TALIWORKS CORPORATION
LGB Group

Water, Waste & Infrastructure Management Specialist

NEXT LEVEL OF GROWTH

ANNUAL REPORT **2009**

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Corporate Information

BOARD OF DIRECTORS

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

Y. Bhg. Dato' Lim Chee Meng
Executive Deputy Chairman

Mr. Lim Yew Boon
Executive Director

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Senior Independent Non Executive Director

Independent Non Executive Directors
- YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
- Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman
- Encik Sulaiman bin Salleh

Non Independent Non Executive Directors
- Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
- Mr. Wong Yien Kim

AUDIT COMMITTEE

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

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

NOMINATION COMMITTEE

Encik Sulaiman bin Salleh
Chairman

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

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

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

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

RATING AGENCY

RAM Rating Services Berhad
Suite 20.01, Level 20
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603 7628 1000
Fax : 603 7620 8251

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

TRUSTEES

HSBC (Malaysia) Trustee Berhad
Suite 9.01, 9th Floor
Wisma Hamzah – Kwong Hing
No. 1, Leboh Ampang
50100 Kuala Lumpur
Tel : 603 2074 3200
Fax : 603 2078 0145

PRINCIPAL BANKERS

AmBank (M) Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

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

WARRANTS

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

AGM HELPDESK

Contact : Encik Mustapha Kamal Kamaruddin
Tel : 603 7725 7116 (Ext 115)
Email : mustapha@taliworks.com.my

Corporate Profile

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

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

Taliworks together with its group of companies employs about 450 staff and contract workers in Malaysia and the People's Republic of China. The Company is currently listed on the Main Market of Bursa Securities under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation of approximately RM625 million as at 31 December 2009.

In 2005, Taliworks issued 70,440,000 warrants 2005/2010 pursuant to a renounceable rights issue which entitles the holders to subscribe for new shares in Taliworks. The warrants are listed on Bursa Securities (Name & Code: TALIWRK-WA & 8524WA). Warrants not exercised will lapse and cease to be valid on 21 September 2010.

In 2007, the Company issued RM225,000,000 nominal amount of 2.25% unsecured convertible bonds 2007/2012 for business expansion, repayment of borrowings and general working capital purposes. The bonds, rated AA3 by RAM Rating Services Berhad, are not listed on any stock exchange.

BUSINESS BACKGROUND

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

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

Taliworks' core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in 2030) for the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") that supplies to large parts of Selangor and Kuala Lumpur and a concession (expiring in 2020) for the water supply and distribution system in Langkawi, Kedah. The Group currently manages a total of 6 water treatment plants with a combined capacity of 1,039.5 million litres per day.

In the waste management business sector, the Group holds a 21-year concession rights for the operation and management of the Tianjin Panlou Life Waste Transfer Station and its related assets in the city of Tianjin, China. The concession, held through a 90% owned subsidiary, Tianjin-SWM (M) Environment Ltd, Co and expiring in 2025, grants rights to this company to transport household waste deposited at the transfer station to the municipal landfills and in return collect tipping fees from the local city council for services provided.

Corporate Profile

Other than being involved in solid waste management, the Group is also engaged in the wastewater sector through its indirect holding of a 56% stake in Puresino (Guanghan) Water Co. Ltd which manages and operates the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in Sichuan, China for a 30-year concession expiring in 2033 and a 70% stake in a build-operate-transfer project comprising a 50 million litres per day recycled water treatment plant which is being constructed in Ningxia, China.

In 2007, Taliworks acquired a 55% stake in a jointly controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama"). Cerah Sama is the holding company for Grand Saga Sdn Bhd that owns and operates the Cheras - Kajang Highway concession until 2027. The acquisition was made in collaboration with the South East Asian Strategic Assets Fund ("SEASAF") where Cerah Sama is positioned to be the flagship vehicle through which both parties will engage in the business of developing and operating toll roads in Malaysia and the ASEAN region.

Other than the above-mentioned businesses, the Group is also undertaking the construction of the Padang Terap Water Supply Scheme in Kedah. It just completed the Klang Valley Flood Mitigation-Package Sungai Damansara project in Selangor.

Currently, the water business in Malaysia accounts for the bulk of revenue and profitability of the Group. Taliworks intends to increase its revenue contribution significantly from overseas ventures to diversify its earnings base and geographical risk. The Group remain focus on its core business activities whilst seeking to acquire further strategic investments both domestically and in the foreign markets so as to re-position itself as a formidable and respected service provider for water, waste management and infrastructure businesses in the region.

Today, the Group has business presence in Selangor, Kedah, Tianjin, Sichuan, Ningxia and Shanghai.

AWARDS AND ACCREDITATION

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

a. MS ISO 9001: 2000 Quality Management Systems – Requirements for the Operation and Maintenance of Water Treatment Plant for Sungai Selangor Water Treatment Works Phase 1, since 2003.

b. MS ISO/IEC 17025: 2005 under Malaysia Laboratory Accreditation Scheme for Sungai Selangor Water Treatment Works Phase 1 Laboratory, since 2004.

c. ISO 9001: 2000 under Provision of Highway Maintenance and Toll Collection, for Grand Saga Sdn Bhd, since 2007.

d. MS ISO/IEC 17025: 2005 under Malaysia Laboratory Accreditation Scheme for Padang Saga and Sungai Baru Laboratory in Langkawi water operations, since 2008.

e. ISO 9001:2000 under SGS United Kingdom and Malaysia for Project Management of Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Turnkey and Conventional Contract, for the Engineering and Construction Division of Taliworks, since 2008.

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

2002

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

2003

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

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

2004

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

2005

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

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

2006

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

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

2007

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

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

2008

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

2009

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

Corporate Structure as at 30 april 2010

TALIWORKS CORPORATION
LGB Group
Water, Waste & Infrastructure Management Specialist

ASSOCIATED COMPANY

40% HYDROVEST SDN BHD
Incorporated in Malaysia

JOINTLY CONTROLLED ENTITIES

55% CERAH SAMA SDN BHD
Incorporated in Malaysia

- 100% TRUPADU SDN BHD
Incorporated in Malaysia
- 100% EUROPLEX CONSORTIUM SDN BHD
Incorporated in Malaysia
- 100% PEAK SYNERGY SDN BHD
Incorporated in Malaysia
- 100% GRAND SAGA SDN BHD
Incorporated in Malaysia

50% PROLIFIC EQUITY SDN. BHD.
Incorporated in Malaysia

Legends

- Water treatment and supply
- Waste management
- Construction
- Highway management
- Holding Company/Others

Corporate Structure as at 30 april 2010

SUBSIDIARY COMPANIES

- **100%** SUNGAI HARMONI SDN BHD
  Incorporated in Malaysia
- **100%** TALIWORKS (LANGKAWI) SDN BHD
  Incorporated in Malaysia
- **100%** TALIWORKS TECHNOLOGIES SDN BHD
  Incorporated in Malaysia
- **100%** DESTINASI TEGUH SDN BHD
  Incorporated in Malaysia
- **100%** TALIWORKS CONSTRUCTION SDN BHD
  Incorporated in Malaysia
- **100%** SWM TECHNOLOGIES (MALAYSIA) SDN BHD
  Incorporated in Malaysia
  - **90%** TIANJIN-SWM (M) ENVIRONMENT CO. LTD
    Incorporated in China
- **100%** TALIWORKS INTERNATIONAL LIMITED
  Incorporated in Hong Kong
  - **100%** TALIWORKS ENVIRONMENT LIMITED
    Incorporated in Hong Kong
  - **100%** TALIWORKS (SHANGHAI) CO. LTD
    Incorporated in China
  - **100%** TALIWORKS (SHANGHAI) ENVIRONMENTAL TECHNOLOGIES CO. LTD
    Incorporated in China
  - **70%** TALIWORKS-IBI TECHNOLOGIES INTERNATIONAL LIMITED
    Incorporated in Hong Kong
    - **90%** TALIWORKS-IBI TECHNOLOGIES (XIAMEN) LIMITED
      Incorporated in Hong Kong
      - **100%** TALIWORKS (XIAMEN) ENVIRONMENTAL TECHNOLOGIES CO. LTD
        Incorporated in China
- **80%** TALIWORKS (SICHUAN) LIMITED
  Incorporated in Hong Kong
  - **70%** PURESINO (GUANGHAN) WATER CO. LTD
    Incorporated in China
- **70%** ECO3 TECHNOLOGY AND ENGINEERING PTE. LTD.
  Incorporated in Singapore
- **60%** AIR KEDAH SDN BHD
  Incorporated in Malaysia

Corporate and Financial Events 2009

CORPORATE ANNOUNCEMENTS / EVENTS

25 JUNE
The Eighteenth Annual General Meeting ("AGM") of Taliworks was held at Room Dillenia & Eugenia, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur.

27 OCTOBER
Taliworks acquired a RM2 new subsidiary, Taliworks Construction Sdn Bhd

17 DECEMBER
Taliworks entered into a Bond Purchase Agreement to purchase an aggregate of RM112 million nominal value of convertible bonds.

RELEASE OF FINANCIAL RESULTS

24 FEBRUARY
Unaudited consolidated results for the 4th Quarter ended 31 December 2008.

17 APRIL
Audited financial statements for the financial year ended 31 December 2008.

29 MAY
Unaudited consolidated results for the 1st Quarter ended 31 March 2009.

18 AUGUST
Unaudited consolidated results for the 2nd Quarter ended 30 June 2009.

30 NOVEMBER
Unaudited consolidated results for the 3rd Quarter ended 30 September 2009.

DIVIDEND ENTITLEMENTS

24 FEBRUARY
Declaration of 2nd interim dividend of 2.0 sen per share less income tax at 25%, for the financial year ended 31 December 2008.

2 JUNE
Announcement of entitlements to the final dividend of 1.25 sen per share less income tax at 25% in respect for the financial year ended 31 December 2008 following approval by shareholders at the AGM.

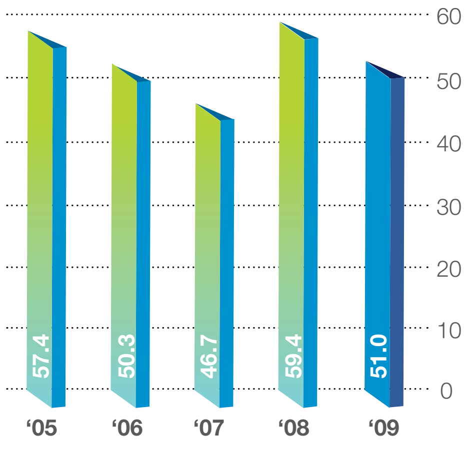
18 AUGUST
Declaration of 1st interim dividend of 2.0 sen per share of RM0.50 each less income tax at 25% in respect of the financial year ended 31 December 2009.

5 Years Financial Highlights

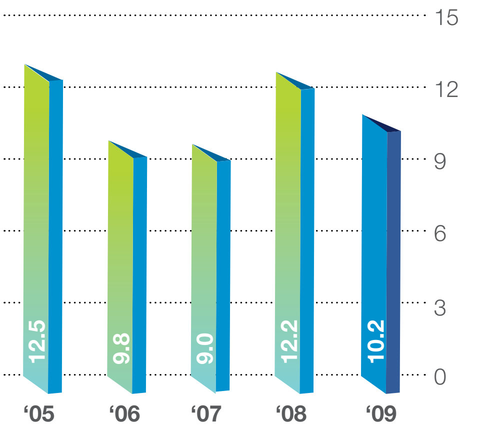
	2005 RM MIL	2006 RM MIL	2007 RM MIL	2008 RM MIL	2009 RM MIL
Profitability					
Revenue	196.1	142.9	191.0	226.4	158.9
EBITDA (i)	61.4	52.2	50.2	70.1	62.1
Profit Before Taxation (ii)	57.4	50.3	46.7	59.4	51.0
Profit for the Financial Year	44.1	35.6	33.1	46.3	39.0
Key Balance Sheet Items					
Total Assets	342.1	351.6	604.6	664.0	560.4
Total Borrowings	12.0	7.9	226.1	232.6	122.4
Shareholders' Equity	273.8	313.5	329.1	351.6	375.5
No of Shares in Issue	352.3	373.4	375.4	376.6	376.7
Segmental Information					
Revenue					
- Water	126.5	131.6	126.3	135.9	135.5
- Construction	122.3	9.0	108.9	137.9	13.8
- Waste Management	8.0	8.2	9.6	15.0	17.2
- Investment Holding	44.7	34.5	84.9	37.7	2.1
	301.5	183.3	329.7	326.5	168.6
- Elimination	(105.4)	(40.4)	(138.7)	(100.1)	(9.7)
	196.1	142.9	191.0	226.4	158.9
Profit Before Taxation					
- Water	49.2	49.8	47.2	50.9	54.1
- Construction	2.9	1.3	7.5	11.6	3.5
- Waste Management	2.0	0.1	(0.3)	4.0	2.6
- Investment Holding	35.9	28.2	75.9	34.1	(0.2)
	90.0	79.4	130.3	100.6	60.0
- Elimination	(31.0)	(29.4)	(83.0)	(33.0)	(0.4)
- Finance Cost	(0.8)	(0.6)	(1.5)	(14.5)	(16.1)
- Share of Results of Jointly Controlled Entity	-	-	0.3	5.7	6.9
- Share of Results of Associated Companies	(0.8)	0.9	0.6	0.6	0.6
	57.4	50.3	46.7	59.4	51.0
Key Financial Ratio					
Gross Dividend Per Share (sen) (iii)	8.0	10.0	9.5	6.3	6.0
Net Assets Per Share (sen)	77.7	84.0	87.7	93.4	99.7
Earnings Per Share (sen)					
- Basic	12.5	9.8	9.0	12.2	10.2
- Fully Diluted	12.3	9.4	8.4	11.1	9.7
Return On Equity (%) (iv)	17.2	12.1	10.3	13.6	10.6
Return On Assets (%) (v)	12.5	10.3	6.9	7.3	6.3
Dividend Payout (%) (vi)	46.9	76.2	79.4	37.9	43.5
Debt To Equity (%)	4.4	2.5	68.7	66.2	32.6

5 Years Financial Highlights

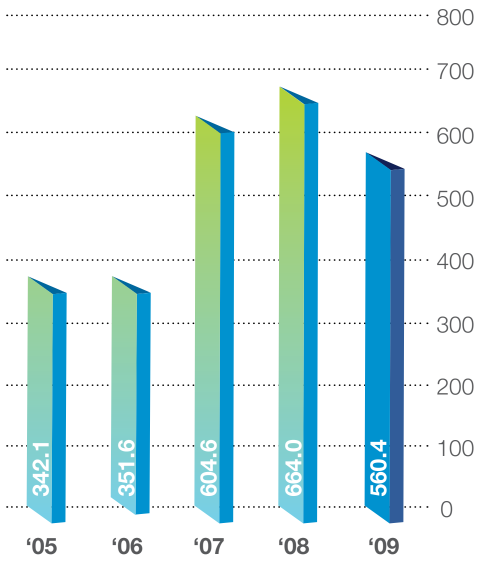
PROFIT BEFORE TAXATION (RM MILLION)



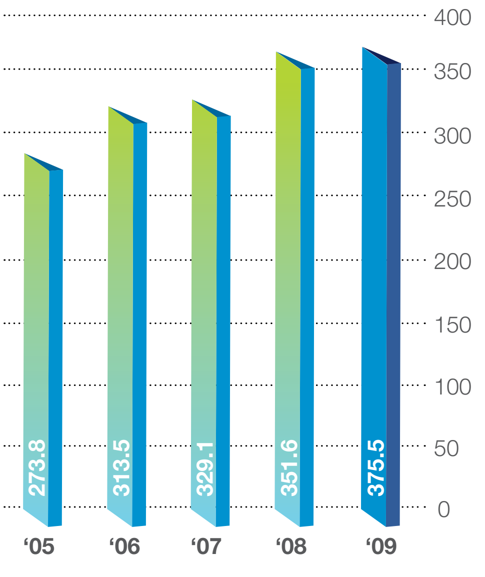
BASIC EARNINGS PER SHARE (SEN)



TOTAL ASSETS (RM MILLION)



SHAREHOLDERS' EQUITY (RM MILLION)



(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 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.

Directors' 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 59 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, an 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, he held different positions in various districts in the State of Perak as Assistant District Officer, UPEN 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 Berhad as President, a position held since 6 September 2004. He is also the Chairman of Kumpulan Perangsang Selangor Berhad and Kumpulan Hartanah Selangor Berhad.

Dato' Hj Abd. Karim has attended three (3) out of the four (4) Board of Directors' meeting held during the financial year of the Company.

Directors' Profile

Y. Bhg. Dato' Lim Chee Meng

EXECUTIVE DEPUTY CHAIRMAN

Y. Bhg. Dato' Lim Chee Meng, a Malaysian aged 37, was appointed to the Board on 31 July 2000. Dato' Lim has been re-designated as Executive Deputy Chairman on 1 March 2010. He 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 Veolia Environment S. A. 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.

Dato' Lim has attended all the four (4) Board of Directors' meeting held during the financial year of the Company.

He is the cousin to Mr. Lim Yew Boon, the Executive Director and the brother to Mr. Lim Chin Sean, a major shareholder of the Company.

Mr. Lim Yew Boon

EXECUTIVE DIRECTOR

Mr. Lim Yew Boon, a Malaysian aged 51 was appointed to the Board on 1 March 2010 as an Executive Director. He holds a diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over twenty years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

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

Mr. Lim is also an Executive Director of Amalgamated Industrial Steel Berhad, a public listed company.

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

Directors' Profile

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, a Malaysian aged 59 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 has attended all the four (4) Board of Directors' meeting held during the financial year of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al - Marhum Sultan Salahuddin Abdul Aziz Shah Al - Haj, a Malaysian aged 55 was appointed to the Board on 31 July 2000.

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

She has attended two (2) out of the four (4) Board of Directors' meeting held during the financial year of the Company.

Directors' Profile

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

INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman, a Malaysian aged 59 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 all the four (4) Board of Directors' meeting held during the financial year of the Company.

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

NON-EXECUTIVE NON-INDEPENDENT DIRECTOR

YBhg Dato' Wan Puteh bin Wan Mohd Saman, a Malaysian aged 79 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 has attended three (3) out of the four (4) Board of Directors' Meeting during the financial year of the Company.

Directors' Profile

Encik Sulaiman bin Salleh

INDEPENDENT NON-EXECUTIVE DIRECTOR

Encik Sulaiman bin Salleh, a Malaysian aged 65 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 Mayban General Assurance Berhad, Mayban Life Assurance Berhad, PTB Unit Trust Berhad, Mayban Takaful Berhad, Mayban Life International (Labuan) Ltd, and an Independent Director and Audit Committee Chairman of Amalgamated Industrial Steel Berhad.

Encik Sulaiman has attended all the four (4) 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 56 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 of KPS' subsidiaries. Prior to joining KPS, Mr. Wong was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance. Mr. Wong is currently the Executive Director of KPS as well as the Vice President, Finance of Kumpulan Darul Ehsan Berhad. Subsequently on 25 November 2009, he was appointed as the Acting Chief Executive Officer of KPS.

Mr. Wong also holds Directorship in Kumpulan Hartanah Selangor Berhad.

Mr. Wong has attended all the four (4) Board of Directors' meeting held during the financial year of the Company.

Save as disclosed, none of the Directors have

(i) any family relationship with any Director and/or major shareholder of the Company;
(ii) any conflict of interest with the Company; and
(iii) any conviction for offences within the past 10 years.

Chairman's Statement

Y. Bhg. Dato' Hj Abd Karim bin Munisar

Dear Valued Shareholders,

On behalf of my fellow Board members, I am pleased to present to you the Annual Report and the Audited Financial Statements of Taliworks Corporation Berhad for the financial year ended 31 December 2009.

2009 was a tough year by any measure; the uncertainties in the global economic landscape cast a gloomy and pessimistic outlook in the minds of most people as confidence level diminished with the sharp deterioration of economic fundamentals and from the massive loss of workforce. Whilst it was fortunate that Malaysia was spared the worst of the crisis, nevertheless the economy still succumbed to a slowdown, registering a contraction of 1.7% for the whole year, compared to a 4.6% growth in the previous year. However, a sound and resilient financial sector coupled with the two fiscal stimulus packages implemented by the government somewhat helped to cushion the domestic economy. As the nation progressed towards the later part of the year, we saw a stronger growth performance buoyed by domestic demand and continued improvement in external demand, particularly from the regional economies. With this positive observation, there is renewed optimism that the worst may be over. Even so, there is still a debate on the possibility of a double dip in the global economy in view of the eventual rolling back of government-sponsored stimulus measures and the anemic economic growth still being experienced in the advanced countries.

Malaysia is one of the first few countries in the Asia Pacific region that saw fit to hike its interest rate in early of this year in view of a firmer recovery of domestic economic activities. Moving forward, it is anticipated that the significant improvement in the economy experienced in the second half of 2009 will continue to strengthen in 2010 spurred by improved consumer and business sentiments and the gradual recovery in the global economy which will provide further impetus to the domestic economy.

FINANCIAL AND BUSINESS PERFORMANCE

Against the backdrop of uncertainties in the global economic situation, the Group managed to post a profit after tax of RM39.0 million (2008: RM46.3 million) for the year on the back of RM159.0 million (2008: RM226.4 million) in revenue. This translated into earnings per share of 10.2 sen (2008: 12.2 sen).

The significant reduction in revenue and profit achieved compared to the previous year was attributed mainly from the lower contribution in the construction activities as projects undertaken by the Group are nearing the tail end and with no new projects in the pipeline.

Chairman's Statement

As in the previous years, the water business continues to be the main contributor to the Group; with an 85% share of revenue and the bulk of profits attributable by this segment. The water business generated total revenue of RM135.4 million, slightly lower than RM135.9 million recorded a year ago. The contribution from the Group's waste management business in China stood at RM15.6 million, an improvement from RM13.5 million attained previously and it is expected that this segment will grow in size and importance in the ensuing years.

The share of profits from the Company's 55% owned jointly-controlled entity, Cerah Sama Sdn Bhd rose to RM6.9 million compared to RM5.7 million previously. Despite the earlier setbacks, traffic volume in the Cheras-Kajang Highway continues to climb from the gradual opening of the new LEKAS Highway connecting Kajang to Seremban and the general improvement in traffic flow leading to and from the Cheras-Kajang Highway.

DIVIDENDS

As a general policy, the Board is committed to create long term shareholders' value through business expansion to ensure long term sustainability of dividend payouts to shareholders. The quantum of dividend would depend amongst others, the financial performance of the Group, operating requirements and funds required to be set aside for future business expansion purposes.

For the year, the Company had distributed total gross dividends of 6.0 sen per share (2008: 6.25 sen) which translated to a cash of RM17.0 million (2008: RM17.5 million) being received by shareholders.

FUTURE OUTLOOK AND PROSPECTS

Last year, the Group was confronted with the prospect of a deteriorating economy but we fared reasonably well in the face of adversity. The Board had earlier anticipated more difficult and challenging conditions in the business environment but nonetheless, we forge ahead to pull together all of our resources and capabilities to attempt our best to further expand our existing businesses to reflect diversification across markets and geographical regions while keeping a close tab to ensure that cost pressures are kept in check.

Suffice to say, whilst the Group's water business provides a steady and long term stream of recurring income, the Group's other core business in the waste sector offers a relatively promising business potential. Over a period of time, the Group intends to re-strategise its business goals with the aim of repositioning itself to be a formidable and respected service provider for the water, waste management and infrastructure businesses in the region.

The Group will remain prudent in investing for the future and will continue to be engaged and focused in ensuring that all of its investments in the above targeted business segments will produce the desired results and growth pattern that is consistent with long term value creation.

Looking ahead, as the global economy progressively recovers, the Group is optimistic on the near term outlook and is confident that the long term prospects remains positive.

ACKNOWLEDGEMENT

The accomplishment in bringing the Group to its current state of affairs largely revolves around our dedicated staff force that has been with delivering exemplary services to our customers as well as to all other stakeholders. It is only befitting that I, on behalf of the Board, extend our upmost gratitude to them. I also wish to express my thanks to my fellow Board members for their guidance in the stewardship of the Group and for their dedication in discharging their duties in a responsible manner.

I would also like to place on record our appreciation to Tuan Haji Abdul Rahman Siraj, who was the Chief Executive Officer until his departure from the Company in December 2009. Tuan Haji Abdul Rahman has served the Board since October 2000 and we are indeed grateful for his contribution to the Group during his tenure and we wish him well in his future endeavours.

In order to streamline the management of the Group, the Board has re-designated Y. Bhg. Dato' Lim Chee Meng as the Executive Deputy Chairman from Executive Director effective March 2010. To fill the position vacated by Y. Bhg. Dato' Lim, Mr. Lim Yew Boon has been appointed as the new Executive Director and I take this opportunity to welcome him. Mr. Lim brings with him a wealth of experience and expertise to the Group and we are pleased to have him on board.

We recognise building long term relationship and earning the trust of all our valued customers, business associates, regulatory authorities, financiers, media and the financial community as being vital to our success and reputation as a well-managed organisation. Thus, we will continue to work towards enhancing our values that encompasses integrity, mutual respect, transparency in business dealings and care for the environment.

Last but not least, I wish to thank all our shareholders for your unwavering support and we look forward to your continuing vote of confidence. The year ahead will remain challenging but I believe with perseverance and adherence to the principles of prudence, sound judgement and proactive management, the Group will be able to overcome any obstacles that it may face.

Thank you.

