solid step towards the future

annual report 2010

TALIWORKS CORPORATION
LGB Group

Water, Waste & Infrastructure Management Specialist

TALIWORKS CORPORATION BERHAD

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Mr. Lim Yew Boon

Independent Non-Executive Directors
- 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
- Encik Sulaiman bin Salleh
- Mr. Lim Choon Eng

Non-Independent Non-Executive Directors
- Encik Suhaimi bin Kamaralzaman
- Mr. Wong Yien Kim
- Mr. Lim Chin Sean

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
- Mr. Lim Choon Eng

REMUNERATION COMMITTEE

Encik Suhaimi bin Kamaralzaman
Chairman

Members
- Mr. Lim Chin Sean
- Mr. Lim Choon Eng

COMPANY SECRETARY

Mr. Ng Yim Kong (LS 0009297)
Unit 07-02, Level 7, Persoft Tower
6B, Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel 603 7804 5929 **Fax** 603 7805 2559

REGISTERED OFFICE

Unit 07-02, Level 7, Persoft Tower
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
Email info@taliworks.com.my
Website www.taliworks.com.my

SHARE REGISTRARS

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

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

PRINCIPAL BANKERS

AmBank (M) Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
Bank of China (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market,
Bursa Malaysia Securities Berhad

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

AGM HELPDESK

Contact Encik Mustapha Kamal Kamaruddin

Tel 603 7725 7116 (Ext 155)

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 as 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 RM541 million as at 30 April 2011.

BUSINESS BACKGROUND

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

Taliworks started out in the water management sector in 1987 as a pioneer in the privatisation of the water supply in Malaysia and today, the water business still leads as the main core business activity of 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 in 2007 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.

Other than being involved in solid waste management, the Group is also engaged in the wastewater sector through its holding of interest in the following companies:-

(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;

(b) 70% stake in Ningxia Eco Wastewater Treatment Co Ltd which has secured a 30-year concession on a build-operate-transfer basis for the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in the Ningdong Energy Chemical Industrial Zone in Yinchuan, province of Ningxia, China with a waste water treatment capacity of 50 million litres per day for Zone A of the Linhe Integrated Industrial Park. Construction works for the facility had commenced in October 2010 and is expected to be completed and commissioned in the last quarter of 2011.

(c) 70% stake in a wholly-owned foreign enterprise to be incorporated to undertake the design, construction, operations and maintenance of an industrial waste water treatment and recycled water plant and recycled water piping in the Ningdong Energy Chemical Base Meihua Industrial Park, province of Ningxia, China for a concession period of 30 years. The project is a build-operate-transfer project for an industrial waste water treatment and recycled water plant of 50 million litres per day treatment capacity.

(d) 100% stake in a wholly-owned foreign enterprise to be incorporated to undertake the operation of four existing municipal waste water treatment plants with recycled water facilities with a treatment capacity of 300 million litres per day and 52 million litres per day respectively in Yinchuan, China on a takeover-operate-transfer basis for a period of 30 years.

CORPORATE PROFILE
(cont'd)

In the toll operations and highway management sector, Taliworks acquired a 55% stake in a jointly controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama") in 2007. Cerah Sama is the holding company for Grand Saga Sdn Bhd that owns and operates the concession for the 11.5 km four-lane dual carriageway Cheras-Kajang Highway 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.

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 2011

TALIWORKS CORPORATION
LGB Group
Water, Waste & Infrastructure Management Specialist

ASSOCIATED COMPANY

HYDROVEST SDN BHD 40%
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

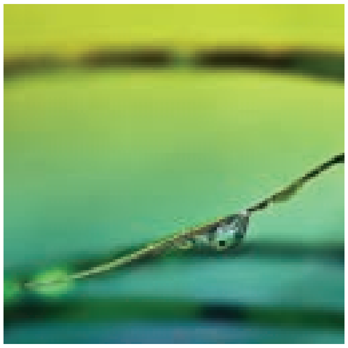
LEGENDS

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

SUBSIDIARY COMPANIES

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

CORPORATE AND
FINANCIAL EVENTS 2010



CORPORATE ANNOUNCEMENTS / EVENTS

16 JANUARY

The voluntary winding up of C.G.E Utilities (M) Sdn Bhd, a 45% owned associate of Taliworks was completed.

27 JANUARY

Taliworks announced the proposed acquisition by its wholly owned subsidiary, Taliworks International Limited, of a 70% equity interest in Taliworks Eco Pte. Ltd. *(then known as Eco3 Technology and Engineering Pte. Ltd) ("Taliworks Eco")*. Taliworks Eco had earlier entered into an agreement with the Yinchuan City Ningdong Energy Chemical Industrial Zone Management Committee to construct and manage the 50 MLD Linhe wastewater and recycled water treatment plant in Yinchuan, the People's Republic of China on a Build-Operate-Transfer basis ("Linhe Project"). The proposed acquisition was subsequently completed on 5 March 2010.

08 APRIL

Taliworks acquired a 50% equity in a dormant company, Prolific Equity Sdn Bhd.

04 JUNE

TILGEA Consortium Sdn Bhd, in which Taliworks has a 70% indirect equity interest, was incorporated to participate in tenders and engineering construction projects in Vietnam.

17 JUNE

Taliworks announced the establishment of Ningxia ECO Wastewater Treatment Co., Ltd. as a foreign investment enterprise in the People's Republic of China to undertake the Linhe Project.

23 JUNE

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

25 AUGUST

Taliworks signed a 30-year concession agreement with the Yinchuan Municipal Construction Bureau, a government agency to take-over the four (4) existing municipal waste water treatment plants with recycled water facilities in Yinchuan City, in the People's Republic of China on a Takeover-Operate-Transfer ("TOT") basis for a total value of RMB810 million (equivalent to about RM374.7 million) and an asset transfer agreement with Yinchuan City Waste Water Treatment Co. Ltd. a state-owned enterprise to transfer the rights and interest of the said assets.

21 SEPTEMBER

The Warrants 2005/2010 issued by Taliworks had expired and was subsequently removed from the Official List of Bursa Securities with effect from 22 September 2010.

24 SEPTEMBER

Taliworks announced the extension of its Employees' Share Option Scheme for eligible directors and employees for a further period of five (5) years in accordance with the ESOS By-laws.

27 SEPTEMBER

Taliworks Eco entered into a 30-year concession agreement with the Ningdong Energy Chemical Base Management Committee granting the company an exclusive right during the concession period to design, construct, operate and maintain the industrial waste water treatment and recycled water plant and recycled water piping in the Ningdong Energy Chemical Base Meihua Industrial Park, Ningxia Province in the People's Republic of China.

06 DECEMBER

The RM225 million nominal value of 2.25% convertible bonds 2007/2012 issued by Taliworks were fully redeemed.

RELEASE OF FINANCIAL RESULTS

24 FEBRUARY

Unaudited interim results for the 4th Quarter ended 31 December 2009.

08 APRIL

Audited financial statements for the financial year ended 31 December 2009.

19 MAY

Unaudited interim results for the 1st Quarter ended 31 March 2010.

23 AUGUST

Unaudited interim results for the 2nd Quarter ended 30 June 2010.

25 NOVEMBER

Unaudited interim results for the 3rd Quarter ended 30 September 2010.

DIVIDEND PAYMENTS

29 MARCH

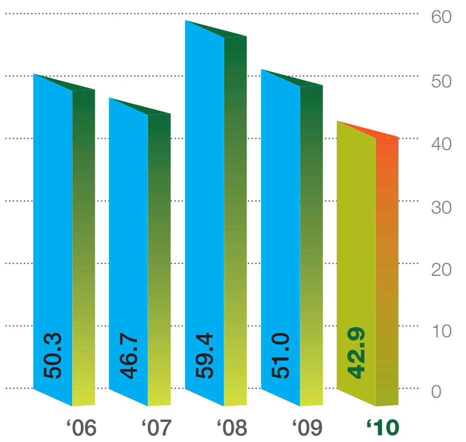
2nd interim gross dividend of 4.0 sen per share less income tax at 25%, for the financial year ended 31 December 2009.

5-YEARS FINANCIAL HIGHLIGHTS

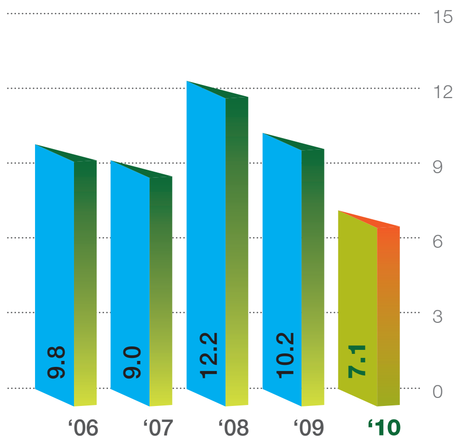
	2006 RM MIL	2007 RM MIL	2008 RM MIL	2009 RM MIL	2010 RM MIL
Profitability					
Revenue	142.9	191.0	226.4	158.9	171.8
EBITDA	52.2	50.2	70.1	64.3	49.5
Profit Before Taxation	50.3	46.7	59.4	51.0	42.9
Profit for the Financial Year	35.6	33.1	46.3	39.0	28.4
Key Balance Sheet Items					
Total Assets	351.6	604.6	664.0	560.4	542.1
Total Borrowings	7.9	226.1	232.6	122.4	2.8
Total Shareholders' Equity	313.5	329.1	351.6	375.5	478.5
No. of Shares in Issue	373.4	375.4	376.6	376.7	436.5
Segmental Information					
Revenue					
- Water	131.6	126.3	135.9	135.5	141.0
- Construction	9.0	108.9	137.9	13.8	35.7
- Waste Management	8.2	9.6	15.0	17.2	14.4
- Investment Holding	34.5	84.9	37.7	2.1	8.0
- Elimination	(40.4)	(138.7)	(100.1)	(9.7)	(27.3)
	142.9	**191.0**	**226.4**	**158.9**	**171.8**
Profit Before Taxation					
- Water	49.8	47.2	50.9	54.1	56.4
- Construction	1.3	7.5	11.6	3.5	1.6
- Waste Management	0.1	(0.3)	4.0	2.6	0.9
- Investment Holding	28.2	75.9	34.1	(0.2)	(7.6)
- Elimination	(29.4)	(83.0)	(33.0)	(0.4)	(6.1)
- Finance Cost	(0.6)	(1.5)	(14.5)	(16.1)	(15.2)
- Share of Results of Jointly Controlled Entity	-	0.3	5.7	6.9	12.2
- Share of Results of Associated Companies	0.9	0.6	0.6	0.6	0.7
	50.3	**46.7**	**59.4**	**51.0**	**42.9**
Key Financial Ratio					
Gross dividend per share (sen)	10.00	9.50	6.25	6.00	1.50
Net Assets Per Share (sen)	84.0	87.7	93.4	99.7	109.6
Earnings Per Share (sen)					
- Basic	9.8	9.0	12.2	10.2	7.1
- Fully Diluted	9.4	8.4	11.1	9.7	7.0
Return On Equity (%)	12.1	10.3	13.6	10.6	6.7
Return On Assets (%)	10.3	6.9	7.3	6.3	5.2
Dividend Payout ratio (%)	76.2	79.4	37.9	43.5	17.3
Debt To Equity ratio (%)	2.5	68.7	66.2	32.6	0.6

5-YEARS FINANCIAL HIGHLIGHTS
(cont'd)

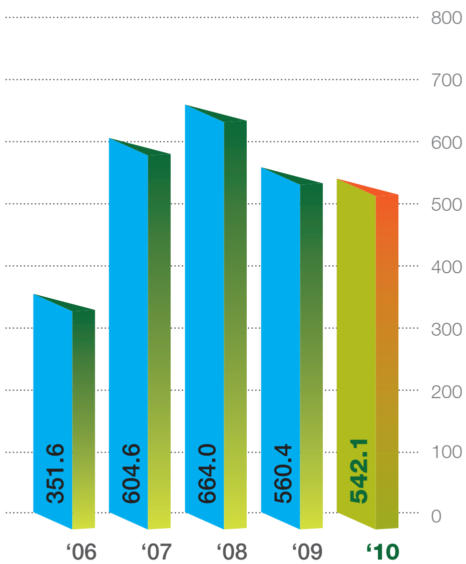
PROFIT BEFORE TAXATION (RM MILLION)



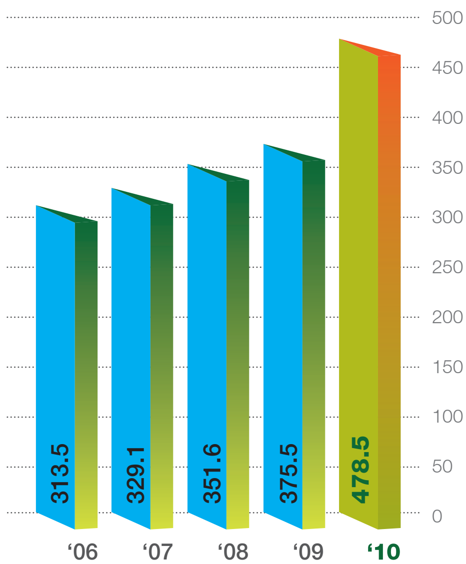
BASIC EARNINGS PER SHARE (SEN)



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

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

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

DIRECTORS' PROFILE

ENCIK SUHAIMI BIN KAMARALZAMAN

Chairman / Non-Independent Non-Executive Director

Encik Suhaimi bin Kamaralzaman, a Malaysian aged 43 was appointed to the Board of Taliworks on 23 May 2011 whereupon he was elected as the Chairman.

