





"Growth, Marked Presence & Synergistic Values"

Our Services



Water Treatment and Distribution



Waste Management



Highway Management



Construction

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CORPORATE PROFILE



Taliworks Corporation Berhad ("Taliworks") is listed on the Main Board of the Bursa Malaysia Securities Berhad under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation of about RM800 million as at 31 December 2007.

Taliworks has expanded its core business in the privatised water supply sector to include the operation and maintenance of the Sungai Selangor Water Treatment Works Phase 1 ("SSP1"), which supplies to large parts of Selangor and Kuala Lumpur, and the water supply and distribution system in Langkawi, Kedah. The Group currently manages a total of 6 water treatment plants with a combined capacity of 1,039.5 million litres per day.

Apart from water sector businesses, the Group is also involved in the waste business where it holds a 21-year concession rights for the Operation and Management of the Tianjin Panlou Life Waste Transfer Station, in Tianjin, China and a 30-year concession to undertake, manage and operate the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in Sichuan, China.

For the construction sector, Taliworks is currently undertaking the Padang Terap Water Supply Scheme in Kedah and the Klang Valley Flood Mitigation-Package Sungai Damansara project in Selangor.

In 2007, Taliworks expanded its business into highway management via the acquisition of Cerah Sama Sdn Bhd ("Cerah Sama"). Cerah Sama is a holding company for Grand Saga Sdn Bhd that owns and operates the Cheras - Kajang Highway concession.

Taliworks intends to position itself to be a full-fledged and formidable water, waste and infrastructure player in the region.



**Stable
growth**
for water
business

Taliworks, as one of the more established water supply operators in Malaysia, will continue to play a pro-active and participative role in **fulfilling our responsibilities and ensuring compliance** with all Water Services Industry Act 2006 requirements in our water operations.

-Tuan Haji Abdul Rahman bin Haji Siraj.

BOARD COMMITTEE

A) AUDIT COMMITTEE

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Chairman

MEMBERS

- Encik Sulaiman bin Salleh
- YAM Tengku Putri Arafiah bte
Al-Marhum Sultan Salahuddin Abd
Aziz Shah Al-Haj
- Mr. Wong Yien Kim

B) NOMINATION COMMITTEE

Encik Sulaiman bin Salleh
Chairman

MEMBERS

- YAM Tengku Putri Arafiah bte
Al-Marhum Sultan Salahuddin Abd
Aziz Shah Al-Haj
- Y. Bhg. Dato' Wan Puteh bin Wan
Mohd Saman

C) REMUNERATION COMMITTEE

Y. Bhg. Dato' Hj Abd. Karim bin Munisar
Chairman

MEMBERS

- Y. Bhg. Dato' Wan Puteh bin Wan
Mohd Saman
- Y. Bhg. Dato' Lim Chee Meng

COMPANY SECRETARY

Mr. Ng Yim Kong
(LS 0009297)

REGISTERED OFFICE

Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7804 5929
Fax : 603 7805 2559

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y. Bhg. Dato' Hj Abd. Karim bin Munisar
Chairman

Tuan Haji Abdul Rahman bin Haji Siraj
Chief Executive Officer

Y. Bhg. Dato' Lim Chee Meng
Executive Director

- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj
- Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman
- Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
- Encik Sulaiman bin Salleh
- Mr. Wong Yien Kim

PRINCIPAL OFFICE

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

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 603 2721 2222
Fax : 603 2721 2530

MAIN AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 603 2173 1188
Fax : 603 2173 1288

BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

STOCK

Main Board,
Bursa Malaysia Securities Berhad
Name & Code : TALIWRK & 8524
Stock Sector : Trading / Services

WARRANTS

Main Board,
Bursa Malaysia Securities Berhad
Name & Code : TALIWRK-WA & 8524wa
Sector : Warrants / Loans

CORPORATE STRUCTURE



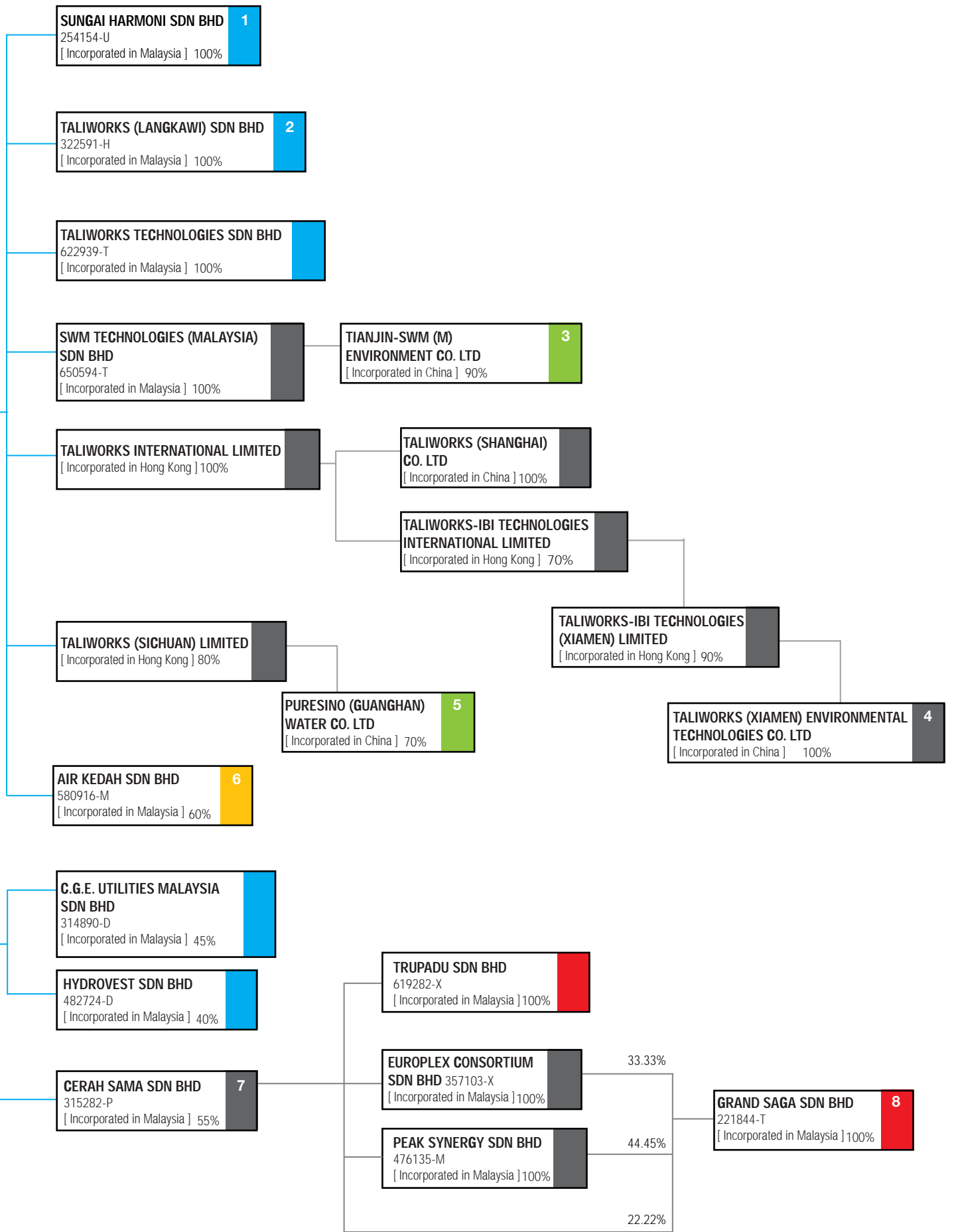
Subsidiary Companies

Associated Companies

Legends

- Water ■
- Waste ■
- Construction ■
- Highway ■
- Holding Company/Others ■

Jointly Controlled Entities



CORPORATE STRUCTURE (Cont'd)

Principal Activities / Business Contracts Held by Operating Subsidiary Companies

1. Sungai Harmoni Sdn Bhd
(254154-U)

(A MS ISO 9001:2000 Certified and Standards Malaysia Accredited Laboratory, ISO/IEC 17025:2005)

Contract

Management, operation and maintenance of the water treatment facilities under Sungai Selangor Water Treatment Works Phase 1.

No. Of Water Treatment Plant : 1
Million Litres Per Day : 950
Duration : Expiring In Jan 2030
2. Taliworks (Langkawi) Sdn Bhd
(322591-H)

Concession

Management, operation and maintenance of water treatment, water supply and distribution facilities on Langkawi Island and the Water Treatment Plant at Sungai Baru in Perlis.

No. Of Water Treatment Plant : 5
Million Litres Per Day : 89.5
Duration : Expiring In Oct 2020
3. Tianjin-SWM (M) Environment Ltd. Co

Concession

Management, operation and maintenance of the Tianjin Panlou Life Waste Transfer Station, and its related assets in the City of Tianjin, People's Republic of China.

Duration : Expiring in Oct 2025

4. Taliworks (Xiamen) Environmental Technologies Co. Ltd

Principal Activity

Producing and marketing the CK21 bacteria and related products for water and wastewater sludge treatment in the People's Republic of China.
5. Puresino (Guanghan) Water Co. Ltd

Concession

Management, operation and maintenance of the Guanghan San Xin Dui wastewater treatment plant in Sichuan, People's Republic of China.

No. of Waste Water Treatment Plant : 1
Million Litres Per Day : 50
Duration : Expiring in July 2033
6. Air Kedah Sdn Bhd (580916-M)

Principal Activity

Design and construction of the water supply system for the Padang Terap Water Supply Scheme in Kedah and Klang Valley Flood Mitigation - Package Sungai Damansara project in Selangor.

Principal Activities / Business Contracts Held by Jointly Controlled Entities

7. Cerah Sama Sdn Bhd
(351282-P)

Principal Activity

Strategic partnership with South East Asian Strategic Assets Fund ("Seasaf") in developing new business opportunities in toll road concessions, both in Malaysia and the Southeast Asian region.
8. Grand Saga Sdn Bhd
(221844-T)

(An ISO 9001:2000 Certified)

Concession

Management, operation and maintenance of the Cheras - Kajang highway. The highway is 11.5 km and comprises of four (4) lanes dual carriageway and eight (8) interchanges, starting from Federal Route 1, from the Connaught interchange, Cheras, Kuala Lumpur to the Saujana Impian junction at the Kajang Highway in Selangor.

Duration : Expiring in Sept 2027

With Grand Saga being the concession holder for the Cheras-Kajang Highway, we have now expanded Taliworks' interest to include that of toll concessionaire and operations.

-Tuan Haji Abdul Rahman bin Haji Siraj.

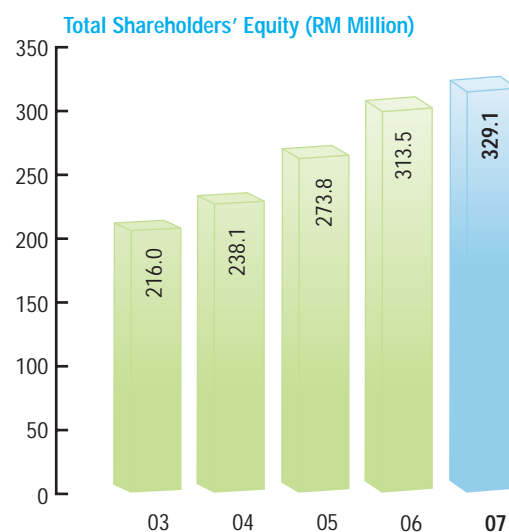
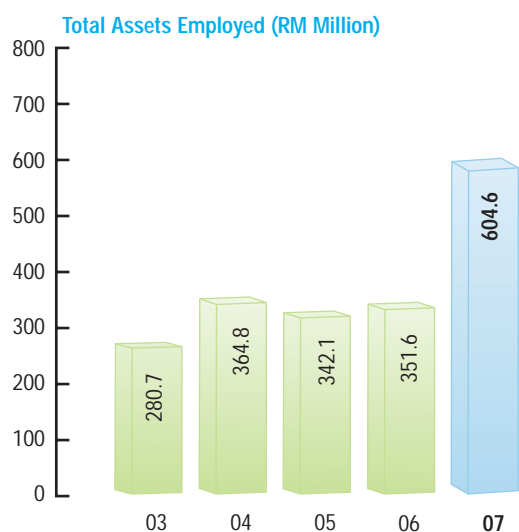
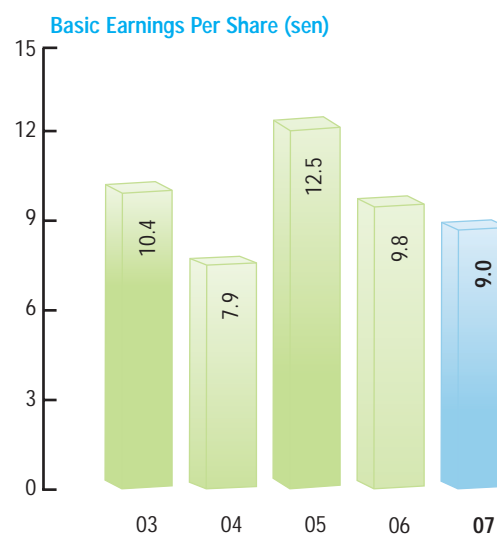
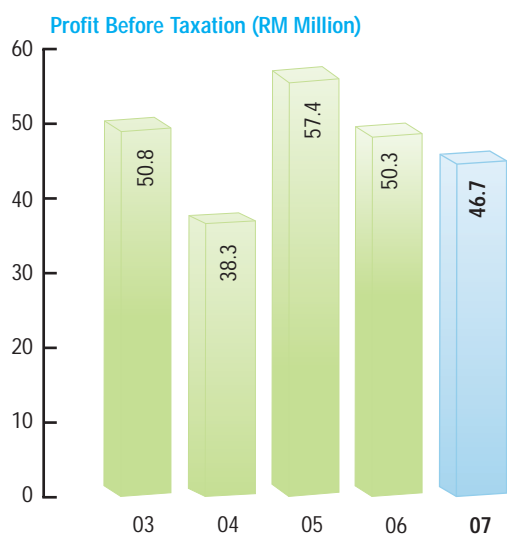
Synergistic
Values



5-YEAR FINANCIAL HIGHLIGHTS

	2003	2004	2005	2006	2007
	RM MIL	RM MIL	RM MIL	RM MIL	RM MIL
PROFITABILITY					
Revenue	134.8	171.5	196.1	142.9	191.0
EBITDA (i)	49.4	38.6	61.4	52.2	50.2
Profit Before Taxation (ii)	50.8	38.3	57.4	50.3	46.7
Profit for The Financial Year	36.6	27.8	44.1	35.6	33.1
KEY BALANCE SHEET ITEMS					
Total Assets Employed	280.7	364.8	342.1	351.6	604.6
Total Borrowings	0.4	39.3	12.0	7.9	226.1
Total Shareholders' Equity	216.0	238.1	273.8	313.5	329.1
No of Shares In Issue	352.2	352.2	352.3	373.4	375.4
SEGMENTAL INFORMATION					
Revenue					
- Water	123.9	131.3	126.5	131.6	126.3
- Construction	10.4	76.0	122.3	9.0	108.9
- Waste Management	-	-	8.0	8.2	9.6
- Investment Holding	83.0	16.0	44.7	34.5	84.9
	217.3	223.3	301.5	183.3	329.7
- Elimination	(82.5)	(51.8)	(105.4)	(40.4)	(138.7)
	134.8	171.5	196.1	142.9	191.0
Profit Before Taxation					
- Water	48.5	36.6	49.2	49.8	47.2
- Construction	0.6	1.8	2.9	1.3	7.5
- Waste Management	-	(0.6)	2.0	0.1	(0.3)
- Investment Holding	80.6	13.2	35.9	28.2	75.9
	129.7	51.0	90.0	79.4	130.3
- Elimination	(81.5)	(13.9)	(31.0)	(29.4)	(83.0)
- Finance Cost	-	(0.5)	(0.8)	(0.6)	(1.5)
- Share of Results of Jointly Controlled Entity	-	-	-	-	0.3
- Share of Results of Associated Companies	2.6	1.7	(0.8)	0.9	0.6
	50.8	38.3	57.4	50.3	46.7
KEY FINANCIAL RATIO					
Gross Dividend Per Share (Sen) (iii)	1.3	5.3	8.0	10.0	9.5
Net Assets Per Share (Sen)	61.3	67.6	77.7	84.0	87.7
Earnings Per Share (Sen)					
- Basic	10.4	7.9	12.5	9.8	9.0
- Fully Diluted	n/a	n/a	12.3	9.4	8.4
Return On Equity (%) (iv)	18.4	12.2	17.2	12.1	10.3
Return On Assets (%) (v)	15.0	8.6	12.5	10.3	6.9
Dividend Payout (%) (vi)	8.8	47.9	46.9	76.2	79.3
Debt to Equity (%)	0.2	16.5	4.4	2.5	68.7

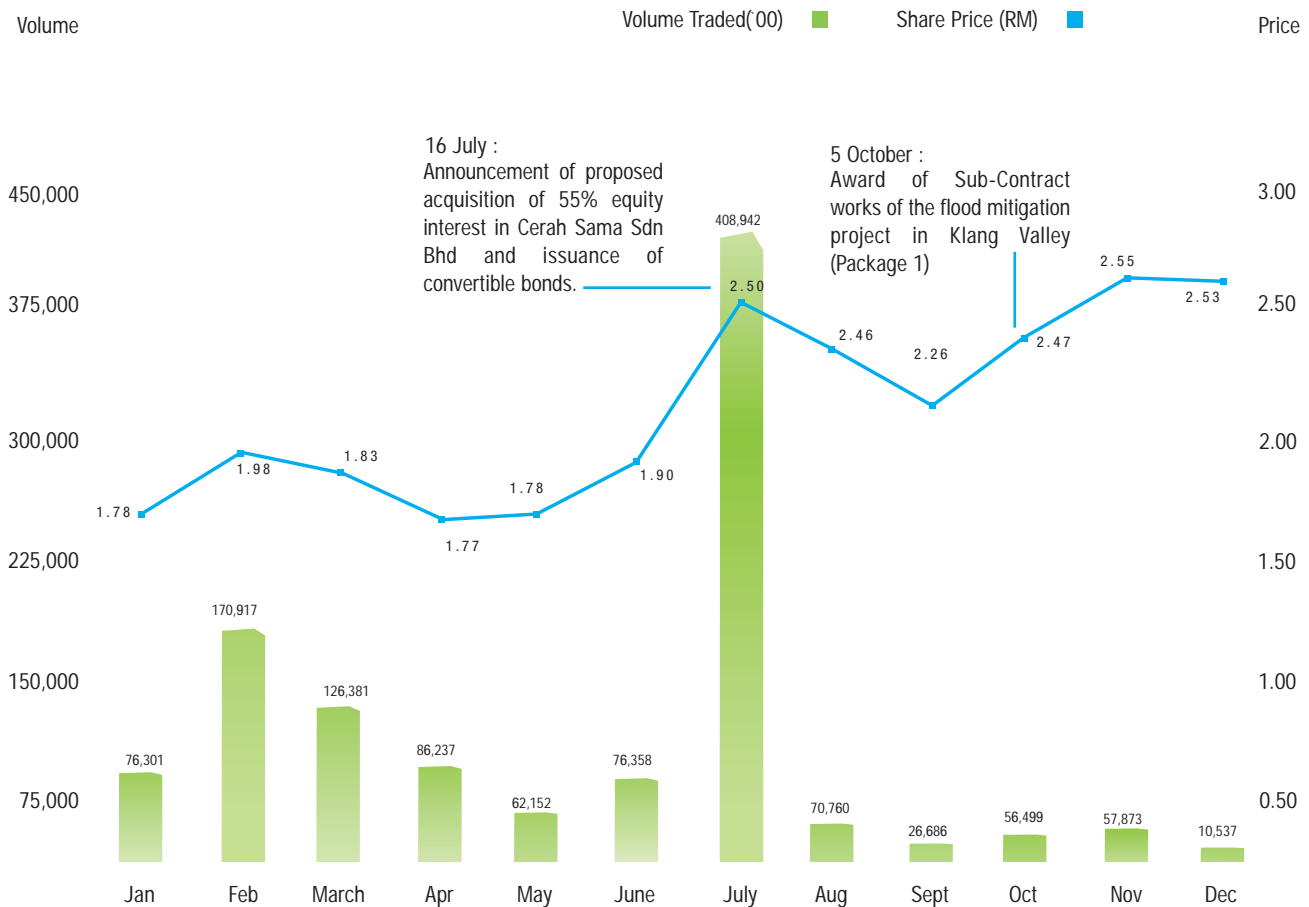
5-YEAR FINANCIAL HIGHLIGHTS (Cont'd)



- (i) EBITDA is defined as net profit before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associated companies and jointly controlled entities).
- (ii) Profit before taxation has been adjusted to comply with FRS 101 where the Group's share of results of associated companies and jointly controlled entities are now presented net of tax.
- (iii) The gross dividend, net assets and earnings per share have been adjusted for the bonus issue of 1:2 in 2003 and the share split of 1 ordinary share of RM1.00 each into two ordinary shares of RM0.50 each in 2005.
- (iv) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.
- (v) Return on Assets is calculated by dividing the profit for the financial year with the average of the opening and closing total assets employed.
- (vi) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

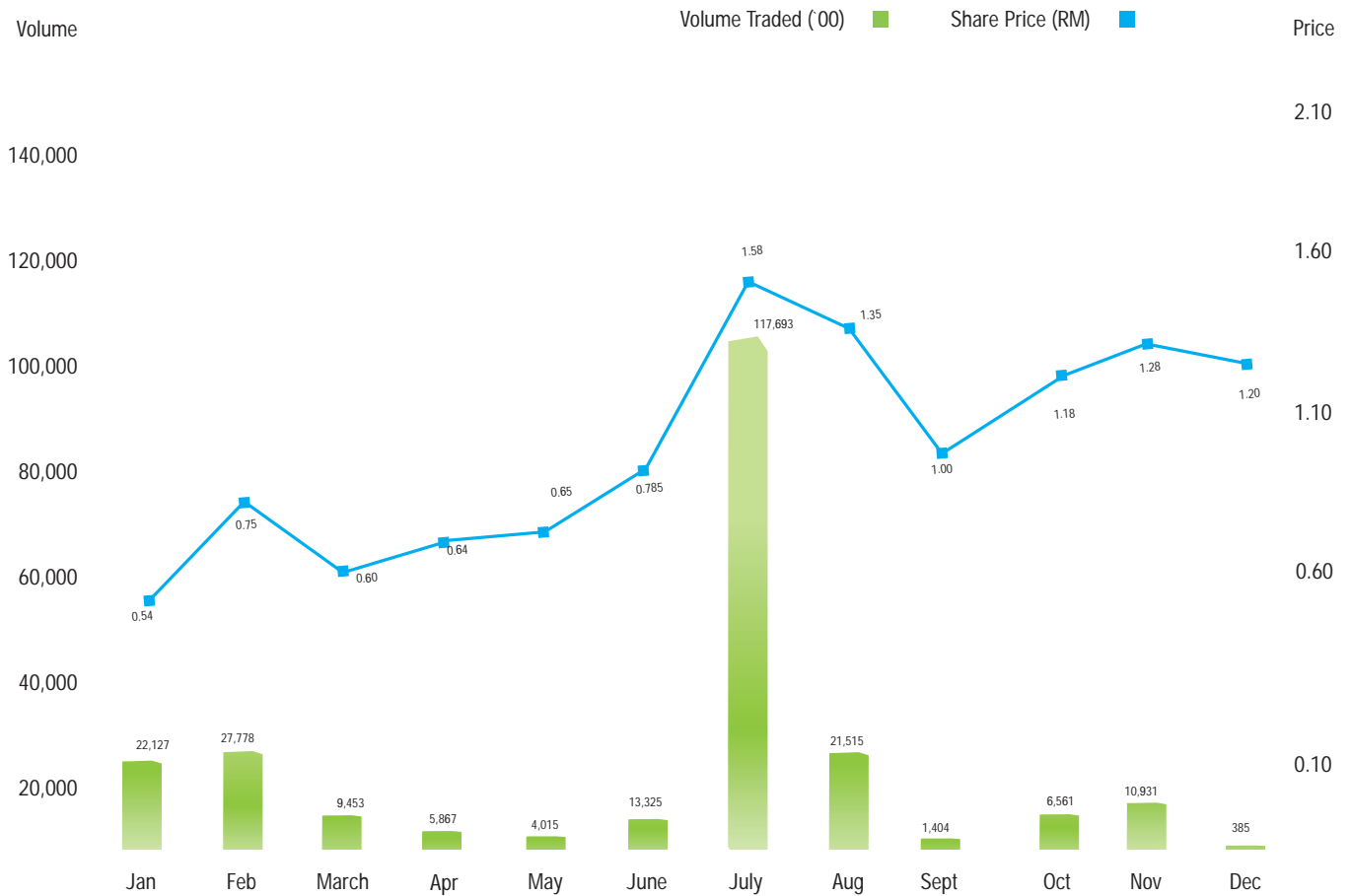
SHARE PERFORMANCE 2007

Highest price during this period is RM 2.55 on 9-Nov-2007
 Lowest price during this period is RM 1.58 on 21-Mar-2007
 Highest volume during this period is 61,582 on 13-Jul-2007



WARRANT PERFORMANCE 2007

Highest price during this period is RM 1.58 on 16-Jul-2007
 Lowest price during this period is RM 0.435 on 5-Mar-2007
 Highest volume during this period is 16,394 on 13-Jul-2007



DIRECTOR'S PROFILE

Y. Bhg. Dato' Hj Abd. Karim bin Munisar

Chairman,
Non-Executive Non-Independent Director

Y. Bhg. Dato' Hj Abd. Karim bin Munisar, a Malaysian aged 57, was appointed to the Board on 10 November 2004 and elected as Chairman of the Board on 2 February 2005. He holds a Bachelor of Economics (Hons.) from University of Malaya, and Advanced Diploma in Economic Development (with Distinction) from University of Manchester, United Kingdom and a Masters in Business Administration from University of Edinburgh, Scotland. He also attended an Advance Course in Urban Planning JICA at Tokyo, Japan.

Dato' Hj Abd. Karim began his career in 1974 as Assistant Director at the Ministry of Finance, Malaysia. Between 1975 to 1980, Dato' Hj Abd. Karim held different positions in various districts in the State of Perak as Assistant District Officer, South Kinta; Chairman of South Kinta District Council, Assistant District Officer 1, Kampar, Chairman of Kampar/Gopeng Municipal Council and also Assistant State Secretary of Perak.

In 1980, Dato' Hj Abd. Karim was appointed Chief Assistant State Secretary of Pahang (Housing Division) and Chief Assistant District Officer 1 (Land) of Kuantan District Office. He held the position of Deputy Director of Klang Valley Planning Secretariat, Prime Minister's Department in 1982 before being appointed as Chief Assistant State Secretary of Selangor (Local Authority Division) in 1987.

Dato' Hj Abd. Karim also served as the President of Ampang Jaya Municipal Council in 1992 to 1996. In 1998, he was appointed District Officer cum Acting President of Sepang District Council.

Dato' Hj Abd. Karim served as the President of Petaling Jaya Municipal Council from 2003 until 2004.

Dato' Hj Abd. Karim currently sits on the Board of Kumpulan Darul Ehsan as President, a position held since 6 September 2004. He is also the Executive Chairman of Kumpulan Perangsang Selangor Berhad and Kumpulan Hartanah Selangor Berhad.

Dato' Hj Abd. Karim is currently the Chairman of the Remuneration Committee of the Company.

Dato' Hj Abd. Karim has fully attended all the six (6) Board of Directors' meeting held during the financial year of the Company.

Tuan Haji Abdul Rahman bin Haji Siraj

Chief Executive Officer

Tuan Haji Abdul Rahman bin Haji Siraj, a Malaysian aged 49, was appointed to the Board on 2 October 2000. Tuan Haji Abdul Rahman graduated with a Bachelor of Accounting (Honours) degree from Universiti Kebangsaan Malaysia. He is also a Member of the Malaysian Institute of Accountants.

