TALIWORKS CORPORATION
LGB Group

Water, Waste & Infrastructure Management Specialist

Making it **Possible**

Annual Report 2012

Table of Contents

001 Corporate Information **002** Corporate Profile **006** Corporate Structure
008 Corporate and Financial Events 2012 **010** 5 Years Financial Highlights
012 Directors' Profile **015** Chairman's Statement **017** Executive Director's Review Of Operations

025 Corporate Social Responsibility **029** Statement On Corporate Governance
047 Audit Committee Report **053** Statement On Risk Management And Internal Control
056 Additional Compliance Information **059** Financial Statements
161 Analysis Of Shareholdings

161 List Of Thirty Largest Shareholders **163** List Of Substantial Shareholders
164 List Of Directors' Shareholdings **165** Notice Of Annual General Meeting
Enclosed Form Of Proxy

BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman
- Encik Suhaimi bin Kamaralzaman

Executive Director
- Mr. Lim Yew Boon

Independent Non-Executive Directors
- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- Encik Sulaiman bin Salleh
- Mr. Soong Chee Keong (appointed on 25 April 2013)

Non-Independent Non-Executive Directors
- Mr. Wong Yien Kim
- Mr. Lim Chin Sean

AUDIT COMMITTEE

Encik Sulaiman bin Salleh
Chairman
(re-designated on 27 February 2013)

Members
- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- Mr. Wong Yien Kim
- Mr. Soong Chee Keong (appointed on 27 May 2013)

NOMINATION COMMITTEE

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Chairman
(re-designated on 27 February 2013)

Members
- Mr. Lim Chin Sean
- Encik Sulaiman bin Salleh

REMUNERATION COMMITTEE

Encik Suhaimi bin Kamaralzaman
Chairman

Members
- Mr. Lim Chin Sean
- Encik Sulaiman bin Salleh

COMPANY SECRETARIES

Ms. Chua Siew Chuan
(MAICSA No. 0777689)

Mr. Tan Wee Sin
(MAICSA No. 7044797)

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel 603 2084 9000
Fax 603 2094 9940

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel 603 2084 9000
Fax 603 2094 9940

PRINCIPAL OFFICE

No. 28, Jalan Wan Kadir 1
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel 603 7725 7110
Fax 603 7725 7099
Email info@taliworks.com.my
Website www.taliworks.com.my

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel 603 7841 8000
Fax 603 7841 8008

MAIN AUDITORS

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
Damansara Uptown
1 Jalan SS21/58
47400 Petaling Jaya
Selangor Darul Ehsan
Tel 603 7723 6500
Fax 603 7726 3986

PRINCIPAL BANKERS

AmBank (M) Berhad

HSBC Bank Malaysia Berhad

United Overseas Bank (Malaysia) Berhad

Industrial and Commercial Bank of China (Malaysia) Berhad

STOCK EXCHANGE LISTING

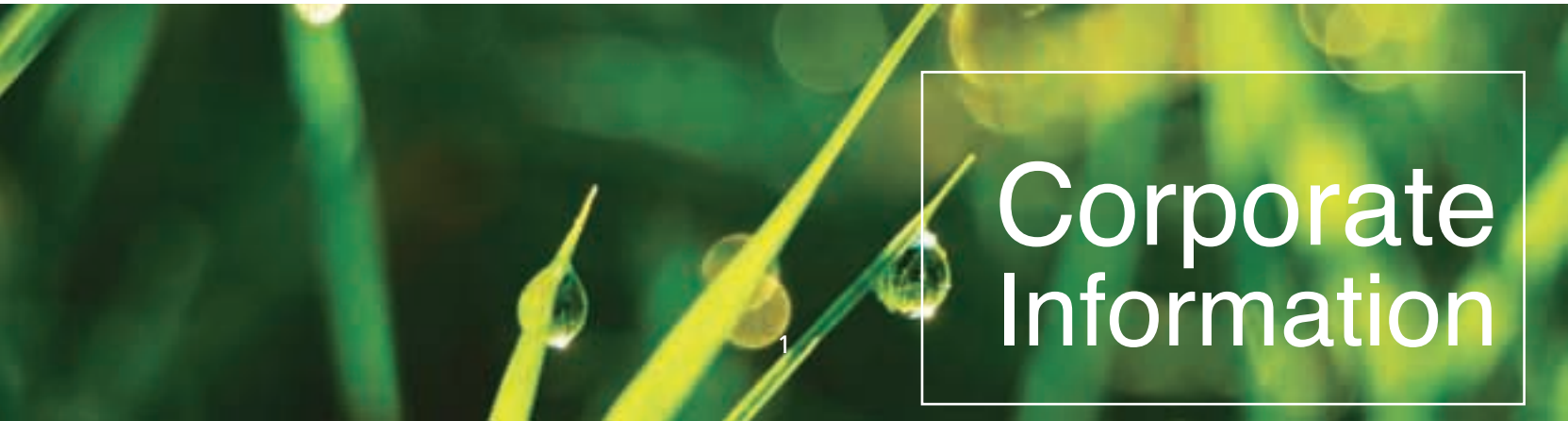
Main Market
Bursa Malaysia Securities Berhad

Name & Code : TALIWRK & 8524
Stock Sector : Trading / Services

AGM HELPDESK

Contact:
Encik Mustapha Kamal Kamaruddin
Corporate Communications Manager

Tel 603 7725 7116 (Ext 155)
Email mustapha@taliworks.com.my



Corporate Information

Corporate Profile

Taliworks Corporation Berhad ("Taliworks" or the "Company") was incorporated in Malaysia on 6 August 1965 as a private limited company under the name of The Carpet Manufacturing Company (Malaysia) Limited. On 12 November 1968, its name was changed to F&T Carpets (Malaysia) Sdn Bhd. On 26 February 1974, it was renamed Carpets International Malaysia Sdn Bhd and on 23 December 1982, it was converted into a public company and assumed the name of Carpets International Malaysia Berhad ("Carpets"). It was subsequently listed on the then Second Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad ("Bursa Securities")) on 27 July 1992. The principal activities of Carpets were the design, manufacture, distribution and laying of carpets and rugs. These operations ceased in 2002.

On 31 July 2000, Carpets completed the acquisition of the entire equity interest in Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd. These companies are involved in the management, operations and maintenance of water treatment, supply and distribution facilities. On 27 October 2000, the Company was transferred to the Main Board of Bursa Securities (which has since been merged with the Second Board into a single board known as Main Market) and subsequently on 24 November 2000, Carpets was renamed Taliworks Corporation Berhad.

Taliworks together with its group of companies employs about 600 employees in Malaysia and the People's Republic of China. The Company is currently listed on the Main Market of Bursa Securities under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation of approximately RM392.4 million as at 17 May 2013.

Business Background

Taliworks, an established company involved in both the water and waste-related businesses, has expanded its core expertise to include highway management, construction and engineering, and wastewater research and technology.

Taliworks started out in the water management sector in 1987 as a pioneer in the privatisation of the water supply in Malaysia and today, the water business still leads as the main core business activity of Taliworks. Since 2004, Taliworks has diversified its business interests to include the waste management segment in China and highway toll operations and maintenance in Malaysia in 2007 through a few strategic acquisitions.

Water treatment, supply and distribution

Taliworks' core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in 2030) for the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") that supplies to large parts of Selangor and Kuala Lumpur and a concession (expiring in 2020) for the water supply and distribution system in Langkawi, Kedah.

The water treatment, supply and distribution business is undertaken by Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd, which are wholly-owned subsidiaries. These two companies manage a total of 6 water treatment plants with a combined capacity of 1,039.5 million litres per day.

Taliworks (Langkawi) Sdn Bhd has been granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission ("SPAN") to undertake and carry out the operation and activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004 effective from 1 February 2013 to 31 October 2020.

corporate profile

Waste management

In the waste management business sector, Taliworks has several companies established in the People's Republic of China ("PRC") that are involved in the sector namely the following:-

(a) a 90% owned subsidiary, Tianjin-SWM (M) Environment Ltd, Co, a company that holds a 21-year concession rights for the operation and management of the Tianjin Panlou Municipal Solid Waste Transfer Station and its related assets in the city of Tianjin until 2025. Operations commenced in January 2005 with the concession granting rights to the company to transport household waste deposited at the transfer station to the municipal landfills and in return collect tipping fees from the local city council for services provided. The company has been nominated for its good track record on traffic safety from 2006-2008 and from 2010 to 2011;

(b) a 56% stake in Puresino (Guanghan) Water Co. Ltd which manages and operates the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in the province of Sichuan for a 30-year concession expiring in 2033. The company was acquired in April 2007 and commercial operations commenced in September of that year;

(c) a 70% interest in Ningxia Eco Wastewater Treatment Co. Ltd which has secured a 30-year concession on a build-operate-transfer basis for the construction and management of the Linhe Integrated Industrial Park Zone A Wastewater and Recycled Water Treatment Plant in the Ningdong Energy Chemical Industrial Zone in Yinchuan, province of Ningxia, with a waste water treatment capacity of 50 million litres per day for Zone A of the Linhe Integrated Industrial Park; and

(d) a wholly-owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd to undertake the operation of four municipal waste water treatment plants ("WWTP") with recycled water facilities with a treatment capacity of 300 million litres per day and 52 million litres per day respectively in Yinchuan, province of Ningxia, on a takeover-operate-transfer basis for a period of 30 years until 2041. The take-over of the facilities was effected in December 2011. The project also includes upgrade and expansion of the capacity of the existing WWTP to be completed by 2015. The WWTPs have been nominated for several outstanding awards, amongst them, for its energy and water conservation efforts and have been named as one of the top ten companies in the city wastewater treatment business.

Construction and Engineering

Taliworks is currently one of the sub-contractors involved in the Mengkuang Dam expansion project in Penang, Malaysia. This project is a Federal Government project and involves earth-filled dam embankment and river diversion tunnel activities. The sub-contract was awarded to Taliworks in 2011 at a contract value of RM339 million and the project is expected to be completed in 2016.

Prior to undertaking this project, the division has successfully completed the design and construction of the water supply systems for the Central Kedah Water Supply Scheme (in 2004) and the Padang Terap Water Supply Scheme (in 2006), both in Kedah at a total contract value of RM120 million and 149 million respectively.

Highway toll operations and maintenance

In 2007, Taliworks acquired a 55% interest in a jointly controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama"). The acquisition of Cerah Sama was made in collaboration with the South East Asian Strategic Assets Fund L.P. ("SEASAF") where Cerah Sama is positioned to be the flagship vehicle through which both parties will engage in the business of developing and operating toll roads in Malaysia and the ASEAN region.

Cerah Sama is the holding company for Grand Saga Sdn Bhd (http://www.grandsaga.com.my), a company that owns and operates the concession for the Cheras-Kajang Highway until 2045. The highway is the first four-lane dual carriageway in Malaysia and it measures approximately 11.5 km in length, stretching from the Connaught Interchange, Cheras to Saujana Impian, Kajang. Constructed at a cost of RM275 million, the highway serves to ease traffic congestion and minimise travel time for daily commuters within the Cheras-Kajang vicinity. The highway comprises two toll plazas i.e. the Batu 9 toll plaza and the Batu 11 toll plaza, one rest and service area and eight inter-changes.

In January 2013, Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 Million in nominal value. The Sukuk Programme has been assigned an initial rating of AA-is by the Malaysian Rating Corporation Berhad.

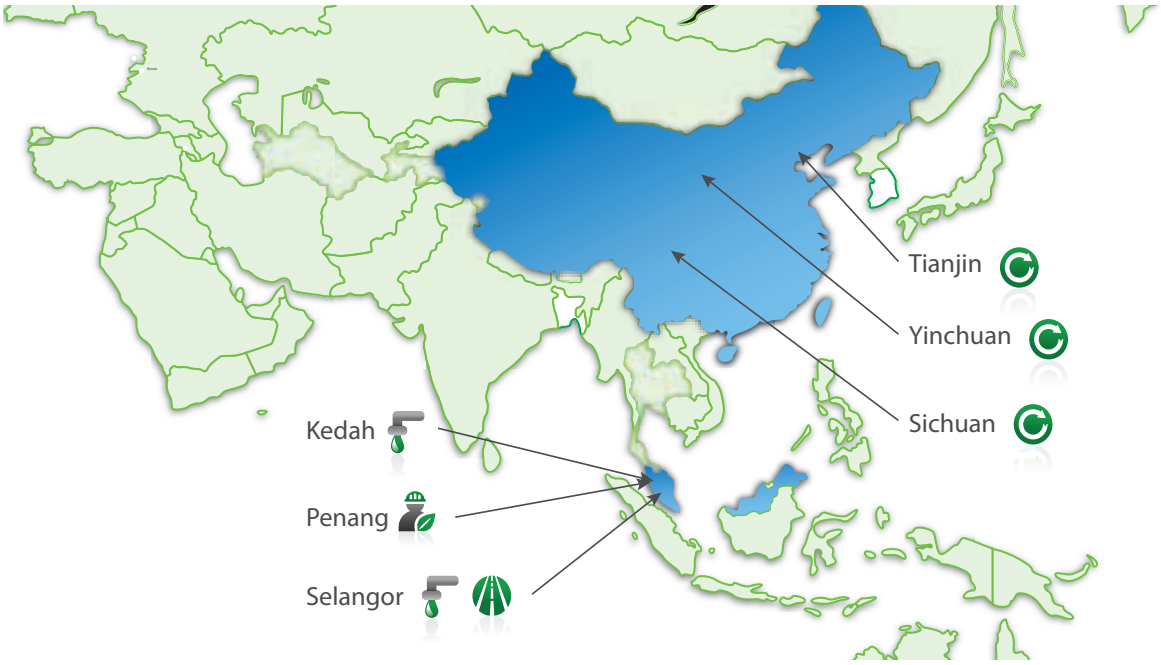
corporate profile

BUSINESS FOCUS

Currently, the water treatment, supply and distribution business in Malaysia accounts for the bulk of revenue and profitability of Taliworks. With further inroads being made to invest in the vast waste management business in the PRC, Taliworks is intending that the revenue contribution from overseas ventures will gradually increase from the current position so as to diversify its earnings base and geographical risk.

Taliworks remains focus on its core business activities whilst seeking opportunities to further acquire strategic investments both domestically and in the foreign markets so as to re-position itself as a formidable and respected service provider for water, waste management and infrastructure businesses in the region.

Today, Taliworks has business presence both in Malaysia and China as follows:-



AWARDS AND ACCREDITATION

Taliworks has been certified and accredited with the following high standards maintained for quality management systems and competency of test and calibration laboratories. Among the important accreditations are: -

Water treatment, supply and distribution

a. ISO 9001: 2008 Quality Management Systems Certification from SIRIM QAS International for Sungai Harmoni Sdn Bhd, Sungai Selangor Water Treatment Works Phase 1 for the Operation and Maintenance of Water Treatment Plant. SIRIM QAS International is accredited by Department of Standards Malaysia and United Kingdom Accreditation Service and member of IQNet.

b. ISO 9001: 2008 Quality Management Systems Certification from SIRIM QAS International for Taliworks (Langkawi) Sdn Bhd. Scope of Certification is Management and Support Service for Operation and Maintenance of Water Treatment Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including Maintenance of Existing Distribution Network and Consumer Services.

c. MS ISO/IEC 17025: 2005 under Standards Malaysia's Laboratory Accreditation Scheme of Malaysia for Sungai Harmoni Laboratory at Selangor Water Treatment Works Phase 1.

d. MS ISO/IEC 17025: 2005 under Standards Malaysia's Laboratory Accreditation Scheme of Malaysia for Padang Saga and Sungai Baru Laboratory in Langkawi water operations.

corporate profile

e. ISO/IEC 27001: 2005 Information Security Management System from SIRIM QAS International for Taliworks (Langkawi) Sdn Bhd. Scope of Certification is Information Security Management System for the Management of Information associated with Monitoring and Operation of Potable Water Supply to Langkawi covering the Water Treatment Process, Water Distribution System and Consumer Affairs.

f. ISO/IEC 27001: 2005 Information Security Management System from SIRIM QAS International for Sungai Harmoni Sdn Bhd, Sungai Selangor Water Treatment Works Phase 1 . Scope of Certification is management of information associated with the operation of Water Treatment Plant, Water Intake Pump Station, Matang Pagar and Bukit Mayong Reservoirs.

Highway toll operations and maintenance

g. ISO 9001: 2008 under Provision of Highway Maintenance and Toll Collection for Grand Saga Sdn Bhd.

Construction and Engineering

h. ISO 9001: 2008 under SGS United Kingdom and Malaysia for Project Management and Design of Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Turnkey and Conventional Contracts, for the Engineering and Construction Division of Taliworks.

In terms of awards and industry accolades, Taliworks has been named as:-

2002

a. Forbes magazine's list of 100 best smaller-sized enterprises in the Asia-Pacific

2003

b. Forbes magazine's list of 100 best smaller-sized enterprises in the Asia-Pacific

c. KPMG/The Edge Shareholder Value Awards
- Ranked 21 out of Top 100 Companies
- Ranked 2nd within the Infrastructure Grouping

2004

d. KPMG/The Edge Shareholder Value Awards
- Ranked 85 out of Top 100 Companies

2005

e. The Edge 100 Top Best Companies in Terms of Returns (3 years)
- Ranked 78 out of Top 100 Companies

f. KPMG/The Edge Shareholder Value Awards
- Ranked 40 out of Top 100 Companies

2006

g. Corporate Governance Survey Report 2006, published jointly by Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus
- Ranked 124 out of the top 200 Public Listed Companies based on the market capitalisation as at 31 December 2005

h. Dividend Survey 2006, published jointly by Minority Shareholder Watchdog Group and Universiti Teknologi MARA
- Ranked amongst the Top 212 Main Board companies selected based on the market capitalisation as at 31 December 2005

2007

i. Corporate Governance Survey Report 2007, published jointly by Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus
- Ranked 87 out of 350 Main Board companies

j. Dividend Survey 2007, published jointly by Minority Shareholder Watchdog Group and Universiti Teknologi MARA
- Ranked amongst the Top 500 Public Listed Companies selected based on the market capitalisation as at 31 December 2006

2008

k. Corporate Governance Survey Report 2008, published jointly by Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus
- Ranked 45 out of 960 Public Listed Companies

2009

l. Malaysian Corporate Governance Report 2009, published by Minority Shareholder Watchdog Group
- Ranked amongst the Top 100 Public Listed Companies

2012

m. The BrandLaureate BestBrands Awards 2011-2012 – Best Brands in Industrial – Water Treatment

Corporate Structure

as at 17 May 2013

Associated Company

- 40% HYDROVEST SDN BHD *Incorporated in Malaysia*

Jointly Controlled Entities

- 55% CERAH SAMA SDN BHD *Incorporated in Malaysia*
  - 100% TRUPADU SDN BHD *Incorporated in Malaysia*
  - 100% EUROPLEX CONSORTIUM SDN BHD *Incorporated in Malaysia*
  - 100% PEAK SYNERGY SDN BHD *Incorporated in Malaysia*
  - 100% GRAND SAGA SDN BHD *Incorporated in Malaysia*
  - 75% JEJAK MELEWAR SDN BHD *Incorporated in Malaysia*
  - 100% CEREBRO INTERNATIONAL LIMITED *Incorporated in British Virgin Islands*

LEGENDS

- Water treatment, supply and distribution
- Waste management
- Construction
- Highway management
- Investment holding company/Others

Subsidiary Companies

- 100% SUNGAI HARMONI SDN BHD *Incorporated in Malaysia*
- 100% TALIWORKS (LANGKAWI) SDN BHD *Incorporated in Malaysia*
- 100% TALIWORKS TECHNOLOGIES SDN BHD *Incorporated in Malaysia*
- 100% DESTINASI TEGUH SDN BHD *Incorporated in Malaysia*
- 100% TALIWORKS CONSTRUCTION SDN BHD *Incorporated in Malaysia*
- 100% SWM TECHNOLOGIES (MALAYSIA) SDN BHD *Incorporated in Malaysia*
  - 90% TIANJIN-SWM (M) ENVIRONMENT LTD, CO. *Incorporated in China*
- 100% TALIWORKS INTERNATIONAL LIMITED *Incorporated in Hong Kong*
  - 100% TALIWORKS ENVIRONMENT LIMITED *Incorporated in Hong Kong*
  - 100% TALIWORKS (SHANGHAI) CO. LTD *Incorporated in China*
  - 100% TALIWORKS (SHANGHAI) ENVIRONMENTAL TECHNOLOGIES CO. LTD *Incorporated in China*
  - 70% TILGEA CONSORTIUM SDN BHD *Incorporated in Malaysia*
  - 70% TALIWORKS ECO PTE LTD *Incorporated in Singapore*
    - 100% NINGXIA ECO WASTEWATER TREATMENT CO. LTD *Incorporated in China*
  - 100% TALIWORKS (YINCHUAN) WASTEWATER TREATMENT CO. LTD *Incorporated in China*
- 80% TALIWORKS (SICHUAN) LIMITED *Incorporated in Hong Kong*
  - 70% PURESINO (GUANGHAN) WATER CO. LTD *Incorporated in China*
- 60% AIR KEDAH SDN BHD *Incorporated in Malaysia*
- 100% PROLIFIC EQUITY SDN BHD *Incorporated in Malaysia*

Corporate and

Financial Events 2012

Major Corporate Announcements / Significant Events

15 March

Signing of Joint Venture Agreement with LGB Engineering Sdn. Bhd. (formerly known as L.G.B. Engineering Sdn. Bhd) to undertake "Projek Menaik Taraf Skim Sungai Selangor Fasa 1 Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Package 2: Construction and Completion of Raw Water Pumping Main and Interconnection at Matang Pagar Reservoir)" valued at RM20.32 million.

2 April

Grand Saga Sdn Bhd, a jointly controlled entity of Taliworks entered into a Fourth Supplemental Concession Agreement with the Government of Malaysia in relation to the cessation of toll collection and discontinuance of the operation by Grand Saga at Toll Plaza Batu 9 at the Kuala Lumpur bound and Toll Plaza Batu 11 Cheras at the Kajang bound of the Cheras-Kajang Highway.

8 May

Taliworks was awarded The BrandLaureate Best Brands Awards 2011 – 2012 in Best Brand in Industrial – Water Treatment, at a ceremony held in Subang Jaya.

28 June

The Twenty-First Annual General Meeting of Taliworks was successfully concluded with all proposed resolutions duly adopted.

Release of Financial Results

27 February
Unaudited interim results for the 4th Quarter ended 31 December 2011.

27 April
Audited financial statements for the financial year ended 31 December 2011.

22 May
Unaudited interim results for the 1st Quarter ended 31 December 2012.

28 August
Unaudited interim results for the 2nd Quarter ended 31 December 2012.

23 November
Unaudited interim results for the 3rd Quarter ended 31 December 2012.

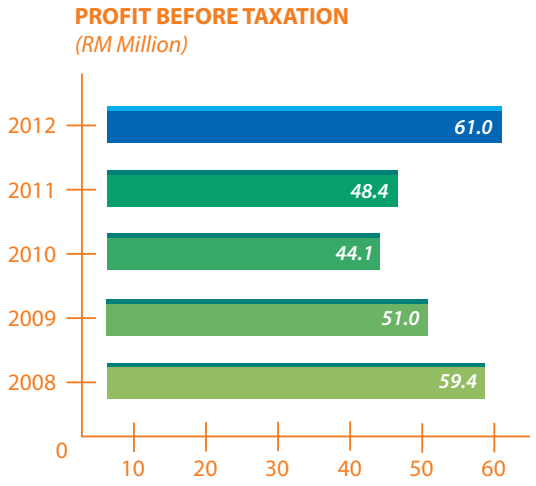
Dividend Payment

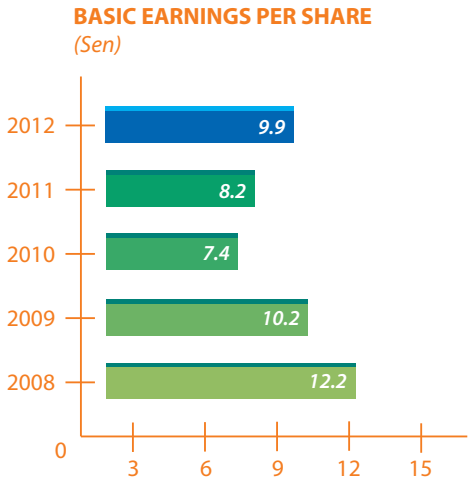
31 July
Final gross dividend of 0.5 sen per share less income tax at 25% for the financial year ended 31 December 2011.

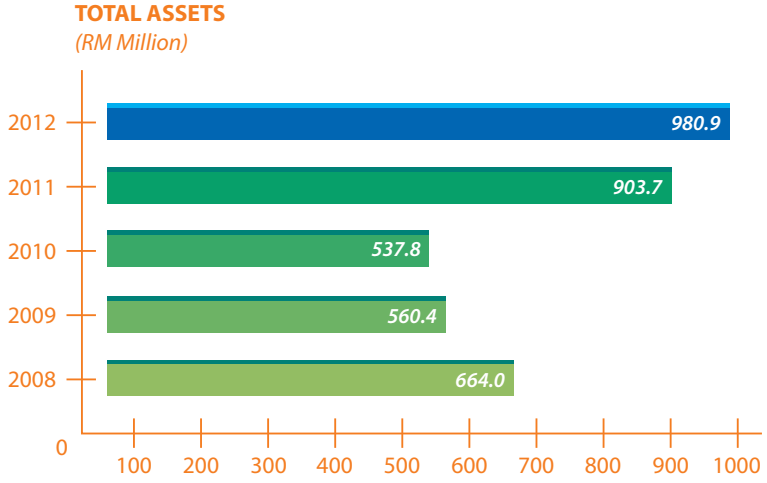
5 Years Financial Highlights

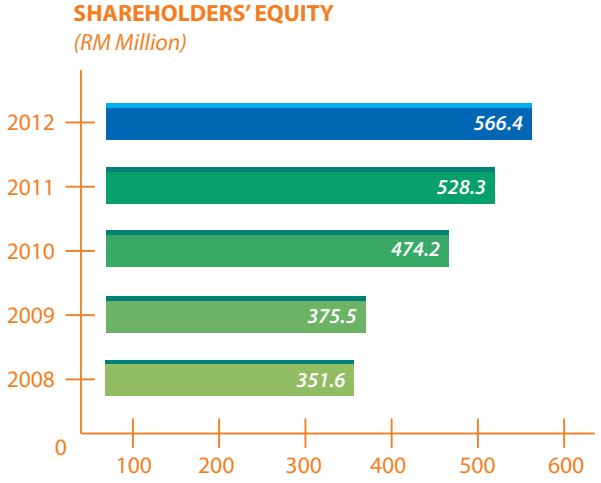
	2008 RM MIL	2009 RM MIL	2010 RM MIL (restated)	2011 RM MIL (restated)	2012 RM MIL
PROFITABILITY					
Revenue	226.4	158.9	169.3	168.1	253.3
EBITDA	70.1	64.3	49.5	35.7	87.8
Profit Before Taxation	59.4	51.0	44.1	48.4	61.0
Profit for the Financial Year	46.3	39.0	29.5	36.4	42.8
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	664.0	560.4	537.8	903.7	980.9
Total Borrowings	232.6	122.4	2.8	190.2	314.3
Total Shareholders' Equity	351.6	375.5	474.2	528.3	566.4
No of Shares in issue	376.6	376.7	436.5	436.5	436.5
SEGMENTAL INFORMATION					
Revenue					
- water treatment, supply and distribution	135.9	135.5	138.5	123.3	141.5
- construction	137.9	13.8	35.7	42.3	72.1
- waste management	15.0	17.2	14.4	14.6	48.3
- investment holding	37.7	2.1	8.0	26.6	20.1
- elimination	(100.1)	(9.7)	(27.3)	(38.7)	(28.7)
	226.4	158.9	169.3	168.1	253.3
PROFIT BEFORE TAXATION					
- water treatment, supply and distribution	50.9	54.1	56.4	25.6	73.1
- construction	11.6	3.5	1.7	8.0	4.4
- waste management	4.0	2.6	0.9	(0.5)	(4.5)
- investment holding	34.1	(0.2)	(7.6)	20.7	7.5
	100.6	60.0	51.4	53.8	80.5
- elimination	(33.0)	(0.4)	(6.1)	(22.2)	(9.6)
	67.6	59.6	45.3	31.6	70.9
- finance cost	(14.5)	(16.1)	(15.2)	(2.4)	(20.5)
- share of results of jointly controlled entity	5.7	6.9	13.3	18.6	9.8
- share of results of associate	0.6	0.6	0.7	0.6	0.8
	59.4	51.0	44.1	48.4	61.0
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	6.25	6.00	1.50	0.5	1.50
Net Assets per share (sen)	93.4	99.7	108.6	121.02	129.77
Earnings per share (sen)					
- basic	12.2	10.2	7.4	8.2	9.9
- fully diluted	11.1	9.7	7.3	8.2	9.9
Return on Equity (%)	13.6	10.6	6.9	7.3	7.8
Return on Assets Employed (%)	7.3	6.3	5.4	5.1	4.5
Dividend payout ratio (%)	37.9	43.5	16.6	4.5	11.5
Debt to Equity ratio (%)	66.2	32.6	0.6	36.0	55.5

5 years financial highlights









(i) EBITDA is defined as net profit before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and jointly controlled entities).

(ii) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.

(iii) Return on Assets Employed is calculated by dividing the profit for the financial year with the average of the opening and closing total assets employed.

(iv) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

Directors' Profile

ENCIK SUHAIMI BIN KAMARALZAMAN

Chairman / Non-Independent Non-Executive Director

Encik Suhaimi bin Kamaralzaman, a Malaysian aged 45, was appointed to the Board of Taliworks on 23 May 2011 whereupon he was elected as the Chairman. He also serves as the chairman of the Remuneration Committee of the Company.

Encik Suhaimi holds a Bachelor of Arts in Accounting and Management Science, University of Kent at Canterbury, United Kingdom. He is a Member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales.

Currently, Encik Suhaimi is the Group Chief Executive Officer/Managing Director of Kumpulan Perangsang Selangor Berhad ("KPS"). He was the Managing Director/ Chief Executive Officer of Melewar Industrial Group ("MIG") from March 2010 until May 2011. Prior to assuming the role of Managing Director/ Chief Executive Officer of MIG, Encik Suhaimi was the Deputy Chief Executive Officer of MIG from July 2009 until February 2010.

From 1 January 2007 to 30 June 2009, he was the Chief Executive Officer of Pengurusan Aset Air Berhad ("PAAB"). During his tenure at PAAB, he successfully signed the acquisition of the water assets for Melaka, Negeri Sembilan and Johor.

Prior to PAAB, he was the Chief Executive Officer of Indah Water Konsortium Sdn Bhd ("IWK") for more than 6 years from August 2000 to December 2006. In 2005, Malaysian Water Association awarded IWK the Malaysian Water Award for Management Excellence in total water management and operational efficiencies. In 1998, he was attached as an Accountant to the National Economic Action Council ("NEAC"). Before joining the NEAC, he served with Arthur Andersen, Malaysia from 1996 to 1998. Between 1994 and 1996, he served with Malaysia's national oil corporation, PETRONAS. He joined Blick Rothenberg Chartered Accountants as an auditor from 1991 to 1994.

Other than his current position with KPS, Encik Suhaimi also sits on the board of Kumpulan Darul Ehsan Berhad as President and as a Director of Kumpulan Hartanah Selangor Berhad.

Encik Suhaimi has attended all the Board meetings held during the financial year of the Company.

MR. LIM YEW BOON

Executive Director

Mr. Lim Yew Boon, a Malaysian aged 55, was appointed to the Board on 1 March 2010 as an Executive Director. He also serves as a member of the Investment, ESOS and EXCO committees of the Company.

Mr. Lim holds a diploma in Civil Engineering and he started his career in the field of construction with consultant engineers. With over twenty five years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Apart from Taliworks, Mr Lim also sits on the board of Amalgamated Industrial Steel Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, as a Non-Independent Executive Director and several private limited companies, namely Grand Saga Sdn Bhd, SWM Environment Sdn Bhd and a few others. Prior to his appointment to the Board, he served as the Group Chief Operating Officer in the LGB Group of Companies.

Mr. Lim has attended all the Board meetings held during the financial year of the Company.

He is the cousin to both Mr. Lim Chin Sean, a director and major shareholder of the Company and Y. Bhg. Dato' Lim Chee Meng, another major shareholder of the Company.

directors' profile

Y. BHG. DATO' HJ MOHD SINON BIN MUDAKIR *Senior Independent Non-Executive Director*

Y. Bhg. Dato' Hj Mohd Sinon, a Malaysian aged 63, was appointed to the Board on 1 November 1996. He also serves as the chairman of the Audit Committee and as a member of the Nomination and Investment committees of the Company. On 27 February 2013, he was re-designated as the Chairman of the Nomination Committee and as a member of the Audit Committee.

Dato' Hj Mohd Sinon graduated with a Bachelor of Economics (Hons) degree from University Malaya in 1974 and obtained a Masters of Business Administration from University of Dallas in 1991.

From 1974 to 1996, he served in various government ministries including the Ministry of Entrepreneur Development, Ministry of Primary Industries and Ministry of Trade & Industry. He was also a Minister-Counsellor for the Permanent Mission of Malaysia to the United Nations, New York from 1992 to 1996.