DATO' HAJI ABD KARIM BIN MUNISAR
Chairman

Penyata Pengerusi

PARA PEMEGANG SAHAM YANG DIHORMATI,

Bagi pihak ahli – ahli Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan yang telah diaudit Taliworks Corporation Berhad bagi tahun kewangan yang berakhir pada 31 Disember 2009.

Tahun 2009 merupakan tahun yang disukar dari pelbagai sudut. Ketidaktentuan landskap ekonomi global dan lakaran pesimistik di minda masyarakat yang disebabkan oleh menurunnya keyakinan yang diakibatkan oleh asas – asas ekonomi yang menjunam dan ramai pekerja kehilangan pekerjaan. Walaupun begitu, kita bertuah kerana Malaysia dapat bertahan dari krisis tersebut. Namun begitu, ekonomi masih lagi perlahan dengan mencatatkan pertumbuhan negatif 1.7% sepanjang tahun, berbanding dengan pertumbuhan 4.6% bagi tahun sebelumnya. Melalui sektor kewangan yang mantap dan berdaya saing, ditambah dengan dua pakej rangsangan ekonomi oleh kerajaan telah dapat membantu menyerap ekonomi domestik. Menjelang akhir tahun, didapati prestasi pertumbuhan yang lebih kukuh, ditambah dengan permintaan domestik dan pertambahan berterusan permintaan luaran terutamanya dari ekonomi serantau. Hasil dari pemantauan yang positif ini, wujud semula sikap optimis bahawa keadaan ekonomi yang merudum mungkin telah berakhir. Namun begitu, masih ada perdebatan akan kemungkinan ekonomi global terus merudum memandangkan penarikan semula pakej rangsangan oleh kerajaan dan ketidaktentuan pertumbuhan ekonomi yang masih dirasai di negara – negara maju.

Pada awal tahun ini, Malaysia merupakan antara negara di rantau Asia Pasifik yang telah menaikkan kadar faedahnya kerana berpandangan adanya pemulihan yang lebih kukuh bagi aktiviti – aktiviti ekonomi domestik. Melangkah ke hadapan, adalah dijangkakan akan wujud peningkatan ekonomi yang signifikan pada separuh kedua 2009 yang akan berterusan dalam tahun 2010, berteraskan sentimen perniagaan dan pengguna yang lebih baik. Ia juga akan memperlihatkan pemulihan berperingkat ekonomi global yang akan merangsang ekonomi domestik.

PRESTASI KEWANGAN DAN PERNIAGAAN

Berlatarbelakangkan ketidaktentuan dalam situasi ekonomi global, Kumpulan berjaya mencatatkan keuntungan selepas cukai sebanyak RM39.0 juta (2008: RM46.3 juta). Perolehan Kumpulan pula adalah sebanyak RM159.0 juta (2008: RM226.4 juta). Ini menghasilkan pendapatan sebanyak 10.2 sen bagi setiap saham (2008: 12.2 sen)

Pengurangan ketara perolehan dan keuntungan berbanding dengan tahun sebelumnya adalah disebabkan oleh sumbangan yang lebih rendah daripada aktiviti pembinaan, memandangkan aktiviti pembinaan yang dilaksanakan oleh Kumpulan telah hampir ke penghujungnya dan kerana tiadanya projek – projek baru yang dimuktamadkan.

Seperti pada tahun sebelumnya, perniagaan air terus menjadi penyumbang utama kepada Kumpulan dengan mencatatkan 85% sumbangan dalam perolehan dan sebahagian besar keuntungan. Perniagaan air mencatatkan perolehan keseluruhan sebanyak RM135.4 juta, terkurang sedikit daripada RM135.9 juta yang direkodkan pada tahun sebelumnya. Sumbangan daripada perniagaan pengurusan sisa buangan di China adalah sebanyak RM15.6 juta. Ini merupakan peningkatan daripada RM13.5 juta pada tahun sebelumnya. Adalah dijangkakan bahawa segmen ini akan berkembang dari segi saiz dan kepentingan dalam tahun – tahun yang mendatang.

Sumbangan keuntungan dari entiti kawalan bersama yang dipunyai oleh Syarikat sebanyak 55% iaitu Cerah Sama Sdn Bhd, telah meningkat kepada RM6.9 juta berbanding RM5.7 juta tahun sebelumnya. Walaupun wujud kekangan sebelumnya, jumlah trafik di Lebuhraya Cheras – Kajang terus menunjukkan peningkatan akibat dari pembukaan Lebuhraya LEKAS yang menghubungkan Kajang ke Seremban dan peningkatan secara am aliran trafik yang menghala masuk dan keluar ke Lebuhraya Cheras – Kajang.

DIVIDEN

Secara dasarnya, Lembaga amat komited untuk meningkatkan nilai pemegang saham melalui pengembangan perniagaan bagi memastikan pembayaran dividen kepada para pemegang saham untuk tempoh jangka masa panjang berkekalan. Jumlah pembayaran dividen akan ditentukan oleh pelbagai faktor, antaranya ialah prestasi kewangan Kumpulan, keperluan operasi dan dana yang diperuntukkan untuk pengembangan perniagaan masa hadapan.

Bagi tahun ini, Syarikat telah membayar dividen kasar sebanyak 6.0 sen setiap saham (2008: 6.25 sen) yang berjumlah RM17.0 juta (2008: RM17.5 juta) secara tunai yang telah diterima oleh para pemegang saham.

PANDANGAN MASA HADAPAN DAN PROSPEK

Pada tahun lepas, Kumpulan berhadapan dengan prospek ekonomi yang merudum, tetapi kita telah berjaya menghadapinya dengan baik. Lembaga pada awalnya menjangkakan keadaan yang lebih meruncing dan memberi cabaran kepada persekitaran perniagaan. Namun begitu, kita berjaya menanganinya melalui pengembelengan sumber – sumber dan keupayaan sedia ada bagi mengembangkan lagi perniagaan teras sekarang yang menjangkaui pasaran dan kawasan geografi, sementara pada masa yang sama memastikan perniagaan sedia ada diawasi dengan teliti agar tekanan kos dapat dikawal.

Penyata Pengerusi

Seperti yang dijangka, perniagaan air Kumpulan memberikan pendapatan yang tetap dan berulangan untuk jangka masa panjang, tetapi perniagaan teras yang lain di sektor pengurusan sisa buangan turut menjanjikan potensi yang baik. Selepas ini, Kumpulan berhasrat untuk merangka stategi baru bagi memposisi semula kedudukannya sebagai pemberi perkhidmatan pengurusan air, sisa buangan dan infrastruktur yang mantap dan dihormati di rantau ini.

Kumpulan akan senantiasa berhemah dalam pelaburan yang bakal dilaksanakan di masa hadapan. Kita juga akan terus fokus dalam setiap pelaburan yang berkaitan dengan segmen perniagaan di atas bagi mendapatkan hasil yang dikehendaki dan corak pertumbuhan yang konsisten dengan penciptaan nilai yang berpanjangan.

Dalam pada itu, memandangkan ekonomi global secara progresifnya sedang pulih, Kumpulan optimistik berkenaan hala terdekatnya dan berkeyakinan bahawa prospek jangka panjang akan kekal positif.

PENGHARGAAN

Pencapaian Kumpulan pada tahapnya kini adalah bersandarkan kepada tenaga kerja yang berdedikasi yang memberikan perkhidmatan cemerlang kepada para pelanggan dan juga pihak – pihak lain yang berkepentingan. Adalah wajar bagi saya, mewakili Lembaga, mengzahirkan ucapan penghargaan kepada mereka. Saya juga ingin mengucapkan terima kasih kepada rakan – rakan Lembaga di atas tunjuk ajar bagi memacu Kumpulan dan dedikasi mereka dalam melaksanakan tugas – tugas dengan penuh tanggungjawab.

Saya juga ingin menyatakan penghargaan kepada Tuan Haji Abdul Rahman Siraj, yang merupakan Ketua Pegawai Eksekutif Syarikat sehingga ke tarikh tamat perkhidmatannya dalam bulan Disember 2009 yang lalu. Tuan Haji Abdul Rahman Siraj telah berkhidmat bersama Lembaga sejak Oktober 2000 dan kami amat terhutang budi dengan sumbangannya kepada Kumpulan semasa perkhidmatan beliau. Kami mengucapkan selamat berjaya kepada beliau dan aktiviti – aktiviti masa hadapannya.

Bagi menyusun semula pengurusan Kumpulan, Lembaga telah melantik Y. Bhg. Dato' Lim Chee Meng ke jawatan Naib Pengerusi Eksekutif dari Pengarah Eksekutif berkuat kuasa pada March 2010. Bagi mengisi jawatan yang dikosongkan oleh Y. Bhg. Dato' Lim, Encik Lim Yew Boon telah dilantik sebagai Pengarah Eksekutif yang baru dan saya menggunakan peluang ini untuk mengucapkan selamat berkhidmat kepada beliau. Encik Lim membawa bersamanya pengalaman dan kepakaran yang dapat disumbangkan kepada Kumpulan dan kita berbesar hati dengan penyertaan beliau ke dalam Lembaga.

Kami amat menghargai hubungan jangka panjang dan kepercayaan para pelanggan, rakan perniagaan, pihak berkuasa kerajaan, pembiaya kewangan, media dan komuniti kewangan sebagai asas utama kepada kejayaan dan reputasi kami sebagai organisasi yang diurus dengan mampan. Oleh itu, kami akan berusaha ke arah menambah baik nilai – nilai yang berteraskan integriti, persefahaman bersama, ketelusan dalam urusan perniagaan dan menjaga alam sekitar.

Akhirnya, saya mengucapkan terima kasih kepada semua pemegang saham di atas sokongan yang tidak berbelah bahagi dan semoga terus mendapat sokongan dimasa hadapan. Tahun – tahun yang mendatang penuh dengan cabaran, tetapi saya percaya dengan ketetapan dan kepatuhan kepada prinsip – prinsip penjimatan, buat keputusan yang tepat dan pengurusan proaktif akan membolehkan Kumpulan menanganinya.

Terima kasih.

DATO' HAJI ABD KARIM BIN MUNISAR
Pengerusi

Dalam pada itu, memandangkan ekonomi global secara progresifnya sedang pulih, Kumpulan optimistik berkenaan hala terdekatnya dan berkeyakinan bahawa prospek jangka panjang akan kekal positif.

Executive Director's Review Of Operations

Mr. Lim Yew Boon

A year has passed since the financial storm ravaged the global economic landscape bringing with it unprecedented economic upheavals; with organisations irrespective of size scrambling to shore up their position.

The Group was fortunate to have come out of it in a much better shape than expected; by instituting several key initiatives to buffer its cash reserves as well as tightening controls and enhancing risk surveillance to mitigate the adverse impact and threats that it was facing. The worst may appear to be over but the Group is ever cognizance of the potential risks that still lurk in the corner that may hamper the Group's strategies to propel itself forward.

Even though I was appointed to the position of an Executive Director in the early part of this year, I have been closely following the major developments within the Group as prior to my present engagement, I was the Chief Operating Officer for the Construction and Engineering division in the Company and was also instrumental in overseeing the procurement of new business deals for the Group.

Faced with newer challenges at hand, foremost in my mind would be to continue the good work of my predecessor in navigating the Group to realise its ambitions to eventually evolve itself into a formidable and respected service provider for the water, waste management and infrastructure businesses in the region. This maybe a tall order indeed but with proper planning and precise execution strategies, I believe, we can drive the transformation of the Group to meet shareholders' expectations and deliver long term value to them. Equally important, efforts to raise the bar on sound governance and risk management practices will continue to be the forefront of my priorities to ensure the Group is on sound footing as it confronts the critical challenges ahead to chart a strong and sustainable growth path in an ever changing competitive environment.

Executive Director's Review Of Operations

In terms of strategic direction, the Group will remain focus on its core business of managing and operating concession type of assets or businesses and we will actively intensify our efforts to spread geographical risks by participating in the growth stories in other countries particularly in the People's Republic of China and within the region. We started our maiden project in China way back in 2005 and we remain steadfast in our belief that the current portfolio of investments would be able to deliver the long term returns that commensurate with the risks that we have taken. In the medium term, we envisage that contribution from non-domestic operations from the water and waste related sectors will increase and this augurs well for the Group to be able to grow its stable of businesses.

FINANCIAL PERFORMANCE REVIEW

Summary of the Group's Financial Performance At A Glance

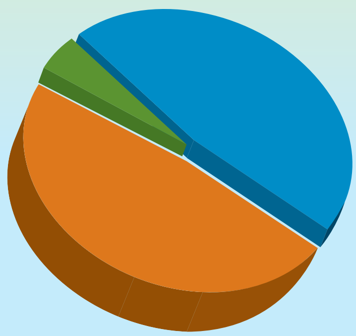
	2009 RM MIL	2008 RM MIL
Revenue	158.9	226.4
Profit before tax	51.0	59.4
Profit after tax	39.0	46.3
Total Assets employed	560.4	664.0
Shareholders' equity	375.5	351.6
Basic EPS (sen)	10.2	12.2
Return on Equity (%)	10.6	13.6

For the year in review, the Group posted lower revenue of RM158.9 million compared to RM226.4 million achieved a year ago. This was attributed to the lower contribution from construction activities which recorded a turnover of RM77.0 million compared to RM7.8 million in the current financial year in review. The Group managed to complete the construction of the Klang Valley Flood Mitigation – Package Sungai Damansara project in Selangor during the year whereas the construction of the Padang Terap Water Supply Scheme in Kedah is expected to be completed by end of 2010 pending the resolution of certain land issues by the authorities.

Revenue from the Group's water business was flat at about RM135 million for both years. In 2009, water production particularly from the Group's operations in the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") undertaken by Sungai Harmoni Sdn Bhd, was marginally lower whereas as expected, water consumption in Langkawi continued to grow, albeit at a modest rate of 4%. Both existing waste related operations in China also saw production increases, thereby contributing to revenue growth from this segment.

Revenue Performance 2009

- RM135.5 million **Water**
- RM13.8 million **Construction**
- RM17.2 million **Waste Management**



Revenue Performance 2008

- RM135.9 million **Water**
- RM137.9 million **Construction**
- RM15.0 million **Waste Management**

Executive Director's Review Of Operations

In terms of profits, the Group achieved a profit before taxation of RM51.0 million, a sharp decline from a year ago, primarily from lesser contribution from the construction division, lower returns made from the Group's short term investments, higher finance expense and absence of foreign exchange gain posted in the prior year.

Despite no revenue growth, the water business still manage to register a profit before taxation of RM54.1 million, a marked improvement from RM50.9 million in 2008 due to the several austerity measures instituted to contain costs and management's efforts to increase operational efficiency. In the waste management sector, it posted a profit before tax of RM2.7 million, way below RM4.0 million achieved

just a year primarily from deployment of costs for business development and higher operational costs. In the meantime, there has been encouraging sign of improvement in the financial performance of Grand Saga Sdn Bhd, the toll concessionaire for the Cheras-Kajang highway where the Group first acquired the business in 2007. This division contributed RM6.9 million in post-tax profits to the Group compared to RM5.7 million in 2008.

BUSINESS SECTOR REVIEW

WATER & ENGINEERING DIVISION

Despite the economic slowdown over the first half of the year, the water supply demand in Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB") managed to hold up quite well overall, with SHSB registering a small decline and TLSB posting a small gain compared to the previous year's figures. With the world economy recovering and the Malaysian economy projected to improve by 4.5% to 5.5% in 2010 according to the latest release of economic data from the central bank, it is projected that the overall water demand growth will continue to be positive although the challenging operating environment will probably restrict such growth prospects to a modest scale.

Executive Director's Review Of Operations

Sungai Harmoni Sdn Bhd

SHSB posted an output of 258 million cubic metres or an average of 707 million litres per day of treated water over the year in review, about 3% lower than the previous year's average output of 723 million litres per day.

This decline was attributed partly to reduced consumer demand over the first half of the year as the global financial crisis and resultant economic slowdown took hold as well as partly due to the continuing attempts by Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") to rationalise the Klang Valley water supply and distribution system. However, as the economy slowly recovered over the second half of the year, overall consumption demand improved in tandem to reach the previous year's levels.

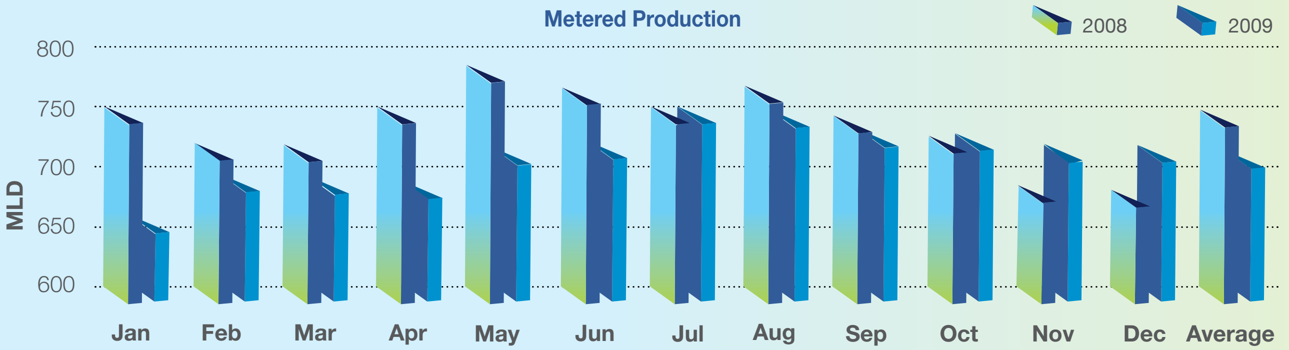
With the government forecasting growth of between 4.5% to 5.5% in 2010 amidst the gradual economic recovery, the Group is optimistic that a modest growth prospects of between 2% to 3% in consumption demand maybe possible.

Except for a few short dry spells, consistent rainfall over the year kept the Sungai Tinggi Dam at full service level while the Sungai Selangor Dam was about 90% full by year end. These storage reserves provide some margin of confidence to meet the regulating needs of the major water treatment plants (SSP1, SSP2 and SSP3) during the coming dry season. The generally steady operating conditions allowed for the unit electrical and unit chemical costs to be kept fairly consistent with incremental savings in unit operation costs being eked out through comprehensive operations and maintenance regimes. However, as the catchment area continues to be developed commercially, the threat of pollution is ever present and vigilance will continue to be exercised to respond speedily to face such challenges.

In carrying out its responsibilities to supply water to the required quality and quantity at all times, SHSB continues to retain its level of operational excellence through the maintenance of the following accreditation schemes:

- MS ISO 9001:2000 'Quality Management System for the Operation and Maintenance of Water Treatment Plant'; and
- Skim Akreditasi Makmal Malaysia to ISO/IEC 17025 standard for the SSP1 laboratory.

Metered Production (Sungai Harmoni Sdn Bhd)



Executive Director's Review Of Operations

Taliworks (Langkawi) Sdn Bhd

TLSB posted its tenth consecutive year of metered consumption growth despite the challenging operating environment wrought by the global financial crisis as well as the onset of the H1N1 flu pandemic. Despite the initial fears of severe repercussions on the hospitality and tourism industries on which Langkawi's economy depends to a large extent, metered water consumption for the year in review recorded a volume of 16.1 million cubic metres or an average of 44.3 million litres per day. This represented a growth of over 4% compared to the previous year and the continued growth mirrored the resilience of Langkawi's economy. The growth in consumption was fuelled by an increase in the consumer accounts base, both domestic and non-domestic.

As the world economy is slowly recovering while Malaysia's economy has already turned the corner by the fourth quarter, it is projected that, barring unforeseen circumstances, water consumption growth in Langkawi will continue its positive uptrend in the coming year albeit at a modest growth rate.

Despite the pronounced dry spells, unusual rainfall patterns set in during the third quarter and helped to fill up Malut Dam in September. This helped to offset the draw down to meet the production requirements of the island water treatment plants during the year end dry season so that dam reserves were in a healthy condition by year end to face the challenges of the next dry season. Owing to the unsettled weather conditions over the year, unit chemical and unit electrical costs were higher compared to the previous year although unit operation costs were kept under control through various cost management measures.

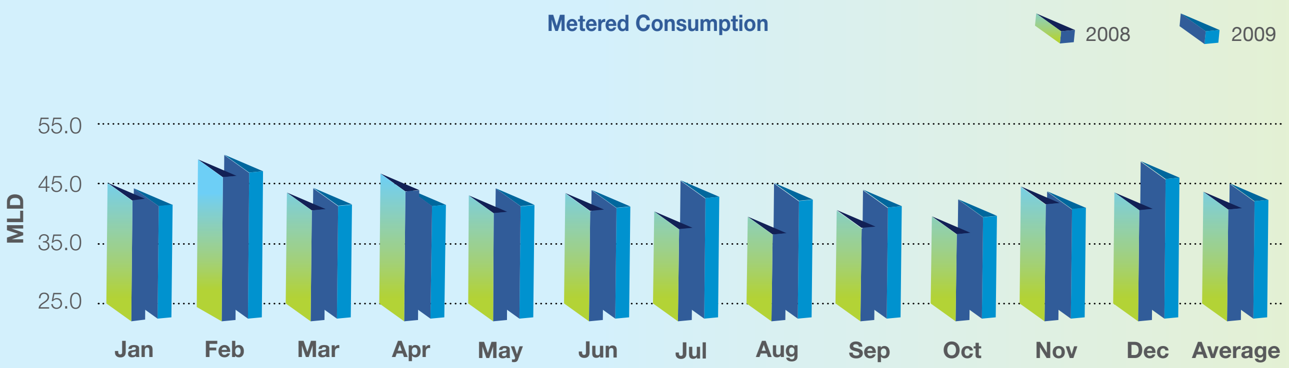
Towards placing the water quality testing facilities of TLSB on an industrial level of excellence, the Padang Saga and Sungai Baru Laboratories received the ISO/IEC 17025 accreditation under the Skim Akreditasi Makmal Malaysia and has striven to maintain this accreditation standard.

ENGINEERING & CONSTRUCTION DIVISION

Due to spill over effects from the global credit crunch, the year was not without challenges as investors were extremely cautious in implementing any new projects that they had planned earlier; with a significant number of them either adopting a wait-and-see approach or had deferred the implementation. The government on the other hand was trying its best to stimulate the sector by announcing several projects and allocation under its stimulus packages. However, most of these projects were either in the planning or design stages.

Thus, there were not many new projects available in the market offered to industry players and this further fuelled the fierce competition among contracting firms fighting for a piece of the action from a lean market. Despite the uncertainty of construction costs caused by price fluctuation, many contracting firms were prepared to take the risk to price low in order to win some of these projects. Given such unfavourable conditions and coupled with the shortage of labour within the industry, the Group adopted a cautious approach by being selective in tendering for projects to replenish its order book. Moving forward, the Group will remain vigilant and continue to re-strategise its position in identifying the niche markets and by forming synergistic partnership or joint venture to leverage on the strength of the respective parties to boost the success rate in project procurement.

Metered Consumption (Taliworks (Langkawi) Sdn Bhd)



Executive Director's Review Of Operations

During the year, the Group continued with its endeavours to complete the two construction projects on hand i.e.

- the design and construction of the water supply system for the Padang Terap Water Supply Scheme, in Kedah, 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.

Whilst the Subang South Pond Project has been completed during the year, the completion of the Padang Terap Water Supply Scheme currently standing at about 90%, is expected to be further delayed to end of this year from the previous hand-over date at end 2009. The prolonged delay in land acquisition by the government continued to hamper the speedy completion of this project and as such, there was not much progress achieved during the year.

WASTE MANAGEMENT DIVISION

Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM holds the concession rights to manage, operate and maintain the Tianjin Panlou Life Waste Transfer Station and its related assets for a duration of 21 years ending 2025. This operation is based in Tianjin, a port city less than an hour away by train from Beijing.

The throughput at the transfer station has been encouraging and is on the uptrend since it commenced operations in 2005. For 2009, the company manage to process approximately 362,000 tonnes (or an average of 992 tonnes per day) of household waste compared to 353,000 tonnes (or 966 tonnes per day) a year ago.

Through more effective cost management measures adopted during the year, the average cost to process a tonne of waste was well managed although the lower cost of petrol, which is a key component of costs, played a huge part in the reduction of truck related costs. Operations continued to be affected by the high maintenance costs from the existing fleet of trucks which hampered the overall efficiency of operations. To overcome this shortcoming, the company has a planned capital expenditure program to replace these trucks gradually and this is expected to significantly boost the overall level of operational efficiency; thus bringing down the average cost over a period of time. On-going efforts will continue to be intensified to protect operational margins and enhance the value of the Group's investments in this company.

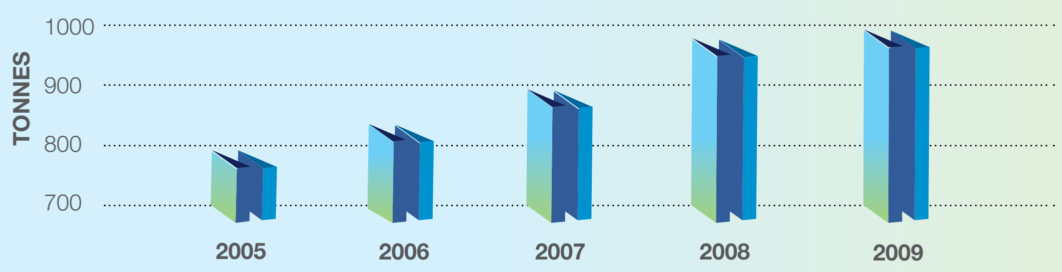
Puresino (Guanghan) Water Co. Ltd.