Tuan Haji Abdul Rahman has served Texaco Exploration Inc. ("Texaco") as Chief Accountant from 1983 to 1994 before joining Khazanah Nasional Bhd as its General Manager, Investment. While in Texaco, he served in various countries, both in Latin America and Asia, and was given the task to oversee the entire offshore and exploration accounting system. His last appointment in Texaco was in Tashkent, Uzbekistan.

Tuan Haji Abdul Rahman subsequently joined Khazanah Nasional Bhd in 1995 and was given the task of overseeing Khazanah's new investment program both locally and overseas. He served Khazanah for two (2) years, and later joined Intria Bhd as its Director, Business Development. In 1997, he was appointed as Chief Executive Officer of KBI (Malaysia) Bhd, a position he held for three (3) years until September 2000. Thereafter, he was appointed as the Chief Executive Officer of the Company, a position he has held since 2 October 2000.

Tuan Haji Abdul Rahman has fully attended all the six (6) Board of Directors' meeting held during the financial year of the Company.

DIRECTOR'S PROFILE (Cont'd)

Y. Bhg. Dato' Lim Chee Meng

Executive Director

Y.Bhg. Dato' Lim Chee Meng, a Malaysian aged 35, was appointed to the Board on 31 July 2000. Dato' Lim graduated with a Bachelor of Civil Engineering (Hons) Degree from University of Wales, United Kingdom in 1994.

Upon graduation, Dato' Lim began his career with Vivendi Water in Paris, France, specialising in water production and distribution.

Dato' Lim presently sits on the Board of Directors of various companies which are involved in inter-alia, manufacturing, business development, infrastructure and utility projects and oversees the management of these companies.

Dato' Lim is also a Director of Central Industrial Corporation Berhad, a public listed company.

Currently, Dato' Lim is the Chairman of the ESOS Options Committee and a member of the Remuneration Committee of the Company.

Dato' Lim is the brother to Mr. Lim Chin Sean, a major shareholder of the Company.

Dato' Lim has fully attended all the six (6) Board of Directors' meeting held during the financial year of the Company.

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir

Senior Independent Non-Executive Director

Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir, a Malaysian aged 57, was appointed to the Board on 1 November 1996. 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 Directors of various companies which are involved inter-alia, construction and utility projects.

Dato' Hj Mohd Sinon is the Chairman of the Audit Committee of the Company.

Dato' Hj Mohd Sinon has fully attended all the six (6) Board of Directors' meeting held during the financial year of the Company.

DIRECTOR'S PROFILE (Cont'd)

YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj

Independent Non-Executive Director

Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman

Independent Non-Executive Director

Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman

Non-Executive Non-Independent Director

YAM Tengku Putri Arafiah bte Al - Marhum Sultan Salahuddin Abdul Aziz Shah Al - Haj, a Malaysian aged 53, was appointed to the Board on 31 July 2000.

YAM Tengku Putri Arafiah presently sits on the Board of Directors of various companies which are involved in inter - alia, construction and property development.

YAM Tengku Putri Arafiah is also a member of the Audit Committee and Nomination Committee of the Company.

YAM Tengku Putri Arafiah has attended five (5) out of the six (6) Board of Directors' meeting held during the financial year of the Company.

Y.Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman, a Malaysian aged 57, was appointed to the Board on 31 July 2000. Dato' Hj Abdul Karim holds a Masters of Business Administration from Northwest London University, England.

Dato' Hj Abdul Karim presently sits on the Board of Directors of various companies which are involved in inter-alia, the transportation and construction industries.

Dato' Hj Abdul Karim has attended five (5) out of the six (6) Board of Directors' meeting held during the financial year of the Company.

Y.Bhg. Dato' Wan Puteh bin Wan Mohd Saman, a Malaysian aged 77, was appointed to the Board on 31 July 2000. Dato' Wan Puteh holds a Higher School Certificate from the Malay College Kuala Kangsar, State of Perak and a Certificate in Community & Regional Planning from University of British Columbia, Vancouver, Canada.

Dato' Wan Puteh has served various Government offices for thirty two (32) years, including the Ministry of Finance as Senior Assistant Director of Budget, and was the Selangor State Financial Officer from March 1979 to April 1986. He has held leadership positions in numerous sports and recreational organizations and is the Chairman of various committees for Kelab Golf Sultan Abdul Aziz Shah, Malaysia.

Dato' Wan Puteh was involved in Malaysian Scouts for more than sixty (60) years and his last position was the National Chief Commissioner for Malaysia.

Dato' Wan Puteh is a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Wan Puteh has attended five (5) out of the six (6) Board of Directors' Meeting during the financial year of the Company.

DIRECTOR'S PROFILE (Cont'd)

Encik Sulaiman bin Salleh

Independent Non-Executive Director

Encik Sulaiman bin Salleh, a Malaysian aged 63, was appointed to the Board on 25 February 2002. Encik Sulaiman Salleh is a Member of the Malaysian Institute of Accountants.

Encik Sulaiman 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 also acting as a Director in Maybank General Assurance Berhad, Maybank Life Assurance Berhad, PTB Unit Trust Berhad, Maybank Takaful Berhad, Maybank Life International (Labuan) Ltd, and an Independent Director and Audit Committee Chairman of Amalgamated Industrial Steel Berhad.

Currently Encik Sulaiman is the Chairman of the Nomination Committee and a member of the Audit Committee and ESOS Options Committee of the Company.

Encik Sulaiman has fully attended all the six (6) Board of Directors' meeting held during the financial year of the Company.

Mr. Wong Yien Kim

Non-Executive Non-Independent Director

Mr. Wong Yien Kim, a Malaysian aged 54, was appointed to the Board on 1 October 2007. Mr. Wong is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants, England and Wales.

Mr. Wong joined Kumpulan Perangsang Selangor Berhad ("KPS") in 1983 as an Accountant and was appointed Chief Accountant for several subsidiaries of KPS. 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. Mr. Wong is also the General Manager, Finance of KPS as well as the Vice President, Finance of Kumpulan Darul Ehsan Berhad, positions of which he has held since 2000.

Mr. Wong was recently appointed Executive Director of KPS on 18 September 2007.

Mr. Wong is also acting as a Director of Syarikat Pengeluar Air Selangor Holdings Berhad, Cash Band (M) Berhad, KDE Recreation Berhad and Kumpulan Hartanah Selangor Berhad.

Mr. Wong was appointed as a member of the Company's Audit Committee on 20 November 2007.

Mr. Wong has attended all the Board of Directors' meeting of the Company subsequent to his appointment to the Board on 1 October 2007.





Steady and recurring revenue stream

Both our operations in China are concession-based, hence **the Group is assured of these steady income streams for a considerable length of time.**

-Tuan Haji Abdul Rahman bin Haji Siraj.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements of Taliworks Corporation Berhad ("Taliworks") for the financial year ended 31 December 2007.



Financial Performance

Despite challenging market conditions, the Group achieved a profit after taxation and minority interest of RM33.1 million compared to RM35.6 million in the previous financial year although revenue was higher at RM191.0 million compared to RM142.9 million a year ago. This translates into earnings per share of 9.0 sen for the year.

Business Highlights

There were several business highlights that we can draw pride from during the year in review. These involved the securing of a new construction contract to strengthen our order book, strategic mergers and acquisitions and our successful foray into overseas markets.

In 2007, the Group successfully acquired a 55% equity interest in Cerah Sama Sdn Bhd ("Cerah Sama") for a cash consideration of RM55.54 million. Cerah Sama controls Grand Saga Sdn Bhd which in turn owns and operates the Cheras-Kajang Highway for a concession period that extends to 2027.

This move offers much strategic value for Taliworks. We have created a steady and recurring revenue stream that will boost cash flow and income throughout the period of the concession. It also gives us exposure to a valuable asset class of highway concession. We have divested strategically to strengthen our portfolio of companies to include the infrastructure sector.

Y. Bhg. Dato' Hj Abd. Karim bin Munisar

Chairman

CHAIRMAN'S STATEMENT (Cont'd)



Water Treatment & Distribution



Waste Management



Highway Management



Construction

In addition, the Group was awarded the sub-contract for the flood mitigation project in the Klang Valley-Package Sungai Damansara (Package 1). The project is to be completed by September 2008 and its total contract value is RM22 million.

Looking abroad, we are also happy to report that the Group's first wastewater project in China; undertaken by Puresino (Guanghan) Water Co. Ltd has commenced commercial operations in the last quarter of 2007.

This company has been granted a 30-year concession to undertake, manage and operate the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant.

Also in China, the Group has entered into a joint venture partnership whereby Taliworks will set-up a production facility to produce and market the CK21 bacteria and related products for water and wastewater sludge treatment in China. Operations commenced late last year and despite being new, progress has been smooth.

Our ventures in China give us reason to be positive as they hold much potential and value to the Group. This extends both from a financial perspective as well as strengthening our standing as a reputable and credible waste player in China.

Corporate Highlights

Despite the challenging conditions experienced during the year, the Company successfully raised RM225 million of nominal value of 5-year convertible bonds. The funds generated from this exercise will be used primarily for business expansion for our stable of businesses as well as working capital for the Group.

With this and buoyed by our achievements during the year under review, we are launching confidently into our next phase of growth. We intend to position the Group as a fully fledged water, waste and infrastructure player in the region.

Dividend

The Board is pleased to continue rewarding its shareholders by recommending a final gross dividend of 2.5 sen per share bringing the total gross dividends for the year to 9.5 sen per share. In term of total dividend payout for the year, shareholders received close to RM24.6 million compared to RM23.8 million a year ago.

Acknowledgement

On behalf of the Board, I would like to extend my sincere appreciation to all shareholders and stakeholders including our valued customers, business associates, government authorities, financiers, media and the financial community for their continued confidence and support to the Group.

I would also like to record our thanks to Y.Bhg. Datin Paduka Hajjah Juma'ah Moktar who resigned from the Board in August 2007. Y.Bhg. Datin Paduka has served with the Board as Non-Executive Non-Independent Director since May 2000 and we are grateful for her constructive contribution to the Group during her tenure.

In Y. Bhg. Datin Paduka's place, I wish to welcome Mr. Wong Yien Kim who was appointed to join the Board in October 2007. Mr. Wong brings a wealth of experience, expertise and talent to the Group and we are pleased to have him on board.

It is only fitting that I extend my wishes of gratitude to my fellow Board members and the management and staff, who throughout the year in review, have exemplified excellence with their continued dedication, effort and contributions towards the Group's growth and success. Last but not least, I wish to thank our shareholders for their unwavering loyalty and support. We look forward to your continuing vote of confidence as we take the Group forward to greater heights of success in the coming years ahead.

Thank you.

A handwritten signature in black ink.

DATO' HAJI ABD. KARIM BIN MUNISAR
Chairman

18 April 2008

“Para Pemegang Saham yang Dihormati, Bagi pihak Lembaga Pengarah, saya dengan berbesar hati membentangkan Laporan Tahunan dan Penyata Kewangan yang Telah Diaudit bagi Taliworks Corporation Berhad (“Taliworks”) untuk tahun kewangan yang berakhir pada 31 Disember 2007.”

Prestasi Kewangan

Walaupun menghadapi keadaan pasaran yang mencabar, Kumpulan telah mencapai keuntungan selepas cukai dan kepentingan minoriti sebanyak RM33.1 juta berbanding RM35.6 juta pada tahun kewangan yang lalu, walaupun mencatatkan perolehan yang lebih tinggi iaitu sebanyak RM191.0 juta berbanding RM142.9 juta setahun lalu. Ini menghasilkan pendapatan sebanyak 9.0 sen setiap saham bagi tahun tersebut.

Sorotan Perniagaan

Terdapat beberapa urusan niaga penting yang boleh kita banggakan dalam tahun kajian. Ini termasuklah kejayaan mendapatkan kontrak pembinaan baru untuk mengukuhkan buku pesanan kita, percantuman dan pemerolehan strategik serta kejayaan penglibatan kita ke pasaran luar negara.

Pada tahun 2007, Kumpulan telah berjaya memperoleh sebanyak 55% pegangan ekuiti dalam Cerah Sama Sdn Bhd (“Cerah Sama”) dengan pertimbangan tunai sebanyak RM55.54 juta. Cerah Sama menguasai Grand Saga Sdn Bhd yang memiliki dan melaksanakan operasi Lebuhraya Cheras-Kajang untuk tempoh konsesi yang menjangkau sehingga tahun 2027.

Urus niaga ini menjanjikan nilai strategik kepada Taliworks. Kita telah menyediakan aliran hasil yang stabil dan berulang yang akan meningkatkan aliran tunai dan pendapatan sepanjang tempoh konsesi. Ia juga memberikan kita pendedahan terhadap kelas aset konsesi lebuhraya yang bernilai. Kita telah mengambil tindakan strategik untuk mengukuhkan lagi portfolio syarikat-syarikat termasuk penyertaan dalam sektor infrastruktur.

Sebagai tambahan, Kumpulan telah dianugerahkan sub kontrak untuk projek pengawalan banjir di Lembah Kelang–Pakej Sungai Damansara (Pakej 1). Projek ini akan disiapkan menjelang September 2008 dan jumlah nilai kontrak adalah sebanyak RM22 juta.

Bagi projek luar negara, kita dengan sukacitanya melaporkan bahawa projek air kumbahan Kumpulan yang pertama di China; yang dilaksanakan oleh Puresino (Guanghan) Water Co. Ltd telah memulakan operasi komersial pada suku terakhir tahun 2007.

Syarikat ini juga telah diberikan konsesi selama 30 tahun untuk menjalankan, menguruskan dan melaksanakan operasi 50 juta liter sehari di loji rawatan air kumbahan Guanghan San Xin Dui.

Di China juga, Kumpulan telah menjalinkan perkongsian usaha sama yang mana Taliworks akan membina kilang pengeluaran untuk mengeluarkan dan memasarkan bakteria CK21 dan produk berkaitan untuk rawatan residu air dan air kumbahan di China. Operasi telah bermula lewat tahun lalu dan walaupun baru beroperasi, perkembangannya dilaporkan lancar.

Usaha niaga kita di China memberikan ruang yang positif kerana usaha niaga ini menjanjikan potensi dan nilai kepada Kumpulan. Ini merangkumi perspektif kewangan, dan juga dari segi penguatkuasaan kedudukan kita sebagai salah satu pesaing utama dalam perniagaan industri sisa buangan yang disegani di China.

Sorotan Korporat

Walaupun berdepan situasi mencabar sepanjang tahun, Syarikat telah berjaya melaksanakan penerbitan RM225 juta nilai nominal bagi bon-bon boleh tukar 5 tahun. Hasil yang diperolehi daripada urus niaga ini akan digunakan untuk pengembangan perniagaan kita yang sedia ada serta sebagai modal kerja untuk Kumpulan.

Dengan ini, serta dengan sokongan pencapaian cemerlang sepanjang tahun kajian, kita mampu melangkah penuh keyakinan memasuki fasa perkembangan seterusnya. Kita mahu meletakkan Kumpulan sebagai pesaing utama perniagaan industri air, sisa buangan dan infrastruktur yang mantap di rantau ini.

Dividen

Lembaga dengan berbesar hati akan terus memberikan ganjaran kepada pemegang saham dengan mencadangkan dividen kasar akhir sebanyak 2.5 sen setiap saham, dengan jumlah dividen kasar tahunan sebanyak 9.5 sen setiap saham. Dari segi jumlah pembayaran dividen tahunan, pemegang saham akan menerima hampir RM24.6 juta berbanding RM23.8 juta setahun lalu.

Penghargaan

Bagi pihak Lembaga, saya ingin menyampaikan penghargaan ikhlas kepada semua pemegang saham dan pemegang amanah termasuk pelanggan kami, rakan perniagaan, pihak berkuasa kerajaan, pemiaya, media serta komuniti kewangan di atas keyakinan dan sokongan yang berterusan terhadap Kumpulan ini.

Saya juga ingin mengucapkan terima kasih kepada Y.Bhg. Datin Paduka Hajjah Juma'ah Moktar yang meletak jawatan daripada Lembaga pada Ogos 2007. Y.Bhg. Datin Paduka telah berkhidmat dengan Lembaga sebagai Pengarah Bukan Bebas Bukan Eksekutif sejak Mei 2000 dan kami menghargai sumbangan membina beliau kepada Kumpulan sepanjang beliau bertugas.

Bagi menggantikan Y. Bhg. Datin Paduka, saya ingin mengalu-alukan peralihan Encik Wong Yien Kim yang menyertai Lembaga pada Oktober 2007. Encik Wong membawa bersamanya pengalaman, kepakaran dan bakat yang dapat disumbangkan kepada Kumpulan dan kita berbesar hati dengan penyertaan beliau dalam organisasi ini.

“Pada tahun 2007, Kumpulan telah berjaya memperoleh sebanyak 55% pegangan ekuiti dalam Cerah Sama Sdn Bhd (“Cerah Sama”) dengan pertimbangan tunai sebanyak RM55.54 juta. Cerah Sama menguasai Grand Saga Sdn Bhd yang memiliki dan melaksanakan operasi Lebu Raya Cheras-Kajang untuk tempoh konsesi yang menjangkau sehingga tahun 2027.”

Saya juga ingin menyampaikan sekalung penghargaan kepada rakan-rakan ahli Lembaga serta pihak pengurusan dan staf, yang sepanjang tahun, telah mempamerkan kecemerlangan dengan menunjukkan sifat dedikasi, usaha dan sumbangan yang berterusan terhadap perkembangan dan kejayaan Kumpulan.

Akhir sekali, saya ingin mengucapkan terima kasih kepada pemegang saham kami di atas kesetiaan dan sokongan teguh mereka. Kami mengharapkan keyakinan berterusan daripada anda, dalam usaha membawa dan meningkatkan pencapaian Kumpulan serta kejayaan untuk tahun-tahun mendatang.

Terima kasih.



DATO' HAJI ABD. KARIM BIN MUNISAR

Pengerusi

18 April 2008

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

2007 saw Taliworks continuing its efforts to expand the Group's footprint abroad and to further diversify our portfolio of businesses. Despite a tough external operating environment, the Group remained resilient and competitive and was able to break new grounds, particularly in China.

During the year, the Group invested in a company in Sichuan, China that is involved in the treatment of wastewater. This is the first wastewater project for the Group in the region. This achievement is our second success in China as the Group has been operating a waste transfer station in Tianjin, China since 2005.



Tuan Haji Abdul Rahman bin Haji Siraj
Chief Executive Officer

Both our operations in China are concession-based, hence the Group is assured of these steady income streams for a considerable length of time.

Though the Group has been aggressively expanding overseas, Malaysia remains our focus of business. The Group believes that Malaysia has lot to offer in term of business opportunities, hence in 2007, the Group made a strategic move to acquire a majority stake in Grand Saga Sdn Bhd ("Grand Saga"). This was achieved by the Group securing a 55% equity in Cerah Sama Sdn Bhd. ("Cerah Sama").

With Grand Saga being the concession holder for the Cheras-Kajang Highway, we have now expanded Taliworks' interest to include that of toll concessionaire and operations.

Moving forward, we will continue to aggressively build our portfolio of concession assets and businesses that offer stable growth.

Financial Performance

For the year in review, the Group recorded higher revenue of RM191.0 million (2006: RM142.9 million). However, due to the challenging business environment, we recorded a lower profit after tax and minority interest of RM33.1 million (2006: RM35.6 million).

The substantial increase in revenue is due to the rise in construction activities from our two existing projects in Malaysia. The lower profit is primarily due to the decrease in production at our Sungai Selangor Phase 1 ("SSP1") treatment plant, which is a large contributor towards Taliworks' aggregate earnings.

Looking at the financial performance of our various divisions, the Group's water business remained the key revenue contributor-making up 66% of total turnover or RM126.3 million (2006: RM131.6 million). This despite a decline in total contribution due to reduced production in SSP1.

Our construction unit, which saw an increase in activities during the year in review, was the second biggest contributor. Construction chalked up a 30% share of revenue, amounting to RM56.6 million (2006: RM4.6 million).

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (Cont'd)

Due to the bigger contribution from construction and with an expanded revenue pie, contribution from waste management operations (comprising mainly of our waste transfer station in Tianjin, China), only amounted to 4% of total revenue. But on closer inspection, the division's revenue measured in the local currency actually grew by a modest 8% i.e. to RMB15.6 million (RM8.1 million equivalent) from RMB14.5 million (RM6.7 million equivalent).

We are particularly pleased to see such a strong improvement from a relatively fledgling venture, more so in a foreign market. There is much potential for this venture to grow further in the future.

In terms of profit, the water division was still the biggest earner, despite its share of revenue decreasing. The business unit channelled a profit before tax of close to RM47.2 million (2006: RM49.8 million).

The biggest jump in earnings came from the construction division which recorded a profit before tax of RM7.5 million (2006: RM1.3 million). There was also a maiden contribution from our Highway Division through our equity interest in Cerah Sama which owns Grand Saga.

As at 31 December 2007, shareholders' equity stood at RM329.1 million (2006: RM313.5 million).

Water & Engineering Division

The Malaysian water industry has entered into a new phase with the implementation of the Water Services Industry Act 2006 ("Act 655") ("WSIA"), effective 1 January 2008.

This legislation stipulates that water supply and distribution services will be regulated by the Federal Government through the newly formed Suruhanjaya Perkhidmatan Air Negara ("SPAN"). Regulation will be enforced through:

- * The issuance of licences,
- * Setting up of key performance indicators ("KPI") and penalties for non-compliance.

Taliworks, as one of the more established water supply operators in Malaysia, will continue to play a pro-active and participative role in fulfilling our responsibilities and ensuring compliance with all WSIA requirements in our water operations.

Currently, our water operations are managed by the Group's subsidiaries Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB"). SHSB operates and manages the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") while the latter manages the concession for the Langkawi water supply and distribution system.

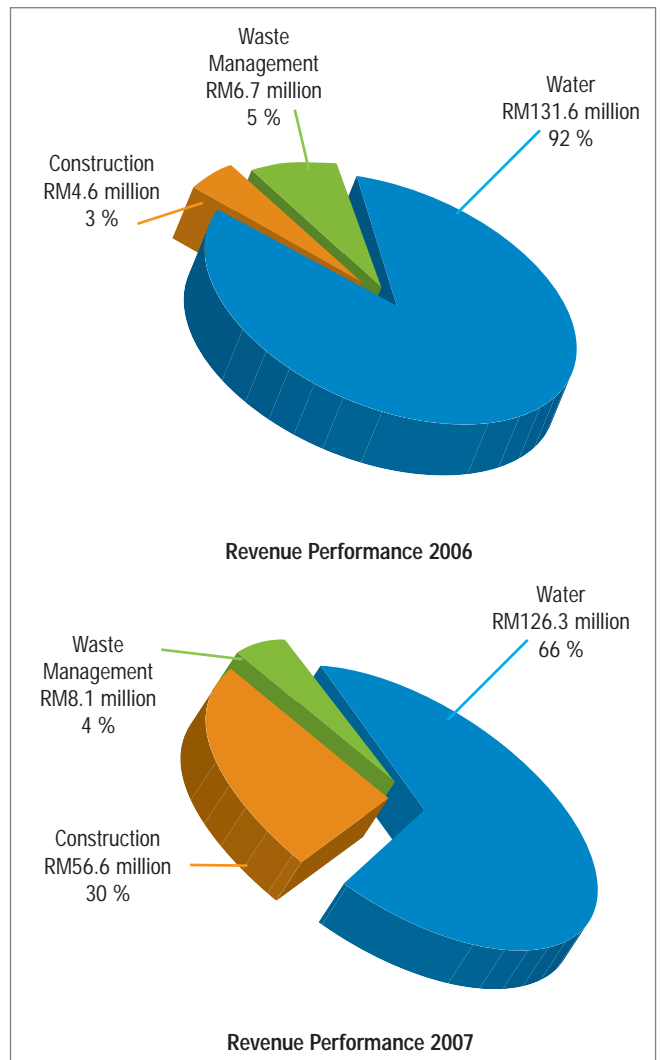
Looking at demand and supply, the robust Malaysian economy which grew at a creditable 6.3% in 2007 coupled with an increase in population fuelled greater demand for water - both for domestic and industrial consumption.

Despite the uptrend, there was a contrast in metered output by SHSB and TLSB where SHSB's metered demand output further declined by 8.2% compared to the previous year. TLSB registered a robust 9.6% growth over the same period.

Underpinned by the robust Malaysian economy as well as the positive effects of the Visit Malaysia Year 2007; which has been extended to July 2008, metered consumption growth in Langkawi is projected to carry over into the coming year but on a more modest scale in light of the financial fallout besetting global markets.

On the other hand, as Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") continues to rationalise the Klang Valley water supply system to reduce Non-Revenue Water ("NRW") losses by controlling outflow from major water treatment plants including SSP1, it is likely that SHSB will continue to experience declining outflow for the coming year.

This will become more evident, especially as outflow from the Rasa Water Treatment Plant under Sungai Selangor Phase 3 ("SSP3") is scheduled to be expanded into areas currently served by SSP1.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (Cont'd)

Throughout the year in review, consistent rainfall throughout Selangor helped to keep dams and river flows at adequate levels to meet the abstraction requirements of the major water treatment plants including SSP1.

In Langkawi, spells of dry weather in the second and third quarters did deplete dam and banded storage reserves. But rains in the first and fourth quarters helped to alleviate the situation to a more satisfactory level by year end.

Having experienced sustained rainfall during the first part of 2008 and with a steady flow forecasted for the rest of the year, there is confidence that dam reserves in Selangor and Langkawi will be able to meet draw-down requirements for 2008.

Under the generally wet conditions of the year in review, unit chemical costs were managed quite effectively with a reduction in costs. Unit electrical costs were also managed efficiently despite the spikes arising from erratic pumping regimes.

The implementation of comprehensive maintenance and servicing programs supported by a rolling refurbishment program on major mechanical, electrical and chemical installations have helped ensure optimal operational efficiency.

Simultaneously, we are voluntarily conducting surveillance of raw water quality in the catchment area to monitor quality and pollution trends. Despite forecasts of steady rainfall for the year, weather patterns can change. As such, we will remain constantly vigilant to manage the changing environment and to respond speedily to meet any challenges.

Sungai Harmoni Sdn Bhd

SHSB posted an average output of 733.27 million litres per day ("MLD") in 2007-a decline of 8.2% compared to the average of 799.21 MLD from the previous year. This decline was due to SYABAS restricting water supply from the major water treatment plants to further reduce NRW levels in line with meeting its KPI under the privatisation concession with the Selangor State Government. As a result, output from SSP1 fluctuated from month to month with the attendant increase in electrical costs.

With SYABAS set to continue rationalising supplies, it is projected that plant output may fall further in the coming year, more so as output from the Rasa Water Treatment Plant is set to be piped into areas currently supplied by SSP1.

Despite the difficult operating environment, a tight operations regime consisting of a strict maintenance and refurbishment regime managed to control and reduce unit electrical costs compared to the previous year.

Since obtaining the MS ISO 9001:2000 Quality Management Systems accreditation for 'Operation and Maintenance of Water Treatment Plant' in 2003 for the SSP1 plant, SHSB continues to operate and maintain the plant in accordance with the documented operational controls.

With adequate rain the year round, the dams were kept filled and ensured that river flows were more than adequate to sustain abstraction requirements of the major water treatment plants, including SSP1. As dam reserves were full by year end, there is confidence of adequate reserves to tide over the coming dry season despite the uncertain weather ahead.