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

Currently, Encik Suhaimi is the Managing Director/Chief Executive Officer of Kumpulan Perangsang Selangor Berhad ("KPS"). Prior to joining KPS, he was the Deputy Chief Executive Officer of Melewar Industrial Group ("MIG") from July 2009 until February 2010. Subsequently, he was appointed as the Managing Director/Chief Executive Officer of MIG, a position held since March 2010 until he resigned in May 2011.

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

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

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

MR. LIM YEW BOON

Executive Director

Mr. Lim Yew Boon, a Malaysian aged 52 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.

He has attended all the Board of Directors' meeting held during the financial year of the Company.

Mr. Lim is also an Executive Director of Amalgamated Industrial Steel Berhad.

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

Y. BHG. DATO' HJ MOHD SINON BIN MUDAKIR

Senior Independent Non-Executive Director

Y. Bhg. Dato' Hj Mohd Sinon, a Malaysian aged 60 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 the 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 in, *inter alia*, construction and utility projects.

Dato' Hj Mohd Sinon has attended all the 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 Abd Aziz Shah Al - Haj, a Malaysian aged 56 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 three (3) out of the four (4) Board of Directors' meeting held during the financial year of the Company.

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 60 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*, transportation and construction industries.

Dato' Hj Abdul Karim has attended all the Board of Directors' meeting held during the financial year of the Company.

ENCIK SULAIMAN BIN SALLEH

Independent
Non-Executive Director

Encik Sulaiman bin Salleh, a Malaysian aged 66 was appointed to the Board on 25 February 2002. Encik Sulaiman is a member of the Malaysian Institute of Accountants.

Encik Sulaiman was attached to the 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 the Examiner of the Inland Revenue Department from 1969 to 1972.

Encik Sulaiman is a Director of Mayban Life Assurance Berhad, PTB Unit Trust 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 Board of Directors' meeting held during the financial year of the Company.

MR. WONG YIEN KIM

Non-Independent
Non-Executive Director

Mr. Wong Yien Kim, a Malaysian aged 57 was appointed to the Board on 1 October 2007. He 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 the Chief Accountant for several of KPS' subsidiaries. Prior to joining KPS, Mr. Wong was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance.

He is currently the Senior General Manager Finance of KPS as well as the Vice President, Finance of Kumpulan Darul Ehsan Berhad.

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

MR. LIM CHIN SEAN

Non-Independent
Non-Executive Director

Mr. Lim Chin Sean, a Malaysian aged 30 was appointed to the Board on 23 May 2011. He holds a Bachelor of Computer System Engineering (Honours) degree from University of Kent, United Kingdom.

Mr. Lim joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services.

He presently sits on the Board of Amalgamated Industrial Steel Berhad and several private limited companies.

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

MR. LIM CHOON ENG

Independent
Non-Executive Director

Mr. Lim Choon Eng, a Malaysian aged 52 was appointed to the Board on 23 May 2011. He holds a Diploma in Accounting from the London Chamber of Commerce & Industry, a Diploma in Financial Markets from the Securities Institute of Australia, a Bachelor of Economics from Sydney University, Australia and a Master of Applied Finance from Macquarie University, Australia. He has also attended an Advance Management Program at the Wharton School of Business, University of Pennsylvania.

Mr. Lim is a fellow of the Australian Institute Banking and Finance, a senior associate member of the Securities Institute of Australia, and an associate member of the Associate Cambiste Internationale, Geneve, Switzerland as well as the Malaysian Options and Financial Industry respectively.

From 1994 to 2008, Mr. Lim has served in various senior positions in the Maybank Group. He was the Executive Director/Chief Executive Officer of Mayban Futures Sdn Bhd (1994-2000), Head of Group Market Risk Division (2000-2005), Chief Executive Officer/Executive Director for Mayban Securities Sdn Bhd (2005-2007) before taking up the position of Executive Director/Chief Operating Officer of Maybank Investment Bank Berhad from April 2007 until December 2008.

Mr. Lim presently sits on the Board of Directors of Sumitomo Mitsui Banking Corporation and several other private limited companies.

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

Encik SUHAIMI BIN KAMARALZAMAN
Chairman

Dear Valued Shareholders,

ON BEHALF OF MY FELLOW BOARD MEMBERS, I AM PLEASED TO PRESENT TO YOU THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF TALIWORKS CORPORATION BERHAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010.

Although I recently took over as Chairman of the Company from Y. Bhg. Dato' Haji Abd. Karim Munisar, I have been brought up to speed by my fellow directors on a number of significant and profound events, notably our continued appetite to invest into the vast and promising waste management business in China. Our unrelenting thirst to seek out new opportunities offshore is in sync with our ambition to be a leading water, waste management and infrastructure service provider within the region. To crystallise this ambition, we have indeed taken bold steps to place ourselves at the next phase of growth by spreading our wings and enlarging our footprint into the Chinese market. Despite concerns being raised about the overheated economy, we remain steadfastly confident on the long term prospects of China, which is the second largest global economy today.

By all accounts, last year was a tough and challenging year for Taliworks especially from issues relating to the on-going restructuring in the local water sector. From the macro perspective, although key economic indicators have been gradually improving and remain resilient, particularly in the Asian region and other emerging markets, the outlook for the rest of the developed world is still mired in a fragile and uneven recovery pattern.

In the local front, the economic landscape was abuzz with the announcement of the Economic Transformation Program ("ETP") by the government to catapult the country into the category of a high income nation anchored on an innovative-driven and knowledge-based business model. There has been a growing clarion call for Malaysia to gradually weave off from being a low-cost and labour intensive economy and strive to model itself against the likes of other successful nations that share a similar population demographics or land size.

Against the back drop of higher private and public sector spending from easy access to financing, low cost of borrowings and ample liquidity from the financial system, the Malaysian economy registered a better than expected growth of 7.2% for 2010 compared to a severe contraction of 1.7% a year ago. The central bank has managed to maintain accommodative monetary policies to support the domestic economic activities. Going forward, the rising inflationary pressures, particularly from high fuel prices following the disruption in supply, demand from high-growth countries and speculative activities could pose a serious concern to both the domestic and regional economic landscape. It is expected that the pace of growth of the Malaysian economy will be affected by the environment of moderating external demand. Nevertheless, growth is anticipated to be supported by continued firm expansion in domestic demand, which is the biggest driver of economic growth.

FINANCIAL AND BUSINESS PERFORMANCE

For the fiscal financial year ended 31 December 2010, the Group posted a lower profit after tax of RM28.4 million (2009: RM39.0 million) which translated into earnings per share of 7.1 sen (2009: 10.2 sen). For the same period, the Group chalked up revenue of RM171.8 million (2009: RM159.0 million).

The performance from each of the business sectors is mixed with the water treatment and distribution business generating the bulk of revenue and profits. This business segment alone contributed revenue of RM142.3 million, 5% higher than RM135.5 million recorded a year ago. The contribution from the Group's waste management business in China stood at RM13.8 million, a slight deterioration from RM15.6 million attained previously. Nevertheless, we expect that this segment will be the main propeller of growth for Taliworks in tandem with the several wastewater projects in China that were clinched during the year.

DIVIDENDS

As a general policy, the Board is committed to build 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.

During the year, Taliworks has fully redeemed its outstanding convertible bonds, repaying about RM125.7 million and leaving the Group almost debt-free to gear up in the future to expand its profile in China. We are at the final stages of wrapping up a major wastewater project in Yinchuan, China which would require a cash outlay of close to RM145 million.

Nevertheless, to reward our shareholders, the Company has distributed cash payment of RM11.3 million back to shareholders during the year as dividends. The Board is pleased to recommend the payment of a final gross dividend of 1.5 sen per share, less income tax of 25%, which is subject to your approval at the forthcoming Annual General Meeting of the Company.

FUTURE OUTLOOK AND PROSPECTS

The battle to stay competitive and relevant in today's business dynamics and the threat of being sidelined in an ever increasingly globalised world, demands the Board's full and undivided attention to explore fresh avenues of growth. As it stands today, Taliworks has been reaping the benefits from the water treatment and distribution business that it operates in Malaysia which undoubtedly provides a steady, sustained and long term stream of recurring income.

One of the key thrust of our business strategy is to leverage on our existing strength and competencies and replicate them in other business operations in China. Our business model to be actively engaged in concession-based business activities should provide the necessary impetus for the Board to raise the bar and step up to the challenge to deliver the desired results and performance to an increasingly demanding and informed market.

We are standing at a crossroad to either remain where we are today or make a calculated move to investing for the future. Our desire to further expand our presence into China is an indication of our single-minded focus to fast track the realisation of our corporate vision so as to lay a solid foundation for an upward and sustained growth trajectory for Taliworks. As the global economy gradually recovers, the Board stands united in its voice in expressing its confidence that the long term prospects of the Group remain intact.

ACKNOWLEDGEMENT

Over the years, our dedicated and industrious staff force remains the back bone of the organisation that has built an impeccable reputation that the Group currently enjoys. This skilled talent pool remains as one of the more important and valuable core assets that the organisation possesses. Therefore, on behalf of the Board, I wish to express our utmost gratitude to them. In addition, I also wish to extend my thanks to my fellow Board members for their constructive feedbacks and their dedication in discharging their fiduciary duties and responsibilities.

I would also like to place on record our appreciation to Y. Bhg. Dato' Haji Abd. Karim Munisar, who had served in the capacity as Chairman of the Company since 2004 and to both Y. Bhg. Dato' Lim Chee Meng, the Executive Deputy Chairman and Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, a Non-Independent Non-Executive Director, both of whom had recently tendered their resignation from the Board after serving more than 10 years with the Company. We are indeed grateful for their valuable contribution during their tenure and we like to wish them well in their future endeavours.

The Board of Taliworks also saw a few other board changes with the appointments of two new directors, Mr. Lim Chin Sean, a Non-Independent Non-Executive Director and Mr. Lim Choon Eng, an Independent Non-Executive Director and I wish to welcome them to the Board. We are indeed fortunate to have them with us and look forward to their contribution.

I wish to express my thanks to my fellow board members for nominating me to helm the Company as the new Chairman and I will endeavour to carry out the duties and responsibilities entrusted onto me.