Puresino (Guanghan) Water Co., Ltd, is the second company that the Group invested in outside of Malaysia. This company has been granted an exclusive 30-year concession to undertake the construction, management and operation of the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in the city of Guanghan in the province of Sichuan, People's Republic of China. Last year was the second full year of operations since commercial operations started in September 2007.

During the year, the plant treated close to 11.2 million tonnes of wastewater or an average of 30.7 million litres per day. Production increased substantially by over 13% year-on-year. Currently operating at 61% of the designed capacity, it is envisaged that the operating capacity will increase in tandem with the higher volume of effluent generated from the growing domestic economy.

Operating at a higher capacity, the company was able to enjoy greater economies of scale and this helped to bring the average operational costs down. Having said that, the company remains vigilant against unnecessary cost leakages and continuous efforts are being made to further optimise staff productivity and plant efficiency.

Average Tonnage of Waste Processed over 5 Years



Executive Director's Review Of Operations

HIGHWAY DIVISION

The year went by without any untoward incident affecting the toll collections at the Cheras–Kajang Highway after being embroiled with the Bandar Mahkota Cheras ("BMC") debacle in the previous year. The civil suit instituted by the developer of BMC against Grand Saga Sdn Bhd is pending in the courts whilst the company has been in discussion with the Federal Government on how best to resolve this issue to the satisfaction of all affected parties.

Away from the legal issues, the division was able to focus its resources to provide quality service to road users through "Speed, Convenience and Safety", a motto which underscores the philosophy of the company to deliver a comprehensive and comfortable travelling experience to its customers. The substantial completion of the LEKAS Highway and the road upgrading works by the authorities at the Taman Len Seng interchange proved to be a boon to the traffic volume. The average daily traffic ("ADT") of 200,344 vehicles per day surpassed last year's ADT of 192,445 vehicles per day by over 4%. The substantial opening of the said highway, which together with the Cheras-Kajang Highway provides a congestion free alternative route to Seremban and beyond, now proved to be a route favoured by road users heading south from the city. With these positive developments, the division is optimistic of further robust growth in the ADT.

During the year, the division disposed its entire 14% stake in SILK Holdings Berhad ("SILK"), the owner and concessionaire for the Kajang Traffic Dispersal Ring Road, which lies adjacent to the Cheras-Kajang Highway. The investment was made way back in 2008 as part of a strategic acquisition by the division to consolidate its position. However, arising from regularisation plan by SILK which involved, inter-alia, a capital reduction exercise and acquisitions of non-synergistic businesses which digressed from its core highway business, the investment in SILK was eventually disposed off.

In the meantime, the division is also looking into extracting full potential from its expertise in highway operations by acquiring interest in other tolled roads, both locally and abroad. However, this endeavour continues to be elusive with demanding valuations being the main stumbling block. Nevertheless, the division remains resilient and strives to persist with its efforts to secure other toll roads in a bid to build up its portfolio over a period of time.

CORPORATE DEVELOPMENTS

In 2007, prior to the onslaught of the global financial crisis, the Company successfully raised RM225 million nominal value of unsecured 5-year convertible bonds. This exercise was not only to fund the Group's business expansion plans but also to strategically leverage onto the vast business network of reputable institutional investors to further promote the interest of the Group. However, since then, various events have unfolded as a consequence of the global financial meltdown which affected the risk appetite of the Group to move aggressively on an acquisition trail; and to a certain extent, the interest of holders of these bonds. With this in mind, the Group took the opportunity to re-purchase almost half of the bonds back to minimise the outlay of financing costs.

In the meantime, the Group has proposed to issue RM395 million of secured serial bonds which is envisaged to better suit the Group's long-term financing needs and mitigate the early redemption risk of the convertible bonds which may occurred towards the end of this year.

To-date, the Group has three issuances which have been rated. The current debt rating accorded by the rating agency for the following issues were as follows:-

	Date	Rating	Outlook
Taliworks – RM225 million convertible bonds	Reaffirmed on 25 November 2009	AA3	Rating watch with negative outlook
Destinasi Teguh Sdn Bhd - Proposed RM395 million secured serial bonds	Assigned on 10 November 2009	AA2 (preliminary)	Stable
Cerah Sama Sdn Bhd – RM600 million Islamic Medium-Term Notes	Reaffirmed on 25 November 2009	AA3	Stable

Executive Director's Review Of Operations

NEW BUSINESS DEVELOPMENTS

As reported last year, the Group continued with its efforts to push ahead to source for new projects and expand its regional footprint, particularly in China despite the prevailing economic crisis. Various potential waste management projects were identified towards the latter part of the year cumulating in the successful acquisition of Eco3 Technology and Engineering Pte Ltd, a company that has entered into agreement with the Yinchuan City Ningdong Energy Chemical Industrial Zone Management Committee under a build-operate-transfer ("BOT") concept for the construction and management of a 50 million litres per day wastewater and recycled water treatment plant located at Zone A of the Linhe Industrial Park in the province of Ningxia, People's Republic of China for a period of 30 years.

The success of the project will open further opportunities for the Group to participate in other waste management related projects; thus an opportunity to seal our reputation as a serious player in the field of wastewater treatment in China.

CHALLENGES AHEAD AND BUSINESS SUSTAINABILITY

With each passing year, the challenges become more acute and complex in an ever changing and dynamic economic environment. As such, the Group will have to remain attuned and responsive to stay ahead of the curve. The Group recognises that to sustain itself over the long term, not only it requires to quickly build up its range of businesses but emphasis would also be placed to promote human resource capital development and nurture an environment for talent to be recognised. With this in mind, the Group is looking into a comprehensive business strategic plans to re-evaluate its current standing and make a concerted effort to encapsulate a shared vision with the various key stakeholders to promote and preserve the well-being of the Group.

In today's business environment, it is recognised that entities have a vital role to play to advocate and adopt sustainable business practices and consumers demand that such practices be embraced for the betterment of society and the environment. Whilst I acknowledged that it would be a long way before sustainable business practices fully permeates within the organisation; I do recognise that we have an ethical and moral obligation to operate in a socially responsible manner.

Reflecting the Group's commitment thereto, various initiatives will be adopted and will continue to be operative; and this includes minimisation of carbon footprint and lessening the ecological impact via the extensive use of technology and innovation in every level of operations, minimisation of wastages and more efficient use of resources. Whilst upholding our responsibility to shareholders, we also share society's concerns on environmental degradation.

Thank you.

LIM YEW BOON
Executive Director

Tinjauan Operasi Oleh Pengarah Eksekutif

Kegawatan ekonomi yang menyebabkan landskap ekonomi global kucar – kacir sejak setahun yang lalu telah mewujudkan beberapa kekeliruan ekonomi; dengan organisasi tidak mengira saiz bertungkus lumus mengekalkan keadaan sedia ada. Kumpulan bertuah kerana telah berjaya melaluinya dengan keadaan yang lebih baik dari yang dijangkakan; termasuk melaksanakan beberapa inisiatif bagi mewujudkan simpanan tunai serta memperketatkan kawalan dan menambah baik pengawasan bagi mengurangkan impak dan ancaman yang sedang dihadapi. Keadaan yang getir mungkin telah berlalu tetapi Kumpulan akan terus memantau akan risiko – risiko berpotensi yang wujud dimana – mana yang boleh mengganggu strategi Kumpulan untuk bergerak maju ke hadapan.

Walaupun saya baru sahaja dilantik ke jawatan sebagai Pengarah Eksekutif pada awal tahun ini, saya sebenarnya telah mengikuti secara dekat perkembangan Kumpulan sebelum ini di atas kapasiti sebagai Ketua Pegawai Operasi, bahagian Pembinaan dan Kejuruteraan di dalam Syarikat. Saya juga bertanggungjawab memantau peluang – peluang bagi mendapatkan perniagaan baru Kumpulan.

Walaupun sedang berdepan dengan cabaran – cabaran baru, perkara pertama yang terlintas difikiran saya adalah untuk meneruskan usaha – usaha yang baik oleh penjawat sebelum saya dalam mengemudi Kumpulan bagi merealisasikan impian untuk menjadi pemberi perkhidmatan dalam perniagaan air, pengurusan sisa buangan dan infrastruktur yang ampuh dan disegani di rantau ini. Ini mungkin merupakan cabaran yang besar, tetapi melalui strategi perancangan yang betul dan tepat, saya yakin kita akan mentransformasi Kumpulan bagi memenuhi kehendak para pemegang saham dan memberikan nilai jangka panjang kepada mereka. Turut penting ialah usaha untuk mempertingkatkan lagi pentadbiran mantap dan praktis – praktis pengurusan risiko yang bakal menjadi keutamaan kepada saya untuk memastikan Kumpulan berada di sasaran sebenarnya bagi menghadapi cabaran kritikal mendatang agar sasaran pertumbuhan terus berkembang dan mampan dalam persekitaran persaingan yang mencabar.

Berkaitan dengan arah strategik ke hadapan, Kumpulan akan terus fokus kepada perniagaan terasnya berkaitan pengurusan dan operasi aset – aset atau perniagaan konsesi. Kita juga akan secara aktif meningkatkan usaha untuk melebarkan risiko – risiko geografi dengan penyertaan di negara – negara yang sedang berkembang maju terutamanya di Republik Rakyat China dan di rantau ini. Kita telah memulakan projek di China sejak tahun 2005 lagi dan kita berkeyakinan bahawa pulangan jangka panjangnya akan bersesuaian dengan risiko yang telah diambil. Dalam jangka sederhana, kita menjangkakan sumbangan dari operasi bukan domestik sektor air dan sisa buangan akan meningkat dan ini akan membolehkan Kumpulan membangunkan perniagaan – perniagaan yang ada.

TINJAUAN PRESTASI KEWANGAN

Ringkasan Prestasi Kewangan Kumpulan

Sepintas Lalu

	2009 RM JUTA	2008 RM JUTA
Perolehan	158.9	226.4
Keuntungan sebelum cukai	51.0	59.4
Keuntungan selepas cukai	39.0	46.3
Jumlah Aset digunakan	560.4	664.0
Ekuiti pemegang saham	375.5	351.6
EPS asas (sen)	10.2	12.2
Pulangan ke atas Ekuiti (%)	10.6	13.6

Dalam tahun yang ditinjau, Kumpulan mencatatkan penurunan perolehan sebanyak RM158.9 juta berbanding dengan RM226.4 juta yang dicapai tahun lepas. Ini disebabkan oleh penurunan sumbangan dari aktiviti pembinaan yang mencatatkan perolehan sebanyak RM77.0 juta pada tahun sebelumnya, berbanding RM7.8 juta dalam tahun kewangan yang ditinjau. Dalam tahun tinjauan, Kumpulan telah berjaya menyiapkan pembinaan Tebatan Banjir Lembah Kelang – Pakej Sungai Damansara di Selangor, tetapi projek pembinaan Skim Bekalan Air Padang Terap di Kedah dijangka akan disempurnakan menjelang akhir 2010 bergantung kepada penyelesaian isu – isu berkaitan tanah oleh pihak berkuasa.

Perolehan dari perniagaan air kekal mendatar disekitar RM135 juta untuk kedua – dua tahun. Dalam tahun 2009, output pengeluaran air dari operasi Kumpulan di Loji Pembersihan Air Sungai Sungai Selangor Fasa 1 (“SSP1”) yang diurus oleh Sungai Harmoni Sdn Bhd hanya berkurangan secara marginal. Namun begitu, seperti yang dijangka, permintaan air di Langkawi terus meningkat walaupun pada kadar yang sederhana iaitu 4%. Kedua – dua operasi berkaitan sisa di China turut memperlihatkan peningkatkan output, yang menyumbang kepada pertumbuhan perolehan.

Berkenaan keuntungan, Kumpulan telah memperolehi keuntungan sebelum cukai sebanyak RM51.0 juta. Ini merupakan penurunan yang besar berbanding dengan tahun lepas. Sebab utama penurunan ini ialah sumbangan yang berkurangan dari bahagian pembinaan, pulangan yang rendah dari pelaburan jangka pendek Kumpulan, peningkatan perbelanjaan kewangan dan tiadanya sumbangan dari keuntungan pertukaran mata wang asing yang dicatat pada tahun lepas.

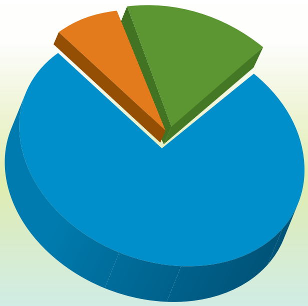
Walaupun tiada peningkatan perolehan, perniagaan air masih dapat menyumbang keuntungan sebelum cukai sebanyak RM54.1 juta. Ini merupakan peningkatan yang lebih baik berbanding dengan RM50.9 juta yang dicatat pada tahun 2008. Ianya dicapai kerana beberapa langkah penjimatan yang dilaksanakan bagi mengawal kos dan usaha pengurusan bagi mempertingkatkan lagi kecekapan operasi. Bagi sektor pengurusan sisa buangan pula, ia menyumbang keuntungan sebelum cukai sebanyak RM2.7 juta, yang begitu rendah berbanding sebanyak RM4.0 juta yang dicapai setahun yang lalu. Ini adalah disebabkan oleh meningkatnya kos – kos berkaitan pembangunan perniagaan dan kos operasi yang lebih tinggi. Dalam pada itu, telah nampak tanda – tanda positif peningkatan prestasi kewangan Grand Saga Sdn Bhd, pemegang konsesi lebuhraya Cheras – Kajang yang diambil alih perniagaannya oleh Kumpulan pada tahun 2007. Bahagian ini menyumbang kepada Kumpulan sebanyak RM6.9 juta keuntungan selepas cukai berbanding sebanyak RM5.7 juta pada tahun 2008.

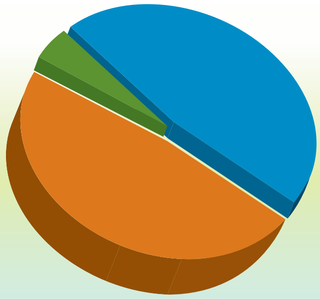
Tinjauan Operasi Oleh Pengarah Eksekutif

TINJAUAN SEKTOR PERNIAGAAN

BAHAGIAN AIR & KEJURUTERAAN

Walaupun suasana ekonomi yang lembap pada separuh pertama tahun 2009, permintaan bekalan air di Sungai Harmoni Sdn Bhd ("SHSB") dan Taliworks (Langkawi) Sdn Bhd ("TLSB") berjaya dipertahankan. Secara keseluruhannya. SHSB mencatatkan sedikit penurunan dan TLSB pula memperlihatkan peningkatan yang kecil berbanding dengan data tahun sebelumnya. Melihatkan keadaan ekonomi dunia yang sedang pulih dan berdasarkan data ekonomi terbaru dari bank negara pula, ekonomi Malaysia dijangka berkembang pada kadar 4.5% ke 5.5% pada tahun 2010. Adalah dijangkakan permintaan air keseluruhannya akan terus positif walaupun wujud cabaran dalam persekitaran operasi yang mungkin akan mengekang prospek pertumbuhan pada skala yang sederhana.



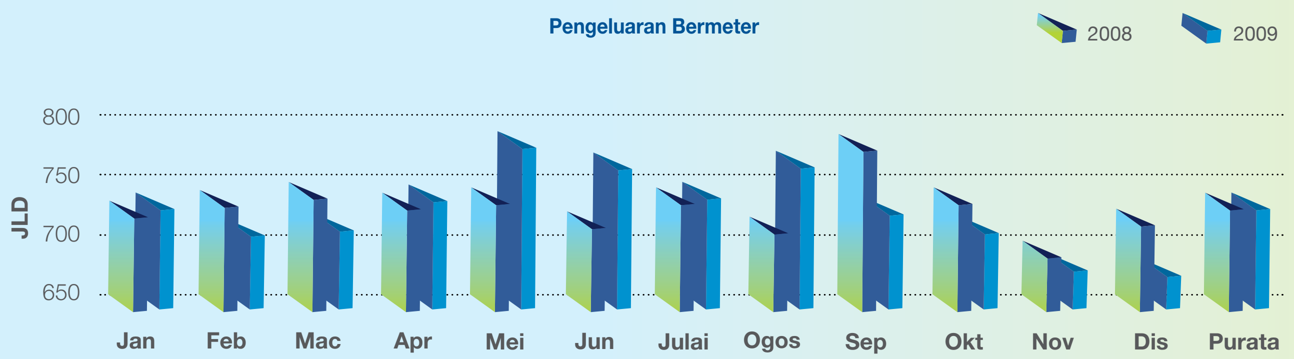


Sungai Harmoni Sdn Bhd

SHSB merekodkan output sebanyak 258 juta meter padu atau secara puratanya sebanyak 707 juta liter air yang dirawat dalam tahun yang ditinjau. Ini merupakan pengurangan sebanyak 3% dari purata tahun sebelumnya iaitu 723 juta liter air sehari.

Penurunan ini disebabkan sebahagiannya oleh permintaan pengguna yang berkurangan pada separuh pertama tahun 2009 memandangkan krisis kewangan global dan kelembapan ekonomi yang masih berlaku serta juga diakibatkan oleh rasionalisasi berterusan pembekalan air dan sistem pengagihan oleh Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"). Walau bagaimanapun, disebabkan ekonomi semakin pulih dengan kadar yang perlahan pada separuh kedua tahun 2009, permintaan penggunaan keseluruhan meningkat dengan baik sejajar dengan tahap yang dicapai pada tahun sebelumnya. Walaupun pemulihan yang sedikit perlahan, Kerajaan menjangkakan ekonomi akan berkembang pada kadar 4.5% ke 5.5% dalam tahun 2010. Kumpulan turut optimis akan prospek pertumbuhan yang sederhana di antara 2% ke 3% dalam permintaan pengguna mungkin tercapai.

Pengeluaran Bermeter (Sungai Harmoni Sdn Bhd)



Tinjauan Operasi Oleh Pengarah Eksekutif

Akibat taburan hujan yang konsisten sepanjang tahun, kecuali keadaan kering yang pendek, telah menyebabkan tahap simpanan penuh di Empangan Sungai Tinggi, sementara Empangan Sungai Selangor mencapai tahap kapasiti 90% penuh menjelang akhir tahun. Simpanan yang sedia ada ini meningkatkan keyakinan untuk memenuhi keperluan loji – loji pembersihan air utama (SSP1, SSP2 dan SSP3) menjelang tibanya musim kemarau. Keadaan operasi yang stabil menyebabkan kos unit elektrik dan kos unit kimia dapat dikawal dengan konsisten sejajar dengan penjimatan di dalam unit kos operasi yang dicapai melalui regim – regim penyelenggaraan dan operasi yang menyeluruh. Namun begitu, memandangkan kawasan tadahan terus dibangunkan secara komersial, ancaman pencemaran terus berlaku dan sikap berhati – hati akan dilaksanakan untuk memberi respon segera kepada cabaran – cabaran mendatang.

Dalam memastikan tanggungjawabnya membekalkan air pada kualiti dan kuantiti yang ditetapkan pada setiap masa, SHSB terus memastikan tahap kecemerlangan operasi melalui penerusan skim – skim akreditasi yang berikut:

- MS ISO 9001 : 2000 'Sistem Pengurusan Kualiti bagi Operasi dan Penyelenggaraan Loji Pembersihan Air', dan
- Skim Akreditasi Makmal Malaysia ke standard ISO/IEC 17025 untuk makmal SSP1.

Taliworks (Langkawi) Sdn Bhd

TLSB telah berjaya mencatatkan pertumbuhan penggunaan bermeter bagi tahun kesepuluh walaupun berdepan dengan persekitaran operasi yang mencabar akibat krisis kewangan dunia serta juga pandemik selsema H1N1. Walaupun berdepan dengan keadaan yang amat mencabar memandangkan ekonomi Langkawi bergantung kepada industri pelancongan dan hospitaliti, penggunaan bermeter dalam tahun tinjauan mencatatkan penggunaan berjumlah 16.1 juta meter padu atau secara puratanya sebanyak 44.3 juta liter sehari. Ini merupakan pertumbuhan melebihi 4% berbanding tahun sebelumnya. Ianya jelas menunjukkan bahawa pertumbuhan berterusan ekonomi Langkawi akan kekal teguh. Pertumbuhan penggunaan adalah diakibatkan oleh peningkatan akaun – akaun pengguna, baik domestik dan bukan domestik.

Memandangkan ekonomi dunia sedang pulih dengan perlahan, sementara ekonomi Malaysia telah pulih pada suku keempat, adalah dijangkakan, andainya tidak terjadi keadaan yang tidak dijangka, pertumbuhan penggunaan air di Langkawi akan terus positif dalam tahun yang mendatang walaupun pada kadar yang sederhana.

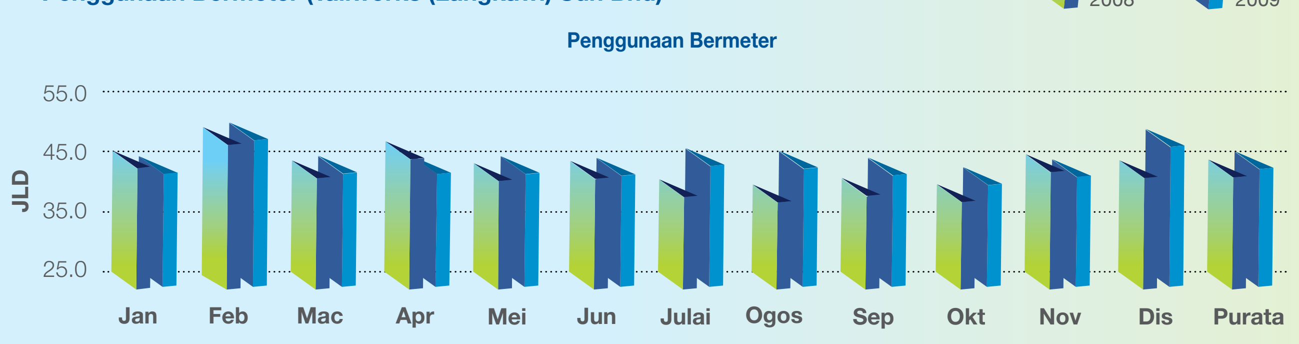
Walaupun berlakunya kemarau, pola hujan tidak menentu yang turun pada suku ketiga telah membantu memenuhkan Empangan Malut dalam bulan September. Ini membantu untuk memenuhi keperluan pengeluaran di loji – loji pembersihan air di pulau menjelang musim kering di akhir tahun agar simpanan bekalan berada di tahap yang baik untuk menghadapi cabaran musim kering yang akan datang. Disebabkan oleh keadaan cuaca yang tidak menentu sepanjang tahun, kos unit kimia dan unit elektrik adalah tinggi berbanding tahun sebelumnya. Namun begitu, kos unit operasi berada ditahap terkawal melalui beberapa kaedah – kaedah pengawalan kos.

Ke arah memastikan kemudahan – kemudahan pengujian kualiti air di TLSB berada ditahap kecemerlangan industri berkaitan kualiti, Makmal – makmal di Padang Saga dan Sungai Baru telah menerima akreditasi ISO/IEC 17025 dibawah Skim Akreditasi Makmal Malaysia dan akan terus gigih untuk mengekalkan standard akreditasi.

BAHAGIAN KEJURUTERAAN & PEMBINAAN

Akibat kesan limpahan dari kekangan kredit global, tahun ini penuh dengan cabaran memandangkan para pelabur amat berhati – hati dalam perlaksanaan sebarang projek baru yang telah dirancang, malahan sejumlah yang signifikan dari mereka samada mengambil langkah tunggu dan lihat atau menangguhkan perlaksanaan projek. Kerajaan pula melaksanakan langkah terbaiknya bagi merangsang sektor ini melalui pengumuman beberapa projek dan peruntukkan dibawah pakej – pakej rangsangan. Walau bagaimanapun, kebanyakkan dari projek – projek tersebut berada di peringkat perancangan atau reka bentuk.

Penggunaan Bermeter (Taliworks (Langkawi) Sdn Bhd)



Tinjauan Operasi Oleh Pengarah Eksekutif

Oleh itu, tidak banyak projek dalam pasaran yang ditawarkan kepada para pengiat industri dan ini menyebabkan persaingan yang lebih sengit di antara firma – firma pembinaan bagi mendapatkan projek di dalam pasaran yang lemah. Disebabkan ketidak tentuan dalam kos – kos pembinaan yang diakibatkan oleh turun naik harga, banyak firma – firm pembinaan bersedia menerima risiko merendahkan harga agar dapat memenangi sebahagian dari projek – projek tersebut. Berdasarkan keadaan yang tidak memihak dan ditambah dengan kekurangan pekerja di dalam industri, Kumpulan mengambil langkah berhati – hati dengan memilih secara selektif di dalam proses menender projek – projek bagi memenuhkan buku pesanannya. Melangkah ke hadapan, Kumpulan akan terus berhati – hati dan merangka semula strateginya untuk mengenal pasti pasaran pengkhususannya dan telah membentuk semula strategi dengan melaksanakan perkongsian sinergistik atau usaha sama dalam menambah kekuatan dengan pihak – pihak berkaitan bagi meningkatkan kadar kejayaan dalam mendapatkan projek.

Dalam tahun yang ditinjau, Kumpulan meneruskan usaha untuk menyempurnakan dua projek pembinaan iaitu:

- mereka bentuk dan membina sistem pembekalan air untuk Skim Bekalan Air Padang Terap di Kedah, dan
- Projek Kolam Takungan Subang Selatan – satu projek kolam takungan banjir bagi menghalang banjir kilat yang disebabkan oleh pengaliran air longkang dari Sungai Damansara ke kawasan – kawasan bertebing rendah di Shah Alam, Selangor.