Taliworks (Langkawi) Sdn Bhd

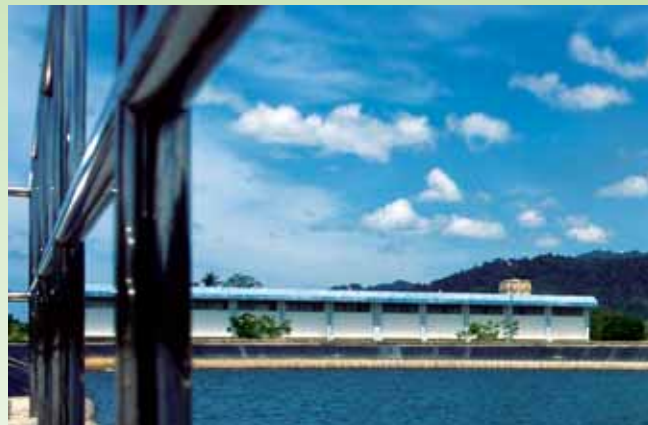
Buoyed by Malaysia's favourable economic climate and tourism promotion activities in conjunction with Visit Malaysia Year 2007 metered consumption in Langkawi posted a robust 9.6% increase to 41.72 MLD compared to an average of 38.06 MLD in 2006.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (Cont'd)



SSP1



Langkawi

This represented the eighth consecutive year of increase in metered consumption and is underscored by an increase in the consumer base to 20,650 accounts by end of 2007.

Barring any unforeseen circumstances but taking into account the current financial problems besetting the United States of America and the potential spill-over effects to Asian economies, it is prudent to project that metered consumption, while still on an uptrend, is likely to be modest in 2008.

Thanks to efficient management, unit chemical costs saw a reduction. However, the prolonged drought in the second and third quarters increased unit electric costs as earlier pumping was required to fill up the Malut Dam. With the possibility of changing weather patterns for next year, we will continue to exercise vigilance to respond speedily to variances in the operating environment.

To further reduce NRW levels, activities such as district metering, active and passive leakage detection, pressure control and meter replacement will continue to be implemented.

We are happy to report that TLSB, in partnership with Odense Vandselskab AS of Denmark, has obtained a grant from the Danish Government under the Danida Partnership Facility Programme. This grant is to undertake various initiatives for the reduction of NRW and energy in Langkawi.

We anticipate that this programme will benefit the Langkawi water supply and distribution system in terms of demonstrating effective NRW reduction methodologies, efficient water management and energy savings.

Construction & Engineering Division

Currently, the Group is undertaking two projects:

- * the design and construction of the water supply system for the Padang Terap Water Supply Scheme, in Kedah (RM149 million); and
- * the Subang South Pond Project—a flood migration pond project to avert flash floods caused by storm water from Sungai Damansara to its low lying river banks at Shah Alam, Selangor, (RM22 million).

Apart from minor land acquisition problems at some of the reservoir sites which impacted construction, the overall progress of the Padang Terap Supply Project Scheme is smooth going.

In fact, work is on schedule with up to 36% completion achieved at end 2007. Barring any unforeseen circumstances, the Group expects to achieve practical completion in early 2009 as stipulated in the contract.

As for the Subang South Pond Project, the project is well on schedule with 13% completion achieved at the end of 2007. The Group expects full completion by the third quarter of 2008.

Besides providing a synergistic fit to our water division, our construction arm will be beneficial in generating additional contribution to the Group and reducing our reliance on any single business unit for income.

Waste Management Division

Tianjin-SWM (M) Environment Ltd, Co

The Group's maiden foray into China has indeed been something we can take pride in. Our venture into China's waste management business through a subsidiary, SWM Tianjin-SWM (M) Environment Ltd, Co ("Tianjin-SWM"), is now in its third year of operations.

Tianjin-SWM holds the concession rights to manage, operate and maintain the Tianjin Panlou Life Waste Transfer Station for a duration of 21 years which commenced from January 2005.

The throughput at the Tianjin Panlou Transfer Station has been on the rise since commencing operations.

Last year, throughput increased by 8% to 324,800 tonnes per annum (or 889 tonnes per day) compared to 300,000 tonnes (or 821 tonnes per day) a year ago. With the increase in throughput and annual tariff increase, total revenue increased to RMB15.6 million (RM8.1 million equivalent) from RMB14.5 million (RM6.7 million equivalent).

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (Cont'd)

However, the rise in fuel and vehicle maintenance costs weighed down on profits. Increased efforts have been made to intensify cost control measures and optimise productivity by instituting closer scrutiny on the major cost components, reduction in redundant workforce and tighter surveillance on operations. Negotiations are currently on-going with the relevant authorities to apply for an increment of pre-determined tariff rates based on inflationary costs in operating the transfer station.

With a foothold in Tianjin, the Group is continuing with efforts to secure other waste - related projects, in Tianjin and elsewhere in China and South East Asia.

Puresino (Guanghan) Water Co. Ltd

Puresino (Guanghan) Water Co. Ltd ("Puresino Guanghan") is the Group's second investment into China.

It is also the first time that we have ventured into this particular niche industry of wastewater management. Puresino Guanghan has been granted an exclusive 30-year concession rights to undertake, manage and operate the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in Guanghan City, Sichuan. The said concession will expire in 2033.

The company commenced commercial operations in September 2007 and despite being new, has already treated approximately 2.83 million tonnes of wastewater. It is a noteworthy achievement for a 3-month old operation and this gives us further confidence to earmark China as a greenfield market for the Group.

Highway Division

With the acquisition of a 55% equity interest in Cerah Sama, Taliworks successfully established its highway division in line with its strategy to venture into the infrastructure sector, in particular, toll road operations.

The acquisition was completed through a cash consideration of RM55.54 million which immediately gives us strong exposure as Cerah Sama owns and operates the Cheras-Kajang Highway concession through Grand Saga. Grand Saga is a special purpose vehicle incorporated for the privatisation of the Cheras - Kajang highway. Running for a period of 32 years, the concession expires in 2027.

The acquisition of Cerah Sama was made in strategic partnership with the South East Asian Strategic Assets Fund ("SEASAF"). SEASAF acquired a 35% stake in the company and collectively, both parties indirectly own 90% equity interest in Grand Saga.

Since 1999, the highway has been charting commendable growth in traffic volume. Up to year 2007, its average daily traffic ("ADT") increased with a compounded annual growth rate of 3.9% at Batu 9 Toll Plaza and 7.0% at Batu 11 Toll Plaza.

However, as expected, there was a temporary reaction to the toll increase in January 2007 where the ADT fell from 204,475 in year 2006 to 199,474 in 2007.

This is in line with past trends where ADT dropped during the years that toll rates were increased. Nevertheless, the ADT is expected to improve in the year following a toll rate increase. The proposed completion of the LEKAS (the Kajang - Seremban highway) in early 2010 is expected to provide further growth impetus for the Cheras-Kajang highway.

Corporate Developments

During the year in review, the Group successfully issued RM225 million nominal value of convertible bonds to primarily fund local and foreign business expansion.

The fund raising exercise was crucial to support the Group's on-going strategies to broaden its reach and earning base in view of the increasingly challenging business environment.

The issuance of the convertible bonds implemented in the midst of one of the worst financial crisis faced by the global markets was undoubtedly timely and enhances the capability of the Group to maximise the opportunities available to secure projects or undertake mergers and acquisitions of viable entities in the water and waste management segments.

The bonds were rated AA3 and were fully subscribed by investors. This is a strong vote of confidence towards the Group's financial track record and its credibility.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (Cont'd)

New Business Developments

Following Taliworks' intensification of its business activities in China, the Group announced that it has entered into a partnership to set-up a production facility to produce and market the CK21 bacteria and related products for water and wastewater sludge treatment in China.

This technology will provide a superior alternative to disposal of waste which is environmentally friendly and ecologically balanced. The technology is also applicable to disposing other organic waste and has good commercialisation potential in Malaysia and other ASEAN countries.

If we are successful in China, it is very much feasible for us to replicate similar business models across other countries to create new markets for the Group.

As part of its strategy to diversify into infrastructure-related activities, Taliworks and SEASAF will also be pursuing investments in toll road concessions in Malaysia and South East Asia. This is to enable Cerah Sama to build up a sizeable portfolio of investments and slate the company for a possible listing in the future.

In light of the changing and challenging operating environment, the Group has been prudent in building up its pipeline of overseas projects. As always, we have executed the necessary due diligence and risk mitigation controls to ensure every proposal is thoroughly vetted before a decision is made. Nevertheless, with Taliworks' vision to stimulate growth by venturing abroad, we are positive that exposure to businesses abroad will increase in the near future.

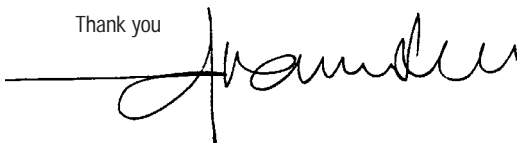
Prospects

The Group will continue to identify synergistic businesses to further enhance its earnings and realise its goal of doubling its market capitalisation in three years' time by focussing on growing its water, waste management and infrastructure segments as well as sourcing for viable related projects that will generate recurring income, both locally and abroad.

Looking back on our successes and achievements in the past year, we can confidently say that the Group is building itself a sturdy platform of profitable businesses. These divisions will give us the impetus to launch ourselves forward towards greater growth and success. We are optimistic about the future and look forward to the challenges and opportunities that await us in 2008 and beyond.

The Group aims to stay competitive and remain in the forefront in the water and waste management businesses. We have made a strong start towards achieving our next phase of growth and positioning ourselves to be a full-fledged and formidable water, waste and infrastructure player in the region.

Thank you



HAJI ABDUL RAHMAN BIN HAJI SIRAJ
Chief Executive Officer

18 April 2008



Tianjin SWM



Puresino Guanghan



Grand Saga

TINJAUAN OPERASI OLEH KETUA PEGAWAI EKSEKUTIF

Tahun 2007 memperlihatkan Taliworks meneruskan usaha mengembangkan sayap Kumpulan ke luar negara dan mempelbagaikan lagi portfolio perniagaan. Walaupun berdepan dengan persekitaran operasi yang sukar, Kumpulan kekal bertahan dan bersaing serta mampu membentuk tapak baru, terutamanya di China.

Sepanjang tahun, Kumpulan telah melabur dalam sebuah syarikat di Sichuan, China, yang terlibat dalam pengurusan air kumbahan. Ini merupakan projek air kumbahan pertama bagi Kumpulan di rantau ini. Pencapaian ini merupakan kejayaan kedua kita di China, memandangkan Kumpulan sememangnya sudah menjalankan operasi stesen pemindahan sisa buangan di Tianjin, China sejak tahun 2005.

Kedua-dua operasi kita di China adalah berasaskan konsesi, oleh itu Kumpulan terjamin dengan aliran pendapatan stabil untuk satu jangka masa yang ditetapkan.

Walaupun Kumpulan telah menjalankan usaha pengembangan agresif ke luar negara, Malaysia masih lagi menjadi tempat tumpuan utama perniagaan kita. Kumpulan percaya bahawa Malaysia mampu menawarkan banyak peluang perniagaan, oleh itu pada 2007, Kumpulan telah mengambil tindakan strategik dengan pemerolehan kepentingan majoriti dalam Grand Saga Sdn Bhd ("Grand Saga"). Ini dilaksanakan Kumpulan melalui pengambil alihan 55% ekuiti dalam Cerah Sama Sdn Bhd. ("Cerah Sama").

Dengan Grand Saga sebagai pemegang konsesi untuk Lebuhraya Cheras - Kajang, kita kini mengembangkan kepentingan Taliworks dengan penyertaan konsesi tol dan operasi.

Melangkah ke hadapan, kita akan terus agresif membina portfolio aset-aset konsesi dan perniagaan yang menawarkan pertumbuhan stabil.

Prestasi Kewangan

Bagi tahun kajian, Kumpulan mencatatkan pendapatan lebih tinggi iaitu RM191.0 juta (2006: RM142.9 juta). Walau bagaimanapun, disebabkan persekitaran perniagaan mencabar, kita mencatatkan keuntungan lebih rendah selepas cukai dan kepentingan minoriti iaitu sebanyak RM33.1 juta (2006: RM35.6 juta).

Peningkatan pendapatan ketara adalah hasil aktiviti pembinaan yang menggalakkan daripada dua projek sedia ada di Malaysia. Kemerosotan keuntungan terutamanya disebabkan pengurangan pengeluaran di loji rawatan Fasa 1 ("SSP1") di Sungai Selangor, iaitu penyumbang terbesar pendapatan agregat Taliworks.

Melihat kepada prestasi kewangan pelbagai bahagian kita, perniagaan air Kumpulan kekal sebagai penyumbang pendapatan utama-sebanyak 66% daripada jumlah perolehan atau RM126.3 juta (2006: RM131.6 juta). Perolehan ini dicatatkan walaupun berlaku pengurangan sumbangan akibat kemerosotan pengeluaran di SSP1.

Unit pembinaan kita, yang menunjukkan peningkatan aktiviti sepanjang tahun kajian, merupakan penyumbang kedua terbesar. Pembinaan menyumbang 30% pendapatan, bernilai RM56.6 juta (2006: RM4.6 juta).

Memandangkan sumbangan lebih besar daripada bidang pembinaan dan pengembangan pendapatan, sumbangan daripada operasi pengurusan sisa buangan (terdiri daripada stesen pemindahan sisa buangan di Tianjin, China), hanya mencatatkan 4% pendapatan keseluruhan. Namun jika diteliti, pendapatan yang diperolehi yang diukur dalam mata wang tempatan sebenarnya meningkat sederhana sebanyak 8% iaitu kepada RM15.6 juta (bersamaan RM8.1 juta) daripada RM14.5 juta (bersamaan RM6.7 juta).

Kita sangat berbangga melihat peningkatan kukuh usaha niaga yang masih di peringkat awal ini, lebih-lebih lagi dalam pasaran asing. Terdapat potensi untuk usaha niaga ini berkembang lebih pesat pada masa hadapan.

Dari segi keuntungan, bahagian air masih merupakan penyumbang pendapatan terbesar, walaupun nilai pendapatannya berkurangan. Unit perniagaan ini menyumbangkan keuntungan sebelum cukai yang mencecah RM47.2 juta (2006: RM49.8 juta).

Lonjakan terbesar datangnya dari bahagian pembinaan yang merekodkan keuntungan sebelum cukai sebanyak RM7.5 juta (2006: RM1.3 juta). Bahagian Lebuhraya memberikan sumbangan pertamanya melalui pegangan ekuiti kita dalam Cerah Sama yang memiliki Grand Saga.

Pada 31 Disember 2007, ekuiti pemegang saham adalah berjumlah RM329.1 juta (2006: RM313.5 juta).

Bahagian Air & Kejuruteraan

Industri air Malaysia telah memasuki fasa baru dengan pengenalan Akta Industri Perkhidmatan Air 2006 ("Akta 655") ("WSIA"), berkuat kuasa mulai 1 Januari 2008.

Undang-undang ini menetapkan perkhidmatan bekalan dan agihan air dikawal oleh Kerajaan Pusat melalui Suruhanjaya Perkhidmatan Air Negara ("SPAN") yang baru ditubuhkan. Peraturan dikuatkuasakan melalui:

- Pemberian lesen,
- Menetapkan penunjuk prestasi utama ("KPI") dan penalti bagi pihak yang tidak menepati syarat.

Taliworks sebagai salah sebuah operator bekalan air terkemuka Malaysia, akan terus menjalankan peranan pro aktif dan bersama memenuhi tanggungjawab kita, serta memastikan pematuhan kepada peraturan WSIA dalam menjalankan operasi air.

Kini, operasi air kita dijalankan oleh subsidiari Kumpulan—Sungai Harmoni Sdn Bhd ("SHSB") dan Taliworks (Langkawi) Sdn Bhd ("TLSB"). SHSB menjalankan operasi dan menguruskan Kerja-kerja Rawatan Air Sungai Selangor Fasa 1 ("SSP1"), manakala TLSB menguruskan konsesi bekalan air dan sistem pengagihan di Langkawi.

Melihat kepada permintaan dan bekalan, ekonomi Malaysia yang mantap dengan pertumbuhan 6.3% pada 2007, serta peningkatan populasi meningkatkan permintaan untuk air—untuk penggunaan domestik dan industri.

TINJAUAN OPERASI OLEH KETUA PEGAWAI EKSEKUTIF (Samb)

Walaupun trend peningkatan dapat dilihat, berlaku perbezaan output bermeter oleh SHSB dan TLSB yang mana output permintaan bermeter oleh SHSB menurun sebanyak 8.2% berbanding tahun sebelumnya. TLSB mencatatkan peningkatan mengalakkan sebanyak 9.6% dalam tempoh yang sama.

Bersandarkan ekonomi Malaysia yang kukuh serta kesan positif Tahun Melawat Malaysia 2007; yang telah dilanjutkan hingga Julai 2008, pertumbuhan penggunaan air bermeter di Langkawi dijangka berterusan hingga tahun hadapan namun pada skala sederhana, disebabkan kemerosotan kewangan pasaran global.

Dalam pada itu, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") sedang merasionalisasikan sistem bekalan air Lembah Kelang untuk mengurangkan kehilangan Air Tidak Berhasil ("NRW"), dengan mengawal aliran keluar air dari loji rawatan air utama termasuklah SSP1, SHSB nampaknya akan terus mengalami pengurangan aliran output pada tahun akan datang.

Aspek ini semakin bertambah jelas, terutamanya kerana aliran keluar dari Loji Rawatan Air di bawah Sungai Selangor Fasa 3 ("SSP3") dijadualkan akan dikembangkan ke kawasan yang kini di bawah SSP1.

Sepanjang tahun kajian, penurunan hujan yang konsisten di Selangor membantu memastikan empangan dan aliran sungai pada aras yang bersesuaian untuk memenuhi keperluan loji rawatan air utama, termasuk SSP1.

Di Langkawi, cuaca panas pada suku kedua dan ketiga tahun lepas telah menurunkan tahap air empangan dan kolam simpanan. Tetapi hujan yang turun pada suku pertama dan keempat tahun lepas telah membantu memulihkan keadaan ke paras yang lebih memuaskan menjelang hujung tahun.

Penurunan hujan yang stabil pada awal tahun 2008 dan ramalan hujan yang baik sepanjang tahun, menaikkan keyakinan bahawa simpanan empangan di Selangor dan Langkawi bakal mampu memenuhi permintaan untuk tahun 2008.

Memandangkan hujan turun dengan banyaknya pada tahun kajian, unit kimia menunjukkan penurunan kos kerana pengurusan yang efektif. Kos unit elektrik juga diuruskan dengan efektif walaupun timbul masalah akibat regim pengepaman yang berubah-ubah.

Implementasi program penyelenggaraan dan servis yang menyeluruh, yang disokong oleh program baik pulih terhadap peralatan mekanikal, elektrik dan kimia membantu memastikan keberkesanan operasi yang optimum.

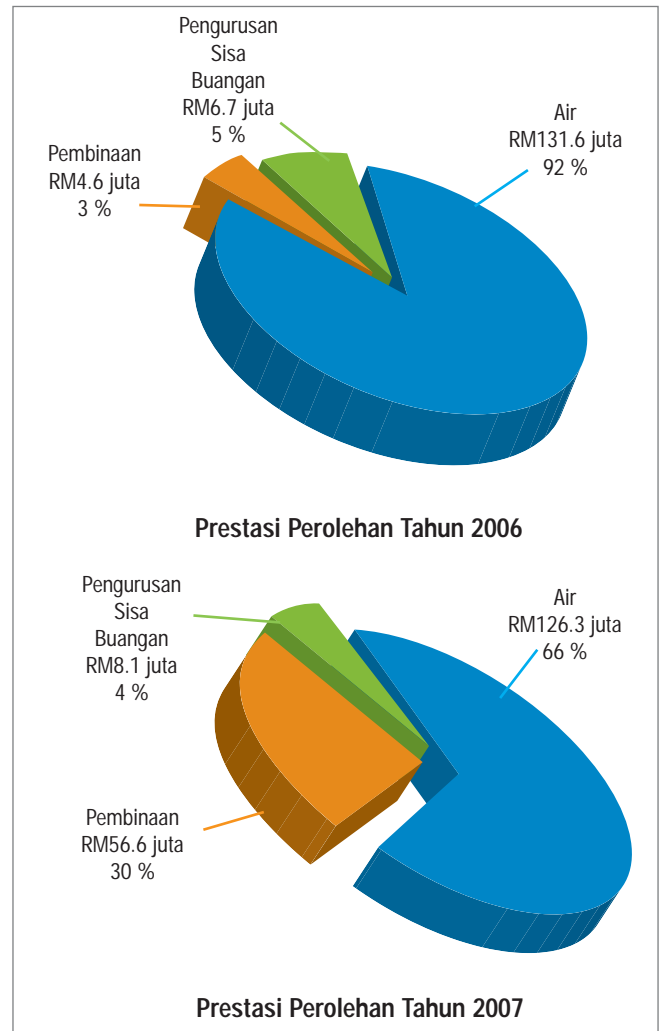
Pada masa yang sama, kita telah secara sukarela menjalankan pemantauan kualiti air mentah di kawasan takungan untuk mengawasi kualiti dan trend pencemaran. Walaupun penurunan hujan tahun ini dijangka stabil, pola cuaca boleh berubah. Oleh itu, kita akan tetap berjaga-jaga supaya dapat menangani persekitaran yang berubah dan memberi tindak balas pantas untuk mengatasi sebarang cabaran.

Sungai Harmoni Sdn Bhd

SHSB mencatatkan purata output sebanyak 733.27 juta liter sehari ("JLH") pada 2007—iaitu penurunan 8.2% berbanding purata 799.21 JLH tahun sebelumnya. Penurunan ini disebabkan SYABAS mengawal bekalan air dari loji rawatan air utama untuk mengurangkan paras NRW, selaras dengan pematuhan KPI di bawah konsesi penswastaaan dengan Kerajaan Negeri Selangor. Akibatnya, output daripada SSP1 merosot dari bulan ke bulan, dengan termasuk meningkatnya kos elektrik.

Dengan SYABAS yang akan terus merasionalisasikan bekalan, output loji dijangka mengalami kemerosotan pada tahun mendatang, dan keadaan ini bakal menjadi lebih kritikal kerana output dari Loji Rawatan Air Rasa akan diagihkan ke kawasan yang kini dibekalkan oleh SSP1.

Walaupun menghadapi kesukaran persekitaran operasi, regim operasi yang ketat iaitu melibatkan penyelenggaraan dan baik pulih yang ketat berjaya mengawal dan mengurangkan kos unit elektrik berbanding tahun sebelumnya.



TINJAUAN OPERASI OLEH KETUA PEGAWAI EKSEKUTIF (Samb)

Sejak memperolehi akreditasi Sistem Pengurusan Kualiti MS ISO 9001:2000 untuk 'Operasi dan Penyelenggaraan Loji Rawatan Air' pada 2003, bagi loji SSP1, SHSB terus menjalankan operasi dan menyelenggara loji berdasarkan kawalan operasi yang ditetapkan.

Dengan hujan yang mencukupi sepanjang tahun, empangan kekal pada aras penuh dan memastikan aliran sungai lebih dari mencukupi serta menepati keperluan penggunaan loji rawatan air utama, termasuk SSP1. Bekalan empangan yang penuh pada akhir tahun menjanjikan keyakinan bahawa bekalan mencukupi untuk mengharungi musim kering, walaupun kita bakal menghadapi keadaan cuaca yang tidak menentu.

Taliworks (Langkawi) Sdn Bhd

Didorong keadaan ekonomi Malaysia dan aktiviti promosi pelancongan sejajar dengan Tahun Melawat Malaysia 2007, penggunaan bermeter di Langkawi mencatat peningkatan besar sebanyak 9.6% kepada 41.72 JLH berbanding purata 38.06 JLH pada 2006.

Ini merupakan tahun ke lapan berturut-turut peningkatan dalam penggunaan bermeter dan dikukuhkan oleh peningkatan pengguna iaitu sebanyak 20,650 akaun pada akhir 2007.

Melainkan terjadinya kejadian yang tidak disangka, termasuk mempertimbangkan masalah kewangan terkini yang melanda Amerika Syarikat serta potensi kesan langsungnya terhadap ekonomi Asia, kita menjangkakan penggunaan bermeter akan sederhana pada 2008, walaupun masih mengekalkan trend peningkatan.

Kos unit kimia mengalami penurunan, hasil sistem pengurusan yang efisien. Walau bagaimanapun, kemarau panjang pada suku kedua dan ketiga meningkatkan kos unit elektrik kerana pengepaman kerap diperlukan untuk memenuhi Empangan Malut. Dengan kebarangkalian pola cuaca berubah pada tahun hadapan, kita akan terus berjaga-jaga dan bertindak pantas terhadap kebarangkalian perubahan dalam persekitaran operasi.

Untuk mengurangkan lagi NRW, aktiviti-aktiviti seperti permeteran kawasan, pengesanan kebocoran aktif dan pasif, kawalan tekanan dan penggantian meter akan terus dilaksanakan.

Kita juga gembira melaporkan bahawa TLSB, dengan kerjasama Odense Vandselskab AS dari Denmark, telah mendapat geran daripada kerajaan Denmark di bawah Program Kemudahan Kerjasama Danida. Geran ini untuk menjalankan pelbagai inisiatif bagi pengurangan NRW dan tenaga di Langkawi.

Kita menjangkakan program ini akan memberi faedah kepada bekalan dan sistem pengagihan air di Langkawi, dari sudut mempamerkan kaedah pengurangan NRW secara efektif, pengurusan air berkesan dan penjimatan tenaga.

Bahagian Pembinaan & Kejuruteraan

Kini, Kumpulan sedang menjalankan dua projek:

- reka bentuk dan pembinaan sistem bekalan air untuk Skim Bekalan Air Padang Terap, di Kedah (RM149 juta); dan
- Projek Kolam Selatan Subang—projek kolam takungan banjir untuk mengalihkan banjir kilat akibat kenaikan air dari Sungai Damansara ke tebing sungai lebih rendah di Shah Alam, Selangor (RM22 juta).

Selain masalah kecil berkaitan pengambil alihan tanah di beberapa tapak projek yang mempengaruhi pembinaan, perkembangan keseluruhan Skim Projek Bekalan Padang Terap adalah berjalan lancar.

Malah, kerja berjalan mengikut jadual dan hampir 36% telah berjaya disiapkan pada hujung 2007. Tanpa mengambil kira situasi tak terjangka, Kumpulan mensasarkan projek ini akan siap secara praktikal pada awal 2009 seperti yang dinyatakan dalam kontrak.

Bagi Projek Kolam Selatan Subang, ia berjalan mengikut jadual dengan 13% projek telah disiapkan pada akhir 2007. Kumpulan menjangkakan projek ini akan siap sepenuhnya menjelang suku ketiga 2008.

Selain bertindak sebagai padanan sinergi kepada bahagian air, cabang pembinaan ini bermanfaat dalam menjana sumbangan tambahan terhadap Kumpulan dan mengurangkan kebergantungan terhadap mana-mana satu unit perniagaan sebagai sumber pendapatan.

Bahagian Pengurusan Sisa Buangan

Tianjin-SWM (M) Environment Ltd, Co

Usaha niaga sulung Kumpulan ke China terbukti sesuatu yang boleh kita banggakan. Penglibatan kita dalam perniagaan pengurusan sisa buangan di China melalui subsidiari, SWM Tianjin-SWM (M) Environment Ltd, Co ("Tianjin-SWM"), kini menjangkau tahun ketiga operasi.

Tianjin-SWM memegang hak konsesi mengendalikan, menjalankan operasi dan menguruskan Stesen Pemindahan Sisa Hidupan Tianjin Panlou untuk tempoh 21 tahun bermula Januari 2005.

Aktiviti pemprosesan di Stesen Pemindahan Tianjin Panlou mengekalkan trend peningkatan sejak memulakan operasi.

Tahun lalu, aktiviti pemprosesan meningkat 8% kepada 324,800 tan setahun (atau 889 tan sehari) berbanding 300,000 tan (atau 821 tan sehari) setahun lalu. Dengan peningkatan aktiviti pemprosesan dan kenaikan tarif tahunan, jumlah pendapatan meningkat kepada RMB15.6 juta (bersamaan RM8.1 juta) daripada RMB14.5 juta (bersamaan RM6.7 juta).

