,346**

The Group recorded an increase in revenue from RM97.0 million to RM98.4 million primarily from toll business and water treatment, supply and distribution business. However, the revenue was mitigated by lower contribution from construction business with the completion of the New Access to NNKSB (Jalan Haji Sirat) Project in previous quarter.

The Group's PBT registered an increase of RM2.3 million to RM27.6 million compared to RM25.3 million in the previous quarter mainly due to higher share of results of joint venture arising from the receipt of Toll Compensation; coupled with the lower share of loss results from SWMH due to the reversal of the consumables expenses over-recognised in the previous quarter. However, the profit was mitigated by higher electricity, rehabilitation and maintenance costs incurred in both water treatment operations.

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

Part C – Review of Statement of Cash Flow

The cash and cash equivalents (excluding the effects of foreign exchange rate changes) decreased by RM37.4 million during the financial period.

Net Cash Generated from Operating Activities for the nine months was recorded at RM37.6 million compared to RM19.3 million a year ago due to the continued partial payments from SPLASH and delayed payments to trade payables.

Net Cash from Investing Activities totalled RM31.0 million compared to RM152.6 million a year ago due to withdrawal of deposits pledged as security RM121.7 million, dividend income from SWMH and 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 RM105.9 million as compared to RM172.3 million a year ago due to the repayments on the bank borrowings.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business and to a certain extent the toll division as these segments contribute the bulk of the profits to the Group. The Group expects that the SSP1 operations, which is the main contributor to the revenue and profit 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. Pursuant to the acceptance of SHSB Offer in August of this year, the Group had ceased to provide for discounting on a deferred payment consideration in respect of delay in payments from SPLASH, thus increasing the profit contribution to the Group from the water treatment, supply and distribution division. The profit of the Group will also be boosted by a one-off reversal of the total accumulated provision of discounting of receivables made to-date less the 10% to be written off from the amount outstanding due from SPLASH pursuant to the Termination and Settlement Agreement.

In the construction segment, the GP3A Project which commenced work in 2016 has been granted an extention of time to complete until forth quarter of 2019. The L2P7 Project which commenced in the fourth quarter of last year, is the main construction activity currently underway and it will due to complete by first quarter of 2019. In October of this year , the Group, via its wholly-owned subsidiary, was awarded the Proposed Construction and Completion Including Handing Over To Authority Of 76ML R.C Reservoir R4 and Related Ancillary Works at Cyberjaya Flagship Zone, Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan at a contract sum of RM42.356 million, to be completed with 36 months from the date for possession of the site. The Group is continuing with its efforts to tender for more infrastructure projects.

In the toll highway division, the growth in ADT at both the Cheras-Kajang Highway and the NNKSB is expected to be moderate. For the nine months ended 30 September 2018, the ADT at the Cheras-Kajang Highway grew by 2.9% compared to the year before whereas at NNKSB, ADT grew by about 3.2%. The impact on the ADT at the Cheras-Kajang Highway arising from the commencement of the Klang Valley Mass Rapid Transit Line 1 in July 2017 continue to diminish. The completion of the new access to the NNKSB at Jalan Haji Sirat to provide a direct access into the expressway for residents and business owners from the surrounding industrial areas, is expected to further contribute to the uptrend in the projected toll revenue. Whilst there are uncertainties surrounding the whole toll highway industry arising from the Government's intention to restructure the industry, it is yet to be seen what the outcome will be.

In the waste management division, SWMH is expected to grow its business with the increasing servicing areas 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. However, challenges continue to be faced by this division which is reflected by the share of losses by the Group over the past three quarters. Nevertheless, SWMH is currently in the process of reviewing its tariff of its solid waste collection and public cleansing management services with the Government and is expected to be completed by first half of next year.

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

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

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

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Revenue				
Provision for discounting on receivables *(Note A1(c)(vii))*	-	(10,805)	(8,967)	(48,094)
Other operating income:				
Interest income on fixed deposits with licensed banks	811	897	2,449	2,936
Dividend from investments designated at FVTPL	416	561	1,486	1,179
Rental income	117	98	423	368
Reversal of discounting of receivables *(Note A1(c)(vii))*	-	1,183	-	15,290
Gain on redemption of investments designated at FVTPL	7	31	20	42
Gain on foreign exchange (unrealised)	2	-	4	-
Fair value gain from investments designated at FVTPL *(Note B13(b))*	93	114	253	632
Cost of operations, administrative and other expenses:				
Depreciation and amortisation	(8,356)	(8,478)	(24,670)	(26,064)
Imputed interest on borrowing	(138)	(138)	(410)	(410)
Loss on redemption of investments designated at FVTPL	(6)	5	(6)	-
Fair value gain from investments designated at FVTPL *(Note B13(b))*	4	4	-	-
Loss on disposal of an associate *(Note A8(b))*	-	-	(13)	-
Loss on foreign exchange (unrealised)	-	(607)	-	(2,207)
Realised foreign exchange losses	-	-	(730)	(4,149)
Provision for discounting on receivables *(Note A1(c)(vii))*	-	-	(1,020)	-
Reversal of interest income imputed on retention sum	99	-	(550)	(474)

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

B5 – Income Tax Expense

	3 Months Ended 30 Sep		9 Months Ended 30 Sep	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income tax:				
-Current year tax	5,972	5,130	17,185	14,931
-Over prvision in prior years	(577)	(387)	(577)	(387)
Deferred tax expense	(399)	(2,474)	(2,944)	(7,654)
Total income tax expense	**4,996**	**2,269**	**13,664**	**6,890**

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

(a) As at 19 November 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.