Walaupun Projek Kolam Takungan Selatan Subang telah siap dalam tahun kajian, kemajuan keseluruhan Skim Bekalan Air Padang Terap berada ditahap 90%. Adalah dijangkakan akan berlaku penangguhan penyempurnaan projek kepada akhir tahun ini dari tarikh serah kerja pada hujung tahun 2009. Kelewatan dalam pengambilan tanah oleh pihak kerajaan akan terus menyebabkan penangguhan menyiapkan projek ini dan akibatnya tidak banyak kemajuan dapat dicapai dalam tahun kajian.

BAHAGIAN PENGURUSAN SISA BUANGAN

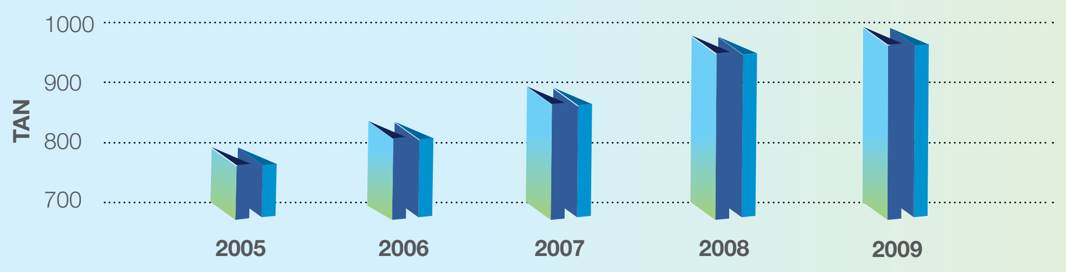
Tianjin-SWM (M) Environment Co. Ltd

Tianjin – SWM memegang hak konsesi untuk mengurus, mengoperasi dan menyelenggara Stesen Pemindahan Sisa Hidupan Tianjin Panlou dan aset – aset berkaitan selama 21 tahun yang akan berakhir pada tahun 2025. Operasi ini terletak di Tianjin, sebuah bandar pelabuhan yang jarak perjalanannya kurang dari satu jam melalui keretapi dari Beijing.

Output yang diproses oleh stesen pemindahan ini adalah mengalakkan dan sedang menunjukkan peningkatan sejak operasinya bermula dalam tahun 2005. Bagi tahun 2009, syarikat telah memproses sebanyak 362,000 tan (atau secara puratanya 992 tan sehari) sisa buangan isi rumah berbanding dengan 353,000 tan (atau 966 tan sehari) setahun yang lepas.

Dalam tahun yang dikaji, beberapa kaedah pengurusan kos secara efektif telah diterima pakai. Ini menyebabkan kos purata untuk memproses setan sisa buangan berjaya diurus dengan baik. Namun begitu, kos petrol yang rendah merupakan salah satu komponen utama memainkan peranan dalam mengurangkan kos berkaitan trak. Operasi terus mengalami kekangan yang diakibatkan oleh kos penyelenggaraan yang tinggi oleh flet kenderaan sedia ada yang menggangu keseluruhan kecekapan operasi. Bagi mengatasinya, syarikat mempunyai cadangan untuk melaksanakan perbelanjaan modal bagi mengantikan trak – trak tersebut secara beransur – ansur, dan ini akan secara signifikan meningkatkan kecekapan operasi. Seterusnya akan menurunkan kos secara purata untuk suatu tempoh. Usaha berterusan akan terus dipergiatkan untuk melindungi margin operasi dan meningkatkan nilai pelaburan Kumpulan di dalam syarikat.

Purata Tan Sisa Buangan yang diproses sejak 5 Tahun



Tinjauan Operasi Oleh Pengarah Eksekutif

Puresino (Guanghan) Water Co. Ltd

Puresino (Guanghan) Water Co., Ltd, merupakan pelaburan kedua Kumpulan di luar Malaysia. Syarikat ini telah diberi hak ekslusif selama 30 tahun bagi membina, mengurus dan melaksanakan operasi loji rawatan air sisa 50 juta liter sehari Guanghan San Xin Dui yang terletak di bandar Guanghan, wilayah Sichuan, Republik Rakyat China. Tahun lepas merupakan tahun kedua operasi penuh sejak operasi komersial bermula pada September 2007.

Dalam tahun yang ditinjau, loji ini telah merawat hampir 11.2 juta tan air sisa atau secara puratanya 30.7 juta liter sehari. Output telah meningkat dengan banyak melebihi 13% dari tahun ke tahun. Kini, operasi berada tahap 61% kapasiti reka bentuknya. Adalah dijangkakan bahawa kapasiti operasi akan meningkat sejajar dengan peningkatan jumlah efluen yang dihasilkan dari peningkatan ekonomi domestik.

Dengan beroperasi pada kapasiti yang lebih tinggi, syarikat berjaya menikmati skala ekonomi yang lebih besar dan ini membantu dalam menurunkan kos purata operasi. Syarikat akan terus mengambil sikap berhati – hati terhadap sebarang kebocoran kos dan akan terus berusaha untuk mengoptimakan produktiviti kakitangan dan kecekapan loji.

BAHAGIAN LEBUHRAYA

Dalam tahun yang ditinjau tiada kejadian yang tidak disangka berlaku yang menyebabkan kekangan kepada kutipan tol di Lebuhraya Cheras – Kajang memandangkan terjadinya situasi yang tegang di Bandar Mahkota Cheras (BMC) pada tahun lepas. Saman sivil yang dimulakan oleh pemaju BMC ke atas Grand Saga Sdn Bhd masih menunggu keputusan mahkamah, sementara syarikat sedang berbincang dengan Kerajan Persekutuan berkenaan kaedah terbaik untuk menangani isu ini agar keputusannya kelak memuaskan hati semua pihak.

Menolak isu – isu perundangan ke suatu sudut, bahagian telah berjaya menfokuskan sumber – sumbernya untuk memberikan perkhidmatan berkualiti kepada para pengguna lebuhraya berteraskan moto “Kecepatan, Selesa dan Selamat” yang merupakan tunjang falsafah syarikat untuk memberikan pengalaman yang menyeluruh dan selesa kepada para pengguna. Dengan sempurnanya sebahagian besar Lebuhraya LEKAS dan kerja – kerja naik taraf oleh pihak berkuasa di persimpangan bertingkat Taman Len Seng telah meningkatkan jumlah trafik. Purata trafik harian (“ADT”) sebanyak 200,344 kenderaan sehari melebihi dari ADT tahun lepas sebanyak 192,445 kenderaan sehari pada kadar yang melebihi 4%. Dengan pembukaan sebahagian besar lebuhraya yang berkenaan, bersama – sama dengan Lebuhraya Cheras – Kajang menyediakan jalan alternatif bebas kesesakan ke Seremban dan kawasan – kawasan yang lain. Ini menyebabkan jalan ini digemari oleh para pengguna lebuhraya yang menuju ke selatan dari bandaraya. Melalui perkembangan yang positif ini, bahagian optimis akan peningkatan ADT yang lebih tinggi.

Dalam tahun yang ditinjau, bahagian telah melupuskan keseluruhan pegangan 14% di dalam SILK Holdings Berhad (“SILK”), pemilik dan pemegang konsesi Jalan Lingkaran Penyuraian Trafik Kajang yang terletak bersebelahan dengan Lebuhraya Cheras – Kajang. Pelaburan ini dibuat sejak tahun 2008 sebagai sebahagian dari pengambil alihan strategik oleh bahagian bagi percantuman bersama. Namun begitu, akibat dari pelan penstrukturan semula SILK yang merangkumi antara lain, perlaksanaan pengurangan modal dan pengambil alihan beberapa perniagaan yang tidak sinergistik dengan perniagaan teras lebuhraya, pelaburan di dalam SILK akhirnya dilupuskan.

Dalam pada itu, bahagian akan terus mencari peluang untuk menggunakan potensi keseluruhannya dalam bidang kepakaran operasi lebuhraya dengan mengambil alih kepentingan di dalam lebuhraya bertol baik di dalam dan di luar negara. Namun begitu, wujud kekangan akibat nilai yang tinggi dan ianya menjadi penghalang utama. Akhirnya, bahagian akan kekal bertahan dan terus meningkatkan usaha untuk memuktamadkan pembidaan dalam lebuhraya bertol yang lain untuk membina portfolionya dalam suatu jangka masa.

PEMBANGUNAN KORPORAT

Dalam tahun 2007, sebelum kesan krisis kewangan global dirasai, Syarikat telah berjaya menerbitkan bon boleh tukar 5 tahun RM225 juta nilai nominal. Hasil yang dikumpulkan bukan hanya untuk kegunaan pekembangan perniagaan Kumpulan tetapi juga secara strategiknya untuk membawa rangkaian perniagaan para pelabur institusi yang terkenal bagi mempromosikan kepentingan Kumpulan. Walau bagaimana pun, sejak itu, beberapa peristiwa telah berlaku akibat kegawatan kewangan global yang menyebabkan kekangan terhadap kehendak Kumpulan bagi melaksanakan pengambil alihan. Pemegang – pemegang bon juga turut mengalami kekangan tersendiri. Oleh itu, Kumpulan telah mengambil peluang untuk membeli semula hampir separuh dari bon tersebut untuk meminimakan rangka kos kewangan.

Dalam pada itu, Kumpulan bercadang untuk menerbitkan bon bersiri tetap berjumlah RM395 juta yang lebih bersesuaian dengan keperluan kewangan jangka panjang Kumpulan, dan untuk meringankan beban terhadap risiko penebusan awal terhadap bon boleh tukar yang mungkin berlaku dipenghujung tahun ini.

Tinjauan Operasi Oleh Pengarah Eksekutif

Sehingga kini, tiga terbitan telah diberi penarafan. Rating hutang semasa yang ditakrifkan oleh agensi penarafan bagi terbitan – terbitan adalah seperti yang berikut:-

	Tarikh	Penarafan	Prospek
Taliworks - RM225 juta bon boleh tukar	Ditaraf semula pada 25 November 2009	AA3	Penarafan di bawah pemerhatian dengan prospek negatif
Destinasi Teguh Sdn Bhd – Cadangan RM395 juta bon bersiri tetap	Ditetapkan pada 10 November 2009	AA2 (awalan)	Stabil
Cerah Sama Sdn Bhd – RM600 juta Nota Islam Jangka Sederhana	Ditaraf semula pada 25 November 2009	AA3	Stabil

PEMBANGUNAN PERNIAGAAN BARU

Seperti yang telah dilaporkan pada tahun lepas, Kumpulan sedang meneruskan usaha bagi mengenal pasti projek – projek baru dan mengembangkan tapak perniagaan serantaunya terutama di China walaupun dalam krisis ekonomi yang sedang melanda. Beberapa projek pengurusan sisa buangan yang berpotensi telah dikenal pasti dan pada akhir tahun, Kumpulan telah memuktamadkan pengambil alihan Eco3 Technology and Engineering Pte Ltd. Syarikat ini telah menandatangani perjanjian dengan Jawatankuasa Pengurusan Zon Industri Tenaga Kimia Bandaraya Yinchuan Ningdong di bawah konsep bina-operasi-pindah milik (“BOT”) bagi pembinaan dan pengurusan 50 juta liter sehari loji air buangan dan air kitar semula yang terletak di Zon A Taman Industri Linhe di wilayah Ningxia, Republik Rakyat China untuk tempoh 30 tahun.

Kejayaan memuktamadkan projek ini akan membuka peluang kepada Kumpulan untuk menyertai projek – projek pengurusan sisa buangan yang lain. Ini akan membuka peluang bagi memastikan reputasi kita sebagai pesaing yang serius dalam sektor rawatan air buangan di China.

CABARAN MENDATANG DAN KEMAMPANAN PERNIAGAAN

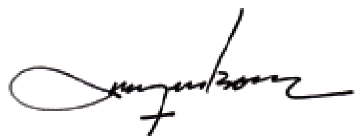
Setiap tahun yang berlalu, cabaran yang diterima adalah semakin meningkat dan kompleks dalam persekitaran yang kerap berubah dan dinamik ekonomi. Oleh itu, Kumpulan akan terus mengadaptasi dan memberi respon segera bagi terus kekal dihadapan. Kumpulan sedar bahawa bagi kekal bertahan untuk jangka masa panjang, bukan sahaja ia perlu membina dengan segera beberapa cabang perniagaan, tetapi juga perlu menekankan pembangunan modal sumber manusia dan menyediakan persekitaran yang sesuai untuk mengiktiraf bakat – bakat yang sedia ada. Dengan itu di dalam minda, Kumpulan sedang merangka semula strategi perniagaan secara menyeluruh bagi menilai semula keadaan semasanya dan membuat usaha – usaha untuk mewujudkan visi bersama dengan beberapa tonggak utama untuk mempromosi dan memastikan keutuhan Kumpulan.

Di dalam persekitaran perniagaan hari ini, adalah diakui bahawa entiti, mempunyai peranan utama untuk menganjurkan dan bertanggungjawab terhadap praktis – praktis perniagaan yang mampan, dan para pelanggan menuntut agar praktis – praktis tersebut diterima pakai bagi kesejahteraan masyarakat dan alam sekitar.

Saya akui bahawa jalannya masih panjang sebelum praktis perniagaan mampan diamal sepenuhnya di dalam organisasi; saya mengakui bahawa kita mempunyai tanggungjawab moral dan etika untuk beroperasi dalam keadaan yang penuh ketanggungjawaban.

Menelusuri komitmen Kumpulan, beberapa inisiatif akan diterima pakai dan akan terus diadaptasi. Ini termasuklah meminimakan tapak karbon dan mengurangkan impak ekologi melalui penggunaan secara meluas teknologi dan inovasi di semua peringkat operasi, meminimakan pembaziran dan penggunaan sumber – sumber dengan lebih cekap. Sedang kami bertanggungjawab kepada para pemegang saham, kami juga berkongsi akan kebimbangan masyarakat berkenaan kemusnahan alam sekitar.

Terima kasih.



LIM YEW BOON
Pengarah Eksekutif

Corporate Social Responsibility

There is realisation that conducting a successful business in today's broad marketplace is no longer confined to efforts directed solely to making profits without any regards whatsoever to the potential repercussions to other stakeholders that may be able to influence the outcome of the accomplishment of an organisation in achieving its corporate goals. Thus, it is inevitable that an organisation has to weigh the interest of all stakeholders and work towards a win-win situation that will benefit all parties concerned. Nevertheless, it is acknowledged that interest of the various parties maybe somewhat conflicted with one another and that a balanced approach would be required to minimise such conflicts. Underlying the principles of good corporate citizenship is the adoption of good Corporate Social Responsibilities ("CSR") practices by an organisation that embraces responsibilities for the impact arising from the conduct of its activities.

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

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

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

EMPLOYEES' WELFARE

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

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

- Promoting a safe and healthy working environment that foster mutual respect where employees irrespective of status and position are treated with dignity and free from sexual harassment.
- Ensuring continuous human resource development by providing training and career advancement opportunities.
- Providing suitable sporting and recreational amenities to our employees to lead a balanced and healthier lifestyle.
- Placing importance on gender equality by non-discriminatory hiring practices.
- Providing staff benefits in line with industry norm.
- Providing opportunity to our employees to share in the success of the company through 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 to promote engagement with related stakeholders include:

- Continued participation in the Capital Markets Development Fund and Bursa Malaysia Research Scheme with the aim of ensuring wider research coverage on our Company.
- Meeting request of investors and financiers to meet with us to discuss the developments within the organisation.
- Facilitating members of the media to interview our board of directors and management after the conclusion of our Company's general meetings and entertaining request for media interview with our management from time to time.

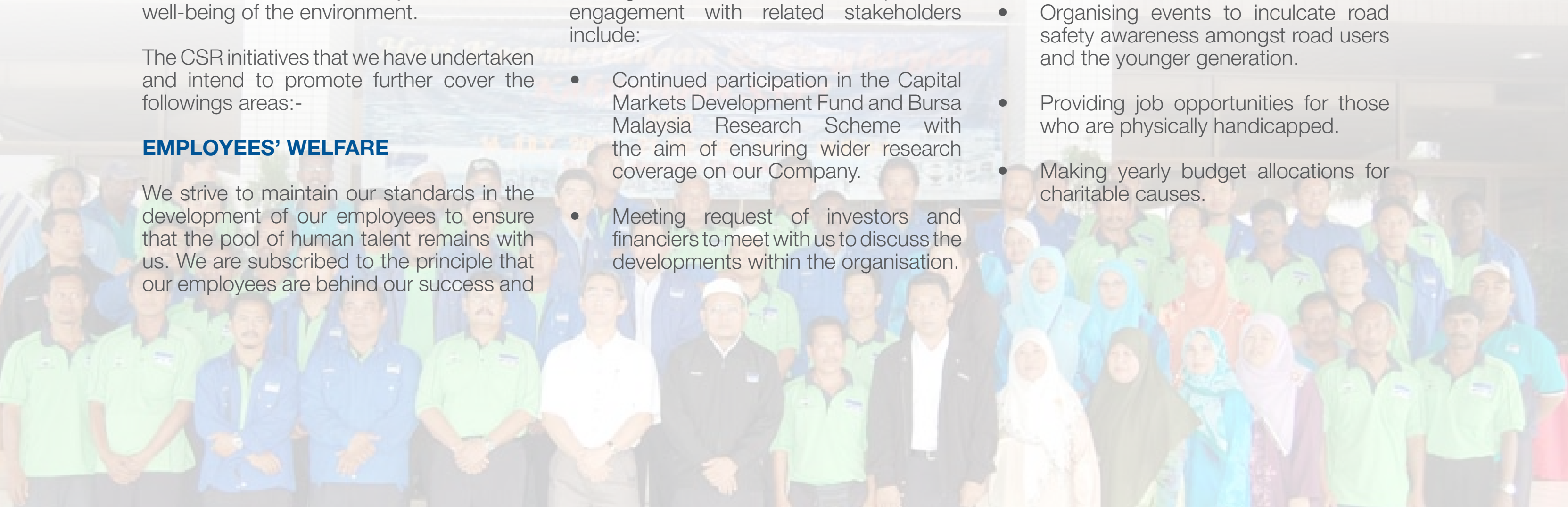
CONTRIBUTION TO THE COMMUNITY

As a key player in the water industry in the Klang Valley and Langkawi, our business revolves around the communities that we serve diligently. The single most important contribution to the community is our commitment to maintain our performance standards to produce high quality drinking water that meet with established standards to consumers. This requires great effort on our part to ensure that all of our employees are focused, systems and controls are in place and the plant and equipment are in good working conditions.

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

Other initiatives to contribute to the community include:-

- Provision of industrial training to undergraduates and students of local vocational institutions and institutions of higher learning.
- Cooperative programmes with the State Governments of Selangor and Kedah to help the poor and orphanages during festive seasons particularly our Ramadan outreach in these states.
- Organising events to inculcate road safety awareness amongst road users and the younger generation.
- Providing job opportunities for those who are physically handicapped.
- Making yearly budget allocations for charitable causes.



Corporate Social Responsibility

PROTECTION AND CONSERVATION OF THE ENVIRONMENT

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

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

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

- Securing appropriate accreditation to our facilities to ensure high operational standards are maintained.

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

- Dissemination of information to the public especially school children on water treatment processes, environmental conservation, and for them to be part of "water saving campaign" via the holding of a Water Treatment Open Day at our operations in Selangor and Kedah every year.

Creating awareness amongst the employees on green issues and their contribution to global warming and encouraging the practice of the 3Rs within the organisation.

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

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

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

For 2009, the major CSR programmes undertaken include:-

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

- 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.

- Providing several placements for industrial training in the aspects of information technology and water treatment operations.

- Contributing a sizeable sum to several worthy charitable causes and sporting activities. Amongst the recipients are the Inaugural XTERRA Malaysia Kuantan Off – Road Triathlon 2009 and the Sultan of Selangor Cup 2009.

- Holding joint campaigns at the Cheras-Kajang Highway during the festive seasons to reduce road fatalities by way of distribution of safety brochures and goodies to road users and organising safety awareness talks and exhibitions at selected secondary schools within the vicinity of the Highway throughout the year.

Statement On Corporate Governance

To the Shareholders of Taliworks Corporation Berhad,

Today's business and economic environment underscores the continued demand for accountability and transparency from the Board in discharging its fiduciary duties and in delivering long term value to shareholders. As a result, good corporate governance, sound system of internal controls, risk management practices embedded into the corporate culture and operations and adherence to regulatory requirements have never been higher on a board's and management's list of priorities and concerns.

The Board of Taliworks ("Board") recognises the importance in adopting the Principles and Best Practices stipulated in the Malaysian Code on Corporate Governance (revised 2007) ("Code") and is committed in ensuring that good corporate governance is observed and practiced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and other stakeholders.

Based on the Corporate Governance Survey Report published by the Minority Shareholder Watchdog Group ("MSWG") in 2008, Taliworks was ranked 45 out of 960 public listed companies in Malaysia surveyed in terms of compliance with corporate governance principles and best practices. In 2009, Taliworks was included by MSWG as one of the top 100 companies that made it to the inaugural Malaysian Corporate Governance Index 2009 ("MCG Index 2009"), which evaluated public listed companies on their conformance based on the Code, the Listing Requirements and selected international best practices.

The following statement outlines the manner in which the Company has applied the Principles as set out in Part 1 of the Code and the extent to which it has complied with the Best Practices set out in Part 2 of the Code:-

A. BOARD OF DIRECTORS

Board Responsibilities

The role of the Board is to oversee the strategic direction of the Group and that the Group is managed with good governance practices. A company headed by an effective board will lead and control the business of the organisation.

The Board has been entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others, reviewing and adopting a strategic plan for 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 investors' relationship programme.

It has reserved for itself, decisions in respect of matters significant to the Group's business operations, which include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group. To effectively carry out its responsibilities, the Board has chosen to delegate certain of its functions to other board committees, which operate under approved terms of reference. These board committees ultimately report to the Board.

Whilst all directors are expected to serve the Group with integrity and adhere to universal core corporate values, the Group presently does not have written policies and guidelines relating to the standards and ethics for members of the Board. Nevertheless, the Board is guided by the Code of Ethics for Company Directors established by the Companies Commission of Malaysia which sets out the principles in relation to sincerity, integrity, responsibility and corporate social responsibility.

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 is well balanced representing both the major and minority shareholders' interests and 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 should comprise of independent non-executive directors, where the Company has significant shareholders who are able to exercise a majority of votes for the election of directors.

Statement On Corporate Governance

The Board having reviewed the size and complexity of the Group's operations, is of the opinion that the current number of members in the Board is appropriate. The Chairman (who is not previously a chief executive officer of the Company) presides over the meetings of the Board. His role and function are clearly separated and distinct 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 plans and are responsible for its implementation. In connection therewith, the executive directors keep the Board informed of overall operations of the Group and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

Non-executive directors do not participate in the day-to-day management of the Group. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls.

The independent non-executive directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any relationship which could materially interfere with the exercise of their independent judgment and objective participation and decision making process of the Board.

Each of the members of the Board brings with them a wide range of business and financial experience, skills and expertise relevant and necessary for the effective stewardship of the Group. Their profile is presented in pages 9 to 13 of this Annual Report.

Board Meetings

The Board meets on a quarterly basis to review the business operations, financial performance, reports of the various board committees and other significant matters of the Group. In addition, the Board may also meet on an ad-hoc basis to deliberate on matters requiring its immediate attention.

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

During the financial year, the Board met four (4) times and the record of the attendance of each director is set out below:-

	24 Feb	29 May	18 Aug	30 Nov	Total
Y. Bhg. Dato' Hj Abd Karim bin Munisar (Chairman, Non-Independent Non Executive Director)	•	•		•	3/4
Tuan Haji Abdul Rahman bin Haji Siraj (Chief Executive Officer)*	•	•	•	•	4/4
Y. Bhg. Dato' Lim Chee Meng (Executive Director)**	•	•	•	•	4/4
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (Senior Independent Non-Executive Director)	•	•	•	•	4/4
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (Independent Non-Executive Director)		•		•	2/4
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman (Independent Non-Executive Director)	•	•	•	•	4/4
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Non-Independent Non-Executive Director)	•		•	•	3/4
Encik Sulaiman bin Salleh (Independent Non-Executive Director)	•	•	•	•	4/4
Mr. Wong Yien Kim (Non-Independent Non Executive Director)	•	•	•	•	4/4

* resigned on 31 December 2009
** re-designated as Executive Deputy Chairman on 1 March 2010

Statement On Corporate Governance

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

Minutes of proceedings and resolutions passed are kept in the statutory register at the registered office of the Company. A director who is, in any way, directly or indirectly interested in any transaction entered into or proposed to be entered into by the Company or the Group, will be required to make a declaration to that effect and the director concerned will then abstain from any decision making process in which he/she has an interest in. Where a transaction is required to be approved by shareholders, interested Directors will abstain from voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

Supply of Information

Prior to each board meeting, the members of the Board are 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.

The directors in discharging their duties and responsibilities, are entitled to have full and unrestricted access to all information and to management on matters relating to the Group's operations. They also have access to the advice and services of the Company Secretary and where necessary, in furtherance of their duties, seek independent professional advice at the Company's expense. The current Company Secretary has the necessary knowledge, experience and skill having served the industry for more than twenty (20) years. He is also a company secretary for a number of other public listed companies in Malaysia.

The Company Secretary is responsible to inform the directors on the requirements that must be complied with under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") (including serving of notice to directors on the closed period for trading in accordance with Chapter 14 on Dealings in Securities) and any new statutory and regulatory requirements that are relevant to enable the Board to fulfil its role.