Walaupun bagaimanapun, kenaikan kos bahan api dan penyelenggaraan kenderaan memberi kesan negatif terhadap keuntungan. Usaha berterusan dijalankan untuk menggalakkan langkah-langkah pengawalan kos dan mengoptimumkan produktiviti dengan perhatian diberikan terhadap komponen kos utama, pengurangan tenaga kerja tidak diperlukan dan pemantauan teliti operasi.

Dengan tapak yang kukuh di Tianjin, Kumpulan meneruskan usaha mendapatkan projek berkaitan sisa buangan yang lain, di Tianjin dan kawasan lain di China serta Asia Tenggara.

Puresino (Guanghan) Water Co. Ltd

Puresino (Guanghan) Water Co. Ltd ("Puresino Guanghan") merupakan pelaburan kedua Kumpulan di China.

Ini juga kali pertama kita menceburi industri khusus pengurusan air kumbahan. Puresino Guanghan, diberikan hak konsesi eksklusif selama 30 tahun untuk menjalankan, menguruskan dan menyelia operasi loji rawatan air kumbahan 50 juta liter sehari Guanghan San Xin Dui di Guanghan City, Sichuan. Hak konsesi ini akan tamat pada 2033.

TINJAUAN OPERASI OLEH KETUA PEGAWAI EKSEKUTIF (Samb)

Syarikat telah memulakan operasi komersial pada September 2007 dan walaupun masih baru, ia telah merawat lebih kurang 2.83 juta tan air kumbahan. Ia merupakan satu pencapaian membanggakan bagi operasi yang baru menjangkau usia 3 bulan, dan ini memberikan kita keyakinan penuh untuk meletakkan China sebagai pasaran menguntungkan bagi Kumpulan.

Bahagian Lebuhraya

Melalui pemerolehan 55% kepentingan ekuiti dalam Cerah Sama, Taliworks telah berjaya menubuhkan bahagian lebuhraya selaras dengan strategi untuk menceburi sektor infrastruktur, terutamanya operasi jalan bertol.

Pemerolehan disempurnakan melalui pertimbangan tunai sebanyak RM55.54 juta yang serta-merta memberikan kita pendedahan mantap, memandangkan Cerah Sama memiliki dan menjalankan operasi konsesi Lebuhraya Cheras-Kajang melalui Grand Saga. Grand Saga ialah syarikat tujuan khas yang ditubuhkan untuk penswastaaan lebuhraya Cheras-Kajang. Konsesi yang berterusan selama 32 tahun ini akan tamat pada 2027.

Pemerolehan Cerah Sama dilaksanakan berdasarkan perkongsian strategik bersama dengan South East Asian Strategic Assets Fund ("SEASAF"). SEASAF mendapat 35% kepentingan dalam syarikat dan secara bersama, kedua-dua pihak secara tak langsung memiliki 90% kepentingan ekuiti dalam Grand Saga.

Sejak 1999, lebuhraya telah mencatatkan perkembangan positif dari segi jumlah trafik. Sehingga tahun 2007, purata trafik hariannya ("ADT") meningkat dengan kadar pertumbuhan tahunan 3.9% di Plaza Tol Batu 9 dan 7.0% di Plaza Tol Batu 11.

Sebagai reaksi sementara terhadap kenaikan harga tol pada Januari 2007, kadar ADT telah jatuh daripada 204,475 pada 2006 kepada 199,474 pada 2007.

Namun demikian, berdasarkan trend masa lalu, kadar ADT menurun pada tahun tarif tol dinaikkan. Namun begitu, kadar ADT dijangka meningkat pada tahun selepas kenaikan tarif tol. Projek LEKAS (lebuhraya Kajang-Seremban) yang dijangka siap awal 2010 diramalkan menjadi faktor pendorong pertumbuhan selanjutnya bagi lebuhraya Cheras-Kajang.

Pembangunan Korporat

Sepanjang tahun kajian, Kumpulan telah berjaya menerbitkan RM225 juta nilai nominal bon boleh tukar untuk khususnya membiayai pengembangan perniagaan tempatan dan luar negara.

Usaha mengumpulkan dana penting untuk menyokong strategi berterusan Kumpulan bagi meluaskan capaiannya dan asas pendapatan selaras dengan persekitaran perniagaan yang semakin mencabar.

Penerbitan bon boleh tukar yang dilaksanakan di tengah-tengah krisis kewangan paling buruk yang pernah dihadapi pasaran global adalah tepat pada masanya, dan meningkatkan keupayaan Kumpulan memaksimumkan peluang yang ada, bagi mendapatkan projek atau melaksanakan pergabungan dan pemerolehan entiti berdaya maju dalam segmen pengurusan air dan sisa buangan.

Bon tersebut telah mendapat penarafan AA3 dan telah dilanggan sepenuhnya oleh pelabur. Ini satu lagi tanda keyakinan yang kukuh terhadap rekod prestasi kewangan Kumpulan serta kredibilitinya.

Pembangunan Perniagaan Baru

Berikutan kesungguhan perkembangan aktiviti perniagaan Taliworks di China, Kumpulan mengumumkan perkongsian untuk menubuhkan kilang pengeluaran menghasilkan dan memasarkan bakteria CK21 dan produk berkaitan rawatan air dan air kumbahan di China.

Teknologi ini memberikan alternatif yang lebih baik terhadap pelupusan sisa mesra alam dan seimbang secara ekologi. Teknologi ini juga boleh digunakan untuk melupuskan sisa organik lain dan mempunyai potensi pengkomersialan di Malaysia serta negara ASEAN lain.

Jika kita berjaya di China, kita juga mampu mencipta semula model perniagaan di negara lain bagi membuka pasaran baru untuk Kumpulan.

Sebagai sebahagian strategi mempelbagaikan kegiatan dalam aktiviti berkaitan infrastruktur, Taliworks dan SEASAF juga akan terlibat dalam pelaburan konsesi jalan bertol di Malaysia dan Asia Tenggara. Ini untuk membantu Cerah Sama membina portfolio pelaburan yang besar serta menyediakan syarikat untuk kemungkinan disenaraikan kelak.

Melihat perubahan dan cabaran persekitaran operasi, Kumpulan bertindak bijak dengan membina rangkaian projek luar negara. Seperti praktis kebiasaannya, kita telah melaksanakan kawalan pengurangan risiko dan mempamerkan ketekunan untuk memastikan setiap cadangan dikaji dengan teliti sebelum sebarang keputusan dibuat. Walau bagaimanapun, dengan visi Taliworks untuk merangsang pertumbuhan dengan cara menceburi pasaran luar negara, kita yakin pendedahan terhadap perniagaan di luar negara akan bertambah dalam masa terdekat.

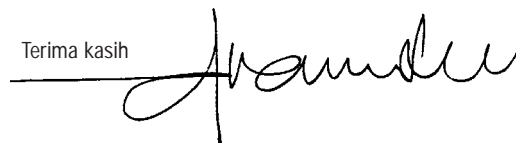
Prospek

Kumpulan akan terus mengenal pasti perniagaan yang mempunyai sinergi untuk meningkatkan pendapatan dan merealisasikan matlamat menggandakan permodalan pasaran dalam masa tiga tahun. Fokus akan diberikan terhadap pertumbuhan segmen air, pengurusan sisa buangan dan infrastruktur serta mencari projek berkaitan yang berdaya maju yang akan menjana pendapatan berterusan, di dalam dan luar negara.

Menyorot kembali kejayaan dan pencapaian kita pada tahun-tahun lalu, kita dengan yakin mampu menyatakan bahawa Kumpulan sedang membina platform kukuh yang terdiri daripada perniagaan menguntungkan. Bahagian-bahagian ini akan memberikan kita dorongan untuk mara ke hadapan serta mengecap pertumbuhan dan kejayaan yang lebih besar. Kita berpandangan optimis tentang masa depan dan bersedia menghadapi cabaran serta peluang yang menunggu pada tahun 2008 dan seterusnya.

Matlamat Kumpulan adalah untuk kekal bersaing dan berada di hadapan dalam perniagaan air dan pengurusan sisa buangan. Kita telah bermula dengan jitu untuk mencapai fasa pertumbuhan seterusnya dan meletakkan diri sebagai pesaing utama industri air, sisa buangan dan infrastruktur yang tersohor di rantau ini.

Terima kasih



HAJI ABDUL RAHMAN BIN HAJI SIRAJ

Ketua Pegawai Eksekutif

18 April 2008

CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility (“CSR”) is a concept that has been gaining importance and prominence wherein corporations are now placed in a position to seriously consider the interests of the various stakeholders by taking responsibility for the impact of their business activities on these stakeholders and the environment.

With this in mind, Taliworks believes that its performance should not be judged solely by its economic accomplishments but also the impact it has on the communities and environment in which it operates. Whilst Taliworks does not have a formal CSR framework, it has over years contributed its fair share of CSR in the manner that it deemed suitable in its operations. Nevertheless, as CSR becomes a necessity in today’s competitive environment and as companies realise that they are expected to do more, Taliworks is taking small but progressive steps to contribute to the betterment of its valued employees, related stakeholders, the community and the environment.

The CSR initiatives that we have undertaken and intend to promote cover the followings areas:-

Employee’s Welfare

We strive to maintain our standards in the recruitment, development and retention of our employees to ensure that the pool of human talent remains with us. We subscribe to the principle that our employees are behind the success of the company and they remain our valuable asset in ensuring our long term sustainability.

Among the related human resource initiatives undertaken to promote the welfare of our employees include:-

- * Promoting a safe and healthy working environment that foster mutual respect where employees irrespective of status and position are treated with dignity and free from sexual harassment.

CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

- * Ensuring continuous human resource development by providing training and career advancement opportunities.
- * Providing a more balanced lifestyle by organising recreational activities for the employees such as sports and staff and family-oriented programmes.
- * Placing importance on gender equality by non-discriminatory hiring practices.
- * Providing opportunity to employees to share in the success of the company through the granting of options under an employees' share option scheme.

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.

Among the related initiatives undertaken include:

- * Continuing the participation in the Capital Markets Development Fund and Bursa Malaysia Research Scheme for another two years with the aim of ensuring wider research coverage on the Company.
- * Conducting periodic briefing to the financial community and entertaining request of investors and financiers to meet the management.
- * Facilitating the members of the media to interview the board of directors and Management after the conclusion of the Company's general meetings and entertaining request for interview from media with the Management from time to time.

Contribution to the Community

As a key player in the water industry in Malaysia, our business revolves around the communities that we serve. The single most important contribution to the community is our commitment to maintain our performance standards to produce high quality drinking water to our consumers in the Klang Valley and Langkawi. This requires tremendous efforts on our part to ensure that all of the employees are focused, systems and controls are in place and equipments are in good working conditions. For 2007, the Group has invested approximately RM12 million in maintenance and rehabilitation works.

Whilst we have derived benefits from our business, it is our philosophy to ensure some of these benefits are given back to society, both in monetary terms and with our time. We have during the year:-

- * Embarked on cooperative programme with the State Governments of Selangor and Kedah for society improvement. At our Langkawi operations, we have given out bicycles to poor students with the cooperation from the State Government of Kedah. We also initiated a programme to help out the poor and orphanages during festive seasons particularly our Ramadan outreach in Selangor and Kedah.

- * Embarked on various small community development and sports programs. At our Selangor operations, we had over the years initiated the Batang Berjuntai Sports Carnival 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.
- * Provided industrial training to undergraduates and students of local vocational institutions and institutions of higher learning at our water treatment plants. For 2007, we have provided 6 placements for industrial training in the aspects of information technology and water treatment operations. The Group is currently finalising its plan to introduce a Graduate Training Scheme in the water treatment plants and it is expected to commence in 2008.
- * Annually, we allocate a certain budget to be made as charitable contributions to the needy. In 2007, about RM367,000 was contributed to several worthy charitable causes.

Protection and Conservation of the Environment

As an integrated water and waste management specialist, we are ever mindful of the need for the 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 do not degrade the environment.

As such, among the initiatives that we have undertaken include:-

- * Continuing research and development of a database of raw water quality trends in the catchments area(s) in which some of our treatment plants operate.
- * Carrying out various programmes for the reduction of Non Revenue Water ("NRW") and energy usage in Langkawi in partnership with Odense Vandselskab AS of Denmark under the Danida Partnership Facility Programme of the Danish Government.
- * Every year, we organised a Water Treatment Open Day at our operations in Selangor and Kedah for members of the public. The objectives are to disseminate information to the public especially school children on water treatment processes, environmental conservation, and for them to be part of "water saving campaign".

Our efforts in promoting and undertaking CSR initiatives are part of our mission in managing our businesses responsibly towards ensuring that all stakeholders have benefited in one way or another.

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.

8 February

GROUND BREAKING CEREMONY

An official ground breaking ceremony was held in Kedah for the Padang Terap Water Supply Project .



14 May

JOINT VENTURE IN CHINA

Taliworks announced a joint venture to set-up a production facility to produce and market the CK21 bacteria and related products for water and wastewater sludge treatment in China.

18 May

CONTRIBUTION TO POOR STUDENTS

Initiating a contribution of bicycles to poor students in Langkawi, together with the State Government of Kedah



6 June

SIXTEENTH ANNUAL GENERAL MEETING

The Sixteenth Annual General Meeting was held at the Crowne Plaza Mutiara Hotel, Kuala Lumpur.

INVESTORS' PRESENTATION

Taliworks held a briefing to the financial community in Kuala Lumpur.



16 July

ANNOUNCEMENT OF CORPORATE PROPOSALS

Taliworks announced the proposed acquisition of a 55% equity interest in Cerah Sama Sdn Bhd ("Proposed Acquisition") and the issuance of convertible bonds.

18 July

INVESTORS' PRESENTATION ON THE PROPOSED ACQUISITION

Taliworks conducted an Analysts' & Fund Managers' presentation on the Proposed Acquisition in Kuala Lumpur.

1 September

COMMENCEMENT OF COMMERCIAL OPERATIONS

Taliworks' subsidiary, Puresino (Guanghan) Water Co. Ltd.; received the Commercial Operations Notice from the Guanghan City Planning and Construction Bureau for the company to commence commercial operations of the Guanghan San Xin Dui wastewater treatment plant.



29 September

NUR RAMADAN PROGRAMME

A gathering was held with the State Government of Selangor to initiate the Ramadan programme in Selangor.

5 October

RAMADAN BREAKING FAST

Taliworks hosted a Ramadan breaking fast with orphanages in Langkawi.

5 October

AWARD OF SUB-CONTRACT WORKS

Taliworks was awarded the sub-contract works of the flood mitigation project in the Klang Valley and maintenance works for Sungai Klang, Sungai Damansara, Sungai Kayu Ara, Sungai Penchala, Sungai Bahol, Main Drain Shah Alam including such other related tributaries-Package Sungai Damansara (Package 1) worth RM22 million.

20 November

EXTRAORDINARY GENERAL MEETING

Shareholders approved the Proposed Acquisition and issuance of the convertible bonds at an Extraordinary General Meeting held at One World Hotel, Petaling Jaya.



10 December

DANIDA PARTNERSHIP FACILITY PROGRAMME

Taliworks (Langkawi) Sdn Bhd signed a partnership with Odense Vandselskab AS of Denmark, under the Danida Partnership Facility Programme to carry out various programmes for the reduction of Non Revenue Water and energy in Langkawi.



STATEMENT ON CORPORATE GOVERNANCE

Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") requires the Board to include in this Annual Report a narrative statement on how the Company has applied the Principles set out in Part 1 of the Malaysian Code on Corporate Governance ("Code") and a statement on the extent of compliance with the Best Practices in Corporate Governance ("Best Practices") set out in Part 2 of the Code.

In the recent 2008 Budget, it was announced that the Code will be revised to strengthen the roles and responsibilities of boards of directors and audit committees and ensuring that they discharge their duties more effectively. The revised Code spells out the eligibility criteria for appointment of directors, the composition of the board of directors and the role of the nominating committee. Independent non-executive directors are expected to provide a more meaningful and independent oversight function.

The revised Code has since been issued in October 2007 by the Securities Commission and consequently, the Listing Requirements have been amended in January 2008 to be in line with the revised Code. Essentially, the amendments to the Listing Requirements will enhance the corporate governance framework by:-

- (i) enhancing the effectiveness and independence of audit committee; and
- (ii) mandating the internal audit function by listed issuers and listed companies.

The key amendments made to the Listing Requirements are in the following respects:-

- * requiring all audit committee members to be non-executive directors;
- * mandating the internal audit function by listed companies and requiring the internal audit function of listed companies to report directly to the audit committee;
- * enhancing the disclosure in the annual reports of listed companies to include information pertaining to the internal audit function;
- * expanding the functions of the audit committee to include the review of the adequacy of the competency of the internal audit function;
- * setting out the rights of audit committee to convene meetings with external auditors, internal auditors or both, excluding the attendance of other directors and employees of the listed issuers and listed companies; and
- * requiring listed companies to submit a copy of written representation or submission of external auditors' resignation to Bursa Securities as provided under section 172A of the Companies Act 1965.

The Board places importance in adopting the Principles and Best Practices set out in the Code (as revised) 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, customers, financiers, employees and various stakeholders. The Board has taken steps to incorporate the new requirements under the revised Code including amongst others, amending the terms of reference of the audit and nomination committees and excluding executive directors from being a member of the Audit Committee.

The following statement outlines the manner in which the Group has applied the Principles of Good Governance and the extent to which it has complied with the Best Practices set out in the Code:-

A. BOARD OF DIRECTORS

Board Responsibilities

The Board has overall responsibility for the corporate governance of the Group, including amongst others, reviewing and adopting a strategic direction of the Group, proper management of business, establishing sound risk management policies and ensuring adequacy and integrity of the system of internal controls, having in place a proper succession planning and implementing an appropriate investor relationship programme.

It has reserved for itself decisions in respect of areas significant to the Group's business, which include the approval of corporate plans and annual budgets, announcements of interim results, material acquisitions/disposals of business and/or assets, approval of major capital expenditure projects, consideration of significant financial matters, appointments to the Board and control structure within the Group. The Board has also delegated certain of its responsibilities to other board committees, which operates under approved terms of reference.

Board Composition and Balance

The present Board, led by a non-independent non-executive Chairman, is made up of nine (9) members comprising two (2) executive directors and seven (7) other non-executive directors, four (4) of whom are independent directors. The current composition of the Board complies with:-

- (a) the Listing Requirements where at least 2 directors or one-third (1/3) of the board, whichever is higher, must comprise of independent directors; and
- (b) the Best Practices where one-third (1/3) of the Board must comprise of independent non-executive directors, where the Company has significant shareholders.

The Chairman presides over the meetings of the Board. His role and function are clearly separated from those of the executive directors whom are 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. The executive directors are to develop, in conjunction with the Board, the Group's strategic direction and are responsible for its implementation. In connection therewith, the executive directors keep the Board appropriately informed of overall operations of the Group and the major issues facing the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

The non-executive directors contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. The independent non-executive directors have declared themselves to be independent from management and free of any relationship which could materially interfere with the exercise of their independent judgment and objective participation and decision making process of the Board.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Each of the individual directors brings with them a wide range of business and financial experience relevant and necessary for the effective stewardship of the Group.

During the year, several changes were made to the Board as follows:-

- (a) on 30 May 2007, Y.Bhg. Dato Hj Abd. Karim @ Mohd Yusof B. Abdul Rahman was redesignated as Independent Non-Executive Director and Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir was appointed the Senior Independent Non-Executive Director of the Company ;
- (b) on 27 August 2007, Y.Bhg. Datin Paduka Hajjah Juma'ah Moktar, a Non-Independent Non-Executive Director, resigned as a Director of the Company; and
- (c) on 1 October 2007, Mr. Wong Yien Kim was appointed as a Non-Independent Non-Executive Director in replacement of Datin Paduka Hajjah Juma'ah Moktar.

The profile of each of the members of the Board is presented on pages 14 to 17 of this Annual Report.

Board Meetings

The Board meets regularly to review the business operations, financial performance and other significant matters of the Group requiring its attention. Besides board meetings, the Board also exercises control on matters that require its approval through circulation of resolutions.

During the year, the Board met six (6) times and the record of the attendance of each director is set out below:-

All the directors have attended more than 50% of the total board meetings held throughout the year.

Minutes of proceedings of each board meeting and resolutions passed are kept in the statutory register at the registered office of the Company. A Director which is, in any way, directly or indirectly interested in a contract entered into or proposed to be entered into by the Company, 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.

To comply with the revised Code, minutes of meetings prepared by the Company Secretary will now record the Board's deliberations in terms of the issues discussed and the conclusions thereto to provide a historical record and insight into decisions made by the Board.

Supply of Information

Prior to each board meeting, the 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 senior management, external auditors, 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.

	28 Feb	13 Apr	30 May	13 July	29 Aug	20 Nov
Y.Bhg. Dato' Hj Abd. Karim bin Munisar (Chairman, Non-Independent and Non Executive Director)	X	X	X	X	X	X
Tuan Haji Abdul Rahman bin Haji Siraj (Chief Executive Officer)	X	X	X	X	X	X
Y.Bhg. Dato' Lim Chee Meng (Executive Director)	X	X	X	X	X	X
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir (Senior Independent Non-Executive Director)	X	X	X	X	X	X
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (Independent Non-Executive Director)	X	X	X	X	-	X
Y.Bhg. Datin Paduka Hajjah Juma'ah Moktar (Non-Independent and Non Executive Director) (resigned on 27 August 2007)	X	X	X	X	-	-
Y.Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman (Independent Non-Executive Director)	X	X	X	-	X	X
Y.Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Non-Independent and Non-Executive Director)	X	X	-	X	X	X
Encik Sulaiman bin Salleh (Independent Non-Executive Director)	X	X	X	X	X	X
Mr. Wong Yien Kim (Non-Independent and Non Executive Director) (appointed on 1 October 2007)						X

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The Directors have reasonable access to all information within the Group whether as full Board or in their individual capacity. The Board also has access to the advice and services of the Company Secretary and where necessary, in furtherance of its duties, take independent professional advice at the Company's expense. The Company Secretary is tasked to notify the Directors on the requirements that must be complied with by them in relation to dealings by the Directors stipulated in the Listing Requirements and to inform the Board on new statutory and regulatory requirements relation to the duties and responsibilities of the Directors.

Appointments to the Board

The Nomination Committee is responsible for reviewing the Board composition and recommending to the Board appointments of new Directors by evaluating and assessing the suitability of candidates for Board membership.

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 next Annual General Meeting and shall then be eligible for re-election.

Directors over the age of seventy (70) years of age are required to offer themselves for re-election at each Annual General Meeting in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

The Board has delegated certain of its responsibilities to the various board committees established. The composition of the various board committees is as follows:-

Directors' Training

All the directors have completed the Mandatory Accreditation Programme and have met the requirements of the Continuous Education Programme ("CEP") as prescribed by the Bursa Securities previously.

In addition, the Directors have also attended the relevant training programmes pursuant to the requirements of the Bursa Securities to broaden their perspectives and to keep abreast with the development in the business environment as well as with the relevant new regulatory requirements. Training programmes and seminars attended by the Directors during the year are as follows:-

Y.Bhg. Dato' Hj Abd. Karim bin Munisar

* *The Malaysian Code on Take-Overs and Mergers: Issues and Challenges.*

Tuan Haji Abdul Rahman bin Haji Siraj

* *Private Finance Initiatives and Public-Private Partnership*

Y.Bhg. Dato' Lim Chee Meng

* *In-house training on business processes in relation to the Systems Applications and Products Enterprise Resource Planning project.*

YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj

* *Code of Corporate Compliance and Ethical Conduct*

Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir

Y.Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman

Y.Bhg. Dato' Wan Puteh bin Wan Mohd Saman

Encik Sulaiman bin Salleh

* *Tax and Finance Developments - Forging Ahead*

Mr. Wong Yien Kim

* *Financial Training - 'Applied Corporate Finance'*

	Audit	Nomination	Remuneration	Executive	ESOS
Y.Bhg. Dato' Hj Abd. Karim bin Munisar			C		
Tuan Hj Abdul Rahman bin Haji Siraj				C	
Y.Bhg. Dato' Lim Chee Meng #			M	M	C
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	C				
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	M	M			
Y.Bhg. Dato' Wan Puteh bin Wan Mohd Saman		M	M		
Encik Sulaiman bin Salleh	M	C			M
Mr. Wong Yien Kim ##	M				

Resigned as a member of the Audit Committee on 20 November 2007

Appointed as a member of the Audit Committee on 20 November 2007

C and M denotes Chairman and Member respectively

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Audit Committee

The composition, terms of reference and duties and responsibilities of the Audit Committee is set out in the Audit Committee's Report in pages 45 to 47 of this Annual Report.

Nomination Committee

The Nomination Committee is made up entirely of non executive directors, the majority of which comprise of independent directors. The Committee is responsible for recommending suitable candidate to be appointed to the Board. In compliance with the revised Code, the members of the Committee in making its recommendations, must 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 carried out annual assessment of the effectiveness of the Board as a whole, the Committees of the Board and each individual director including the independent non-executive directors as well as the chief executive officer in compliance with the revised Code. 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.

During the year, the Board accepted the recommendation by the Nomination Committee, for the appointment of Mr. Wong Yien Kim as a new Board Member (Non-Independent Non-Executive Director) and as the new member of the Audit Committee in place of Y.Bhg. Dato' Lim Chee Meng. The said replacement is to be in line with the amended Code which requires that all members of the Audit Committee to comprise of non-executive directors. The Nomination Committee met twice during the year.

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 at the Annual General Meeting by the shareholders. The Remuneration Committee met once during the financial year.

Executive Committee

The Executive Committee ("EXCO") comprises of the Chief Executive Officer, Executive Director, Chief Operating Officer (Water & Engineering division) and the General Manager of Group Finance. The EXCO is primarily responsible for managing the Group's business and resources on a day to day basis and in speeding up the decision making process in routine and administrative matters. The EXCO met four (4) times during the year to review the quarterly operational issues and other matters requiring its attention. Other senior management staff and divisional heads are also invited to participate in these meetings.

Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee comprises of the following members appointed by the Board to administer the ESOS in accordance with the provisions of the ESOS Bye-Laws:-

- (i) one (1) executive director and one (1) non-executive director elected from amongst the members of the Board; and
- (ii) such numbers elected from senior management to fairly represent the various business and administrative divisions of the Group.

The members of the Committee met once during the year to approve the second allocation of ESOS options to eligible directors and employees of the Group.

B. DIRECTORS' REMUNERATION

The details of directors' remuneration for the financial year are as follows:-

- (a) *Aggregate remuneration categorised into appropriate components:-*

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(a) Fees	50.0	227.2	277.2
(b) Salaries & other emoluments	939.6	114.0	1,053.6
(c) Benefits-in-kind	7.5	-	7.5
(d) Meeting allowances	18.0	68.4	86.4
Total	1,015.1	409.6	1,424.7

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

(b) The number of directors whose remuneration fall within the following bands:-

The remuneration paid to directors during the year analysed into bands of RM50,000 to comply with the disclosure requirements of the Listing Requirements is as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	-	5	5
RM50,001 to RM100,000	-	2	2
RM150,001 to RM200,000	-	1	1
RM450,001 to RM500,000	1	-	1
RM500,001 to RM501,000	1	-	1
Total	2	8	10

C. RELATIONSHIP WITH SHAREHOLDERS, BONDHOLDERS AND WARRANT HOLDERS

Investor Relations and Shareholders Communications

The Company recognises the importance of accountability to its shareholders through proper communication with its shareholders. This is done through timely dissemination of information on the Group's performance and major developments which are communicated vide the following:-

- (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 inclusive of the quarterly interim financial report to Bursa Securities.