From August 1996, he served as Deputy State Secretary (Development) / Director of State Development and Economic Planning Unit of the Selangor State Government where his responsibilities and work experience included, amongst others, economic/social development planning, local authorities development, regional development, tourism and entrepreneur development.

Dato' Hj Mohd Sinon served as the Chief Executive Officer for Perbadanan Urus Air Selangor Berhad ("PUAS") from June 2002 to January 2005. Thereafter, he was the Deputy Secretary General (Development) of the Ministry of Works from July 2005 until May 2006.

Dato' Hj Mohd Sinon presently sits on the board of various companies which are involved in inter-alia, construction and utility projects.

Dato' Hj Mohd Sinon has attended all the Board meetings held during the financial year of the Company.

ENCIK SULAIMAN BIN SALLEH *Independent Non-Executive Director*

Encik Sulaiman bin Salleh, a Malaysian aged 68, was appointed to the Board on 25 February 2002. He also serves as the chairman of the Investment, Nomination and ESOS committees and as a member of the Audit Committee of the Company. On 27 February 2013, he was re-designated as the Chairman of the Audit Committee and as a member of the Nomination Committee.

Encik Sulaiman qualified as an Accountant with the Association of Chartered Certified Accountants (United Kingdom) and is currently a member of the Malaysian Institute of Accountants.

He was attached to Malaysia National Insurance Berhad ("MNIB") from 1972 to early 2000 during which time he has held various senior management positions, before assuming the position of Chief Executive Officer from 1996 to February 2000. Prior to joining MNIB, he was the Accountant for Kuala Lumpur Glass Manufacturing and Examiner of the Inland Revenue Department from 1969 to 1972.

Encik Sulaiman is a Director and Chairman of Etiqa Life International (Labuan) Ltd and Etiqa Offshore Insurance (L) Ltd, a director of PTB Unit Trust Berhad and a Senior Independent Non-Executive Director and Audit Committee Chairman of Amalgamated Industrial Steel Berhad.

Encik Sulaiman has attended all the Board meetings held during the financial year of the Company.

directors' profile

MR. WONG YIEN KIM *Non-Executive Non-Independent Director*

Mr. Wong Yien Kim, a Malaysian aged 59, was appointed to the Board on 1 October 2007. He also serves as member of the Audit and Investment committees of the Company.

Mr. Wong is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants England and Wales.

He joined Kumpulan Perangsang Selangor Berhad ("KPS") in 1983 as an Accountant and was appointed Chief Accountant for several of KPS' subsidiaries. Prior to joining KPS, Mr. Wong was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance. He was also the Vice President, Finance of Kumpulan Darul Ehsan Berhad from 1 January 2000 to 9 May 2011. He is currently the Senior General Manager Finance of KPS.

Mr. Wong has attended all the Board meetings held during the financial year of the Company.

MR. LIM CHIN SEAN *Non-Executive Non-Independent Director*

Mr. Lim Chin Sean, a Malaysian aged 32, was appointed to the Board on 23 May 2011. He also serves as member of the Nomination and Remuneration committees of the Company.

Mr. Lim holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services. He presently sits on the board of Amalgamated Industrial Steel Berhad, as a Non-Independent Non-Executive Director and several private limited companies.

He has attended four (4) out of the six (6) Board meetings held during the financial year of the Company.

Mr. Lim is a major shareholder of the Company and the cousin to Mr. Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Y. Bhg. Dato' Lim Chee Meng, another major shareholder of the Company.

MR. SOONG CHEE KEONG *Independent Non-Executive Director*

Mr. Soong Chee Keong, a Malaysian aged 43, was appointed to the Board on 25 April 2013 and as a member of the Audit Committee on 27 May 2013. He started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

Mr. Soong then joined Abric Berhad in February 1999 as the General Manager of Corporate Finance and was subsequently appointed to the Board of Abric Berhad on 16 February 2000 as an Executive Director. On 1 May 2007, Mr. Soong was re-designated from Executive Director to Non-Independent Non-Executive Director. Thereafter, he was re-designated as Independent Non-Executive Director on 2 May 2009.

Mr. Soong is the member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants and he also sits on the boards of Abric Berhad and Century Logistics Holdings Berhad.

Notes to Directors' Profile

1. **Family Relationship with Director and/or major shareholders**
   Save as disclosed above, none of the other directors has any family relationship with any Directors and/or major shareholders of the Company.

2. **Conflict of interest**
   None of the Directors has any conflict of interest with the Company.

3. **Conviction of Offences**
   None of the Directors has been convicted for any offences within the past ten (10) years other than traffic offences, if any.

Chairman's Statement

Encik Suhaimi bin Kamaralzaman
Chairman

Dear Valued Shareholders,

On behalf of my fellow Board members, I am pleased to present to you the Annual Report and the Audited Financial Statements of Taliworks Corporation Berhad for the financial year ended 31 December 2012.

Throughout the year in review, unfavourable global economic and markets news continued to hog the headlines, bringing worldwide audiences on a roller coaster journey of the possible fallout from the economic uncertainties. From the likely prospects that the world's biggest economy, the USA maybe on the verge of falling into a fiscal cliff, to the continuing perils of the European sovereign debt crisis and mounting concerns over China's potential hard landing, these news are indeed hard to miss. Although subsequent developments proved that these events were not as acute as originally speculated, nevertheless, it was still a nerve wrecking experience; a bitter lesson learnt that the economic excesses of yesteryears will eventually catch up to present times where unpopular but necessary austerity measures have to be employed to gradually reduce the national budget deficits of countries in financial distress.

Whilst the repercussions of the economic turmoil continue to reverberate throughout the global financial markets and the broader business sectors; fortunately for us, it did not pose a major threat to our Group although we were confronted with other pressing and localised issues. In my previous report to you, I have alluded to shareholders on the Group's unyielding aspiration to morph into a sizeable provider in the waste management service sector in China. I am now pleased to update you that the Yinchuan waste water and recycle water facilities, which we have taken management control and operations since the beginning of the year, has been progressing satisfactorily without any major hitches. Nevertheless, even more than ever, additional efforts will be sorely needed in months ahead to ensure that we have put in place all the bolts and nuts to adequately secure and safeguard our investment in Yinchuan.

chairman's statement

Despite the frail external environment, Malaysia's economic performance was better than expected driven by higher growth in domestic demand, which outweighed the negative impact from external market conditions. Domestic demand registered the highest rate of expansion over the recent decade, underpinned by increased consumption and investment spending. Following a better than expected growth, monetary policy for 2013 will focus on addressing potential risks to inflation and growth. Nevertheless, it is envisaged that Government will continue with its efforts, through its various transformation programmes, to support the Malaysian economy to grow at a sustainable level. This is indeed a reassuring development as most of the Group's operations with are revenue drivers are domestically located.

Financial Performance

For the fiscal financial year ended 31 December 2012, the Group reported a higher profit after tax of RM42.8 million, up from RM36.4 million achieved a year ago. This translates into earnings per share of 9.9 sen (2011: 8.2 sen). For the same period, the Group recorded a revenue of RM253.3 million (2011: RM168.1 million) on the back of increased contribution from all business segments.

The financial results of the Group have been positively impacted by the reversal of discounting as a result of better repayment from certain trade receivables of the Group although the delayed and uncertainty in receiving payments continue to pose a drag to the financial performance of the Group. The auditors in their audit report have placed an emphasis of matter on this issue and shareholders are directed to refer to the audit opinion and the relevant notes in the financial statements.

Dividends

The Board has recommended the payment of a final gross dividend of 1.5 sen per share, less income tax of 25%, which is subject to your approval at the forthcoming Annual General Meeting of the Company.

Future Outlook and Prospects

Pivotal to our success and long term business sustainability is our readiness to embrace new opportunities in the current climate of global financial uncertainty. In a relatively short span of time, we have built upon our earlier success in operating and managing concession-based assets in Malaysia and bridge the market uncertainties of expanding our business into the waste management segment abroad. Towards this end, we are ever ready to adopt pro-active measures to investing for the future. The changing economic landscape has undoubtedly put organisations on tenterhooks to respond to fluctuating market conditions and react in the shortest possible time before the next wave of change were to arrive at their doorsteps.

Whilst the Group continues to adopt the strategy of business risk diversification, it will also continue to adopt a cautious stance to ensure that our risk exposure are within our tolerance level, after having considered the risk reward trade-offs. For the foreseeable future, the Group's water treatment, supply and distribution business, which has been providing the Group with sustained earnings, will continue to remain as the core driver to deliver consistent returns whilst we continue to enlarge our market share in the waste management and construction sectors.

Looking ahead at the business sectors in which the Group is actively involved in, we are fairly optimistic that the outlook and long term prospects of the Group will continue to remain positive.

Acknowledgement

The ability of the Group to steer itself to greater heights, no doubt lies in the hard work, dedication and commitment of each and every one of our management and staff. As members of the Board, we can only provide the necessary guidance and everyone from the company's top to lower echelon must play their respective roles. In this respect, I am pleased to acknowledge that the management and staff have risen to the occasion and the Board would like to place on record its appreciation for a job well done.

I would like to extend my gratitude to other Board directors who are from a diversified pool of talented members with encompassing viewpoints and depths of experience; for the good work that they had put in, to place the Group in a stronger footing. Together with their continuing presence, I am comforted that the Board as a whole can look forward with confidence to face the challenges in the years ahead. I would also like to take this opportunity to welcome Mr. Soong Chee Keong to the Board and hope that his inclusion will add further depth to the Board.

Lastly, to our shareholders, on behalf of the Board, I wish to thank you for your unwavering support and we look forward to your continuing vote of confidence.

Thank you.

Suhaimi bin Kamaralzaman
Chairman

Executive Director's Review of Operations

Mr. Lim Yew Boon
Executive Director

Over the years, the Group had deliberated on its intended business direction in view of the changing and challenging operating environment in the domestic market. It was widely known then that the water treatment, supply and distribution business, which is a cornerstone of the Group's business model, may not be sustainable over the longer term due to the eventual expiry of these concessions. Therefore, the Group took a conscious and calculated risk to diversify its portfolio of businesses to encompass other businesses that would be able to generate sustainable returns to shareholders. Naturally, our technical know-how and core expertise came across as one of the key determinants in the realisation that our business model could be easily replicated to operating similar concessions. Premised on the wealth of experience and excellent track record in operating successful concession-based assets, the Group took a small but significant step to venture into the waste management sector in a foreign market way back in 2004.

Fast forward to 2012, the Group has invested a total of four waste management projects in one of the biggest emerging economies in the developing world, China, the latest being the successful take-over of the operations and maintenance of the four waste water treatment plants with water recycling facilities in Yinchuan, China ("Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants") for RMB810 million (RM407.8 million) at the end of 2011. This represents the single largest investment made by the Group to further solidify Taliworks' position as a formidable and respected service provider within the waste management sector, particularly in China.

2012 was a year where there were several defining moments that shaped the Group's business and financial performance. On top of the list would be the continued impasse in the on-going Selangor water sector restructuring exercise which has caused the trade receivables to climb considerably albeit at a slower pace compared to a year ago. Nevertheless, unless and until the issue is resolved, the Group would be hard pressed to make any further investments. The ability of the Company to declare higher dividends to shareholders may also be curbed as a result of this issue. As such, we hope that this matter will not be prolonged to the detriment of the Group and that it can be resolved expeditiously and amicably for the benefit all parties concerned.

Secondly, with the Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants becoming our flagship investment, higher amortisation and financing costs will inadvertently impact the Group's bottom line although EBITDA from this project remains positive. Nevertheless, in my previous last two reports to you, I had laid out our proposition and roadmap on the Group's diversification plans and how this strategic acquisition would pan out and add value to the Group over the longer term. The Group is currently embarking on an upgrading and expansion plans on the treatment plants in the next two years to cater for future growth of these plants and this is a key priority of the Group to gain momentum on this investment.

Lastly, the closure of one bound at each of the two toll plazas at the Cheras-Kajang Highway has dented the Group's share of profits from this investment. Nevertheless, to compensate for the loss in traffic, the Federal Government had agreed to a cash payment and other forms of compensation as disclosed in the financial statements. Although the total traffic volume has decreased substantially, we take comfort that the Average Daily Traffic in each of the toll plazas that are still operating, has in fact show a healthy increase, signifying that the traffic growth remains robust.

executive director's review of operations

In the domestic front, despite the weak global economic conditions, Malaysia's economy recorded a growth of 5.6% in 2012 (2011: 5.1%) driven by higher growth in domestic demand underpinned by increased consumption and investment spending. Despite the uncertainties in the external environment, domestic consumer confidence picked up amidst positive income growth, continued strength in the labour market, low inflation environment and accommodative monetary policies.

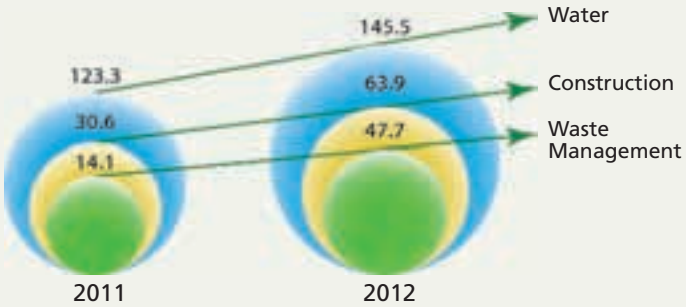
The construction sector registered a robust growth rate of 18.5% in 2012 compared to 4.6% a year ago driven mainly by the civil engineering sub-sector. Headline inflation, as measured by the annual percentage change in the Consumer Price Index, averaged 1.6% in 2012, a sharp decrease from 3.2% recorded in 2011. The Malaysian central bank has projected that the Malaysian economy will remain on a course of steady growth path, with an expansion of 5-6% in 2013. This is a positive development that is expected to garner more business opportunities for the Group.

Review of Financial Performance

The following is a summary of the Group's financial performance at a glance:-

	2011 (restated)	2012	
Financial Results (in RM'000)			
Revenue	168,088	**253,338**	^ 50.7%
Operating Profit	31,558	**71,025**	^125.1%
Profit before tax	48,413	**61,046**	^26.1%
Financial Position (in RM'000)			
Total assets employed	903,658	**980,859**	^8.5%
Shareholders' Equity	528,262	**566,439**	^7.2%
Key Financial Ratio			
Basic EPS (sen)	8.2	**9.9**	
Net asset per share (sen)	121.02	**129.77**	
Return on Equity (%)	7.3	**7.8**	
Return on Assets Employed (%)	5.1	**4.5**	
Debt-to-equity (%)	36	**55**	

The following is the breakdown of revenue of the Group by segment:-



For the year in review, the Group posted revenue of RM253.3 million as compared to RM168.1 million in the previous year. The revenue took into account an amount of RM17.8 million (2011: RM24.9 million) of provision for discounting on a deferred payment consideration arising from the expected delay in collections from certain major trade receivables of the Group. Excluding the impact of the provision for discounting, the Group would have posted revenue of RM271.2 million as compared to RM193.0 million achieved a year ago.

The significantly higher revenue was primarily attributable to the increases in contribution from both the construction and waste management segments which recorded a turnover of RM63.9 million (2011: RM30.6 million) and RM47.7 million (2011: RM14.1 million) respectively during the financial year. As with the previous years, the water treatment, supply and distribution segment remains the major contributor to the Group, accounting close to 59% of the Group's revenue (before the impact of provision for discounting) in 2012. Revenue from this segment has risen in view of the higher production output recorded from the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") under Sungai Harmoni Sdn. Bhd ("Sungai Harmoni").

Higher revenue contribution from the construction segment was mainly attributable to the SSP1 Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir works which commenced in March 2012 and substantially completed by year end as well as increased construction activities from the Mengkuang Dam Expansion project. Both of these projects accounted for RM53.0 million out of the RM63.9 million recorded during the year. On the other hand, the increase in revenue from the waste management segment was largely due to the revenue recorded from the Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants which started to contribute to the Group during the year. Out of the total RM47.7 million in revenue recorded from this segment, RM33.4 million was directly contributed by the Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants.

executive director's review of operations

At the operating level, the Group posted an operating profit of RM71.0 million as compared to RM31.6 million in 2011 due mainly to the effects of discounting on trade receivables which, similar to the previous year, is one of the key operational issues faced by the Group arising from the continued delay in receiving payments. It should also be noted that in 2011, the Group booked in a one-off final settlement sum of RM5.5 million brought about by the full and final settlement of a dispute in relation to one of the projects undertaken by the Group. As such, stripping out these twin effects, the core operating profit of the Group would have been adjusted to RM58.8 million (2011: RM54.5 million).

The Group achieved a profit before taxation of RM61.0 million as compared to RM48.4 million. Despite the higher profit before taxation, the results for the year was dragged down by higher amortisation and finance charges from the waste management segment while the share of results of a jointly controlled entity reduced significantly from RM18.6 million to RM9.8 million due to the closure of one bound at each of the two toll plazas at the Cheras-Kajang Highway in March 2012.

WATER AND ENGINEERING DIVISION

As Malaysia continued to weather the gathering clouds of a weak global environment brought on by the continuing economic and financial problems in the Eurozone and the U.S., all of which were facing the prospects of negative or anaemic growth, the economy of Malaysia managed to maintain its positive GDP growth trend by about 5.6% over the year in review. This was attributed to Malaysia's strong economic fundamentals underpinned by robust domestic demand in the services, construction and hospitality sectors. As a result, water demand growth in support of these economic activities continued apace and appeared poised for further growth in the coming year as Malaysia's economy is forecast to continue to grow by between 5-6%, again underpinned by domestic demand as measures implemented in the 2013 Budget and the Government's Transformation programmes pick up steam.

In the concession areas served by Sungai Harmoni and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks (Langkawi)"), water supply demand remained strong and on an uptrend amidst thriving economic activities although the growth rate was somewhat uneven and subject to the influence of population and commercial demographics. While SSP1 operations posted a significant 9.2% increase in production output, Taliworks (Langkawi) only managed to maintain its metered consumption output almost unchanged, compared to the previous year. The growth in water demand in the Klang Valley, to which SSP1 supplies almost 20% of the total current demand, is expected to continue to grow in 2013 as commercial and business activities are projected to experience further growth. The ability of SSP1 to meet such demand growth in the short term has been enhanced by the project initiated by the Selangor State Government to upgrade SSP1's pumping installations to its original nominal design capacity. This will be a factor that will drive higher production output in SSP1 in the coming years ahead. On the other hand, metered consumption growth in Langkawi which stagnated since the past year due to the slowdown in the tourism and hospitality industries, somewhat appears to be turning around as demand rose at the year end and may presage some gains in the coming year.

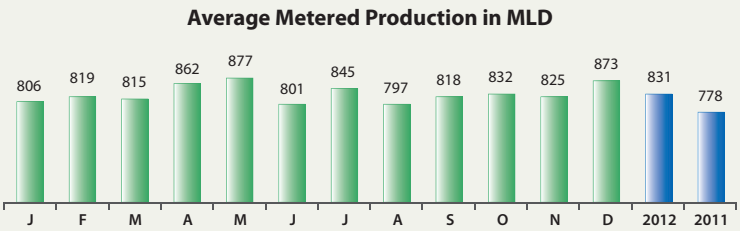
The operating environment continues to be a challenging one as environmental, fiscal and regulatory forces shape operational policies, processes and responses towards the ultimate objective of ensuring uninterrupted supply of water of the required quality and quantity at all times. The focus of the operations will continue to be optimisation of operating costs especially as electricity and water treatment chemicals take up between 45%-65% of total operating costs. This is done through a comprehensive servicing and maintenance programme dovetailed with a progressive rehabilitation programme to ensure uninterrupted operations while at the same time, a responsive operations regime has been put in place to respond to the environmental changes such as unpredictable weather, changing raw water quality and pollutant spikes, in a timely manner.

The escalating trade receivables faced by Sungai Harmoni and to a lesser extent by Taliworks (Langkawi) have not been entirely resolved yet but is being managed by Sungai Harmoni through financial assistance provided by the employer and by Taliworks (Langkawi) through improved collections during the year. Nevertheless there is a glimmer of hope that this situation may be resolved in the coming year if concerned parties and the relevant authorities were willing to come forth to the negotiation table to hammer out a deal that is acceptable to the parties.

Since the implementation of the Water Services Industry Act 2006 (Act 655) ("WSIA") on 1 January 2008 and the expiry of the 2-year initial authorisation period, Taliworks (Langkawi) has opted for written authorisation in preference to the licensing regime while Sungai Harmoni is awaiting resolution of the consolidation of the Selangor water supply concessions by either the State or Federal Governments. Thus far, Taliworks (Langkawi) was finally granted written authorisation pursuant to Section 192(5) of the WSIA by the National Water Services Commission ("SPAN") to undertake and carry out the operation and activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004 effective from 1 February 2013 to the end of the concession on 31 October 2020.

executive director's review of operations

Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni")



The robust water demand faced by SSP1 over the last quarter of 2011 carried over into 2012 and went on an uptrend from the second quarter onwards to finish the year with an average output of 831 million litres per day, 6.8% higher than the previous year's average output of 778 million litres per day. The better than expected achievement reflects the continuing water demand growth in the Klang Valley area to which SSP1 supplies nearly 20% of the total demand, as population growth and industrial and commercial activities accelerate in tandem with Malaysia's improving economic growth prospects. Barring unforeseen circumstances, it is projected that SSP1 output for the coming year should grow significantly as the economy improves further and with the recent upgrading works having been completed in SSP1. However, the off-take is likely to be patchy over the year and subject to the drawdown practices of SYABAS.

River flows were generally adequate to sustain abstraction operations of SSP1/SSP2/SSP3, supported by regulatory releases from the Sungai Selangor and Sungai Tinggi Dams during a dry spell in the third quarter. These dams had managed to recover to about 95% of full service levels by year end and appear to have adequate storage reserves to meet the regulating needs of SSP1/SSP2/SSP3 during the coming dry season of next year. Under these unpredictable weather conditions, there were several bouts of pollution spikes involving relatively high levels of turbidity, colour, iron and manganese that required speedy responses and enhanced treatment to overcome in a timely manner. This again pointed to the need for continued vigilance in facing and overcoming such challenges. In the constant attempt to manage operations costs at an optimum level, attention was paid to managing the unit electrical and unit chemical costs which form the largest component costs of about 62% of the total operating cost for 2012. This was managed through a comprehensive, responsive and timely O&M and rehabilitation programme that was able to squeeze out a small reduction in these unit costs compared to the previous year despite the challenging environment.

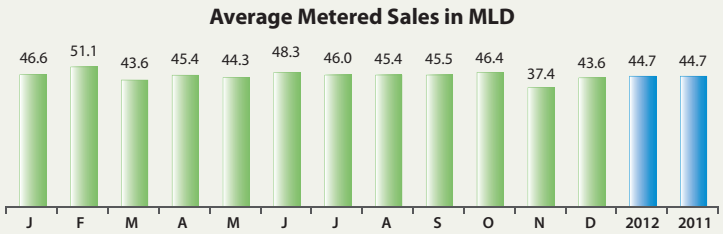
Sungai Harmoni continued to maintain its platform of operational quality and excellence by retaining the following accreditation schemes:-

- MS ISO 9001:2008 'Quality Management Systems for Operation and Maintenance of Water Treatment Plant' for SSP1, and
- MS ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme for the SSP1 Laboratory.

Sungai Harmoni has also obtained the certification for the Information Security Management System (ISMS) to ISO 27001:2005 'Effective Risk Assessment' for the management of its SCADA information process, valid for a period of three years from 22 February 2013 to 21 February 2016.

Despite several pronouncements by the State and Federal Governments over the course of the year, the attempt to re-structure the Selangor water concessions was not resolved by year end and remains to be seen whether 2013 will bring the long awaited outcome. As a result of the impasse, Sungai Harmoni's trade receivables which were already in a critical state at the end of last year, escalated further and this put a damper on the company's cash flow and ability to manage its operational activities efficiently. However, with timely assistance from SPLASH commencing in April and improved upon in August, Sungai Harmoni was able to carry out its operational and maintenance obligations adequately whilst awaiting the final resolution of the re-structuring exercise.

Taliworks (Langkawi) Sdn. Bhd. ("Taliworks (Langkawi)")



Despite a promising start to the year when metered consumption was quite robust, the uptrend was not sustained and proved to be somewhat erratic for the rest of the year, averaging 44.73 million litres per day, almost unchanged from the previous year. The unchanged metered

executive director's review of operations

consumption trend compared to the previous year was an indication that the prevailing economic conditions which normally spurred increased water demand was still subdued and likely being affected to some extent by the economic and financial problems still besetting the major economies of Europe and the U.S. insofar as the tourism and hospitality industries on which Langkawi's economy depends, are concerned. Nevertheless, despite the subdued economic conditions contributing to a decline in metered consumption demand, the resilience of the Malaysian economy in general and healthy domestic consumption in particular, is expected to boost water consumption demand in the coming year, albeit at a very modest pace, projected to be between 1% - 2%, barring unforeseen circumstances.

Unit operation costs were managed slightly higher compared to the previous year as there was a rise in unit electrical and unit chemical costs as a result of changes in the external environment. In particular, unit electrical costs were higher on account of higher pumping costs to improve dam levels while heavy rains in the catchment led to higher treatment costs to overcome higher pollutant levels in the raw water quality. Despite these challenges, unit operation costs were kept under control through efficient pumping operations and comprehensive operations and maintenance programme underpinned by a progressive refurbishment programme.

Taliworks (Langkawi) retained its commitment to operational excellence in water quality testing by its Sungai Baru and Padang Saga Laboratories by retaining its ISO/IEC 17025:2005 certification under the Malaysia Laboratory Accreditation scheme ("Skim Akreditasi Makmal Malaysia"). In its continuing effort to place itself on a higher level of operational excellence, Taliworks (Langkawi) has after undergoing the requisite process of documentation and audit, achieved the following quality management certifications in the first quarter of 2013:-

- ISO 9001:2008 'Quality Management System' for Management and Support Services for Operation and Maintenance of Water Treatment Plants (Padang Saga 2 & 3, Bkt Kemboja and Sungai Baru) including Maintenance of Existing Distribution Network and Consumer Services, valid for a period of three years from 1 February 2013 to 31 January 2016, and

- ISO/IEC 27001:2005 Information Security Management System (ISMS) for the Management of Information associated with Monitoring and Operation of Potable Water Supply to Langkawi covering the Water Treatment Process, Water Distribution System and Consumer Affairs, valid for a period of three years from 1 February 2013 to 31 January 2016.

After undergoing a series of re-negotiations with the authorities concerned under the WSIA, Taliworks (Langkawi) has finally secured a written authorisation from SPAN to enable it to carry out its obligations under the concession agreement for the initial term of the agreement on1 February 2013 to 31 October 2020.

Taliworks (Langkawi)'s cash flow continued to improve during the year as payments were received for outstanding receivables for the current year as well as part payment of some long overdue receivables. This enabled Taliworks (Langkawi) to carry out its operational and maintenance obligations in a more systematic and efficient manner.

CONSTRUCTION & ENGINEERING DIVISION

2012 has been a busy year for the Group with the on-going construction of the RM339.4 million Mengkuang Dam Expansion project which is progressing smoothly. The project, which commenced in August 2011, will take about 60 months to complete and the 3-km long Mengkuang Dam will be the longest earth-filled dam in Malaysia upon completion of the expansion works. Although there was a delay in the scheduled implementation due to other sub-contractors and to a certain extent the inclement weather, the Group is confident that from the recovery work programme, the Group will be able to catch up with the scheduled progress by the first half of 2014. The Mengkuang Dam Expansion project is a challenging engineering endeavour because construction work is being carried out on an existing dam in uncertain sub-surface condition. However, the project team's combined wealth of technical knowledge, construction experience and prudence ensured smooth progress of the dam construction. This project has contributed positively to the revenue and profitability of the Group.

Other than the on-going Mengkuang Dam Expansion project, the Group had successfully tendered and completed the RM20.3 million upgrading of SSP1 Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir ("SSP1 Upgrading Project"). Physical construction work commenced in March 2012 and work was completed by January 2013. The SSP1 Upgrading Project was mooted as an emergency mitigation project to alleviate the shortage of potable water in Selangor, Kuala Lumpur and Putrajaya. In essence, the SSP1 Upgrading Project involves the construction of a 3.8km long DN 1800mm mild steel raw water pumping main and 250m long DN 900mm mild steel inter-connection pipe works at Matang Pagar Reservoir. The scope of work included the execution of pipe connection works using hot-tapping technology at four separate locations along the existing twin DN 2100mm raw water pumping mains. The utilisation of hot-tapping technology enabled pipe connection works to be carried out on live existing pipeline without disrupting the existing delicate water supply system. Upon completion of the overall mitigation scheme, the supply capacity of SSP1 will be boosted to about 950 million litres per day to cope with the ever increasing water demand from Selangor and the neighbouring Federal Territories.

executive director's review of operations

The successful procurement of the SSP1 Upgrading Project through an open tender is testament to the Group's hard work and resilience in facing the highly competitive construction market. The construction division is expanding steadily and is poised to acquire more infrastructure projects. It aspires to become a major contributor to revenue of the Group in the future.

TOLL HIGHWAY DIVISION

The toll highway business of the Group is housed under Cerah Sama Sdn Bhd ("Cerah Sama"), which is the parent company of Grand Saga Sdn Bhd ("Grand Saga"). Grand Saga owns and operates the 11.5-km Cheras-Kajang Highway.

On 1 March 2012, the Federal Government announced the closure of one bound at each of the two toll plazas at the Cheras-Kajang Highway in order to reduce the financial burden of road users. The abolishment of toll collection at Plaza Batu 9 for the Kuala Lumpur bound and the Plaza Batu 11 for the Kajang bound came into effect the very next day. In view of the significant loss in revenue and cash flow throughout the remaining period of the concession arising from the closure, Grand Saga has been compensated in line with the provisions of the concession agreement.

With the road users paying only half the toll after the closure of one bound, the highway witnessed a steady growth in its traffic volume. The Average Daily Traffic ("ADT") grew from 124,563 vehicles per day (post one bound closure) as at March 2012 to 138,500 vehicles per day in December 2012. This represented an increase of 11.2% in the ADT post closure of one bound, compared to 6% growth achieved in the year 2011. The significant increment in ADT is also attributed to the tremendous growth in the vicinity of the Cheras and Kajang areas which are considered growth corridors for residential and industrial development. The link up with the Lebuhraya Kajang-Seremban ("LEKAS Highway") also provided further growth impetus by facilitating an inter-urban network connecting the city of Kuala Lumpur to Seremban.

Grand Saga is committed to ensure that the road conditions at the highway are sufficiently maintained to optimal standards required in promoting higher safety and greater driving comfort to all road users. The major pavement rehabilitation exercise which was undertaken in 2011 was completed in the current financial year. In addition, as part of its service commitments, Grand Saga will continue with the implementation of "contra flow' operations to alleviate the traffic congestion for Kajang bound traffic in the evening and the Kuala Lumpur bound traffic congestion in the morning, which is conducted with the assistance of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police.

The Group, through its Toll Highway Division, continues to look into extracting full potential from its expertise in highway operations by seeking to acquire interest in other tolled roads, both locally and abroad. Towards this end, Cerah Sama had embarked on and completed a re-financing exercise on 31 January 2013 by way of issuance of a new Sukuk Musharakah Programme facility of up to RM750 million, out of which RM420 million was drawn down with the remaining RM330 million available for new acquisitions. The re-financing exercise was necessary to address the mismatch between the cash flow generated from toll operations (arising from the closure of one bound) against Cerah Sama's commitment in respect of the previous RM380 million Islamic Medium Term Notes ("IMTN") facility. The first issuance of RM420 million sukuk under the new Sukuk Musharakah Programme has been accorded a rating of AA-IS by Malaysian Rating Corporation Berhad and the proceeds were mainly utilised to retire the IMTN.

WASTE MANAGEMENT DIVISION

The Group entered the China market in 2004 with the acquisition of a concession right to the Tianjin Panlou Municipal Solid Waste Transfer Station for RMB40 million (RM18.3 million). Since then, the Group has increased its footprint in the waste management sector in China with the acquisition of three other concession rights, the latest being the RMB810 million consideration paid for the 30-year concession to own, operate and manage the Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants with a capacity of 300 million litres per day and 52 million litres per day respectively in Yinchuan.

In China, the Group's focus is mainly in the waste management sector, which is divided into solid waste management and waste water management. The Group spent the last eight years expanding its waste management business in China through Public-Private-Partnerships ("PPP") arrangements. As of to-date, it has successfully secured four waste management projects in China, namely:-

a) Tianjin Panlou Municipal Solid Waste Transfer Station;
b) Guanghan San Xin Dui Wastewater Treatment Plant;
c) Yinchuan Wastewater Treatment Plants and Recycle Water Treatment Plants; and
d) Linhe Integrated Industrial Park Wastewater Treatment Plant and Recycle Water Treatment Plant

executive director's review of operations

Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM manages, operates and maintains the Tianjin Panlou Municipal Solid Waste Transfer Station and its related assets for a concession period of 21 years ending 2025. The company has managed the facility since 1 January 2005. Compared to the previous year's 362,715 tonnes (994 tonnes/day), the current tonnage of waste processed stood at 333,773 tonnes (919 tonnes/day), a significant drop of 8.0% due to the continued use of a fleet of aging trucks. As a result, the operating cost per tonne has escalated from a year ago, from higher truck related costs and manpower costs.