We recognise building long term relationship and earning the trust of all our stakeholders as being vital to our success and reputation as a well-managed organisation. Therefore, we will continue with our efforts and strive to enhance and deepen our core values that place importance to the virtues of integrity, mutual respect, transparency and care for the environment in our business dealings. We will also endeavour to embrace sustainable business practices as a corporate agenda to create a durable and positive impact to our businesses and in the places that we operate.

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.

Thank you.

SUHAIMI BIN KAMARALZAMAN
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 2010.

Sungguhpun saya baru sahaja mengambil alih jawatan Pengerusi Syarikat dari Y. Bhg. Dato' Haji Abd. Karim Munisar, saya dengan bantuan rakan-rakan pengarah cepat menanggap mengenai perkembangan beberapa peristiwa penting dan signifikan, terutamanya kemahuan berterusan kita untuk melabur ke dalam perniagaan pengurusan sisa buangan di China yang semakin berkembang dan mempunyai masa depan yang cerah. Kesungguhan Syarikat untuk mencari peluang-peluang baru luar pesisir adalah sejajar dengan cita-cita kita untuk menjadi pembekal perkhidmatan air, pengurusan sisa buangan dan infrastruktur yang terkemuka di rantau ini. Bagi mencapai cita-cita tersebut, kita telah mengambil langkah berani untuk menempatkan diri kita di peringkat pertumbuhan berikutnya dengan mengembangkan sayap dan membesarkan tapak operasi kita di pasaran China. Di sebalik kebimbangan terhadap perkembangan ekonomi yang terlampau cepat telah dibangkitkan, kita tetap yakin akan prospek jangka panjang China, yang merupakan ekonomi global kedua terbesar hari ini.

Tahun lepas merupakan tahun yang sukar dan mencabar bagi Taliworks terutamanya isu–isu berkenaan dengan penyusunan semula yang sedang dilaksanakan dalam sektor air domestik. Dari sudut makro, walaupun petunjuk ekonomi utama telah memperlihatkan peningkatan dan kekal bertahan, terutamanya di rantau Asia dan pasaran baru muncul yang lain, harapan masa depan bagi dunia maju selebihnya masih lagi berada dalam corak pemulihan yang rapuh dan tidak sekata.

Di dalam negara pula, landskap ekonomi telah menjadi hangat dengan pengumuman Program Transformasi Ekonomi ("ETP") oleh kerajaan untuk melonjakkan negara ke kategori negara yang berpendapatan tinggi serta berteraskan model perniagaan berasaskan inovasi dan berpengetahuan. Malaysia semakin terpanggil untuk secara beransur-ansur beralih daripada ekonomi kos rendah dan intensif buruh kepada model negara–negara yang lebih berjaya yang mempunyai demografi populasi atau saiz tanah yang hampir sama.

Berlatar belakangkan perbelanjaan sektor awam dan swasta yang lebih tinggi akibat daripada akses mudah kepada pembiayaan, kos pinjaman yang rendah dan mudah tunai yang mencukupi dalam sistem kewangan, ekonomi Malaysia mencatatkan pertumbuhan yang lebih baik daripada yang dijangkakan iaitu sebanyak 7.2% pada 2010 berbanding dengan pengecutan yang teruk sebanyak 1.7% setahun yang lepas. Bank Negara telah berjaya mempertahankan polisi-polisi kewangan akomodatif bagi menyokong aktiviti–aktiviti ekonomi domestik. Maju ke hadapan, peningkatan tekanan inflasi, terutamanya akibat daripada harga minyak yang lebih tinggi berikutan gangguan dalam bekalan, permintaan dari negara-negara pertumbuhan tinggi dan aktiviti-aktiviti spekulatif boleh menyebabkan masalah serius terhadap kedua-dua landskap ekonomi domestik dan serantau. Adalah dijangkakan bahawa kadar pertumbuhan ekonomi Malaysia akan dipengaruhi oleh persekitaran permintaan luar yang sederhana. Namun begitu, adalah dijangkakan bahawa pertumbuhan akan disokong oleh pengembangan permintaan domestik berterusan yang mana merupakan pemacu utama kepada pertumbuhan ekonomi.

PRESTASI KEWANGAN DAN PERNIAGAAN

Bagi tahun fiskal yang berakhir pada 31 Disember 2010, Kumpulan telah mencatat keuntungan selepas cukai yang lebih rendah sebanyak RM28.4 juta (2009: RM39.0 juta) yang bermakna pendapatan setiap saham sebanyak 7.1 sen (2009: 10.2 sen). Untuk tempoh yang sama, perolehan Kumpulan mencatat peningkatan RM171.8 juta (2009: RM159.0 juta).

Prestasi setiap sektor perniagaan adalah pelbagai dengan perniagaan rawatan dan pengagihan air yang menghasilkan sebahagian besar perolehan dan keuntungan. Segmen perniagaan ini menyumbangkan perolehan sebanyak RM142.3 juta, 5% lebih tinggi daripada RM135.5 juta yang dicatatkan pada tahun lepas. Sumbangan dari perniagaan pengurusan sisa buangan di China adalah sebanyak RM13.8 juta, mengalami sedikit kemerosotan dari RM15.6 juta yang diperolehi sebelum ini. Walaupun begitu, kami menjangkakan bahawa segmen ini bakal menjadi pemacu pertumbuhan utama Taliworks sejajar dengan beberapa projek air sisa buangan di China yang berjaya diperoleh pada tahun ini.

DIVIDEN

Pada dasarnya, Lembaga komited untuk membina nilai pemegang saham untuk jangka masa panjang melalui pengembangan perniagaan bagi memastikan kemapanan jangka panjang pembayaran dividen kepada para pemegang saham. Jumlah pembayaran dividen bergantung kepada antara lainnya, prestasi kewangan Kumpulan, keperluan kendalian dan dana yang diperlukan untuk diperuntukkan bagi pengembangan perniagaan masa hadapan.

PENYATA PENGERUSI

Dalam tahun ini, Taliworks telah menebus kesemua bon boleh tukar yang masih ada, membayar balik lebih kurang RM125.7 juta dan menyebabkan Kumpulan hampir bebas-hutang untuk mempertingkatkan perkembangan profilnya di China di masa hadapan. Kita berada di peringkat akhir bagi memuktamadkan projek air sisa buangan yang utama di Yinchuan, China yang memerlukan perancangan tunai hampir RM145 juta.

Namun begitu, untuk menghargai para pemegang saham, Syarikat telah mengagihkan pembayaran balik tunai sebanyak RM11.3 juta dalam tahun ini kepada pemegang saham sebagai dividen. Lembaga dengan sukacitanya mengesyorkan pembayaran dividen kasar akhir sebanyak 1.5 sen setiap saham, tolak 25% cukai pendapatan, yang adalah tertakluk kepada kelulusan anda pada Mesyuarat Agung Tahunan Syarikat akan datang.

HARAPAN DAN PROSPEK MASA HADAPAN

Perjuangan untuk terus kekal berdaya saing dan relevan dalam persekitaran dinamik perniagaan hari ini dan ancaman yang akan diketepikan dalam persekitaran globalisasi dunia yang semakin meningkat, menuntut perhatian penuh Lembaga bagi mengenal pasti potensi pertumbuhan baru. Taliworks telah menikmati beberapa manfaat daripada perniagaan rawatan air dan pengagihan yang dikendalikan di Malaysia, yang sememangnya tidak diragui lagi telah menyediakan perolehan berulang yang mantap, terus-menerus dan bersifat jangka panjang.

Salah satu tunjang utama strategi perniagaan ialah menggunakan kelebihan kekuatan dan daya saing sedia ada kita dan mengguna pakai yang sama untuk operasi-operasi perniagaan lain di China. Model perniagaan kita untuk terlibat secara aktif dalam aktiviti-aktiviti perniagaan berdasarkan-konsesi memberikan dorongan yang diperlukan oleh Lembaga untuk meningkatkan prestasi dan menerima cabaran untuk memberikan keputusan dan prestasi yang dikehendaki sejajar dengan peningkatan tuntutan dan maklumat pasaran .

Kita berada di persimpangan samada untuk kekal seperti sedia ada atau membuat gerakan terancang bagi pelaburan masa hadapan. Hasrat kita untuk mengembangkan kehadiran kita di China merupakan contoh jelas akan iltizam kita untuk mempercepatkan lagi wawasan korporat untuk membina tapak yang kukuh dan merealisasikan trajektori pertumbuhan yang stabil bagi Taliworks. Memandangkan ekonomi global semakin pulih, Lembaga bersepakat menyatakan keyakinan mereka bahawa prospek jangka panjang Kumpulan kekal kukuh.

PENGHARGAAN

Sehingga kini, kakitangan kita yang berdedikasi dan tekun masih lagi menjadi tulang belakang organisasi yang telah membina reputasi baik yang dinikmati oleh Kumpulan ketika ini. Pasukan yang berkemahiran tinggi ini merupakan antara aset–aset utama organisasi yang amat penting dan bernilai. Oleh itu, bagi pihak Lembaga, saya ingin menyampaikan setinggi-tinggi penghargaan kepada mereka. Selain daripada itu, saya juga ingin mengucapkan terima kasih kepada rakan–rakan Lembaga di atas pandangan membina dan dedikasi mereka dalam melaksanakan tugas–tugas fidusari dan tanggungjawab yang telah diamanahkan.

Saya juga ingin merakamkan setinggi-tinggi penghargaan kepada Y. Bhg. Dato' Haji Abd. Karim Munisar yang telah berkhidmat sebagai Pengerusi Syarikat sejak 2004 dan kepada Y. Bhg. Dato' Lim Chee Meng, Naib Pengerusi Eksekutif, dan Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, Pengarah Bukan Bebas Bukan Eksekutif. Mereka telah meletakkan jawatan daripada Lembaga setelah berkhidmat dengan Syarikat lebih daripada 10 tahun. Kami amat terhutang budi dengan sumbangan bermakna mereka sepanjang tempoh perkhidmatan mereka dan kami mengucapkan selamat maju jaya kepada mereka dalam apa jua bidang yang diceburi pada masa hadapan.

Lembaga Pengarah Taliworks juga menyaksikan beberapa perubahan lembaga dengan pelantikan dua orang pengarah baru iaitu Encik Lim Chin Sean, Pengarah Bukan Bebas Bukan Eksekutif dan Encik Lim Choon Eng, Pengarah Bebas Bukan Eksekutif dan saya mengalu–alukan perlantikan kedua–dua pengarah ini ke Lembaga. Kita amat bertuah kerana mereka dapat turut bersama dan kita menunggu sumbangan mereka.

Saya ingin mengucapkan terima kasih kepada rakan–rakan Lembaga kerana telah mencadangkan saya untuk menerajui Syarikat selaku Pengerusi yang baru dan saya bertekad untuk melaksanakan tugasan dan tanggungjawab yang telah diamanahkan kepada saya dengan sebaik mungkin.

Kami sedia maklum bahawa dengan adanya hubungan jangka panjang dan kepercayaan semua pihak yang berkepentingan adalah amat penting bagi mendorong kepada kejayaan dan reputasi sebagai organisasi yang diurus dengan baik. Oleh itu, kami akan berusaha ke arah menambah baik dan mempertingkatkan lagi nilai–nilai utama yang berteraskan integriti, persefahaman bersama, ketelusan dan menjaga alam sekitar dalam urusan perniagaan. Kami juga bertekad untuk merangkul amalan perniagaan yang berterusan sebagai agenda korporat untuk mencipta impak positif terhadap perniagaan-perniagaan dan kawasan-kawasan di mana kita beroperasi.

Akhir sekali dan tidak kurang pentingnya, saya ingin mengucapkan terima kasih kepada semua pemegang saham atas sokongan yang tidak berbelah bahagi dan kepercayaan berterusan tuan-tuan.

Terima kasih.