In addition, the Group maintains a website at <http://www.taliworks.com.my> which the shareholders or potential investors can access for information. Alternatively, they may obtain the Group's latest announcements via the Bursa Securities' website at <http://announcements.bursamalaysia.com>.

The Company is also a participant in the CMDF-Bursa Research Scheme ("CBRS") to enhance research coverage on the Company by independent research houses so as to provide investors with more information to facilitate their investment decisions. Copies of independent research reports on the Company can be downloaded from <http://www.bursamalaysia.com>.

Within the organisation, the Company has an Investor Relations Unit to attend to various investors particularly institutional investors, fund managers and investment analysts and a Group Corporate Communications department to communicate with members of the media. While the Company endeavours to provide as much information possible to shareholders and the investment community, it is always mindful of the regulatory framework governing the release of material and price sensitive information.

The Board has identified Y.Bhg. Dato' Hj Mohd Sinon bin Mudakar as Senior Independent Non-Executive Director to whom any queries, feedbacks and concerns with regards to the Company, may be conveyed. For ease of communications via the internet, the Company has identified the following email addresses as channels of communication:-

- (a) Communications with the Company at info@taliworks.com.my
- (b) Communications with the Chief Executive Officer at ars@taliworks.com.my
- (c) Communications with the Senior Independent Non-Executive Director at SID@taliworks.com.my
- (d) Communications with the Investor Relations Unit and / or Group Corporate Communications department at investor@taliworks.com.my

Communications with Bondholders

In accordance with the Trust Deed executed by the Company, the Company will make available a copy of all public documents issued to shareholders to HSBC (Malaysia) Trustee Berhad, acting as trustees, for the Company's Convertible Bondholders. Details of material information are also notified to investors via the Fully Automated System for Issuing / Tendering ("FAST").

Communications with Warrant Holders

In accordance with the Deed Poll executed by the Company, the Company will make available to the Warrant holders a copy of all public documents issued to shareholders upon written request and payment by the Warrant holders of such costs as the Company may from time to time prescribe.

Annual General Meeting ("AGM")

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 shareholders within the prescribed period as allowed under the Company's Memorandum and Articles of Association and the Listing Requirements, as the case maybe.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

At the AGM, the shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Company and of the Group. Members of the Board as well as External Auditors of the Company are present to answer questions raised at these meetings. Immediately after the AGM, the Chairman and the Chief Executive Officer may address all issues raised by the media and answer questions on the Group's activities and plans in the course of providing all shareholders with the latest update on the Company.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to the shareholders, investors and regulatory authorities. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Chief Executive Officer's Review of Operations and the accompanying financial statements. The Group also presents its financial results on a quarterly basis via public announcements. The quarterly financial results are reviewed by the Audit Committee and approved by the Board prior to release to Bursa Securities.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Company and of the Group at the end of the reporting period and of the results and cash flows of the Company and Group for the reporting period. In preparing the financial statements, the Board ensures that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with. In addition, it also selects and applies consistent and suitable accounting policies, and made judgments and estimates that are reasonable and prudent. The Board also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal Control

The Statement on Internal Control included in page 48 of this Annual Report provides an overview on the state of internal controls within the Group.

Relationship with Auditors

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

E. BEST PRACTICES OF CORPORATE GOVERNANCE

The Board is satisfied that during the year, the Company has complied with the best practices on corporate governance as set out in Part 2 of the Code.

F. 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 2007 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 under review, the Company has:-

- (i) granted a second allocation of 6,410,000 ESOS Options at an exercise price of RM1.90 per share to eligible directors and employees of the Company and its subsidiaries in accordance with the ESOS Bye-Laws.
- (ii) issued RM225 million nominal value of convertible bonds 2007/12 which are convertible into new ordinary shares of RM0.50 each in the Company. Details on the salient terms and conditions of the Convertible Bonds, are set out in Note 30 of the Financial Statements in this Annual Report.

During the financial year under review, the following were exercised into ordinary shares in the Company:-

- (i) 824,000 ESOS options at an exercise price of RM1.31 per share;
- (ii) 1,173,500 ESOS options at an exercise price of RM1.90 per share; and
- (iii) 10,300 Warrants 2005/10 at an exercise price of RM1.27 per share.

3. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year under review.

4. Imposition of Sanctions and/or Penalties

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

5. Non-Audit Fees

Details of non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors, PricewaterhouseCoopers or a firm or company affiliated to it, are as follows:-

	RM'000
(a) External Auditors	
* Review of the Statement of Internal Controls prepared by the Board for inclusion in the Annual Report	8.8
* Reporting Accountants in relation to the proposed acquisition of Cerah Sama Sdn Bhd	130.0
(b) To a firm affiliated to the External Auditors	69.0
* Taxation services and advisory services	

6. Variation in Results

There were no variances of 10% or more between the results for the financial year ended 31 December 2007 and the unaudited results previously announced.

7. Utilisation of Proceeds

As at 31 December 2007, the total proceeds of RM218.25 million raised from the issuance of RM225 million nominal value of convertible bonds were utilised in the following manner:-

	Total Proceeds Raised (RM'000)	Amount Unutilised as at 31 December 2007 (RM'000)
For future local and overseas business expansion	196,400	176,166
For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	20,850
TOTAL	218,250	197,016

8. Profit Guarantee

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

the financial year ended 31 December 2007 pursuant to the said shareholders' mandate, the aggregate value of transactions of which exceeds RM1,000,000 is as follows:-

9. Revaluation Policy on Landed Properties

The Company does not have a policy of regular revaluation of landed properties.

Related Party	Type of Transaction	Aggregate Value of Transactions (RM'000)
Aqua-Flo Sdn Bhd ("AFSB")	Purchase of water treatment chemicals and related equipment or systems by Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd, both wholly owned subsidiaries of the Company	RM 9,751

10. Material Contracts

Other than the acquisition by the Company of a 55% interest in the issued and paid up share capital of Cerah Sama Sdn Bhd from Bunga Abadi Sdn Bhd (a company related to a director and major shareholder of the Company) which was approved by shareholders at an extraordinary general meeting held on 20 November 2007 and the transactions disclosed in Note 41 to the Financial Statements in this Annual Report, there were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders.

Kumpulan Perangsang Selangor Berhad ("KPS"), a major shareholder of the Company is deemed a substantial shareholder in AFSB by virtue of its 60% direct interest in Hydrovest Sdn Bhd which in turn owns 60% direct interest in AFSB. Y.Bhg. Dato' Hj Abd. Karim bin Munisar and Mr. Wong Yien Kim, two of the Directors of the Company are deemed interested by virtue of their position as Executive Chairman and Executive Director of KPS respectively.

11. Recurrent Related Party Transaction of Revenue or Trading Nature

At the Annual General Meeting of the Company held on 6 June 2007, the Company had obtained a mandate from its shareholders to allow the Group to enter into recurrent related party transactions of revenue or trading nature. Pursuant to paragraph 10.09(1)(b) of the Listing Requirements, the details of the recurrent related party transactions of a revenue or trading nature conducted during

The above recurrent related party transaction of revenue or trading nature was conducted on terms not more favourable to the related parties than those generally available to the public at arm's length and are not detrimental to the interests of the minority shareholders of the Company.

AUDIT COMMITTEE'S REPORT

The Audit Committee is pleased to present its Report for the financial year ended 31 December 2007 for inclusion in this Annual Report in compliance with paragraph 15.16(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the Audit Committee comprise of:-

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir <i>(Senior Independent Non-Executive Director)</i>	-	Chairman
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj <i>(Independent Non-Executive Director)</i>	-	Member
Encik Sulaiman bin Salleh <i>(Independent Non-Executive Director)</i>	-	Member
Mr. Wong Yien Kim <i>(Non-Independent Non Executive Director) (appointed on 20 November 2007)</i>	-	Member
Y. Bhg. Dato' Lim Chee Meng <i>(Executive Director) (resigned on 20 November 2007)</i>	-	Member

To comply with the revisions to the Listing Requirements in enhancing the effectiveness and independence of the Audit Committee and mandating the internal audit function by listed companies in line with the revised Malaysian Code on Corporate Governance released by the Securities Commission in October 2007, the Board has made several amendments to the terms of reference of the Audit Committee.

Although the revisions to the Listing Requirements are only effective subsequent to the financial year, the Board has decided that, in the interest of good corporate governance practices, to bring forward the implementation of the revised requirements during the financial year.

A. APPROVED TERMS OF REFERENCE

The terms of reference of the Audit Committee has been amended to incorporate the new provisions under the Listing Requirements.

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.

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 is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - * he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - * he must be a member of one (1) of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - * fulfils such other requirement as prescribed or approved by the Bursa Securities.

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 report on each meeting to the Board.

The presence of external and/or internal auditors should be requested, if required. Other members of the Board and/or senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/or external auditors may also request a meeting if they consider that one is 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 Group whenever deemed necessary. 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.

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 audit, the audit plan which states the nature and scope of the audit;
- (b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the employees of the Group to the external auditors;

AUDIT COMMITTEE'S REPORT (Cont'd)

- (c) To review with the external auditors, their evaluation of the system of internal controls, their 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 that it has the necessary authority to carry out its work;
 - * review 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.
- (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 any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) To consider the nomination and appointment of external auditors, as well as fixing their remuneration;
- (h) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- (i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (j) 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
- (k) 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.

B. MEETINGS

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

	28 Feb	13 Apr	30 May	27 Aug	16 Nov
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	X	X	X	X	X
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj	X	X	X	-	X
Encik Sulaiman bin Salleh	X	X	X	X	X
Y.Bhg. Dato' Lim Chee Meng (resigned on 20 November 2007)	X	X	X	X	X
Mr. Wong Yien Kim (appointed on 20 November 2007)					

The meetings were structured through the use of agendas and relevant board papers which were distributed to the Audit Committee prior to such meetings. The Chief Executive Officer and the General Manager of Group Finance were present by invitation in the meetings. Representatives from the external auditors and/or the internal auditors as well as other senior management also attended some of the meetings upon invitation.

C. SUMMARY OF ACTIVITIES

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

Financial and Operations Review

Reviewing the quarterly financial and operations reports, interim financial results, interim financial report to Bursa Securities and the audited financial statements prior to recommending them for the approval of the Board.

External Audit

- (a) Reviewing and approving the external auditors' audit plan;
- (b) Reviewing with the external auditors the approved accounting standards (including implications of the new Financial Reporting Standards) applicable to the audited financial statements of the Company and of the Group;
- (c) Reviewing with the external auditors the results of the statutory audit, the audit report including management's response to matters highlighted in the said report;
- (d) Considering the external auditors' re-appointment and remuneration;

AUDIT COMMITTEE'S REPORT (Cont'd)

- (e) Meeting twice with the external auditors without the presence of executive board members and management; and
- (f) Approving the Fraud Questionnaire for submission to the external auditors.

Internal Audit

- (a) Reviewing and approving the internal auditors' scope of work and internal audit plan;
- (b) Reviewing the internal audit reports, which highlights the audit issues, recommendations and management's response and ensuring that material findings were addressed and attended to by management;
- (c) Preparing the Audit Committee's Report for inclusion in the Annual Report; and
- (d) Reviewing the Directors' Statement on Internal Control (for inclusion in the Annual Report) prior to submission to the Board for approval.

Related Party Transactions

- (a) Reviewing the quarterly report on recurrent related party transactions of a revenue or trading in nature entered into by the Group; and
- (b) Reviewing the circular to shareholders in relation to the procurement of shareholders' mandate for such transactions.

Fraud

To consider any incidences of fraud, if any, reported by the management to the Audit Committee.

Employees' Share Option Scheme ("ESOS")

Verifying the allocation of ESOS options granted by the ESOS Committee to eligible directors and employees of the Company and the Group is in accordance with the criteria for allocation established under the scheme.

D. INTERNAL AUDIT FUNCTION

To assist the Board in monitoring and managing risks and ensuring proper system of internal controls are in place, the Company has outsourced the internal audit function to a professional accounting firm which is independent of the activities that it audits. This internal audit function reports directly to the Audit Committee.

The principal role of the internal audit function is to undertake an independent, regular and systematic review of the system of internal controls so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal controls of the major operating companies within the Group namely the Company, Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd ("the Target Companies") and the extent of compliance of these companies with the Group's established policies and procedures as well as relevant statutory requirements. No internal audit was undertaken in respect of other companies in the Group as their contributions were not significant to the Group.

The internal auditors are required to undertake two audit for the year in accordance with their terms of reference and the scope of work outlined in the Internal Audit Strategy Plan 2007 to 2010 ("IASP") which comprised a 3-year internal audit strategic plan and an internal audit plan. The IASP was approved for implementation by the Audit Committee during the year.

During the year, the following reports were presented by the internal auditors to the Audit Committee for deliberation:-

- (i) internal audit reports on Cycle 10 (2006) and Cycle 11 (2007) where the internal audit undertaken addressed principally the following key internal controls relating to processes and the related risks areas of:-
 - (a) engineering and construction;
 - (b) health, safety and environment;
 - (c) asset management;
 - (d) operation and maintenance; and
 - (e) strategic management.
- (ii) the updated report on the Enterprise Risk Management ("ERM") which entailed the update of the risk profiles through facilitation of risk assessment of the Target Companies.

During the year, the internal auditors also undertook the internal audit of Tianjin-SWM (M) Environmental Company Limited, a subsidiary operating in China, which focused on the key elements of the company's system of internal control comprising the high level controls pertaining to the following:-

- (a) control environment;
- (b) risk assessment processes;
- (c) control activities;
- (d) information and communication processes; and
- (e) monitoring functions and processes

The areas covered by the above internal audits were prioritised largely based on the risk profiles of those companies.

The professional fees (excluding any service taxes and out-of-pocket expenses) incurred or to be incurred in respect of undertaking the above internal audit function is RM126,000

E. AUTHORISATION FOR ISSUANCE

This Report has been reviewed and approved for issuance by the Audit Committee.

STATEMENT ON INTERNAL CONTROL

Responsibility

The Board is responsible for maintaining a sound system of internal control within the Company and its subsidiaries ("Group") and for reviewing the effectiveness, adequacy and integrity of this system. Because of the inherent limitations, the system of internal control is designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatements or losses. The system of internal control of the Group covers, inter-alia, risk management, financial, operational and compliance controls.

Accompanying the maintenance of a sound system of internal controls is an on-going process to identify, evaluate and manage significant risks faced by the Group and this process is regularly reviewed by the Board and accords with the Statement on Internal Control : Guidance for Directors of Public Listed Companies. The process is undertaken by the Audit Committee which reports its finding 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 controls based on findings from internal audit projects carried out twice in a year.

The Board does not evaluate the system of internal controls of associated companies where the Group does not have full management control over them. However, it is the intention of the Group to review the adequacy of the system of internal control in jointly-controlled entities which contribute significantly to the Group by either employing resources to carry out an independent review or relying on the evaluation performed by an internal audit function within that entity.

Risk management framework

The Board has established a risk management framework for the Company and its two major operating subsidiaries. This framework consists of an ongoing process to identify, evaluate and manage significant risks that affect the achievement of the Group's business objectives. The main features of the Group's risk management framework involves the following key processes:-

- (a) The Management is entrusted to develop, operate and monitor the system of internal control 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 with the assistance of the internal audit function to determine any changes to the risk profile;
- (d) The risk profile, which comprises the key risks and the impact of these risks, is used to prioritise the various areas for internal audit over a 3-year period; and
- (e) Risk assessment reports are submitted to the Audit Committee for its review.

Internal audit function

The Audit Committee appointed a professional firm of accountants, distinct from the external auditors, to provide internal audit services to the Company and its two major operating subsidiaries in Malaysia and an operating subsidiary in China. No internal audit was undertaken in respects of other companies in the Group as their contributions were not significant to the group.

The internal audit function adopts a risk-based approach in its internal audit projects based on an Internal Audit Strategy and Plan ("IASP") developed in conjunction with the risk profiles of companies concerned. The latest IASP maps out the areas for internal audit over 3 years from 2007 to 2009 within the broad risk framework of the Group and is subject to the assessment of risks and priorities in each succeeding year.

Other key elements of internal control

The other key elements of the system of internal controls of the Group are described below:

- (a) Clearly defined delegation of responsibilities to committees of the Board and to Management, including appropriate authorisation levels;
- (b) A budgetary process whereby the Executive Committee 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; and
- (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.

Board's conclusion

Based on the monitoring process set out above, the Board is of the view that the system of internal controls in operation during the financial year is sound and sufficient to safeguard the assets of the Group and interest of shareholders. There were no material losses incurred during the financial year under review as a result of weaknesses of internal controls. Management continues to take measures to strengthen the control environment.

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 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.

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DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services. There has been no significant change in the activities of the Company during the financial year. The principal activities of subsidiaries are set out in Note 18 to the financial statements.

There has been no significant change in the activities of the Group during the financial year except as disclosed in Note 18 to the financial statements

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	33,108	61,769

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006:	
- Second interim gross dividend of 3.0 sen per share on 373,757,500 ordinary shares of RM0.50 each, less income tax of 27%, as shown in the Directors' report of that year, paid on 2 April 2007	8,185
- Final gross dividend of 3.0 sen per share on 373,896,000 ordinary shares of RM0.50 each, less income tax of 27%, paid on 6 July 2007	8,188
In respect of the financial year ended 31 December 2007:	
- First interim gross dividend of 3.0 sen per share on 374,116,500 ordinary shares of RM0.50 each, less income tax of 27%, paid on 15 October 2007	8,193
- Second interim gross dividend of 4.0 sen per share on 375,718,600 ordinary shares of RM0.50 each, less income tax of 26%, paid on 28 March 2008	11,121

The Directors now recommend the payment of a final gross dividend of 2.5 sen per share, less income tax of 26%, in respect of the financial year ended 31 December 2007 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Y. Bhg. Dato' Hj Abd Karim bin Munisar
 YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
 Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
 Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman
 Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
 Y. Bhg. Dato' Lim Chee Meng
 Tuan Haji Abdul Rahman bin Haji Siraj
 Encik Sulaiman bin Salleh
 Mr. Wong Yien Kim (appointed on 1 October 2007)
 Y. Bhg. Datin Paduka Hajjah Juma'ah Moktar (resigned on 27 August 2007)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares and options over ordinary shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each in the Company			At 31.12.2007
	At 1.1.2007	Bought	Sold	
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	225,000	60,000	0	285,000
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman				
- direct	60,000	60,000	0	120,000
- indirect #	6,390,000	0	0	6,390,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0	0	580,000
Y. Bhg. Dato' Lim Chee Meng				
- direct	212,000	0	0	212,000
- indirect #	196,700,000	0	0	196,700,000
Tuan Haji Abdul Rahman bin Haji Siraj	0	120,000	(100,000)	20,000
Encik Sulaiman bin Salleh	72,800	0	0	72,800

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Y. Bhg. Dato' Lim Chee Meng is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

DIRECTORS' REPORT

(Cont'd)

DIRECTORS' INTERESTS IN SHARES (Continued)

	Number of Warrants over ordinary shares of RM0.50 each in the Company at RM1.27 per share			At 31.12.2007
	At 1.1.2007	Bought	Sold	
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman - indirect#	1,278,000	0	0	1,278,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	104,000	0	0	104,000
Y. Bhg. Dato' Lim Chee Meng - direct	37,900	0	0	37,900
- indirect#	44,940,000	0	0	44,940,000
Encik Sulaiman bin Salleh	4,560	0	0	4,560

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

	Exercise price (RM)	Number of options over ordinary shares of RM0.50 each in the Company			At 31.12.2007
		At 1.1.2007	Granted	Exercised	
Y. Bhg. Dato' Hj Abd Karim bin Munisar	1.31	60,000	0	0	60,000
	1.90	0	100,000	0	100,000
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	0	60,000	0	60,000
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.31	60,000	0	(60,000)	0
	1.90	0	80,000	0	80,000
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman	1.90	0	60,000	(60,000)	0
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	0	60,000	0	60,000
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	120,000
	1.90	0	145,000	0	145,000
Tuan Haji Abdul Rahman bin Haji Siraj	1.31	120,000	0	(120,000)	0
	1.90	0	145,000	0	145,000
Encik Sulaiman bin Salleh	1.90	0	60,000	0	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 or shares, options over shares and debentures of its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Company was increased from RM186,694,500 comprising 373,389,000 ordinary shares of RM0.50 each to RM187,698,400 comprising 375,396,800 ordinary shares of RM0.50 each by way of:

- (i) the issuance of 824,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.31 per share; and
- (ii) the issuance of 1,173,500 new ordinary shares of RM0.50 each for cash pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.90 per share; and
- (iii) the issuance of 10,300 new ordinary shares of RM0.50 each for cash pursuant to the exercise of Warrants of the Company at an exercise price of RM1.27 per share.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company, save and except that they were not entitled to dividends, rights, allotments and/or other distributions, declared, made or paid prior to the date of entitlement of the said new ordinary shares.

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 were obtained) and will expire on 29 September 2010 (the period referred as the "Option Period") unless extended by the Company but in no event shall the ESOS be in force for a period exceeding 10 years from the effective date.

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;
- (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;
- (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.

DIRECTORS' REPORT

(Cont'd)

EMPLOYEES' SHARE OPTION SCHEME (Continued)

During the financial year, the Company granted a total of 6,410,000 ESOS options, pursuant to the Company's ESOS, to eligible directors and employees of the Company and its subsidiaries at an exercise price of RM1.90 per share.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of Directors and employees whom options have been granted during the financial year, together with their details of their holdings, below 100,000 ordinary shares of RM0.50 each in the Company.

The list of Directors and employees to whom exemption has not been granted by the Companies Commission of Malaysia with number of options granted 100,000 ordinary shares of RM0.50 each and above during the financial year are as follows:

Name of Director	Number of options over ordinary shares of RM0.50 each in the Company			
	At 1.1.2007	Granted	Exercised	At 31.12.2007
Y. Bhg. Dato' Hj Abd Karim bin Munisar	60,000 ⁽¹⁾	100,000 ⁽²⁾	0	160,000
Y. Bhg. Dato' Lim Chee Meng	120,000 ⁽¹⁾	145,000 ⁽²⁾	0	265,000
Tuan Haji Abdul Rahman bin Haji Siraj	120,000 ⁽¹⁾	145,000 ⁽²⁾	(120,000)	145,000
	300,000	390,000	(120,000)	570,000

Notes:

The share options were granted pursuant to the ESOS and entitled the Directors and employees to subscribe for new ordinary shares of RM0.50 each at the following exercise price:

- (1) RM1.31 per ordinary share
- (2) RM1.90 per ordinary share

WARRANTS

In 2005, the Company issued 70,440,000 warrants 2005/2010 ("Warrants") pursuant to a renounceable rights issue of Warrants on the basis of one Warrant for every five ordinary shares of RM0.50 each held. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.50 each within five years from the date of issuance of the Warrants to the expiry date on 21 September 2010 (the period referred to as the "Exercise Period") and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are set out as follows:

- (i) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company;
- (ii) each Warrant entitles the holder to subscribe for one new ordinary share of RM0.50 each at an exercise price of RM1.27 per share at any time during the Exercise Period;
- (iii) the Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants;
- (iv) the new shares to be allotted and issued pursuant to the exercise of the Warrants 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 is prior to the date of the allotment of the new shares;
- (v) the exercise price of the Warrants and/or the number of Warrants may from time to time be adjusted in accordance with the provisions in the deed poll.

During the financial year, there was no new issuance of warrants by the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the exercise of Warrants and options granted under the Company's ESOS.

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 11 to 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 he has a substantial financial interest except as disclosed in Note 41 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and 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 Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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 affect the ability of the Group or Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or 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 or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for those disclosed in the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 April 2008.



Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR
DIRECTOR



TUAN HAJI ABDUL RAHMAN BIN HAJI SIRAJ
DIRECTOR

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Revenue	6	190,969	142,902	140,174	38,869
Cost of operations	7	(114,178)	(73,029)	(48,002)	(5,407)
Gross profit		76,791	69,873	92,172	33,462
Other operating income		5,356	4,486	2,232	1,800
Administrative expenses		(34,877)	(24,377)	(9,078)	(5,054)
Finance cost	8	(1,550)	(595)	(1,402)	(576)
Share of results of jointly controlled entity		300	0	0	0
Share of results of associates		637	867	0	0
Profit before tax	9	46,657	50,254	83,924	29,632
Tax expense	12	(13,549)	(14,673)	(22,155)	(7,897)
Profit for the financial year		33,108	35,581	61,769	21,735
Attributable to:					
Equity holders of the Company		33,735	35,656	61,769	21,735
Minority interest		(627)	(75)	0	0
Profit for the financial year		33,108	35,581	61,769	21,735
Earnings per share attributable to ordinary equity holders of the Company (sen)					
- basic	13	9.0	9.8		
- diluted	13	8.4	9.4		

BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current assets					
Property, plant and equipment	15	24,892	6,122	1,479	1,532
Investment properties	16	455	465	455	465
Concession rights	17	15,408	16,188	0	0
Subsidiaries	18	0	0	106,624	98,500
Jointly controlled entity	19	55,838	0	55,538	0
Associates	20	23,645	23,008	23,177	23,177
Goodwill on consolidation	21	2,007	0	0	0
Deferred tax assets	22	84	9	0	0
Long term receivables	23	56,328	61,036	0	0
Deposits, bank and cash balances	29	22,484	25,366	12,944	15,999
		201,141	132,194	200,217	139,673
Current assets					
Inventories	24	1,041	981	0	0
Trade and other receivables	25	107,956	91,808	3,429	1,402
Amount due from subsidiaries	26	0	0	44,605	48,395
Amount due from a jointly controlled entity	27	52,250	0	52,250	0
Tax recoverable		304	424	278	7,518
Investments	28	197,630	79,464	196,344	46,859
Deposits, bank and cash balances	29	44,306	46,755	16,344	9,272
		403,487	219,432	313,250	113,446
Less: Current liabilities					
Borrowings	30	2,973	3,185	2,904	3,086
Trade and other payables	31	43,168	26,326	19,106	10,583
Taxation		1,712	2,940	0	0
		47,853	32,451	22,010	13,669
Net current assets		355,634	186,981	291,240	99,777
Less: Non-current liabilities					
Deferred tax liability	22	28	86	0	7,155
Borrowings	30	223,122	4,757	220,336	4,629
		333,625	314,332	271,121	227,666
Capital and reserves attributable to equity holders of the Company					
Share capital	33	187,698	186,694	187,698	186,694
Share premium	34	19,945	17,625	19,945	17,625
Warrant reserve		6,544	6,545	6,544	6,545
Share option reserve	35	2,929	0	2,929	0
Currency translation reserve		114	(60)	0	0
Merger deficit	36	(71,500)	(71,500)	0	0
Retained earnings	37	183,394	174,225	54,005	16,802
Shareholders' equity		329,124	313,529	271,121	227,666
Minority interest		4,501	803	0	0
Total equity		333,625	314,332	271,121	227,666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Attributable to equity holders of the Company										
Note	Share capital (Note 33) RM'000	Share premium (Note 34) RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2007	186,694	17,625	6,545	0	(60)	(71,500)	174,225	313,529	803	314,332
Share options:										
- proceeds from shares issued	33	999	0	0	0	0	0	3,310	0	3,310
- value of options granted	35	0	0	2,929	0	0	0	2,929	0	2,929
Warrants:										
- proceeds from shares issued	33	5	8	0	0	0	0	13	0	13
- transfer upon exercise	34	0	1	(1)	0	0	0	0	0	0
Net profit for the financial year		0	0	0	0	0	33,735	33,735	(627)	33,108
Dividends	14	0	0	0	0	0	(24,566)	(24,566)	0	(24,566)
Currency translation differences		0	0	0	174	0	0	174	(26)	148
Minority interest arising in business combination	43	0	0	0	0	0	0	0	4,351	4,351
At 31 December 2007	187,698	19,945	6,544	2,929	114	(71,500)	183,394	329,124	4,501	333,625
Attributable to equity holders of the Company										
Note	Share capital (Note 33) RM'000	Share premium (Note 34) RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2006	176,131	51	6,547	0	168	(71,500)	162,371	273,768	889	274,657
Share options:										
- proceeds from shares issued	33	2,057	0	0	0	0	0	5,389	0	5,389
Warrants:										
- proceeds from shares issued	33	6	9	0	0	0	0	15	0	15
- transfer upon exercise	34	0	2	(2)	0	0	0	0	0	0
Private placement of shares:										
- proceeds from shares issued	33	8,500	14,450	0	0	0	0	22,950	0	22,950
- share issue expenses	34	0	(219)	0	0	0	0	(219)	0	(219)
Net profit for the financial year		0	0	0	0	0	35,656	35,656	(75)	35,581
Dividends	14	0	0	0	0	0	(23,802)	(23,802)	0	(23,802)
Currency translation differences		0	0	0	(228)	0	0	(228)	(11)	(239)
At 31 December 2006	186,694	17,625	6,545	0	(60)	(71,500)	174,225	313,529	803	314,332