However, with the replacement of three new trucks in the first quarter of 2013, the turnaround time has vastly improved resulting in higher tonnage of waste processed. It is expected that another three new trucks will be in fully operational by May 2013 which will further enhance the company's capability to handle much more waste. Other than addressing the issue of aging trucks, other matters relating to station general environment, refurbishment, health and safety measures have been looked into as part of the company's continuous efforts to upgrade its level of service quality.

Puresino (Guanghan) Water Co Ltd.

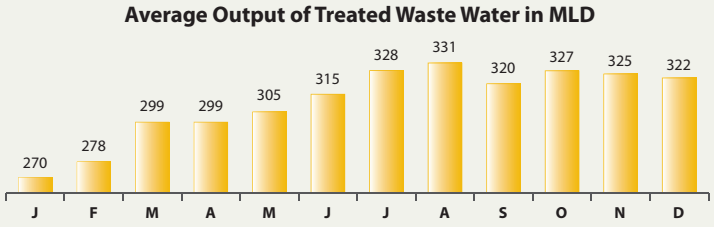
Puresino (Guanghan) manages and operates the 50-million litres per day Guanghan San Xin Dui wastewater treatment plant in the city of Guanghan in the province of Sichuan for a concession period of 30 years ending in the year 2033. This project marks a historical milestone for the Group, being its maiden entry to the wastewater treatment industry in China.

Commercial operations started in the third quarter of 2007 and in 2012, the tonnage of waste effluent processed stood roughly in the region of 10.48 million litres, a marginal decline of 1.6% from the 10.65 million litres achieved a year ago. Currently operating at an average of 57% of the plant design capacity, there is ample upside for growth given that the plant has not been operating at its full potential. However, the Group is currently embroiled in a dispute with the minority shareholder since 2011 and this has yet to be resolved amicably. Arising from the dispute, the operations of the company has been severely impacted. Nevertheless, after a few rounds of discussions, both parties are determined not to prolong the dispute and to find an amicable resolution. We hope to see some resolution to this issue in the coming year.

Due to expenses paid for sludge treatment and to a certain extent higher chemical and maintenance cost, the operating cost per tonne has increased considerably. To optimise production and further rationalise costs, it is imperative that the operations of the plant, which is temporary placed under a caretaker company, be returned to the Group as soon as the shareholders' dispute is sorted out.

During the year, two major litigation cases where the company was named as the defendant, have either been overruled by the court or withdrawn by the plaintiff. The details of these litigations can be found in the relevant notes to the financial statements. With the resolution of these litigations and others that have been decided in the course of the year, the company is a step closer to resolving most of the litigations that it is involved in.

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd



In 2010, the Group successfully secured the privatisation of four waste water treatment plants and two recycle water treatment plants in Yinchuan via an open tender by the municipal government wherein a 30-year concession to own, operate and manage the aforesaid facilities were awarded under a Takeover-Operate-Transfer ("TOT") concept in the third quarter of 2011. This signifies another milestone of achievement for the Group as we are entrusted by the Chinese Government to operate and manage one of its public utilities for Yinchuan Municipality, which is the capital city of Ningxia Province.

executive director's review of operations

Being the first year where the operations of the facilities were undertaken by the Group, the amount of treated waste water stood at 113.49 million litres or an average of 310 million litres per day, exceeding its design capacity of 300 million litres per day. Volume started to pick up from the start of operations in January and by May 2012, the output has breached the design capacity and had continuously exceeded the 320-million litres per day mark for the rest of the second half of the year given the rapid economic development and urbanisation of Yinchuan Municipality. Operational costs are being continuously rationalised to bring the costs to a maximum operating level without compromising on the standard of effluent waste water. Likewise proper scheduled rehabilitation and maintenance are being planned to optimise the efficiencies of the plants.

In the coming year, plans are already underway to upgrade and expand the total capacity of the four waste water treatment plants by another 100 million litres per day to 400 million litres per day. Although the final amount of additional investments for the upgrade and expansion has yet to be finalised, it would be a substantial investment to be made. The Group has taken a long term view that the investment proposition is viable and will provide a recurring income stream and sustainable cash flow over the longer term. We envisage that our commitment to further invest will strengthen our profile and credentials in the vast waste management sector in China.

Ningxia Eco Wastewater Treatment Co. Ltd

The company is involved in the construction and management of a 20 million per day waste water treatment plant together with a recycle water treatment plant in Linhe Integrated Industrial Park (Zone A) in Yinchuan under a Build-Operate-Transfer ("BOT") concept.

The facilities are designed to offer recycle water to the power plants located nearby given the said industrial park's vicinity to the Ningdong Energy Chemical Base. Although construction on the first phase of the facility commenced in 2011, it has been delayed due to several reasons and the company is in discussions with the relevant authorities to expedite the completion of the facilities so that commercial operation is able to proceed.

KEY PRIORITIES AND CHALLENGES

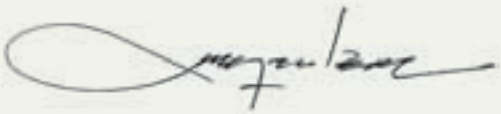
Looking broadly ahead, there are several key challenges that the Group needs to address so as not to allow these matters to escalate into issues that would require strenuous management intervention or problems to mothball that could derail the Group's attainment of its corporate objectives.

In light of the Group's considerable investments in China, particularly in Yinchuan, much efforts and resources are directed to ensure that the Group are on top of things and that operations are being managed and operated as intended. This would include continuation of priorities to further strengthen the system of internal controls and processes and the managing of principal risks, both current and emerging. The immediate priority of the Group in its China operations is to complete the upgrading and expansion of the four waste water treatment plants in Yinchuan as this is expected to create enhanced returns to the Group as a consequence of the increase in output, thus maximising the economies of scale through lower cost of production as well as from the higher tariff rates from the upgrading of facilities to better cater for the higher standard of municipal waste water that is to be treated.

The Group's current prospect also hinges on the desired outcome of the consolidation of the water concessionaires in Selangor as the water treatment, supply and distribution segment is a major revenue driver for the Group. Whilst efforts are being stepped up to foster top line growth from other business segments, especially from the construction activities, contribution from the water treatment, supply and distribution segment remains a core and profitable business that needs to be safeguarded. As such, the outcome of the consolidation exercise remains a crucial development that requires close monitoring and assessment from time-to-time.

Taking all the key challenges into stride, the Group, through the management, will continue to prioritise and streamline its endeavours to stay ahead of the pack. It is essential for the Group to step up to the next level in order to meet a myriad of changing demands and your expectations of us to deliver a solid performance not only in terms of financial results but also a business model that is viable, sustainable and rewarding.

Thank you.



LIM YEW BOON
Executive Director

In today's broad marketplace where the interest of all stakeholders are inter-linked, it is no longer tenable to attain a successful and sustainable business model directed solely to maximising profits without any regards whatsoever to the potential repercussions to these stakeholders, who are in a position to impact an organisation in achieving its corporate mission and goals. With the extensive use of the social media amidst the advent of technological advances in the field of communication, global citizens are more connected than ever before. With its easy accessibility and functionality, the social media is a rather potent instrument that can be used to shape societal behaviour and perceptions.

Thus, it becomes inevitable that an organisation has to put in thought and effort to seriously consider the interest of all stakeholders and work towards a win-win solution where all parties concerned are able to extract some benefits and without leaving any parties to an extremely disadvantaged position. However, it should be acknowledged that interest of the various parties maybe somewhat conflicted with one another and that a balanced approach would be required to minimise such conflicts. Underlying the principles of good corporate citizenship is the adoption of good Corporate Social Responsibilities ("CSR") practices by an organisation that embraces responsibilities for the impact arising from the conduct of its activities.

Unlike yesteryears, organisations today are hard pressed to spell out clearly and in more precise terms their commitment towards environmental, social, governance ("ESG") and sustainability agendas as well as give an account of the effects and outcomes of their business practices on stakeholders that are directly impacted. Stakeholders are also clamouring for organisations to disclose how their activities can benefit communities and consumers and outline how they intend to manage any negative impact arising from their business activities.

As a responsible organisation, Taliworks is committed to promoting and undertaking good CSR practices that have a positive and enduring impact on all our key stakeholders. To attain our vision to be a formidable and respected service provider in the water, waste and infrastructure sectors in the region in an ever challenging and dynamic business environment, we recognise our obligations, not only to deliver and support long term shareholders value, but at the same time making conscious efforts to bring about a positive outcome to each and every person that has a vested interest in ensuring that we achieve our vision in an ethically and socially acceptable manner.

In undertaking our CSR, we value the long term benefits and goodwill that will accrue to our reputation and corporate standing and we will endure to work towards the betterment of our employees, the community, the well-being of the environment as well as related stakeholders.

Corporate Social Responsibility

The key CSR initiatives that Taliworks promote cover the following areas:-

EMPLOYEES' WELFARE AND WELL-BEING

We strive to maintain our standards in the development of our employees to ensure that the pool of human talent remains with us. We are subscribed to the principle that our employees are one of the main pillars of our success and they remain our valuable asset in ensuring our long term growth.

Among the pertinent human resource initiatives to advance the welfare and well-being of our employees and to enhance the overall human capabilities and competitiveness within the organisation include:-

- Promoting a safe and healthy working environment that foster mutual respect where employees irrespective of status, position and gender are treated with dignity and free from sexual harassment;
- Ensuring continuous human resource development by making available training and career advancement opportunities;
- Providing suitable sporting and recreational amenities to our employees to lead a balanced and healthy lifestyle;
- Adopting non-discriminatory hiring practices;
- Providing staff with medical, dental, hospitalisation and insurance benefits including certain benefits to extended family members;
- Making available opportunities to our employees to share ownership of the company through the implementation of an employees' share option scheme;
- Providing a smoke-free environment at the workplace.
- Enabling the sharing and transfer of knowledge within the various business units in the organisation through the provision of short term visitation by staff to other operating units.

corporate social responsibility

CONTRIBUTION TO THE COMMUNITY

Our businesses revolve around the communities that we serve diligently. We are steadfast in our commitment to maintain our performance standards to produce high quality drinking water that meets with established standards to consumers, our highways are properly maintained and upgraded to ensure greater driving comfort to our highway users and our waste and noise emissions from the waste management facilities are within acceptable levels. This requires concerted effort on our part to ensure that all of our employees are focused, systems and controls are in place, the plant and equipment are in good working conditions and our accreditations continue to be maintained and recognised.

Another area of focus in contributing to the community is in the form of monetary and non monetary measures. It has been our philosophy to ensure some of the benefits derived are given back to the community through communal activities and sponsorship allocations for sporting and other activities.

Other previous and current initiatives that benefitted the community include:-

- Arranging and paying for the connection of water supply to certain deserving residents in Langkawi.
- Providing placements for industrial training in the aspects of information technology and water treatment operations.
- Cooperative programmes with the state governments of Selangor and Kedah to help the poor and orphanages during festive seasons particularly our Ramadan outreach in these states.
- Organising events to inculcate road safety awareness amongst road users and the younger generation including holding joint campaigns at the Cheras-Kajang Highway during the festive seasons to reduce road fatalities by way of distribution of safety brochures and goodies to road users and organising safety awareness talks and exhibitions at selected secondary schools within the vicinity of the Highway throughout the year.
- Extending toll rate discount to road users at the Cheras–Kajang Highway during certain festive seasons.

PROTECTION AND CONSERVATION OF THE ENVIRONMENT

As an integrated water and waste management service provider, we are ever mindful of the need for the continuous preservation and conservation of the environment. We are conscious of the need to strike a balance between enhancing shareholders' value on one hand and our obligation to ensure that our operations are operated in such a manner that we are able to reduce environmental degradation by minimising our carbon footprint. In this respect, we support any low-carbon initiatives and green agenda that are being actively promoted by any non governmental organisations.

Among the initiatives that we undertake on an on-going basis to protect and conserve the well-being of the environment and cultivate a green corporate culture include:-

- Continuing collection of raw water quality data in the catchment area(s) where some of our water treatment plants operate for study and research into long term pollution trends and sources so that the appropriate

Highlights of CSR activities:

corporate social responsibility

water treatment methodologies can be planned in advance;

- Securing appropriate accreditations for our treatment facilities to ensure high operational standards are maintained;

- Proper management of water treatment residuals and appropriate disposal methodologies in compliance with the relevant environmental quality standards;

- Dissemination of information to the public especially school children on water treatment processes, environmental conservation, and for them to be part of "water saving campaign" via the holding of a Water Treatment Open Day at our water treatment plants;

- Yearly participation in events organised by the relevant government/ state authorities on environmental, water conservation, recycling campaigns in our waste management operations in the People's Republic of China;

- Creating awareness amongst the employees on green issues and their contribution to global warming and encouraging the practice of the 3Rs within the organisation including water conservation in some of our operations;

- Leveraging on the advances in the field of technology by conducting paperless e-meetings, where permissible, to minimise usage of papers.

Our efforts in promoting and undertaking CSR initiatives is part of our mission to maintain a sustainable business model to ensure that we are up to the challenge to meet consumers' demands for eco-friendly practices and the welfare of other key stakeholders are taken care of.

ENGAGEMENT WITH THE RELATED STAKEHOLDERS

We recognise the need for effective channels of communication and high standards in the provision of services in our continuous efforts to build a long term relationship with our shareholders, investors, members of the media, regulators, customers and financiers. We believe that reaching out to these stakeholders and maintaining strong relationship with them is a crucial component of our business growth strategy.

Among the related initiatives to promote engagement with related stakeholders include:

- Continued participation in the CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia with the aim of ensuring wider research coverage on our Company;

- Granting request to investors, financiers and rating agencies to discuss the developments within the organisation through an investors' relation function;

- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time;

- Providing stakeholders with dedicated emails at info@taliworks.com.my and investor@taliworks.com.my for them to communicate with the Company on any matters.

SENTRAL

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Didik pelajar utama keselamatan

corporate social responsibility

ENGAGEMENT WITH THE RELATED STAKEHOLDERS (cont'd)

We are proud to play our part as a responsible corporate citizen and in discharging our social responsibilities through active participation in the various CSR programs. This can be seen from our CSR initiatives over the years.

For 2012, the major CSR programmes undertaken include:-

- Co-organising the World Water Monitoring Challenge 2012 with the Malaysian Water Association and Syarikat Air Darul Aman. The programme was held in Langkawi, Kedah with the objective to bring about awareness amongst schools, universities and community groups by participating in testing the quality of streams, rivers, lakes within the water catchments and submitting the results to the International Water Association's online database.

- Conducting the annual Ramadan programme at Sungai Selangor Phase 1 Water Treatment Plant in Selangor ("SSP1") for the eleventh year running whilst at the Taliworks (Langkawi) Sdn. Bhd. operations, the Ramadan programmes had entered its sixth year. The beneficiaries include orphanages, the underprivileged and the handicapped.

- The School Assistance and Charity Homes Programmes undertaken by the Toll Highway Division. Both programmes have entered its second year benefitting about 100 poor students and nearly 20 charitable homes around the Cheras – Kajang Highway.

- Joint sponsorship of the Batang Berjuntai Sports Carnival by SSP1 to foster better working relationship among companies and government departments in that area. This is the biggest sports carnival ever held in the Batang Berjuntai area.

Grand Saga bantu 76 anak yatim

Statement on Corporate Governance

Today's dynamic business environment and stakeholders' expectations reinforce the demands for full accountability and transparency expected from the Board in discharging its fiduciary duties and in delivering long term value proposition to shareholders. As a direct consequence thereof, greater internalisation of enterprise-wide culture of good corporate governance, maintenance of a sound system of internal controls, embedding risk management practices into the day-to-day operations, business sustainability issues as well as adherence to regulatory requirements becomes one of the main priorities for the Board.

The Board recognises the importance in adopting the Principles and the Recommendations stipulated in the Malaysian Code on Corporate Governance (revised 2012) ("Code") and is committed in ensuring that good corporate governance is observed and practiced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and that of the other stakeholders.

Since the introduction of the first Malaysian Code on Corporate Governance in 2000, the Board has continuously made efforts and avail resources to strengthen the corporate governance framework and practices within the Group; to not only attract but also retain long term investors. The Board recognises that good ethical conduct and high level of accountability are important ingredients to support a sustainable development and growth of the Group's businesses both locally and abroad. Needless to say, good corporate governance is a shared responsibility, with shareholders having equal responsibility to protect and advance their own interests by exercising the rights accorded to them to ensure that the Group is well governed.

The following Corporate Governance Statement outlines the manner in which the Group has applied the Principles contained in the Code to its particular circumstances, having regard to the Recommendations stated under each Principle and the Recommendation which the Group has yet to comply, together with the reasons for non compliance and the alternatives adopted, if any.

A. BOARD OF DIRECTORS

1. Board Responsibilities

The Group is headed by a Board that leads and controls the business of the Group. The role of the Board is to collectively set the strategic direction of the Group and govern the Group with good governance practices.

The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others:-

(a) reviewing and adopting a strategic plan for the Group;

(b) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed;

(c) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

(d) succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;

(e) developing and implementing an investor relations programme or shareholder communications policy for the Group; and

(f) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, which include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

1. Board Responsibilities (cont'd)

To effectively carry out its responsibilities, the Board has delegated certain of its functions to other board committees, namely the following board committees as advocated under the Code:-

(a) Audit Committee;
(b) Nomination Committee; and
(c) Remuneration Committee

Each of the Board committees operates under terms of reference as approved by the Board. At every Board meetings, these Board committees via the board committee chairperson shall report to the Board on any significant developments and deliberations conducted at the Board committee level.

2. Board Composition, Balance and Changes

The current Board led by a non-independent non-executive Chairman, is made up of six (6) members (including the Chairman) comprising of one (1) executive director and five (5) other non-executive directors, two (2) of whom are independent directors.

The Board is of the opinion that it has the right balance of skills and experience appropriate for the requirements of the business, that no individual dominates the decision making process and that the Board has operated effectively throughout the year and is confident that it will continue to do so.

The composition of the Board is deemed well balanced representing both the major and minority shareholders' interests and complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") where at least two (2) directors or one-third (1/3) of the Board, whichever is higher, must comprise of independent directors.

The Board having reviewed the size and complexity of the Group's operation is of the opinion that the number of members in the Board is appropriate. However, the Board is open to the idea of increasing its members if so warranted to ensure that the Board is able to function more effectively.

Under the Code, it is recommended that the Board must comprise a majority of Independent Directors where the chairperson of the Board is not an Independent Director. Currently the Board is headed by Encik Suhaimi bin Kamaralzaman, a Non-Independent Non-Executive Chairman. In this respect, the Board is taking steps to review the Board composition.

2.1 Role of the Chairperson

Encik Suhaimi bin Kamaralzaman, the Non-Independent Non-Executive Chairman, presides over the meetings of the Board. His role and function are clearly separated and distinct from those of the Executive Director whom is specifically responsible for managing the strategic and operational agenda of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day-basis. Other than monitoring the conduct of the board meetings and meeting of shareholders, the Chairman ensures that all relevant issues for the effective running of the Group's business are on the Board agenda to facilitate effective decision making by the Board.

2.2 Role of the Executive Director

Mr. Ronnie Lim, the Executive Director, is tasked to develop, in conjunction with the Board, the Group's strategic plans and is responsible for its implementation. Other than that, the Executive Director is responsible to carry out all the directions of the Board and ensuring that they are implemented and that adequate actions have been taken to follow up on significant outstanding matters on a timely basis. In connection therewith, the Executive Director keeps the Board informed of the overall operations and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

2. *Board Composition, Balance and Changes (cont'd)*

2.3 Role of the Non-Independent Non-Executive Directors

The Non-Independent Non-Executive Directors, Mr. Wong Yien Kim and Mr. Lim Chin Sean, do not participate in the day-to-day management of the Group. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. They are expected to provide constructive input and where required, provide the requisite guidance to the Executive Director when faced with the challenges in running the day-to-day affairs of the Group.

2.4 Role of the Independent Non-Executive Directors

The Independent Non-Executive Directors, Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir and Encik Sulaiman bin Salleh, play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision making process of the Board.

Independent non-executive directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretary in the Board minutes.

Members of the Board come from varied background and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group. The profile of the current serving members of the Board is presented in Page 12 of this Annual Report.

3. *Board Diversity and Skill-set*

	Gender	Age Profile			Skill-set		
	Male	30-45 years	46-60 years	>61 years	Finance related	Engineering	Others
ED	1		1			1	
INED	2			2	2		
NINED	3	2	1		2		1
Total	6						

Definition:-
ED - Executive Director
INED - Independent Non-Executive Directors
NINED - Non-Independent Non-Executive Directors

Under the Corporate Governance Blueprint 2011, it was advocated that the Board should ensure participation of women in the Board to reach 30% by year 2016 and that the Board should disclose in the annual report their gender diversity policies and targets, and the measures taken to meet those targets.

It is the intention of the Board to provide equal opportunity to candidates with merit. Nevertheless, the Board will give due consideration to the increasing importance attached to board gender diversity to bring about a more diverse perspective to issues faced by the Group.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

4. Tenure of Directors

As at 31 December 2012	Less than 3 years	3-9 years	More than 9 years
ED	1		
INED			2
NINED	2	1	
Total	6		

Definition:-
ED - Executive Director
INED - Independent Non-Executive Directors
NINED - Non-Independent Non-Executive Directors

One of the Recommendations under the Code requires that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. The Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and therefore the Board does not believe that it should impose a fixed term limit for Independent Directors at this juncture.

Both the Independent Directors, being the only two independent directors with financial literacy, have served the Company for more than nine (9) years and over the years they have developed deeper understanding of the Group's diversified businesses and is able to appreciate the complexities of operational issues.

Based on the Directors' profile, three (3) Board members have served the Company for less than three (3) years. It is envisaged that the experience and exposure of the Independent Directors to the Group will be able to enhance the effectiveness of the Board as a whole. However, the Board will continuously review and evaluate the recommendation of a fixed term limit for independent directors.

The Board intends to seek shareholders' approval in the forthcoming Annual General Meeting to retain Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir and Encik Sulaiman bin Salleh as Independent Directors.

5. Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairperson before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s).

6. Board Charter

The Board has approved a board charter ("Board Charter") on 24 April 2013 which sets out a list of specific functions that are reserved for the Board. This Board Charter serves not only as a reminder of the Board's roles and responsibilities, but also as a general statement of intent and expectation as to how the Board will discharge its duties. The Board Charter addresses, among others, the following matters:-

(a) a general outline of the Board's purpose;

(b) an overview of the Board's roles and responsibilities;

(c) structure and membership, including a requirement that two (2) or one-third of members, whichever is higher, be Independent Non-Executive Directors;

(d) a formal schedule of matters reserved for the Board; and

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

6. Board Charter (cont'd)

The Board Charter addresses, among others, the following matters:- (cont'd)

(e) a position description of the role of the chairperson, the Executive Directors as well as the Independent Directors;

(f) appointment of Board committees;

The Board Charter is to be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. A copy of the Board Charter is published in the Company's website at http://www.taliworks.com.my.

7. Directors' Code of Business Conduct and Ethics

The Directors are expected to adhere to the Code of Business Conduct and Ethics for Directors which is based on principles of integrity, sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the Group's standard of corporate governance and behaviour.

The approval and adoption of the Code of Business Conduct and Ethics for Directors on 24 April 2013 formalises the standard of ethical values and behaviour that is expected of the Directors at all times. A copy of the document is published in the Company's website at http://www.taliworks.com.my.

8. Board Meetings

The Board meets on a quarterly basis, to amongst others, review the operations, financial performance, reports from the various Board committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the chairperson.

Besides Board meetings, the Board also exercises control on matters that require its approval through circulation of resolutions.

The Board would normally allocate its time at scheduled Board meeting during the year as follows:-

(a) reviewing the Quarterly Operational Report comprising the operational performance of the various business units, their key performance indicators, status of trade receivables and collections and any incidence of fraud from the Executive Director;

(b) reviewing the Quarterly Financial Reports and Annual Budgets from the General Manager, Group Finance;

(c) reviewing the Quarterly Status of Litigations from the Group Legal Advisor;

(d) reviewing the reports and minutes of each of the Board committees.

Minutes of each Board meeting prepared by the Company Secretary are circulated to the Directors for their review prior to their confirmation at the subsequent Board meeting. The minutes will record the Board's deliberations in terms of issues discussed and the conclusions thereto to provide a historical record and insight into decisions made by the Board including contrary views expressed by any of the Directors.

Minutes of proceedings and resolutions passed are kept in the statutory register at the registered office of the Company. A Director, who is, in any way, directly or indirectly interested in any proposed transaction to be entered into by the Company or the Group, will be required to make a declaration to that effect and the Director concerned will then abstain from any decision making process in which he/she has an interest in.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

8. Board Meetings (cont'd)

Where a transaction is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

9. Supply of Information

Prior to each Board meeting, members of the Board will be provided with an agenda and a set of board papers containing reports and other relevant information detailing various aspects of the Group's operations and performance to enable them to make informed decisions. The Board papers may include financial, strategic and corporate proposals that require the Board's deliberation and approval.

The Executive Director and the General Manager, Group Finance will be present during Board meetings whereas other senior management, both external and internal auditors and/or advisers maybe invited to attend the Board meetings, if required, to provide additional information on the relevant agenda tabled at the Board meetings.

The Directors in discharging their duties and responsibilities are entitled to have full and unrestricted access to all information and to management on matters relating to the Group's operations. They also have access to the advice and services of the Company Secretary and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense.

The Company Secretary is responsible to inform the Directors on the requirements that must be complied with under the Listing Requirements (including serving of notice to Directors on the closed period for trading in accordance with Chapter 14 on Dealings in Securities) and any new statutory and regulatory requirements that are relevant to enable the Board to fulfil its role and responsibilities. The appointment and termination of the Company Secretary is at the sole discretion of the Board.

10. Appointments to the Board

The Nomination Committee is responsible for reviewing the Board's composition and recommending to the Board the appointment of new directors by evaluating and assessing the suitability of candidates for board membership.

11. Re-Election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors including the Managing Director, if any, shall retire by rotation at each Annual General Meeting and be eligible for re-election provided always that each Director shall retire from office at least once in every three (3) years. Being eligible, they may offer themselves for re-election.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the conclusion of the next Annual General Meeting.

12. Directors' Training

Due to the ever increasing complexities in doing business, Directors are expected to upgrade their skill sets and keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness in serving the interest of the Group.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

12. *Directors' Training (cont'd)*

This is achieved amongst others, through attending trainings externally or provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies. Training programmes, courses, seminars, conferences, talks, briefings attended by the Directors during the year were as follows:-

Encik Suhaimi bin Kamaralzaman	• The New Corporate Governance and Regulatory Update Seminar • 6th World Water Forum • Governance, Risk Management and Compliance: What Directors Should Know • Corporate Directors Training Programme – Intermediate
Mr. Lim Yew Boon	• Advocacy Session on Disclosure for CEOs and CFOs • Seminar on Boardroom Excellence - Sharpening the Corporate Planning Roadmap
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	• The Audit Committee's Oversight Role on Financial Reporting
Encik Sulaiman Bin Salleh	• Seminar on Boardroom Excellence - Sharpening the Corporate Planning Roadmap
Mr. Wong Yien Kim	• The New Corporate Governance and Regulatory Update Seminar • Presentation of Corporate Governance Framework • Leadership Series 2012 • MIA Conference 2012 • Personality and Competency Assessment for Business
Mr. Lim Chin Sean	• Seminar on Boardroom Excellence - Sharpening the Corporate Planning Roadmap

Directors are also kept informed of the latest regulatory developments by the Company Secretary.

The Company does not have a formal arrangement to provide any in-house orientation or education programmes for new appointees to the Board. Members of the Board are encouraged to participate in relevant training programmes on their own at the Company's expense so as to keep themselves updated on developments that are current and relevant.

Training needs as a whole are assessed by the Nomination Committee on an annual basis and reported to the Board.

13. *Board Committees*

To assist the Board to effectively discharge its role and functions, the Board had delegated certain of its duties and responsibilities to the various Board committees. The primary objectives of establishing Board committees are amongst others, to allow Board members to make better use of their limited time and resources, allow more focus to be given to complex issues and recommending any course of action and reinforcing the role of Independent Directors in monitoring the activities of the Group.

The delegation by the Board does not diminish nor abdicate its responsibility and the Board remains responsible for all the actions of the Board committees with regard to the execution of the delegated responsibility. To ensure proper delegation, the Board formulates, establishes and approves the appropriate terms of reference; defining the responsibilities and authority of the said Board committees.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees (cont'd)

13.1 Composition of Board Committee

	AC	NC	RC	IC	EC
ED Mr. Lim Yew Boon				M	M
INED Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	C3	M2		M	
Encik Sulaiman bin Salleh	M4	C3	M1	C	C
NINED Encik Suhaimi bin Kamaralzaman			C		
Mr. Wong Yien Kim	M			M	
Mr. Lim Chin Sean		M1	M		

Definition:-
ED - Executive Director
INED - Independent Non-Executive Directors
NINED - Non-Independent Non-Executive Directors
C – Chairperson of Board Committee
M – Member of Board Committee

AC – Audit Committee
NC – Nomination Committee
RC – Remuneration Committee
IC – Investment Committee
EC – ESOS Committee

Note:-
1 – appointed on 27 February 2012
2 - appointed on 14 May 2012 and was subsequently re-designated as Chairman on 27 February 2013
3 - was subsequently re-designated as a member of the Committee on 27 February 2013
4 - was subsequently re-designated as Chairman on 27 February 2013

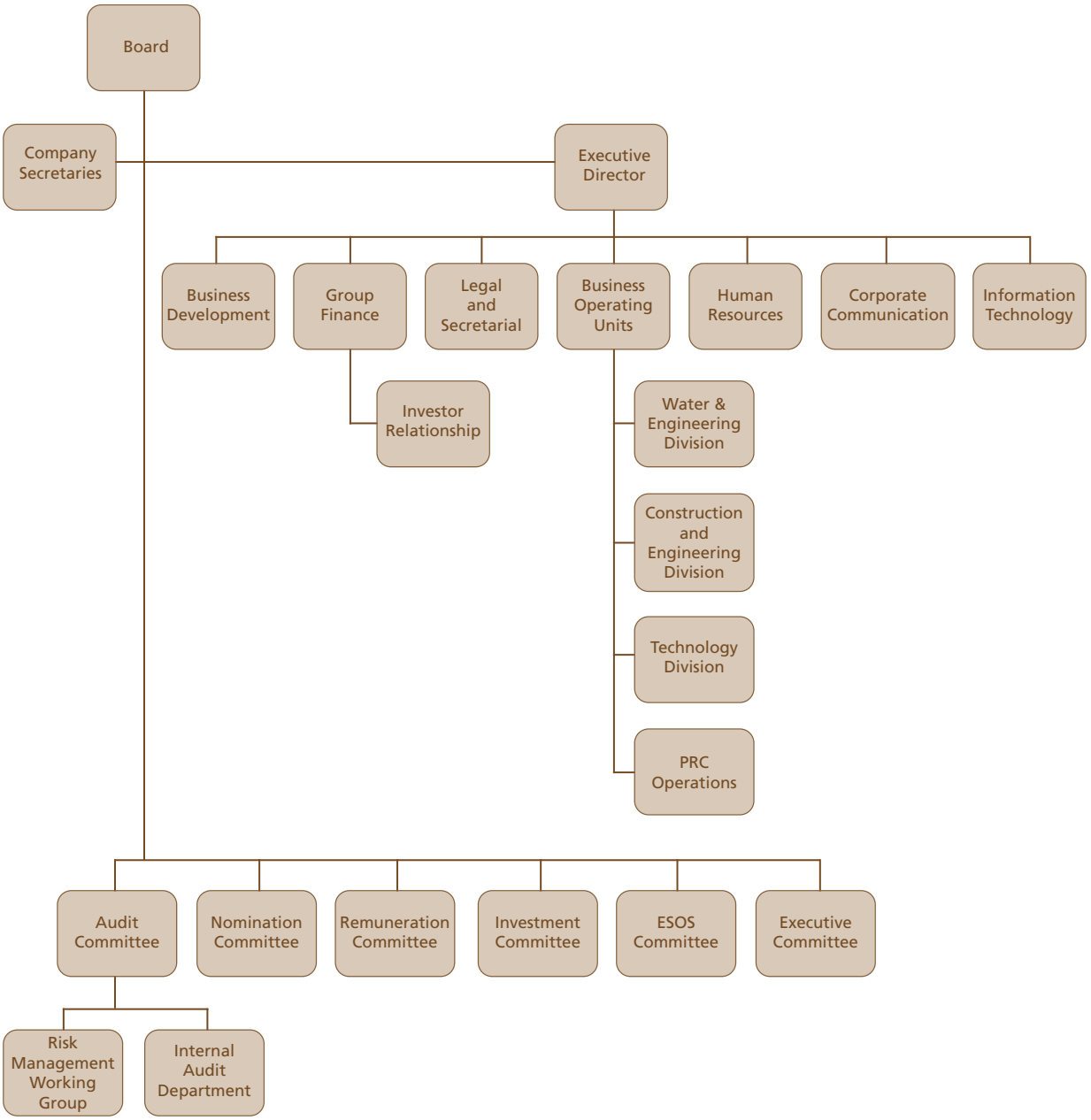
statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees (cont'd)

13.2 Governance Structure

The current governance structure of the Group is as follows:-



13.3 Audit Committee

The terms of reference, function and activities undertaken by the Audit Committee is elaborated in the Audit Committee's Report set out on Page 47 of this Annual Report.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees (cont'd)

13.4 Nomination Committee

The Nomination Committee is made up entirely of Non-Executive Directors, the majority of whom are Independent Directors. The Committee is headed by an Independent Non-Executive Director and is responsible for recommending suitable candidates to be appointed to the Board. Members of the Committee in making their recommendations, will be required to consider the candidates' skills, knowledge, expertise and experience, professionalism, integrity; and in the case of candidates for the position of Independent Non-Executive Directors, they will also evaluate the candidates' ability to discharge such responsibilities and/or functions as expected from Independent Non-Executive Directors.