(b) On 29 August 2018 which was after the issuance of the Interim Financial Report for the financial quarter ended 30 June 2018, the Company announced a bonus issue of up to 967,591,160 new ordinary shares in the Company ("**Bonus Shares**") on the basis of 2 Bonus Shares for every 3 existing ordinary shares in the Company ("**TCB Shares**") ("**Bonus Issue**").

On 12 September 2018, Bursa Securities approved the following:

(i) the listing and quotation of up to 967,591,160 Bonus Shares;

(ii) the listing and quotation of up to 161,265,160 additional Warrants to be issued arising from the adjustment to the number of Warrants which may be made pursuant to the Bonus Issue; and

(iii) the listing and quotation of up to 161,265,160 new TCB Shares to be issued arising from the exercise of the additional Warrants.

On 19 October 2018, the Company announced the completion of the Bonus Issue following the listing and quotation of 806,325,239 Bonus Shares and 161,264,870 additional Warrants on the Main Market of Bursa Securities.

On 11 November 2018, all the outstanding Warrants had lapsed and ceased to be valid.

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	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Finance lease liabilities	38	-	38	57	-	57
Bank overdraft	-	191	191	-	-	-
IMTN	-	-	-	416,925	-	416,925
As at 30 Sep 2018	**38**	**191**	**229**	**416,982**	**-**	**416,982**
As at 30 Sep 2017	**40**	**-**	**40**	**416,592**	**-**	**416,592**

B8 – Changes in Material Litigations

As disclosed in Note 47 to the Audited Financal 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 retion 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.

	3 Months Ended 30 Sep 2018	3 Months Ended 30 Sep 2017	9 Months Ended 30 Sep 2018	9 Months Ended 30 Sep 2017
Profit for the financial period attributable to owners of the Company (RM'000)	19,678	10,009	44,701	22,981
Weighted average number of ordinary shares in issue ('000)	2,015,814	2,015,814	2,015,814	2,015,814
Basic EPS (sen)	0.98	0.50	2.22	1.14

(b) Diluted earnings per share

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

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

B10 – Dividends

The Board is pleased to declare a third interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares amounting to approximately RM24,189,811 in respect of the financial year ending 31 December 2018, to be payable on 31 January 2019.

For the financial year ending 31 December 2018, the Board has declared a total single-tier dividend of 6.0 sen *(or 3.6 sen adjusted for the Bonus Issue)* to shareholders amounting to RM 72,569,371 (2017: 6.0 sen per share *(or 3.6 sen adjusted for the Bonus Issue)* amounting to RM72,569,338).

B11 – Auditors' Reports

The auditors' report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification. However, an emphasis of matter had been included by the Group's auditors to draw attention on the uncertainty over the collectability of amounts owing by SPLASH.

B12 – 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 RM158.5 million are approximately: -

(i) RM29.7 million held as securities for banking facilities secured by the Group,

(ii) RM96.4 million held in a subsidiary that is subject to restrictions imposed under an IMTN program; and

(iii) RM24.2 million for the second interim single-tier dividend payable in respect of the financial year ending 31 December 2018.

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

Foreign currency	**30 Sep 2018**	**30 Jun 2018**	**30 Sep 2017**
US Dollars (‘000)	17	17	8,432

B13 – Restatement of Comparatives

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 30 Sep 2017			
Other operating income	3,113	114	3,227
Administrative and other expenses	(10,946)	4	(10,942)
Net fair value gain on available-for-sale financial assets	118	(118)	-
9 months ended 30 Sep 2017			
Other operating income	21,080	632	21,712
Net fair value gain on available-for-sale financial assets	632	(632)	-
(c) Impact on Condensed Statements of Changes in Equity			
As at 1 January 2017			
Available-for-sale reserve *(Note A1(a)(i)(b))*	(66)	66	-
Retained earnings	753,977	(66)	753,911

B13 – Restatement of Comparatives (continued)

	As previously reported RM'000	MFRS 9 adjustments RM'000	As restated RM'000
(c) Impact on Condensed Statements of Changes in Equity(continued)			
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			
9 months ended 30 Sep 2017			
Profit before tax	34,837	632	35,469
Non-cash items	45,990	(632)	45,358

B14 - Retrospective Adjustment from the Bonus Issue

In accordance to MFRS 133 – Earnings Per Share, if the number of ordinary or potential ordinary shares outstanding increases as a result of a bonus issue, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Upon completion of the Bonus Issue on 19 October 2018, the share price of the Company has been adjusted. Accordingly, the net asset per share in the Condensed Statement of Financial Position has also been adjusted for comparability purposes.

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
26 November 2018