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

	Note	Share capital (Note 33) RM'000	Share premium (Note 34) RM'000	Non-distributable Warrant reserve RM'000	Share option reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2007		186,694	17,625	6,545	0	16,802	227,666
Share options:							
- proceeds from shares issued	33	999	2,311	0	0	0	3,310
- value of options granted	35	0	0	0	2,929	0	2,929
Warrants:							
- proceeds from shares issued	33	5	8	0	0	0	13
- transfer upon exercise	34	0	1	(1)	0	0	0
Net profit for the financial year		0	0	0	0	61,769	61,769
Dividends	14	0	0	0	0	(24,566)	(24,566)
At 31 December 2007		187,698	19,945	6,544	2,929	54,005	271,121
At 1 January 2006		176,131	51	6,547	0	18,869	201,598
Share options:							
- proceeds from shares issued	33	2,057	3,332	0	0	0	5,389
Warrants:							
- proceeds from shares issued	33	6	9	0	0	0	15
- transfer upon exercise	34	0	2	(2)	0	0	0
Private placement of shares:							
- proceeds from shares issued	33	8,500	14,450	0	0	0	22,950
- share issue expenses	34	0	(219)	0	0	0	(219)
Net profit for the financial year		0	0	0	0	21,735	21,735
Dividends	14	0	0	0	0	(23,802)	(23,802)
At 31 December 2006		186,694	17,625	6,545	0	16,802	227,666

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	2007 RM'000	Group 2006 RM'000	2007 RM'000	Company 2006 RM'000
OPERATING ACTIVITIES					
Profit before tax		46,657	50,254	83,924	29,632
Adjustments for:					
Amortisation of concession rights	17	861	875	0	0
Finance cost	8	1,550	595	1,402	576
Share option expenses	35	2,929	0	685	0
Depreciation:					
- property, plant and equipment	15	2,937	1,293	472	164
- investment properties	16	10	11	10	11
Gain on disposal of property, plant and equipment		(66)	(23)	0	(4)
Impairment loss on investment in associate	20	0	0	0	3,202
Unrealised foreign exchange gain		(290)	(368)	(418)	(665)
Investments:					
- dividend income		(2,133)	(816)	(1,130)	(568)
- gain on redemption		(605)	(301)	(310)	(153)
Interest income		(2,148)	(2,613)	(725)	(791)
Dividend income:					
- subsidiary	6	0	0	(82,500)	(26,500)
- associate	6	0	0	0	(5,625)
Share of results:					
- jointly controlled entity	19	(300)	0	0	0
- associate	20	(637)	(867)	0	0
		48,765	48,040	1,410	(721)
Changes in working capital:					
Inventories		(60)	(54)	0	0
Trade and other receivables		(6,383)	21,258	(2,020)	(1,093)
Trade and other payables		11,552	(27,000)	8,162	(24,944)
Amount due from subsidiaries		0	0	(15,555)	58,092
Amount due from jointly controlled entity / associate		(52,250)	200	(52,250)	200
Net cash inflow/(outflow) from operations		1,624	42,444	(60,253)	31,534
Interest paid		(429)	(609)	(408)	(590)
Interest received		2,073	2,659	718	772
Tax (paid)/refunded		(14,790)	(13,687)	206	448
Net cash (outflow)/inflow from operating activities		(11,522)	30,807	(59,737)	32,164

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

	Note	Group 2007 RM'000	2006 RM'000	Company 2007 RM'000	2006 RM'000
INVESTING ACTIVITIES					
Acquisition of:					
- additional shares issued by existing subsidiary		300	0	(450)	0
- new subsidiary	43	(7,486)	0	0	0
- newly incorporated subsidiaries		1,386	0	(5,430)	0
- jointly controlled entity	19	(55,538)	0	(55,538)	0
Property, plant and equipment:					
- proceeds from disposal		70	151	1	4
- purchase	15	(11,081)	(2,289)	(420)	(1,339)
Dividend received:					
- subsidiary		0	0	79,570	0
- associate		0	4,050	0	4,050
Investments:					
- purchase		(244,216)	(79,050)	(212,216)	(46,550)
- proceeds from redemption		127,764	677	63,750	399
- dividends		1,024	26	421	13
Net cash outflow from investing activities		(187,777)	(76,435)	(130,312)	(43,423)
FINANCING ACTIVITIES					
Proceeds from issuance of:					
- convertible bonds	30(c)	218,250	0	218,250	0
- ordinary shares		3,323	28,135	3,323	28,135
Dividend paid	14	(24,566)	(23,802)	(24,566)	(23,802)
Repayment of borrowings		(3,039)	(3,282)	(2,941)	(3,183)
Decrease in deposit balances pledged as security		2,882	7,820	3,055	3,876
Net cash inflow from financing activities		196,850	8,871	197,121	5,026
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(2,449)	(36,757)	7,072	(6,233)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		46,755	83,512	9,272	15,505
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	38	44,306	46,755	16,344	9,272

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

1 GENERAL INFORMATION

The principal activities of the Company are investment holding, provision of contracting, project and management services. The principal activities of the Group consist of management, operation and maintenance of water treatment plant and waste management services. There has been no significant change in the activities of the Group and Company during the financial year except as disclosed in Note 18 to the financial statements.

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

The address of the registered office and the principal place of business of the Company are as follows:

Registered office	Principal place of business
Unit 07-02, Level 7, Menara Luxor 6B Persiaran Tropicana 47410, Petaling Jaya Selangor Darul Ehsan	No. 28, Jalan Wan Kadir 1 Taman Tun Dr. Ismail 60000 Kuala Lumpur

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

2.1 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities. The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MASB approved accounting standards in Malaysia for entities other than private entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards that are effective

The new accounting standards effective for the Group's and the Company's financial year beginning on 1 January 2007 are as follows:

- * FRS 117 Leases
- * FRS 124 Related Party Disclosures

The accounting standard applicable and effective for the Group's and the Company's financial year beginning on 1 January 2007 as a result of the Group and the Company effectively obtaining joint control in Cerah Sama Sdn Bhd as of 21 November 2007 is as follows:

- * FRS 131 Interests in Joint Ventures

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group and the Company require retrospective application.

The adoption of the above standards did not have any significant financial impact on the results of the Group and the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

- (ii) Standards and amendments to published standards that are effective but not relevant for the Group's operations
- * FRS 6 Exploration for and Evaluation of Mineral Resources. FRS 6 is not relevant to the Group and the Company operations as the Group and Company do not carry out exploration for and evaluation of mineral resources.
 - * Amendment to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures. This amendment is not relevant to the Group and Company as the Group and the Company do not have any defined benefit plan.
- (iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's and Company's financial years beginning on or after 1 January 2008 or later, but which the Group and Company have not early adopted, are as follows:

- * Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group and Company will apply this amendment from financial periods beginning on 1 January 2008.
- * FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group and Company will apply this standard from financial periods beginning on 1 January 2008.
- * FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007). This revised standard allows the alternative treatment of recording non-monetary government grant at nominal amount on initial recognition. The Group will apply this standard from financial periods beginning on 1 January 2008.
- * Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:
 - FRS 107 Cash Flow Statements
 - FRS 111 Construction Contracts
 - FRS 118 Revenue
 - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The Group and Company will apply these standards from financial periods beginning on 1 January 2008.

- * IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate. The Group will apply this interpretation from financial periods beginning on 1 January 2008.
- * IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payments applies even in the absence of specifically identifiable goods and services. The Group and Company will apply this interpretation from financial periods beginning on 1 January 2008.
- * FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and Company will apply this standard when effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

- (iv) Standards and interpretations that are not yet effective and not relevant for the Group's and Company's operations
- * IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and Company as the Group and Company do not carry out activities of co-operatives or other similar entities.
 - * IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and Company as the Group and Company do not contribute to any decommissioning, restoration or environmental rehabilitation funds.
 - * IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and Company as the Group and Company do not carry out production activities on waste electrical and electronic equipment.
 - * IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economics (effective for accounting periods beginning on or after 1 July 2007). This interpretation is not relevant to the Group and Company as the functional currency of the Group and Company is not the currency of a hyperinflationary economy.

2.2 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 certain 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 or credit difference is classified as a non-distributable reserve. 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 capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

The Group has taken advantage of the exemption provided under FRS 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, plus cost directly attributable to the acquisition. 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 minority 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. See the accounting policy Note 2.5 on goodwill. 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 the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

Minority 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 minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but 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.

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 income statement.

2.3 JOINTLY CONTROLLED ENTITY

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 the income statement and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated impairment loss).

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

2.4 ASSOCIATES

Associates are enterprises in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where possible, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of their identifiable net assets at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance.

Goodwill acquired in a business combination is stated at cost less any accumulated impairment losses.

Goodwill is not amortised but the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 2.10 on the impairment of assets.

2.6 CONCESSION RIGHTS

Concession rights are stated at cost less accumulated amortisation and impairment losses.

Amortisation of concession rights is computed using the straight line method over the concession period.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exist, the carrying amount is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of assets.

2.7 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 to their residual values 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 derecognised. The difference between the net disposal proceeds and the carrying amount is taken to the income statement in the period of the retirement or disposal.

2.8 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 items. 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Depreciation of other property, plant and equipment is computed on the straight line method to write off the cost of the assets, or their revalued amounts, 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, 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. See accounting policy Note 2.10 on the impairment of assets.

Gain or losses on disposals are determined by comparing proceeds with carrying amount and are taken to the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

2.9 INVESTMENTS

Investments in subsidiaries, jointly controlled entities and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of assets.

Short-term investments comprise of investments in quoted unit trusts. These short-term investments held as current assets are stated at the lower of costs or market value on a portfolio basis. Cost is the weighted average of the purchase price while market value is determined based on quoted market price. Gains or losses from the disposal of these investments are taken to the income statement.

2.10 IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets excluding deferred tax assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2.11 ASSETS ACQUIRED UNDER FINANCE LEASES

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance 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 the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of land and buildings are considered separately for the purpose of lease classification. Leasehold land are classified as operating lease and the minimum lease payments of the upfront payments made are allocated between the land and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

All other property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset as disclosed in Note 2.8 above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVENTORIES

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

Costs of raw materials and consumable spares are determined using the first in, first out 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.

2.13 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.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it 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).

2.14 TRADE RECEIVABLES

Trade receivables are carried at invoice amount less an allowance for doubtful debts. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

2.15 CASH AND CASH EQUIVALENTS

For purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 SHARE CAPITAL (Continued)

(iv) Share Options

The Company operates an equity-settled, share-based compensation plan for eligible directors and employees of the Company and its subsidiaries. Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2: Share-Based Payment, the compensation expense relating to share options is recognised in the income statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the Black-Scholes model or any other appropriate models as maybe decided by the Board from time to time. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Company after 31 December 2004 which remain unvested on 1 January 2006.

2.17 WARRANTS

Rights issue of Warrants are recognised and credited to warrant reserve based on the proceeds received, net of transaction cost. Upon exercise of Warrants, the proceeds are credited to share capital and share premium. The warrant reserve in relation to any unexercised Warrants at the expiry of the warrant period will be transferred to share premium.

2.18 TAXATION

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based on the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is now recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also charged directly in equity.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

2.19 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 can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 REVENUE RECOGNITION

Revenue from the rendering of services are recognised upon performance of services, net of discounts, and after eliminating billings within 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 on time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity.

2.21 FOREIGN CURRENCIES

(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 dates of the transactions. 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 the income statement.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 difference', a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows :

Foreign currency	31.12.2007 RM	31.12.2006 RM
1 US Dollar	3.32	3.53
100 Hong Kong Dollars	42.55	45.35
100 Chinese Renminbi	45.43	45.19

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

(ii) Fair value estimation for disclosure purposes

The carrying values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Fair value of financial assets for long term receivables are determined from future cash flows discounted using current market interest rate available to the Group for similar financial instruments.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.23 EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions 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 will have 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 state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that is subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

2.25 BORROWINGS

Borrowings are initially recognised based on proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at net of redemption value, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs incurred are expensed to income statement.

2.26 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) Impairment of Concession Rights

The Group reviews the carrying amounts of the Concession Rights as at each balance sheet date to determine whether there is any impairment suffered. The recoverable amount of the Concession Rights is determined based on the estimation of future cash flows expected to be generated from the continued use of these rights. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 17 to the financial statements.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amounts of the Goodwill on Consolidation as at each balance sheet date to determine whether there is any impairment suffered. The recoverable amount of the Goodwill on Consolidation is determined based on the estimation of future cash flows expected to be generated from the operation of the Company's subsidiary, Puresino (Guanghan) Water Co. Ltd. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 21 to the financial statements.

(c) Taxation

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, where applicable, in the period in which such determination is made.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. 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 Exchange Risk

The Group's exposure to currency risk as a result of foreign currency transactions is limited as the Group's foreign currency payables or receivables are minimal at present.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. Interest rate exposure arises from the Group's borrowings and deposits. The Group closely monitors the interest rate trend and 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.

Credit Risk

Credit risk arises when sales are made on deferred credit terms. Investments are allowed only in liquid assets and only with financial institutions that have a sound credit rating. The Group monitors its exposure to credit risk on an ongoing basis. 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 receivables.

Liquidity and Cash Flow Risk

Liquidity and cash flow 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.

5 SEGMENT REPORTING

(a) Primary reporting format - business segments

The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment assets comprise primarily of property, plant and equipment, inventories, trade and other receivables, deposits, bank and cash balances, concession rights and exclude tax recoverable and deferred tax assets.

Segment liabilities comprise operating liabilities and provisions and exclude borrowings, current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and concession rights.

The Group comprises the following main business segments:

Water	Management, operations and maintenance of water treatment plants and water distribution systems
Investment holding	Investment holding and dormant companies
Construction	Design, construction and supervision of water supply works under a turnkey contract
Waste management	Provision of management, operation and maintenance of waste management services and technical services relating to waste management

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

5 SEGMENT REPORTING (Continued)

(a) Primary reporting-business segments

Revenue	Water		Waste management		Investment holding		Construction		Elimination		Total consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
External revenue	126,322	131,608	8,093	6,662	0	0	56,554	4,632	0	0	190,969	142,902
Inter-segment revenue	0	0	1,461	1,503	84,900	34,525	52,304	4,344	(138,665)	(40,372)	0	0
Total revenue	126,322	131,608	9,554	8,165	84,900	34,525	108,858	8,976	(138,665)	(40,372)	190,969	142,902
Results												
Segment results	47,159	49,804	(335)	104	75,936	28,235	7,503	1,279	(82,993)	(29,440)	47,270	49,982
Finance cost											(1,550)	(595)
Share of results of jointly controlled entity	0	0	0	0	300	0	0	0	0	0	300	0
Share of results of associates	637	867	0	0	0	0	0	0	0	0	637	867
Profit before tax											46,657	50,254
Tax expense											(13,549)	(14,673)
Profit for the year											33,108	35,581
Minority interest											627	75
Net profit attributable to equity holders of the Company											33,735	35,656
Net assets												
Segment assets	159,189	220,142	61,226	39,567	446,069	216,213	44,451	35,659	(186,178)	(183,396)	524,757	328,185
Investments in jointly controlled entity	0	0	0	0	55,838	0	0	0	0	0	55,838	0
Investments in associates	23,645	23,008	0	0	0	0	0	0	0	0	23,645	23,008
Unallocated assets											388	433
Total assets											604,628	351,626
Segment liabilities	(14,533)	(41,404)	(15,935)	(4,618)	(52,286)	(14,329)	(17,525)	(34,910)	57,111	68,935	(43,168)	(26,326)
Unallocated liabilities											(227,835)	(10,968)
Total liabilities											(271,003)	(37,294)
Other information												
Capital expenditure	1,242	851	9,130	12	388	241	321	1,185	0	0	11,081	2,289
Depreciation and amortisation	(1,662)	(1,078)	(1,588)	(896)	(287)	(180)	(271)	(25)	0	0	(3,808)	(2,179)

5 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format-geographical segments

The Group operates in two main geographical areas:

- (i) Malaysia* - Investment holding, water business, construction and provision of technical services relating to waste management.
- (ii) China - Investment holding, waste management and trading in equipment for environment protection and water treatment equipment and provision of related services.

* Company's home country

	Revenue		Total assets		Capital expenditure	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysia	182,876	136,240	479,367	309,212	1,747	2,190
China	8,093	6,662	45,778	19,406	9,334	99
	190,969	142,902	525,145	328,618	11,081	2,289
Jointly controlled entity			55,838	0		
Associates			23,645	23,008		
Total assets			604,628	351,626		

In determining the geographical segments of the Group, sales are based on the country in which the customer is located. Total assets and capital expenditure are determined on where the assets are located.

6 REVENUE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Management, operation and maintenance of water treatment plants	126,322	131,608	0	0
Contract revenue	56,554	4,632	55,274	4,344
Waste management	8,093	6,662	0	0
Management fees from subsidiaries	0	0	2,400	2,400
Dividend from a subsidiary	0	0	82,500	26,500
Dividend from an associate	0	0	0	5,625
	190,969	142,902	140,174	38,869

7 COST OF OPERATIONS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cost of provision of management, operation and maintenance of water treatment plants	61,743	66,103	0	0
Contract costs	46,702	3,332	45,602	3,007
Waste management costs	5,733	3,594	0	0
Service cost for management fees	0	0	2,400	2,400
	114,178	73,029	48,002	5,407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

8 FINANCE COST

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest expense:				
- borrowings	539	578	408	576
- finance lease	17	17	0	0
- convertible bond	360	0	360	0
Amortisation of discount on convertible bond (Note 30(c))	634	0	634	0
	1,550	595	1,402	576

9 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at profit before tax for the financial year:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Amortisation of concession rights (Note 17)	861	875	0	0
Fees to PricewaterhouseCoopers for:				
- statutory audit services	100	95	48	43
- audit related services	139	68	139	68
- tax compliance and advisory services	69	46	42	19
Statutory audit fees to other auditors	51	24	0	0
Hire of plant and machinery	28	46	0	0
Impairment loss on investment in associate (Note 20)	0	0	0	3,202
Rental of premises	479	361	287	186
Lease rental of waterworks assets	150	150	0	0
Staff cost (Note 10)	16,166	14,219	4,251	2,338
Share option expense (Note 35)	2,929	0	685	0
Depreciation on investment properties (Note 16)	10	11	10	11
Property, plant and equipment:				
- depreciation (Note 15)	2,051	1,293	291	164
- gain on disposal	(66)	(23)	0	(4)
Short-term investments:				
- dividend income	(2,133)	(816)	(1,130)	(568)
- gain on disposal	(605)	(301)	(310)	(153)
Interest income	(2,148)	(2,613)	(725)	(791)
Dividend income from a subsidiary	0	0	(82,500)	(26,500)
Dividend income from an associate	0	0	0	(5,625)
Unrealised foreign exchange gain	(290)	(368)	(418)	(665)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

10 STAFF COST

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages, salaries and bonus	14,523	12,677	3,746	2,050
Defined contribution-Employees Provident Fund	1,453	1,221	418	209
Other employee benefits	190	321	87	79
	16,166	14,219	4,251	2,338
Number of employees (including executive directors)	435	401	34	19

Included in staff cost of the Group and of the Company are Directors' remuneration of RM1,424,000 (2006: RM1,289,000) and RM1,310,000 (2006 : RM349,000) respectively as further disclosed in Note 11.

11 DIRECTORS' REMUNERATION

The Directors of the Company in office during the period are as follows:

Non-executive Directors

Y. Bhg Dato' Hj Abd Karim bin Munisar
 YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
 Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
 Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman
 Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
 Encik Sulaiman bin Salleh
 Mr Wong Yien Kim
 Y. Bhg. Datin Paduka Hajjah Juma'ah Moktar

(appointed 1 October 2007)
 (resigned 27 August 2007)

Executive Directors

Y. Bhg. Dato' Lim Chee Meng
 Tuan Haji Abdul Rahman bin Haji Siraj

The aggregate amount of emoluments receivable by Directors of the Company during the period is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-executive Directors:				
- fees	227	230	227	230
- other emoluments	182	170	68	56
Executive Directors:				
- fees	50	50	50	50
- salaries and bonus	865	731	865	0
- estimated money value of benefits-in-kind	7	7	7	0
- defined contribution plan	75	88	75	0
- other emoluments	18	13	18	13
	1,424	1,289	1,310	349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

12 TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian income tax				
Current tax:				
Current year	13,724	14,159	29,459	1,400
(Over)/under accrual in prior years	(42)	444	(149)	(658)
	13,682	14,603	29,310	742
Deferred tax (Note 22):				
Origination and reversal of temporary differences	(133)	70	(7,155)	7,155
Tax expense	13,549	14,673	22,155	7,897

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Numerical reconciliation between the average effective tax rate and the				
Malaysian tax rate	27.0	28.0	27.0	28.0
Tax effects of:				
- change in tax rate	(0.1)	(0.1)	0.0	(1.0)
- share of results of associates / jointly controlled entity	0.9	0.3	0.0	0.0
- expenses not deductible for tax purposes	6.5	1.5	1.9	3.4
- income not subject to tax	(2.0)	(0.9)	(0.5)	(0.7)
- previously unrecognised deferred tax assets	(3.2)	(0.5)	(1.8)	(0.8)
- (over)/under accrual in prior years	(0.1)	0.9	(0.2)	(2.2)
Average effective tax rate	29.0	29.2	26.4	26.7

Tax savings during the financial year for the Company due to recognition of previously unrecognised tax losses amounted to RM1,610,000 (2006 : RM255,000).

The amount of unused tax losses for the Company (which have no expiry date) for which no deferred tax asset is recognised in the balance sheet is nil (2006 : RM6,014,000).

13 EARNINGS PER SHARE**Basic earnings per share**

The basic earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2007	2006
Net profit attributable to equity holders of the Company (RM'000)	33,735	35,656
Weighted average number of ordinary shares in issue ('000)	374,050	365,116
Basic earnings per share (sen)	9.0	9.8

13 EARNINGS PER SHARE (CONTINUE)

Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from Warrants and ESOS options.

	2007	2006
Net profit attributable to equity holders of the Company (RM'000)	33,735	35,656
Weighted average number of ordinary shares in issue ('000)	374,050	365,116
Effects of dilution from:		
- Warrants ('000)	25,250	15,889
- Share options ('000)	333	238
Adjusted weighted average number of ordinary shares in issue ('000)	399,633	381,243
Diluted earnings per share (sen)	8.4	9.4

14 DIVIDENDS

Dividends declared and paid in respect of the financial year are as follows:

	Group and Company			
	2007		2006	
	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
Second interim dividend in respect of the financial year ended 31 December 2006, less income tax of 27% on 373,757,500 ordinary shares paid on 2 April 2007 (2006: Second interim dividend in respect of the financial year ended 31 December 2005, less income tax of 28% on 352,263,000 ordinary shares paid on 21 April 2006)	3.0	8,185	2.0	5,073
Final dividend in respect of the financial year ended 31 December 2006, less income tax of 27% on 373,896,000 ordinary shares paid on 6 July 2007 (2006: Final dividend in respect of the financial year ended 31 December 2005, less income tax of 28% on 369,553,000 ordinary shares paid on 28 July 2006)	3.0	8,188	3.0	7,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

14 DIVIDENDS (CONTINUED)

	Group and Company			
	2007		2006	
	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
First interim dividend in respect of the financial year ended 31 December 2007, less income tax of 27% on 374,116,500 ordinary shares paid on 15 October 2007 (2006: First interim dividend in respect of the financial year ended 31 December 2006, less income tax of 28% on 373,178,000 ordinary shares paid on 20 October 2006)	3.0	8,193	4.0	10,747
	9.0	24,566	9.0	23,802

On 28 February 2008, the Directors have declared a second interim dividend of 4.0 sen per share on 375,718,600 ordinary shares of RM0.50 each, less income tax of 26%, amounting to RM11,121,271 in respect of the financial year ended 31 December 2007, which has been paid on 28 March 2008.

In addition, the Directors now recommend the payment of a final gross dividend of 2.5 sen per share, less income tax of 26%, in respect of the financial year ended 31 December 2007, which will be proposed for members' approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect these dividends. The second interim dividend were payable on the date of declaration and the final dividend will be payable upon approval by the members of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building 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
Group							
Net book value at 1 January 2007	280	624	738	1,683	2,752	45	6,122
Acquisition of subsidiary (Note 43)	0	0	10,570	60	0	0	10,630
Additions	0	0	9,520	594	658	309	11,081
Disposals	0	0	0	(4)	0	0	(4)
Depreciation charge	0	(14)	(266)	(867)	(869)	(35)	(2,051)
Depreciation charged to cost of sales	0	0	(726)	(6)	(154)	0	(886)
Net book value at 31 December 2007	280	610	19,836	1,460	2,387	319	24,892
At 31 December 2007							
Cost	280	700	21,881	4,180	6,738	859	34,638
Accumulated depreciation	0	(90)	(2,045)	(2,715)	(4,348)	(540)	(9,738)
Accumulated currency translation differences	0	0	0	(5)	(3)	0	(8)
Net book value	280	610	19,836	1,460	2,387	319	24,892
Group							
Net book value at 1 January 2006	280	638	635	1,763	1,892	70	5,278
Additions	0	0	326	450	1,486	27	2,289
Disposals	0	0	0	(128)	0	0	(128)
Depreciation charge	0	(14)	(220)	(397)	(610)	(52)	(1,293)
Depreciation capitalised	0	0	(3)	0	(13)	0	(16)
Currency translation differences	0	0	0	(5)	(3)	0	(8)
Net book value at 31 December 2006	280	624	738	1,683	2,752	45	6,122
At 31 December 2006							
Cost	280	700	1,791	3,512	6,332	550	13,165
Accumulated depreciation	0	(76)	(1,053)	(1,824)	(3,577)	(505)	(7,035)
Accumulated currency translation differences	0	0	0	(5)	(3)	0	(8)
Net book value	280	624	738	1,683	2,752	45	6,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Company					
Net book value at 1 January 2007	99	432	997	4	1,532
Additions	2	192	86	140	420
Disposals	0	(1)	0	0	(1)
Depreciation charge	0	(189)	(87)	(15)	(291)
Depreciation charged to cost of sales	(21)	(6)	(154)	0	(181)
Net book value at 31 December 2007	80	428	842	129	1,479
At 31 December 2007					
Cost	104	827	1,868	173	2,972
Accumulated depreciation	(24)	(399)	(1,026)	(44)	(1,493)
Net book value	80	428	842	129	1,479
Company					
Net book value at 1 January 2006	0	243	119	11	373
Additions	102	246	991	0	1,339
Depreciation charge	0	(57)	(100)	(7)	(164)
Depreciation capitalised	(3)	0	(13)	0	(16)
Net book value at 31 December 2006	99	432	997	4	1,532
At 31 December 2006					
Cost	102	636	1,782	33	2,553
Accumulated depreciation	(3)	(204)	(785)	(29)	(1,021)
Net book value	99	432	997	4	1,532

Assets held under finance lease agreements are motor vehicles of the Group with a net book value as at 31 December 2007 of RM180,000 (2006: RM405,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

16 INVESTMENT PROPERTIES

	Group and Company	
	2007 RM'000	2006 RM'000
Net book value		
At 1 January	465	476
Depreciation charge	(10)	(11)
At 31 December	455	465
At 31 December		
Cost	529	529
Accumulated depreciation	(48)	(38)
Accumulated impairment losses	(26)	(26)
Net book value	455	465

17 CONCESSION RIGHTS

	Group	
	2007 RM'000	2006 RM'000
Net book value		
At 1 January	16,188	17,665
Amortisation charge (Note 9)	(861)	(875)
Currency translation difference	81	(602)
At 31 December	15,408	16,188
At 31 December		
Cost	18,294	18,294
Accumulated amortisation	(2,801)	(1,940)
Accumulated currency translation difference	(85)	(166)
Net book value	15,408	16,188

The amortisation charge of the Concession Rights was included in the administrative expenses.