The Nomination Committee would also carry out assessment of the effectiveness of the Board as a whole, the Committees of the Board and each individual Director on an annual basis. The Board through this Committee reviews the required mix of skills and experience and other qualities the Board requires in order for it to discharge its duties effectively. As an added responsibility to comply with the Recommendations of the Code, the Committee will also be looking into establishing a policy formalising the Board's approach to boardroom diversity.

13.5 Remuneration Committee

The Remuneration Committee, comprise mainly of Non-Executive Directors, is responsible for reviewing and recommending to the Board, the remuneration framework for Directors and assists the Board in ensuring that the remuneration of the Directors reflects the responsibility and commitment undertaken by the Board membership. The Board as a whole determines the remuneration of each Director. Directors do not participate in decisions regarding their own remuneration package. Directors' fees are approved by shareholders at the Annual General Meeting.

13.6 Investment Committee

The Investment Committee is tasked to evaluate and recommend to the Board, investment proposals submitted to the Board by the management for approval. This Committee will evaluate the relevant risks associated with the investment proposals, the mitigating factors and the feasibility and future prospects of investment proposals taking into consideration the risk and return trade-offs. The Committee is also expected to provide advice to the Board in establishing policies related to investments by the Group.

13.7 Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee comprises of two directors and such numbers elected from senior management to fairly represent the various business and administrative divisions of the Group to administer the ESOS in accordance with the provisions of the ESOS Bye-Laws.

13.8 Executive Committee ("EXCO")

The EXCO is tasked to speed up the decision making process in issues which are routine and administrative in nature. Members of the EXCO together with other senior management and divisional heads meet on a monthly basis to review operational issues of the Group, financial performance, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the running of the Group's affairs.

13.9 Company Secretaries

The Company Secretaries plays a pivotal role and are best placed to ensure the effective running of the Board given their knowledge and familiarity with the records and charters of the board, the processes and procedures in accordance with the Company's memorandum and articles of association and regulatory requirements. The Board has full and unrestricted access to the Company Secretaries.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees (cont'd)

13.10 Risk Management Working Group ("RMWG")

This Working Group is headed by the Executive Director and comprise of three (3) other senior management namely the Director of Business Development, the Group General Manager (Water & Engineering division) and the General Manager, Group Finance in ensuring that all risk classes particularly the Group strategic risks, risks related to the water, waste management and construction businesses, are considered at an appropriately senior level in a consistent manner and that the Board through the Audit Committee receives periodic reporting on the risk environment and management's actions to mitigate and manage significant risks in a manner consistent with the Group's risk appetite.

The RMWG is responsible to oversee the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the Group as well as identifying and managing strategic business risks of the Group. In fulfilling the primary objectives, the RMWG is tasked to undertake the following responsibilities and duties:-

(a) to promote good risk management practices and effective governance within the Group and in ensuring that roles, responsibilities and accountability in managing risks are clearly established, defined and communicated;

(b) to create high level risk policies aligned with the Group's strategic business objectives;

(c) to review the enterprise risk management framework for the effective identification, assessment, measurement, monitoring, reporting and mitigation of risks within the Group;

(d) to identify and communicate existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit Committee;

(e) to assist in the risk appraisal of proposals evaluated by the Investment Committee, if required.

The RMWG met four (4) times during the year in review.

13.11 Internal Auditors

The Group's Internal Auditors, headed by a Senior Manager, focus on risks and controls within the Group and therefore have a key role in the Group's control environment. They also advise and provide valuable feedbacks to enhance organisational governance structure and practices. To enhance their independence, the Internal Auditors report directly to the Audit Committee.

statement on corporate governance

A. BOARD OF DIRECTORS (cont'd)

14 Record of Attendance at Meetings

	BOD	AC	NC	RC
ED Mr. Lim Yew Boon	6/6			
INED Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	6/6	5/5	1/1	
Encik Sulaiman bin Salleh	6/6	5/5	1/1	1/1
NINED Encik Suhaimi bin Kamaralzaman	6/6			1/1
Mr. Wong Yien Kim	6/6	5/5		
Mr. Lim Chin Sean	4/6		1/1	1/1

Definition
ED - Executive Director
INED - Independent Non-Executive Directors
NINED - Non-Independent Non-Executive Directors

BOD – Board
AC – Audit Committee
NC – Nomination Committee
RC – Remuneration Committee

The ESOS and Investment Committees did not meet during the year as there were no new ESOS options granted by the Company and there were no new investment proposals presented to the Committee.

B. DIRECTORS' REMUNERATION

Directors' remuneration is generally benchmarked against the market average of comparable companies to attract and retain the Directors to run the Company.

Directors are entitled to share options granted by the Company under an employees' share option scheme ("ESOS") after the requisite approvals have been obtained from shareholders at a general meeting. The number of share options granted to Directors is based on their number of years in service with the Company and whether they hold any executive position in the Company. Non-Executive Directors who participated in the ESOS shall be prohibited to sell, transfer or assign the shares within one (1) year from the date of offer of such options.

The remuneration of the Executive Director is based on the terms of his employment contract with the Company. He is also remunerated in the form of director's fees as approved by shareholders at the Annual General Meeting ("AGM").

Non-Executive Directors are remunerated in the form of directors' fees as approved by shareholders at the AGM and an allowance for their attendance at the Board and other Board committees' meetings. The remuneration for the chairperson of the Board and the Audit Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairperson of the other Board committees is also accorded higher meeting allowance.

statement on corporate governance

B. DIRECTORS' REMUNERATION (cont'd)

The Directors' fees (which are not performance related) and meeting allowances for the year remain unchanged from the previous year as approved by the Remuneration Committee are listed below as follows:-

	RM per Annum Directors' Fees	RM per Meeting			
		BOD	AC	NC	RC
Chairperson	40,000 (Board and Audit Committee)	1,600	1,600	1,600	1,600
ED	25,000	1,000	n/a	n/a	n/a
INED	30,000	1,000	1,000	1,000	1,000
NINED	30,000	1,000	1,000	1,000	1,000

Definition
ED - Executive Director
INED - Independent Non-Executive Directors
NINED - Non-Independent Non-Executive Directors

BOD – Board
AC – Audit Committee
NC – Nomination Committee
RC – Remuneration Committee

The details of Directors' remuneration for the financial year were as follows:-

(a) Aggregate remuneration (collectively received from Company and its subsidiaries) categorised into appropriate components:-

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(i) Fees	25	175	200
(ii) Salaries, bonus and defined contribution plan	233	-	233
(iii) Other emoluments	153	57	210
Total	411	232	643

(b) The remuneration paid to directors during the year analysed into bands of RM50,000 is as follows:-

Range of Remuneration	Executive Director	Non-Executive Directors	Total
Up to RM50,000	-	5*	5
RM50,001 to RM100,000	-	2	2
RM400,001 to RM450,000	1	-	1
Total	1	7	8

** inclusive of two (2) Directors who resigned during the year*

statement on corporate governance

C. RELATIONSHIP WITH SHAREHOLDERS

1. Investors' Relationship, Media and Shareholders Communication

The Company recognises the importance of proper communication with shareholders and the wider investment community to ensure that trading in the Company's securities take place in an informed market. This is done through timely dissemination of information on the Group's performance and major developments which are communicated vide the following medium:-

(i) the Annual Report and relevant circulars despatched to shareholders and published in the Company's website; and

(ii) issuance of various disclosures and announcements including the interim financial reports to the stock exchange.

In addition, the Group leverages on the use of information technology for effective dissemination of information by maintaining a website at http://www.taliworks.com.my which shareholders or other stakeholders can access for information. All information released to the stock exchange is posted on the Investor Relations section of the website. Alternatively, the Group's latest announcements can be obtained via the stock exchange's website maintained at http://announcements.bursamalaysia.com.

The Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on the Group by an independent research house, Netresearch-Asia Sdn. Bhd (+603-2163 3700); so as to provide shareholders and other stakeholders with further information to facilitate their investment decisions. For 2012, four reports have been published as follows:-

Title of Report		Date of Publication
4QFY11 Results Update	:	28 February 2012
1QFY12 Results Update	:	23 May 2012
2QFY12 Results Update	:	29 August 2012
3QFY12 Results Report	:	26 November 2012

Copies of independent research reports on the Group can be downloaded from http://www.bursamalaysia.com.

Within the organisation, the Group's investor relationship is helmed by the General Manager, Group Finance, who attends to various investors particularly institutional investors, fund managers and investment analysts and a corporate communications department to communicate with members of the media. While the Group endeavours to provide as much information as possible, it is guided by the regulatory framework governing the release of material and price sensitive information. The Group is also bound by an internal guideline on investors and media relationship which sets out the communication channels, authorised spokespersons and crisis management procedures.

The Board has identified Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir, the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regards to the Group, may be conveyed. Letters stamped "Private & Confidential" can be addressed to him personally at the Company's registered address at:-

Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur, Malaysia.

statement on corporate governance

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

1. *Investors' Relationship, Media and Shareholders Communication (cont'd)*

For ease of communication via the internet, the Group has identified the following email addresses for shareholders and the public to send in their email messages:-

(a) Communications with the Company at info@taliworks.com.my

(b) Communications with the Senior Independent Non-Executive Director, at SID@taliworks.com.my

(c) Communications with the investor relations unit and/or corporate communications department at investor@taliworks.com.my

2. *Primary Contact for Investors Relation Matters*

To ensure consistency in information being disseminated, the Group has identified the following persons as the main channels of communication with the investment community:-

Mr. Lim Yew Boon ronnie@taliworks.com.my	Mr. Lim is the Executive Director of the Company
Victor Wong Voon Leong victorwong@taliworks.com.my ☎ +603 7725 7110	Aged 48, he is currently serving as the General Manager, Group Finance, a position he held since he joined the Company in 2004. He has been involved in investors' relationship for more than ten years. He qualified as an accountant and currently is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

3. *Annual General Meeting ("AGM")*

3.1 Shareholders

The AGM which is held once a year is the principal forum for dialogue with shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders within the prescribed period as allowed under the Company's Memorandum and Articles of Association and the Listing Requirements, as the case maybe. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern. Members of the Board as well as management are present to answer questions raised at these meetings.

The chairperson of the AGM will inform shareholders of their right to demand a poll vote at the commencement of the AGM and also before any vote is taken by a show of hands. To comply with the Listing Requirements, the Company will be amending its Memorandum and Articles of Association in this AGM to mandate poll voting for related party transactions.

The External Auditors of the Company also attend the AGM and are available to answer questions about the conduct of the audit and the preparation and content of the Auditor's Report.

3.2 Regulators and the Minority Shareholder Watchdog Group ("MSWG")

Other than the shareholders of the Company, representatives from the regulators and MSWG will also be invited as observers if prior requests have been made.

statement on corporate governance

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

3. Annual General Meeting ("AGM") (cont'd)

3.3 Members of the Media

Immediately after the AGM, the Board represented by the Chairman together with the Executive Director, may address issues raised by the media and answer questions on the Group's activities and plans in the course of providing the media with the latest update on the Group.

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Executive Director's Review of Operations and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit Committee and approved by the Board prior to public release.

For the year in review, the Group had announced its interim results and published its audited financial statements within the two (2) and four (4) months timeframe respectively as required under the Listing Requirements.

2. Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

As required by the Act and the Listing Requirements, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the financial year ended 31 December 2012, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed.

The Directors have ensured that the accounting records to be kept by the Group and the Company have been properly kept in accordance with the provisions of the Act, which disclose with reasonable accuracy the financial position of the Group and of the Company.

3. Internal Control and Risk Management

The Statement on Risk Management and Internal Control on Page 53 required to be made pursuant to the Listing Requirements, provides an overview on the state of internal control and the risk management framework within the Group. The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments, the Group's assets, and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Directors recognise that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

4. Relationship with External Auditors

The role of the Audit Committee in relation to the External Auditors is found in the Audit Committee's Report included in this Annual Report. The management maintains a close and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia.

statement on corporate governance

D. ACCOUNTABILITY AND AUDIT (cont'd)

4. Relationship with External Auditors (cont'd)

The Audit Committee will meet with the External Auditors at least twice a year without the presence of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the Audit Committee are duly recorded by the Company Secretary.

Under its terms of reference, the Audit Committee is responsible to:-

(a) establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the External Auditors to monitor independence and qualification of the External Auditors; and

(b) obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

E. INTERNAL CORPORATE DISCLOSURE POLICIES AND PROCEDURES

Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and in order to enhance transparency and accountability, an Internal Corporate Disclosure Policies and Procedures is being developed, to facilitate the handling and disclosure of material information in a timely and accurate manner. In this respect, the Company is guided by the Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad on 22 September 2011.

F. DIVIDEND POLICY

The Company does not have a stated dividend policy but as a general policy, the Board is committed to create long term shareholders' value through business expansion to ensure long term sustainability of dividend payouts to shareholders.

The quantum of dividend declared and paid in any year would depend amongst others, the financial performance of the Group, operating requirements and funds required to be set aside for current and future business expansion purposes.

G. WHISTLE-BLOWING POLICY

The Group has implemented a whistle-blowing policy, the objectives of which are as follows:-

(a) to promote accountability and transparency within the Group;

(b) to provide an established channel for legitimate concerns to be raised and where necessary, to take appropriate action(s) to resolve such issues promptly and effectively;

(c) to protect the integrity of the Group, the Board and the employees by standing up to any public scrutiny through the proper and effective implementation of this policy;

(d) to protect an employee from any form of harassment, reprisal or retaliation as a direct consequence of him/her reporting any wrongdoings under this policy. The protection accorded is to encourage an employee to report such wrongdoings whilst removing any fear or risks and to safeguard his/her identity; and

(e) to address a disclosure in an appropriate and timely manner internally within the Group.

statement on corporate governance

G. WHISTLE-BLOWING POLICY (cont'd)

Any stakeholder can address his/her concerns pertaining to matters of the Group to the following persons:-

(a) the Senior Independent Director, Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir, at SID@taliworks.com.my

(b) the Executive Director of the Company, Mr. Lim Yew Boon, at ronnie@taliworks.com.my

H. AUTHORISATION FOR ISSUANCE

The Board has reviewed and approved the inclusion of this Corporate Governance Statement in the Annual Report.

Audit Committee Report

The Audit Committee is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

A. COMPOSITION

The Audit Committee consists of the following members:-

(a) Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir *(Senior Independent Non-Executive Director)* (Chairman of the Committee)

(b) Encik Sulaiman bin Salleh *(Independent Non-Executive Director)* (member)

(c) Mr Wong Yien Kim *(Non-Independent Non Executive Director)* (member)

Note:

(i) Y.A.M. Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj had ceased to be a member with effect from 1 March 2012. The Committee currently comprises a Chairman and two members.

(ii) Encik Sulaiman bin Salleh was re-designated as the Chairman on 27 February 2013 whereas Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir was re-designated as a member of the Audit Committee on the same date.

B. APPROVED TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board from amongst the directors and shall consist of not less than three members, a majority of whom shall be independent directors. All members of the Audit Committee must comprise of non-executive directors.

The members of the Audit Committee shall elect a chairman from among their members who shall be an independent director. No alternate director shall be appointed as a member of the Audit Committee.

The Board shall review the term of office and performance of the Audit Committee and each of its members at least once in every three years to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference.

Quorum

Majority of members present must be independent directors.

Qualification

At least one member of the Audit Committee:

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience and:

- he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- he/she must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- fulfils such other requirement as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

In this respect, both Encik Sulaiman bin Salleh and Mr. Wong Yien Kim are members of the Malaysian Institute of Accountants.

audit committee report

B. APPROVED TERMS OF REFERENCE (cont'd)

Meeting and Minutes

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. The Chairman of the Audit Committee shall summarise and report on each meeting to the Board. Minutes of the Audit Committee shall subsequently be made available to the Board once they have been confirmed by the Chairman of the Audit Committee.

The presence of external and/or internal auditors will be requested, if required. Other members of the Board and/or senior management may attend meetings upon the invitation by the Audit Committee. Both the internal and/or external auditors may request a meeting if they consider it to be necessary.

The Audit Committee shall meet with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Company and its subsidiaries ("Group") at least twice a year. The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties:-

(a) to discuss with the external auditors, prior to the commencement of an audit, the audit plan which states the nature and scope of the audit;

(b) to review major audit findings arising from interim and final audits, the audit report and the assistance given by the employees of the Group to the external auditors;

(c) to review with the external auditors, their evaluation of the system of internal controls, the management letter and management's response;

(d) to do the following in respect of internal audit:

- review the adequacy of scope, functions, competency and resources of the internal audit function and whether it has the necessary authority to carry out its work;
- review the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- review the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

audit committee report

B. APPROVED TERMS OF REFERENCE (cont'd)

Responsibilities and Duties (cont'd)

(e) to review the quarterly results and year end financial statements prior to approval by the Board, focusing particularly on:

- changes in or implementation of major accounting policies changes;
- significant and unusual events; and
- compliance with accounting standards and other regulatory requirements.

(f) to review the adequacy and effectiveness of risk management and internal control systems instituted within the Group;

(g) to review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(h) to consider the nomination and appointment of external auditors, as well as fixing their remuneration;

(i) to review any letter of resignation from the external auditors and any questions of resignation or dismissal;

(j) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;

(k) to verify that the allocation of options pursuant to the Employees' Share Options Scheme of the Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year; and

(l) to promptly report to Bursa Securities if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

On 27 February 2013, the Board approved further revisions to the Terms of Reference of the Audit Committee by adopting the recommendations in the Malaysian Code on Corporate Governance (revised 2012), namely the following:-

(a) to establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors; and

(b) to monitor independence and qualification of the external auditors. The Audit Committee is to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

audit committee report

C. MEETINGS

The Audit Committee convened five (5) meetings during the year and the attendance of each of the members was as follows:-

	24 Feb	25 Apr	21 May	27 Aug	20 Nov	Total
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	•	•	•	•	•	5/5
Y.A.M. Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	Abs	N/A	N/A	N/A	N/A	0/1
Encik Sulaiman bin Salleh	•	•	•	•	•	5/5
Mr. Wong Yien Kim	•	•	•	•	•	5/5

Note:
• = Present
Abs = Absent
N/A = Not applicable

D. TRAINING

The trainings attended by members of the Audit Committee during the year are disclosed in the Statement on Corporate Governance included in this Annual Report.

E. SUMMARY OF ACTIVITIES

A summary of the activities undertaken by the Audit Committee during the year is set out below:-

Financial Reporting

(a) Reviewed the quarterly financial and operations reports, the interim financial reports and the audited financial statements prior to recommending them for the approval of the Board;

External Audit

(a) Reviewed the nomination and appointment of new external auditors; as well as fixing their remuneration;

(b) Reviewed and approved the external audit plan;

(c) Reviewed with the external auditors the approved accounting standards applicable to the audited financial statements of the Company and of the Group;

(d) Reviewed with the external auditors the results of the audit, the audit report including management's response to matters highlighted in the said report;

(e) Reviewed the external auditors' re-appointment and remuneration; and

(f) Met with the external auditors without the presence of management.

audit committee report

E. SUMMARY OF ACTIVITIES (cont'd)

Internal Audit

(a) Reviewed and approved the Internal Audit Plan;

(b) Reviewed and approved the Internal Audit Charter;

(c) Reviewed the internal audit reports, which highlighted the audit findings, effects / potential risks, recommendations, management's response and action plans;

(d) Mediated disagreements between internal auditors and management on audit recommendations and action plans; and

(e) Ensured material findings were addressed and attended to by the management.

Risk Management

(a) Reviewed the reports by the Risk Management Working Group and thereafter reporting the same to the Board; and

(b) Reviewed the newly established risk profiles and registers of two foreign operating companies.

Related Party Transactions

(a) Reviewed related party transactions to be entered into by the Company or the Group to ensure that they are:-

(i) at arm's length;
(ii) on normal commercial terms;
(iii) on terms not more favourable to a related party than those generally available to the public;
(iv) in its opinion, are not detrimental to the minority shareholders; and
(v) in the best interest of the Group.

(b) Reviewed the quarterly report on recurrent related party transactions of a revenue or trading in nature entered into by the Group; and

(c) Reviewed the circular to shareholders in relation to the procurement of shareholders' mandate for such transactions.

Audit Committee's Report and Statement on Risk Management and Internal Control

Reviewed the Audit Committee's Report and Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report.

Fraud

Considered major incidences of fraud or wrongdoings, if any, reported by the Executive Director to the Audit Committee.

audit committee report

F. INTERNAL AUDIT FUNCTION

The Audit Committee is supported by an internal audit function in the discharge of its duties and responsibilities. The internal audit function reports directly to the Audit Committee and is responsible to independently review, appraise and recommend improvements to the governance, risk and internal control systems established by management. The internal audit function provides timely and impartial advice to the Audit Committee and the respective management as to whether activities reviewed are:-

(a) in accordance with the Group's policies and direction;

(b) in compliance with prescribed laws and regulations; and

(c) achieving the desired results effectively and efficiently.

On a quarterly basis, the internal audit function submits audit reports to the Audit Committee for review and actions.

The internal audit function performed risk-based, ad-hoc and routine audits for the year 2012 in accordance with the approved audit plans. The audit results were discussed with the respective management and presented to Audit Committee for review. Where applicable, the internal audit function conducted follow-up audits to ensure that management's commitment on corrective actions were fulfilled timely and appropriately. In addition, the internal audit function played an advisory role in the course of performing its internal audit activities.

The internal audit function is supported by two independent parties as follows:

(a) KPMG Business Advisory Sdn Bhd (appointed - May 2010)

The firm provides internal audit services over a 3-year period from 2010 to 2012 covering the Company (including the construction and engineering division) and two of its key local operating subsidiaries which are involved in the water treatment, supply and distribution business. The total professional fees (including service tax and out-of-pocket expenses) incurred or to be incurred for the year is estimated at RM87,000.

(b) Internal Audit Department (established - Dec 2011)

The department provides internal audit services covering the Company, all its local and foreign subsidiaries and jointly-controlled entities. The total costs incurred for the internal audit function is estimated at RM388,380.

In respect of internal audit review of associated companies, the Audit Committee does not evaluate the system of internal control of these companies where the Group does not have full management control.

G. AUTHORISATION FOR ISSUANCE

This report has been reviewed and approved for inclusion in this Annual Report by the Audit Committee.

Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control is made pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires the Board to include in this Annual Report a statement about the state of risk management and internal control of the Company and its subsidiaries ("Group").

Responsibility

The Board is responsible for identifying and managing principal risks by establishing a sound risk management framework and in maintaining an appropriate system of internal controls within the Group by ensuring the effectiveness, adequacy and integrity of this system.

Because of the inherent limitations, the risk management framework and system of internal control is designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the risk management framework and system of internal control can only provide reasonable but not absolute assurance against any failure by the Group to meet its business objectives or to detect material errors, losses, fraud or breaches of laws or regulations.

Accompanying the maintenance of an appropriate system of internal control, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is regularly reviewed by the Board and accords with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers) which is intended to guide directors of listed issuers in making disclosures concerning risk management and internal control in their company's annual report.

Both the risk management and internal control process are undertaken by the Audit Committee which reports its findings to the Board. Whilst the Audit Committee has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review. In respect of the risk management function, this role is currently being undertaken by the Risk Management Working Group ("RMWG"), chaired by the Executive Director.

The Board reviews the appropriateness of the system of internal control in jointly-controlled entities which contribute significantly to the Group; however it does not evaluate the system of internal control of associated companies where the Group does not have full management control.

Risk Management Framework

The Board has established a risk management framework for the Company, its two key operating subsidiaries involved in the operation, treatment and maintenance of water treatment plants and distribution facilities, the construction and engineering division and two of its foreign operating subsidiaries involved in the waste management segment.

This framework consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially affect the achievement of the Group's business objectives. The main features of the Group's risk management framework involve the following key processes:-

(a) The management is entrusted to develop, operate and monitor the system of internal controls to address the various risks faced by the Group;

(b) A database of all risks and controls is maintained and updated, and the information filtered to produce detailed risk registers and individual risk profiles. Key risk areas are identified and scored for likelihood of the risks occurring and the magnitude of the impact;

(c) A risk assessment update is carried out by the operating units internally to determine any changes to the risk profile;

(d) Quarterly risk assessment reports are submitted to the RMWG for review;

(e) The RMWG will report its findings to the Audit Committee which then reports to the Board.

statement on risk management and internal control

Internal Audit Function

During the year in review, the Audit Committee engaged the services of an external firm, distinct from the external auditors, to provide independent internal audit services to the Company, its two key operating subsidiaries in Malaysia and the construction and engineering division.

The key role of the internal audit function is to assess the management's adherence to established policies and procedures as well as acting as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

The internal audit function adopts a risk-based approach in the internal audit reviews based on an Internal Audit Strategy and Plan ("IASP") developed in conjunction with the risk profiles of entities concerned. The IASP maps out the areas for internal audit reviews over three (3) years from 2010 to 2012 within the broad risk framework of the Group and is subject to the assessment of risks and priorities in each succeeding year.

In addition to the services provided by an external firm, the Group has established an in-house internal audit function to principally undertake internal audit assignments for the Group's foreign operations as well as to complement the internal audit function undertaken by the external firm.

Other Key Elements of Internal Controls

Other key elements of the system of internal control of the Group are as follows:-

(a) clearly defined delegation of responsibilities to committees of the Board and to management, including appropriate authorisation levels to assist the Board in performing its oversight function;

(b) a budgetary process whereby the management approves the operating and capital budgets of the key operating units and the Board approves the operating and capital budgets of the Group on a consolidated basis;

(c) monitoring of results against budgets, with major variances and trends in key performance indicators being highlighted and management action taken, where necessary;

(d) review of operational and financial performance by the operating unit's management. At the meetings of management held to review these reports, relevant operational, financial and strategic issues are discussed and followed up by management;

(e) quarterly review by the Audit Committee and the Board on the operational and financial performance of the Group;

(f) the existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns to be raised by employees to the management and to the Audit Committee;

(g) the provision of a dedicated email address to the Senior Independent Director for shareholders and third parties to communicate with him on matters relating to the Group; and

(h) an established Code of Conduct which governs the policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in the course of discharging their duties and responsibilities.

The Code of Business Conduct and Ethics for Directors which sets out the general principles and standards of business conduct and ethical behaviour for Directors in the performance and exercise of their responsibilities as Directors of the Company and the Board Charter which constitutes and forms an integral part of the Director's duties and responsibilities, have subsequently been approved for adoption on 24 April 2013.

statement on risk management and internal control

Management's Assurance

In accordance with the requirements of the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers), the Executive Director and the General Manager, Group Finance, representing the management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

Review by the External Auditors

As required by paragraph 15.24 of the Listing Requirements of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

RPG 5 does not require the External Auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

Additional Compliance Information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 31 December 2012 to be disclosed in this Annual Report:-

1. Share Buy-Back

The Company has not implemented any share buy-back scheme.

2. Options, Warrants or Convertible Securities

During the financial year, there were no options or convertible securities exercised into ordinary shares of the Company.

3. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

4. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

5. Non-Audit Fees

The non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors, Deloitte KassimChan or a firm or company affiliated to it, amounted to RM43,000 as disclosed in Note 9 to the financial statements.

6. Variation in Results

There were no variances of 10% or more between the results for the financial year ended 31 December 2012 and the unaudited results previously announced.

7. Status of Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

10. Material Contracts

Save as disclosed in Note 43 of the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2012.

11. Recurrent Related Party Transaction of Revenue or Trading Nature

At the Annual General Meeting of the Company held on 28 June 2012, the Company had obtained a mandate from its shareholders to allow the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature. Pursuant to paragraph 10.09(2)(b) of the Listing Requirements, the details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2012 pursuant to the said shareholders' mandate, the aggregate value of transactions of which exceeds RM1,000,000, is as follows:-

Related Party	Type of Transaction	Aggregate Value of Transactions (RM'000)
Aqua-Flo Sdn Bhd	Purchase of water and waste treatment chemicals, products, services and related equipment or systems by the Company and/or its subsidiaries	12,734

additional compliance information

12. Material Properties of the Group

Particulars of the properties of the Company and its subsidiaries have not been separately disclosed as their respective net book value represent less than 5% of the consolidated total assets of the Group.

13. Share Issuance Scheme

(a) No statement is made by the Audit Committee in relation to the allocation of options or shares pursuant to a Share Issuance Scheme as required under paragraph 8.17 of the Listing Requirements as no employee share option allocation was made during the financial year.

(b) There is only one share issuance scheme in existence during the financial year, the details of which are disclosed in Note 29 to the financial statements. Other information pertaining to the share options are as follows:-

	Share options granted to eligible directors and employees		Share options granted to eligible directors and chief executive officer	
	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)
Number of options granted				
- @ RM1.31	0	5,460	0	650
- @ RM1.90	0	6,410	0	770
Number of options exercised				
- @ RM1.31	0	5,282	0	650
- @ RM1.90	0	1,741	0	160
Number of options lapsed				
- @ RM1.31	8	135	0	0
- @ RM1.90	76	508	60	265
Number of options remaining unexercised exercised				
- @ RM1.31	43	43	0	0
- @ RM1.90	4,161	4,161	200	345 (note 1)

Note 1 – includes options granted to a former executive director who has resigned from the Board but remains with the Company.

additional compliance information

13. Share Issuance Scheme (cont'd)

(c) Details of share options granted to directors and senior management are as follows:-

	Share options granted to directors and senior management	
	During the financial year (%)	Since the commencement of the Share Issuance Scheme (%)
Aggregate maximum allocation - @ RM1.31 - @ RM1.90	No share options were granted during the year	 25.5 27.3
Actual percentage granted (%) - @ RM1.31 - @ RM1.90		 25.5 27.3

(d) Details of share options offered to and exercised (if any) by non-executive directors pursuant to a share scheme for employees in respect of the financial year is disclosed in the Directors' Report – Directors' Interest in Shares.

060 Directors' Report
064 Statement By Directors
064 Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

065 Independent Auditors' Report
068 Statements Of Comprehensive Income
069 Statements Of Financial Position
072 Consolidated Statements Of Changes In Equity

075 Statements Of Cash Flows
078 Notes To The Financial Statements

Financial Statements

Directors' Report

DIRECTORS' REPORT

The Directors of **TALIWORKS CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The principal activities of the subsidiaries are as disclosed in Note 18 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Profit before tax	61,046	3,029
Income tax expense	(18,285)	(4,176)
Profit/(Loss) for the financial year	42,761	(1,147)
Profit/(Loss) attributable to:		
Owners of the Company	43,001	(1,147)
Non-controlling interests	(240)	-
	42,761	(1,147)

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the reversal of discounting of receivables as disclosed in Note 8 to the Financial Statements.

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2011 and dealt with in the previous year's Directors' report:	
Final gross dividend of 0.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less 25% tax, paid on 31 July 2012	1,637

On 27 February 2013, the Directors proposed the payment of a final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less 25% tax, amounting to approximately RM4,911,000 in respect of the current financial year, which is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

directors' report

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares and debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") for eligible Directors and employees of the Company and its subsidiaries was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS became effective on 30 September 2005 (when the last of the requisite approvals was obtained). The ESOS will expire on 29 September 2015.

The main features of the ESOS and the movements in the ESOS for the financial year ended 31 December 2012 are disclosed in Note 29 to the Financial Statements.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

directors' report

DIRECTORS

The following Directors served on the Board of the Company since the date of the last report:

Y. Bhg Dato' Hj Mohd Sinon bin Mudakir
Encik Sulaiman bin Salleh
Mr. Wong Yien Kim
Mr. Lim Yew Boon
Encik Suhaimi bin Kamaralzaman
Mr. Lim Chin Sean

In accordance with Article 80 of the Company's Articles of Association, Encik Suhaimi bin Kamaralzaman and Mr. Lim Chin Sean retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company and in the related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Number of Ordinary Shares of RM0.50 each			
	As of 1.1.2012	Bought	Sold	As of 31.12.2012
Shares in the Company				
Direct interest				
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	285,000	-	-	285,000
Encik Sulaiman bin Salleh	42,800	-	-	42,800
Mr. Lim Yew Boon	150,000	-	-	150,000
Indirect interest				
Mr. Lim Chin Sean#	241,640,000	-	-	241,640,000

Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 6A of the Companies Act, 1965.

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Mr. Lim Chin Sean is also deemed interested in the shares of all the Company's subsidiaries to the extent the Company has an interest.

Options granted pursuant to the ESOS of the Company:

		Number of options over Ordinary Shares of RM0.50 each		
	Exercise price (RM)	As of 1.1.2012	Exercised	As of 31.12.2012
Direct interest				
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	-	80,000
Encik Sulaiman bin Salleh	1.90	60,000	-	60,000
Mr. Lim Chin Sean	1.90	60,000	-	60,000

Other than disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any other interest in shares and options over shares in the Company and of its related corporations during the financial year.

directors' report

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefits (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions as disclosed in Note 43 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the options granted under the Company's ESOS as disclosed above.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

SUHAIMI BIN KAMARALZAMAN

LIM YEW BOON

Kuala Lumpur
24 April 2013

Statement by Directors

The Directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of the results of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 47 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

SUHAIMI BIN KAMARALZAMAN

LIM YEW BOON

Kuala Lumpur
24 April 2013

Declaration by the Officer Primarily Responsible for the Financial Management of the Company

I, **WONG VOON LEONG**, the officer primarily responsible for the financial management of **TALIWORKS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG VOON LEONG

Subscribed and solemnly declared by the
abovenamed **WONG VOON LEONG** at **KUALA LUMPUR**
this 24th day of April 2013.