Appointments to the Board

The Nomination Committee is responsible for reviewing the Board's 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 conclusion of the next Annual General Meeting and shall then be eligible for re-election.

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

Statement On Corporate Governance

Directors' Training

Directors are to keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness in the Board. This is achieved amongst others, through attending trainings externally or provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies. Training programmes, courses, seminars, conferences, talks, briefings attended by the directors during the year are as follows:-

Y. Bhg. Dato' Hj Abd Karim bin Munisar
- *Water Congress APAC Series*

Tuan Haji Abdul Rahman bin Haji Siraj
- *Outlook of the Other Half of 2009-2010 – Global Economic Crisis : The Impact on Malaysia*
- *Structuring Overseas Ventures for Business Expansion "Corporate Structure, International Tax Planning and Financial Management"*

Y. Bhg. Dato' Lim Chee Meng
- *Structuring Overseas Ventures for Business Expansion "Corporate Structure, International Tax Planning and Financial Management"*

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- *Forum on the Challenges of Implementing FRS 139*

Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman
- *Structuring Overseas Ventures for Business Expansion "Corporate Structure, International Tax Planning and Financial Management"*

Encik Sulaiman bin Salleh
- *Structuring Overseas Ventures for Business Expansion "Corporate Structure, International Tax Planning and Financial Management"*

Mr. Wong Yien Kim
- *Structuring Overseas Ventures for Business Expansion "Corporate Structure, International Tax Planning and Financial Management"*
- *A Strategy for Sustainability: The Challenge and the Response*

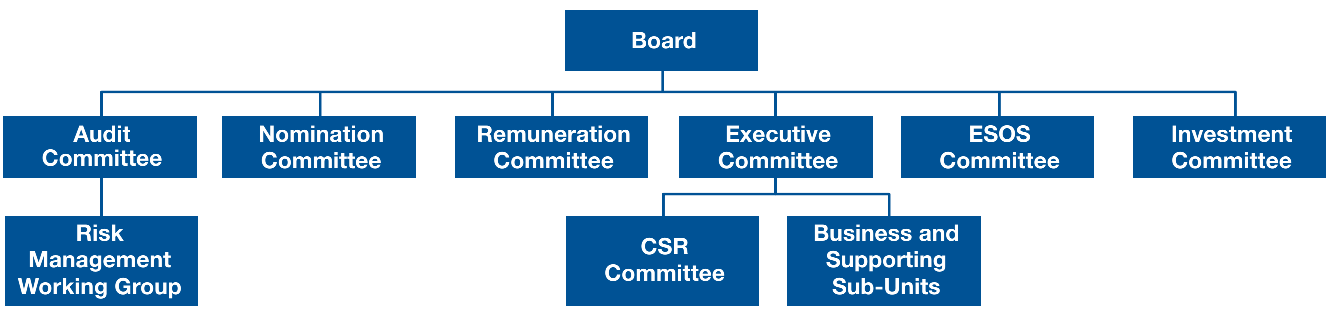
Other than the above, the Board was also briefed by the Company Secretary on the following:-

- Corporate Governance Guide – Towards Boardroom Excellence
- Key Amendments to the Listing Requirements of the Bursa Securities for the Main Market

The Company does not provide any in-house orientation or education programmes for new appointees to the Board as they are expected to have the required qualification and competence to be appointed by the Board. However, members of the Board have been encouraged to participate in relevant training programmes on their own at the Company's expense to keep themselves updated.

Board Committees

The governance structure of the Group is as follows:-



Statement On Corporate Governance

To assist the Board to effectively discharge its role and functions, the Board has delegated certain of its duties and responsibilities to the various board committees. The terms of reference, function and authority delegated to the Board Committees are as follows:-

Audit Committee

The composition, terms of reference, duties and responsibilities and attendance of each of the members of the Audit Committee is set out in the Audit Committee's Report included in page 44 to 48 of this Annual Report.

Nomination Committee

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

The Nomination Committee would also carry out assessment of the effectiveness of the Board as a whole, the Committees of the Board and each individual director including the independent non-executive directors as well as the Chief Executive Officer once every two years. 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.

Members of the Committee comprise of:-

(a) Encik Sulaiman bin Salleh *(Chairman of the Committee)*
(b) YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj *(member)*
(c) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman *(member)*

The Committee did not meet for the year. The last assessment of the Board and the directors was made in 2008.

Remuneration Committee

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

Members of the Committee comprise of:-

(a) Y. Bhg. Dato' Hj Abd Karim bin Munisar *(Chairman of the Committee)*
(b) Y. Bhg. Dato' Lim Chee Meng *(member)*
(c) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman *(member)*

The Committee did not meet for the year.

Investment Committee

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

Statement On Corporate Governance

Members of the Committee comprise of:-

(a) Encik Sulaiman bin Salleh *(Chairman of the Committee)*
(b) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir *(member)*
(c) Tuan Hj Abdul Rahman bin Haji Siraj *(member)*
(d) Y. Bhg. Dato' Lim Chee Meng *(member)*
(e) Mr. Wong Yien Kim *(member)*

As there was no new investment proposal considered, the Committee did not meet for the year.

Executive Committee ("EXCO")

The EXCO comprises both the executive directors, the Chief Operating Officer (Water & Engineering division) and the General Manager, 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 meets to review operational issues of the Group, annual operating and capital expenditure budgets, business prospects and other matters requiring its attention. Other senior management and divisional heads are also invited to participate in these meetings. During the year, the EXCO met four (4) times and the record of attendance of the directors is as follows:-

Tuan Hj Abdul Rahman bin Haji Siraj	3/4
Y. Bhg. Dato' Lim Chee Meng	4/4

Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee comprises of one (1) non-executive director, represented by Encik Sulaiman bin Salleh as the Chairman and one (1) executive director represented by YBhg Dato' Lim Chee Meng and such numbers elected from senior management to fairly represent the various business and administrative divisions of the Group to administer the ESOS in accordance with the provisions of the ESOS Bye-Laws. As there was no new ESOS allocation made during the year, the Committee did not meet for the year.

Risk Management Working Group

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

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

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

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

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

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

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

The Working Group met four (4) times during the year wherein the Chief Executive Officer attended three (3) meetings.

Statement On Corporate Governance

B. DIRECTORS' REMUNERATION

The remuneration of the executive directors is based on the terms of their employment contract with the Company. They are also remunerated in the form of directors' fees as approved by shareholders at the Annual General Meeting.

Non-executive directors are remunerated in the form of directors' fees as approved by shareholders at the Annual General Meeting and an allowance for their attendance at the Board and other board committees' meetings. The remuneration (comprising the directors' fees and meeting allowance) for the chairman of the Board and the Audit Committee is comparatively higher than the other non executive directors in view of their higher responsibility and accountability. In the same light, the chairman of the other board committees is also accorded higher meeting allowance.

Directors' remuneration is generally benchmarked against the market average of comparable companies to attract and retain the directors to run the Company. Directors are also entitled to share options granted by the Company after the requisite approvals have been obtained from shareholders at a general meeting. The number of ESOS granted to directors is based on their number of years in service with the Company and whether they hold any executive position in the Company.

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

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

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(a) Fees	50	230	280
(b) Salaries & other emoluments	969	114	1,083
(c) Benefits-in-kind	23	-	23
(d) Meeting allowances	8	46	54
Total	**1,050**	**390**	**1,440**

(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 is as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000		5	5
RM50,001 to RM100,000		1	1
RM100,001 to RM150,000		1	1
RM450,001 to RM500,000	1		1
RM550,001 to RM600,000	1		1
Total	**2**	**7**	**9**

Statement On Corporate Governance

C. RELATIONSHIP WITH SHAREHOLDERS, BONDHOLDERS AND WARRANT HOLDERS

Investors' Relationship, Media and Shareholders Communication

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

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

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

In addition, the Group maintains a website at http://www.taliworks.com.my which shareholders or other stakeholders can access for information. All information released to Bursa Securities is posted on the Investor Relations section of the website. Alternatively, the Group's latest announcements can be obtained via the Bursa Securities' website maintained at http://announcements.bursamalaysia.com.

The Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on the Group by two independent research houses, namely Standard & Poor's Malaysia Sdn. Bhd (+603-2284 8668) and Netresearch-Asia Sdn. Bhd (+603-2163 3700); so as to provide shareholders and other stakeholders with further information to facilitate their investment decisions. Copies of independent research reports on the Group can be downloaded from http://www.bursamalaysia.com

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

The Board has identified Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regards to the Company, may be conveyed. Letters stamped "Private & Confidential" can be addressed to him personally at the Company's registered address at Unit 7-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan.

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

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

(b) Communications with the Senior Independent Non-Executive Director, Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, at **SID@taliworks.com.my**

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

Statement On Corporate Governance

Primary Contact for Investors Relation Matters

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

Dato' Lim Chee Meng lcm@taliworks.com.my	Dato' Lim is the Executive Deputy Chairman of the Company.
Mr. Lim Yew Boon ronnie@taliworks.com.my	Mr. Lim is the Executive Director of the Company.
Mr. Victor Wong Voon Leong victorwong@taliworks.com.my +603 7725 7110	Aged 45, he is currently serving as the General Manager, Group Finance, a position he held since he joined the Company in 2004. Prior to his appointment, he worked as an auditor in an international firm of accountants, in the corporate finance outfit of a local investment bank and in his last position, he was heading the business development and strategy unit of a Main Board *(now merged and known as Main Market)* public listed company in Malaysia. He has been involved in investors' relationship for more than ten years. He qualified as an accountant and currently is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

Communications with Bondholders

The Company is required to 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 bondholders 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 prescribed.

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 registered shareholders within the prescribed period as allowed under the Company's Memorandum and Articles of Association and the Listing Requirements, as the case maybe. Where special business items appear in the notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on the resolution.

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

The external auditors of the Company also attend the AGM and are available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

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

Statement On Corporate Governance

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 shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Executive Director's Review of Operations and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit Committee and approved by the Board prior to public release. For the year, the Group has announced its interim results and published its audited financial statements within the two (2) and four (4) months timeframe respectively as required under the Listing Requirements.

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 that 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 major fraud and other irregularities.

Internal Control

The Statement on Internal Controls included in pages 49 to 50 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 pages 44 to 48 of this Annual Report. The management maintains a close and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia. The Audit Committee will meet with the external auditors twice a year without the presence of management to ensure that the independence and objectivity of the external auditors are not compromised. To ensure the external audit function remain independent, the audit engagement partner are rotated every five (5) years.

E. AUTHORISATION FOR ISSUANCE

Save as otherwise disclosed, the Board, to the best of its knowledge, is of the view that the Best Practices set out in Part 2 of the Code has been complied with by the Company.

This Statement of Corporate Governance has been reviewed and approved for inclusion in this Annual Report by the Board.

DATO' HAJI ABD KARIM BIN MUNISAR
Chairman

Audit Committee Report

AUDIT COMMITTEE'S REPORT

The Audit Committee is pleased to present its Report for the financial year ended 31 December 2009 for inclusion in this Annual Report in compliance with paragraph 15.16(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Chairman
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
(Senior Independent Non-Executive Director)

Member
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
(Independent Non-Executive Director)

Member
Encik Sulaiman bin Salleh
(Independent Non-Executive Director)

Member
Mr. Wong Yien Kim
(Non-Independent Non Executive Director)

B. APPROVED TERMS OF REFERENCE

Membership

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

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

Quorum

Majority of members present must be independent directors.

Qualification

At least one member of the Audit Committee:

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

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

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

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

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.

Audit Committee Report

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

The Audit Committee shall meet with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the 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 in the discharge of its duties.

Responsibilities and Duties

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

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

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

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

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

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

(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.

Audit Committee Report

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

(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.

C. 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:-

	19 Feb	15 Apr	21 May	14 Aug	20 Nov	Total
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	•	•	•	•	•	5/5
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	•	•	•	•	•	5/5
Encik Sulaiman bin Salleh	•	•	•		•	4/5
Mr. Wong Yien Kim	•	•		•		3/5

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 are normally requested to be present in these meetings. Representatives from the external and/or the internal auditors as well as other senior management also attended some of the meetings upon invitation where matters relating to external and internal audit are being discussed.

D. TRAINING

The trainings attended by members of the Audit Committee during the year are disclosed in Page 37 of this Annual Report.

E. 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, the interim financial report prepared pursuant to paragraph 9.22 of the Listing Requirements and the audited financial statements prior to recommending them for the approval of the Board.

Audit Committee Report

External Audit

(a) Reviewing and approving the external auditors' audit plan prior to commencement of an audit;

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

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

(d) Considering the external auditors' re-appointment and remuneration; and

(e) Meeting with the external auditors without the presence of management.

Internal Audit

(a) Reviewing the internal audit reports, which highlight the audit issues, recommendations and management's response and ensuring that material findings were addressed and attended to by the management.

Risk Management

(a) Reviewing the findings of the Risk Management Working Group on a quarterly basis and thereafter reporting the same to the Board. The Risk Management Working Group complements the role of the internal auditors in assisting the Audit Committee to identify, evaluate, monitor and manage principal risks that may affect the business objectives of the Group.

Related Party Transactions

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

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

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

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

Fraud

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

F. INTERNAL AUDIT FUNCTION

(a) Engagement of Internal Auditors and Their Role

To assist the Audit Committee in monitoring and ensuring that an appropriate system of internal control is in place, the Company has engaged the services of an external firm, distinct from the external auditors, to provide independent internal audit services to the Company, its two key operating subsidiaries in Malaysia and the construction and engineering division. The internal audit function reports directly to the Audit Committee.

The Audit Committee had resolved to outsource the internal audit function to ensure better independency, effectiveness and professionalism without fear of possible interference, if any, by management.

Audit Committee Report

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 key operating companies within the Group and the extent of compliance of these companies with the Group's policies and procedures as well as relevant statutory requirements.

(b) Internal Audit Reviews During the Year

The internal auditors are required to undertake two cycles of internal 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 2009 ("IASP") which comprised a 3-year internal audit strategic plan. The IASP was previously approved for implementation by the Audit Committee in August 2007.

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

(i) internal audit report on Cycle 2 (2008) issued in February 2009;
(ii) internal audit report on Cycle 3 (2009) issued in August 2009; and
(iii) internal audit report on Cycle 4 (2009) issued in November 2009

on the Company, its subsidiaries, Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd; where the internal audit undertaken addressed principally the key internal controls relating to the following processes and the related risks areas of:-

The Company

(a) engineering and construction; and
(b) strategic, information and financial management and governance.

Sungai Harmoni and Taliworks (Langkawi)

(a) distribution;
(b) health, safety and environment;
(c) asset management; and
(d) operations and maintenance.

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

Based on the latest internal audit report Cycle 4 (2009) issued in November 2009, the implementation rate for follow-up issues highlighted in the previous internal audit reviews was at 95%.

(c) Remuneration of Internal Auditors

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 for the year was RM71,000 (2008: RM71,000).

G. AUTHORISATION FOR ISSUANCE

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

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Chairman of the Audit Committee

Statement On Internal Control

Responsibility

The Board is responsible for identifying and managing principal risks and in maintaining an appropriate system of internal control within the Company and its subsidiaries ("Group") by ensuring 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 an appropriate system of internal control, is an on-going process to identify, evaluate, monitor and manage principal risks faced by the Group and this process is regularly reviewed by the Board and accords with the Statement on Internal Control : Guidance for Directors of Public Listed Companies. The process is undertaken by the Audit Committee which reports its findings to the Board. Whilst the Audit Committee has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year.

The Board does not evaluate the system of internal control of associated companies where the Group does not have full management control. However, it is the intention of the Board to review the appropriateness 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, its two key operating subsidiaries involved in the operation, treatment and maintenance of water treatment plants and distribution facilities and the construction and engineering division. This framework consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially affect the achievement of the Group's business objectives. The main features of the Group's risk management framework involve the following key processes:-

(a) The Management is entrusted to develop, operate and monitor the system of internal 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 internally or with the assistance of the internal audit function to determine any changes to the risk profile;

(d) The risk profile, which comprises the principal risks and the impact of these risks, is used to prioritise the various areas for internal audit over a 3-year period;

(e) Quarterly risk assessment reports are submitted to the Risk Management Working Group for review;

(f) The Risk Management Working Group will report its findings to the Audit Committee which then reports to the Board.

Internal audit function

During the financial year, the Audit Committee continued to engage the services of an external firm, distinct from the external auditors, to provide independent internal audit services to the Company, its two key operating subsidiaries in Malaysia and the construction and engineering division. No internal audit was undertaken in respect of other companies in the Group as their contributions were not significant to the Group.

Statement On Internal Control

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

The internal audit function adopts a risk-based approach in the internal audit reviews based on an Internal Audit Strategy and Plan ("IASP") developed in conjunction with the risk profiles of entities concerned. The IASP maps out the areas for internal audit reviews over 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 control of the Group are as follows:-

(a) Clearly defined delegation of responsibilities to committees of the Board and to management, including appropriate authorisation levels;

(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;

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

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

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

Your Board's conclusion

Based on the processes set out above, the Board is of the view that an appropriate system of internal control in operation during the financial year is reasonably adequate 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. The management continues to take measures to strengthen the control environment within the Group.

Review by the External Auditors

As required by paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad, 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.

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 2009 to be disclosed in this Annual Report:-

1. Share Buy-Back

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

2. Options or Convertible Securities

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

(i) 104,200 Warrants 2005/10 at an exercise price of RM1.27 per share.

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

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

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.

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	9
(b) to a firm affiliated to the External Auditors • Tax compliance and advisory services	59

6. Variation in Results

There were no variances of 10% or more between the results for the financial year ended 31 December 2009 and the unaudited results previously announced.

7. Status of Utilisation of Proceeds

As at 31 December 2009, the total net 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 2009 (RM'000)
For future local and overseas business expansion	196,400	51,556
For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	9,150
Total	**218,250**	**60,706**

Additional Compliance Information

(a) Depending on the funding requirements of the Company, its subsidiaries and its joint venture companies namely Cerah Sama Sdn Bhd ("CSSB"), the Company may re-allocate the amount of proceeds to be utilised between each of the abovementioned categories.

(b) In addition, any proceeds not fully utilised under (i) above within the stipulated timeframe will be utilised for general working capital purposes if not re-allocated during the stipulated timeframe. Proceeds under (i) above may also be utilised to fund any shareholders' advances to CSSB.

(c) The proceeds are to be utilised within 2 years from the issuance of the Convertible Bonds. There has been no deviation in the utilisation of proceeds.

8. Profit Guarantee

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

9. Revaluation Policy on Landed Properties

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

10. Material Contracts

Save as disclosed in Note 41 of the financial statements of the Group and or the Company for the financial year ended 31 December 2009, there were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders.

11. Recurrent Related Party Transaction of Revenue or Trading Nature

At the Annual General Meeting of the Company held on 25 June 2009, 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 financial year ended 31 December 2009 pursuant to the said shareholders' mandate, the aggregate value of transactions of which exceeds RM1,000,000, is as follows:-

Related Party	Type of Transaction	Aggregate Value of Transactions (RM'000)
Aqua-Flo Sdn Bhd ("AFSB")	Purchase of water and waste treatment chemicals, products, services and related equipment or systems	11,418

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' Abd Karim bin Munisar and Mr. Wong Yien Kim, two of the Directors of the Company are deemed interested by virtue of their directorship in KPS.

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 is not detriment to the interests of the minority shareholders of the Company.

12. Material Properties of the Group

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

13. Statement by the Audit Committee

No statement is made by the Audit Committee in relation to the allocation of options pursuant to a share scheme for employees as required under paragraph 8.17 of the Listing Requirements as no employee share allocation was made during the financial year.

Financial Statements

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 2009.

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 principal activities of the Company during the financial year. The principal activities of subsidiary companies are set out in Note 18 to the financial statements.

There has been no significant change in the principal 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/(loss) for the financial year	**38,993**	**(12,214)**

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2008 were as follows:

	RM'000
In respect of the financial year ended 31 December 2008:	
- Second interim gross dividend of 2.0 sen per share on 376,665,700 ordinary shares of RM0.50 each, less income tax of 25%, paid on 30 March 2009	5,650
- Final gross dividend of 1.25 sen per share on 376,694,500 ordinary shares of RM0.50 each, less income tax of 25%, paid on 29 July 2009	3,531
In respect of the financial year ended 31 December 2009	
- First interim gross dividend of 2.0 sen per share on 376,694,500 ordinary shares of RM0.50 each, less income tax of 25%, paid on 18 September 2009	**5,650**
- Second interim gross dividend of 4.0 sen per share on 377,058,480 ordinary shares of RM0.50 each, less income tax of 25%, paid on 29 March 2010	**11,312**

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2009.

RESERVES AND PROVISIONS

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

Directors' Report

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 Datin Paduka 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 (resigned on 31 December 2009)
Encik Sulaiman bin Salleh
Mr. Wong Yien Kim
Mr. Lim Yew Boon (appointed on 1 March 2010)

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 1.1.2009	Bought	Sold	At 31.12.2009
Y. Bhg. Dato' Hj Abd Karim bin Munisar	100,000	0	0	**100,000**
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0	0	**285,000**
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman				
- direct	120,000	0	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	317,000	0	0	**317,000**
- indirect#	196,700,000	0	0	**196,700,000**
Encik Sulaiman bin Salleh	42,800	0	0	**42,800**

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of Warrants over ordinary shares of RM0.50 each in the Company at RM1.27 per share			
	At 1.1.2009	Bought	Sold	At 31.12.2009
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	147,900	1,000	0	**148,900**
- 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.

	Number of options over ordinary shares of RM0.50 each in the Company				
	Exercise price (RM)	At 1.1.2009	Granted	Exercised	At 31.12.2009
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	0	**60,000**
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	0	**80,000**
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	60,000	0	0	**60,000**
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	**120,000**
	1.90	145,000	0	0	**145,000**
Encik Sulaiman bin Salleh	1.90	60,000	0	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 RM188,295,150 comprising 376,590,300 ordinary shares of RM0.50 each to RM188,347,250 comprising 376,694,500 ordinary shares of RM0.50 each by the issuance of 104,200 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.

Directors' Report

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.

Some of the main features of the ESOS are set out in Note 33(a) to the financial statements.

During the financial year, no new options were granted pursuant to the Company's ESOS.

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 and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

Some of the main features of the Warrants are set out in Note 33(b) to the financial statements.

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

CONVERTIBLE BONDS

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of convertible bonds ("Bonds") which are convertible into new ordinary shares of RM0.50 each in the Company by way of surrendering such nominal value of the Bonds equivalent to the Conversion Price.

The main features of the Bonds are set out in Note 30(c) to the financial statements.

During the financial year, the Company purchased RM112,000,000 nominal value of Bonds, representing about 50% of the nominal value of the Bonds issued, for a total cash consideration of RM119,360,346 from the existing holders of the Bonds. The Bonds which have been purchased by the Company, were cancelled and will not be valid for re-issuance.

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.

Directors' Report

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 8 April 2010.