A subsidiary is granted a 21-year concession, which expires by October 2025, for the operation, use and maintenance of the Tianjin Panlou Domestic Waste Transfer Station and its related assets in the City of Tianjin, People's Republic of China for a cash consideration of Chinese Renminbi 40,000,000.

An impairment review of the carrying value of the Concession Rights at the balance sheet date was undertaken by determining the recoverable amount based on value in use calculations.

The key assumptions used in the estimation of the recoverable amount are as follows:

- (a) Tonnage to increase by 50 tonnes/day from 900 tonnes/day in 2010 and every 4 years thereafter until tonnage reaches expected maximum of 1,050 tonnes/day;
- (b) Expenses to increase by 3.0% a year; and
- (c) Pre-tax discount rate of 6.5%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

17 CONCESSION RIGHTS (Continued)

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount by the board of the subsidiary, are reasonable. Based on the review, there is no impairment to the Concession Rights.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 8.5% instead of 6.5% as at 31 December 2007, there is no impairment to the Concession Rights.

18 SUBSIDIARIES

	Company	
	2007 RM'000	2006 RM'000
Unquoted investments, at cost	106,624	98,500

Pursuant to the merger relief provided under Section 60(4) of the Companies Act, 1965, the Company has not recorded the share premium arising from the issuance of the 79,500,000 ordinary shares for the acquisitions of Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd in the financial year ended 31 December 2000. As such, the investments in these subsidiaries had been recorded in the Company's books at the nominal value of shares issued of RM79,500,000.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated. Details of subsidiaries which are audited by PricewaterhouseCoopers, Malaysia unless otherwise indicated, are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		2007 %	2006 %	
Held directly by Taliworks Corporation Berhad:				
Sungai Harmoni Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plant for a concession period of 30 years expiring in January 2030 and construction of water treatment works.
Taliworks (Langkawi) Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plant and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd	Malaysia	60	60	Development construction, management, operation and maintenance and privatisation of water supply schemes and related business.
Taliworks Technologies Sdn Bhd	Malaysia	100	100	Research and development activities related to water treatment.

18 SUBSIDIARIES (Continued)

Name	Country of incorporation	Group's effective interest		Principal activities
		2007 %	2006 %	
Taliworks International Limited *	Hong Kong SAR	100	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd	Malaysia	100	100	Investment holding and waste management business activities.
Taliworks (Sichuan) Ltd *	Hong Kong SAR	80	0	Investment holding.
Held through SWM Technologies (Malaysia) Sdn Bhd:				
Tianjin - SWM (M) Environment Ltd, Co. *	People's Republic of China	90	90	Provision of management, operation and maintenance of waste management services 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	Trading in equipment for environment protection and water treatment equipment and provision of related services. As at balance date, the company has not commenced operations.
Taliworks-IBI Technologies International Limited *	Hong Kong SAR	70	0	Investment holding.
Held through Taliworks-IBI Technologies International Limited :				
Taliworks-IBI Technologies (Xiamen) Limited *	Hong Kong SAR	63	0	Investment holding for manufacturing and trading activities of environmental protection related business.
Held through Taliworks-IBI Technologies (Xiamen) Limited :				
Taliworks (Xiamen) Environmental Technologies Co. Ltd *	People's Republic of China	63	0	Research and development, production of various environmental biochemical bacteria and consultancy services related to environmental technologies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

18 SUBSIDIARIES (Continued)

Name	Country of incorporation	Group's effective interest		Principal activities
		2007 %	2006 %	
Held through Taliworks (Sichuan) Ltd :				
Puresino (Guanghan) Water Co. Ltd *	People's Republic of China	56	0	Construction, management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Not audited by PricewaterhouseCoopers, Malaysia.

The following subsidiaries were incorporated during the financial year:

(a) Taliworks (Sichuan) Ltd

Taliworks (Sichuan) Ltd was incorporated on 10 January 2007, in Hong Kong SAR as an 80% subsidiary of Taliworks Corporation Berhad, with an authorised share capital of HKD20,000,000 of which HKD15,000,000 comprising 15,000,000 ordinary share of HKD1.00 each was issued and paid up. On 24 April 2007, Taliworks (Sichuan) Ltd acquired 70% equity interest in Puresino (Guanghan) Water Co. Ltd, a company incorporated in the People's Republic of China. The details on the acquisition are disclosed in Note 43.

(b) Taliworks-IBI Technologies International Limited

Taliworks-IBI Technologies International Limited was incorporated on 4 June 2007, in Hong Kong SAR as a 70% subsidiary of Taliworks International Limited, with an authorised and issued share capital of HKD200,000 comprising 200,000 ordinary share of HKD1.00 each.

(c) Taliworks-IBI Technologies (Xiamen) Limited

Taliworks-IBI Technologies (Xiamen) Limited was incorporated on 15 June 2007, in Hong Kong SAR as a 90% subsidiary of Taliworks-IBI Technologies International Limited, with an authorised share capital of HKD500,000 of which HKD100,000 comprising 100,000 ordinary share of HKD1.00 each was issued.

(d) Taliworks (Xiamen) Environmental Technologies Co. Ltd

Taliworks (Xiamen) Environmental Technologies Co. Ltd was incorporated on 15 November 2007, as a 100% subsidiary of Taliworks-IBI Technologies (Xiamen) Limited. Taliworks (Xiamen) Environmental Technologies Co. Ltd was incorporated as a foreign investment enterprise in the People's Republic of China with a registered capital of HKD2,000,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

19 JOINTLY CONTROLLED ENTITY

	2007 RM'000	2006 RM'000
Group		
Share of net assets of jointly controlled entity	55,838	0
Company		
Unquoted investments, at cost	55,538	0
The Group's share of revenue, profit, assets and liabilities of jointly controlled entity is as follow:		
Revenue	3,632	0
Profit for the year	300	0
Non-current assets	396,366	0
Current assets	29,838	0
Current liabilities	(58,668)	0
Non-current liabilities	(311,698)	0
Net assets	55,838	0

Details of the jointly controlled entity, which is incorporated in Malaysia, is as follow:

Name	Group's effective interest		Principal activities
	2007 %	2006 %	
Cerah Sama Sdn Bhd	55	0	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.

20 ASSOCIATES

	2007 RM'000	2006 RM'000
Group		
Share of net assets of associates	23,645	23,008
Company		
Unquoted investments, at cost	38,665	38,665
Accumulated impairment losses	(15,488)	(15,488)
Unquoted investments, at carrying amount	23,177	23,177

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

20 ASSOCIATES (Continued)

	2007 RM'000	2006 RM'000
The Group's share of revenue, profit, assets and liabilities of associates are as follows:		
Revenue	10,795	9,910
Profit for the year	637	867
Non-current assets	1,820	729
Current assets	24,483	25,052
Current liabilities	(2,610)	(2,762)
Non-current liabilities	(48)	(11)
Net assets	23,645	23,008

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Group's effective interest		Principal activities
	2007 %	2006 %	
C.G.E. Utilities (M) Sdn Bhd*	45	45	Management, operation and maintenance of water treatment plants and the supply of treated water. The company has ceased operations and is currently dormant.
Hydrovest Sdn Bhd*	40	40	Provision of water management and project services.

* Not audited by PricewaterhouseCoopers, Malaysia.

21 GOODWILL ON CONSOLIDATION

	2007 RM'000	Group 2006 RM'000
At 31 December:		
Acquisition of subsidiary (Note 43)	2,007	0

During the financial year, goodwill had arisen from the acquisition of a subsidiary, Puresino (Guanghan) Water Co. Ltd. The details on the acquisition are disclosed in Note 43.

An impairment review of the carrying value of the Goodwill at the balance sheet date was undertaken by determining the recoverable amount based on value in use calculations.

The key assumptions used in the estimation of the recoverable amount are as follows:

- Tonnage to increase from 24,000 tonnes/day in 2008 to 30,000 tonnes/day in 2009, and subsequently increase annually by 5,000 tonnes/day to reach 40,000 tonnes/day in 2011. Production level is assumed to remain at 40,000 tonnes/day for 6 years before reaching its maximum of 50,000 tonnes/day in 2017;
- Expenses to increase by 3.0%-5.0% a year; and
- Pre-tax discount rate of 6.5%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

21 GOODWILL ON CONSOLIDATION (Continued)

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount by the board of the subsidiary, are reasonable. Based on the review, there is no impairment to the Goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 8.5% instead of 6.5% as at 31 December 2007, there is no impairment to the goodwill on consolidation.

22 DEFERRED TAX

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 deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	84	9	0	0
Deferred tax liabilities	(28)	(86)	0	(7,155)
	56	(77)	0	(7,155)
At 1 January	(77)	(7)	(7,155)	0
Charged to income statement (Note 12):				
- property, plant and equipment	137	(198)	2	(147)
- dividend receivable	0	0	7,155	(7,155)
- provisions	164	(19)	166	0
- tax losses	(168)	147	(168)	147
	133	(70)	7,155	(7,155)
At 31 December	56	(77)	0	(7,155)
Subject to income tax				
Deferred tax assets (before offsetting):				
- provisions	480	316	166	0
- tax losses	0	168	0	168
	480	484	166	168
Offsetting	(396)	(475)	(166)	(168)
Deferred tax assets (after offsetting)	84	9	0	0
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(424)	(561)	(166)	(168)
- dividend receivable	0	0	0	(7,155)
	(424)	(561)	(166)	(7,323)
Offsetting	396	475	166	168
Deferred tax liabilities (after offsetting)	(28)	(86)	0	(7,155)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

23 LONG TERM RECEIVABLES

	Group	
	2007 RM'000	2006 RM'000
Trade receivable (Note 25)	55,411	60,119
Other receivable	917	917
	56,328	61,036

Other receivable is denominated in Chinese Renminbi and is interest free. This relates to an amount paid on behalf of a minority shareholder in respect of its investment in Tianjin-SWM (M) Environment Ltd., Co. In accordance with the Joint Venture Agreement, this amount is to be repaid upon the liquidation of the company. The fair value of long term receivables are disclosed in Note 42.

24 INVENTORIES

	Group	
	2007 RM'000	2006 RM'000
Consumable spares, at cost	1,041	981

25 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	158,156	148,236	2,034	0
Less: Long term portion (Note 23)	(55,411)	(60,119)	0	0
	102,745	88,117	2,034	0
Amounts due from customer on contract (Note 32)	294	715	286	382
Other receivables and prepayments	4,024	1,580	384	883
Deposits	893	1,396	725	137
Total	107,956	91,808	3,429	1,402

The currency exposure profile of trade and other receivables are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	103,478	90,352	3,429	1,402
Chinese Renminbi	4,478	1,456	0	0
	107,956	91,808	3,429	1,402

25 TRADE AND OTHER RECEIVABLES (Continued)

The normal credit terms of trade receivables range from 30 days to 180 days (2006: 30 days to 180 days).

A subsidiary, Sungai Harmoni Sdn Bhd ("SHSB") has entered into a Debt Settlement Agreement with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") on 2 August 2005, where SPLASH will settle the sum of RM64,826,698 in full through payment of 10 annual instalments beginning 31 December 2006 and ending 31 December 2015. The long term portion of trade receivables amounting to RM55,411,357 (2006: RM60,119,028) is classified under non-current asset. The fair value of long term trade receivables is disclosed in Note 42.

The credit risk with respect of the Group's trade receivables amounting to RM154,936,809 (2006: RM148,004,928) are concentrated on a few customers whose ultimate paymasters are linked to the state government of Kedah and Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), the concessionaire for the supply of treated water in the state of Selangor. Management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

26 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries are denominated in Ringgit Malaysia, interest free, unsecured and have no fixed terms of repayment. The currency profiles of the amount due from subsidiaries are as follows:

	Company	
	2007 RM'000	2006 RM'000
Ringgit Malaysia	37,483	47,307
Hong Kong Dollar	6,573	1,037
Chinese Renminbi	549	51
	44,605	48,395

27 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from jointly controlled entity are denominated in Ringgit Malaysia and interest free, unsecured and have no fixed terms of repayment.

28 INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Money market unit trust:				
At cost	197,630	79,464	196,344	46,859
At market value	197,745	79,540	196,484	46,930

The investments are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

29 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-Current Assets				
Deposits with licensed bank	22,484	25,366	12,944	15,999
Current Assets				
Deposits with licensed banks	22,400	41,618	8,000	6,699
Bank and cash balances	21,906	5,137	8,344	2,573
	44,306	46,755	16,344	9,272
Total				
Deposits with licensed banks	44,884	66,984	20,944	22,698
Bank and cash balances	21,906	5,137	8,344	2,573
	66,790	72,121	29,288	25,271

Included in deposits with licensed banks of the Group are deposits amounting to RM22,484,000 (2006: RM25,366,000) that are pledged as security for banking facilities to facilitate issuance of Performance Guarantee and Tender Bond for the Group's bidding for overseas projects, performance bonds on contracts for the management, operation and maintenance of water treatment plants and as security against a term loan facility as disclosed under Note 30 to the financial statements.

Included in deposits with licensed banks of the Company are deposits amounting to RM12,944,000 (2006: RM15,999,000) that are pledged as security for banking facilities to facilitate issuance of Performance Guarantee and Tender Bond for the Group's bidding for overseas projects and as security against a term loan facility as disclosed under Note 30 to the financial statements.

The currency exposure profile of deposits, bank and cash balances is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	62,511	67,603	29,288	25,271
US Dollar	0	3,543	0	0
Chinese Renminbi	1,812	924	0	0
Hong Kong Dollar	2,467	51	0	0
Total	66,790	72,121	29,288	25,271

The weighted average interest rate of deposits that was effective for the Group and Company as at balance sheet date is 3.2% (2006: 3.3%) per annum and 3.2% (2006: 3.2%) per annum, respectively.

Deposits of the Group and Company have an average maturity of 30 days (2006: 30 days) and 30 days (2006: 30 days) respectively. Bank balances are deposits held at call with licensed banks which is non interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

30 BORROWINGS (SECURED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current				
Term loan (interest bearing)	2,904	3,086	2,904	3,086
Finance lease liabilities (interest bearing)	69	99	0	0
	2,973	3,185	2,904	3,086
Non-current				
Term loan (interest bearing)	1,452	4,629	1,452	4,629
Government loan (interest free)	2,726	0	0	0
Convertible bond (interest bearing)	218,884	0	218,884	0
Finance lease liabilities (interest bearing)	60	128	0	0
	223,122	4,757	220,336	4,629
Total				
Term loan (interest bearing)	4,356	7,715	4,356	7,715
Government loan (interest free)	2,726	0	0	0
Convertible bond (interest bearing)	218,884	0	218,884	0
Finance lease liabilities (interest bearing)	129	227	0	0
	226,095	7,942	223,240	7,715

Weighted average interest rates that were effective as at balance sheet date are as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Term loan	5.5	6.0	5.5	6.0
Government loan	0.0	N/A	N/A	N/A
Convertible bond	2.3	N/A	2.3	N/A
Finance lease liabilities	2.9	3.1	N/A	N/A

(a) Term loan

The term loan is denominated in United States Dollar and was obtained by the Company to fund the Group's investment in a waste management project located in the City of Tianjin, People's Republic of China. The term loan was partly settled during the financial year and the remaining balance is repayable by three semi annual principal instalment with the last instalment due on May 2009. The term loan is secured by an irrevocable Standby Letter of Credit ('SBLC') issued by a local licensed bank which in turn is secured by a charge on the Company's fixed deposits of RM6,944,000 (2006: RM9,999,000).

The term loan bears interest at rate of Singapore Interbank Offered Rate ('SIBOR') plus 0.65% per annum. The maturity profile of the term loan is as follows:

	Group and Company	
	2007 RM'000	2006 RM'000
Not later than one year	2,904	3,086
Later than 1 year and not later than 2 years	1,452	3,086
Later than 2 years and not later than 3 years	0	1,543
	4,356	7,715

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

30 BORROWINGS (SECURED AND INTEREST BEARING) (Continued)

(b) Government loan

The government loan from People's Government of Guanghan City is denominated in Renminbi and was obtained by Puresino Guanghan Water Co. Ltd, a subsidiary of the Company, to fund its operation in the City of Guanghan, People's Republic of China. The government loan is interest free, unsecured and is repayable in instalments at anytime or by way of deduction to the agreeable tariff within the concession period.

(c) Convertible bonds

	Group and Company	
	2007	2006
	RM'000	RM'000
Nominal value	225,000	0
Less : Discount on issuance	(6,750)	0
Amortised discount during the financial year	634	0
	218,884	0

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of convertible bonds ("Bonds"). The Bonds are convertible into new ordinary share of RM0.50 each in Taliworks Corporation Berhad ("Taliworks Shares") by way of surrendering such nominal value of the Bonds equivalent to the Conversion Price. The purpose of the issue is for future local and overseas business expansion and for general working capital.

Some of the main features of the Bonds are:

- (i) the Bonds are issued at 97% of the nominal value and are redeemable at 119.95% of the nominal value on its maturity;
- (ii) the tenure of the Bonds is 5 years from the Issue Date;
- (iii) coupon of 2.25% per annum are payable in arrears semi-annually;
- (iv) the Bonds are convertible at the option of the holders into Taliworks Shares at any time on or after 40 days after the Issue Date up to the close of business on the seventh day prior to the Maturity Date, which is on the fifth anniversary of the Issue Date, i.e. 5 December 2012. Conversion price is at RM2.50 subject to re-set mechanism and anti-dilution provisions based on the adjustment event, as set out in the Principal Terms and Conditions of the Bonds;
- (v) the Company may exercise its call option and the Bondholders may exercise its put option subject to certain redemption periods and events as set out in the Principal Terms and Conditions, and the exercise price or redemption price shall be the Early Redemption Amount;
- (vi) the Bonds are not guaranteed or secured. Save for the right to receive the specified coupon, the Bondholders shall have no right to participate in other distribution and/or offer of further securities made by the Company. Upon the occurrence of such events, the Conversion Price shall be adjusted based on the anti-dilution provisions as set out in the Principal Terms and Conditions;
- (vii) the Bonds are not listed on any stock exchange; and
- (viii) the Bonds shall at all times rank pari passu and without any preference or priority among themselves.

(d) 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.

30 BORROWINGS (SECURED AND INTEREST BEARING) (Continued)

(d) Finance lease liabilities (Continued)

	Group	
	2007 RM'000	2006 RM'000
The minimum lease payments at balance sheet date are as follows:		
- not later than 1 year	80	116
- later than 1 year	71	152
Future finance charges	151 (22)	268 (41)
Present value	129	227
The maturity profile of the present value of the finance lease liabilities are as follows:		
- not later than 1 year	69	99
- later than 1 year and not later than 5 years	60	128
	129	227

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	18,307	18,956	9,265	8,764
Amounts due to customer on contract (Note 32)	8,020	0	8,020	0
Other payables and accruals	16,841	7,370	1,821	1,819
	43,168	26,326	19,106	10,583

The average credit term of trade payables granted to the Group and Company is 60 days (2006: 60 days).

The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	31,004	24,587	19,106	10,583
Chinese Renminbi	11,397	575	0	0
Hong Kong Dollar	767	1,164	0	0
	43,168	26,326	19,106	10,583

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

32 AMOUNTS DUE FROM/(TO) CUSTOMER ON CONTRACT

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Aggregate costs incurred to date and recognised profits	100,039	120,516	46,731	112,933
Progress billings	(107,765)	(119,801)	(54,465)	(112,551)
Net amounts due from/(to) customer on contract	(7,726)	715	(7,734)	382
Represented by:				
Amount due from customer on contract (Note 25)	294	715	286	382
Amount due to customer on contract (Note 31)	(8,020)	0	(8,020)	0
	(7,726)	715	(7,734)	382

33 SHARE CAPITAL

Note	Group and Company			
	2007 Number of shares '000	Nominal value RM'000	2006 Number of shares '000	Nominal value RM'000
Authorised:				
Ordinary shares				
At beginning/end of financial year	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:				
Ordinary shares				
At beginning of financial year	373,389	186,694	352,263	176,131
Issued during the financial year:				
- pursuant to a private placement of shares	0	0	17,000	8,500
- pursuant to exercise of share options	33(a) 1,997	999	4,114	2,057
- pursuant to exercise of warrants	33(b) 10	5	12	6
At end of financial year	375,396	187,698	373,389	186,694

(a) Employees' Share Option Scheme ("ESOS")

During the financial year ended 31 December 2005, the Company implemented an ESOS and a total of 5,460,000 options were granted to eligible directors and employees of the Company and its subsidiaries. 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 they expire on 29 September 2010 (unless extended by the Company) and any options not exercised by that date shall thereafter lapse and cease to be valid. Some of the main features of the ESOS are set out in the Directors' Report.

33 SHARE CAPITAL (Continued)

(a) Employees' Share Option Scheme ("ESOS") (Continued)

During the financial year ended 31 December 2007, the Company further granted a total of 6,410,000 ESOS options, pursuant to the Company's ESOS, to eligible directors and employees of the Company and its subsidiaries at an exercise price of RM1.90 per share.

Set out below are details of options over ordinary shares of the Company granted under ESOS:

Date of Grant	Exercise price per share RM	Number of ESOS options over ordinary shares of RM0.50 each				As at 31 December '000
		As at 1 January '000	Granted '000	Exercised '000	Lapsed '000	
2007						
3.10.2005	1.31	1,183	0	(824)	0	359
5.9.2007	1.90	0	6,410	(1,173)	0	5,237
		1,183	6,410	(1,997)	0	5,596
Weighted average exercise price (RM)						
		1.31	1.90	1.66	0	1.86
2006						
3.10.2005	1.31	5,297	0	(4,114)	0	1,183
Weighted average exercise price (RM)						
		1.31	1.31	1.31	0	1.31

All outstanding share options as at 31 December 2006 and 31 December 2007 were exercisable. Options exercised during the financial year resulted in 1,997,500 (2006: 4,114,000) units of shares being issued at a weighted average exercise price of RM1.66 (2006: RM1.31) per share. The related weighted average share price at the time of exercise was RM2.24 (2006: RM1.71) per share.

Proceeds on exercise of ESOS are as follows:

	2007 RM'000	2006 RM'000
Ordinary share capital - at par	999	2,057
Share premium (Note 34)	2,311	3,332
Proceeds received	3,310	5,389
Fair value at exercise date of shares issued	4,465	7,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

33 SHARE CAPITAL (Continued)

(b) Warrants

During the financial year ended 31 December 2005, the Company issued 70,440,000 warrants 2006/2010 ("Warrants") pursuant to a renounceable rights issue of Warrants on the basis of one Warrant for every five ordinary shares of RM0.50 each held. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.50 each within five years from the date of issuance of the Warrants to the expiry date on 21 September 2010 (the period referred to as the "Exercise Period") and any Warrants not exercised by that date shall there after lapse and cease to be valid. Some of the main features of the Warrants are set out in the Directors' Report.

Set out below are details of Warrants over ordinary shares of the Company, covered under Warrants:

Date Issue	Exercise As at per share RM	Number of warrants			As at 31 December '000
		1 January '000	Issued '000	Exercised '000	
2007					
22.9.2005	1.27	70,425	0	(10)	70,415
2006					
22.9.2005	1.27	70,437	0	(12)	70,425

Warrants exercised during the financial year resulted in 10,300 (2006: 12,000) units of shares being issued. The related weighted average share price at the time of exercise was RM2.49 (2006: RM1.73) per share.

Proceeds on exercise of warrants are as follows:

	2007 RM'000	2006 RM'000
Ordinary share capital - at par	5	6
Share premium (Note 34)	8	9
Proceeds received	13	15
Fair value at exercise date of shares issued	26	21

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

34 SHARE PREMIUM (NON-DISTRIBUTABLE)

	Group and Company 2007 RM'000	2006 RM'000
At beginning of financial year	17,625	51
Share options:		
- proceeds from shares issued (Note 33(a))	2,311	3,332
Warrants:		
- proceeds from shares issued (Note 33(b))	8	9
- transfer from warrant reserves upon exercise	1	2
Private placement of shares:		
- proceeds from share issued	0	14,450
- share issue expense	0	(219)
At end of financial year	19,945	17,625

35 SHARE OPTION RESERVES (NON-DISTRIBUTABLE)

	Group and Company 2007 RM'000	2006 RM'000
At beginning of financial year	0	0
Share option granted under ESOS:		
- recognised in the income statement	685	0
- charged to subsidiaries	2,244	0
At end of financial year	2,929	0

The share option reserve represents the equity-settled share options granted to employees.

Significant inputs considered in estimating the fair value of share options granted during the financial year are as follows:

	2007
Weighted average share price at grant date, 5 September 2007 (RM)	2.14
Expected volatility (%)	29.5
Expected life (years)	3
Risk free rate (%)	3.6
Expected dividend yield (%)	4.3

The assumptions used are based on indicative future trends only and may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

36 MERGER DEFICIT

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
Companies 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)

37 RETAINED EARNINGS

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 108 balance to be locked-in as at 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, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the tax exempt account and Section 108 balances to pay franked dividends out of its entire retained earnings.

38 CASH AND CASH EQUIVALENTS

For purpose of cash flow statements, cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with licensed banks	44,884	66,984	20,944	22,698
Bank and cash balances	21,906	5,137	8,344	2,573
Total deposits, bank and cash balances	66,790	72,121	29,288	25,271
Less: Deposits pledged as security (Note 29)	(22,484)	(25,366)	(12,944)	(15,999)
	44,306	46,755	16,344	9,272

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

39 CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the financial statement.

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Secured				
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	7,573	7,450	7,573	7,450
Bank guarantees issued to third parties for services rendered and as performance bonds	16,386	10,205	6,069	0
Unsecured				
Corporate guarantee issued to a financial institution for banking facilities granted to a subsidiaries	0	0	20,000	20,000

40 CAPITAL COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Authorised and contracted for				
- investment in equity interest of an associate company, Hydrovest Sdn Bhd	1,656	1,656	1,656	1,656
Authorised but not contracted for				
- property, plant and equipment	4,225	2,907	136	1,876

(b) Non-cancellable operating lease commitments

	Group	
	2007 RM'000	2006 RM'000
Not later than 1 year	150	150
Later than 1 year and not later than 5 years	600	600
Later than 5 years	1,200	1,350
	1,950	2,100

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

Related party transactions

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Rental of buildings paid to:				
- LGB Realty Sdn Bhd	168	168	168	168
- Taliworks Consortium Sdn Bhd	72	72	0	0
Acquisition of a jointly controlled entity from:				
- Bunga Abadi Sdn Bhd	55,538	0	55,538	0
Advances given to a jointly controlled entity:				
- Cerah Sama Sdn Bhd	52,250	0	52,250	0

	Group	
	2007 RM'000	2006 RM'000
Purchase of water treatment chemicals and related equipment or systems from Aqua-Flo Sdn Bhd	9,751	11,455
Contractual payments in respect of technical support and management services to:		
- Alam Ria Sdn Bhd	5,374	5,578
- Perangsang Water Management Sdn Bhd	1,888	2,067

The contractual payments in respect of technical support and management services relating to the operations and maintenance of water treatment plants are based on fee rates stated in agreements entered into by the related parties with Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd. The contractual agreement with Sungai Harmoni Sdn Bhd was entered into by the related party in March 2000. The contractual agreement with Taliworks (Langkawi) Sdn Bhd was originally entered into by the related party in September 1996.