Before me,

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

COMMISSIONER FOR OATHS

149, Jalan Ampuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 68 to 159.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

We draw attention to Note 23 to the Financial Statements which more fully explains the uncertainty over the collectability of amount owing by a trade receivable due to the impasse; and to Note 17 which sets out the key bases and assumptions used by the Directors in estimating the recoverable amounts of the intangible assets. Our opinion is not qualified in respect of these matters.

independent auditors' report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act;

(b) we have considered the accounts and auditors' reports of all the subsidiaries, of which we have not acted as auditors, which are disclosed in Note 18 to the Financial Statements;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 18 to the Financial Statements.

Other Matters

(a) The financial statements of the Group and of the Company for the year ended 31 December 2011 were audited by another firm of auditors and are presented here merely for comparative purpose. The report issued by the predecessor auditors, which was dated 25 April 2012, expressed an unmodified opinion.

(b) As stated in Note 2 to the Financial Statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as of 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibility as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate evidence that the opening balances as of 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

(c) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

independent auditors' report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 47 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TEO SWEE CHUA
Partner - 2846/01/14 (J)
Chartered Accountant

24 April 2013

Statements of Comprehensive Income

For the year ended 31 December 2012

	Note	The Group 2012 RM'000	The Group 2011 RM'000 (restated)	The Company 2012 RM'000	The Company 2011 RM'000
Revenue	6	253,338	168,088	26,968	41,904
Cost of operations	7	(180,036)	(115,256)	(6,887)	(8,935)
Gross profit		73,302	52,832	20,081	32,969
Other operating income	8	35,307	9,909	605	6,989
Administrative and other expenses	9	(37,584)	(31,183)	(15,964)	(8,490)
Finance costs	10	(20,542)	(2,386)	(1,693)	-
Share of results of jointly controlled entities	19	9,812	18,623	-	-
Share of results of associate	20	751	618	-	-
Profit before tax		61,046	48,413	3,029	31,468
Income tax expense	13	(18,285)	(11,976)	(4,176)	(5,483)
Profit/(Loss) for the financial year		42,761	36,437	(1,147)	25,985
Other comprehensive income/(loss):					
Net fair value (loss)/gain on available-for-sale financial assets		(14)	(146)	52	(52)
Foreign currency translation differences for foreign operations		(3,505)	4,515	-	-
Share of other comprehensive income/(loss) of jointly controlled entity		46	(2)	-	-
Total other comprehensive (loss)/income for the financial year		(3,473)	4,367	52	(52)
Total comprehensive income/(loss) for the financial year		39,288	40,804	(1,095)	25,933
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		43,001	35,884	(1,147)	25,985
Non-controlling interests		(240)	553	-	-
		42,761	36,437	(1,147)	25,985
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		39,857	39,356	(1,095)	25,933
Non-controlling interests		(569)	1,448	-	-
		39,288	40,804	(1,095)	25,933
Earnings per share attributable to Owners of the Company (sen):					
- Basic and diluted (sen per share)	14	9.9	8.2		

The accompanying Notes form an integral part of the financial statements.

Statements of Financial Position

As of 31 December 2012

	Note	The Group 31.12.2012 RM'000	31.12.2011 RM'000 (restated)	1.1.2011 RM'000 (restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment	15	9,716	8,041	6,146
Investment properties	16	404	414	424
Intangible assets	17	432,636	453,515	30,969
Jointly controlled entities	19	112,075	102,217	90,739
Investment in associate	20	6,340	5,589	4,971
Goodwill on consolidation	21	2,504	2,504	2,504
Deferred tax assets	22	8,512	10,135	2,867
Long term trade receivables	23	136,237	159,866	132,986
Long term other receivables	24	418	416	318
Deposits, cash and bank balances	25	16,903	16,344	15,909
Total Non-Current Assets		725,745	759,041	287,833
Current Assets				
Inventories	26	1,223	1,118	1,054
Amount due from contract customers	38	67	-	5
Trade receivables	23	204,315	98,121	100,542
Other receivables, deposits and prepayments	24	5,547	5,627	2,987
Tax recoverable		1,050	214	3,903
Available-for-sale financial assets	28	20,946	13,983	23,752
Deposits, cash and bank balances	25	21,966	25,554	137,284
Total Current Assets		255,114	144,617	269,527
Total Assets		980,859	903,658	557,360
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	29	218,246	218,246	218,246
Share premium	30	74,176	74,176	74,176
Share option reserve	31	2,205	2,248	2,284
Currency translation reserve		1,458	4,634	1,014
Available-for-sale reserve		(23)	(17)	160
Merger deficit	32	(71,500)	(71,500)	(71,500)
Retained earnings	33	341,877	300,475	269,436
Total Equity Attributable to Owners of the Company		566,439	528,262	493,816
Non-controlling interests		6,769	7,338	5,890
Total Equity		573,208	535,600	499,706

statements of financial position

As of 31 December 2012

	Note	The Group 31.12.2012 RM'000	31.12.2011 RM'000 (restated)	1.1.2011 RM'000 (restated)
Non-Current Liability				
Long-term borrowings	35	215,417	54,644	18
Total Non-Current Liability		215,417	54,644	18
Current Liabilities				
Amount due to contract customers	38	10,029	1,736	7,258
Trade payables	36	51,137	35,665	29,982
Other payables and accruals	37	26,922	137,821	13,410
Tax liabilities		5,270	2,665	4,177
Short-term borrowings	35	98,876	135,527	2,809
Total Current Liabilities		192,234	313,414	57,636
Total Liabilities		407,651	368,058	57,654
TOTAL EQUITY AND LIABILITIES		980,859	903,658	557,360

	Note	The Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	15	1,136	519	675
Investment properties	16	404	414	424
Investment in subsidiaries	18	102,811	106,073	106,073
Jointly controlled entities	19	55,538	55,538	55,538
Investment in associate	20	2,520	2,520	2,520
Deposits, cash and bank balances	25	10,271	7,664	6,384
Amount due from subsidiaries	27	185,531	130,675	26,737
Total Non-Current Assets		358,211	303,403	198,351
Current Assets				
Amount due from contract customers	38	67	-	-
Trade receivables	23	3,681	1,340	-
Other receivables, deposits and prepayments	24	578	678	695
Amount due from subsidiaries	27	4,188	3,442	5,924
Tax recoverable		4,799	4,358	3,717
Available-for-sale financial assets	28	-	4,016	17
Deposits, cash and bank balances	25	1,319	14,316	108,089
Total Current Assets		14,632	28,150	118,442
Total Assets		372,843	331,553	316,793

statements of financial position

As of 31 December 2012

	Note	The Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	29	218,246	218,246	218,246
Share premium	30	74,176	74,176	74,176
Share option reserve	31	2,205	2,248	2,284
Available-for-sale reserve		-	(52)	-
Retained earnings	33	28,195	30,979	9,868
Total Equity		322,822	325,597	304,574
Non-Current Liability				
Long-term borrowings	35	30,538	-	-
Total Non-Current Liability		30,538	-	-
Current Liabilities				
Amount due to contract customers	38	-	1,601	6,580
Trade payables	36	1,192	2,469	3,258
Other payables and accruals	37	3,170	1,886	2,081
Amount due to subsidiary	27	-	-	300
Short-term borrowings	35	15,121	-	-
Total Current Liabilities		19,483	5,956	12,219
Total Liabilities		50,021	5,956	12,219
TOTAL EQUITY AND LIABILITIES		372,843	331,553	316,793

The accompanying Notes form an integral part of the financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2012

The Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Distributable reserve - Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves →									
As of 1 January 2011, as previously stated		218,246	74,176	2,284	1,014	160	(71,500)	249,852	474,232	5,890	480,122
Effects of change in accounting policy	44	-	-	-	-	-	-	19,584	19,584	-	19,584
As of 1 January 2011, as restated		218,246	74,176	2,284	1,014	160	(71,500)	269,436	493,816	5,890	499,706
Available-for-sale financial assets		-	-	-	-	(177)	-	31	(146)	-	(146)
Share of other comprehensive loss of jointly controlled entity		-	-	-	-	-	-	(2)	(2)	-	(2)
Foreign currency translation differences		-	-	-	3,620	-	-	-	3,620	895	4,515
Total other comprehensive income/(loss) for the financial year		-	-	-	3,620	(177)	-	29	3,472	895	4,367
Profit for the financial year		-	-	-	-	-	-	35,884	35,884	553	36,437
Total comprehensive income/(loss) for the financial year		-	-	-	3,620	(177)	-	35,913	39,356	1,448	40,804
Transactions with owners of the Company:											
Transfer to/(from) reserve upon ESOS options lapsed	31	-	-	(36)	-	-	-	36	-	-	-
Dividends paid	34	-	-	-	-	-	-	(4,910)	(4,910)	-	(4,910)
Total transactions with Owners of the Company		-	-	(36)	-	-	-	(4,874)	(4,910)	-	(4,910)
As of 31 December 2011		218,246	74,176	2,248	4,634	(17)	(71,500)	300,475	528,262	7,338	535,600

consolidated statements of changes in equity

For the year ended 31 December 2012

The Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Distributable reserve - Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
			← Non-distributable reserves →								
As of 1 January 2012		218,246	74,176	2,248	4,634	(17)	(71,500)	300,475	528,262	7,338	535,600
Available-for-sale financial assets		-	-	-	-	(6)	-	(8)	(14)	-	(14)
Share of other comprehensive income of jointly controlled entity		-	-	-	-	-	-	46	46	-	46
Foreign currency translation differences		-	-	-	(3,176)	-	-	-	(3,176)	(329)	(3,505)
Total other comprehensive (loss)/income for the financial year		-	-	-	(3,176)	(6)	-	38	(3,144)	(329)	(3,473)
Profit for the financial year		-	-	-	-	-	-	43,001	43,001	(240)	42,761
Total comprehensive (loss)/income for the financial year		-	-	-	(3,176)	(6)	-	43,039	39,857	(569)	39,288
Transactions with owners of the Company:											
Transfer from reserve upon ESOS options lapsed	31	-	-	(43)	-	-	-	-	(43)	-	(43)
Dividends paid	34	-	-	-	-	-	-	(1,637)	(1,637)	-	(1,637)
Total transactions with Owners of the Company		-	-	(43)	-	-	-	(1,637)	(1,680)	-	(1,680)
As of 31 December 2012		218,246	74,176	2,205	1,458	(23)	(71,500)	341,877	566,439	6,769	573,208

consolidated statements of changes in equity

For the year ended 31 December 2012

The Company	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Available-for-sale reserve RM'000	Distributable reserves - Retained earnings RM'000	Total Equity RM'000
			← Non-distributable reserves →				
As of 1 January 2011		218,246	74,176	2,284	-	9,868	304,574
Available-for-sale financial assets		-	-	-	(52)	-	(52)
Total other comprehensive loss for the financial year		-	-	-	(52)	-	(52)
Profit for the financial year		-	-	-	-	25,985	25,985
Total comprehensive income/(loss) for the financial year		-	-	-	(52)	25,985	25,933
Transactions with owners of the Company:							
Transfer to/(from) reserve upon ESOS options lapsed	31	-	-	(36)	-	36	-
Dividends paid	34	-	-	-	-	(4,910)	(4,910)
Total transactions with Owners of the Company		-	-	(36)	-	(4,874)	(4,910)
As of 31 December 2011		218,246	74,176	2,248	(52)	30,979	325,597
As of 1 January 2012		218,246	74,176	2,248	(52)	30,979	325,597
Available-for-sale financial assets	28	-	-	-	52	-	52
Total other comprehensive income for the financial year		-	-	-	52	-	52
Loss for the financial year		-	-	-	-	(1,147)	(1,147)
Total comprehensive income/(loss) for the financial year		-	-	-	52	(1,147)	(1,095)
Transactions with owners of the Company:							
Transfer from reserve upon ESOS options lapsed	31	-	-	(43)	-	-	(43)
Dividends	34	-	-	-	-	(1,637)	(1,637)
Total transactions with Owners of the Company		-	-	(43)	-	(1,637)	(1,680)
As of 31 December 2012		218,246	74,176	2,205	-	28,195	322,822

The accompanying Notes form an integral part of the financial statements.

Statements of Cash Flows

For the year ended 31 December 2012

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	61,046	48,413	3,029	31,468
Adjustments for:				
Amortisation of intangible assets	14,897	2,371	-	-
Finance costs	20,542	2,386	1,693	-
Depreciation:				
- Property, plant and equipment	1,898	1,795	407	402
- Investment properties	10	10	10	10
Gain on disposal of property, plant and equipment	(94)	(260)	(36)	(114)
Unrealised foreign exchange (gain)/loss	(671)	(4,552)	3,757	(5,004)
Impairment:				
- Amount due from subsidiaries	-	-	-	1,700
- Investment in subsidiaries	-	-	4,012	-
- Receivables	1,656	-	-	-
(Reversal of)/Provision for discounting of receivables - net	(10,004)	30,072	-	-
Unwinding of discount on receivables	(2,201)	(1,620)	-	-
Share option expenses	(43)	-	(43)	-
Available-for-sale financial assets:				
- Dividend income	(504)	(1,263)	(2)	(653)
- Loss/(Gain) on redemption	19	(709)	19	(647)
Interest income	(702)	(1,174)	(553)	(403)
Construction profit recognised pursuant to IC 12	(692)	(1,431)	-	-
Share of results:				
- Jointly controlled entities	(9,812)	(18,623)	-	-
- Associate	(751)	(618)	-	-
Intangible asset written off	1,954	-	-	-
Waiver of value-added tax	(1,934)	-	-	-
Loss on liquidation of a subsidiary	36	-	-	-
Dividend income	-	-	(16,650)	(24,132)
Operating Profit/(Loss) Before Working Capital Changes	74,650	54,797	(4,357)	2,627

statements of cash flows

For the year ended 31 December 2012

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
(Increase)/Decrease in:				
Inventories	(105)	(64)	-	-
Amount due from contract customers	(67)	-	(67)	-
Trade and other receivables	(70,290)	(38,494)	(2,192)	(1,315)
Increase/(Decrease) in:				
Amount due to contract customers	8,343	-	(1,601)	-
Trade and other payables	25,280	(6,995)	7	(5,963)
Cash Generated From/(Used In) Operations	37,811	9,244	(8,210)	(4,651)
Income tax paid	(14,949)	(17,060)	(4,617)	(1,285)
Income tax refunded	45	24	-	-
Net Cash From/(Used In) Operating Activities	22,907	(7,792)	(12,827)	(5,936)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	672	1,180	511	395
Increase in amount due from subsidiaries	-	-	(57,766)	(98,452)
Property, plant and equipment:				
- Proceeds from disposal	94	267	36	118
- Purchase *	(2,657)	(6,381)	(182)	(250)
Purchase of intangible assets	(127,950)	(296,757)	-	-
Dividend received from a jointly controlled entity	-	7,143	-	7,143
Dividend received from a subsidiary	-	-	14,307	12,150
Available-for-sale financial assets:				
- Purchase	(21,500)	(124,000)	(2,000)	(106,000)
- Proceeds from redemption	15,016	135,567	6,051	103,249
- Dividends	-	10	-	-
Decrease/(Increase) in cash restricted	1,759	(1,762)	-	-
(Withdrawal)/placement in deposit balances pledged as security	(2,318)	1,327	(2,607)	(1,280)
Net Cash Used In Investing Activities	(136,884)	(283,406)	(41,650)	(82,927)

statements of cash flows

For the year ended 31 December 2012

	Note	The Group 2012 RM'000	The Group 2011 RM'000 (restated)	The Company 2012 RM'000	The Company 2011 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(15,509)	(1,912)	(1,693)	-
Dividends paid		(1,637)	(4,910)	(1,637)	(4,910)
Repayment of borrowings		(129,227)	(18)	-	-
Drawdown of borrowings		252,246	185,528	40,000	-
Repayment of finance lease payable		(201)	-	(141)	-
Net Cash From/(Used In) Financing Activities		105,672	178,688	36,529	(4,910)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,305)	(112,510)	(17,948)	(93,773)
Effects of foreign exchange rate changes		(234)	780	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		25,554	137,284	14,316	108,089
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	17,015	25,554	(3,632)	14,316

* Purchase of property, plant and equipment consists of the following:

	The Group 2012 RM'000	The Group 2011 RM'000	The Company 2012 RM'000	The Company 2011 RM'000
Payment by cash	2,657	6,381	182	250
Financed by finance lease	1,061	-	842	-
Total (Note 15)	3,718	6,381	1,024	250

The accompanying Notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding, provision of contracting, project and management services.

The principal activities of the subsidiaries are as disclosed in Note 18.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No. 28, Jalan Wan Kadir 1, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 24 April 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

Adoption of Malaysian Financial Reporting Standards

The Group's and the Company's financial statements for the financial year ended 31 December 2012 have been prepared in accordance with MFRSs for the first time. In the previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards*, with 1 January 2011 as the date of transition. The adoption of MFRSs has not affected the amounts reported on the financial statements of the Group and of the Company.

Standards and IC Interpretations in Issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)][1]
MFRS 7	Financial Instruments: Disclosures (Amendment relating to Disclosures - Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 11	Joint Arrangements[2]
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)[2]
MFRS 12	Disclosure of Interests in Other Entities[2]
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)[2]

notes to the financial statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

Standards and IC Interpretations in Issue but not yet effective (cont'd)

MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[2]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[2]
MFRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[2]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle[2]

[1] Effective immediately on issuance date of 1 March 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on 1 March 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as disclosed below.

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of the financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

To date, the Group has not entered into any such agreements or similar arrangements However, the Directors anticipate that the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

notes to the financial statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (cont'd)

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("FRS 9") relating to "Mandatory Effective Date of FRS 9 and Transition Disclosures" which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of FRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. FRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduce new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

Key requirements of MFRS 9 are described as follows:

(a) All recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The Directors anticipate that the application of MFRS 9 may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

Key requirements of these five Standards are described below.

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Interpretation 112 *Consolidation - Special Purpose Entities* will be withdrawn upon effective date of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128 (cont'd)

MFRS 11 replaces MFRS 131 *Interests in Joint Ventures*. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IC Interpretation 113 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method of accounting or proportionate consolidation.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The Directors anticipate that these five Standards may have an impact on the amounts reported in the consolidated financial statements. A review will be performed by the Directors to quantify the impact on application of MFRS 10.

In addition, the application of MFRS 11 will change the classification and subsequent accounting of the Group's investment in an entity, which is classified as jointly controlled entity under MFRS 131 and has been accounted for using the proportional consolidation method. Under MFRS 11, the said entity will be classified as a joint venture and accounted for using the equity method, resulting in the Group's aggregation of the Group's proportionate share of the said entity's net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated income statement as "investment in joint venture" and "share of profit/(loss) of joint venture" respectively. The Directors anticipate that the application of MFRS 11 will have no material impact on the financial statements of the Group in the period of initial application as the Group accounts for the results of investment in joint venture using the equity method at the date of this report.

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 *Financial Instruments: Disclosures* will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The Directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to MFRS 101: Presentation of Items or Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

notes to the financial statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

Amendments to MFRS 101: Presentation of Items or Other Comprehensive Income (cont'd)

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. The Directors do not anticipate that the application of MFRS 119 will have a significant effect on the Group's and the Company's financial statements.

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle

The *Annual Improvements 2009 - 2011 Cycle* include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 116 *Property, Plant and equipment;* and
- Amendments to MFRS 132 *Financial Instruments: Presentation*

Amendments to MFRS 101

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement of reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an equity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The Directors do not anticipate that the amendments of MFRS 116 will have a significant effect on the Group's and the Company's financial statements.

notes to the financial statements

For the year ended 31 December 2012

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 *Income Taxes*. The Directors anticipate that the amendments to MFRS 132 will have no effect on the Group's and the Company's financial statements as this treatment have already been adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention other than as disclosed in the summary of accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income of the Group from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measured period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlements is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Investment in Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting except for two subsidiaries, Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd, which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit difference is classified as merger deficit. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been reduced by the merger deficit, are reclassified and presented in other capital reserves.

The Group has taken advantage of the exemption provided under MFRS 3 "Business Combinations" to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this Standard.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Cost directly attributable to the acquisition is expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the non-controlling interests' share of fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the non-controlling interests' share of changes in the subsidiaries' equity since that date.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in Subsidiaries (cont'd)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences, that relate to the subsidiary is recognised in the consolidated statements of comprehensive income.

Jointly Controlled Entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment losses).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary and appropriate, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

During the financial year, the jointly controlled entity changed the accounting policy in calculating the amortisation base for intangible assets comprising the highway concession. The jointly controlled entity adopted this change to provide a better reflection of the manner in which the benefits from the highway concession is utilised over the concession period. The change in amortisation method also aligns the basis with that of the industry.

In accordance with MFRS 108: "Accounting Policies, Changes in Accounting Estimates and Errors", the change in the amortisation base for intangible assets has been applied retrospectively and comparative figures have been restated accordingly. The financial impact is shown in Note 44.

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in Associates (cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with MFRS 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate that are not related to the Group.

Goodwill on Consolidation

Goodwill represents excess of the cost of acquisition of subsidiaries over the Group's share of fair value of the identifiable net assets at the date of acquisitions.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of business of the Group's activities. Revenue is shown net of discounts and appropriate taxes, and after eliminating billings within the Group. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits associated with the transactions will flow to the Group.

Revenue from rendering of services relating to construction contracts is accounted for under the percentage of completion method.

Dividend income is recognised when the Group's right to receive payment is established.

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Differences arising in the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of each statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as 'currency translation reserve', a separate component of equity.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency (cont'd)

On consolidation, exchange differences arising on a monetary item that forms part of the Company's net investment in foreign entities are recognised initially in other comprehensive income. When a foreign operation is sold, the cumulative amount of the foreign exchange differences recognised in other comprehensive income previously and accumulated in foreign exchange reserve shall be reclassified from currency translation reserve to profit or loss as part of the gain or loss arising from the disposal. When a foreign operation is partially disposed, a proportionate share of the cumulative amount of the foreign exchange differences recognised in other comprehensive income shall attribute to the non-controlling interests in that foreign operation, and only the proportionate share of accumulated currency translation reserve is reclassify to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave, are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

As required by law, companies in Malaysia make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension scheme. Such contributions incurred are expensed to profit or loss.

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for eligible directors and employees of the Company and its subsidiaries. Employee services received in exchange for the grant of the share options is recognised as an expense in profit or loss with a corresponding increase in equity.

The fair value of the share option is computed using the Black-Scholes model or any other appropriate models as maybe decided by the Group from time to time.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires or cancelled, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation

Income tax expense for the year comprises current and deferred tax.

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an assets or liabilities in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment (cont'd)

Depreciation of other property, plant and equipment is computed on the straight line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 7 years
Building renovations	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in profit or loss.

Assets Acquired Under Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

All other property, plant and equipment acquired under finance leases are depreciated over the estimated useful life on the same basis as owned assets.

Investment Properties

Investment properties, comprising buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis to write off the cost of the assets over their estimated useful lives of 50 years.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be de-recognised. The difference between the net disposal proceeds and the carrying amount is taken to profit or loss in the period of the retirement or disposal.

Intangible Assets

Intangible assets comprising concession rights and the intangible asset model, as defined in IC Interpretation 12 are stated at cost less accumulated amortisation and impairment losses.

Amortisation of these intangible assets is computed using the straight line method over the period of the concession.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible Assets (cont'd)

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognised profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with MFRS 111 Construction Contracts.

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of MFRS 123 "Borrowing Costs".

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs of raw materials and consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the certified work done to date or the proportion the contract costs incurred for work performed to date compared to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised as an expense in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the attributable profit or loss recognised on each contract is compared against the progress billings up to the financial year end. When costs incurred plus attributable profits (less foreseeable losses, if any), exceed progress billings, the balance is shown as amounts due from customers on construction contracts under receivables (within current assets). Where progress billings exceed costs incurred plus attributable profits (less foreseeable losses, if any), the balance is shown as amounts due to customers on construction contracts under payables (within current liabilities).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation by the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

Financial Instruments

Financial assets and liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateral borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

notes to the financial statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

Other financial liabilities (cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value. These included bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits and restricted cash and bank balances. Restricted cash and bank balances represent amount frozen in a subsidiary as described in Note 25.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the Directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

notes to the financial statements

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty

The Directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. Note 17 provides information about the key bases and assumptions used by the Directors in the estimation of the recoverable amounts.

The Directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 21.

(c) Impairment of investment in subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use. The key assumptions used in the estimation of the value in use are disclosed in Note 18.

(d) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Construction Contracts

The Group recognises contract revenue and cost based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred for work performed to date bear to the estimated total contract costs. Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgments, the Group relies on past experience and work of specialists.

(f) Revenue and Cost Recognition for Intangible Asset model

A subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, which adoptes the intangible asset model as defined in IC Interpretation 12, has recognised a construction margin of 10% in the construction of its wastewater treatment facility. Income and expenses associated with the said construction are recognised based on percentage of completion method. The estimated margin is based on relative comparison with general industry trend although actual margins may differ due to location, materials and other pricing considerations.

notes to the financial statements

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(g) Trade Receivables and Revenue Recognition

Revenue is measured at fair value of the consideration received and receivable. The Group has made an estimate on the timing of repayment for trade receivable based on past payment trend.

The credit risk with respect of the carrying amount of the Group's trade receivables amounting to RM340,552,000 (31.12.2011: RM257,987,000; 1.1.2011: RM233,528,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 23.

(h) Litigations

The Group, having considered the legal advice from the external solicitors, have assessed and determined whether a present obligation in relation to a litigation exists. On the basis of the legal advice and other evidences, the Group has made an estimate of the required provisions in the financial statements.

5. SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee, used to make strategic decisions and performance review:

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management	Provision of management and technical services relating to waste management.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Provision of operation and maintenance of toll expressway.
Others	Investment holding and trading in equipment for environment protection and water treatment and provision of related services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without share of profits of associates and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

notes to the financial statements

For the year ended 31 December 2012

Segment analysis:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (restated)
Revenue												
Total revenue	159,374	148,268	48,257	14,597	72,128*	42,269	-	-	20,136^	26,607	299,895	231,741
Inter-segment revenue	-	-	(542)	(502)	(8,181)	(11,677)	-	-	(20,005)	(26,538)	(28,728)	(38,717)
External revenue	159,374	148,268	47,715	14,095	63,947	30,592	-	-	131	69	271,167	193,024
Reconciliation:												
Difference in accounting policy (see note below)	(17,829)	(24,936)	-	-	-	-	-	-	-	-	(17,829)	(24,936)
Revenue as per statement of comprehensive income	141,545	123,332	47,715	14,095	63,947	30,592	-	-	131	69	253,338	168,088

* including RM7,609,000 (2011: RM14,826,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

^ Included in others is dividend income of RM16,650,000 and RMNil (2011: RM16,200,000 and RM7,932,000) received from a subsidiary and a jointly controlled entity respectively.

Note: Segment policy is to show the effect of discounting of revenue by reducing revenue recognised instead of within operating expenses.

notes to the financial statements

For the year ended 31 December 2012

	Water		Waste management		Construction		Toll highway		Others		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000 (restated)
Earnings before finance costs, depreciation and amortisation and income tax	73,666	26,311	11,292	2,526	4,634	8,247	9,812	18,623	7,753	20,900	107,157	76,607
Depreciation and amortisation	(581)	(674)	(15,779)	(3,061)	(243)	(268)	-	-	(202)	(173)	(16,805)	(4,176)
	73,085	25,637	(4,487)	(535)	4,391	7,979	9,812	18,623	7,551	20,727	90,352	72,431
Finance costs	(1)	(3)	(18,848)	(2,359)	-	-	-	-	(1,693)	(24)	(20,542)	(2,386)
Inter-segment results	2,040	2,040	5,316	(66)	(5)	-	-	-	(16,866)	(24,224)	(9,515)	(22,250)
Segment results	75,124	27,674	(18,019)	(2,960)	4,386	7,979	9,812	18,623	(11,008)	(3,521)	60,295	47,795
Share of results of associates											751	618
Profit before tax											61,046	48,413
Income tax expense											(18,285)	(11,976)
Profit for the financial year as per statement of comprehensive income											42,761	36,437

notes to the financial statements

For the year ended 31 December 2012

The segment assets and segment liabilities of the Group are as follows:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Segment assets	331,129	279,795	477,357	482,346	38,994	7,439	112,075	102,217	21,304	31,861	980,859	903,6589
Segment liabilities	(43,966)	(36,816)	(287,675)	(323,441)	(27,332)	(5,023)	-	-	(48,678)	(2,778)	(407,651)	(368,058)
Net segment assets/ (liabilities)	287,163	242,979	189,682	158,905	11,662	2,416	112,075	102,217	(27,374)	29,083	573,208	535,600
Other financial information:												
Capital additions:												
Intangible assets	-	-	6,722	421,097	-	-	-	-	-	-	6,722	421,097
Property, plant and equipment	311	785	2,045	5,309	332	-	-	-	1,030	287	3,718	6,381
Depreciation:												
Property, plant and equipment	581	674	868	677	50	-	-	-	449	444	1,948	1,795
Investment properties	-	-	-	-	-	-	-	-	10	10	10	10
Amortisation of intangible assets	-	-	14,897	2,371	-	-	-	-	-	-	14,897	2,371

notes to the financial statements

For the year ended 31 December 2012

5. SEGMENT REPORTING (cont'd)

Revenue from the two major customers of Water Segment contributed approximately RM141,545,000 (2011: RM123,332,000) of the Group's total revenue.

Revenue from the three major customers of Waste Management Segment contributed approximately RM47,715,000 (2011: RM14,095,000) of the Group's total revenue.

The Group earns revenues from external customers in two main geographical areas:

(i) Malaysia* - Water, construction and provision of technical services relating to waste management.

(ii) China - Investment holding, waste management and water treatment equipment and provision of related services.

* The Company's home country.

The following is an analysis of the Group's revenue by geographical areas:

	Revenue	
	2012	2011
	RM'000	RM'000
Malaysia	198,014	139,141
China	55,324	28,947
	253,338	168,088

The following is an analysis of the carrying amount of segment asset, capital additions in respect of intangible assets and property, plant and equipment by the geographical areas in which the assets are located:

			Capital additions			
	Total assets		Intangible asset		Property, plant and equipment	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	502,940	419,738	-	-	1,667	1,035
China	477,749	483,744	6,722	421,097	2,051	5,346
Singapore	170	176	-	-	-	-
	980,859	903,658	6,722	421,097	3,718	6,381

notes to the financial statements

For the year ended 31 December 2012

6. REVENUE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Management, operation and maintenance of water treatment plants ^	141,545	123,332	-	-
Revenue from construction contracts *	63,947	30,592	8,278	15,732
Waste management	47,715	14,095	-	-
Management fees from subsidiaries (Note 43)	-	-	2,040	2,040
Dividend from a subsidiary	-	-	16,650	16,200
Dividend from a jointly controlled entity	-	-	-	7,932
Others	131	69	-	-
	253,338	168,088	26,968	41,904

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of repayment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM17,829,000 (2011: RM24,936,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plants.