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

Y. BHG. DATO' LIM CHEE MENG
DIRECTOR

Income Statements for the financial year ended 31 december 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	6	**158,917**	226,406	**9,830**	113,214
Cost of operations	7	**(75,535)**	(138,741)	**(3,096)**	(63,974)
Gross profit		**83,382**	87,665	**6,734**	49,240
Other operating income		**9,094**	10,034	**7,428**	8,271
Administrative expenses		**(32,867)**	(30,114)	**(12,643)**	(10,644)
Finance cost	8	**(16,108)**	(14,484)	**(15,616)**	(14,384)
Share of results of jointly controlled entity		**6,915**	5,690	**0**	0
Share of results of associates		**630**	569	**0**	0
Profit before tax	9	**51,046**	59,360	**(14,097)**	32,483
Tax expense	12	**(12,053)**	(13,076)	**1,883**	(8,532)
Profit/(loss) for the financial year		**38,993**	46,284	**(12,214)**	23,951
Attributable to:					
Equity holders of the Company		**38,561**	45,757	**(12,214)**	23,951
Minority interest		**432**	527	**0**	0
Profit/(loss) for the financial year		**38,993**	46,284	**(12,214)**	23,951
Earnings per share attributable to ordinary equity holders of the Company (sen)					
- basic	13	**10.2**	12.2		
- diluted	13	**9.7**	11.1		

Balance Sheets as at 31 december 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current assets					
Property, plant and equipment	15	**25,276**	28,136	**959**	1,205
Investment properties	16	**434**	444	**434**	444
Concession rights	17	**15,110**	16,286	**0**	0
Subsidiaries	18	**0**	0	**106,213**	106,624
Jointly controlled entity	19	**68,443**	61,528	**55,538**	55,538
Associates	20	**4,267**	24,214	**2,520**	23,177
Goodwill on consolidation	21	**2,007**	2,007	**0**	0
Deferred tax assets	22	**215**	172	**0**	0
Long term receivables	23	**47,000**	51,722	**0**	0
Deposits, bank and cash balances	29	**12,479**	14,201	**3,000**	4,753
		175,231	198,710	**168,664**	191,741
Current assets					
Inventories	24	**1,017**	1,286	**0**	0
Trade and other receivables	25	**176,538**	159,412	**1,007**	777
Amount due from subsidiaries	26	**0**	0	**49,567**	95,877
Amount due from a jointly controlled entity	27	**29,150**	38,500	**29,150**	38,500
Tax recoverable		**6,876**	4,712	**6,847**	9,544
Investments	28	**142,401**	205,714	**124,840**	192,495
Deposits, bank and cash balances	29	**29,235**	55,626	**7,584**	22,836
		385,217	465,250	**218,995**	360,029
Less: Current liabilities					
Borrowings	30	**122,407**	1,539	**119,377**	1,521
Trade and other payables	31	**54,787**	71,893	**24,693**	46,876
Taxation		**1,916**	2,355	**0**	0
		179,110	75,787	**144,070**	48,397
Net current assets		**206,107**	389,463	**74,925**	311,632
Less: Non-current liabilities					
Deferred tax liability	22	**0**	0	**0**	4,875
Borrowings	30	**23**	231,091	**0**	227,996
		381,315	357,082	**243,589**	270,502
Capital and reserves attributable to equity holders of the Company					
Share capital	33	**188,347**	188,295	**188,347**	188,295
Share premium	34	**22,149**	22,059	**22,149**	22,059
Warrant reserve		**6,482**	6,492	**6,482**	6,492
Share option reserve	35	**2,139**	2,139	**2,139**	2,139
Currency translation reserve		**1,414**	1,434	**0**	0
Merger deficit	36	**(71,500)**	(71,500)	**0**	0
Retained earnings	37	**226,442**	202,712	**24,472**	51,517
Shareholders' equity		**375,473**	351,631	**243,589**	270,502
Minority interest		**5,842**	5,451	**0**	0
Total equity		**381,315**	357,082	**243,589**	270,502

Consolidated Statement Of Changes In Equity

for the financial year ended 31 december 2009

	Note	Attributable to equity holders of the Company									
		Share capital RM'000	Share premium 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 2009		188,295	22,059	6,492	2,139	1,434	(71,500)	202,712	351,631	5,451	357,082
Warrants:											
- proceeds from shares issued	33	52	80	0	0	0	0	0	132	0	132
- transfer upon exercise	34	0	10	(10)	0	0	0	0	0	0	0
Net profit for the financial year		0	0	0	0	0	0	38,561	38,561	432	38,993
Dividends	14	0	0	0	0	0	0	(14,831)	(14,831)	0	(14,831)
Currency translation differences		0	0	0	0	(20)	0	0	(20)	(41)	(61)
At 31 December 2009		188,347	22,149	6,482	2,139	1,414	(71,500)	226,442	375,473	5,842	381,315

Consolidated Statement Of Changes In Equity

for the financial year ended 31 december 2009

	Note	Attributable to equity holders of the Company									
		Share capital RM'000	Share premium 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 2008		187,698	19,945	6,544	2,929	114	(71,500)	183,394	329,124	4,501	333,625
Share options:											
- proceeds from shares issued	33	336	870	0	0	0	0	0	1,206	0	1,206
- transfer upon exercise	35	0	790	0	(790)	0	0	0	0	0	0
Warrants:											
- proceeds from shares issued	33	261	402	0	0	0	0	0	663	0	663
- transfer upon exercise	34	0	52	(52)	0	0	0	0	0	0	0
Net profit for the financial year		0	0	0	0	0	0	45,757	45,757	527	46,284
Dividends	14	0	0	0	0	0	0	(26,439)	(26,439)	0	(26,439)
Currency translation differences		0	0	0	0	1,320	0	0	1,320	423	1,743
At 31 December 2008		188,295	22,059	6,492	2,139	1,434	(71,500)	202,712	351,631	5,451	357,082

Company Statement Of Changes In Equity

for the financial year ended 31 december 2009

	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2009		**188,295**	**22,059**	**6,492**	**2,139**	**51,517**	**270,502**
Warrants:							
- proceeds from shares issued	33	**52**	**80**	**0**	**0**	**0**	**132**
- transfer upon exercise	34	**0**	**10**	**(10)**	**0**	**0**	**0**
Net profit for the financial year		**0**	**0**	**0**	**0**	**(12,214)**	**(12,214)**
Dividends	14	**0**	**0**	**0**	**0**	**(14,831)**	**(14,831)**
At 31 December 2009		**188,347**	**22,149**	**6,482**	**2,139**	**24,472**	**243,589**
At 1 January 2008		187,698	19,945	6,544	2,929	54,005	271,121
Share options:							
- proceeds from shares issued	33	336	870	0	0	0	1,206
- transfer upon exercise	35	0	790	0	(790)	0	0
Warrants:							
- proceeds from shares issued	33	261	402	0	0	0	663
- transfer upon exercise	34	0	52	(52)	0	0	0
Net profit for the financial year		0	0	0	0	23,951	23,951
Dividends	14	0	0	0	0	(26,439)	(26,439)
At 31 December 2008		188,295	22,059	6,492	2,139	51,517	270,502

Cash Flow Statements

for the financial year ended 31 december 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
OPERATING ACTIVITIES					
Profit/(loss) before tax		**51,046**	59,360	**(14,097)**	32,483
Adjustments for:					
Amortisation of concession rights	17	**983**	916	**0**	0
Finance cost	8	**16,108**	14,484	**15,616**	14,384
Depreciation:					
- property, plant and equipment	15	**3,664**	3,617	**475**	449
- investment properties	16	**10**	11	**10**	11
Gain on disposal of property, plant and equipment		**(70)**	(48)	**(3)**	(31)
Property, plant and equipment written off	15	**38**	4	**0**	4
Allowance for doubtful debts	25	**881**	0	**881**	0
Foreign exchange loss/(gain)		**537**	(1,819)	**238**	(24)
Impairment on receivables from subsidiary companies	26	**0**	0	**3,246**	2,785
Impairment on investment in a subsidiary company	18	**0**	0	**411**	0
Investments:					
- dividend income		**(5,003)**	(3,849)	**(4,542)**	(3,147)
- gain on redemption		**(1,081)**	(3,262)	**(1,030)**	(3,248)
Interest income		**(743)**	(1,286)	**(275)**	(658)
Dividend income from subsidiary companies	6	**0**	0	**0**	(35,260)
Gain on liquidation of an associate		**(961)**	0	**(881)**	0
Share of results:					
- jointly controlled entity	19	**(6,915)**	(5,690)	**0**	0
- associates	20	**(630)**	(569)	**0**	0
		57,864	61,869	**49**	7,748
Changes in working capital:					
Inventories		**269**	(245)	**0**	0
Trade and other receivables		**(13,510)**	(49,408)	**(1,119)**	2,673
Trade and other payables		**(17,260)**	27,312	**(21,998)**	27,788
Amount due from subsidiaries		**0**	0	**28,231**	(39,249)
Amount due from jointly controlled entity		**9,350**	13,750	**9,350**	13,750
Net cash inflow from operations		**36,713**	53,278	**14,513**	12,710
Interest paid		**(5,090)**	(5,331)	**(5,060)**	(5,290)
Interest received		**815**	1,497	**283**	637
Tax paid		**(14,699)**	(16,957)	**(295)**	(4,148)
Net cash inflow from operating activities		**17,739**	32,487	**9,441**	3,909

Cash Flow Statements

for the financial year ended 31 december 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
INVESTING ACTIVITIES					
Property, plant and equipment:					
- proceeds from disposal		**74**	48	**7**	31
- purchase	15	**(1,112)**	(1,369)	**(233)**	(179)
Dividend received from a subsidiary		**0**	0	**14,625**	11,860
Distribution received from an associate on liquidation		**21,538**	0	**21,538**	0
Investments:					
- purchase		**(180,600)**	(260,595)	**(158,500)**	(226,595)
- proceeds from redemption		**249,964**	258,003	**231,694**	235,225
- dividends		**33**	1,619	**33**	1,614
Net cash inflow/(outflow) from investing activities		**89,897**	(2,294)	**109,164**	21,956
FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares		**132**	1,869	**132**	1,869
Dividend paid	14	**(14,831)**	(26,439)	**(14,831)**	(26,439)
Repayment of borrowings		**(1,569)**	(3,063)	**(1,551)**	(2,994)
Purchase of convertible bonds		**(119,360)**	0	**(119,360)**	0
Decrease in deposit balances pledged as security		**1,722**	8,283	**1,753**	8,191
Net cash outflow from financing activities		**(133,906)**	(19,350)	**(133,857)**	(19,373)
Effect of foreign exchange rate changes		**(121)**	477	**0**	0
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(26,391)**	11,320	**(15,252)**	6,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**55,626**	44,306	**22,836**	16,344
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	38	**29,235**	55,626	**7,584**	22,836

Notes To The Financial Statements

for the financial year ended 31 december 2009

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 plants and water distribution systems 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 Market 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

Unit 07-02, Level 7, Menara Luxor
6B Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

Principal place of business

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 judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

(i) Standards, amendments and interpretations that are effective

There are no new accounting standards amendments, and interpretations to existing standards effective for the Group and Company's financial year ended 31 December 2009.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group will apply the following new standards, amendments and interpretations to existing standards for the Group and Company's financial period beginning on or after 1 January 2010:

- FRS 8 Operating segments (effective for annual period beginning on or after 1 July 2009) which replaces FRS 114_{2004} Segment Reporting, requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The improvement to FRS 8 (effective from 1 January 2010) clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

- The revised FRS 101 Presentation of financial statements (effective for annual period beginning on or after 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. Non-owner changes in equity are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

- FRS 123 Borrowing costs (effective for annual period beginning on or after 1 January 2010) which replaces FRS 123_{2004} requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139.

- FRS 139 Financial Instruments: Recognition and Measurement (effective for annual period beginning on or after 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

- FRS 7 Financial instruments: Disclosures (effective for annual period beginning on or after 1 January 2010) provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The improvement to IC Interpretation 9 (effective for annual period beginning on or after 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

The Group will apply the following new standards, amendments and interpretations to existing standards for the Group and Company's financial period beginning on or after 1 January 2010 (continued):

- The amendments to FRS 132 Financial instruments: Presentation and FRS 101(revised) Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation (effective for annual period beginning on or after 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.

The Group have applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and Company.

- FRS 139, Amendments to FRS 139, Improvement to FRS 139 and IC Interpretation 9
- FRS 7 and Improvement to FRS 7
- IC Interpretation 12 on service concession arrangements

The Group will apply the following new standards, amendments and interpretations to existing standards for the Group and Company's financial period beginning on or after 1 January 2011:

- FRS 127 Consolidated and separate financial statements (effective for annual period beginning on or after 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- IC Interpretation 12 Service concession arrangements (effective for annual period beginning on or after 1 July 2010) applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

- The revised FRS 3 Business combinations (effective prospectively for annual period beginning on or after 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The following amendments are part of the Malaysian Accounting Standards Board's ("MASB") improvements project:

- FRS 107 Statement of cash flows (effective for annual period beginning on or after 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.

- FRS 110 Events after the balance sheet date (effective for annual period beginning on or after 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

The following amendments are part of the Malaysian Accounting Standards Board's ("MASB") improvements project (continued):

- FRS 116 Property, plant and equipment (consequential amendment to FRS 107 Statement of cash flows) (effective for annual period beginning on or after 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

- FRS 117 Leases (effective for annual period beginning on or after 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

- FRS 118 Revenue (effective for annual period beginning on or after 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.

- FRS 120 Accounting for government grants (effective for annual period beginning on or after 1 January 2010) clarifies that the benefit of a below market rate government loan is accounted for in accordance with FRS 120.

- FRS 127 Consolidated & separate financial statements (effective for annual period beginning on or after 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.

- FRS 128 Investments in associates and FRS 131 Investments in joint ventures (effective for annual period beginning on or after 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.

- FRS 134 Interim financial reporting (effective for annual period beginning on or after 1 January 2010) clarifies that basic and diluted earnings per share ("EPS") must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.

- FRS 136 Impairment of assets (effective for annual period beginning on or after 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

- FRS 138 Intangible Assets (effective for annual period beginning on or after 1 January 2010) clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed.

- FRS 140 Investment property (effective for annual period beginning on or after 1 January 2010)

The above amendments are not expected to have a material impact on the Group and Company's financial statements.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and not applicable to the Group

FRS, Amendments to FRSs and Interpretations	Effective for annual periods beginning on or after
• FRS 4 Insurance Contracts	1 January 2010
• Amendment to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated And Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
• Amendment to FRS 2 Share-based Payment – Vesting Conditions and Cancellations	1 January 2010
• Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
• Amendment to FRS 119 Employee Benefits	1 January 2010
• Amendment to FRS 129 Financial Reporting In Hyperinflationary Economies	1 January 2010
• IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions	1 January 2010
• IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
• IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
• IC Interpretation 16 Hedges of a net investment in a foreign operation	1 July 2010
• IC Interpretation 17 Distribution of non-cash assets to owners	1 July 2010

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 difference is classified as merger deficit. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been reduced by the merger deficit, are reclassified and presented in other capital reserves.

The Group has taken advantage of the exemption provided under 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.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUBSIDIARIES (CONTINUED)

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.

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.

Intra-group 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. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment losses).

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

Where necessary, 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 the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 ASSOCIATES (CONTINUED)

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.

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 and jointly controlled entities are included in 'investments in associates' and 'investments in jointly controlled entities' respectively and are tested for impairment as part of the overall balance.

Goodwill is allocated to cash generated unit for the purpose of impairment testing and is stated at cost less accumulated impairment losses. Impairment test is performed annually. Goodwill is also tested for impairment whenever indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed. See accounting policy Note 2.10 on the impairment of non-financial 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 exists, the carrying amount is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of non-financial 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.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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 allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

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

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at 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 if the assets' carrying amount is greater than its estimated recoverable amount. See accounting policy Note 2.10 on the impairment of non-financial assets.

Gain or losses on disposals are determined by comparing net disposal proceeds with carrying amount and are recognised in the income statement.

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 non-financial assets.

Investments held as current assets comprise of investments in quoted unit trusts that are carried at the lower of costs and 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. Increase or decrease in the carrying amount of investments in quoted unit trusts are credited or charged to the income statement. On disposal of investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, which are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 ASSETS ACQUIRED UNDER LEASES

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

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.

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 weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

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

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 or the proportion the contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

2.14 TRADE RECEIVABLES

Trade receivables are carried at invoice amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all the amounts due. Bad debts are written off in the period in which they are identified.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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.

(iv) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for eligible directors and employees of the Company and its subsidiaries.

Under the transitional provisions of FRS 2, this FRS would have been applied to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2007. The adoption of this FRS did not result in any financial impact to the Group as there were no new share options granted by the Company after 31 December 2004 which remained unvested on 1 January 2007.

Prior to 1 January 2007, 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 with a corresponding increase in share option reserve within equity over the vesting periods of the grants. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the grant date 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. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires or cancelled, upon which it will be transferred directly to retained earnings.

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

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 WARRANTS

Rights issue of Warrants are recognised and credited to warrant reserve based on the proceeds received, net of any directly attributable transaction costs. 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

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 not recognised for future operating losses.

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. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 REVENUE RECOGNITION

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

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

Notes To The Financial Statements
for the financial year ended 31 december 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	31.12.2009 RM	31.12.2008 RM
1 US Dollar	**3.43**	3.48
100 Hong Kong Dollars	**44.18**	44.87
100 Chinese Renminbi	**50.19**	50.88

Notes To The Financial Statements
for the financial year ended 31 december 2009

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

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and 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"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

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

Notes To The Financial Statements
for the financial year ended 31 december 2009

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 the fair value proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using effective yield method, 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 JUDGMENTS

Estimates and judgments 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 Concession Rights as at each balance sheet date to determine whether there is impairment. More regular reviews are performed if events indicate that this is necessary. Its recoverable amount 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 Goodwill on Consolidation as at each balance sheet date by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. More regular reviews are performed if events indicate that this is necessary. Its recoverable amount 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.

Notes To The Financial Statements
for the financial year ended 31 december 2009

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Taxation

Significant judgment 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.

(d) Construction contract

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to the contract costs incurred for work performed to date bear to the estimated total contract costs. Significant judgment is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgment, the Group relied on past experience and work of specialists.

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.

Notes To The Financial Statements

for the financial year ended 31 december 2009

5 SEGMENT REPORTING

(a) Primary reporting format - business segments

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 are 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 are subject to risks and returns that are different from those components.

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.

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, dormant companies and other business activities
Construction	Provision of contracting, project and management services relating to construction contracts
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 2009

5 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting - business segments (continued)

	Water		Waste Management		Investment Holding		Construction		Elimination		Total consolidated	
	2009 RM'000	2008 RM'000	**2009 RM'000**	2008 RM'000	**2009 RM'000**	2008 RM'000	**2009 RM'000**	2008 RM'000	**2009 RM'000**	2008 RM'000	**2009 RM'000**	2008 RM'000
Revenue												
External revenue	**135,506**	135,887	**15,563**	13,533	**38**	23	**7,810**	76,963	**0**	0	**158,917**	226,406
Inter-segment revenue	**0**	0	**1,610**	1,473	**2,135**	37,751	**5,990**	60,924	**(9,735)**	(100,148)	**0**	0
Total revenue	**135,506**	135,887	**17,173**	15,006	**2,173**	37,774	**13,800**	137,887	**(9,735)**	(100,148)	**158,917**	226,406
Results												
Segment results	**54,084**	50,878	**2,656**	3,981	**(236)**	34,089	**3,510**	11,645	**(405)**	(33,008)	**59,609**	67,585
Finance cost											**(16,108)**	(14,484)
Share of results of jointly controlled entity	**0**	0	**0**	0	**6,915**	5,690	**0**	0	**0**	0	**6,915**	5,690
Share of results of associates	**0**	0	**0**	0	**630**	569	**0**	0	**0**	0	**630**	569
Profit before tax											**51,046**	59,360
Tax expense											**(12,053)**	(13,076)
Profit for the year											**38,993**	46,284
Minority interest											**(432)**	(527)
Net profit attributable to equity holders of the Company											**38,561**	45,757

Notes To The Financial Statements
for the financial year ended 31 december 2009

5 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting - business segments (continued)

	Water		Waste Management		Investment Holding		Construction		Elimination		Total consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net assets												
Segment assets	**220,456**	187,282	**69,739**	67,903	**354,081**	496,157	**39,892**	70,173	**(203,521)**	(248,181)	**480,647**	573,334
Investments in jointly controlled entity	**0**	0	**0**	0	**68,443**	61,528	**0**	0	**0**	0	**68,443**	61,528
Investments in associates	**0**	0	**0**	0	**4,267**	24,214	**0**	0	**0**	0	**4,267**	24,214
Unallocated assets											**7,091**	4,884
Total assets											**560,448**	663,960
Segment liabilities	**(23,120)**	(30,043)	**(37,220)**	(36,732)	**(24,529)**	(22,803)	**(64,094)**	(117,160)	**94,176**	134,845	**(54,787)**	(71,893)
Unallocated liabilities											**(124,346)**	(234,985)
Total liabilities											**(179,133)**	(306,878)
Other information												
Capital expenditure	**165**	834	**688**	216	**245**	266	**14**	53	**0**	0	**1,112**	1,369
Depreciation and amortisation	**(1,060)**	(1,240)	**(3,000)**	(2,753)	**(271)**	(345)	**(326)**	(206)	**0**	0	**(4,657)**	(4,544)

Notes To The Financial Statements
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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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysia	**143,346**	212,850	**433,049**	523,522	**398**	1,013
China	**15,571**	13,556	**54,689**	54,696	**714**	356
	158,917	226,406	**487,738**	578,218	**1,112**	1,369
Jointly controlled entity			**68,443**	61,528		
Associates			**4,267**	24,214		
Total assets			**560,448**	663,960		

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Management, operation and maintenance of water treatment plants	**135,506**	135,887	**0**	0
Contract revenue	**7,848**	76,963	**7,790**	75,554
Waste management	**15,563**	13,556	**0**	0
Management fees from subsidiaries	**0**	0	**2,040**	2,400
Dividend from subsidiary companies	**0**	0	**0**	35,260
	158,917	226,406	**9,830**	113,214

Notes To The Financial Statements
for the financial year ended 31 december 2009

7 COST OF OPERATIONS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost of provision of management, operation and maintenance of water treatment plants	**64,776**	66,920	**0**	0
Contract costs	**1,061**	62,774	**1,056**	61,574
Waste management costs	**9,698**	9,047	**0**	0
Service cost for management fees	**0**	0	**2,040**	2,400
	75,535	138,741	**3,096**	63,974

8 FINANCE COST

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest expense:				
- borrowings	**509**	240	**20**	152
- finance lease	**3**	12	**0**	0
- convertible bond	**4,855**	5,120	**4,855**	5,120
Amortisation of discount on convertible bond (Note 30(c))	**10,741**	9,112	**10,741**	9,112
	16,108	14,484	**15,616**	14,384

Notes To The Financial Statements
for the financial year ended 31 december 2009

9 PROFIT BEFORE TAX

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amortisation of concession rights (Note 17)	**983**	916	**0**	0
Fees to PricewaterhouseCoopers for:				
- statutory audit services	**148**	110	**64**	53
- audit related services	**35**	9	**35**	9
- tax compliance and advisory services	**59**	43	**21**	11
Statutory audit fees to other auditors	**67**	56	**0**	0
Hire of plant and machinery	**119**	93	**68**	36
Rental of premises	**644**	609	**398**	369
Lease rental of waterworks assets	**150**	150	**0**	0
Staff cost (Note 10)	**20,329**	18,794	**5,244**	4,863
Depreciation on investment properties (Note 16)	**10**	11	**10**	11
Property, plant and equipment:				
- depreciation (Note 15)	**1,488**	1,615	**269**	243
- depreciation charged to cost of operations (Note 15)	**2,176**	2,002	**206**	206
- written off	**38**	4	**0**	4
- gain on disposal	**(70)**	(48)	**(3)**	(31)
Investments:				
- dividend income	**(5,003)**	(3,849)	**(4,542)**	(3,147)
- gain on disposal	**(1,081)**	(3,262)	**(1,030)**	(3,248)
Rental income	**(9)**	(7)	**(9)**	(7)
Interest income	**(743)**	(1,286)	**(275)**	(658)
Dividend from subsidiary companies	**0**	0	**0**	(35,260)
Gain on liquidation of an associate	**(961)**	0	**(881)**	0
Impairment on receivables from subsidiary companies	**0**	0	**3,246**	2,785
Impairment on investment in a subsidiary company	**0**	0	**411**	0
Allowance for doubtful debts	**881**	0	**881**	0
Foreign exchange loss/(gain)	**537**	(1,819)	**238**	(24)

Notes To The Financial Statements
for the financial year ended 31 december 2009

10 STAFF COST

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Wages, salaries and bonus	**18,499**	17,050	**4,651**	4,286
Defined contribution-Employees Provident Fund	**1,629**	1,533	**506**	474
Other employee benefits	**201**	211	**87**	103
	20,329	18,794	**5,244**	4,863
Number of employees (including executive directors)	**441**	448	**39**	40

Included in staff cost of the Group and of the Company are Directors' remuneration of RM1,417,000 (2008: RM1,417,000) and RM1,303,000 (2008: RM1,303,000) respectively as further disclosed in Note 11.

11 DIRECTORS' REMUNERATION

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

Non-executive Directors
Y. Bhg. Dato' Hj Abd Karim bin Munisar
YAM Tengku Putri Datin Paduka 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

Executive Directors
Y. Bhg. Dato' Lim Chee Meng
Tuan Haji Abdul Rahman bin Haji Siraj (resigned on 31 December 2009)

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-executive Directors:				
- fees	**230**	230	**230**	230
- other emoluments	**160**	180	**46**	66
Executive Directors:				
- fees	**50**	50	**50**	50
- salaries and bonus	**865**	845	**865**	845
- defined contribution plan	**104**	102	**104**	102
- other emoluments	**8**	10	**8**	10
	1,417	1,417	**1,303**	1,303

Benefits in kind received by the Directors of the Company are RM23,000 (2008: RM7,000) for the Group and the Company.

Notes To The Financial Statements

for the financial year ended 31 december 2009

12 TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian income tax				
Current tax:				
Current year	**11,833**	13,635	**2,675**	3,800
Under/(over) accrual in prior years	**263**	(443)	**317**	(143)
	12,096	13,192	**2,992**	3,657
Deferred tax (Note 22):				
Origination and reversal of temporary differences	**(43)**	(116)	**(4,875)**	4,875
Tax expense	**12,053**	13,076	**(1,883)**	8,532

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

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	**25.0**	26.0	**25.0**	26.0
Tax effects of:				
- change in tax rate	**0.0**	0.3	**0.0**	(0.6)
- share of results of associates/jointly controlled entity	**(3.7)**	(2.7)	**0.0**	0.0
- expenses not deductible for tax purposes	**4.8**	3.6	**(21.7)**	7.8
- income not subject to tax	**(3.5)**	(4.5)	**12.6**	(6.8)
- previously unrecognised temporary differences	**0.5**	0.1	**(0.3)**	0.3
- difference in small and medium enterprises tax rate of 0% (2008: 6%)	**0.0**	(0.1)	**0.0**	0.0
- under/(over) accrual in prior years	**0.5**	(0.7)	**(2.2)**	(0.4)
Average effective tax rate	**23.6**	22.0	**13.4**	26.3

Notes To The Financial Statements

for the financial year ended 31 december 2009

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.

	2009	2008
Net profit attributable to equity holders of the Company (RM'000)	**38,561**	45,757
Weighted average number of ordinary shares in issue ('000)	**376,677**	376,121
Basic earnings per share (sen)	**10.2**	12.2

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 net profit attributable to equity holders of the Company is adjusted for net savings from the after-tax effects of the financing costs of the Convertible bonds as if the Convertible bonds were converted into shares at the beginning of the financial year, except when its effect is anti-dilutive. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of Warrants and ESOS options and conversion of Convertible bonds.