SUHAIMI BIN KAMARALZAMAN
Pengerusi

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

WE HAVE COME TO A CRITICAL JUNCTURE IN THE PROGRESS OF THE GROUP AND WE NEEDED A NEW IMPETUS THAT IS ABLE TO KEEP THE GROWTH MOMENTUM GOING.

MR. LIM YEW BOON
Executive Director

It has been a year since I assumed my present role as the Executive Director of Taliworks. A lot of efforts have been expended to steer the Group through the turbulence from the impact of the global financial crisis that took hold the year before, and this included putting together a more robust framework in addressing key risk issues and strengthening our internal reporting processes. Despite the many obstacles placed along the way and the numerous headwinds that were encountered, we continued to leverage on our strength and galvanising the necessary resources to chart a course for a pattern of sustained growth for the Group. We have come to a critical juncture in the progress of the Group and we needed a new impetus that is able to keep the growth momentum going.

Needless to say, considerable time and energy has been spent scouring suitable and viable investments that match our business profile and I am pleased to say that our endeavours have borne some success when the Group took the opportunity to seal three waste management projects in China. The procurement of these projects were indeed well-timed as it was after a lapse of several years since we last invested into what most regarded as the "economic hotspot not to be ignored". With these projects in hand, we hope to further entrench our position and pave the way for more investments to be made in line with our strategy to expand our businesses to reflect diversification across markets and geographical regions. We wish to send a clear and concise message to our stakeholders that we are ready to take the quantum leap to have the offshore businesses contributing significantly to the top line growth in the medium term.

Much water has flowed under the bridge since the onset of the global financial crisis and its contagion effect. Whilst certain parts of the world are still caught up with reviving their fledging economies, the economies of the developing countries have powered ahead due to their stronger fundamentals. With this in mind, we foresee that our future lies squarely within this dynamic region and we will continue to engage ourselves to tap into the vast opportunities, especially in the waste management sector in China.

China is currently undergoing an important strategic period of economic and social development. Environmental degradation, ecological destruction and potential risks to public health are grave economic realities today and they have become key restraining factors towards the sustainable economic growth and harmonious societal development in that country. China has and continues to implement a number of environmental policies in relation to air and water pollution and solid waste disposal including instituting several key policy measures in the field of environmental protection. We see this as a window of opportunity in setting our sights to engage ourselves in this growing sector to deliver the earnings growth for the Group.

In the domestic front, the on-going Selangor water sector restructuring exercise continues to be one of the key challenges faced by the Group and the water industry. We hope that the issue can be expeditiously and amicably be resolved by both the federal and state governments so as not to jeopardise the interest of all stakeholders' concern. In the meantime, the Group remains vigilant on major developments within the industry.

FINANCIAL PERFORMANCE REVIEW

Summary of the Group's Financial Performance at a Glance

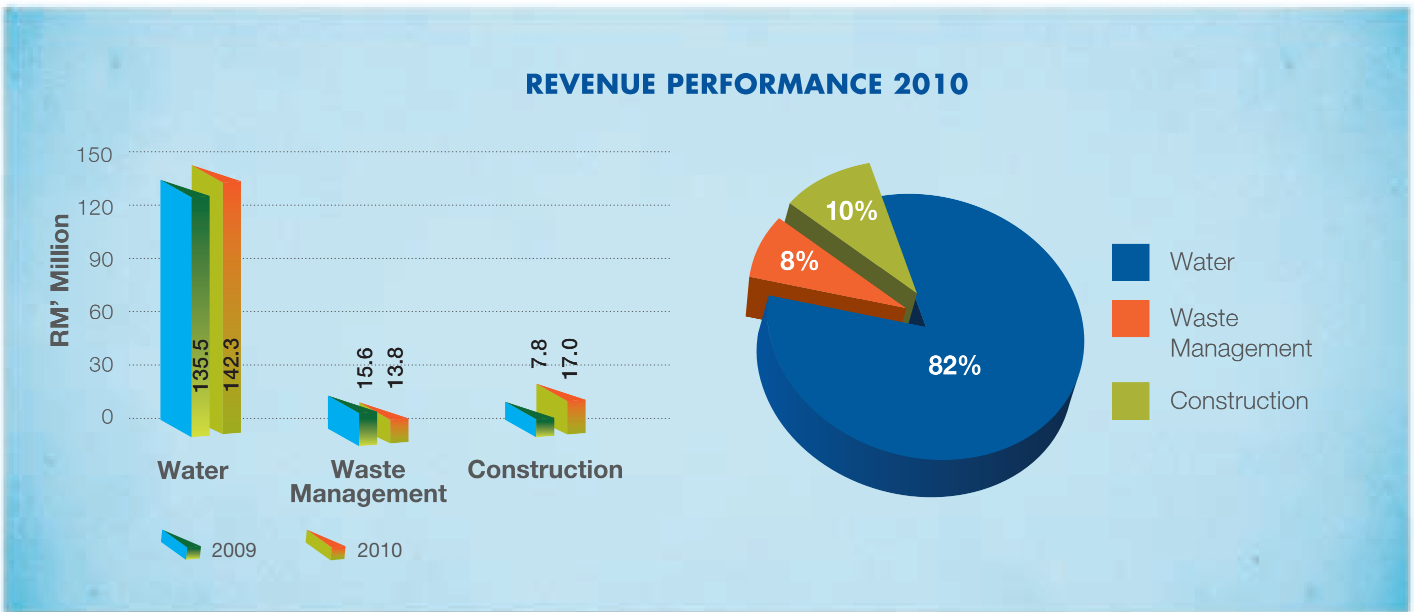
	2010 RM MIL	2009 RM MIL
Financial Results		
Revenue	171,836	158,917
Operating Profit	45,295	59,609
Profit before tax	42,958	51,046
Financial Position		
Total assets employed	542,062	560,448
Shareholders' Equity	478,518	375,473
Key Financial Ratio		
Basic EPS (sen)	7.1	10.2
Net asset per share (sen)	109.6	99.7
Return on Equity (%)	6.7	10.6
Return on Assets Employed (%)	5.2	6.3
Debt-to-equity (%)	0.6	32.6

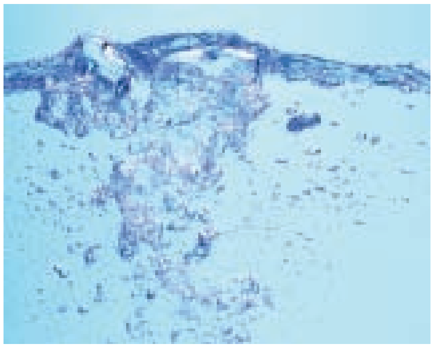
For the year in review, the Group posted higher revenue of RM171.8 million compared to RM158.9 million achieved a year ago. This was attributed to the increase in contribution from both the water and construction divisions which recorded a turnover of RM142.3 million (2009: RM135.5 million) and RM17.0 million (2009: RM7.8 million) respectively during the financial year.

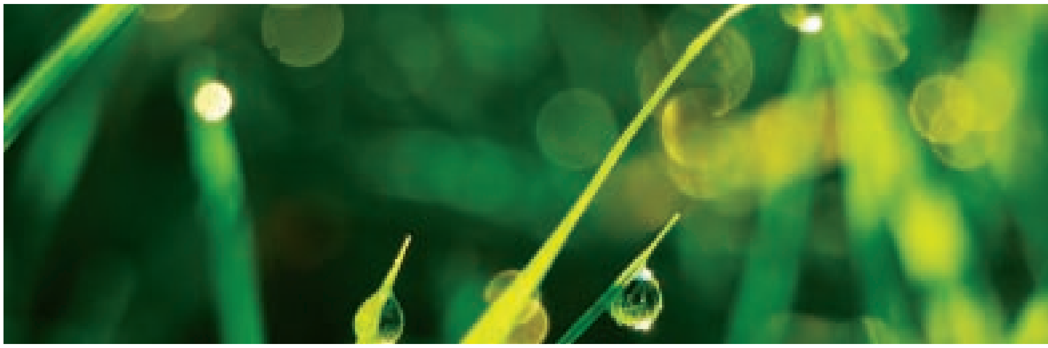
Revenue from the water division contributed close to 82% of the Group revenue. This division registered better performance due to higher production from the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") undertaken by Sungai Harmoni Sdn Bhd ("SHSB") and higher metered sales from Taliworks (Langkawi) Sdn Bhd ("TLSB"), two of the main operating subsidiaries.

The Group's profit before taxation saw a substantial decline to RM42.9 million as compared to RM51.0 million achieved the year before primarily from lesser profits recorded in both the waste management and construction sectors as well as a net charge of RM9.2 million arising from the early redemption of the Company's convertible bonds by bondholders. With a sizeable reduction in external borrowings, the borrowing costs for next year would be substantially minimised.

The water business continued to lead the way with substantial contribution of RM56.4 million (2009: RM54.1 million) in pre-tax profits brought about by higher production levels and metered sales. Group's share of results from Cerah Sama Sdn Bhd, the parent company of Grand Saga Sdn Bhd, the toll concessionaire for the Cheras-Kajang Highway also saw a higher contribution of RM12.2 million (2009: RM6.9 million) due to the increase in both the average daily traffic and higher recognition of government compensation claims arising from a change in the company's accounting policy in recognising such claims.







BUSINESS SECTOR REVIEW

Water & Engineering Division

As the Malaysian economy improved further in tandem with the global economy, improving business activities especially in the industrial and services sectors helped to drive water demand growth into the positive territory, especially in the operating areas managed by SHSB and TLSB. Despite the positive growth trend and prospects for continued growth in the short term, the water services industry in general was unsettled owing to several unresolved issues arising from the consolidation of the state water supply agencies and concessions under the Water Supply Industry Act 2006 ("WSIA") which came into force on 1 January 2008. Although Malaysia's GDP registered a growth of 7.2% in 2010 compared to the negative growth of 1.7% the year before, growth in the coming year is expected to moderate to about 5-6% on expectation of moderate growth in the advanced economies and normal growth rates by the Asian economies. Nevertheless, the growth trend remains positive and should support continued water demand growth in the year ahead, albeit on a modest scale.

Sungai Harmoni Sdn. Bhd.

SHSB registered an improved output of 270.31 million cubic metres or 741 million litres per day of treated water over the year in review, representing a rise of 4.8% over that of the previous year of 707 million litres per day.

The rise in output was attributed to a general rise in consumer demand in tandem with Malaysia's gradually improving economy. The improved performance appears to signal that the low point of the previous year had bottomed out and the output path was now on an uptrend. With the economy projected to maintain a healthy growth next year, it is expected that barring unforeseen circumstances, water demand growth will remain buoyant albeit modest with SHSB expected to see continued growth in output of about 2 - 3%.

With rain falling over the catchment over most of the year and keeping the Sungai Selangor Dam and Sungai Tinggi Dam at full service levels by year end, there were sufficient storage reserves to provide the regulating needs of the SSP1, SSP2 and SSP3 water treatment plants during the dry season. However, there was a marked deterioration in raw water quality wherein pollutants such as high levels of colour, manganese, ammonia, fluoride and turbidity were detected in the river source throughout the entire year and this resulted in frequent adjustments to the dosing regime to achieve the required clarification of water to the required quality at the expense of significantly higher unit chemical costs. These problems are suspected to be caused by uncontrolled land and industrial development activities within the upstream catchment and can be expected to worsen in future. Nevertheless, SHSB will constantly exercise vigilance in meeting, detecting, responding to and overcoming such problems in a timely manner to ensure continued production of treated water of the required quality and quantity at all times. On the other hand, unit electrical costs have been kept at a manageable level through the application of an efficient pumping regime while unit operation costs have also been managed through a comprehensive maintenance programme and rolling rehabilitation programme.

SHSB has achieved a measure of operational excellence in carrying out its responsibilities to manage and operate the SSP1 water treatment plant to produce water of the required quality and quantity at all times through achieving and maintaining 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.