* Revenue from construction works of the Group includes RM7,609,000 (2011: RM14,826,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

7. COST OF OPERATIONS

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
Amortisation of intangible assets (Note 17)	14,897	2,371	-	-
Chemical costs	13,802	11,704	-	-
Employee related expenses	135	71	-	61
General expenses	872	1,181	-	348
Hire of plant and machinery	83	142	-	72
Lease rental of waterworks assets	150	150	-	-
Other site cost	2,401	1,828	-	316
Pipelines and fitting works	1,003	775	-	-
Professional fees	12,036	11,166	-	-
Depreciation of property, plant and equipment (Note 15)	633	554	-	186
Rental of tools and equipment	55	37	-	9
Staff costs	14,403	9,939	2,040	2,050
Contract costs recognised *	54,481	18,780	4,847	5,448
Upkeep and maintenance of equipment	12,115	11,993	-	20
Utilities	49,753	41,460	-	197
Vehicles expenses	3,217	3,105	-	228
	180,036	115,256	6,887	8,935

* Contract costs recognised of the Group includes RM6,917,000 (2011: RM13,478,000) construction costs recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

notes to the financial statements

For the year ended 31 December 2012

8. OTHER OPERATING INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income on fixed deposits with licensed banks	702	1,174	553	403
Available-for-sale financial assets:				
- Dividend income	504	1,263	2	653
- Gain on redemption	-	709	-	647
Rental income	14	15	14	15
Gain on disposal of property, plant and equipment	94	260	36	114
Unrealised foreign exchange gain	1,174	4,552	-	5,004
Unwinding of discount on:				
- trade receivables (Note 23)	2,173	1,594	-	-
- other receivables	28	26	-	-
Reversal of discounting of receivables (Note 23)	28,242	-	-	-
Waiver of value-added tax	1,934	-	-	-
Others	442	316	-	153
	35,307	9,909	605	6,989

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
Business development expenses	-	952	-	-
Depreciation of investment properties (Note 16)	10	10	10	10
Employee related expenses	2,403	858	357	179
Auditors' remuneration:				
Auditors of the Company:				
- Statutory audit	142	169	62	70
- Audit related services	40	50	40	50
- Tax compliance and advisory services	-	70	-	15
- Other	3	3	3	3
Other auditors:				
- Statutory audit	168	133	-	-
- Tax compliance and advisory services	59	-	14	-
General expenses	5,696	3,089	1,293	899
Management fee	-	363	-	-

notes to the financial statements

For the year ended 31 December 2012

9. ADMINISTRATIVE AND OTHER EXPENSES (cont'd)

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
Depreciation of property, plant and equipment (Note 15)	1,265	1,241	407	216
Impairment:				
- Amount due from subsidiaries	-	-	-	1,700
- Investment in subsidiaries (Note 18)	-	-	4,012	-
- Receivables (Note 23)	1,656	-	-	-
Pre-incorporation expenses	-	711	-	-
Professional fess	2,230	1,488	-	313
Provision for discounting of receivables	409	5,136	-	-
Rental of premises	853	732	418	418
Rental - others	311	39	9	8
Staff costs	14,564	12,053	4,596	3,691
Travelling and accommodation expenses	2,328	2,023	671	667
Upkeep and maintenance of equipment	489	504	39	25
Utilities	1,214	710	194	176
Vehicle related expenses	1,012	849	63	50
Loss on liquidation of a subsidiary	36	-	-	-
Available-for-sale financial assets				
- loss on redemption	19	-	19	-
Intangible asset written off (Note 17)	1,954	-	-	-
Arbitration claims	220	-	-	-
Unrealised foreign exchange loss	503	-	3,757	-
	37,584	31,183	15,964	8,490

10. FINANCE COSTS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense:				
- Borrowings	20,524	2,383	1,676	-
- Finance lease	18	3	17	-
	20,542	2,386	1,693	-

notes to the financial statements

For the year ended 31 December 2012

11. STAFF COSTS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonus	26,689	20,043	5,913	5,097
Defined contribution - Employees Provident Fund	1,961	1,766	641	563
Other employee benefits	317	183	82	81
	28,967	21,992	6,636	5,741

Included in staff costs of the Group and of the Company are Directors' remuneration of RM643,000 (2011:RM1,572,000) and RM643,000 (2011:RM1,458,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Directors and other members of key management of the Group and the Company are RM120,000 (2011: RM50,000) and RM100,000 (2011: RM25,000) respectively.

12. DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Non-executive Directors
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Encik Sulaiman bin Salleh
Mr. Wong Yien Kim
Encik Suhaimi bin Kamaralzaman
Mr. Lim Chin Sean

Executive Director
Mr. Lim Yew Boon

The aggregate amount of emoluments receivable by Directors of the Company during the financial year are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive Directors:				
- Fees	175	240	175	240
- Other emoluments	57	170	57	56
Executive Directors:				
- Fees	25	35	25	35
- Salaries and bonus	208	1,000	208	1,000
- Defined contribution plan	25	120	25	120
- Other emoluments	153	7	153	7
	643	1,572	643	1,458

notes to the financial statements

For the year ended 31 December 2012

13. INCOME TAX EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysian income tax:				
Current year	21,142	19,160	4,162	5,483
(Over)/Underprovision in prior years	(4,573)	(101)	14	-
	16,569	19,059	4,176	5,483
Foreign income tax	101	154	-	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	1,615	(7,237)	-	-
	18,285	11,976	4,176	5,483

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
Profit before tax	61,046	48,413	3,029	31,468
Taxation at statutory tax rate of 25%	13,866	13,178	757	7,867
Tax effects of:				
Non-deductible expenses	1,888	2,330	1,206	723
Non-taxable income	(570)	(3,265)	(94)	(2,770)
Realisation of deferred tax assets previously not recognised	-	(166)	-	(337)
Deferred tax assets not recognised	7,674	-	2,293	-
(Over)/Underprovison of income tax expense in prior years	(4,573)	(101)	14	-
Income tax expense recognised in profit or loss	18,285	11,976	4,176	5,483

notes to the financial statements

For the year ended 31 December 2012

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2012 RM'000	**2011 RM'000 (restated)**
Profit for the financial year attributable to owners of the Company	43,001	35,884
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Basic EPS (sen)	9.9	8.2

(b) Diluted earnings per share

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

	The Group	
	2012 RM'000	**2011 RM'000 (restated)**
Profit for the financial year attributable to owners of the Company	43,001	35,884
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Effects of dilution from ESOS Option ('000)	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	436,492	436,492
Diluted EPS (sen)	9.9	8.2

notes to the financial statements

For the year ended 31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2012	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost							
At 1 January 2012	280	700	11,490	7,857	6,805	1,024	28,156
Additions	-	-	1,081	396	2,061	180	3,718
Disposals	-	-	-	(37)	(459)	-	(496)
At 31 December 2012	280	700	12,571	8,216	8,407	1,204	31,378
Accumulated depreciation							
At 1 January 2012	-	132	8,778	3,835	4,616	960	18,321
Charge for the financial year	-	-	878	317	647	106	1,948
Disposals	-	-	-	(37)	(459)	-	(496)
At 31 December 2012	-	132	9,656	4,115	4,804	1,066	19,773
Accumulated currency translation differences							
At 1 January 2012	-	-	1,293	(3,181)	78	16	(1,794)
Currency translation differences	-	-	(98)	12	(11)	2	(95)
At 31 December 2012	-	-	1,195	(3,169)	67	18	(1,889)

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group 2011	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost							
At 1 January 2011	280	700	10,805	4,986	6,720	1,021	24,512
Additions	-	-	1,200	3,443	1,729	9	6,381
Disposals	-	-	(297)	(326)	(1,636)	(6)	(2,265)
Write-offs	-	-	(218)	(246)	(8)	-	(472)
At 31 December 2011	280	700	11,490	7,857	6,805	1,024	28,156
Accumulated depreciation							
At 1 January 2011	-	132	8,466	4,158	5,623	877	19,256
Charge for the financial year	-	-	827	246	633	89	1,795
Disposals	-	-	(297)	(323)	(1,632)	(6)	(2,258)
Write-offs	-	-	(218)	(246)	(8)	-	(472)
At 31 December 2011	-	132	8,778	3,835	4,616	960	18,321
Accumulated currency translation differences							
At 1 January 2011	-	-	850	17	7	16	890
Currency translation differences	-	-	443	(3,198)	71	-	(2,684)
At 31 December 2011	-	-	1,293	(3,181)	78	16	(1,794)
Net book value							
At 31 December 2012	280	568	4,110	932	3,670	156	9,716
At 31 December 2011	280	568	4,005	841	2,267	80	8,041
At 1 January 2011	280	568	3,189	845	1,104	160	6,146

notes to the financial statements

For the year ended 31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost					
At 1 January 2011	106	954	1,995	305	3,360
Additions	-	84	165	1	250
Disposals	-	-	(574)	-	(574)
At 31 December 2011	106	1,038	1,586	306	3,036
At 1 January 2012	106	1,038	1,586	306	3,036
Additions	-	75	949	-	1,024
Disposals	-	(1)	(96)	-	(97)
At 31 December 2012	106	1,112	2,439	306	3,963
Accumulated depreciation					
At 1 January 2011	87	787	1,626	185	2,685
Charge for the financial year	18	87	243	54	402
Disposals	-	-	(570)	-	(570)
At 31 December 2011	105	874	1,299	239	2,517
At 1 January 2012	105	874	1,299	239	2,517
Charge for the financial year	-	112	252	43	407
Disposals	-	(1)	(96)	-	(97)
At 31 December 2012	105	985	1,455	282	2,827
Net book value					
At 31 December 2012	1	127	984	24	1,136
At 31 December 2011	1	164	287	67	519
At 1 January 2011	19	167	369	120	675

notes to the financial statements

For the year ended 31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The net book value of assets held under finance lease agreements of the Group and of the Company is RM1,017,000 (31.12.2011: RMNil) and RM790,000 (31.12.2011: RMNil) respectively.

(b) The depreciation charge for the financial year has been included in profit or loss as follows:

		The Group		The Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Cost of operations	7	633	554	-	186
Administrative and other expenses	9	1,265	1,241	407	216
Total		1,898	1,795	407	402

(c) Depreciation charges for the financial year consist of:

		The Group		The Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Capitalised in amount due to contract customers	38	50	-	-	-
Statements of comprehensive income		1,898	1,795	407	402
		1,948	1,795	407	402

16. INVESTMENT PROPERTIES

	The Group and The Company	
	2012	2011
	RM'000	RM'000
Cost		
At 1 January/At 31 December	529	529
Accumulated Depreciation		
At 1 January	89	79
Charge for the financial year	10	10
At 31 December	99	89
Accumulated Impairment Losses		
At 1 January/At 31 December	26	26

notes to the financial statements

For the year ended 31 December 2012

16. INVESTMENT PROPERTIES (cont'd)

	The Group and The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Net Book Value			
At 31 December	404	414	424
Representing:			
Freehold building	131	134	137
Leasehold buildings	273	280	287
	404	414	424

Fair value of the investment properties of the Group and of the Company as of 31 December 2012 is estimated at RM777,000 (31.12.2011: RM525,000; 1.1.2011: RM529,000) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity. No independent external valuation was performed.

The unexpired lease period of the leasehold buildings of the Group and of the Company ranges from 23 to 81 years (2011: 24 to 82 years).

17. INTANGIBLE ASSETS

	The Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 January	458,527	36,082
Addition	6,722	421,097
Profits from the construction of a public service infrastructure	692	1,348
Written off during the financial year (Note 9)	(1,954)	-
At 31 December	463,987	458,527
Accumulated Amortisation		
At 1 January	7,976	5,605
Charged for the financial year (Note 7)	14,897	2,371
At 31 December	22,873	7,976
Accumulated Currency Translation Differences		
At 1 January	2,964	492
Currency translation differences	(11,442)	2,472
At 31 December	(8,478)	2,964

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Carrying amount	432,636	453,515	30,969

notes to the financial statements

For the year ended 31 December 2012

17. INTANGIBLE ASSETS (cont'd)

The intangible assets of the Group consist of the following:

(a) a 21-year concession right (expiring in October 2025) to operate, use and maintain the Tianjin Panlou Domestic Waste Transfer Station and its related assets in Tianjin, People's Republic of China acquired by a subsidiary, Tianjin-SWM (M) Environment Co Ltd, in 2004 for a cash consideration of RMB40,000,000 (RM18,294,000) on a takeover-operate-transfer basis. The concession grants rights to the subsidiary to transport household waste to the municipal landfills and in return collect tipping fees from the local city council based on incoming tonnage of household waste deposited at the transfer station at a rate in accordance with the concession agreement;

(b) a wastewater treatment facility constructed by a subsidiary, Puresino (Guanghan) Water Co Ltd, whereby the subsidiary has been granted a 30-year concession (expiring in July 2033) by the Construction and Planning Bureau of Guanghan City under a build-operate-transfer basis to undertake, manage and operate the Guanghan Wastewater Treatment Plant in Guanghan City, Sichuan, People's Republic of China. Commercial operations commenced in September 2007 to treat domestic and industrial wastewater and the subsidiary is entitled to levy a charge on the local government on the volume of wastewater effluent treated at the facility at a rate pre-determined by both parties;

(c) an industrial wastewater and recycled water treatment facilities currently being constructed by a subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, whereby the subsidiary is undertaking the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Base in Yinchuan, People's Republic of China under build-operate-transfer basis. The subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the facilities. Construction of the facilities has commenced since 2011 and is expected to be completed in the next financial year. The facilities will serve potential customers within the vicinity of the industrial park at a rate to be negotiated.

There is a delay in the construction of the facilities due to, amongst others, the termination of the main contractor agreement as disclosed in Note 41 (b) (ii) and the Directors are of the opinion that the delay will have no material financial impact on the financial statements of the Group as of 31 December 2012.

(d) a 30-year concession right (expiring in September 2041) to operate, use and maintain four municipal wastewater treatment plants with recycled facilities in Yinchuan, People's Republic of China acquired by a subsidiary, Taliworks (Yinchuan) Wastewater Co Ltd for a total consideration of RMB810,000,000 (RM407,754,000) on a takeover-operate-transfer basis which was funded by internal funds of the Group and bank borrowings. The consideration was settled over three tranche of payments. Two payments totaling RMB567,000,000 (RM285,428,000) had been made in the previous financial year whilst the final tranche payment of RMB243,000,000 (RM124,340,000) was made in the current financial year. The facilities were officially taken-over on 29 December 2011 and the revenue for wastewater treated and sale of recycled water to be collected from a local government entity is calculated at a rate in accordance with the concession agreement.

An impairment review of the carrying amounts of the intangible assets at the end of the reporting year has been undertaken by the Directors. The said review involves the estimation of the recoverable amounts of the intangible assets, which are based on value in use calculations.

The key bases and assumptions used in the estimation of the recoverable amounts of the intangible assets are as follows:

(a) <u>Tianjin Panlou Domestic Waste Transfer Station:</u>

(i) Tonnage to increase from 1,046 tonnes/day in 2013 to 1,050 tonnes/day in 2014 until the end of the concession period expiring in October 2025;

(ii) The tipping fee for basic tonnage is estimated to be RMB56.24/tonne in 2013 and increases by 2% per annum; whereas the tipping fee for extra tonnage is estimated to be RMB27/tones in 2013 and increases by RMB1/tonne per annum;

notes to the financial statements

For the year ended 31 December 2012

17. INTANGIBLE ASSETS (cont'd)

(a) Tianjin Panlou Domestic Waste Transfer Station: (cont'd)

(iii) Expenses to increase by 3% per annum;

(iv) Truck replacements to be incurred over a 10 year cycle to replace the obsolete trucks; and

(v) Pre-tax discount rate of 8%.

(b) Guanghan Wastewater Treatment Plant

The key assumptions used in the estimation of its recoverable amount are disclosed in Note 21.

(c) Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant

(i) Quantity of wastewater treated and sales of recycled water treated are estimated at 20,000 m3/day and 14,000 m3/day respectively, from 2013 until the end of the concession period. The efficiency level for both of the wastewater and recycled water treatment are estimated to increase from 25% in 2013, 50% in 2014, 75% in 2015 and reaches maximum efficiency in 2016;

(ii) The tariff rate for wastewater treated and sales of recycled water are estimated to be RMB1.70/m3 in 2013 and increases by RMB0.10/m3 every two years;

(iii) Expenses to increase by 3% per annum; and

(iv) Pre-tax discount rate of 8%.

(d) Yinchuan Wastewater and Recycled Water Treatment Plant

(i) Quantity of wastewater treated is estimated at 300 m^3/day in 2013, 350 m^3/day in 2014 and 400 m^3/day from 2015 until the end of the concession period expiring in September 2041; whereas quantity of sales of recycled water is estimated to be 16 m^3/day in 2013, 22 m^3/day in 2014 and thereafter, increase by 1 m^3 a year until the end of the concession period.

(ii) Expenses to increase by 3% per annum;

(iii) Additional capital expenditure of RMB400,000,000 (RM196,000,000) for the expansion and upgrading of plant facility required to be incurred in 2014 and 2015 in accordance with the concession agreement;

(iv) The tariff rate for wastewater treated is estimated to be RMB0.70/m^3 in 2013 and increases to RMB1.00/m^3 in 2014, RMB1.20/m^3 in 2015 and 2016, RMB1.30/m^3 in 2017 and RMB1.40/m^3 in 2018 upon completion of expansion and upgrading works in 2014 to 2018. Thereafter, tariff rate increases by RMB0.10/m3 every two years commencing from 2019; and

(v) Pre-tax discount rate of 8%.

The recoverable amount of the intangible assets have been estimated by the Directors based on the abovementioned bases and assumptions as to future events which the Directors expect to take place and actions which the Directors expect to take as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the intangible assets were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the Directors are of the opinion that the key assumptions used in the estimation of the recoverable amounts are reasonable and there is no impairment to the carrying amounts of the intangible assets.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% instead of 8% as of 31 December 2012, the intangible assets would not be impacted.

notes to the financial statements

For the year ended 31 December 2012

18. INVESTMENT IN SUBSIDIARIES

	The Company	
	2012	**2011**
	RM'000	**RM'000**
Unquoted shares - at cost:		
At 1 January	106,624	106,624
Addition	750	-
At 31 December	107,374	106,624
Accumulated impairment losses:		
At 1 January	551	551
Impairment loss for the financial year (Note 9)	4,012	-
At 31 December	4,563	551

		The Company	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Carrying amount	102,811	106,073	106,073

During the financial year, the Company carried out a review of the recoverable amount of the investment in subsidiaries. The review led to the recognition of impairment loss of RM4,012,000 (2011: RMNil), which has been recognised in profit or loss. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use. The discount rate used in measuring value in use was 8% per annum.

notes to the financial statements

For the year ended 31 December 2012

18. INVESTMENT IN SUBSIDIARIES (cont'd)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Country of Incorporation	Group's Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal Activities
Held directly by the Company:					
Sungai Harmoni Sdn Bhd	Malaysia	100	100	100	Management, operation and maintenance of water treatment plant for a period of 30 years expiring in January 2030.
Taliworks (Langkawi) Sdn Bhd	Malaysia	100	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd^	Malaysia	60	60	60	Construction of water treatment works.
Taliworks Technologies Sdn Bhd^	Malaysia	100	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks International Limited*^	Hong Kong SAR	100	100	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd ("SWMT")^	Malaysia	100	100	100	Investment holding and waste management business activities.
Taliworks (Sichuan) Ltd*	Hong Kong SAR	80	80	80	Investment holding.
Destinasi Teguh Sdn Bhd^	Malaysia	100	100	100	Investment holding.
Taliworks Construction Sdn Bhd	Malaysia	100	100	100	General construction.
Prolific Equity Sdn Bhd*#^	Malaysia	100	-	-	General trading company.

notes to the financial statements

For the year ended 31 December 2012

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Group's Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal Activities
Held through SWMT					
Tianjin-SWM (M) Environment Co Ltd*	People's Republic of China	90	90	90	Provision of management, operation and maintenance of a waste transfer station and its related assets for a concession period of 21 years expiring in October 2025.
Held through Taliworks International Limited:					
Taliworks (Shanghai) Co Ltd*	People's Republic of China	100	100	100	Trading in equipment for environment protection and water environment equipment and provision of related services.
Taliworks-IBI Technologies International Limited*^	Hong Kong SAR	70	70	70	Liquidated on 9 January 2013.
Taliworks (Shanghai) Environment Technologies Co Ltd*	People's Republic of China	100	100	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste in the People's Republic of China.
Taliworks Environment Limited*^	Hong Kong SAR	100	100	100	Investment holding.
Taliworks ECO Pte Ltd*^$	Singapore	70	70	70	Investment holding.
TILGEA Consortium Sdn Bhd^	Malaysia	70	70	70	General construction.
Taliworks (Yinchuan) Wastewater Treatment Co Ltd*	People's Republic of China	100	100	100	Operation and maintenance of Yinchuan City's 1st to 4th waste water treatment plants for a concession period of 30 years expiring September 2041.
Held through Taliworks ECO Pte Ltd:					
Ningxia ECO Wastewater Treatment Co Ltd*	People's Republic of China	70	70	70	Construct, management, operation and maintenance of industrial waste-water treatment plant for a concession period of 30 years expiring June 2040.

notes to the financial statements

For the year ended 31 December 2012

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Group's Effective Interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal Activities
Held through Taliworks-IBI Technologies International Limited:					
Taliworks-IBI Technologies (Xiamen) Limited*	Hong Kong SAR	-	63	63	Voluntary wound up on 14 September 2012.
Held through Taliworks-IBI Technologies (Xiamen) Limited:					
Taliworks (Xiamen) Environmental Technologies Limited*	People's Republic of China	-	-	63	Voluntary wound up on 23 June 2011.
Held through Taliworks (Sichuan) Ltd:					
Puresino (Guanghan) Water Co Ltd* @	People's Republic of China	56	56	56	Management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Audited by a firm other than Deloitte KassimChan.

\# On 10 December 2012, the Company acquired the remaining equity interest in Prolific Equity Sdn. Bhd. ("PESB"), a 50% jointly-controlled entity of the Company, for a cash consideration of RM50. Accordingly, PESB became a wholly-owned subsidiary of the Company.

@ The auditors' report on financial statements of the subsidiary contained an emphasis of matter on the going concern basis used in the preparation of the financial statements which is dependent on the resolution of the disputes between the shareholders of the subsidiary.

^ The auditors' reports on the financial statements of these subsidiaries include an emphasis of matter regarding the ability of these subsidiaries to continue as a going-concern in view of their capital deficiency positions as at the end of the reporting period. The financial statements of these subsidiaries have been prepared on a going-concern basis as the Company has undertaken to provide continued financial support to the subsidiaries.

$ The auditors' report on the financial statements of the subsidiary include an emphasis of matter regarding the assumptions used in forecasting the recoverability of the carrying amounts of the investment in subsidiary and amount due from the subsidiary. The actual transactions and events may not occur as forecasted, which may have a significant impact on the recoverability of carrying amounts of the investment and amount due from the subsidiary.

notes to the financial statements

For the year ended 31 December 2012

19. JOINTLY CONTROLLED ENTITIES

	31.12.2012 RM'000	31.12.2011 RM'000 (restated)	1.1.2011 RM'000 (restated)
The Group			
Share of net assets of jointly controlled entities			
As previously stated	112,075	79,310	71,155
Effects of change in accounting policy	-	22,907	19,584
As restated (Note 44)	112,075	102,217	90,739
The Company			
Unquoted investments, at cost	55,538	55,538	55,538

The Group's share of revenue and profit of jointly controlled entities are as follows:

	The Group	
	2012 RM'000	2011 RM'000 (restated)
Revenue	38,699	55,230
Profit for the financial year		
As previously stated	9,812	15,300
Effects of change in accounting policy	-	3,323
As restated (Note 44)	9,812	18,623
Other comprehensive income for the for the financial year	46	(2)
Total comprehensive income for the financial year	9,858	18,621

The Group's share of assets and liabilities of jointly controlled entities are as follows:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000 (restated)	1.1.2011 RM'000 (restated)
Non-current assets	395,135	400,620	406,400
Current assets	96,708	47,492	24,384
Current liabilities	(9,454)	(10,431)	(9,048)
Non-current liabilities	(370,314)	(335,464)	(330,997)
Net assets	112,075	102,217	90,739

notes to the financial statements

For the year ended 31 December 2012

19. JOINTLY CONTROLLED ENTITIES (cont'd)

Details of the jointly controlled entities, which are incorporated in Malaysia, are as follows:

Name	Group's Effective Interest			Principal Activities
	31.12.2012 %	31.12.2011 %	1.1.2011 %	
Cerah Sama Sdn Bhd*	55	55	55	Investment holding in a company principally engaged in activities of design, planning and construction of the Cheras-Kajang Expressway, and a company principally engaged in the business as toll operator, general contractor and related activities.
Prolific Equity Sdn Bhd* ^	-	50	50	General trading.

* Audited by a firm other than Deloitte KassimChan.

^ On 10 December 2012, the Company acquired the remaining equity interest in Prolific Equity Sdn. Bhd. ("PESB"), a 50% jointly-controlled entity of the Company, for a cash consideration of RM50. Accordingly, PESB became a wholly-owned subsidiary of the Company.

20. INVESTMENT IN ASSOCIATE

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The Group			
Share of associate's net assets	6,340	5,589	4,971

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The Company			
Unquoted investments, at cost and carrying amount	2,520	2,520	2,520

The Group's share of revenue and profit of the associate are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Revenue	18,706	15,386
Profit for the financial year	751	618

notes to the financial statements

For the year ended 31 December 2012

20. INVESTMENT IN ASSOCIATE (cont'd)

The Group's share of assets and liabilities of the associate are as follows:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current assets	1,975	1,938	2,062
Current assets	12,706	10,808	9,297
Current liabilities	(5,671)	(4,693)	(4,098)
Non-current liabilities	(34)	(57)	(40)
Non-controlling interests	(2,636)	(2,407)	(2,250)
Net assets	6,340	5,589	4,971

Details of the associate, which is incorporated in Malaysia, are as follows:

Name	Group's Effective Interest			Principal Activities
	31.12.2012 %	31.12.2011 %	1.1.2011 %	
Hydrovest Sdn Bhd*	40	40	40	Provision of water management and project services.

* Audited by a firm other than Deloitte KassimChan.

21. GOODWILL ON CONSOLIDATION

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost	2,504	2,504	2,504

Goodwill on consolidation arose from the acquisition of Puresino (Guanghan) Water Co Ltd by Taliworks (Sichuan) Ltd, an 80% owned subsidiary of the Company in May 2007.

An impairment review of the carrying value of the goodwill at the end of the reporting year was undertaken by comparing to the recoverable amount, which was based on value in use calculations.

The key bases and assumptions used in the estimation of the recoverable amount are as follows:

(a) Quantity of wastewater treated to increase from 33,042 tonnes/day in 2013, 36,000 tonnes/day in 2014, 40,000 tonnes/day in 2015, 42,000 tonnes/day in 2016 and reaches maximum production capacity of 50,000 tonnes/day in 2022;

(b) The tariff rate is estimated to be RMB1.15/m^3 throughout the concession period. This tariff rate is subject to review every two years;

(c) Expenses to increase by 4.0% - 6.0% per annum;

(d) Capital expenditure to be incurred over a 5 - 10 year cycle to replace the machinery equipment; and

(e) Pre-tax discount rate of 8.0%.

notes to the financial statements

For the year ended 31 December 2012

21. GOODWILL ON CONSOLIDATION (cont'd)

The Directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and there is no impairment to the carrying amount of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10.0% instead of 8.0% as of 31 December 2012, the goodwill would not be impacted.

22. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liability and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets	8,658	10,286	3,014
Deferred tax liabilities	(146)	(151)	(147)
At end of financial year	8,512	10,135	2,867

The movements during the financial year relating to deferred tax assets are as follows:

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	10,135	2,867
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	16	34
Other receivables, deposits and prepayments	109	2
Trade receivables	(2,792)	7,136
Other payables and accruals	1,052	65
	(1,615)	7,237
Credit to statements of changes in equity:		
Available-for-sale financial assets	(8)	31
At 31 December	8,512	10,135

notes to the financial statements

For the year ended 31 December 2012

22. DEFERRED TAX ASSETS (cont'd)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Deferred tax assets (before offsetting)			
Tax effects of deductible temporary differences arising from:			
Trade receivables	6,968	9,385	2,272
Other receivables, deposits and prepayments	106	-	-
Other payables and accruals	1,584	901	742
	8,658	10,286	3,014
Offsetting	(146)	(151)	(147)
Deferred tax assets (after offsetting)	8,512	10,135	2,867
Deferred tax liabilities			
Tax effects of taxable temporary differences arising from:			
Property, plant and equipment	114	130	92
Other receivables, deposits and prepayments	9	12	15
Available-for-sale financial assets	23	9	40
	146	151	147
Offsetting	(146)	(151)	(147)
Deferred tax liabilities (after offsetting)	-	-	-

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2012, the estimated amount of deductible temporary differences, unused tax losses, unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Temporary differences arising from:			
Other payables and accruals	2,939	1,392	1,239
Other receivables, deposits and prepayments	3,756	-	-
Property, plant and equipment	(307)	(245)	(404)
Unused tax losses	27,122	1,806	2,864
Unabsorbed capital allowances	1,743	1,606	1,524
	35,253	4,559	5,223

notes to the financial statements

For the year ended 31 December 2012

22. DEFERRED TAX ASSETS (cont'd)

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Temporary differences arising from:			
Other payables and accruals	1,230	1,193	1,103
Other receivables, deposits and prepayments	3,756	-	-
Property, plant and equipment	(176)	(243)	(380)
Unused tax losses	5,177	-	1,656
Unabsorbed capital allowances	1,580	1,445	1,364
	11,567	2,395	3,743

The unused tax losses and unabsorbed capital allowances, subject to the agreement by the tax authorities, are available for offset against future chargeable income.

23. TRADE RECEIVABLES

The analysis of trade receivables between non-current and current is as follows:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Trade receivables	161,010	196,816	141,458
Less: Provision for discounting	(24,773)	(36,950)	(8,472)
Net	136,237	159,866	132,986
Current			
Trade receivables	205,971	98,121	100,695
Less: Provision for impairment	(1,656)	-	(153)
Net	204,315	98,121	100,542
Total	340,552	257,987	233,528

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Trade receivables	-	-	-
Current			
Trade receivables	3,681	1,340	153
Less: Provision for impairment	-	-	(153)
Net	3,681	1,340	-
Total	3,681	1,340	-

notes to the financial statements

For the year ended 31 December 2012

23. TRADE RECEIVABLES (cont'd)

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2012	**2011**
	RM'000	**RM'000**
Non-Current		
At 1 January	36,950	8,472
Provision for discounting	18,238	30,072
Reversal of discounting (Note 8)	(28,242)	-
Unwinding of discount (Note 8)	(2,173)	(1,594)
At 31 December	24,773	36,950
Current		
At 1 January	-	153
Bad debt recovered	-	(153)
Provision for impairment (Note 9)	1,656	-
At 31 December	1,656	-

The currency exposure profile of trade receivables is as follows:

	The Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Ringgit Malaysia	318,876	249,569	226,655
Chinese Renminbi	21,676	8,418	6,873
Total	340,552	257,987	233,528

	The Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Ringgit Malaysia	3,681	1,340	-

The average credit period granted to the receivable ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

As of 31 December 2012, the carrying amount of the Group's trade receivables is RM340,552,000 (31.12.2011: RM257,987,000; 1.1.2011: RM233,528,000), of which RM285,511,000 (31.12.2011: RM248,191,000; 1.1.2011: RM225,684,000) is concentrated in two customers. These customers are the Kedah State Government together with Syarikat Air Darul Aman Sdn Bhd ("SADA"), a corporatised body under the Kedah State Government and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1.

notes to the financial statements

For the year ended 31 December 2012

23. TRADE RECEIVABLES (cont'd)

(a) Kedah State Government and SADA

The gross invoiced amount due from the Kedah State Government together with SADA as of 31 December 2012 is RM54,167,000 (31.12.2011: RM70,034,000; 1.1.2011: RM79,425,000), out of which RM54,167,000 (31.12.2011: RM32,039,000; 1.1.2011: RM36,627,000) was deemed by Group to be current, based on its assessment of past collection trends.

(i) Amount due from the Kedah State Government

The Kedah State Government has offered to settle the brought forward outstanding amount of RM37,995,000 via various scheduled payment, commencing from May 2012 and ending in November 2013.

During the financial year, the Kedah State Government has settled RM16,522,000 of the total debts based on the payment schedule. Hence, the Group assumed that the Kedah State Government will honour the balance of the scheduled payments of RM21,473,000 in the next twelve months. Accordingly, these amounts are classified as current.

As a result of this improvement in collection during the financial year, a reversal of provision for discounting of RM2,391,000 was made. This amount was included in other income in Note 8.

(ii) Amount due from SADA

As the payments from SADA has been regular, it is assumed that all outstanding amounts due from SADA will be repaid within the next 12 months and as such, classified as current.

However, arising from the discrepancies in meter readings between SADA and a subsidiary, the Group has made a provision for impairment of RM1,656,000 during the financial year as disclosed in Note 9.

The Group believes that the credit risk relating to the amounts owing by the Kedah State Government and SADA to be minimal as the amounts are due from government and the related entities.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the receivable due from Kedah State Government and SADA would be further discounted by approximately RM2,143,000 (2011: RM1,870,000).

In 2011, due to expected delay in receiving payments, a provision for discounting of RM2,131,000 was made using discount rates ranging from 4.1% to 4.9%.

(b) SPLASH

The amounts due from SPLASH are segregated between amounts due under the Debt Settlement Agreement and invoiced amounts, as detailed below:

(i) Debt Settlement Agreement ("DSA")

Arising from the DSA with SPLASH in 2005, a total of RM64,827,000 was agreed to be settled via ten installments, commencing from 31 December 2006 and ending on 31 December 2015.

As of 31 December 2012, the amount due from SPLASH under the DSA is RM38,276,000 (31.12.2011: RM43,241,000; 1.1.2011: RM46,355,000). The non-current portion of the installments payable representing the net balance after provision for 9th to 10th installments under the DSA amounted to RM21,015,000 (31.12.2011: RM29,118,000, comprising the 8th to 10th installments; 1.1.2011: RM35,370,000, comprising the 7th to 10th installments). The amount due under the DSA is carried at amortised cost and was discounted using rates ranging from 3% to 5%. If the installments are delayed by a year, an additional provision for discounting of RM1,651,000 (2011: RM1,912,000) will be required.

notes to the financial statements

For the year ended 31 December 2012

23. TRADE RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

The amounts due from SPLASH are segregated between amounts due under the Debt Settlement Agreement and invoiced amounts, as detailed below:

(ii) Invoiced Amounts

The Federal Government and the Selangor State Government have been in discussions on the restructuring of the water sector in Selangor, whereby the Selangor State Government intend to acquire and consolidate all water concessionaires operating in the state. However, the matters remain unresolved, resulting in an impasse. Nevertheless, it was reported that both parties remain committed to resolve this impasse.

Due to the uncertainty relating to the future outcome of the impasse, SPLASH's receipts from a water concessionaire have been delayed, thus affecting its ability to make timely payments to the Group.