	2009	2008
Net profit attributable to equity holders of the Company (RM'000)	**38,561**	56,289
Weighted average number of ordinary shares in issue ('000)	**376,677**	376,121
Effects of dilution from:		
- Warrants ('000)	**19,147**	28,317
- Share options ('000)	**60**	631
- Convertible bonds ('000)	**0**	104,167
Adjusted weighted average number of ordinary shares in issue ('000)	**395,884**	509,236
Diluted earnings per share (sen)	**9.7***	11.1

* The Convertible bonds and some of the ESOS options which are anti-dilutive to the earnings per share are excluded.

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for the financial year ended 31 december 2009

14 DIVIDENDS

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

	Group and Company			
	2009		2008	
	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 2008 less income tax of 25% on 376,665,700 ordinary shares paid on 30 March 2009 (2008: Second interim dividend in respect of the financial year ended 31 December 2007, less income tax of 26% on 375,718,600 ordinary shares paid on 28 March 2008)	**2.0**	**5,650**	4.0	11,121
Final dividend in respect of the financial year ended 31 December 2008, less income tax of 25% on 376,694,500 ordinary shares paid on 29 July 2009 (2008: Final dividend in respect of the financial year ended 31 December 2007, less income tax of 26% on 376,131,000 ordinary shares paid on 7 July 2008)	**1.25**	**3,531**	2.5	6,958
First interim dividend in respect of the financial year ended 31 December 2009, less income tax of 25% on 376,694,500 ordinary shares paid on 18 September 2009 (2008: First interim dividend in respect of the financial year ended 31 December 2008, less income tax of 26% on 376,590,300 ordinary shares paid on 29 September 2008)	**2.0**	**5,650**	3.0	8,360
	5.25	**14,831**	9.5	26,439

On 24 February 2010, the Directors have declared a second interim dividend of 4.0 sen per share on 377,058,480 ordinary shares of RM0.50 each, less income tax of 25%, amounting to RM11,311,754 in respect of the financial year ended 31 December 2009, which has been paid on 29 March 2010.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2009.

The financial statements for the current financial year do not reflect these dividends. The second interim dividend was payable on the date of declaration.

Notes To The Financial Statements

for the financial year ended 31 december 2009

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Group							
Net book value at 1 January 2009	280	596	23,609	1,340	1,911	400	28,136
Additions	0	0	673	261	61	117	1,112
Write off	0	0	0	0	0	(38)	(38)
Disposals	0	0	0	0	(4)	0	(4)
Depreciation charge	0	(14)	(312)	(534)	(510)	(118)	(1,488)
Depreciation charged to cost of operations	0	0	(1,962)	(34)	(180)	0	(2,176)
Currency translation differences	0	0	(257)	(7)	(1)	(1)	(266)
Net book value at 31 December 2009	280	582	21,751	1,026	1,277	360	25,276
At 31 December 2009							
Cost	280	700	25,901	4,850	6,416	1,093	39,240
Accumulated depreciation	0	(118)	(6,422)	(3,839)	(5,148)	(756)	(16,283)
Accumulated currency translation differences	0	0	2,272	15	9	23	2,319
Net book value	280	582	21,751	1,026	1,277	360	25,276

Notes To The Financial Statements
for the financial year ended 31 december 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Group							
Net book value at 1 January 2008	280	610	22,739	1,460	2,387	319	27,795
Additions	0	0	444	427	337	161	1,369
Write off	0	0	0	(4)	0	0	(4)
Depreciation charge	0	(14)	(299)	(551)	(647)	(104)	(1,615)
Depreciation charged to cost of operations	0	0	(1,804)	(19)	(179)	0	(2,002)
Currency translation differences	0	0	2,529	27	13	24	2,593
Net book value at 31 December 2008	280	596	23,609	1,340	1,911	400	28,136
At 31 December 2008							
Cost	280	700	25,228	4,594	6,867	1,020	38,689
Accumulated depreciation	0	(104)	(4,148)	(3,276)	(4,966)	(644)	(13,138)
Accumulated currency translation differences	0	0	2,529	22	10	24	2,585
Net book value	280	596	23,609	1,340	1,911	400	28,136

Notes To The Financial Statements
for the financial year ended 31 december 2009

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 2009	**59**	**361**	**671**	**114**	**1,205**
Additions	**1**	**60**	**55**	**117**	**233**
Disposals	**0**	**0**	**(4)**	**0**	**(4)**
Depreciation charge	**0**	**(162)**	**(52)**	**(55)**	**(269)**
Depreciation charged to cost of operations	**(20)**	**(6)**	**(180)**	**0**	**(206)**
Net book value at 31 December 2009	**40**	**253**	**490**	**176**	**959**
At 31 December 2009					
Cost	**105**	**983**	**1,867**	**305**	**3,260**
Accumulated depreciation	**(65)**	**(730)**	**(1,377)**	**(129)**	**(2,301)**
Net book value	**40**	**253**	**490**	**176**	**959**
Net book value at 1 January 2008	80	428	842	129	1,479
Additions	0	111	53	15	179
Write off	0	(4)	0	0	(4)
Depreciation charge	0	(168)	(45)	(30)	(243)
Depreciation charged to cost of operations	(21)	(6)	(179)	0	(206)
Net book value at 31 December 2008	59	361	671	114	1,205
At 31 December 2008					
Cost	104	925	1,819	188	3,036
Accumulated depreciation	(45)	(564)	(1,148)	(74)	(1,831)
Net book value	59	361	671	114	1,205

Assets held under finance lease agreements are motor vehicles of the Group with a net book value as at 31 December 2009 of RM5,000 (2008: RM35,000).

Notes To The Financial Statements
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16 INVESTMENT PROPERTIES

	Group and Company	
	2009 RM'000	2008 RM'000
Net book value		
At 1 January	**444**	455
Depreciation charge	**(10)**	(11)
At 31 December	**434**	444
At 31 December		
Cost	**529**	529
Accumulated depreciation	**(69)**	(59)
Accumulated impairment losses	**(26)**	(26)
Net book value	**434**	444

17 CONCESSION RIGHTS

	Group	
	2009 RM'000	2008 RM'000
Net book value		
At 1 January	**16,286**	15,408
Amortisation charge (Note 9)	**(983)**	(916)
Currency translation difference	**(193)**	1,794
At 31 December	**15,110**	16,286
At 31 December		
Cost	**18,294**	18,294
Accumulated amortisation	**(4,700)**	(3,717)
Accumulated currency translation difference	**1,516**	1,709
Net book value	**15,110**	16,286

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

A subsidiary, Tianjin-SWM (M) Environment Co., Ltd; was granted a 21-year concession, which expires in 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 comparing to the recoverable amount which was based on value in use calculations.

Notes To The Financial Statements
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17 CONCESSION RIGHTS (CONTINUED)

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

(a) Tonnage to increase by 50 tonnes/day from 950 tonnes/day in 2011 to 1,050 tonnes/day in 2018 and remains constant towards the end of the concession period;
(b) Expenses to increase by 3.0% a year; and
(c) Pre-tax discount rate of 8.0%.

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 above assumptions, there is no impairment.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10.0% instead of 8.0% as at 31 December 2009, there is an impairment of approximately RM116,000.

18 SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Carrying amount		
At 1 January	**106,624**	106,624
Impairment loss	**(411)**	0
At 31 December	**106,213**	106,624
At 31 December		
Unquoted investments, at cost	**106,624**	106,624
Accumulated impairment losses	**(411)**	0
Unquoted investments, at carrying amount	**106,213**	106,624

Pursuant to the merger relief provided under Section 60(4) of the Companies Act, 1965, the Company was not required to record 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 were 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:

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18 SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
Held directly by Taliworks Corporation Berhad:				
Sungai Harmoni Sdn Bhd	Malaysia	**100**	100	Management, operation and maintenance of water treatment plant for a period of 30 years expiring in January 2030.
Taliworks (Langkawi) Sdn Bhd	Malaysia	**100**	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd	Malaysia	**60**	60	Construction of water treatment works.
Taliworks Technologies Sdn Bhd	Malaysia	**100**	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks International Limited *	Hong Kong SAR	**100**	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd	Malaysia	**100**	100	Investment holding and waste management business activities.
Taliworks (Sichuan) Ltd *	Hong Kong SAR	**80**	80	Investment holding.
Destinasi Teguh Sdn Bhd	Malaysia	**100**	100	Investment holding.
Taliworks Construction Sdn Bhd ^	Malaysia	**100**	0	General construction.
Held through SWM Technologies (Malaysia) Sdn Bhd:				
Tianjin-SWM (M) Environment Co., Ltd*	People's Republic of China	**90**	90	Provision of management, operation and maintenance of a waste transfer station and its related assets for a concession period of 21 years expiring in October 2025.
Held through Taliworks International Limited:				
Taliworks (Shanghai) Co., Ltd *	People's Republic of China	**100**	100	Trading in equipment for environment protection and water treatment equipment and provision of related services.
Taliworks-IBI Technologies International Limited *	Hong Kong SAR	**70**	70	Investment holding.

Notes To The Financial Statements
for the financial year ended 31 december 2009

18 SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Group's effective interest 2009 %	2008 %	Principal activities
Taliworks (Shanghai) Environmental Technologies Co., Ltd *	People's Republic of China	**100**	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste in the People's Republic of China.
Taliworks Environment Limited *	Hong Kong SAR	**100**	100	Investment holding.
Held through Taliworks-IBI Technologies International Limited:				
Taliworks-IBI Technologies (Xiamen) Limited *	Hong Kong SAR	**63**	63	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**	63	Research and development, production of various environmental biochemical bacteria and consultancy services related to environmental technologies.
Held through Taliworks (Sichuan) Ltd :				
Puresino (Guanghan) Water Co. Ltd *	People's Republic of China	**56**	56	Management, operation and maintenance of a wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Not audited by PricewaterhouseCoopers, Malaysia.

^ Taliworks Construction Sdn Bhd was acquired for RM2 cash consideration on 27 October 2009, as a 100% subsidiary of Taliworks Corporation Berhad, with an authorised share capital of RM100,000 of which RM2 comprising 2 ordinary shares of RM1.00 each was issued and paid up.

Notes To The Financial Statements

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19 JOINTLY CONTROLLED ENTITY

	2009 RM'000	2008 RM'000
Group		
Share of net assets of jointly controlled entity	**68,443**	61,528
Company		
Unquoted investments, at cost	**55,538**	55,538
The Group's share of revenue, profit, assets and liabilities of jointly controlled entity is as follow:		
Revenue	**41,315**	40,676
Profit for the year	**6,915**	5,690
Non-current assets	**399,921**	390,224
Current assets	**37,512**	26,068
Current liabilities	**(38,334)**	(44,319)
Non-current liabilities	**(330,656)**	(310,445)
Net assets	**68,443**	61,528

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

Name	Group's effective interest 2009 %	Group's effective interest 2008 %	Principal activities
Cerah Sama Sdn Bhd	**55**	55	Investment holding in a company principally engaged in activities of design, planning and construction of the Cheras-Kajang Expressway, and a company principally engaged in the business as toll operator, general contractor and related activities.

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20 ASSOCIATES

	2009 RM'000	2008 RM'000
Group		
Share of net assets of associates	**4,267**	24,214
Company		
Unquoted investments, at cost	**2,520**	38,665
Accumulated impairment losses	**0**	(15,488)
Unquoted investments, at carrying amount	**2,520**	23,177
The Group's share of revenue, profit, assets and liabilities of associates are as follows:		
Revenue	**14,038**	13,313
Profit for the year	**407**	569
Non-current assets	**1,939**	1,884
Current assets	**7,977**	28,277
Current liabilities	**(3,712)**	(4,211)
Non-current liabilities	**(85)**	(7)
Minority interest	**(1,852)**	(1,729)
Net assets	**4,267**	24,214

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

Name	Group's effective interest 2009 %	2008 %	Principal activities
C.G.E. Utilities (M) Sdn Bhd*	**0**	45	Voluntary winding up completed on 16 January 2010.
Hydrovest Sdn Bhd*	**40**	40	Provision of water management and project services.

* Not audited by PricewaterhouseCoopers, Malaysia.

Notes To The Financial Statements
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21 GOODWILL ON CONSOLIDATION

	Group	
	2009 RM'000	2008 RM'000
At 31 December:		
Arising from acquisition of subsidiary	**2,007**	2,007

Goodwill arose from the acquisition of a 70% equity interest in Puresino (Guanghan) Water Co. Ltd by Taliworks (Sichuan) Limited, an 80% owned subsidiary of the Company, on 24 April 2007.

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

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

(a) Tonnage to increase from 32,430 tonnes/day in 2010 to 34,000 tonnes/day in 2011, 36,000 tonnes/day in 2012, 40,000 tonnes/day in 2013, 48,000 tonnes/day in 2014 and reaches maximum production capacity of 50,000 tonnes/day in 2015;

(b) Expenses to increase by 4.0%-6.0% a year; and

(c) Pre-tax discount rate of 8.0%.

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 above assumptions, there is no impairment to the Goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10.0% instead of 8.0% as at 31 December 2009, there is no impact to the Goodwill.

Notes To The Financial Statements

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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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	**215**	172	**0**	0
Deferred tax liabilities	**0**	0	**0**	(4,875)
	215	172	**0**	(4,875)
At 1 January	**172**	56	**(4,875)**	0
Charged to income statement (Note 12):				
- property, plant and equipment	**106**	85	**51**	18
- receivables	**(10)**	0	**4,875**	(4,875)
- provisions	**(53)**	31	**(51)**	(18)
	43	116	**4,875**	(4,875)
At 31 December	**215**	172	**0**	(4,875)
Subject to income tax				
Deferred tax assets (before offsetting):				
- provisions	**457**	510	**97**	148
Offsetting	**(242)**	(338)	**(97)**	(148)
Deferred tax assets (after offsetting)	**215**	172	**0**	0
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	**(232)**	(338)	**(97)**	(148)
- dividend receivable	**(10)**	0	**0**	(4,875)
	(242)	(338)	**(97)**	(5,023)
Offsetting	**242**	338	**97**	148
Deferred tax liabilities (after offsetting)	**0**	0	**0**	(4,875)

Notes To The Financial Statements

for the financial year ended 31 december 2009

23 LONG TERM RECEIVABLES

	Group	
	2009 RM'000	2008 RM'000
Trade receivable (Note 25)	**45,996**	50,704
Other receivable	**1,004**	1,018
	47,000	51,722

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 Co., Ltd. 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	
	2009 RM'000	2008 RM'000
Consumable spares, at cost	**993**	1,263
Raw material	**24**	23
	1,017	1,286

25 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade receivables	**221,644**	208,688	**881**	0
Less: Long term portion (Note 23)	**(45,996)**	(50,704)	**0**	0
Less: Allowance for doubtful debts	**(881)**	0	**(881)**	0
	174,767	157,984	**0**	0
Amounts due from customer on contract (Note 32)				
Other receivables and prepayments	**364**	70	**341**	67
Deposits	**1,031**	986	**395**	435
Total	**376**	372	**271**	275
	176,538	159,412	**1,007**	777

Notes To The Financial Statements
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25 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	**168,893**	154,219	**1,007**	777
Chinese Renminbi	**7,645**	5,189	**0**	0
Hong Kong Dollar	**0**	4	**0**	0
	176,538	159,412	**1,007**	777

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 RM64,827,000 through 10 annual instalments beginning 31 December 2006 and ending 31 December 2015. The long term portion of trade receivables amounting to RM45,996,000 (2008: RM50,704,000) 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 RM213,490,000 (2008: RM203,869,000) are concentrated on two customers. These customers comprise Syarikat Air Darul Aman Sdn Bhd, a corporatised body under the State Government of Kedah and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concession holder of Sungai Selangor Water Supply Scheme Phase 1 in which SHSB operates, respectively. Based on past trends, although payments were slow, invoiced amounts were fully recovered from these customers. The Directors believed that there is no additional credit risk beyond amounts allowed for collection losses from these customers as the 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.

26 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Amount due from subsidiaries	**55,598**	98,662
Impairment on receivables from subsidiaries	**(6,031)**	(2,785)
	49,567	95,877

Notes To The Financial Statements

for the financial year ended 31 december 2009

26 AMOUNT DUE FROM SUBSIDIARIES (CONTINUED)

The amounts due from subsidiaries are interest free, unsecured and repayable on demand. The currency profiles of the amounts due from subsidiaries are as follows:

	Company	
	2009 RM'000	2008 RM'000
Ringgit Malaysia	**40,696**	84,482
Hong Kong Dollar	**8,871**	11,395
	49,567	95,877

27 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from the jointly controlled entity is denominated in Ringgit Malaysia and interest free, unsecured and repayable on demand.

28 INVESTMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Money market unit trust:				
At cost	**142,401**	205,714	**124,840**	192,495
At market value	**142,991**	205,752	**125,421**	192,517

The investments are denominated in Ringgit Malaysia.

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29 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-Current Assets				
Deposits with licensed banks	**12,479**	14,201	**3,000**	4,753
Current Assets				
Deposits with licensed banks	**13,168**	45,281	**800**	21,531
Bank and cash balances	**16,067**	10,345	**6,784**	1,305
	29,235	55,626	**7,584**	22,836
Total				
Deposits with licensed banks	**25,647**	59,482	**3,800**	26,284
Bank and cash balances	**16,067**	10,345	**6,784**	1,305
	41,714	69,827	**10,584**	27,589

Included in deposits with licensed banks of the Group are long term deposits amounting to RM12,479,000 (2008: RM14,201,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, 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 long term deposits amounting to RM3,000,000 (2008: RM4,753,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects and 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	**33,718**	62,252	**10,584**	27,589
US Dollar	**4,114**	5,051	**0**	0
Chinese Renminbi	**2,941**	2,131	**0**	0
Hong Kong Dollar	**941**	393	**0**	0
Total	**41,714**	69,827	**10,584**	27,589

The weighted average interest rate of deposits that was effective for the Group and Company as at balance sheet date is 1.8% (2008: 2.7%) per annum and 2.1% (2008: 2.4%) per annum, respectively.

Deposits of the Group and Company have an average maturity of 30 days (2008: 30 days) and 30 days (2008: 30 days) respectively. Bank balances are deposits held at call with licensed banks.

Notes To The Financial Statements

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30 BORROWINGS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current				
Term loan	**0**	1,521	**0**	1,521
Government loan (unsecured)	**3,011**	0	**0**	0
Convertible bond (unsecured)	**119,377**	0	**119,377**	0
Finance lease liabilities	**19**	18	**0**	0
	122,407	1,539	**119,377**	1,521
Non-current				
Government loan (unsecured)	**0**	3,053	**0**	0
Convertible bond (unsecured)	**0**	227,996	**0**	227,996
Finance lease liabilities	**23**	42	**0**	0
	23	231,091	**0**	227,996
Total				
Term loan	**0**	1,521	**0**	1,521
Government loan (unsecured)	**3,011**	3,053	**0**	0
Convertible bond (unsecured)	**119,377**	227,996	**119,377**	227,996
Finance lease liabilities	**42**	60	**0**	0
	122,430	232,630	**119,377**	229,517

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

	Group		Company	
	2009 %	2008 %	2009 %	2008 %
Term loan	**N/A**	3.3	**N/A**	3.3
Government loan	**5.8**	7.5	**N/A**	N/A
Convertible bond	**2.3**	2.3	**2.3**	2.3
Finance lease liabilities	**2.6**	2.6	**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 fully settled during the financial year.

Notes To The Financial Statements
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30 BORROWINGS (CONTINUED)

(b) Government loan

The government loan from People's Government of Guanghan City is denominated in Chinese 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 bears interest according to the prevailing rate by The People's Bank of China, 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	
	2009 RM'000	**2008 RM'000**
Nominal value	**225,000**	225,000
Less : Discount on issuance	**(6,750)**	(6,750)
Accumulated amortised discount	**20,487**	9,746
Less : Purchase of Bonds	**(119,360)**	0
	119,377	227,996

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of convertible bonds ("Bonds") which are convertible into new ordinary shares of RM0.50 each in the Company by way of surrendering such nominal value of the Bonds equivalent to the Conversion Price.

The main features of the Bonds are:

(i) the Bonds were 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 ordinary shares of RM0.50 of the Company at any time on or after 40 days after the Issue Date up to the close of business on the seventh day prior to 5 December 2012 ("Maturity Date"), which is on the fifth anniversary of the Issue Date. Conversion Price is at RM2.16 subject to anti-dilution provisions based on the adjustment event, as set out in the Principal Terms and Conditions of the Bonds;

(v) At any time after the third anniversary of the Issue Date but not less than 7 business days prior to the Maturity Date, the Company may exercise its call option subject to certain conditions as set out in the Principal Terms and Conditions, and the exercise price or redemption price shall be the Early Redemption Amount;

(vi) The Company will, at the option of the holder of any Bonds, redeem all or some of that holder's Bonds on the third anniversary of the Issue Date and the redemption price shall be the Early Redemption Amount;

(vii) 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;

(viii) the Bonds are not listed on any stock exchange; and

(ix) the Bonds shall at all times rank pari passu and without any preference or priority among themselves.

Notes To The Financial Statements
for the financial year ended 31 december 2009

30 BORROWINGS (CONTINUED)

(c) Convertible bonds (continued)

Pursuant to a bond purchase agreement ("Bond Purchase Agreement"), the Company has during the financial year purchased RM112,000,000 nominal value of the Bonds ("Sale Bonds"), representing about 50% of the nominal value of the then existing Bonds for a total cash consideration of RM119,360,346 from the holders of the Bonds. The Bonds which have been purchased by the Company, were cancelled and will not be valid for re-issuance.

As mentioned in Note 43 to the financial statements, the Company had proposed to issue RM395 million of secured serial bonds ("Proposed PDS") via a wholly owned subsidiary company, Destinasi Teguh Sdn Bhd, which is a special purpose entity ("SPE") established to act as a funding conduit to raise funds for the Company and its subsidiaries. Pursuant to the Proposed PDS, various securities will be required to be provided by the Company and the SPE ("Proposed PDS Security"). However, the Trust Deed constituting the Bonds prohibits the provision of the Proposed PDS Security, except with the approval of the registered holders of the Bonds by an extraordinary resolution.

Pursuant thereto, the holders of the Bonds granted their approval for the Proposed PDS Security, including a waiver from compliance with the Trust Deed, subject inter alia to the purchase by the Company of the Sale Bonds upon the terms and subject to the conditions set out in the Bond Purchase Agreement. It is also a condition that if the Proposed PDS is implemented, the Company will create a cash security for the outstanding RM113,000,000 nominal value of the Bonds and deposit RM125,746,400 in a designated bank account in favour of the Trustees for the benefit of the holders of the Bonds.

(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.

	Group	
	2009 RM'000	**2008 RM'000**
The minimum lease payments at balance sheet date are as follows:		
- not later than 1 year	**22**	22
- later than 1 year	**27**	49
	49	71
Future finance charges	**(7)**	(11)
Present value	**42**	60
The maturity profile of the present value of the finance lease liabilities are as follows:		
- not later than 1 year	**19**	18
- later than 1 year and not later than 3 years	**23**	42
	42	60

The net book value of the asset held under finance lease agreement is disclosed in Note 15.

Notes To The Financial Statements
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31 TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	**26,484**	35,894	**8,006**	23,555
Amounts due to customer on contract (Note 32)	**14,594**	21,565	**14,594**	21,565
Other payables and accruals	**13,709**	14,434	**2,093**	1,756
	54,787	71,893	**24,693**	46,876

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia	**45,167**	61,339	**24,693**	46,876
Chinese Renminbi	**9,576**	10,516	**0**	0
Hong Kong Dollar	**44**	38	**0**	0
	54,787	71,893	**24,693**	46,876

32 AMOUNTS DUE FROM/(TO) CUSTOMER ON CONTRACT

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Aggregate costs incurred to-date and recognised profits	**141,328**	132,527	**138,619**	129,838
Progress billings	**(155,558)**	(154,022)	**(152,872)**	(151,336)
Net amounts due to customer on contract	**(14,230)**	(21,495)	**(14,253)**	(21,498)
Represented by:				
Amount due from customer on contract (Note 25)	**364**	70	**341**	67
Amount due to customer on contract (Note 31)	**(14,594)**	(21,565)	**(14,594)**	(21,565)
	(14,230)	(21,495)	**(14,253)**	(21,498)

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33 SHARE CAPITAL

		Group and Company			
		2009		2008	
	Note	Number of shares '000	Nominal value RM'000	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		**376,590**	**188,295**	375,396	187,698
Issued during the financial year:					
- pursuant to exercise of share options	33(a)	**0**	**0**	672	336
- pursuant to exercise of warrants	33(b)	**104**	**52**	522	261
At end of financial year		**376,694**	**188,347**	376,590	188,295

(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 at an exercise price of RM1.31 per share. Subsequently, in the financial year ended 31 December 2007, the Company further granted a total of 6,410,000 ESOS options at an exercise price of RM1.90 per share.

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws. The options are exercisable from the effective date and 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.

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;

Notes To The Financial Statements
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33 SHARE CAPITAL (CONTINUED)

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

(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.

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

		Number of ESOS options over ordinary shares of RM0.50 each				
Date of Grant	**Exercise price per share RM**	**As at 1 January '000**	**Granted '000**	**Exercised '000**	**Lapsed '000**	**As at 31 December '000**
2009						
3.10.2005	**1.31**	**240**	**0**	**0**	**0**	**240**
5.9 2007	**1.90**	**4,525**	**0**	**0**	**(27)**	**4,498**
		4,765	**0**	**0**	**(27)**	**4,738**
Weighted average exercise price (RM)		**1.87**	**0**	**0**	**1.90**	**1.87**
2008						
3.10.2005	1.31	359	0	(119)	0	240
5.9 2007	1.90	5,237	0	(553)	(159)	4,525
		5,596	0	(672)	(159)	4,765
Weighted average exercise price (RM)		1.86	0	1.80	1.90	1.87

Notes To The Financial Statements

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33 SHARE CAPITAL (CONTINUED)

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

All outstanding share options as at 31 December 2008 and 31 December 2009 were exercisable. Options exercised during the financial year resulted in nil (2008: 671,500) units of shares being issued at a weighted average exercise price of nil (2008: RM1.80) per share. The related weighted average share price at the time of exercise was nil (2008: RM2.20) per share.