The attempts by both the federal and state governments to consolidate the Selangor water concessions under the WSIA has not been resolved by year end and the mounting trade receivables will continue to weigh on the company until the issue is finally resolved.

Taliworks (Langkawi) Sdn. Bhd.

TLSB posted another robust year of results by registering a metered consumption volume of 16.94 million cubic metres or an average of 46.4 million litres per day, up 4.7% from the previous year. This represented the 11th consecutive year of growth since 2000 and reflects the continuing growth and development of the Langkawi economy. Despite the challenges posed by adverse weather, conflicts, regional political upheaval, epidemics and global financial turmoil over the past decade, Langkawi's hospitality and services oriented economy has turned out to be particularly resilient. Its slow but sure growth on a year-on-year basis has underpinned the growth in water demand, both in the domestic and non-domestic sectors. With Malaysia's economy projected to improve further in the coming year, it is expected that barring unforeseen events on the horizon, water demand growth will remain positive, though likely to remain along the 4%-5% growth path of the past few years.

The pronounced dry season that set in mid-year depleted raw water sources, especially the Malut Dam storage reserves which required to be replenished through pumping operations during the last two quarters of 2010. Fortunately, rain during the last quarter helped to boost the dam level to nearly full capacity and provided a measure of confidence of adequate reserves to meet the abstraction needs of the Langkawi water treatment plants for the coming dry season. However, the extended pumping operations resulted in higher unit electrical costs compared to the previous year. Despite several bouts of pollution of the raw water source, unit chemical costs were moderated down compared to the previous year owing to effective and timely controls of the water quality monitoring and dosing systems. Despite the twin challenges of managing the unit electrical and unit chemical costs, the unit operation cost was managed very closely and kept almost unchanged from the previous year through close monitoring and optimal implementation of the O&M and rehabilitation programmes.

Towards ensuring continued excellence in water quality testing standards, both the Sungai Baru and Padang Saga laboratories have retained their accreditation under the Skim Akreditasi Makmal Malaysia ("SAMM") to ISO/IEC 17025 quality standard.

As with SHSB, TLSB is also currently striving to resolve the issues arising from the implementation of the WSIA with the authorities concerned in anticipation of a resolution of the increasing trade receivables that has been building up over the past two years.

ENGINEERING & CONSTRUCTION DIVISION

It was a fairly quiet year for the Group in terms of construction activities as no new projects were secured. The Group is currently at the tail end of completing the design and construction of the water supply system for the Padang Terap Water Supply Scheme in Kedah, with completion expected to be in the second quarter of 2011.

Nevertheless, with the various Entry Point Projects ("EPP") contemplated under the National Key Economic Areas ("NKEAs") of the ETP and the government's push to accelerate the roll out of the NKEAs to rapidly deliver the Gross National Income ("GNI") impact in line with the ETP Roadmap, it augurs well for the Group as the initiatives provide the Group with the opportunity to participate in some of the infrastructure-related projects within the EPP. The 10th Malaysian Plan 2011- 2015 that charts the economic development of the country for the next 5 years is also another avenue for the Group to play its role in assisting the government to deliver the desired outcome towards achieving a developed nation status as what the plan has envisaged.

Riding on the momentum of successfully completing the earlier projects, the Group is cautiously optimistic that it would be able to get hold of some projects to replenish its order book and contribute top line growth to the Group. The Group remain focus 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.

WASTE MANAGEMENT DIVISION

Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM manages, operates and maintains the Tianjin Panlou Life Waste Transfer Station and its related assets for a duration of 21 years ending 2025. It has been six years since the Group first acquired the concession and ever since then, the throughput at the transfer station has been on the uptrend. From 2005 to 2009, the station registered a compounded annual growth rate of 5.0%. In 2009, the tonnage of waste processed stood at 362,028 tonnes (992 tonnes/day) compared to the current year's 323,134 tonnes (965 tonnes/day) as a result of a month long closure of operations to facilitate a major refurbishment of the compaction system due to normal wear and tear usage.

Arising from the cost management measures that were effectively adopted in the previous year, the average cost to process a tonne of waste was well contained despite the higher cost on fuel, which is one of the key components of costs. The fuel cost is anticipated to remain high due to the unrelenting high prices amidst the price volatility confronting the global market and this is expected to affect the margins if the high fuel prices continue to trend north. Inflation remains a key risk for the operations with the policymakers in China moving to a more prudent monetary stance to rein in inflation with a few interest rate hikes within a short duration.

To further enhance operational efficiency and in reducing the high maintenance and operating costs from the existing fleet of trucks, the planned capital expenditure programme to progressively replace the aging fleet of vehicles with three new prime movers and six trailer compactors at the preliminary stage is proceeding accordingly. The acquisition will put the company in a better footing to manage costs over the medium term until the next replacement cycle. Continuous initiatives are being explored to look into ways to curb spending and to come out with workable solutions in dealing with cost optimisation without duly affecting operational efficiency.

Puresino (Guanghan) Water Co., Ltd.

Puresino (Guanghan) manages and operates the 50-million litres per day Guanghan San Xin Dui wastewater treatment plant in the city of Guanghan in the province of Sichuan, China for a concession period of 30 years ending in the year 2033. Commercial operations started in the third quarter of 2007 and in 2010, the tonnage of waste effluent processed stood roughly at 10.9 million litres, a slight decline of 2.4% compared to 11.2 million litres registered a year ago. Currently operating at 60% of the plant capacity, there is sufficient upside for growth as the amount of effluent discharged from the industrial sector is expected to rise in tandem with the growth in the domestic economy.

At the operational level, unit cost of production has escalated considerably during the year in view of the higher cost required to run and maintain the plants. This was due to a few factors that hampered the plants from operating at its maximum efficiency and this included a larger than expected usage of power and chemical to combat the influx of heavy pollutants and the breakdown of certain essential plant constituents. Accordingly, margins were weighed down by the unexpected higher costs of operations. Nevertheless, appropriate actions plans are being instituted to address some of these shortcomings through a scheduled programme to rehabilitate the plants to render them in a position where they are capable to operate in a more efficient manner.

TOLL HIGHWAY DIVISION

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

With the division weathering the effects of the Bandar Mahkota Cheras ("BMC") episode for much of the year 2009, the Group set in place strategies to drive traffic growth for the year 2010. Hitherto, from being an intra-urban highway, the full opening of the Lebuhraya Kajang-Seremban ("LEKAS") Highway saw the Cheras-Kajang Highway become part of an inter-urban network connecting the city of Kuala Lumpur to Seremban. The concerted joint promotional efforts together with the management of LEKAS Highway saw traffic numbers steadily improving since the beginning of the year 2010. In addition, the completion of the long delayed road works by the local authority at the Plaza Phoenix area and the opening of the tunnel in April 2010 has cleared the traffic congestion associated with the area and aided free flow of traffic towards the city.

As part of its commitment of providing a comfortable driving experience in line with its motto "Speed, Convenience and Safety", Grand Saga has added two additional electronic lanes for each bound at both the toll plazas. At the beginning of the year, a Touch N' Go 'Point of Sale' counter was opened at the Plaza Batu 11 to provide services relating to sale of cards, top up, reload of frequent user discounts and handling queries on Touch N' Go. These measures contributed towards increased utilisation of the electronic lanes at the two toll plazas, with electronic traffic passing comprising 47% of the total traffic in year 2010 compared to 42% in year 2009.

With these positive measures and continued property developments along its corridors, the Cheras-Kajang Highway registered strong traffic growth at both its toll plazas. The average daily traffic ("ADT") surged past 221,746 vehicles per day for the year compared to last year's ADT of 200,344 vehicles per day.

As a responsible highway operator, the Group strives to provide quality highway related services to its road users and to reach out to the local community living within the vicinity of the highway. Whilst road safety awareness campaigns were a top priority, various community-based programs were also instituted to benefit the local community.

Pertaining to the BMC issue, negotiations are on-going with the government in relation to the access road into the BMC township. The legal suit with the developer is still pending in the court. The Group is optimistic that its negotiations with the government would be resolved in the near term.

CORPORATE DEVELOPMENTS

The year saw the full redemption of the outstanding nominal amount of RM225 million unsecured 5-year convertible bonds which were first issued in 2007 leaving the Group with no significant borrowings. The year also saw the expiry of the Company's warrants 2005/10 that were first issued in 2005. On the expiry date, the warrants that have been fully exercised resulted in a fresh capital injection of close to RM76.5 million over the five-year duration of the warrants.


On the business front, the Group announced several cross-border deals that has potential to expand the Group's reach in the waste management sector in China, notably the following:-.

- The successful acquisition of a 70% equity interest in Taliworks Eco. Taliworks Eco had earlier entered into an agreement with the Yinchuan City Ningdong Energy Chemical Industrial Zone Management Committee to construct and manage the 50 MLD Linhe wastewater and recycled water treatment plant in the city of Yinchuan, Province of Ningxia Autonomous Region ("Ningxia") on a build-operate-transfer basis Linhe Project for a period of 30 years. The facility is currently being constructed and commercial operations are expected to commence by end of the year.

- The execution of a 30-year concession agreement with the Ningdong Energy Chemical Base Management Committee by Taliworks Eco granting the company an exclusive right during the concession period to design, construct, operate and maintain the industrial waste water treatment and recycled water plant and recycled water piping in the Ningdong Energy Chemical Base Meihua Industrial Park in Ningxia.

- The execution of a 30-year concession agreement with the Yinchuan Municipal Construction Bureau to take-over the four (4) existing municipal waste water treatment plants with recycled water facilities in the city of Yinchuan on a takeover-operate-transfer basis for a total value of RMB810 million and an asset transfer agreement with Yinchuan City Waste Water Treatment Co. Ltd. a state-owned enterprise to transfer the rights and interest of the said assets.

The expansion into these waste-related projects in China brings with it a new dimension to the Group in diversifying its earnings base and a key thrust to enhance competitive standing within the industry.

CHALLENGES AHEAD AND BUSINESS SUSTAINABILITY

Like any other businesses, the key challenges faced by the Group in a dynamic business environment may be numerous and would require a cohesive approach to tackle them in a manner that would yield the desired results. With this in mind, the Group has prioritised the close monitoring of key risks that could derail the Group's ambitions to achieve its corporate objectives. To ensure that the Group is able to stay ahead of the curve in meeting the 21st century challenges, key risks are constantly being flagged out and appropriate action plans have been taken to manage these risks.

Other than meeting challenges in the market place, one of the more prominent issues facing all businesses alike is the application of sound sustainability principles to business operations. This is in line with the local regulators' call for businesses to integrate sustainability elements into their business strategies; with the aim of ensuing that companies are able to meet the social, economical and environmental aspects that may have an enduring impact on the long term growth prospects of the business. As such, the Group would endeavour to look into some of the more practicable sustainability aspects as an initial step to embed them into its business DNA.

Thank you.

LIM YEW BOON
Executive Director

TINJAUAN OPERASI OLEH PENGARAH EKSEKUTIF

KITA BERADA DIPERSIMPANGAN YANG KRITIKAL DALAM KEMAJUAN KUMPULAN DAN KITA MEMERLUKAN SATU DORONGAN BARU YANG MAMPU MEMASTIKAN MOMENTUM PERTUMBUHAN YANG BERTERUSAN.

Hampir setahun telah saya memegang jawatan saya sekarang sebagai Pengarah Eksekutif Taliworks. Pelbagai usaha telah diambil untuk mengemudikan Kumpulan dalam menghadapi rintangan daripada impak kewangan global yang telah melanda tahun sebelumnya, dan ini termasuk menyusun rangka kerja yang mantap dalam mengatasi isu – isu risiko utama dan memperketatkan proses-proses laporan dalaman kita. Walaupun pelbagai rintangan berada di sepanjang jalan dan pelbagai cabaran yang dihadapi, kita terus memanfaatkan kekuatan kita dan menggembleng sumber-sumber yang diperlukan untuk merangka satu corak pertumbuhan yang berterusan bagi Kumpulan. Kita berada dipersimpangan yang kritikal dalam kemajuan Kumpulan dan kita memerlukan satu dorongan baru yang mampu memastikan momentum pertumbuhan yang berterusan.