Y. Bhg. Dato' Lim Chee Meng is a Director and major shareholder with an effective control of 52.40% of the equity of the Company. Kumpulan Perangsang Selangor Berhad ('KPSB') is a substantial shareholder with a shareholding of 19.68% in the Company.

Alam Ria Sdn Bhd, LGB Realty Sdn Bhd, Bunga Abadi Sdn Bhd and Taliworks Consortium Sdn Bhd are companies in which Y. Bhg. Dato' Lim Chee Meng has a controlling interest. Perangsang Water Management Sdn Bhd is effectively controlled by Y. Bhg. Dato' Lim Chee Meng and KPSB whilst Aqua-Flo Sdn Bhd is effectively controlled by KPSB.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Wages, salaries and bonus	3,592	2,445	2,018	1,045
Defined contribution-Employees Provident Fund	433	283	254	124
Share-based payment	491	0	315	0
Other employee benefits	62	46	28	20
	4,578	2,774	2,615	1,189

Included in total key management remuneration of the Group and of the Company are remuneration of the Company's Directors of RM1,015,000 (2006: RM889,000) and RM1,015,000 (2006: RM63,000) respectively.

42 FINANCIAL ASSETS AND LIABILITIES

Fair values of recognised financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate fair values in respect of cash and cash equivalents, trade and other receivables, amount due from subsidiaries and jointly controlled entity, trade and other payables and short term borrowings due to their relatively short term nature except as set out below:

	Group			
	2007	2006	2007	2006
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31 December				
Long term receivables				
- trade receivable (Note 23)	55,411	43,387	60,119	44,493
- other receivable (Note 23)	917	348	917	284
Finance lease liabilities (Note 30)	(129)	(126)	(227)	(221)
Term loan (Note 30)	(4,356)	(4,280)	(7,715)	(7,369)
Convertible bond (Note 30)	(218,884)	(210,511)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (Cont'd)

42 FINANCIAL ASSETS AND LIABILITIES (Continued)

	2007		Company		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31st December						
Term loan (Note 30)	(4,356)	(4,280)	(7,715)	(7,369)		
Convertible bond (Note 30)	(218,884)	(210,511)	-	-		

The fair value for long term receivables were determined from future cash flows discounted using current market interest rate available for similar financial instruments of 5.52% (2006: 6.03%). The carrying amount of long term receivables at the balance sheet date were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be repaid in full on the due date.

Fair value for finance lease liabilities was determined from future contracted cash flows discounted at current market interest rates available to the Group for similar financial instruments.

43 ACQUISITION OF SUBSIDIARY

On 24 April 2007, Taliworks (Sichuan) Ltd, acquired 70% equity interest in Puresino (Guanghan) Water Co. Ltd, a company incorporated in the People's Republic of China which has been granted an exclusive 30-year concession rights to undertake, manage and operate the Guanghan San Xin Dui wastewater treatment plant.

The assets and liabilities arising from the acquisition are as follows:

	At date of acquisition RM'000
Property, plant and equipment	10,630
Trade and other receivables	4,982
Deposits, bank and cash balances	9
Trade and other payables	(4,071)
Long term borrowings	(2,665)
Total net asset	8,885
Less : Minority interest	(2,665)
Net asset acquired	6,220
Goodwill arising on acquisition	2,007
	8,227
Less : Cash and cash equivalents acquired	(9)
Total purchase consideration	8,218
Less : Purchase consideration to be settled	(732)
Net cash outflow on acquisition	7,486

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 18 April 2008.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Y. Bhg. Dato' Hj Abd Karim Bin Munisar and Tuan Haji Abdul Rahman bin Haji Siraj, two of the Directors of Taliworks Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 56 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia for entities other than private entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 April 2008



Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR
DIRECTOR



TUAN HAJI ABDUL RAHMAN BIN HAJI SIRAJ
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tuan Haji Abdul Rahman bin Haji Siraj, the Director primarily responsible for the financial management of Taliworks Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 104 are, to the best of my knowledge and belief, 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.



TUAN HAJI ABDUL RAHMAN BIN HAJI SIRAJ
DIRECTOR

Subscribed and solemnly declared by the abovenamed Tuan Haji Abdul Rahman bin Haji Siraj at Kuala Lumpur on 18 April 2008, before me.



LEE CHIN HIN
COMMISSIONER FOR OATHS



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

REPORT OF THE AUDITORS

to the members of Taliworks Corporation Berhad (Company Number 6052-V)

We have audited the financial statements set out on pages 56 to 104. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia for entities other than private entities so as to give a true and fair view of:
 - (i) matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) 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.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 18 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of Section 174 of the Act.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



AMRIT KAUR
(No. 2482/01/09 (J))
Partner of the firm

Kuala Lumpur
18 April 2008

PROPERTIES OF THE GROUP
as at 31 December 2007

Location	Net Book Value (RM'000)	Area SQ. M	Tenure Year of expiry	Description / Existing Use	Date of Acquisition	Approximate age of building
Taliworks Corporation Berhad						
1 South City Service Condominiums Parcel No. : C - 13 - 03 A Persiaran Serdang Perdana Taman Sri Perdana 43300 Sri Kembangan Serdang	161	117	Leasehold 2093	Vacant apartment	April-2002	9
2 Golden City Condominium 13 - 20 - 12 218, Jalan Ipoh 51200 Kuala Lumpur	147	84	Freehold	Leased	March-2004	13
3 Prima Villa No. Hakmilik 2852 Lot No. 61, Mukim Tanah Rata District of Cameron Highlands State of Pahang Darul Makmur	147	106	Leasehold 2035	Vacant apartment	November-2003	5
Taliworks (Langkawi) Sdn Bhd						
4 Three units of three storey buildings erected on:						
i. GM 777, Lot 1916 ii. GM 778, Lot 1917 iii. GM 779, Lot 1918	890	473	Freehold	Shoplot / Office for own use	August-2001	14

ANALYSIS OF SHAREHOLDINGS

as at 16 April 2008

SHAREHOLDING STRUCTURE

Authorised Capital	:	RM500,000,000
Issued and Fully paid-up	:	RM187,859,300
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	18	1.19	386	0.00
100 - 1,000	146	9.66	116,656	0.03
1,001 - 10,000	1,055	69.82	4,420,100	1.18
10,001 - 100,000	223	14.76	6,153,418	1.64
100,001 to less than 5% of issued shares	61	4.04	76,359,112	20.32
5% and above of issued shares	8	0.53	288,668,928	76.83
TOTAL	1,511	100.00	375,718,600	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	(%)
1	Tali-Eaux Sdn Bhd	76,677,000	20.41
2	Water Clinic Sdn Bhd	54,000,000	14.37
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad	36,000,000	9.58
4	Kumpulan Perangsang Selangor Berhad	35,403,628	9.42
5	Century General Water (M) Sdn Bhd	24,618,000	6.55
6	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-Asing)	22,539,300	6.00
7	Malar Terang Sdn Bhd	20,261,000	5.39
8	Mal Monte Sdn Bhd	19,170,000	5.10
9	HSBC Nominees (Asing) Sdn Bhd Exempt an for HSBC Private Bank (Suisse) S.A.	15,397,000	4.10
10	HSBC Nominees (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. Incorporated	9,919,300	2.64
11	Akar Equities Sdn Bhd	6,390,000	1.70
12	Mestika Pertiwi Sdn Bhd	3,182,700	0.85

ANALYSIS OF SHAREHOLDINGS
as at 16 April 2008 (Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (Continued)

No.	Name	No. of Shares Held	(%)
13	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	2,991,700	0.80
14	Malar Teguh Sdn Bhd	2,748,300	0.73
15	Wee Chong Eng	2,647,800	0.70
16	Kumpulan Perangsang Selangor Berhad	2,463,000	0.66
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	2,305,400	0.61
18	HDM Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian (Hong Kong) Limited	2,000,000	0.53
19	Century General Water (M) Sdn Bhd	1,749,000	0.47
20	Mestika Pertiwi Sdn Bhd	1,730,000	0.46
21	Kembangan Sepadu Sdn Bhd	1,613,200	0.43
22	Citigroup Nominees (Asing) Sdn Bhd Citigroup GM Inc for Forte Equity Holdings Inc	1,528,500	0.41
23	Phang Wai Hoong	1,460,200	0.39
24	Goh Phaik Lynn	1,333,500	0.35
25	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustee Berhad for Saham Amanah Sabah (Acc 2-940410)	1,296,500	0.35
26	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad For Pacific Dividend Fund	1,165,000	0.31
27	HLG Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yoon Peck	1,130,600	0.30
28	Megature Construction Sdn Bhd	1,127,900	0.30
29	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zabir Bin Bajuri	1,000,000	0.27
30	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lian Huat	902,000	0.24
TOTAL :		354,750,528	94.42

ANALYSIS OF WARRANT HOLDINGS

as at 16 April 2008

WARRANT HOLDINGS STRUCTURE

Rights Issue of Warrants 2005/2010 Issued	:	70,440,000
No. of Warrants Unexercised	:	70,401,900
Exercise Period	:	From the date of Issuance of 22 September 2005 to the expiry date on 21 September 2010
Exercise Price	:	RM1.27
Exercise Rights	:	Each warrant entitles the holder during the Exercise Period to subscribe for one new ordinary share of RM0.50 each at the Exercise Price

ANALYSIS OF WARRANT HOLDINGS

Size of holdings	No. of Holders	%	No. of Warrants Held	%
1 - 99	11	1.85	475	0.00
100 - 1,000	132	22.15	107,300	0.15
1,001 - 10,000	345	57.89	1,495,420	2.13
10,001 - 100,000	80	13.42	2,677,720	3.80
100,001 to less than 5% of total warrants	21	3.52	7,980,860	11.34
5% and above of total warrants	7	1.17	58,140,125	82.58
TOTAL :	596	100.00	70,401,900	100.00

LIST OF THIRTY LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants Held	(%)
1	Tali-Eaux Sdn Bhd	15,335,400	21.78
2	Water Clinic Sdn Bhd	10,800,000	15.34
3	Malar Terang Sdn Bhd	9,652,200	13.71
4	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad	7,200,000	10.23
5	Kumpulan Perangsang Selangor Berhad	6,394,925	9.08
6	Century General Water (M) Sdn Bhd	4,923,600	6.99
7	Mal Monte Sdn Bhd	3,834,000	5.45
8	Akar Equities Sdn Bhd	1,278,000	1.82
9	Yap Yen Yee	964,820	1.37
10	Mestika Pertiwi Sdn Bhd	901,800	1.28
11	Mestika Pertiwi Sdn Bhd	773,000	1.10
12	Kumpulan Perangsang Selangor Berhad	492,600	0.70
13	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Johaisvary D/O N Nagalingam	450,000	0.64

ANALYSIS OF WARRANT HOLDINGS
as at 16 April 2008 (Cont'd)

LIST OF THIRTY LARGEST WARRANT HOLDERS (Continued)

No.	Name	No. of Warrants Held	(%)
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust	377,680	0.54
15	Century General Water (M) Sdn Bhd	349,800	0.50
16	Lim Sau Khim @ Lam Sum Ying	349,300	0.50
17	Lean Seok Tee	308,600	0.44
18	Phang Wai Hoong	293,900	0.42
19	Goh Phaik Lynn	250,000	0.36
20	Provencorp (M) Sdn Bhd	186,760	0.27
21	Kok Ming - Nee	168,000	0.24
22	Ng Hok Long @ Ng Hock Leong	155,000	0.22
23	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Kok Cheng	133,000	0.19
24	Chin Teck Min	113,700	0.16
25	Lim Ai Ling	110,900	0.16
26	Tang Joon Yee	110,000	0.16
27	Lam Moong Lan	110,000	0.16
28	Wan Puteh bin Wan Mohd Saman	104,000	0.15
29	Minhat bin Mion	100,000	0.14
30	Liew Yoon Peck	88,000	0.12
TOTAL :		66,308,985	94.19

LIST OF SUBSTANTIAL SHAREHOLDERS

as at 16 April 2008

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	76,677,000	20.41	-		-
Kumpulan Perangsang Selangor Berhad	73,866,628	19.66	-		-
Water Clinic Sdn Bhd	54,000,000	14.37	-		-
Century General Water (M) Sdn Bhd	26,367,000	7.02	-		-
Malar Terang Sdn Bhd	20,261,000	5.39	-		-
Mal Monte Sdn Bhd	19,170,000	5.10	-		-
Anekawal Sdn Bhd	-	-	76,677,000	(a)	20.41
L.G.B. Holdings Sdn Bhd	-	-	196,475,000	(b)	52.29
Adil Cita Sdn Bhd	-	-	103,044,000	(c)	27.43
Y.Bhg. Dato' Lim Chee Meng	212,000	0.06	196,700,000	(d)	52.35
Lim Chin Sean	-	-	196,700,000	(d)	52.35
GSL Development Sdn Bhd	-	-	26,367,000	(e)	7.02
Kumpulan Darul Ehsan Berhad	-	-	73,866,628	(f)	19.66
Menteri Besar Selangor (Pemerbadanan) 1994	-	-	73,866,628	(g)	19.66

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 L.G.B. Engineering Sdn Bhd, Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte 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 16 April 2008

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	Note	%
Y. Bhg. Dato' Hj Abd Karim bin Munisar	160,000	0.04	-	-	-
Tuan Haji Abdul Rahman bin Haji Siraj	20,000	0.01	-	-	-
Y. Bhg. Dato' Lim Chee Meng	212,000	0.06	196,700,000	(a)	52.35
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.08	-	-	-
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj	-	-	-	-	-
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman	120,000	0.03	6,390,000	(b)	1.70
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0.15	-	-	-
Encik Sulaiman bin Salleh	72,800	0.02	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-

(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 L.G.B. Engineering Sdn Bhd.

(b) Deemed interest by virtue of his substantial shareholdings in Akar Equities Sdn Bhd.

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Y. Bhg. Dato' Lim Chee Meng is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

B. Number of Warrants

Name	Direct No. of Warrants held	%	Indirect No. of Warrants held	Note	%
Y. Bhg. Dato' Hj Abdul Karim bin Munisar	-	-	-	-	-
Tuan Haji Abdul Rahman bin Haji Siraj	-	-	-	-	-
Y. Bhg. Dato' Lim Chee Meng	37,900	0.05	44,940,000	(a)	63.83
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	-	-	-	-	-
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj	-	-	-	-	-
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman	-	-	1,278,000	(b)	1.81
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	104,000	0.15	-	-	-
Encik Sulaiman bin Salleh	4,560	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-

(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 L.G.B. Engineering Sdn Bhd.

(b) Deemed interest by virtue of his substantial shareholdings in Akar Equities Sdn Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

as at 16 April 2008 (Cont'd)

C. Number of ESOS Options over Ordinary Shares of RM 0.50 each

Name	Exercise Price (RM)	As at 1 January 2007	Granted	Exercised	Balance
Y. Bhg. Dato' Hj Abd. Karim bin Munisar	1.31	60,000	0	(60,000)	0
	1.90	0	100,000	(100,000)	0
Tuan Haji Abdul Rahman bin Haji Siraj	1.31	120,000	0	(120,000)	0
	1.90	0	145,000	0	145,000
Y.Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	120,000
	1.90	0	145,000	0	145,000
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.31	60,000	0	(60,000)	0
	1.90	0	80,000	0	80,000
YAM Tengku Putri Arafiah bte Al-Marhum Sultan Salahuddin Abd Aziz Shah Al-Haj	1.90	0	60,000	0	60,000
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B.Abdul Rahman	1.90	0	60,000	(60,000)	0
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	0	60,000	0	60,000
Encik Sulaiman bin Salleh	1.90	0	60,000	0	60,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of TALIWORKS CORPORATION BERHAD (Company No.: 6052-V) will be held at Jasmine Room, Concourse Level, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor Darul Ehsan, on Thursday, 5 June 2008 at 11.00 a.m. for the following purposes:-

ORDINARY BUSINESS:-

- | | | |
|----|---|---------------------|
| 1 | To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2 | To approve the payment of a Final Dividend of 2.5 sen per ordinary share of RM0.50 each less income tax at 26% for the financial year ended 31 December 2007. | Resolution 2 |
| 3 | To approve the payment of Directors' fees for the financial year ended 31 December 2007. | Resolution 3 |
| 4. | To re-elect the following Directors who retire by rotation pursuant to Article 80 of the Company's Articles of Association:- | |
| | a) Y. Bhg. Dato' Haji Abd. Karim bin Munisar | Resolution 4 |
| | b) Encik Sulaiman bin Salleh | Resolution 5 |
| 5. | To re-elect Mr. Wong Yien Kim, who retires by rotation pursuant to Article 85 of the Company's Articles of Association. | Resolution 6 |
| 6 | To re-appoint Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, who retires pursuant to Section 129(2) of the Companies Act, 1965. | Resolution 7 |
| 7. | To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 8 |

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolutions:

- | | | |
|----|---|---|
| 8. | Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Aquo-Flo Sdn. Bhd. ("AFSB") | Resolution 9 |
| | "THAT the Company and/or its subsidiaries be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.4 of the Circular to Shareholders dated 14 May 2008 with AFSB ("Related Party"), provided that such arrangements and/or transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and not detrimental to the minority shareholders of the Company; AND THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary in the best interest of the Company and/or its subsidiaries to give effect to the transactions contemplated and/or authorised by the ordinary resolution; AND THAT such authority shall continue to be in force until: | |
| | (i) | the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed; |
| | (ii) | the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or |
| | (iii) | revoked or varied by resolution passed by the shareholders in general meeting; |
| | | whichever is the earlier." |

NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

9. Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

Resolution 10

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time 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 pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being AND THAT 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 continue to be in force until the conclusion of the next Annual General Meeting of the Company."

10. Proposed Grant Of Options To Mr. Wong Yien Kim

Resolution 11

"THAT the Board of Directors of the Company be and is hereby authorised at any time, and from time to time, to offer and grant to Mr. Wong Yien Kim, a Non-Executive Director of the Company, Options (as defined by the ESOS By-Laws) to subscribe for such number of new ordinary shares of RM0.50 each in the Company available under the Employees' Share Option Scheme of the Company ("ESOS Scheme") provided that:

- (a) not more than fifty per cent (50%) of the new shares available under the ESOS Scheme are allocated, in aggregate, to the Directors and senior management of the Group (as defined by the ESOS By-Laws); and
- (b) not more than ten per cent (10%) of the new shares available under the ESOS Scheme are allocated to any Selected Persons (as defined by the ESOS By-Laws), who either singly or collectively through his Associates (as defined by the ESOS By-Laws), holds twenty (20%) or more of the issued and paid-up capital of the Company;

and subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the ESOS By-Laws of the Company;

AND THAT the Board of Directors of the Company be and is hereby authorised to allot and issue from time to time new ordinary shares in the Company to him pursuant to the exercise of such Options."

11. Proposed Grant Of Options To Mr. Lim Chin Sean

Resolution 12

"THAT the Board of Directors of the Company be and is hereby authorised at any time, and from time to time, to offer and grant to Mr. Lim Chin Sean, a major shareholder and person connected to a major shareholder and director of the Company, Options (as defined by the ESOS By-Laws) to subscribe for such number of new ordinary shares of RM0.50 each in the Company available under the Employees' Share Option Scheme of the Company ("ESOS Scheme") provided that:

- (a) not more than fifty per cent (50%) of the new shares available under the ESOS Scheme are allocated, in aggregate, to the Directors and senior management of the Group (as defined by the ESOS By-Laws); and
- (b) not more than ten per cent (10%) of the new shares available under the ESOS Scheme are allocated to any Selected Persons (as defined by the ESOS By-Laws), who either singly or collectively through his Associates (as defined by the ESOS By-Laws), holds twenty (20%) or more of the issued and paid-up capital of the Company;

and subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the ESOS By-Laws of the Company;

AND THAT the Board of Directors of the Company be and is hereby authorised to allot and issue from time to time new ordinary shares in the Company to him pursuant to the exercise of such Options."

12. Proposed Grant Of Options To Y.Bhg. Datin Lee Li-May

Resolution 13

"THAT the Board of Directors of the Company be and is hereby authorised at any time, and from time to time, to offer and grant to Y.Bhg. Datin Lee Li-May, a person connected to a major shareholder and director of the Company, Options (as defined by the ESOS By-Laws) to subscribe for such number of new ordinary shares of RM0.50 each in the Company available under the Employees' Share Option Scheme of the Company ("ESOS Scheme") provided that:

- (a) not more than fifty per cent (50%) of the new shares available under the ESOS Scheme are allocated, in aggregate, to the Directors and senior management of the Group (as defined by the ESOS By-Laws); and
- (b) not more than ten per cent (10%) of the new shares available under the ESOS Scheme are allocated to any Selected Persons (as defined by the ESOS By-Laws), who either singly or collectively through his Associates (as defined by the ESOS By-Laws), holds twenty (20%) or more of the issued and paid-up capital of the Company;

and subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the ESOS By-Laws of the Company;

AND THAT the Board of Directors of the Company be and is hereby authorised to allot and issue from time to time new ordinary shares in the Company to her pursuant to the exercise of such Options."

ANY OTHER BUSINESS:-

- 13. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders of the Company, a final dividend of 2.5 sen per ordinary share of RM0.50 each in the Company less income tax at 26% in respect of the financial year ended 31 December 2007, will be paid on 7 July 2008 to Depositors whose names appear in the Record of Depositors at the close of business on 20 June 2008.

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 20 June 2008 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

NG YIM KONG (LS 0009297)
Company Secretary

Petaling Jaya
Date: 14 May 2008

NOTICE OF ANNUAL GENERAL MEETING

(Cont'd)

Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. 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 (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.
3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid.
5. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting, should the member subsequently decide to do so.
6. Explanatory Note on Ordinary Business

- Re-appointment of Director over 70 years of age

The Ordinary Resolution No. 7 proposed under item 6 is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Y. Bhg. Dato' Wan Puteh Bin Wan Mohd Saman who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This resolution must be passed by a majority of not less than three-fourth of such Members of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the Annual General Meeting of the Company.

7. Explanatory Notes on Special Business

- Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with AFSB

The Shareholders' Mandate under Ordinary Resolution 9 is intended to facilitate transactions in the normal course of business of the Company and/or its subsidiaries ("the Group") which are transacted from time to time with the Related Party, provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

By renewing the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

- Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

Pursuant to the approval given by the authorities for the issuance of the convertible bonds of the Company, the Company is required to increase the Bumiputera equity by issuing new shares within two years after the implementation of the convertible bonds issuance. With the passing of the resolution, the Directors would avoid delay and cost of convening a general meeting to approve the issue of new shares for such purposes. The proposed resolution, if passed, will also give the Directors authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the best interest of the Company, without having to convene a general meeting. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

* **Proposed grant of options to Mr. Wong Yien Kim, Mr. Lim Chin Sean and Y. Bhg. Datin Lee Li-May.**

The Company's Employees' Share Option Scheme ("ESOS Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 June 2005. The ESOS Scheme shall be in force for a period of five (5) years commencing from the effective date of 30 September 2005.

The proposed grants of options under Ordinary Resolution Nos. 11, 12 and 13 are to allow for the participation of Mr. Wong Yien Kim, Mr. Lim Chin Sean and Y.Bhg. Datin Lee Li-May (who meets the criteria of eligibility set out in the ESOS By - Laws of the Company) in the ESOS Scheme.

In accordance to paragraph 6.11(1) of the Listing Requirements of Bursa Malaysia Securities Berhad, allotment of shares to a director, major shareholder or a person connected with a director or major shareholder would require the approval of shareholders in general meeting. The details of their relationship with the Company are as follows:-

Name	Relationship
Mr. Wong Yien Kim	Non-Executive Director of the Company appointed to the Board on 1 October 2007.
Mr. Lim Chin Sean	Director of Taliworks International Limited, a wholly-owned subsidiary of the Company and a major shareholder indirectly interested in 52.35% of the equity interest in the Company. Mr. Lim Chin Sean is also the brother of Y.Bhg. Dato' Lim Chee Meng, a major shareholder and the Executive Director of the Company.
Y.Bhg. Datin Lee Li-May	Employee of Grand Saga Sdn Bhd, a subsidiary of the Company within the definition of the ESOS By-Laws of the Company. Y.Bhg. Datin Lee Li-May is the spouse of Y.Bhg. Dato' Lim Chee Meng, a major shareholder and the Executive Director of the Company.

**STATEMENT ACCOMPANYING NOTICE OF
SEVENTEENTH ANNUAL GENERAL MEETING**

Directors who are standing for re-election or re-appointment at the Seventeenth Annual General Meeting of Taliworks Corporation Berhad

- (i) Y. Bhg. Dato' Haji Abd. Karim bin Munisar (Resolution 4)
- (ii) Encik Sulaiman bin Salleh (Resolution 5)
- (iii) Mr. Wong Yien Kim (Resolution 6)
- (iv) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Resolution 7)

The profiles of the Directors who are standing for re-election/re-appointment are set out on pages 14 to 17 of the Annual Report.

The information relating to the shareholding of the above directors in the Company and its related corporation are set out on pages 113 and 114 of this Annual Report.

FORM OF PROXY



TALIWORKS CORPORATION BERHAD (6052-V)
(Incorporated in Malaysia)

Number of ordinary shares held

I/We, _____ (FULL NAME IN BLOCK LETTERS)

of _____ (FULL ADDRESS IN BLOCK LETTERS) being a member/members of TALIWORKS CORPORATION BERHAD, hereby appoint _____

(FULL NAME IN BLOCK LETTERS) of _____ (FULL ADDRESS IN BLOCK LETTERS)

or failing him/her _____ (FULL NAME IN BLOCK LETTERS)

of _____ (FULL ADDRESS IN BLOCK LETTERS)

or failing him / her, the Chairman of the Meeting as *my / our proxy (ies) to vote for *me / us on *my / our behalf at the Seventeenth Annual General Meeting of the Company to be held at Jasmine Room, Concourse Level, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor Darul Ehsan, on Thursday, 5 June 2008 at 11:00 a.m. and at any adjournment thereof.

* My/Our proxy(ies) * is/are to vote as indicated below:-

		FOR	AGAINST
Resolution 1.	To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2007		
Resolution 2.	To approve a final dividend of 2.5 sen per ordinary share less income tax at 26%		
Resolution 3.	To approve the payment of Directors' fees for the financial year ended 31 December 2007		
Resolution 4.	Re-election of Director - Y. Bhg. Dato' Hj Abd Karim bin Munisar		
Resolution 5.	Re-election of Director - Encik Sulaiman bin Salleh		
Resolution 6.	Re-election of Director - Mr. Wong Yien Kim		
Resolution 7.	Re-appointment of Director - Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman		
Resolution 8.	To re-appoint Messrs PricewaterhouseCoopers as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
Resolution 9.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Aquo-Flo Sdn Bhd		
Resolution 10.	Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 11.	Proposed Grant Of Options To Mr. Wong Yien Kim		
Resolution 12.	Proposed Grant Of Options To Mr. Lim Chin Sean		
Resolution 13.	Proposed Grant Of Options To Y.Bhg Datin Lee Li-May		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

(* Delete if not applicable)

Dated this _____ day of _____ 2008.

(Signature/Common Seal of Shareholder(s))

Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1) (a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. 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 (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.
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5. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting, should the member subsequently decide to do so.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies :-

No. of Shares	Percentage
Proxy 1	%
Proxy 2	%
Total	100 %

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Affix
Stamp
here

The Company Secretary
Taliworks Corporation Berhad
Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 7804 5929
Fax: 603 7805 2559

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