As such, the gross invoiced amounts due from SPLASH as of 31 December 2012 amounting to RM217,643,000 (31.12.2011: RM169,111,000; 1.1.2011: RM104,025,000) will not be fully received in the next twelve months. During the financial year, there has been further improvement in the collection from SPLASH as compared to the previous year and therefore the Group has estimated that approximately RM82,000,000 will be received within the next twelve months, up from the previous estimate of RM42,000,000. The balance outstanding of RM135,643,000 is expected to be received progressively between 2014 and 2015 and accordingly, have been classified as non-current.

As a result of this improvement in collection, a reversal of provision for discounting of RM25,851,000 has been made in the financial year. This amount was included in other income in Note 8.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the invoiced amounts due from SPLASH would require an additional provision for discounting of RM22,192,000 (2011: RM16,077,000).

The ageing of Group's trade receivables which was past due but not impaired as at end of the reporting period is as follows:

The Group	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
31.12.2012				
Past due up to 3 months	4,754	26,197	34,508	65,459
Past due 3 to 9 months	21,315	31,644	3,521	56,480
Past due > 9 months and above	21,406	116,161	4,476	142,043
	47,475	174,002	42,505	263,982
31.12.2011				
Past due up to 3 months	5,198	28,576	3,434	37,208
Past due 3 to 9 months	20,511	29,385	2,041	51,937
Past due > 9 months and above	34,509	61,974	3,217	99,700
	60,218	119,935	8,692	188,845
1.1.2011				
Past due up to 3 months	4,395	24,141	1,971	30,507
Past due 3 to 9 months	18,742	48,498	1,748	68,988
Past due > 9 months and above	50,794	11,493	1,892	64,179
	73,931	84,132	5,611	163,674

notes to the financial statements

For the year ended 31 December 2012

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Other receivables	1,053	1,053	981
Less: Foreign currency translation differences	(26)	-	-
Less: Provision for discounting	(609)	(637)	(663)
Net	418	416	318
Current			
Other receivables and prepayments	4,615	4,560	1,928
Deposits	932	1,067	1,059
	5,547	5,627	2,987
Total	5,965	6,043	3,305

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Other receivables, deposits and prepayments	-	-	-
Current			
Other receivables and prepayments	153	141	155
Deposits	425	537	540
	578	678	695
Total	578	678	695

The movement in provision for discounting during the financial year is as follows:

	The Group	
	2012 RM'000	2011 RM'000
At 1 January	637	663
Unwinding of discount	(28)	(26)
At 31 December	609	637

The non-current portion of other receivable relates to an amount paid on behalf of a minority shareholder in respect of its investment in Tianjin-SWM (M) Environment Co Ltd. In accordance with the Joint Venture Agreement, this amount, which is denominated in Chinese Renminbi and is interest free, will be repaid in the event of the liquidation of Tianjin-SWM (M) Environment Co Ltd, a subsidiary.

notes to the financial statements

For the year ended 31 December 2012

25. DEPOSITS, CASH AND BANK BALANCES

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-Current			
Deposits with licensed bank	16,900	14,582	15,909
Cash and bank balances	3	1,762	-
	16,903	16,344	15,909
Current			
Deposits with licensed bank	9,200	11,549	124,204
Cash and bank balances	12,766	14,005	13,080
Total	21,966	25,554	137,284
Total:			
Deposits with licensed bank	26,100	26,131	140,113
Cash and bank balances	12,769	15,767	13,080
	38,869	41,898	153,193
Less:			
Deposits pledged as security	(16,900)	(14,582)	(15,909)
Cash and bank balances restricted (Note 35 (d))	(3)	(1,762)	-
Overdraft (Note 35)	(4,951)	-	-
	(21,854)	(16,344)	(15,909)
Cash and cash equivalents	17,015	25,554	137,284

	The Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-Current			
Deposits with licensed bank	10,271	7,664	6,384
Current			
Deposits with licensed bank	-	8,640	107,642
Cash and bank balances	1,319	5,676	447
Total	1,319	14,316	108,089
Total:			
Deposits with licensed bank	10,271	16,304	114,026
Cash and bank balances	1,319	5,676	447
	11,590	21,980	114,473
Less:			
Deposits pledged as security	(10,271)	(7,664)	(6,384)
Overdraft (Note 35)	(4,951)	-	-
	(15,222)	(7,664)	(6,384)
Cash and cash equivalents	(3,632)	14,316	108,089

notes to the financial statements

For the year ended 31 December 2012

25. DEPOSITS, CASH AND BANK BALANCES (cont'd)

The currency exposure profile of deposits, cash and bank balances is as follows:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	28,954	32,410	132,767
Chinese Renminbi	9,892	8,592	16,168
Hong Kong Dollar	16	223	820
US Dollar	4	669	3,259
Singapore Dollar	3	4	179
Total	38,869	41,898	153,193

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	11,590	21,980	114,473

(a) Included in deposits with licensed bank of the Group are long term deposits amounting to RM16,900,000 (31.12.2011: RM14,582,000; 1.1.2011: RM15,909,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

(b) At the end of the reporting period, RM9,892,000 (31.12.2011: RM9,162,000; 1.1.2011: RMNil) held in subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

(c) Included in deposits with licensed bank of the Company are long term deposits amounting to RM10,271,000 (31.12.2011: RM7,664,000; 1.1.2011: RM6,384,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects.

(d) The average interest rates of deposits for the Group and Company at the end of the reporting period range from 2.20% to 3.30% (31.12.2011: 0.15% to 3.10%; 1.1.2011: 0.75% to 2.85%) per annum and 2.55% to 3.30% (31.12.2011: 0.15% to 2.85%; 1.1.2011: 2.05% to 2.85%) per annum, respectively.

(e) Deposits of the Group and Company have an average maturity ranging from 7 to 973 days (31.12.2011: 4 to 425 days; 1.1.2011: 3 to 365 days) and 60 to 973 days (31.12.2011: 4 to 425 days; 1.1.2011: 4 to 365 days) respectively. Bank balances are deposits held at call with licensed banks.

26. INVENTORIES

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Consumable spares	1,223	1,118	1,054
Raw materials	-	-	33
	1,223	1,118	1,087
Less: Inventories written down	-	-	(33)
	1,223	1,118	1,054

All of the Group's inventories are expected to be recovered within the next twelve months.

notes to the financial statements

For the year ended 31 December 2012

27. AMOUNT DUE FROM SUBSIDIARIES

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current			
Amount due from subsidiaries	193,262	138,406	32,768
Less: Provision for impairment	(7,731)	(7,731)	(6,031)
	185,531	130,675	26,737
Current			
Amount due from subsidiaries	4,188	3,442	5,924
	189,719	134,117	32,661

The currency exposure profile of amount due from subsidiaries is as follows:

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
US Dollar	167,094	119,563	14,374
Ringgit Malaysia	16,328	8,237	12,260
Hong Kong Dollar	4,479	4,631	4,500
Singapore Dollar	1,818	1,686	1,527
Total	189,719	134,117	32,661

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within next twelve months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

The movement in provision for impairment during the financial year is as follows:

	The Company	
	2012 RM'000	2011 RM'000
At 1 January	7,731	6,031
Provision for impairment	-	1,700
At 31 December	7,731	7,731

notes to the financial statements

For the year ended 31 December 2012

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise investment in quoted unit trusts in Money Market Securities instruments that are not held for trading.

The movement in available-for-sale financial assets during the financial year is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	13,983	23,752	4,016	17
Additions	22,004	125,986	2,002	107,309
Disposals	(15,035)	(135,578)	(6,070)	(103,258)
Fair value changes transferred to equity	(24)	518	24	528
Fair value changes transferred from equity	18	(695)	28	(580)
	(6)	(177)	52	(52)
At 31 December	20,946	13,983	-	4,016

29. SHARE CAPITAL

	The Group and The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised:			
1,000,000,000 ordinary shares of RM0.50 each	500,000	500,000	500,000
Issued and fully paid:			
436,491,580 ordinary shares of RM0.50 each	218,246	218,246	218,246

Employees' Share Option Scheme ("ESOS")

In 2005, the Company implemented an ESOS. A total of 5,460,000 options were granted to eligible Directors and employees of the Company and its subsidiaries at an exercise price of RM1.31 per share. Subsequently, in 2007, the Company further granted a total of 6,410,000 ESOS options at an exercise price of RM1.90 per share.

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws. The options are exercisable from the effective date and expire on 29 September 2015. Any options not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the ESOS are set out as follows:

(i) the maximum number of new shares which may be allotted and issued pursuant to the exercise of options shall not exceed 10% of the total issued and paid-up share capital of the Company at any time;

(ii) not more than 50% of the new shares available under the ESOS are to be allocated, in aggregate, to the Directors and senior management of the Group;

(iii) not more than 10% of the new shares available under the ESOS are to be allocated, in aggregate, to any person who either singly or collectively through his associates, holds 20% or more of the issued and paid-up capital of the Company;

notes to the financial statements

For the year ended 31 December 2012

29. SHARE CAPITAL (cont'd)

Employees' Share Option Scheme ("ESOS") (cont'd)

(iv) the ESOS options granted are personal and is not transferable, chargeable, disposable or assignable in any manner whatsoever except as provided for in the ESOS By-laws;

(v) the price at which an option holder shall be entitled to subscribe for new shares ("Subscription Price") shall be the higher of, the par value of the shares of the Company or a price determined based on the weighted average market price of the shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%;

(vi) the new shares to be allotted and issued upon the exercise of any options shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which precedes or is prior to the date of allotment of the new shares;

(vii) subject to the provisions of the ESOS By-laws, an option holder may deal with the new shares allotted and issued to him without any retention period or restriction of transfer. However, option holders who are non-executive Directors must not sell, transfer or assign the new shares allotted and issued to them pursuant to the exercise of their options within 1 year from the date of offer; and

(viii) in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, bonus issues, capital reduction, subdivisions or consolidation of shares or otherwise howsoever taking place:

(a) the Subscription Price; and/or
(b) the number of shares comprised in the options so far as unexercised; and/or
(c) the maximum number of shares and/or percentage of the total shares comprised in the options that may be exercised in a particular year;

Shall be adjusted in accordance with the provisions in the ESOS By-laws.

Set out below are details of options over ordinary shares of the Company granted under ESOS:

		Number of ESOS options over ordinary shares of RM0.50 each			
Date of Grant	**Exercise price per share RM**	**At 1 January '000**	**Exercised '000**	**Lapsed '000**	**At 31 December '000**
2012					
3.10.2005	1.31	51	-	(8)	43
5.9.2007	1.90	4,237	-	(76)	4,161
		4,288	-	(84)	4,204
Weighted average exercise price (RM)		1.89	-	1.84	1.89

notes to the financial statements

For the year ended 31 December 2012

29. SHARE CAPITAL (cont'd)

Date of Grant	Exercise price per share RM	Number of ESOS options over ordinary shares of RM0.50 each At 1 January '000	Exercised '000	Lapsed '000	At 31 December '000
2011					
3.10.2005	1.31	75	-	(24)	51
5.9.2007	1.90	4,310	-	(73)	4,237
		4,385	-	(97)	4,288
Weighted average exercise price (RM)		1.89	-	1.75	1.89

All outstanding share options as of 31 December 2012 and 31 December 2011 were exercisable. There were no options exercised in the current and previous financial year, except for options lapsed, which arose upon resignation of employees.

30. SHARE PREMIUM

	The Group and The Company 2012 RM'000	2011 RM'000
At 1 January/ 31 December	74,176	74,176

31. SHARE OPTION RESERVE

	The Group and The Company 2012 RM'000	2011 RM'000
At 1 January	2,248	2,284
Transfer from share option reserve upon ESOS lapsed	(43)	(36)
At 31 December	2,205	2,248

The share option reserve represents the equity-settled share options granted to eligible Directors and employees of the Company and its subsidiaries.

32. MERGER DEFICIT

	The Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Merger deficit	(71,500)	(71,500)	(71,500)

notes to the financial statements

For the year ended 31 December 2012

32. MERGER DEFICIT (cont'd)

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in financial year ended 31 December 2000			
Sungai Harmoni Sdn Bhd	47,000	5,000	(42,000)
Taliworks (Langkawi) Sdn Bhd	32,500	3,000	(29,500)
	79,500	8,000	(71,500)

33. RETAINED EARNINGS

Distributable reserves are those available for distribution as dividends.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as of 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, the Company may utilise the credit in the Section 108 balance to distribute cash dividend payments to shareholders as defined under the Finance Act, 2007. As of 31 December 2012, the Company has sufficient Section 108 balance to pay franked dividends out of its entire retained earnings.

34. DIVIDENDS

Dividends declared and paid in respect of the financial year are as follows:

	The Group and The Company			
	31.12.2012		31.12.2011	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Final dividend in respect of the financial year ended 31 December 2011, less 25% tax, on 436,491,580 ordinary shares paid on 31 July 2012	0.5	1,637	-	-
Final dividend in respect of the financial year ended 31 December 2010, less 25% tax, on 436,491,580 ordinary shares paid on 29 July 2011	-	-	1.5	4,910

On 27 February 2013, the Directors proposed the payment of a final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less 25% tax, amounting to approximately RM4,911,000 in respect of the current financial year, which is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

notes to the financial statements

For the year ended 31 December 2012

35. BORROWINGS

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Finance lease liabilities	631	-	18
Term loan	184,786	54,644	-
Revolving credit	30,000	-	-
	215,417	54,644	18
Current			
Government loan	2,945	3,020	2,804
Finance lease liabilities	243	5	5
Loan from non-controlling interest	-	1,618	-
Term loan	80,737	130,884	-
Overdraft	4,951	-	-
Revolving credit	10,000	-	-
	98,876	135,527	2,809
Total			
Government loan (a)	2,945	3,020	2,804
Finance lease liabilities (b)	874	5	23
Term loans (c)	265,523	185,528	-
Revolving credit (c)	40,000	-	-
Loan from non-controlling interest (d)	-	1,618	-
Overdraft	4,951		-
	314,293	190,171	2,827

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Current			
Finance lease liabilities	538	-	-
Revolving credit	30,000	-	-
	30,538	-	-
Current			
Finance lease liabilities	170	-	-
Overdraft	4,951	-	-
Revolving credit	10,000	-	-
	15,121	-	-
Total			
Finance lease liabilities (b)	708	-	-
Revolving credit (c)	40,000	-	-
Overdraft	4,951	-	-
	45,659	-	-

notes to the financial statements

For the year ended 31 December 2012

35. BORROWINGS (cont'd)

The currency exposure profile of borrowings of the Group is as follows:

	The Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Chinese Renminbi	268,468	190,166	2,827
Ringgit Malaysia	45,825	5	-
Total	314,293	190,171	2,827

The borrowings of the Company are denominated in Ringgit Malaysia.

The Group and the Company have a total of RM459,661,000 and RM123,516,000 (2011: RM351,312,000 and RM54,531,000) respectively of borrowing limits comprising government loan, term loans, overdrafts, revolving credit and other trade financing facilities secured from a local government and financial institutions.

Facilities of the Group amounting to RM451,716,000 (2011: RM346,673,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

Facilities of the Company amounting to RM118,516,000 (2011: RM54,531,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or dividends payable by a jointly controlled entity.

Weighted average interest rates that were effective as at the end of the reporting period are as follows:

	The Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	%	**%**	**%**
Government loan	6.4	6.9	5.8
Finance lease liabilities	2.4-2.5	2.6	2.6
Term loans	6.36 - 7.60	7.50 - 7.55	-
Overdraft	BLR +1.0	-	-
Revolving credit	COF +1.5	-	-

	The Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	%	**%**	**%**
Finance lease liabilities	2.4-2.5	-	-
Overdraft	BLR +1.0	-	-
Revolving credit	COF +1.5	-	-

(a) Government loan

The government loan from People's Government of Guanghan City, People's Republic of China is denominated in Chinese Renminbi. It was obtained by Puresino (Guanghan) Water Co Ltd, a subsidiary of the Company, to fund its operations. The government loan bears interest according to the prevailing rate by The People's Bank of China, is unsecured and repayable in instalments at anytime or by way of deduction to the agreeable tariff within the concession period.

notes to the financial statements

For the year ended 31 December 2012

35. BORROWINGS (cont'd)

(b) Finance lease liabilities

The finance lease liabilities are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The minimum lease payments at the end of the reporting period are as follows:			
Not later than 1 year	270	6	22
Later than 1 year	702	-	5
	972	6	27
Future finance charges	(98)	(1)	(4)
Present value	874	5	23

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The maturity profile of the present value of the finance lease liabilities is as follows:			
Not later than 1 year	243	5	18
Later than 1 year	631	-	5
	874	5	23

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The minimum lease payments at the end of the reporting period are as follows:			
Not later than 1 year	191	-	-
Later than 1 year	603	-	-
	794	-	-
Future finance charges	(86)	-	-
Present value	708	-	-
The maturity profile of the present value of the finance lease liabilities is as follows:			
Not later than 1 year	170	-	-
Later than 1 year	538	-	-
	708	-	-

notes to the financial statements

For the year ended 31 December 2012

35. BORROWINGS (cont'd)

(c) Term loans and revolving credit

During the financial year, the Company has drawndown its revolving credit facility of RM40,000,000. The revolving credit is repayable over four equal instalments of RM10,000,000 a year over a duration of four years and is secured by a deed of assignment over all dividends payable by a jointly controlled entity and a fixed deposit placement of RM250,000.

During the financial year, Taliworks (Yinchuan) Wastewater Co Ltd, a subsidiary has further drawndown RMB157,950,000 (RM76,858,000) from its existing term loans facility to fund the final tranche consideration of the project totaling RMB243,000,000 (RM124,340,000) as disclosed in Note 17 (d).

At the end of the financial year, the subsidiary has drawndown RMB541,000,000 (RM265,523,000), out of which RMB150,000,000 (RM73,620,000) was arranged by the financial institution to be obtained under a separate financing arrangement whereby this portion of the loan is due within the next twelve months. The short term borrowing has been re-financed subsequent to the financial year.

(d) Loan from non-controlling interest

A loan totaled RMB3,215,000 (RM1,618,000) was obtained from a non-controlling interest of Puresino (Guanghan) Water Co Ltd ("Puresino (Guanghan)"), a subsidiary of the Company. The loan bears an interest rate of 5%, unsecured and has no fixed term of repayment.

In 2011, the non-controlling interest had commenced a civil suit against the subsidiary to seek repayment of its loan to the subsidiary and as a result, RMB3,500,000 (RM1,762,000) had been frozen by the court pursuant to the civil suit.

During the current financial year, the non-controlling interest of Puresino (Guanghan) was successful in its claim to seek repayment of its loan from Puresino (Guanghan). Accordingly, Puresino (Guanghan) is required to pay RMB3,685,165 (RM1,809,000), being the entire loan and other associated costs, to its non-controlling shareholder, out of which RMB3,524,863 (RM1,730,000) were paid during the financial year and balance of RMB160,302 (RM79,000) has been accrued in the Group's financial statements. In addition, up to a maximum amount of RMB180,000 (RM88,000) has been frozen by the court pertaining to the unpaid sum. As of 31 December 2012, the cash at bank (after repayment of the loan) amounting to RMB6,000 (RM3,000) has been frozen and classified as cash and bank balances under non-current assets as disclosed in Note 25.

36. TRADE PAYABLES

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Trade payables	47,263	33,950	29,982
Retention sums	3,874	1,715	-
Total	51,137	35,665	29,982

	The Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Trade payables	113	826	3,258
Retention sums	1,079	1,643	-
Total	1,192	2,469	3,258

notes to the financial statements

For the year ended 31 December 2012

36. TRADE PAYABLES (cont'd)

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The currency exposure profile of trade payables is as follows:

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Ringgit Malaysia	50,471	34,745	29,742
Chinese Renminbi	666	920	240
	51,137	35,665	29,982

	The Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Ringgit Malaysia	1,192	2,469	3,258

37. OTHER PAYABLES AND ACCRUALS

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Other payables and accruals	20,672	136,262	12,805
Interest payables	6,250	1,559	605
	26,922	137,821	13,410

	The Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Other payables and accruals	2,949	1,886	2,081
Interest payables	221	-	-
	3,170	1,886	2,081

The decrease in amount of other payables and accruals in the current financial year is due to settlement of the final tranche of consideration and related expenses, amounting to RMB247,000,000 (RM121,227,600), pertaining to the acquisition of wastewater treatment project in Yinchuan, People's Republic of China.

Included in other payables and accruals of the Group and of the Company is amount owing to LGB Engineering Sdn Bhd, a related party of the Company, in which certain shareholders of the Company are also shareholders, amounting to RM1,109,000 (2011: RM1,109,000). The amount mainly arose from non-trade transactions which is unsecured, interest free and repayable on demand.

notes to the financial statements

For the year ended 31 December 2012

38. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Aggregate costs incurred to-date and recognised profits	361,832	323,312	160,201
Progress billings	(371,794)	(325,048)	(167,454)
Net amount due to contract customers	(9,962)	(1,736)	(7,253)
Represented by:			
Amount due from contract customers	67	-	5
Amount due to contract customers	(10,029)	(1,736)	(7,258)
	(9,962)	(1,736)	(7,253)

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Aggregate costs incurred to-date and recognised profits	152,888	170,744	155,082
Progress billings	(152,821)	(172,345)	(161,662)
Net amount due from/(to) contract customers	67	(1,601)	(6,580)
Represented by:			
Amount due from contract customers	67	-	-
Amount due to contract customers	-	(1,601)	(6,580)
	67	(1,601)	(6,580)

Included in amount due from/(to) contract customers is:

	The Group	
	2012 RM'000	2011 RM'000
Depreciation of property, plant and equipment (Note 15)	50	-

39. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and available-for-sale financial assets. Total capital is the "total equity attributable to Owners of the Company" as shown in the statements of financial position.

notes to the financial statements

For the year ended 31 December 2012

39. FINANCIAL INSTRUMENTS (cont'd)

Capital Risk Management (cont'd)

During the financial year, the Group's strategy, which was unchanged from the previous year, was to maintain the gearing ratio of less than 100%. The gearing ratios at the end of each reporting period are as follows:

	The Group		
	31.12.2012 RM'000	**31.12.2011 RM'000 (restated)**	**1.1.2011 RM'000 (restated)**
Total borrowings (Note 35)	314,293	190,171	2,827
Less: Deposits, cash and bank balances (Note 25)	(38,869)	(41,898)	(153,193)
Less: Available-for sale financial assets (Note 28)	(20,946)	(13,983)	(23,752)
Net debt	254,478	134,290	N/A
Total capital	566,439	528,262	493,816
Net gearing ratio	45%	25%	N/A

	The Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Total borrowings (Note 35)	45,659	-	-
Less: Deposits, cash and bank balances (Note 25)	(11,590)	(21,980)	(114,473)
Less: Available-for sale financial assets (Note 28)	-	(4,016)	(17)
Net debt	34,069	N/A	N/A
Total capital	322,822	325,597	304,574
Net gearing ratio	11%	N/A	N/A

* N/A - Not applicable

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability are disclosed in Note 3.

notes to the financial statements

For the year ended 31 December 2012

39. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets			
Loan and receivables:			
Trade receivables	340,552	257,987	233,528
Other receivables, deposits and prepayments	5,965	6,043	3,305
Deposits, cash and bank balances	38,869	41,898	153,193
Available-for-sale financial assets	20,946	13,983	23,752
Financial liabilities			
At amortised costs:			
Trade payables	51,137	35,665	29,982
Other payables and accruals	26,922	137,821	13,410
Borrowings	314,293	190,171	2,827

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets			
Loan and receivables:			
Trade receivables	3,681	1,340	-
Other receivables, deposits and prepayments	578	678	695
Deposits, cash and bank balances	11,590	21,980	114,473
Amount due from subsidiaries	189,719	134,117	32,661
Available-for-sale financial assets	-	4,016	17
Financial liabilities			
At amortised costs:			
Trade payables	1,192	2, 469	3,258
Other payables and accruals	3,170	1,886	2,081
Amount due to subsidiary	-	-	300
Borrowings	45,659	-	-

Financial Risk Management Objectives

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group does not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk as a result of foreign currency transactions is significant as a sizeable of the Group's financial assets and liabilities are denominated in foreign currency due to certain subsidiaries operating in foreign jurisdictions.

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Foreign Currency Risk (cont'd)

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of Chinese Renminbi.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. If Chinese Renminbi strengthens/weakens against RM by 5%, with all other variables held constant, the Group's pre-tax profit for the financial year would have been RM12,527,000 (2011: RM15,000,000) higher/lower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's deposits and investments in available-for-sale financial assets and borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenor of borrowings and deposits are made based on the expected trend of interest rate movements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit/loss for the financial year would have been RM3,144,000 and RM457,000 (2011: RM1,902,000 and RMNil) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis prepared by management excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated in a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 23.

notes to the financial statements

For the year ended 31 December 2012

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial positions, in the event that all their customers fail to perform their obligations as of 31 December 2012.

Investment in available-for-sale financial assets is only allowed in liquid securities and only with financial institutions that has a sound credit rating. Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia.

The Group does not hold any collateral or credit enhancements to cover its credit risks associated with its receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	The Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Deposits, bank and cash balances (Note 25)			
External credit rating (as rated by a rating agency in Malaysia):			
- AAA	27,809	18,639	26,665
- AA1	25	9,290	9,634
Without external credit rating	11,035	13,969	116,894
	38,869	41,898	153,193

	The Company		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Deposits, bank and cash balances (Note 25)			
External credit rating (as rated by a rating agency in Malaysia):			
- AAA	10,487	14,945	17,036
- AA1	-	2,347	4
Without external credit rating	1,103	4,688	97,433
	11,590	21,980	114,473

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group seeks to maintain flexibility in funding by keeping committed credit lines available. If required, the Group will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceeded current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries so as to enable the subsidiaries to meet their liabilities as and when they fall due.

notes to the financial statements

For the year ended 31 December 2012

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Liquidity Risk (cont'd)

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
At 31 December 2012						
Non-interest bearing:						
Trade payables	-	51,137	-	-	-	51,137
Other payables and accruals	-	26,922	-	-	-	26,922
Interest bearing:						
Borrowings	2.4 - 7.6	98,876	25,369	75,852	248,336	448,433
		176,935	25,369	75,852	248,336	526,492
At 31 December 2011						
Non-interest bearing:						
Trade payables	-	35,665	-	-	-	35,665
Other payables and accruals	-	137,821	-	-	-	137,821
Interest bearing:						
Borrowings	2.6 - 7.55	135,527	4,249	14,816	77,355	231,947
		309,013	4,249	14,816	77,355	405,433
At 1 January 2011						
Non-interest bearing:						
Trade payables	-	29,982	-	-	-	29,982
Other payables and accruals	-	13,410	-	-	-	13,410
Interest bearing:						
Borrowings	2.6 - 5.8	2,809	18	-	-	2,827
		46,201	18	-	-	46,219

notes to the financial statements

For the year ended 31 December 2012

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Liquidity Risk (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
At 31 December 2012						
Non-interest bearing:						
Trade payables	-	1,192	-	-	-	1,192
Other payables and accruals	-	3,170	-	-	-	3,170
Interest bearing:						
Borrowings	2.4 - 7.6	15,121	11,643	21,841	-	48,605
		19,483	11,643	21,841	-	52,967
At 31 December 2011						
Non-interest bearing:						
Trade payables	-	2,469	-	-	-	2,469
Other payables and accruals	-	1,886	-	-	-	1,886
		4,355	-	-	-	4,355
At 1 January 2011						
Non-interest bearing:						
Trade payables	-	3,258	-	-	-	3,258
Other payables and accruals	-	2,081	-	-	-	2,081
Amount due to subsidiary	-	300	-	-	-	300
		5,639	-	-	-	5,639

40. FAIR VALUE ESTIMATION

The fair value of investment in unlisted collective investment scheme is generally determined based on the last published repurchase price per unit of such collective investment scheme.

For unquoted fixed income securities in general, fair values have been estimated by reference to quotes published by BPA.

For deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is a reasonable estimate of fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

40. FAIR VALUE ESTIMATION (cont'd)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2012				
Available-for-sale financial assets	20,946	-	-	20,946
31.12.2011				
Available-for-sale financial assets	13,983	-	-	13,983
1.1.2011				
Available-for-sale financial assets	23,752	-	-	23,752
The Company				
31.12.2012				
Available-for-sale financial assets	-	-	-	-
31.12.2011				
Available-for-sale financial assets	4,016	-	-	4,016
1.1.2011				
Available-for-sale financial assets	17	-	-	17

Fair Value of Financial Instruments

Deposit, cash and bank balances, trade and other receivables, intercompany indebtedness, trade and other payables and short-term borrowings

The carrying amounts approximate their fair values due to short maturity of these instruments.

Long-term borrowings and finance lease liabilities

The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

notes to the financial statements

For the year ended 31 December 2012

41. CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the financial statements.

(a) Bank facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

	The Group	
	2012 RM'000	2011 RM'000
Secured		
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of unincorporated joint venture	2,016	-
Bank guarantees issued to third parties for services rendered and as performance bonds	35,951	8,805
	37,967	8,805

	The Company	
	2012 RM'000	2011 RM'000
Secured		
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of:		
- subsidiaries	8,218	10,833
- Unincorporated joint venture	2,016	-
Bank guarantees issued to third parties for services rendered and as performance bonds	-	779
Corporate guarantee issued to a financial institution for banking facilities secured by a subsidiary	20,000	-
	30,234	11,612

(b) Litigations

(i) **China Electronics System Engineering No.3 Construction Co Ltd ("CESE3") against Puresino (Guanghan) Water Co Ltd ("Puresino Guanghan"), a subsidiary of the Company**

On 10 November 2011, Puresino Guanghan received a summons from CESE3 to settle the outstanding construction, procurement of equipment and management fees in the sum of RMB7,685,000 (RM3,772,000) together with interest in the sum of RMB2,008,000 (RM986,000).

Puresino Guanghan had filed its defence to the Sichuan Deyang Intermediate People's Court and at the hearing held on 12 March 2012, various issues were highlighted to the court, namely the locus standi of the CESE3 to bring an action against Puresino Guanghan and the sums claimed that were not supported by any document or evidence.

In view of the final amount of the indebtedness cannot be reliably estimated as the parties are awaiting the result of an audit to be conducted by the Guanghan Audit Firm and Business Intermediary Organisation (Deyang), appointed by the Court to audit the total sum claimed, and the legal proceeding cost, CESE3 has on 12 November 2012, withdrawn their suit against Puresino Guanghan in accordance with Article 131 and 140 of the Civil Procedures Act of the People's Republic of China.

notes to the financial statements

For the year ended 31 December 2012

41. CONTINGENT LIABILITIES (cont'd)

(b) Litigations (cont'd)

(ii) **Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company**

Hua Sheng and Ningxia Eco had, on 17 October 2010, entered into a Main Contractor Agreement, in which Hua Sheng was responsible for the construction works and procurement of equipment and materials for a wastewater project undertaken by Ningxia Eco.

On 3 November 2011, Hua Sheng filed an arbitration application in the China International Economic and Trade Arbitration Commission, Shanghai (CIETAC) against Ningxia Eco for the termination of the Main Contractor Agreement on 6 September 2011. Hua Sheng has amongst others, claimed for:

(a) construction deposit amounted to RMB3,160,000 (RM1,551,000);
(b) unpaid contract price of RMB6,533,000 (RM3,206,000); and
(c) penalty breach in performing the equipment procurement contract in the sum of RMB3,648,000 (RM1,790,000).

After few arbitral hearing held in the current financial year, Ningxia Eco had on 12 July 2012 received the decision in respect of the arbitration from CIETAC dated 10 July 2012. The main decisions of the arbitration award are as follows:

(a) Ningxia Eco shall pay the construction deposit of RMB1,550,000 (RM761,000) to Hua Sheng upon receipt of a bank performance bond;
(b) Ningxia Eco shall pay the contract sum amounting to RMB3,654,000 (RM1,794,000) to Hua Sheng;
(c) Ningxia Eco shall pay a late payment penalty on the principal sum of RMB1,610,000 (RM790,000), at the corresponding base lending rate ("BLR") as quoted by the People's Bank China from 13 June 2011 to 21 July 2011 to Hua Sheng, which is amounting to RMB10,321 (RM5,000);
(d) Ningxia Eco shall pay a late payment penalty on a construction deposit of RMB1,550,000 (RM761,000) at the corresponding BLR as quoted by the People's Bank of China from 13 June 2011 to 1 April 2012 to Hua Sheng, amounting to RMB74,909 (RM37,000);
(e) Ningxia Eco is required to partially bear Hua Sheng's legal fee for arbitration amounting to RMB742,000 (RM365,000); and
(f) The arbitration cost of RMB516,126 (RM253,000) shall be borne by Ningxia Eco and Hua Sheng in the proportion of 70% (RMB361,288 or RM177,000) and 30% (RMB154,378 or RM76,000) respectively.

Ningxia Eco had not received the bank performance bond as construction deposits from Hua Sheng and therefore, Ningxia Eco has no obligation to pay the said deposits to Hua Sheng. The contract sum and other associated costs totaling RMB4,845,000 (RM2,378,000) have been adequately accrued for in the current financial statements of the Group.