Tidak perlu dinyatakan bahawa, banyak masa dan tenaga telah digunakan untuk mengenal pasti pelaburan–pelaburan yang sesuai dan berpadanan dengan profil perniagaan kita dan saya dengan sukacitanya menyatakan bahawa usaha-usaha kita telah mencapai kejayaan apabila Kumpulan telah berjaya memuktamadkan tiga projek pengurusan sisa buangan di China. Pemerolehan projek-projek ini adalah amat bertepatan memandangkan ianya hanya selepas beberapa tahun sejak kita melabur ke dalam apa yang dianggap sebagai "kawasan ekonomi yang tidak boleh diabaikan". Dengan projek-projek ini di dalam genggaman, kita berharap untuk menetapkan posisi kita dan membuka jalan untuk menambahkan peluang–peluang pelaburan sejajar dengan strategi kita untuk mengembangkan perniagaan-perniagaan kita untuk mencerminkan kepelbagaian di seluruh pasaran dan kawasan geografi serantau. Kami ingin menyampaikan mesej yang jelas dan ringkas kepada semua pihak yang berkepentingan kami bahawa kami bersedia untuk bergerak lebih jauh untuk memastikan perniagaan-perniagaan di luar pesisir memberikan sumbangan signifikan ke tahap yang tertinggi dalam jangka masa sederhana.

Semenjak berlakunya krisis kewangan global dan kesan penularan, banyak peristiwa - peristiwa telah berlalu. Sementara beberapa bahagian dunia masih lagi bergelut untuk memulihkan ekonomi mereka, ekonomi negara–negara membangun telah bergerak pantas kerana asas mereka yang lebih kukuh. Dengan pemikiran ini, kami menjangkakan bahawa masa depan kita bergantung sepenuhnya kepada rantau yang dinamik ini dan kita akan terus melibatkan diri kita untuk memasuki peluang–peluang besar, khususnya di dalam sektor pengurusan sisa buangan di China.

China ketika ini sedang melalui tempoh strategik pembangunan ekonomi dan sosial. Kemerosotan alam sekitar, kemusnahan ekologi dan potensi risiko kepada kesihatan awan adalah realiti ekonomi yang menurun hari ini dan ianya merupakan antara faktor-faktor penghalang utama ke arah pertumbuhan ekonomi berterusan dan perkembangan masyarakat harmoni di negara tersebut. China telah dan terus melaksanakan beberapa polisi alam sekitar berkaitan dengan pencemaran udara dan air dan pembuangan sisa pepejal termasuk melaksanakan beberapa polisi dasar dalam bidang perlindungan alam sekitar. Kami melihat ini sebagai peluang terbuka untuk melibatkan diri kita dalam sektor yang berkembang ini bagi meningkatan perolehan kepada Kumpulan.

Di peringkat domestik pula, penstrukturan semula sektor air Selangor yang sedang giat berjalan terus menjadi salah satu cabaran utama yang dihadapi oleh Kumpulan dan industri air. Kami berharap agar isu ini dapat diselesaikan dengan segera dan secara berhemah oleh kedua-dua pihak kerajaan persekutuan dan negeri agar tidak menjejaskan kepentingan semua pihak yang berkaitan. Dalam pada itu, Kumpulan akan terus mengambil langkah berjaga–jaga akan sebarang perubahan utama dalam industri.

TINJAUAN PRESTASI KEWANGAN

Ringkasan Prestasi Kewangan Kumpulan Sepintas Lalu

	2010 RM JUTA	2009 RM JUTA
Keputusan Kewangan		
Perolehan	171,836	158,917
Keuntungan Operasi	45,295	59,609
Keuntungan sebelum cukai	42,958	51,046
Posisi Kewangan		
Jumlah aset digunakan	542,062	560,448
Ekuiti pemegang saham	478,518	375,473
Nisbah Kewangan Utama		
EPS asas (sen)	7.1	10.2
Aset bersih sesaham (sen)	109.6	99.7
Pulangan ke atas Ekuiti (%)	6.7	10.6
Pulangan ke atas Penggunaan Aset (%)	5.2	6.3
Hutang ke atas ekuiti (%)	0.6	32.6

Dalam tahun yang ditinjau, Kumpulan mencatatkan perolehan yang lebih tinggi sebanyak RM171.8 juta berbanding RM158.9 juta yang dicapai setahun yang lepas. Ini disebabkan oleh peningkatan sumbangan daripada kedua-dua bahagian air dan pembinaan yang masing–masing mencatatkan perolehan sebanyak RM142.3 juta (2009: RM135.5 juta) dan RM17.0 juta (2009: RM7.8 juta) dalam tahun kewangan.

Pendapatan daripada bahagian air menyumbangkan hampir 82% pendapatan Kumpulan. Bahagian ini mencatatkan prestasi yang lebih baik akibat daripada peningkatan pengeluaran lebih tinggi dari Loji Rawatan Air Sungai Selangor Fasa 1 ("SSP1") yang diuruskan oleh Sungai Harmoni Sdn Bhd dan peningkatan jualan bermeter daripada Taliworks (Langkawi) Sdn Bhd, dua daripada subsidiari utama yang beroperasi.

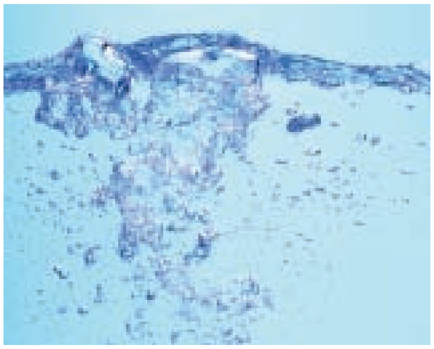
Keuntungan sebelum cukai Kumpulan memperlihatkan penurunan yang ketara kepada RM42.9 juta berbanding RM51.0 juta yang dicapai pada tahun sebelumnya terutamanya dari penurunan keuntungan yang direkodkan di dalam kedua-dua sektor pengurusan sisa buangan dan pembinaan berserta dengan kos bersih sebanyak RM9.2 juta akibat daripada penebusan awal bon boleh tukar Syarikat oleh para pemegang bon. Dengan penurunan yang besar dalam pinjaman luaran, kos pinjaman bagi tahun hadapan akan berkurang pada kadar yang substansial.

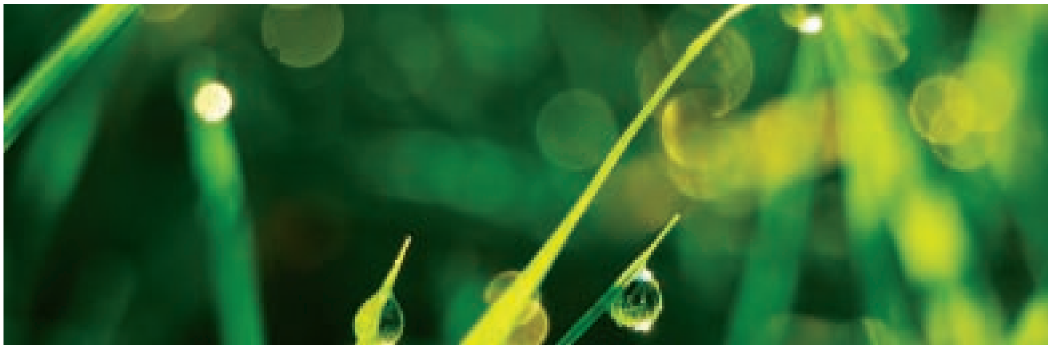
Perniagaan air terus menjadi penyumbang utama dengan sumbangan substansial sebanyak RM56.4 juta (2009: RM54.1 juta) dalam keuntungan sebelum cukai yang diakibatkan oleh peningkatan tahap pengeluaran dan jualan bermeter. Perkongsian keputusan Kumpulan daripada Cerah Sama Sdn Bhd, syarikat induk Grand Saga Sdn Bhd, pemegang konsesi lebuhraya Cheras-Kajang turut mencatatkan peningkatan sumbangan sebanyak RM12.2 juta (2009: RM6.9 juta) berikutan daripada peningkatan purata trafik harian dan penerimaan yang lebih tinggi tuntutan pampasan daripada kerajaan yang timbul daripada perubahan polisi perakaunan syarikat dalam penerimaan tuntutan berkenaan.

TINJAUAN SEKTOR PERNIAGAAN

Bahagian Air & Kejuruteraan

Peningkatan ekonomi Malaysia yang sejajar dengan ekonomi global, telah merancakkan lagi aktiviti–aktiviti perniagaan terutamanya di dalam sektor–sektor industri dan perkhidmatan yang telah membantu memacu pertumbuhan permintaan air yang lebih positif, terutamanya dalam kawasan–kawasan operasi yang dilaksanakan oleh Sungai Harmoni Sdn Bhd ("SHSB") dan Taliworks (Langkawi) Sdn Bhd ("TLSB"). Meskipun dengan corak pertumbuhan positif dan prospek untuk pertumbuhan berterusan dalam jangka masa pendek, industri perkhidmatan air secara keseluruhannya mempunyai beberapa isu yang belum diselesaikan yang timbul daripada penstrukturan semula agensi–agensi pembekal air negeri dan konsesi–konsesi di bawah Akta Industri Air 2006 ("WSIA") yang berkuatkuasa pada 1 Januari 2008. Walaupun GDP Malaysia mencatatkan pertumbuhan 7.2% pada 2010 berbanding dengan pertumbuhan negatif 1.7% pada tahun sebelumnya, pertumbuhan pada tahun mendatang dijangkakan pada kadar sederhana sekitar 5-6% berdasarkan jangkaan pertumbuhan sederhana di ekonomi maju dan kadar pertumbuhan biasa oleh ekonomi Asia. Namun begitu, corak pertumbuhan akan kekal positif dan akan menyokong pertumbuhan permintaan air pada tahun mendatang, walaupun pada skala yang sederhana.





Sungai Harmoni Sdn. Bhd.

SHSB merekodkan pengeluaran air yang lebih baik iaitu sebanyak 270.31 juta meter padu atau 741 juta liter air yang dirawat sehari dalam tahun yang ditinjau, mencatatkan satu peningkatan sebanyak 4.8% berbanding tahun lepas yang mencatatkan sebanyak 707 juta liter sehari.

Peningkatan pengeluaran adalah diakibatkan oleh kenaikan dalam permintaan pengguna sejajar dengan pemulihan beransur–ansur ekonomi Malaysia. Prestasi yang bertambah baik ini merupakan isyarat bahawa paras terendah yang direkodkan pada tahun lepas telah sampai ke penghujungnya dan pengeluaran sekarang menunjukkan peningkatan. Dengan ekonomi yang dijangkakan akan tumbuh pada paras yang lebih baik pada tahun hadapan, adalah dijangkakan melainkan terjadinya sesuatu di luar kawalan, pertumbuhan permintaan air akan tetap mengalakkan meskipun sederhana yang mana SHSB dijangkakan akan memperlihatkan pertumbuhan berterusan dalam pengeluaran pada kadar 2–3%.