Proceeds on exercise of ESOS are as follows:

	2009 RM'000	2008 RM'000
Ordinary share capital – at par	**0**	336
Share premium (Note 34)	**0**	870
Proceeds received	**0**	1,206
Fair value at exercise date of shares issued	**0**	1,474

(b) 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.

Notes To The Financial Statements
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33 SHARE CAPITAL (CONTINUED)

(b) Warrants (continued)

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

		Number of warrants			
Date of Issue	Exercise price per share RM	As at 1 January '000	Issued '000	Exercised '000	As at 31 December '000
2009					
22.9.2005	**1.27**	**69,893**	**0**	**(104)**	**69,789**
2008					
22.9.2005	1.27	70,415	0	(522)	69,893

Warrants exercised during the financial year resulted in 104,200 (2008: 522,000) units of shares issued. The related weighted average share price at the time of exercise was RM1.86 (2008: RM2.37) per share.

Proceeds on exercise of warrants are as follows:

	2009 RM'000	2008 RM'000
Ordinary share capital – at par	**52**	261
Share premium (Note 34)	**80**	402
Proceeds received	**132**	663
Fair value at exercise date of shares issued	**193**	1,238

Notes To The Financial Statements

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34 SHARE PREMIUM

	Group and Company	
	2009 RM'000	2008 RM'000
At beginning of financial year	**22,059**	19,945
Share options:		
- proceeds from shares issued (Note 33(a))	**0**	870
- transfer from share option reserves upon exercise	**0**	790
Warrants:		
- proceeds from shares issued (Note 33(b))	**80**	402
- transfer from warrant reserves upon exercise	**10**	52
At end of financial year	**22,149**	22,059

35 SHARE OPTION RESERVES

	Group and Company	
	2009 RM'000	2008 RM'000
At beginning of financial year	**2,139**	2,929
Share option granted under ESOS:		
- recognised in the income statement	**0**	0
- charged to subsidiaries	**0**	0
Transfer to share premium upon exercise	**0**	(790)
At end of financial year	**2,139**	2,139

The share option reserve represents the equity-settled share options granted to eligible directors and employees of the Company and its subsidiaries.

Notes To The Financial Statements
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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 Section 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 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009, the Company has sufficient credit in the tax exempt account and Section 108 balance 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	**25,647**	59,482	**3,800**	26,284
Bank and cash balances	**16,067**	10,345	**6,784**	1,305
Total deposits, bank and cash balances	**41,714**	69,827	**10,584**	27,589
Less: Deposits pledged as security (Note 29)	**(12,479)**	(14,201)	**(3,000)**	(4,753)
	29,235	55,626	**7,584**	22,836

Notes To The Financial Statements
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39 CONTINGENT LIABILITIES

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Secured				
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	**7,573**	7,573	**7,573**	7,573
Bank guarantees issued to third parties for services rendered and as performance bonds	**9,771**	11,539	**2,234**	1,100
Unsecured				
Corporate guarantee issued to a financial institution for banking facilities granted to a subsidiary	**0**	0	**0**	20,000

40 CAPITAL COMMITMENTS

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Authorised but not contracted for				
- Property, plant and equipment	**4,998**	4,844	**33**	0

(b) Non-cancellable operating lease commitments

	Group	
	2009 RM'000	2008 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	**900**	1,050
	1,650	1,800

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.

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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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Rental of buildings paid to:				
- LGB Realty Sdn Bhd	**228**	198	**228**	198
- Taliworks Consortium Sdn Bhd	**72**	72	**0**	0
Services rendered in relation to provision of information technology services and maintenance from:				
- Exitra Sdn Bhd	**280**	580	**122**	251
Purchase of construction material from:				
- Amalgamated Industrial Marketing Sdn Bhd	**578**	2,420	**578**	2,420
Design, supply, install, testing and commissioning of equipment for water treatment plant by:				
- Aqua-Flo Sdn Bhd	**1,242**	2,408	**1,242**	2,408
Purchase of water treatment chemicals and related equipment or systems from:				
- Aqua-Flo Sdn Bhd	**10,176**	9,815	**0**	0
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	**3,659**	3,808	**0**	0
- Perangsang Water Management Sdn Bhd	**1,830**	1,904	**0**	0
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd	**1,943**	1,861	**0**	0
Fees charged for management, operation and maintenance of water treatment plants to:				
- SPLASH	**95,987**	98,053	**0**	0

The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn Bhd ("Alam Ria") and Perangsang Water Management Sdn Bhd ("PWM") with Sungai Harmoni Sdn Bhd ("Sungai Harmoni") and Taliworks (Langkawi) Sdn Bhd ("Taliworks (Langkawi)"). The contractual agreement in respect of technical support and management services between Sungai Harmoni and Alam Ria and PWM was entered into in March 2000. The contractual agreement in respect of royalty fees between Taliworks (Langkawi) and Alam Ria was originally entered into in September 1996.

Notes To The Financial Statements
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41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Fees charged for the management, operation and maintenance of water treatment plants as stated above are based on the schedule of fees stipulated in the Operations and Maintenance Agreement for Sungai Selangor Phase 1 entered into between Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") and PWM in January 2000 (which was subsequently novated to Sungai Harmoni in August 2000).

Y. Bhg. Dato' Lim Chee Meng is a Director and a substantial shareholder of the Company. LGB Realty Sdn Bhd, Taliworks Consortium Sdn Bhd, Exitra Sdn Bhd, Alam Ria Sdn Bhd and PWM are companies in which Y. Bhg. Dato' Lim Chee Meng has a controlling interest. Y. Bhg. Dato' Lim Chee Meng is also deemed a substantial shareholder of Amalgamated Industrial Marketing Sdn Bhd.

Kumpulan Perangsang Selangor Berhad ("KPSB") is another substantial shareholder of the Company and Aqua-Flo Sdn Bhd is effectively controlled by KPSB. In addition, KPSB owns 30% of SPLASH. Both Y. Bhg. Dato' Hj Abd Karim bin Munisar and Mr Wong Yien Kim are Directors of the Company, KPSB and SPLASH.

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Wages, salaries and bonus	**4,216**	3,885	**2,576**	2,286
Defined contribution-Employees Provident Fund	**504**	465	**312**	277
	4,720	4,350	**2,888**	2,563

Included in total key management remuneration of the Group and of the Company are remuneration of the Company's executive Directors of RM969,000 (2008: RM947,000).

Benefits in kind received by executive directors and other members of key management of the Group and the Company are RM73,000 (2008: RM113,000) and RM43,000 (2008: RM67,000) 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			
	2009		2008	
	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)	**45,996**	**40,106**	50,704	39,648
- other receivable (Note 23)	**1,004**	**533**	1,018	348
Finance lease liabilities (Note 30)	**(42)**	**(41)**	(60)	(59)
Term loan (Note 30)	**0**	**0**	(1,521)	(1,521)
Convertible bond (Note 30)	**0**	**0**	(227,996)	(224,003)

Notes To The Financial Statements
for the financial year ended 31 december 2009

42 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Company			
	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31 December				
Term loan (Note 30)	**0**	**0**	(1,521)	(1,521)
Convertible bond (Note 30)	**0**	**0**	(227,996)	(224,003)

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 4.3% (2008: 6.5%). 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 SIGNIFICANT EVENT

During the financial year, a wholly owned subsidiary company, Destinasi Teguh Sdn Bhd, which is a special purpose entity ("SPE") was established to act as a funding conduit to raise funds for the Company and its subsidiaries. The subsidiary has proposed to issue RM395,000,000 nominal value of secured serial bonds ("Serial Bonds"). The transactions being contemplated will involve the following:

(i) a subsidiary company, Taliworks (Langkawi) Sdn Bhd proposing to utilise its retained earnings to carry out a bonus issuance of redeemable preference shares which shall be issued to the Company;

(ii) another subsidiary company, Sungai Harmoni Sdn Bhd proposing to utilise its retained earnings:-

  (a) to carry out a bonus issuance of redeemable preference shares which shall be issued to the Company; and

  (b) to declare a dividend in favour of the Company and immediately thereafter issue secured redeemable loan stocks which shall be subscribed by the Company to off-set the dividend declared.

(iii) upon completion of the issuance and subscription of the redeemable preference shares and the redeemable loan stocks ("Charged Securities"), the Company will undertake to enter into a sale and purchase agreement with the SPE for the sale of the said Charged Securities to the SPE. The SPE will undertake a fund raising exercise in the form of an issuance of Serial Bonds, the proceeds from which will be utilised by the SPE to, amongst other things, settle the purchase of the Charged Securities from the Company for a cash proceeds to be determined. The Serial Bonds will be secured by the following securities:-

  (a) a charge over the Charged Securities;

  (b) a first fixed and floating charge over the assets of the SPE;

  (c) a first charge/an assignment over the SPE's designated bank accounts to be opened and maintained by the SPE pursuant to the issuance of the Serial Bonds;

  (d) an assignment over the SPE's rights, benefits and title under a Put Option Agreement in relation to the buy-back of the Charged Securities by the Company;

Notes To The Financial Statements
for the financial year ended 31 december 2009

43 SIGNIFICANT EVENT(CONTINUED)

(e) an assignment over the SPE's rights, benefits and title under the sale and purchase agreement in relation to the purchase of the Charged Securities from the Company; and

(f) a limited recourse third party charge by the Company over the entire issued and paid-up capital of the SPE wherein the Company's liabilities under the charge document will be limited to the proceeds derived from any disposal of the shares in the SPE.

The Put Option Agreement is between Company and the SPE wherein the Company shall grant to the SPE an irrevocable right to require the Company to purchase or to procure the purchase of all the Charged Securities from the SPE upon the occurrence of the certain trigger events at such price and upon such terms to be agreed upon. These proceeds will be used by the SPE for the early redemption of the outstanding Serial Bonds based on the Early Redemption Rates which shall constitute full and final settlement of any amounts outstanding on the Serial Bonds by the SPE or any other party.

The proposed issuance of the Serial Bonds has been approved by the Securities Commission. As at the date of the report, the serial Bonds have yet to be issued.

44 SUBSEQUENT EVENT

(a) Subsequent to the financial year end:

Taliworks International Limited ("TIL"), a wholly owned subsidiary company, completed the acquisition of 70% equity interest in Eco3 Technology and Engineering Pte Ltd ("Eco3") for a cash consideration of Singapore Dollars 70,000. Pursuant thereto, Eco3 will establish a wholly owned foreign enterprise in the People's Republic of China ("PRC") to be funded by a US Dollars 4,000,000 loan from TIL.

Eco3 has on 29 October 2009 entered into an agreement with Yinchuan City Ningdong Energy Chemical Industrial Zone Management Committee, a public authority representing the Government of the Province of Ningxia, PRC, for the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Industrial Zone in Yinchuan with a waste water treatment capacity for the build-operate-transfer project of 50 million liters per day for Zone A of the Linhe Integrated Industrial Park for a total project cost of Chinese Renminbi 70,000,000.

(b) the company acquired 50% equity interest in Prolific Equity Sdn. Bhd. ("PESB") for a total cash consideration of RM50. PESB was incorporated in Malaysia on 11 May 2009 as a general trading company and is currently dormant. PESB has an authorised share capital of RM100,000 of which RM100 comprising 100 ordinary shares of RM1.00 each has been issued and fully paid-up.

45 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 8 April 2010.

Statement By Directors

pursuant to section 169(15) of the companies act, 1965

We, Y. Bhg. Dato' Hj Abd Karim Bin Munisar and Y. Bhg Dato' Lim Chee Meng, two of the Directors of Taliworks Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 59 to 120 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 2009 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 8 April 2010.

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

Y. BHG. DATO' LIM CHEE MENG
DIRECTOR

Kuala Lumpur

Statutory Declaration

pursuant to section 169(16) of the companies act, 1965

I, Wong Voon Leong, the officer primarily responsible for the financial management of Taliworks Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 120 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.

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed Wong Voon Leong at Kuala Lumpur on 8 April 2010, before me.

LEE CHIN HIN (W493)
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

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

Independent Auditors' Report

to the members of taliworks corporation berhad
(incorporated in malaysia) (company no. 6052 v)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Taliworks Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 59 to 120.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 18 to the financial statements.

(c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

to the members of taliworks corporation berhad (continued)
(incorporated in malaysia) (company no. 6052 v)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ERIC OOI LIP AUN
(No. 1517/06/10 (J))
Chartered Accountant

Kuala Lumpur
8 April 2010

Analysis Of Shareholdings

as at 30 april 2010

SHAREHOLDING STRUCTURE

Authorised Capital	:	RM 500,000,000
Issued and Fully paid-up	:	RM188,560,440
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	22	1.65	412	0.00
100 - 1,000	134	10.02	103,960	0.03
1,001 - 10,000	930	69.56	3,878,800	1.03
10,001 - 100,000	193	14.44	5,354,200	1.42
100,001 to less than 5% of issued shares	51	3.81	114,638,408	30.40
5% and above of issued shares	7	0.52	253,145,100	67.12
Total	**1,337**	**100.00**	**377,120,880**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	76,677,000	20.33
2.	Water Clinic Sdn Bhd	54,000,000	14.32
3.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad (1181009)	36,000,000	9.55
4.	Century General Water (M) Sdn Bhd	24,618,000	6.53
5.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-Asing)	22,419,100	5.94
6.	Malar Terang Sdn Bhd	20,261,000	5.37
7.	Mal Monte Sdn Bhd	19,170,000	5.08
8.	HSBC Nominees (Asing) Sdn Bhd Exempt an for HSBS Private Bank (Suisse) S.A. (Spore TST AC CL)	15,523,000	4.12
9.	AMSEC Nominees (Tempatan) Sdn Bhd AMBANK (M) Berhad for Kumpulan Perangsang Selangor Berhad	14,000,000	3.71
10.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kumpulan Perangsang Selangor Berhad (01-00058-000)	13,800,000	3.66
11.	Citigroup Nominees (Asing) Sdn Bhd Citigroup GM Inc for Forte Equity Holdings Inc	12,311,100	3.27
12.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	12,117,300	3.21

Analysis Of Shareholdings
as at 30 april 2010

LIST OF THIRTY LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares Held	%
13.	Kumpulan Perangsang Selangor Berhad	10,066,628	2.67
14.	Akar Equities Sdn Bhd	6,390,000	1.69
15.	HSBC Nominees (Asing) Sdn Bhd Exempt an For Lombard, Odier, Darier,Hentsch & Cie	4,303,400	1.14
16.	Malar Teguh Sdn Bhd	2,878,300	0.76
17.	HDM Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian (Hong Kong) Limited (Clients)	2,000,000	0.53
18.	Century General Water (M) Sdn Bhd	1,749,000	0.46
19.	Megature Construction Sdn Bhd	1,645,400	0.44
20.	Kembangan Sepadu Sdn Bhd	1,613,200	0.43
21.	Phang Wai Hoong	1,469,300	0.39
22.	Goh Phaik Lynn	1,333,500	0.35
23.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	1,058,680	0.28
24.	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zabir Bin Bajuri (SJ8)	1,000,000	0.27
25.	HLB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lian Huat	857,000	0.23
26.	Ertidaya Sdn Bhd	838,000	0.22
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lian Huat (8055176)	800,000	0.21
28.	Douglas Mark Boudville	743,800	0.20
29.	Wan Puteh bin Wan Mohd Saman	580,000	0.16
30.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Yim Hoo (001)	564,300	0.15
TOTAL:		**360,787,008**	**95.67**

Analysis Of Warrant Holdings

as at 30 april 2010

WARRANT HOLDINGS STRUCTURE

Rights Issue of Warrants 2005/2010 Issued	:	70,440,000
No. of Warrants Unexercised	:	69,362,120
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	10	1.76	370	0.00
100 - 1,000	111	19.58	88,105	0.13
1,001 - 10,000	301	53.09	1,395,620	2.01
10,001 - 100,000	115	20.28	3,579,520	5.16
100,001 to less than 5% of total warrants	23	4.06	8,366,580	12.06
5% and above of total warrants	7	1.23	55,931,925	80.64
Total	**567**	**100.00**	**69,362,120**	**100.00**

LIST OF THIRTY LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants Held	%
1.	Tali-Eaux Sdn Bhd	15,335,400	22.11
2.	Water Clinic Sdn Bhd	10,800,000	15.57
3.	Malar Terang Sdn Bhd	9,652,200	13.92
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad (1181009)	7,200,000	10.38
5.	Century General Water (M) Sdn Bhd	4,923,600	7.10
6.	Kumpulan Perangsang Selangor Berhad	4,186,725	6.04
7.	Mal Monte Sdn Bhd	3,834,000	5.53
8.	Akar Equities Sdn Bhd	1,278,000	1.84
9.	Yap Yen Yee	964,820	1.39
10.	Mestika Pertiwi Sdn Bhd	901,800	1.30
11.	Mestika Pertiwi Sdn Bhd	773,000	1.11
12.	Ng Lam San @ Ng Kok Kar	739,900	1.07
13.	Century General Water (M) Sdn Bhd	349,800	0.50

Analysis Of Warrant Holdings
as at 30 april 2010

LIST OF THIRTY LARGEST WARRANT HOLDERS (CONTINUED)

No.	Name	No. of Warrants Held	%
14.	Lim Sau Khim @ Lam Sum Ying	349,300	0.50
15.	Lean Seok Tee	308,600	0.45
16.	Phang Wai Hoong	293,900	0.42
17.	Goh Phaik Lynn	250,000	0.36
18.	Tan Ling Ling	250,000	0.36
19.	Low Siew Ling	248,760	0.36
20.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Johaisvary D/O N Nagalingam (J00019)	200,000	0.29
21.	Ooi Teck Seong	200,000	0.29
22.	Ng Hok Long @ Ng Hock Leong	194,900	0.28
23.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Yim Hoo (001)	176,200	0.25
24.	Dato' Ng Aik Kee	170,000	0.25
25.	Wong Ah Mooi	139,000	0.20
26.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Chee Meng (PB)	135,000	0.19
27.	Chin Wai Ling	120,000	0.17
28.	Lim Ai Ling	110,900	0.16
29.	Chin Teck Min	108,700	0.16
30.	Wan Puteh bin Wan Mohd Saman	104,000	0.15
TOTAL:		**64,298,505**	**92.70**

List Of Substantial Shareholders

as at 30 april 2010

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	20.33	-		-
Kumpulan Perangsang Selangor Berhad	73,866,628	19.59	-		-
Water Clinic Sdn Bhd	54,000,000	14.32	-		-
Century General Water (M) Sdn Bhd	26,367,000	6.99	-		-
Malar Terang Sdn Bhd	20,261,000	5.37	-		-
Mal Monte Sdn Bhd	19,170,000	5.08	-		-
Anekawal Sdn Bhd	-	-	76,677,000	(a)	20.33
L.G.B. Holdings Sdn Bhd	-	-	196,475,000	(b)	52.10
Adil Cita Sdn Bhd	-	-	103,044,000	(c)	27.32
Y. Bhg. Dato' Lim Chee Meng	317,000	0.08	196,700,000	(d)	52.16
Lim Chin Sean	-	-	196,700,000	(d)	52.16
GSL Development Sdn Bhd	-	-	26,367,000	(e)	6.99
Kumpulan Darul Ehsan Berhad	-	-	73,866,628	(f)	19.59
Menteri Besar Selangor (Pemerbadanan) 1994	-	-	73,866,628	(g)	19.59

Notes:-

(a) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.
(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.
(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.
(d) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and L.G.B. Engineering Sdn Bhd.
(e) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.
(f) Deemed interest by virtue of its substantial shareholdings in Kumpulan Perangsang Selangor Berhad.
(g) Deemed interest by virtue of its substantial shareholdings in Kumpulan Darul Ehsan Berhad.

List Of Directors' Shareholdings
as at 30 april 2010

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

A. Number of Ordinary Shares of RM0.50 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Y. Bhg. Dato' Hj Abd Karim bin Munisar	100,000	0.03	-	-	-
Y. Bhg. Dato' Lim Chee Meng	317,000	0.08	196,700,000	(a)	52.16
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.07	-	-	-
YAM Tengku Putri Datin Paduka Hajjah 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)	1.69
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0.15	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-
Mr. Lim Yew Boon	120,000	0.03	-	-	-

(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	Notes	%
Y. Bhg. Dato' Hj Abd Karim bin Munisar	-	-	-	-	-
Y. Bhg. Dato' Lim Chee Meng	148,900	0.21	44,940,000	(a)	63.79
Mr. Lim Yew Boon	-	-	-	-	-
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	-	-	-	-	-
YAM Tengku Putri Datin Paduka Hajjah 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 30 april 2010

C. Number of ESOS Options over Ordinary Shares of RM0.50 each

Name	Exercise Price (RM)	As At 1 January 2008	Granted	Exercised	Balance
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	120,000
	1.90	145,000	0	0	145,000
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	0	80,000
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	0	60,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	60,000	0	0	60,000
Encik Sulaiman bin Salleh	1.90	60,000	0	0	60,000

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of TALIWORKS CORPORATION BERHAD (Company No.: 6052-V) will be held at Ballroom 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 23 June 2010 at 11.30 a.m. for the following purposes:-

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees for the financial year ended 31 December 2009. *Resolution 1*

3. 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' Lim Chee Meng *Resolution 2*

   b) Encik Sulaiman bin Salleh *Resolution 3*

4. To re-elect Mr. Lim Yew Boon, who retires by rotation pursuant to Article 85 of the Company's Articles of Association. *Resolution 4*

5. 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 5*

6. 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 6*

SPECIAL BUSINESS:

To consider and, if thought fit, pass with or without modifications, the following Resolutions:

Ordinary Resolution 1

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** *Resolution 7*

"**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 1 June 2010 with the Related Parties as described in the said Circular, 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 Parties 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

Ordinary Resolution 2

8. **Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** *Resolution 8*

"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."

Special Resolution

9. **Amendment to Articles of Association** *Resolution 9*

"THAT the existing Article 128 in the Articles of Association of the Company be deleted in its entirety and the following be substituted in lieu thereof:

Any dividend or other money payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or, if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct or by directly crediting the dividend entitlement into the member's bank account as provided to the Central Depository from time to time. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or such person as the holder may direct and payment of the cheque or the direct crediting to the member's bank account shall be a good discharge to the Company. Every such cheque or warrant shall be sent or directly credited at the risk of the person entitled to the money represented thereby. Where the members have provided to the Central Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash dividends into the member's bank account."

ANY OTHER BUSINESS:-

10. 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.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)
Company Secretary

Petaling Jaya
Date: 1 June 2010

Notice Of Annual General Meeting

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 provisions 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. 5 proposed under item 5 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

      The Shareholders' Mandate under Ordinary Resolution 7 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.

Notice Of Annual General Meeting

7. Explanatory Notes on Special Business (continued)

- Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

  The proposed Ordinary Resolution 8, if passed, will give the Directors authority to issue and allot new shares of the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion consider to be in the best interest of the Company, without having to convene a general meeting, provided that the aggregate number of shares issued pursuant thereto does not exceed 10% of the issued and paid-up share capital of the Company for the time being. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

  The general mandate sought to grant authority to Directors to allot and issue of shares is a renewal of the mandate that was approved by the shareholders at the Eighteenth Annual General Meeting held on 25 June 2009. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

  Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Eighteenth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

8. Explanatory Note on Special Resolution

   The proposed Special Resolution 9 is to amend Article 128 of the Company's Articles of Association in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the implementation of eDividend.

Statement Accompanying Notice Of Nineteenth Annual General Meeting

Directors who are standing for re-election or re-appointment at the Nineteenth Annual General Meeting of Taliworks Corporation Berhad

(i) Y. Bhg. Dato' Lim Chee Meng (Resolution 2)
(ii) Encik Sulaiman Bin Salleh (Resolution 3)
(iii) Mr. Lim Yew Boon (Resolution 4)
(iv) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Resolution 5)

The profiles of the Directors who are standing for re-election/re-appointment are set out on pages 10 to 13 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 129 and 130 of this Annual Report.

TALIWORKS CORPORATION
LGB Group

FORM OF PROXY

TALIWORKS CORPORATION BERHAD (6052-V)
(Incorporated in Malaysia)

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 Nineteenth Annual General Meeting of the Company to be held at Ballroom 3, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 23 June 2010 at 11.30 a.m. and at any adjournment thereof.

*My/Our proxy(ies) *is/are to vote as indicated below:-

		FOR	AGAINST
Resolution 1	To approve the payment of Directors' fees for the financial year ended 31 December 2009.		
Resolution 2	Re-election of Director – Y. Bhg. Dato' Lim Chee Meng		
Resolution 3	Re-election of Director – Encik Sulaiman bin Salleh		
Resolution 4	Re-election of Director – Mr. Lim Yew Boon		
Resolution 5	Re-appointment of Director - Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman		
Resolution 6	To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
Resolution 7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Aquo-Flo Sdn. Bhd.		
Resolution 8	Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 9	Amendment to Articles of Association in respect of eDividend		

(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 ____________________2010.

Number of ordinary shares held	

____
(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 provisions 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.

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AFFIX STAMP
HERE

The Company Secretary
Taliworks Corporation Berhad (6052-V)
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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