42. CAPITAL COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows:

	The Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Authorised but not contracted for:			
Property, plant and equipment	7,454	3,702	3,652
Intangible asset	-	20,541	577
Authorised and contracted for:			
Property, plant and equipment	979	-	-
Intangible asset	-	-	92,756
	8,433	24,243	96,985

notes to the financial statements

For the year ended 31 December 2012

42. CAPITAL COMMITMENTS (cont'd)

(a) Capital commitments not provided for in the financial statements are as follows: (cont'd)

	The Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised but not contracted for:			
Property, plant and equipment	8	7	6
Authorised and contracted for:			
Intangible asset	-	-	92,756
	8	7	92,762

In accordance with a concession agreement executed by a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, the subsidiary shall be liable to upgrade and expand its existing wastewater treatment plants facilities. The upgrading and expansion is to fulfill the overall water demand in Yinchuan city, and to meet the effluent water quality standard in accordance with the said concession agreement. At the end of the financial year, the cost for upgrading and expansion has not been finalised by the subsidiary and therefore, it has yet to be authorised by the Directors of the Company. However, for the purpose of estimating the recoverable amounts of intangible assets for impairment review, the Group has estimated an additional capital expenditure of RMB400,000,000 (RM196,000,000) as disclosed in Note 17.

(b) Non-cancellable operating lease commitments:

	The Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
No later than 1 year	150	150	150
Later than 1 year but not later than 5 years	600	600	600
Later than 5 years	450	600	750
	1,200	1,350	1,500

The above lease payments relate to a subsidiary, Taliworks (Langkawi) Sdn Bhd's non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn Bhd	Common director and major shareholder
Perangsang Water Management Sdn Bhd	Common director and major shareholder
Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	Common director and major shareholder
Aqua-Flo Sdn Bhd	Common major shareholders
Air Kedah Sdn Bhd	Subsidiary
Sungai Harmoni Sdn Bhd	Subsidiary
Taliworks (Langkawi) Sdn Bhd	Subsidiary
Cerah Sama Sdn Bhd	Jointly controlled entity

notes to the financial statements

For the year ended 31 December 2012

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions.

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant by:				
- Aqua-Flo Sdn Bhd	12,734	12,439	50	432
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	4,357	3,991	-	-
- Perangsang Water Management Sdn Bhd	2,178	1,996	-	-
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd	2,096	2,017	-	-
Fees charged for management, operation and maintenance of water treatment plants to:				
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	116,825	107,249	-	-
Contract revenue from:				
- Air Kedah Sdn Bhd	-	-	3,334	10,277
Management fee from:				
- Sungai Harmoni Sdn Bhd	-	-	1,080	1,080
- Taliworks (Langkawi) Sdn Bhd	-	-	960	960
Total (Note 6)	-	-	2,040	2,040
Dividend income from:				
- Taliworks (Langkawi) Sdn Bhd	-	-	16,650	16,200
- Cerah Sama Sdn Bhd	-	-	-	7,932

The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn Bhd ("Alam Ria") and Perangsang Water Management Sdn Bhd ("PWM") with Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB"). The contractual agreement in respect of technical support and management services between SHSB and Alam Ria and PWM was entered into in March 2000. The contractual agreement in respect of royalty fees between TLSB and Alam Ria was originally entered into in September 1996.

Fees charged for the management, operation and maintenance of water treatment plants as stated above are based on the schedule of fees stipulated in the Operations and Maintenance Agreement for Sungai Selangor Phase 1 entered into between Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") and PWM in January 2000 (which was subsequently novated to SHSB in August 2000).

Mr. Lim Chin Sean is a Director of the Company. Alam Ria and PWM are companies in which Mr. Lim Chin Sean has a controlling interest.

Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd are substantial shareholders of the Company. L.G.B. Holdings Sdn Bhd is deemed a substantial shareholder of the Company by virtue of its substantial shareholdings in these companies. Mr. Lim Chin Sean is a major shareholders of L.G.B. Holdings Sdn Bhd and therefore he is deemed as a substantial shareholders of the Company.

notes to the financial statements

For the year ended 31 December 2012

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Kumpulan Perangsang Selangor Berhad ("KPSB") is another substantial shareholder of the Company and Aqua-Flo Sdn Bhd is effectively controlled by KPSB. In addition, KPSB owns 30% of SPLASH. Encik Suhaimi bin Kamaralzaman is a Director of the Company, KPSB and SPLASH whilst Mr. Wong Yien Kim is a Director of the Company and SPLASH as at the end of the reporting period.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Directors of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Directors and other members of key management during the financial year are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fees	25	35	25	35
Wages, salaries and bonus	4,487	4,575	2,890	2,871
Defined contribution - Employees Provident Fund	605	543	425	338
Other emoluments	153	7	153	7
	5,270	5,160	3,493	3,251

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Directors of RM411,000 (2011: RM1,162,000).

Benefits in kind received by Executive Directors and other members of key management of the Group and the Company are RM120,000 (2011: RM50,000) and RM100,000 (2011: RM25,000) respectively.

44. CHANGES IN ACCOUNTING POLICY IN A JOINTLY CONTROLLED ENTITY

As a result of a change in the accounting policy in a jointly controlled entity as disclosed in Note 3, certain comparatives have been restated as follows:

	As previously stated RM'000	Effects of change in accounting policy RM'000	Others RM'000	As Restated RM'000
31.12.2011				
The Group				
Statements of financial position				
Non-Current Assets				
Jointly controlled entities (Note 19)	79,310	22,907	-	102,217
Equity				
Retained earnings	277,537	22,907	31	300,475
Statements of comprehensive income				
Share of results of jointly controlled entities (Note 19)	15,300	3,323	-	18,623

notes to the financial statements

For the year ended 31 December 2012

44. CHANGES IN ACCOUNTING POLICY IN A JOINTLY CONTROLLED ENTITY (cont'd)

As a result of a change in the accounting policy in a jointly controlled entity as disclosed in Note 3, certain comparatives have been restated as follows:

	As previously stated RM'000	Effects of change in accounting policy RM'000	Others RM'000	As Restated RM'000
1.1.2011				
The Group				
Statements of financial position				
Non-Current Assets				
Jointly controlled entities (Note 19)	71,155	19,584	-	90,739
Equity				
Retained earnings	249,852	19,584	-	269,436

45. SIGNIFICANT EVENTS AND SUBSEQUENT EVENT

(A) Significant Events

(i) Arising from the Fourth Supplemental Concession Agreement entered into between the Government of Malaysia and Grand Saga Sdn. Bhd., a jointly controlled entity of the Company, toll collections were discontinued for the Kuala Lumpur bound lane at Toll Plaza Batu 9 and the Kajang bound lane at Toll Plaza Batu 11 of the Cheras-Kajang Highway with effect from 2 March 2012. In return, the jointly controlled entity agreed to:

(a) a tax-exempt cash compensation of RM120,550,000;

(b) an extension of the Concession Period for a further period of fifteen year, expiring on 18 September 2045;

(c) terminate the toll revenue sharing; and

(d) a waiver of income tax payable for the year of assessments 2012 to 2021.

(ii) As disclosed in Note 17(d), an amount of RMB243,000,000 (RM124,340,000) was paid during the financial year end. This amount was principally funded from the following sources:

(a) the drawdown of a revolving credit facility of RM40,000,000 obtained by the Company from a financial institution in Malaysia as disclosed in Note 35(c); and

(b) the drawdown of further term loans amounting to RMB157,950,000 (RM84,340,000) from the loan agreement as disclosed in Note 35 (c).

(B) Subsequent Event

Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd. ("2nd Defendant") 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental") 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")

notes to the financial statements

For the year ended 31 December 2012

45. SIGNIFICANT EVENTS AND SUBSEQUENT EVENT (cont'd)

(B) Subsequent Event (cont'd)

On 27 March 2013, Puresino Guanghan received a Civil Judgement dated 26 January 2013 from the Sichuan Province High Court.

The High Court's judgements are as follows:

(i) The Sichuan Deyang Intermediate People's Court Civil Judgement (2010) No. 61 is overruled, which was read as follows:

- the Defendants shall remit the management fee in the sum of RMB725,000 (RM365,000) to CESE3;

- the Defendants shall remit compensation payment in the sum of RMB5,223,800 (RM2,630,000), which include the balance of purchase price of equipment of RMB4,723,800 (RM2,378,000) and compensation fee of RMB500,000 (RM252,000) together with interests (on (a) principal amount of RMB3,570,420 (RM1,798,000), to be calculated at 0.05% on a daily basis commencing from 1 August 2007 until full payment; (b) principal amount of RMB1,653,380 (RM832,000), to be calculated at 0.05% on a daily basis, commencing from 1 August 2008 until full payment). The judgement amount shall not exceed RMB4,296,047 (RM2,163,000) together with interest calculated up to 26 July 2011 amounted to RMB2,770,159 (RM1,395,000), and the remaining interest shall be on RMB4,296,047 (RM2,163,000), to be calculated at 0.05% on a daily basis, commencing from 27 July 2011 until full payment.

- all other claims by CESE3 and the Plaintiff are dismissed; and

- fee amounting to RMB77,885 (RM39,200) consists of court fee of RMB72,885 (RM36,700) and other litigation fees of RMB5,000 (RM2,500) shall be paid as follows:

- Puresino Guanghan and 2nd Defendant shall jointly bear the sum RMB65,205 (RM32,800);

- CESE3 shall bear the sum of RMB7,680 (RM3,900); and

- the Plaintiff shall bear the sum of RMB5,000 (RM2,500).

(ii) The management fees of RMB496,020 (RM243,000) shall be borne by Puresino Guanghan and the 2nd Defendant and payment shall be made within 10 days from the effective date of the said judgement to CESE3. If payment obligations are not fulfilled in accordance with the deadline of the judgement, double interest on the overdue shall be paid in accordance with the stipulation of Article 253 of the Civil Procedure Act of the People's Republic of China.

(iii) All other claims by CESE3 and the Plaintiff are dismissed.

notes to the financial statements

For the year ended 31 December 2012

45. SIGNIFICANT EVENTS AND SUBSEQUENT EVENT (cont'd)

(B) Subsequent Event (cont'd)

(iv) The first instance fee amounting to RMB77,885 (RM38,200) consists of court fee of RMB72,885 (RM35,800) and other litigation fees of RMB5,000 (RM2,400).

The aforesaid fees shall be paid as follows:

- the plaintiff and Watson Environmental shall jointly bear the sum of RMB70,000 (RM34,400);
- Puresino Guanghan and 2nd Defendant shall jointly bear the sum RMB7,000 (RM3,400); and
- CESE3 shall bear the sum of RMB885 (RM400).

The second instance fee amounts to the sum of RMB72,885 (RM35,800) and shall be paid as follows:

- the Plaintiff and Watson Environmental shall jointly bear the sum of RMB67,000 (RM32,900);
- Puresino Guanghan and 2nd Defendant shall jointly bear the sum of RMB5,200 (RM2,600); and
- CESE3 shall bear the sum of RMB685 (RM300).

The decision of the Court is final and is not expected to have a material financial impact on the financial results of the Group for the financial year ending 31 December 2012.

46. RECLASSIFICATION OF COMPARATIVES

Certain comparatives have been reclassified to conform to the current year's presentation as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
31.12.2011			
The Group			
Statements of comprehensive income			
Cost of operations	106,992	8,264	115,256
Administrative and other expenses	39,447	(8,264)	31,183

notes to the financial statements

For the year ended 31 December 2012

47. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES)

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

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

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000 (restated)	2012 RM'000	2011 RM'000
Total retained earnings of Taliworks and its subsidiaries:				
Realised profits	272,336	236,010	31,952	25,975
Unrealised gains/(losses)	9,185	14,718	(3,757)	5,004
	281,521	250,728	28,195	30,979
Total share of retained earnings from associate:				
Realised profits	3,819	3,068	-	-
Total share of retained earnings from jointly controlled entities:				
Realised profits	70,120	51,119	-	-
Unrealised losses	(13,583)	(4,440)	-	-
	56,537	46,679	-	-
Total Group's and Company's retained earnings	341,877	300,475	28,195	30,979

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements'' as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Analysis of Shareholdings

As at 3 May 2013

SHAREHOLDINGS STRUCTURE

Authorised Capital	:	RM500,000,000
Issued and Fully paid-up	:	RM218,245,790
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	26	1.60	581	0.00
100 – 1,000	160	9.84	119,870	0.03
1,001 – 10,000	1,023	62.92	4,767,501	1.09
10,001 – 100,000	330	20.29	10,086,100	2.31
100,001 to less than 5% of issued shares	80	4.92	123,817,028	28.37
5% and above of issued shares	7	0.43	297,700,500	68.20
Total	**1,626**	**100.00**	**436,491,580**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	92,012,400	21.08
2.	Water Clinic Sdn Bhd	64,800,000	14.85
3.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kumpulan Perangsang Selangor Berhad*	36,000,000	8.25
4.	Malar Terang Sdn Bhd	29,913,200	6.85
5.	Century General Water (M) Sdn Bhd	29,541,600	6.77
6.	Mal Monte Sdn Bhd	23,004,000	5.27
7.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (SG BR-TST-Asing)*	22,429,300	5.14
8.	Malaysia Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Kumpulan Perangsang Selangor Berhad*	21,500,000	4.93
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Bank of New York Mellon SA/NV (AMEX-foreign)*	18,280,700	4.19
10.	Kumpulan Perangsang Selangor Berhad	16,366,628	3.75
11.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)*	15,523,000	3.56
12.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	12,311,100	2.82

analysis of shareholdings

As at 3 May 2013

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
13.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian (Hong Kong) Limited (clients)*	3,366,500	0.77
14.	Malar Teguh Sdn Bhd	2,657,400	0.61
15.	Ng Yim Hoo	2,624,500	0.60
16.	Century General Water (M) Sdn Bhd	2,098,800	0.48
17.	Kembangan Sepadu Sdn Bhd	1,645,000	0.38
18.	Mestika Pertiwi Sdn Bhd	1,638,500	0.37
19.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choong Foong Ming (CEB)*	1,399,000	0.32
20.	Goh Phaik Lynn	1,333,500	0.30
21	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	1,260,600	0.29
22.	Phang Wai Hoong	1,134,800	0.26
23.	Mestika Pertiwi Sdn Bhd	1,073,000	0.24
24.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	1,057,000	0.24
25.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Oh Kim Sun (CEB)*	854,100	0.20
26.	Ertidaya Sdn Bhd	838,000	0.19
27.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Douglas Mark Boudville*	777,800	0.18
28.	Lee Ker Thai @ Lee Ah Kaw	715,400	0.16
29.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for MAAKL Al-Faid*	700,000	0.16
30.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for MAAKL Progress Fund*	599,100	0.14
	TOTAL	**407,454,928**	**93.35**

List of Substantial Shareholders

As at 3 May 2013

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	92,012,400	21.08	-		-
Kumpulan Perangsang Selangor Berhad	73,866,628	16.92	-		-
Water Clinic Sdn Bhd	64,800,000	14.85	-		-
Malar Terang Sdn Bhd	29,913,200	6.85	-		-
Century General Water (M) Sdn Bhd	31,640,400	7.25	-		-
Mal Monte Sdn Bhd	23,004,000	5.27	-		-
Anekawal Sdn Bhd	-	-	92,012,400	(a)	21.08
LGB Holdings Sdn Bhd	-	-	241,370,000	(b)	55.30
Adil Cita Sdn Bhd	-	-	123,652,800	(c)	28.33
Y. Bhg. Dato' Lim Chee Meng	585,900	0.13	241,640,000	(d)	55.36
Lim Chin Sean	-	-	241,640,000	(d)	55.36
GSL Development Sdn Bhd	-	-	31,640,400	(e)	7.25
Kumpulan Darul Ehsan Berhad	-	-	73,866,628	(f)	16.92
Menteri Besar Selangor (Pemerbadanan) 1994	-	-	73,866,628	(g)	16.92

Notes:-

(a) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.
(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.
(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.
(d) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.
(e) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.
(f) Deemed interest by virtue of its substantial shareholdings in Kumpulan Perangsang Selangor Berhad.
(g) Deemed interest by virtue of its substantial shareholdings in Kumpulan Darul Ehsan Berhad.

List of Directors' Shareholdings

As at 3 May 2013

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

A. Number of Ordinary Shares of RM0.50 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.07	-	-	-
Encik Suhaimi bin Kamaralzaman	-	-	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-
Mr. Lim Chin Sean	-	-	241,640,000	(a)	55.36
Mr. Lim Yew Boon	150,000	0.03	-	-	-
Mr. Soong Chee Keong	-	-	-	-	-

(a) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

B. Number of ESOS Options over Ordinary Shares of RM0.50 each

Name	Exercise Price (RM)	As at 1 January 2012	Granted	Exercised	Balance
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	-	-	80,000
Encik Sulaiman bin Salleh	1.90	60,000	-	-	60,000
Mr. Lim Chin Sean	1.90	60,000	-	-	60,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting **("22nd AGM")** of the Company will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 26 June 2013 at 11:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of a final gross dividend of 1.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2012. **(Resolution 1)**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2012. **(Resolution 2)**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Encik Suhaimi Bin Kamaralzaman; and **(Resolution 3)**
   (b) Mr. Lim Chin Sean. **(Resolution 4)**

5. To re-elect Mr. Soong Chee Keong who is retiring in accordance with Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election. **(Resolution 5)**

6. To reappoint Messrs. Deloitte KassimChan as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Ordinary Resolutions:-

7. **ORDINARY RESOLUTION NO. 1:** **(Resolution 7)**
   PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

   "**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature for the Company and/or its subsidiaries to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.4 of the Circular to Shareholders dated 4 June 2013 provided that such transactions are:-

   (i) recurrent transactions of a revenue or trading nature;

   (ii) necessary for the Company's day-to-day operations;

   (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

   (iv) not to the detriment of minority shareholders

   (the **"Proposed Shareholders' Mandate"**);

notice of annual general meeting

THAT the authority for the Proposed Shareholders' Mandate shall continue to be in force until the earlier of:-

(i) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next Annual General Meeting;

(ii) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**the Act**") but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(iii) is revoked or varied by resolution passed by the shareholders in a general meeting before the next Annual General Meeting;

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

8. **ORDINARY RESOLUTION NO. 2:** **(Resolution 8)**
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

9. **ORDINARY RESOLUTION NO. 3** **(Resolution 9)**
APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 1 November 1996 be and is hereby retained as an Independent Non-Executive Director of the Company."

10. **ORDINARY RESOLUTION NO. 4** **(Resolution 10)**
APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"**THAT** Encik Sulaiman bin Salleh who has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years since 25 February 2002 be and is hereby retained as an Independent Non-Executive Director of the Company."

11. **SPECIAL RESOLUTION:**
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY **(Resolution 11)**

"**THAT** the Proposed Amendments to the Company's Articles of Association as set out in Appendix I which is circulated to the shareholders of the Company together with the Annual Report in respect of the financial year ended 31 December 2012 be and are hereby approved and adopted **AND THAT** the Directors and Secretaries of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association."

12. To transact any other ordinary business of which due notice shall have been given.

notice of annual general meeting

NOTICE OF BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that a final gross dividend of 1.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2012 will be payable on 31 July 2013 to depositors whose names appear in the Record of Depositors at the close of business on 11 July 2013 if approved by the members at the Twenty Second Annual General Meeting of the Company.

A Depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 11 July 2013 in respect of ordinary transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
TAN WEE SIN (MAICSA 7044797)
Company Secretaries

Kuala Lumpur
Dated: 4 June 2013

Explanatory Notes to Special Business: -

1. Proposed Shareholders' Mandate

The proposed Resolution 7 is intended to enable the Company and/or its subsidiary companies ("**Group**") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations to facilitate transactions in the normal course of business of the Group with the specified classes of related parties, provided that they are carried out on an arms' length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 4 June 2013 for further information.

2. Authority to Issue Shares

The proposed Resolution 8 is intended to renew the authority granted to the Directors of the Company at the Twenty First Annual General Meeting of the Company held on 28 June 2012 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "**General Mandate**").

The General Mandate granted by the shareholders at the Twenty First Annual General Meeting of the Company held on 28 June 2012 had not been utilised and hence, no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

notice of annual general meeting

3. Approval to Continue in Office

(i) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir as an Independent Non-Executive Director

The Board of Directors has vide the Nomination Committee conducted an annual performance evaluation and assessment of Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (**"Dato' Sinon"**) who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

(a) Dato' Sinon has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and is therefore able to bring independent and objective judgement to the Board;

(b) Dato' Sinon has been with the Company for seventeen (17) years as at the date of the notice of the AGM and therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations / discussions at Audit Committee, Nomination Committee, Investment Committee and Board Meetings;

(c) Dato' Sinon has contributed sufficient time and efforts in his capacity as the Independent Non-Executive Director, Chairman of the Audit Committee (before his re-designation as a member on 27 February 2013), and as member of the Nomination Committee (before his re-designation as the Chairman on 27 February 2013) and Investment Committee respectively. He has attended all the meetings of the Audit Committee, Nomination Committee, Investment Committee as well as Board of Directors for informed and balanced decision making; and

(d) Dato' Sinon has exercised due care during his tenure as an Independent Non-Executive Director and carried out his professional duty in the interest of the Company and shareholders.

(ii) Encik Sulaiman bin Salleh as an Independent Non-Executive Director

The Board of Directors has vide the Nomination Committee conducted an annual performance evaluation and assessment of Encik Sulaiman bin Salleh (**"En. Sulaiman"**) who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years and recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:-

(a) En. Sulaiman qualified as an Accountant with the Association of Chartered Certified Accountants (United Kingdom) and is currently a member of the Malaysian Institute of Accountants. He has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and is therefore able to provide check and balance, thus bring an element of objectivity to the Board of Directors;

(b) En. Sulaiman has been with the Company for eleven (11) years as at the date of the notice of the AGM and with his vast experience in accounting and finance, he has been providing constructive opinions and exercise independent judgement in the financial aspects of the Company's business operations;

(c) En. Sulaiman has contributed sufficient time and efforts in his capacity as an Independent Non-Executive Director, as Chairman of the Nomination Committee (before his re-designation as a member on 27 February 2013), Investment Committee, ESOS Committee as well as a member of the Audit Committee (before his re-designation as the Chairman on 27 February 2013); and

(d) En. Sulaiman has exercised due care during his tenure as an Independent Non-Executive Director and carried out his professional duty in the interest of the Company and shareholders.

notice of annual general meeting

4. **Proposed Amendments to Articles of Association of the Company** (hereinafter referred to as "**the Proposed Amendments**")

   The Proposed Amendments are made for the following purposes:-

   (a) To streamline the Company's Articles of Association to be aligned with the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements;

   (b) To update the Articles of Association of the Company so as to ensure clarity and consistency with the relevant regulatory provisions and the Malaysian Code on Corporate Governance 2012; and

   (c) To improve administrative practicability and expediency.

   Please refer to Appendix I which is circulated to the shareholders of the Company together with the Annual Report in respect of the financial year ended 31 December 2012 for more information.

Notes :-

1. This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval for the Audited Financial Statements from the shareholders. Hence, this Agenda item is not put forward for voting.

2. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 19 June 2013 shall be eligible to attend the Meeting.

3. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

4. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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CDS Account No.

Number of ordinary shares held

TALIWORKS CORPORATION
LGB Group
Water, Waste & Infrastructure Management Specialist

Form of Proxy

*I/We (full name), _____ ,

bearing *NRIC No./Passport No./Company No. _____

of (full address) _____
being a *shareholder/shareholders of Taliworks Corporation Berhad ("the Company") hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty Second Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 26 June 2013 at 11:00 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy _____

_____ (one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of a final gross dividend of 1.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2012.	1		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2012.	2		
4(a).	To re-elect En. Suhaimi Bin Kamaralzaman, who is retiring in accordance with Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	3		
4(b).	To re-elect Mr. Lim Chin Sean, who is retiring in accordance with Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	4		
5.	To re-elect Mr. Soong Chee Keong who is retiring in accordance with Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election.	5		
6.	To reappoint Messrs. Deloitte KassimChan as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	6		
Special Business				
7.	**Ordinary Resolution No. 1:** Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue Or Trading Nature.	7		
8.	**Ordinary Resolution No. 2:** Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.	8		
9.	**Ordinary Resolution No. 3:** Approval to Continue in Office as Independent Non-Executive Director - Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir.	9		
10.	**Ordinary Resolution No. 4:** Approval to Continue in Office as Independent Non-Executive Director - Encik Sulaiman bin Salleh.	10		
11.	**Special Resolution:** Proposed Amendments to Articles of Association of the Company.	11		

As witness my/our hand(s) this day _____ of _____, 2013.

** Strike out whichever not applicable*

_____
*Signature/Common Seal of Shareholder

Notes :-

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 19 June 2013 shall be eligible to attend the Meeting.
2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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Stamp

The Company Secretary
TALIWORKS CORPORATION BERHAD
(6052-V)

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 603 2084 9000
Fax: 603 2094 9940

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www.taliworks.com.my

TALIWORKS CORPORATION BERHAD (6052-V)

28, Jalan Wan Kadir 1,
Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia.

T: 603 7725 7110
F: 603 7725 7099
E: info@taliworks.com.my

TALIWORKS CORPORATION
LGB Group
Water, Waste & Infrastructure Management Specialist

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

APPENDIX I

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TALIWORKS CORPORATION BERHAD

This is the Appendix I referred to in Agenda No. 11 of the Notice of 22nd Annual General Meeting ("AGM") of Taliworks Corporation Berhad dated 4 June 2013.

Date and time of the 22nd AGM	:	Wednesday, 26 June 2013 at 11.00 a.m.
Venue of the 22nd AGM	:	Ballroom 1, First Floor, Sime Darby Convention Centre 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur

Article No.	Existing Article	Amended Article or Addition to Article
2	The Act … The Companies Act, 1965 and every other Act for the time being in force concerning companies and affecting the Company. The Directors … The Directors for the time being of the Company or such number of them as has authority to act for the Company. Securities … Debentures, stocks, shares, bonds of the Company and includes any right or option in respect thereof and any interest in unit trust schemes as defined in section 2 of the Securities Commission Act 1993.	Act … The Companies Act, 1965 and **any statutory modification, amendment or re-enactment thereof for the time being in force or any and** every other ~~Act~~ **enactment** for the time being in force concerning companies and affecting the Company. Directors … ~~The Directors for the time being of the Company or such number of them as has authority to act for the Company.~~ **Has the meaning given in Section 2(1) of the CMSA.** Securities … ~~Debentures, stocks, shares, bonds of the Company and includes any right or option in respect thereof and any interest in unit trust schemes as defined in section 2 of the Securities Commission Act 1993.~~ **Has the meaning given in Section 2(1) of the CMSA.**
2	New definitions	**Cash distributions … Cash payments made by the Company in respect of its securities which are listed and quoted for trading on the Exchange, as prescribed by the Exchange from time to time which include –** **(a) cash dividends;** **(b) payments of interest or profit rates on debt securities or sukuk respectively;** **(c) income distributions made by collective investment schemes;** **(d) capital repayment; and** **(e) cash distributions in lieu of odd lots arising from distributions in specie.** **CMSA … Capital Markets and Services Act 2007** **Exempt Authorised Nominee … An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.** **Register … The Register of Members to be kept pursuant to the Act and where the context requires includes the Record of Depositors.** **Share Issuance Scheme … A scheme involving a new issuance of shares to employees of the Company.**
5(d)	every issue of shares or options to Directors of the Company shall be approved by the Members in general meeting and in the case of Directors, such approvals shall specifically detail the amount of shares or options to be issued to each Director or be in such form as may be determined by Bursa Malaysia Securities Berhad.	every issue of shares or options to Directors of the Company shall be approved by the Members in general meeting and in the case of Directors, such approvals shall specifically detail the amount of shares or options to be issued to each Director or be in such form as may be determined by Bursa Malaysia Securities Berhad **and no Director shall participate in a Share Issuance Scheme unless shareholders in general meeting have approved the specific allotment to be made to such Director.**

Article No.	Existing Article	Amended Article or Addition to Article
10	<u>Rights of preference shareholders</u> Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are or will be liable, to be redeemed and the Company shall not issue preference shares ranking in priority to the preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements, and attending general meetings of the Company and shall also have the right to vote at any meeting convened in each of the following circumstances:- (a) where the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months; (b) on the proposal to reduce the Company's share capital; (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking; (d) on a proposal that affects rights attached to the preference shares; (e) on a proposal to wind up the Company; and (f) during the winding-up of the Company.	<u>Rights of preference shareholders</u> Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are or will be liable, to be redeemed and the Company shall not issue preference shares ranking in priority to the preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards **to** receiving notices, reports and audited financial statements, and attending general meetings of the Company and shall also have the right to vote at any **general** meeting convened in each of the following circumstances:- (a) where the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months; (b) on the proposal to reduce the Company's share capital; (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking; (d) on a proposal that affects rights attached to the preference shares; (e) on a proposal to wind up the Company; and (f) during the winding-up of the Company.
36(1)	Where:- (a) the securities of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.	Where:- (a) the securities of the Company are listed on another stock exchange; and (b) the Company is exempted from compliance with Section 14 of the ~~Securities Industry (~~Central Depositories~~)~~ Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) **(No. 2)** Act 1998, as the case may be, under the Rules in respect of such securities, the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Article No.	Existing Article	Amended Article or Addition to Article
63	**Poll to be taken** If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meetings at which the poll was demanded, but a poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. The demand for a poll shall not prevent the continuance of a meeting for a transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may in addition to the powers of adjourning meetings contained in Article 61 adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.	**Poll to be taken** If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meetings at which the poll was demanded, but a poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. The demand for a poll shall not prevent the continuance of a meeting for a transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may in addition to the powers of adjourning meetings contained in Article 61 adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll. **The poll may be conducted using polling sheets or various forms of electronic voting devices. All votes by poll shall be counted by the appointed poll administrator and verified by the appointed scrutineers for the purpose of determining the outcome of the resolution to be decided on poll.**
71	**Number of Proxy** A holder may appoint more than one proxy but not more than two proxies to attend the same meeting. Where a holder appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	**Number of Proxy** **(a)** A holder may appoint more than one proxy but not more than two proxies to attend the same meeting. Where a holder appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. **(b)** Where a Member of the Company is an authorised nominee as defined under the ~~Securities Industry (Central Depositories) Act 1991~~, it may appoint at least one proxy **but not more than two proxies** in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. **Where the authorised nominee appoints two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, he shall specify the proportion of his shareholdings to be represented by each proxy.** **(c) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.**

Article No.	Existing Article	Amended Article or Addition to Article
72A	New article	**Qualification and rights of proxy to speak** **A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting. There shall be no restriction as to the qualification of the proxy. A proxy shall have the same rights as members to speak at the meeting.**
73	**Form of proxy** Notes: Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.	**Form of proxy** Notes: **A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.** Where a member **or authorised nominee** appoints ~~more than one (1) proxy~~ **two (2) proxies,** the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. **Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.** **There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.**
95	Minutes to be made and when signed by Chairman to be conclusive evidence The Directors shall cause minutes to be made:- (a) of all appointments of officers to be engaged in the management of the Company's affairs; (b) of names of Directors present at all meetings of the Company and of the Directors; and (c) of all proceedings at all meetings of the Company and of the Directors. Such minutes shall be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting.	Minutes to be made and when signed by Chairman to be conclusive evidence The Directors shall cause minutes to be made:- (a) of all appointments of officers ~~to be engaged in the management of the Company's affairs~~ **having the meaning given in Chapter 1 of the Listing Requirements;** (b) of names of Directors present at all meetings of the Company**,** ~~and of~~ the Directors and **the Committees of the Directors; and** (c) of all proceedings **and resolutions** at all meetings of the Company**,** ~~and of~~ the Directors **and the Committees of the Directors.** Such minutes shall be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting.

Article No.	Existing Article	Amended Article or Addition to Article
109	Resolutions in writing A resolution in writing signed by a majority of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened; provided that where a Director has an alternate, then such resolution may also be signed by such alternate. All such resolutions shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form certified as true copy by the Secretary, each signed by one or more Directors. A document (including a resolution of the Directors) sent to the Company by any Director by telefax shall be accepted as a document signed by a Director if such document contains the signature of the Director transmitting the telefax and if the Director delivers the original copy of the document to the registered office within fourteen (14) days of the telefax transmission or alternatively is able to prove that such delivery has been made within the aforesaid period of fourteen (14) days.	Resolutions in writing A resolution in writing signed by a majority of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened; provided that where a Director has an alternate, then such resolution may also be signed by such alternate. All such resolutions shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form ~~certified as true copy by the Secretary~~, each signed by one or more Directors **or his alternate**. A document (including a resolution of the Directors) sent to the Company by telefax **or other electronic or digital written message** shall be accepted as a document signed by a Director **or his alternate** if such document contains the signature of the Director ~~transmitting the telefax and if the Director delivers the original copy of the document to the registered office within fourteen (14) days of the telefax transmission or alternatively is able to prove that such delivery has been made within the aforesaid period of fourteen (14) days.~~ **or his alternate**.
128	Dividend payable by cheques Any dividend or other money payable in cash or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may be writing direct or by directly crediting the dividend entitlement into the member's bank account as provided to the Central Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the member's bank account shall be a good discharge to the Company. Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends into the member's bank account.	~~Dividend payable by cheques~~ **Cash distributions payable by cheque or warrant or direct crediting of bank account** ~~Any dividend or other money payable in cash or in respect of a share~~ **All cash distributions** may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may be writing direct or by directly crediting the ~~dividend entitlement~~ **cash distributions** into the member's bank account as provided to the Central Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or **warrant or** the direct crediting to the member's bank account shall be a good discharge to the Company. Every such cheque or warrant shall be sent or direct~~ly~~ credit~~ed~~ **shall be made** at the risk of the person entitled to the money represented thereby. Where the members have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash ~~dividends~~ **distributions** into the member's bank account.