Dengan adanya hujan yang turun hampir sepanjang tahun di kawasan tadahan dan tahap simpanan air yang tinggi di Empangan Sungai Selangor dan Empangan Sungai Tinggi menjelang akhir tahun, terdapat simpanan yang mencukupi untuk keperluan SSP1, SSP2 dan SSP3 ketika musim kemarau. Walaupun begitu, terdapat penurunan kualiti air mentah dimana agen pencemar seperti peningkatan warna yang tinggi, manganese, ammonia, fluorida dan kekeruhan telah dikesan di sumber sungai sepanjang tahun dan ini telah menyebabkan kepada perlarasan kerap dalam regim dosing bagi mencapai kejernihan air yang diperlukan kepada kualiti yang dikehendaki atas bebanan kos bahan–bahan kimia yang signifikan. Masalah–masalah ini disyaki disebabkan oleh aktiviti tanah yang tidak dikawal dan aktiviti-aktiviti pembangunan industri di kawasan tadahan hulu sungai dan dijangkakan akan menjadi lebih buruk di masa hadapan. Namun begitu, SHSB akan senantiasa berhati–hati dalam menghadapi, mengesan, memberi maklum balas dan mengatasi masalah–masalah tersebut dalam satu jangka masa bersesuaian untuk memastikan pengeluaran berterusan air terawat pada kualiti dan kuantiti yang dikehendaki pada setiap masa. Di sudut yang lain, unit kos elektrik berada ditahap terkawal melalui aplikasi pengepaman berjadual yang cekap manakala unit kos operasi juga diuruskan melalui satu program penyelenggaraan yang menyeluruh dan program baik pulih yang berulang.

SHSB telah mencapai keunggulan operasi yang cemerlang dalam menjalankan tanggungjawabnya untuk mengurus dan melaksanakan operasi loji rawatan air SSP1 bagi mengeluarkan air pada kualiti dan kuantiti yang diperlukan pada sepanjang masa melalui pengekalan dan pencapaian skim–skim akreditasi yang berikut:

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

Cubaan oleh kedua–dua kerajaan persekutuan dan negeri untuk menyatukan konsesi–konsesi air Selangor di bawah WSIA masih belum diselesaikan sehingga akhir tahun dan jumlah hutang belum dijelas akan terus membebankan syarikat sehingga isu-isu tersebut diselesaikan.

Taliworks (Langkawi) Sdn. Bhd.

TLSB sekali lagi merekodkan tahun pencapaian yang memberangsangkan dengan mencatatkan sejumlah penggunaan bermeter sebanyak 16.94 juta meter padu atau secara puratanya sebanyak 46.4 juta liter sehari, peningkatan 4.7% daripada tahun sebelumnya. Ini merupakan pertumbuhan sebelas tahun berturut–turut sejak tahun 2000 dan mencerminkan pertumbuhan dan pembangunan berterusan ekonomi Langkawi. Walaupun wujud cabaran–cabaran yang ditimbulkan oleh perubahan cuaca, konflik, kebangkitan politik serantau, epidemik dan gangguan kewangan global sepanjang dekad yang lepas, ekonomi Langkawi yang berteraskan hospitaliti dan perkhidmatan didapati kekal bertahan. Walaupun perlahan namun tetap berkembang atas dasar tahun demi tahun telah menyokong permintaan air, baik di sektor domestik dan bukan domestik. Dengan ekonomi Malaysia dijangkakan akan beransur pulih dalam tahun mendatang, adalah dijangkakan melainkan terjadinya sesuatu di luar kawalan, pertumbuhan permintaan air akan kekal positif, walaupun ianya mungkin akan kekal diparas pertumbuhan 4% - 5% pada tahun–tahun yang lepas.

Musim kemarau yang berpanjangan semenjak pertengahan tahun telah mengurangkan sumber–sumber air mentah, terutamanya simpanan Empangan Malut yang memerlukan penambahan melalui operasi pengepaman sepanjang dua sukuan 2010. Hujan yang turun pada suku terakhir telah membantu meningkatkan tahap simpanan empangan ke tahap hampir penuh dan memberikan keyakinan bahawa keperluan pengambilan air oleh loji – loji rawatan air di Langkawi adalah mencukupi bagi keperluan musim kemarau akan datang. Walaupun begitu, operasi pengepaman yang tinggi menyebabkan peningkatan unit kos elektrik lebih tinggi berbanding tahun sebelumnya. Walaupun ada beberapa kesan pencemaran sumber air mentah, kos unit kimia adalah sederhana berbanding dengan tahun sebelumnya kerana kawalan efektif dan kawalan berjadual pemantauan kualiti air dan dosing. Walaupun berhadapan dengan cabaran berganda untuk mengurus kos-kos unit elektrik dan unit kimia, kos unit operasi dipantau dengan rapi dan hampir tidak berbeza dari tahun sebelumnya melalui pemantauan rapi dan perlaksanaan O&M yang optima dan program pemulihan.

Bagi memastikan kecemerlangan berterusan dalam standard pengujian kualiti air, kedua–dua makmal di Sungai Baru dan Padang Saga telah mengekalkan akreditasi mereka di bawah Skim Akreditasi Makmal Malaysia ("SAMM") kepada standard kualti ISO/IEC 17025.

Seperti SHSB, TLSB juga sedang berusaha untuk menyelesaikan isu–isu yang berbangkit daripada perlaksanaan WSIA dengan pihak berkuasa berkaitan dengan jangkaan bahawa satu penyelesaian hutang tertunggak yang semakin meningkat sejak dua tahun yang lepas.

BAHAGIAN KEJURUTERAAN & PEMBINAAN

Ini merupakan satu tahun yang perlahan untuk Kumpulan dalam kegiatan pembinaan kerana tiada projek baru telah diperolehi. Kumpulan ketika ini berada diperingkat akhir untuk menyempurnakan reka bentuk dan pembinaan sistem pembekalan air Skim Bekalan Air Padang Terap di Kedah, dengan jangkaan akan disiapkan pada suku kedua 2011.

Namun begitu, dengan pelbagai Projek Permulaan ("EPP") yang dipertimbangkan di bawah Bidang Ekonomi Utama Negara ("NKEAs") Program Transformasi Ekonomi ("ETP") dan usaha kerajaan untuk mempercepatkan perlaksanaan program – program NKEAs untuk menghantarserah secara cepat impak Pendapatan Kasar Nasional ("GNI") selaras dengan "Roadmap" ETP, ini merupakan petanda baik untuk Kumpulan kerana inisiatif-inisiatif menyediakan Kumpulan dengan peluang-peluang untuk terlibat dalam beberapa projek berkaitan-inftrastruktur di dalam EPP. Rancangan Malaysia 2010-2015 yang ke-10 mencartakan perkembangan ekonomi Negara untuk lima tahun berikutnya juga adalah pendapatan lain untuk Kumpulan memainkan peranannya dalam membantu kerajaan untuk menghantarserah keputusan yang diingini dalam mencapai status bangsa "dibangun" seperti rancangan yang telah dibayangkan.

Sejajar dengan momentum akan kejayaan perlaksanaan projek–projek sebelumnya, Kumpulan optimis bahawa ia akan mendapat beberapa projek baru untuk menambahkan buku pesananya dan menyumbang pertumbuhan "baris atas" kepada Kumpulan. Kumpulan akan terus fokus dalam mengenal pasti pasaran unik dan dalam membentuk perkongsian sinergistik atau usahasama untuk memanfaatkan kelebihan pihak masing-masing untuk mempertingkatkan kadar kejayaan dalam pemerolehan projek.

BAHAGIAN PENGURUSAN SISA BUANGAN

Tianjin-SWM (M) Environment Co. Ltd

Tianjin - SWM menguruskan, melaksanakan dan menyelenggarakan Stesen Pemindahan Sisa Tianjin Panlou dan aset–aset berkaitannya untuk satu tempoh 21 tahun yang akan berakhir pada 2025. Enam tahun telah berlalu semenjak Kumpulan memperolehi konsesi tersebut buat pertama kali dan sejak itu, output stesen pemindahan telah meningkat. Dari 2005 ke 2009, stesen ini mencatatkan kadar pertumbuhan tahunan sebanyak 5.0%. Dalam 2009, sisa buangan yang diproses berada pada kadar sebanyak 362,028 tan (992 tan/hari) berbanding dengan tahun sekarang iaitu sebanyak 323,134 tan (965 tan/hari) disebabkan oleh penutupan operasi selama sebulan untuk perlaksanaan baik pulih yang penting terhadap sistem pemadatan kerana penggunaan kerap yang biasa.

Bertitik tolak dari langkah–langkah pengurusan kos yang telah diterima pakai secara efektif sejak tahun lepas, kos purata untuk memproses setan sisa telah berjaya dikawal walaupun kos bahan api telah meningkat, yang mana merupakan salah satu dari kos utama. Kos bahan api dijangka akan terus meningkat disebabkan penerusan kenaikkan di tengah-tengah gejolak harga dalam menentang pasaran global dan ini dijangkakan akan mempengaruhi margin jikalau harga tinggi bahan api terus meningkat. Inflasi tetap menjadi risiko utama operasi dengan pembuat dasar di China yang beralih kepada dasar kewangan yang berhemah bagi mengekang inflasi melalui beberapa kenaikan kadar faedah dalam jangka masa yang pendek.

Untuk meningkatkan lagi kelicinan operasi dan dalam mengurangkan kos penyelenggaraan dan operasi yang tinggi daripada trak-trak sedia ada, cadangan perbelanjaan modal utama dibuat secara progresif bagi menggantikan kenderaan-kenderaan yang lama dengan tiga prime movers yang baru serta enam trak pemampat sedang pada tahap permulaan yang sedang berjalan sewajarnya. Pemerolehan ini akan meletakkan syarikat di tapak yang lebih baik untuk menguruskan kos dalam jangka masa sederhana sehingga ke pusingan penggantian yang berikutnya. Inisiatif – inisiatif berterusan sedang dijalankan untuk mencari jalan untuk untuk mengurangkan perbelanjaan dan untuk menyediakan penyelesaian yang boleh dipakai dalam menguruskan kos optima tanpa tanpa menjejaskan kecekapan operasi.

Puresino (Guanghan) Water Co., Ltd.

Puresino (Guanghan) mengurus dan melaksanakan operasi 50 juta liter sehari loji rawatan air sisa buangan Guanghan San Xin Dui di Bandar Guanghan, wilayah Sichuan, China selama 30 tahun yang akan berakhir pada tahun 2033. Operasi komersial telah bermula pada suku ketiga 2007 dan pada 2010, sebanyak 10.9 juta liter air sisa buangan telah diproses, kemerosotan sebanyak 2.4% berbanding dengan 11.2 juta liter yang dicatat setahun lepas. Kini beroperasi pada 60% dari kapasiti loji, terdapat pertumbuhan baru yang mencukupi kerana jumlah sisa buangan yang dilepaskan dari sektor industri dijangkakan akan meningkat sejajar dengan perkembangan ekonomi domestik.

Di peringkat operasi, kos pengeluaran telah meningkat dengan tinggi sepanjang tahun memandangkan kos yang lebih tinggi diperlukan untuk menjalankan dan menyelenggarakan loji. Ini disebabkan oleh beberapa faktor yang telah menganggu loji daripada beroperasi ke tahap kecekapan maksima dan ini termasuk penggunaan tenaga dan bahan kimia yang lebih besar daripada jangkaan penggunaan kuasa dan kimia untuk melawan pencemaran berat dan dan kerosakkan beberapa pemasangan loji yang penting. Akibatnya, margin berkurangan disebabkan oleh kos–kos operasi yang lebih tinggi daripada yang dijangkakan. Namun begitu, beberapa pelan perancangan yang wajar sedang dilaksanakan untuk menyelesaikan beberapa kekurangan ini melalui satu program–program pemulihan berjadual untuk membaik pulih loji agar dapat beroperasi dalam keadaan dalam lebih cekap.

BAHAGIAN LEBUHRAYA

Perniagaan lebuhraya Kumpulan diletakkan di bawah Cerah Sama Sdn Bhd, yang merupakan syarikat induk kepada Grand Saga Sdn Bhd. Grand Saga memiliki dan melaksanakan operasi Lebuhraya Cheras – Kajang.

Dengan bahagian ini menangani kesan-kesan daripada episod Bandar Mahkota Cheras ("BMC") untuk keseluruhan tahun 2009, Kumpulan telah meletakkan strategi bagi meningkatkan pertumbuhan trafik untuk tahun 2010. Sehingga sekarang, daripada lebuhraya dalam bandar, pembukaan penuh Lebuhraya Kajang-Seremban ("LEKAS") menjadikan Lebuhraya Cheras–Kajang sebahagian daripada rangkaian lebuhraya antara bandar yang menghubungkan bandaraya Kuala Lumpur ke Seremban. Ini disebabkan oleh pembukaan keseluruhan Lebuhraya Kajang-Seremban ("LEKAS"). Usaha promosi bersama dengan pengurusan Lebuhraya LEKAS telah memperlihatkan peningkatan trafik pada kadar yang tetap semenjak permulaan tahun 2010. Tambahan pula, penyempurnaan kerja–kerja pembinaan jalan raya yang sekian lama tertangguh oleh pihak berkuasa tempatan di kawasan Plaza Phoenix dan pembukaan terowong pada April 2010 telah melegakan kesesakkan trafik di kawasan tersebut dan membantu aliran trafik yang lancar ke arah bandaraya.

Sebagai sebahagian dari komitmen untuk memberikan pengalaman pemanduan yang selesa sejajar dengan moto "Cepat, Selesa dan Selamat", Grand Saga telah menambah dua lorong elektronik untuk kedua–dua arah plaza tol. Pada permulaan tahun, kaunter 'Jualan Setempat' Touch N' Go telah beroperasi di Plaza Tol Batu 11 bagi memberikan perkhidmatan berkaitan penjualan kad, tambah nilai, perkhidmatan rebat diskaun pengguna tetap dan kaunter pertanyaan berkenaan Touch N' Go. Kaedah–kaedah yang diperkenalkan ini telah menyumbang terhadap peningkatan penggunaan laluan elektronik di kedua–dua plaza tol, dengan laluan elektronik trafik terdiri daripada 47% jumlah keseluruhan trafik dalam tahun 2010 berbanding dengan 42% dalam tahun 2009.

Dengan penggunaan kaedah yang positif dan pembangunan hartanah berterusan di sepanjang koridor, Lebuhraya Cheras – Kajang mencatatkan pertumbuhan trafik tinggi di kedua–dua plaza tolnya. Purata trafik harian ("ADT") telah meningkat melebihi 221,746 kenderaan sehari berbanding dengan ADT pada tahun lepas iaitu sebanyak 200,344 kenderaan sehari.

Sebagai operator lebuhraya yang bertanggungjawab, Kumpulan berusaha untuk menyediakan perkhidmatan lebuhraya yang berkualiti kepada para penggunanya dan untuk mendekati masyarakat setempat yang tinggal di kawasan lebuhraya. Walaupun kempen–kempen kesedaran keselamatan jalanraya merupakan keutamaan, beberapa program berasaskan komuniti turut dilaksanakan bagi kepentingan masyarakat setempat.

Berkenaan dengan isu BMC, perundingan dengan kerajaan masih lagi berlangsung berkenaan dengan pampasan terhadap kerugian yang ditanggung oleh Grand Saga akibat pembukaan laluan akses ke kawasan perbandaran Bandar Mahkota Cheras. Kes perundangan dengan pemaju masih lagi tertangguh di mahkamah, Kumpulan optimis bahawa perundingan dengan kerajaan akan diselesaikan dalam jangka masa yang terdekat.

PERKEMBANGAN KORPORAT

Tahun ini menyaksikan penebusan penuh jumlah nominal RM225 juta bon 5 tahun yang boleh ditukar yang tidak bercagar yang mula dikeluarkan sejak 2007 meninggalkan Kumpulan tanpa apa–apa pinjaman yang signifikan. Tahun ini juga menyaksikan penamatan waran Syarikat 2005/10 yang mula dikeluarkan sejak 2005. Menjelang tarikh penamatan, waran–waran telah disempurnakan sepenuhnya menyebabkan satu suntikan modal baru hampir kepada RM76.5 juta sepanjang tempoh lima tahun waran-waran.

Di peringkat perniagaan, Kumpulan telah mengumumkan beberapa perjanjian merentas sempadan yang berpotensi untuk mengembangkan aktiviti sektor perniagaan sisa buangan Kumpulan di China, antara yang penting ialah:-.

- Kejayaan mengambil alih 70% kepentingan ekuiti di dalam Taliworks Eco Pte. Ltd. (sebelum ini dikenali sebagai Eco3 Technology and Engineering Pte. Ltd) ("Taliworks Eco"). Taliworks Eco pada awalnya telah memasuki perjanjian dengan Jawatankuasa Pengurusan Zon Industri Tenaga Kimia Yinchuan City Ningdong untuk membina dan mengurus 50 MLD loji rawatan air sisa buangan dan air kitar semula di bandar Yinchuan, Wilayah Autonomi Ningxia ("Ningxia") secara bina-operasi-serah semula ("Linhe Project") untuk tempoh 30 tahun. Kemudahan ini sedang dibina dan operasi komersial dijangka bermula pada akhir tahun ini.

- Perlaksanaan perjanjian konsesi 30 tahun dengan Jawatankuasa Pengurusan Ningdong Energy Chemical Base oleh Taliworks Eco yang memberikan hak ekslusif kepada syarikat dalam tempoh konsesi untuk mereka bentuk, membina, melaksanakan operasi dan menyelenggara loji rawatan air sisa industri dan air kitar semula dan paip–paip air kitar semula di Ningdong Energy Chemical Base Meihua Industrial Park, Ningxia.

- Perlaksanaan perjanjian konsesi 30 tahun dengan Yinchuan Municipal Construction Bureau bagi mengambil alih empat (4) loji rawatan air sisa perbandaran dengan kemudahan air kitar semula di bandar Yinchuan secara ambil alih-operasi-serah semula dengan nilai sebanyak RMB810 juta dan perjanjian pemindahan aset dengan Yinchuan City Waste Water Treatment Co. Ltd., sebuah syarikat kepunyaan kerajaan untuk pemindahan hak dan kepentingan aset–aset tersebut.

Perkembangan di dalam projek–projek berkaitan sisa buangan di China ini memberikan satu dimensi baru kepada Kumpulan dalam mempelbagaikan asas pendapatannya dan menjadi pemacu utama untuk mempertingkatkan kedudukan dalam persaingan di dalam industri.

CABARAN MENDATANG DAN KEMAMPANAN PERNIAGAAN

Seperti perniagaan–perniagaan lain, cabaran utama yang dihadapi Kumpulan ialah dinamik persekitaran perniagaan yang berkemungkinan pelbagai dan memerlukan pendekatan yang padu untuk menanganinya dengan cara yang boleh memberikan keputusan yang dikehendaki. Oleh itu, Kumpulan telah memberikan keutamaan dalam pemantauan risiko–risiko utama yang boleh menjejaskan cita–cita Kumpulan bagi mencapai objektif korporatnya. Bagi memastikan Kumpulan terus maju ke hadapan dalam menangani cabaran–cabaran abad ke 21, risiko–risiko utama akan dikenal pasti dan pelan–pelan tindakan yang bersesuaian diambil untuk mengurus risiko–risiko tersebut.

Selain dari menangani cabaran di tapak pasaran, salah satu isu yang lebih penting yang dihadapi oleh semua perniagaan ialah mengaplikasikan prinsip–prinsip mampan dalam operasi perniagaan. Ini adalah sejajar dengan gesaan pentadbir tempatan agar perniagaan menginterasikan elemen–elemen yang mampan ke dalam strategi perniagaan; dengan tujuan memastikan syarikat–syarikat boleh menghadapi aspek–aspek sosial, ekonomi dan alam sekitar yang boleh mengugat prospek perkembangan perniagaan dalam jangka masa panjang. Oleh itu, Kumpulan bertekad untuk mengenal pasti beberapa aspek–aspek yang mampan lagi pratikal sebagai langkah awal untuk diserapkan dalam DNA perniagaannya.

Terima kasih.

LIM YEW BOON
Pengarah Eksekutif

CORPORATE SOCIAL RESPONSIBILITY

Conducting a successful and durable 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 and not leave any parties at an extremely disadvantaged position. 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 a vested interest in ensuring that we achieve our vision in an ethically and socially acceptable manner.

In undertaking our CSR, we value the long term benefits 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 key CSR initiatives that we have undertaken and intend to promote further cover the following areas:-

EMPLOYEES' WELFARE AND WELL-BEING

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

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

- Promoting a safe and healthy working environment that foster mutual respect where employees irrespective of status 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 with medical, dental, hospitalisation and insurance benefits.
- Providing opportunity to our employees to share ownership of the company through an employees' share option scheme.
- Providing a smoke-free environment at the workplace.

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 CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia with the aim of ensuring wider research coverage on our Company.
- Meeting request of investors, financiers and rating agencies to discuss the developments within the organisation through an investors' relation function.
- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time.

CONTRIBUTION TO THE COMMUNITY

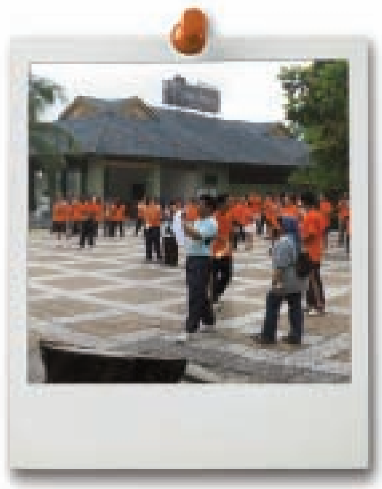
As one of the key players in the water treatment and supply industry in the Klang Valley and Langkawi, our business revolves around the communities that we serve diligently. The single most important contribution to the community is our steadfast commitment to maintain our performance standards to produce high quality drinking water that meets 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, the plant and equipment are in good working conditions and our accreditations continue to be maintained and recognised.
Another area of focus in contributing to the community is in the form of monetary and non monetary measures. It has been our philosophy to ensure some of the benefits derived are given back to the society through communal activities and sponsorship allocations.

Other initiatives to contribute to the community include:-

- Arranging and paying for the connection of water supply to certain deserving residents.
- 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.

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.



PROTECTION AND CONSERVATION OF THE ENVIRONMENT (cont'd)

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 accreditations for our treatment facilities to ensure high operational standards are maintained.
- Proper management of water treatment residuals and appropriate disposal methodologies in compliance with the relevant environmental quality standards.
- Dissemination of information to the public especially school children on water treatment processes, environmental conservation, and for them to be part of "water saving campaign" via the holding of a Water Treatment Open Day at our operations in Selangor and Kedah, which are held annually.
- 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 are part of our mission to maintain a sustainable business model which will ensure that 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 programmes. This can be seen from our CSR initiatives over the years.

For 2010, the major CSR programmes undertaken include:-

- Conducting the annual Ramadan programme at Sungai Selangor Phase 1 Water Treatment Plant in Selangor for the tenth year running whilst at the TLSB operations, the Ramadan programmes had entered its fifth year. The beneficiaries include orphanages, the underprivileged and the handicapped.
- At our Selangor operations, we have over the years been one of the sponsors for 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.
- 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.
- Toll rate discount was extended to road users at the Cheras - Kajang Highway during certain festive seasons to enhance the spirit of visiting open houses among Malaysians.

To the Shareholders of Taliworks Corporation Berhad,

Today's dynamic business and economic environment underscores the continued demand for utmost accountability and transparency expected from the Board of Taliworks ("Board") in discharging its fiduciary duties and in delivering long term value proposition to shareholders. As a direct consequence thereof, enterprise-wide good corporate governance practices, maintenance of a sound system of internal control, embedding risk management practices into the corporate DNA, business sustainability issues as well as adherence to regulatory requirements have been one of the focal point in the Board's list of priorities and concerns.

The 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.

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 as 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.

The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, which include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group. In order to effectively carry out its responsibilities, the Board has delegated some of its functions to the other board committees, which operate under the approved terms of reference. At every board meetings, these board committees will report to the Board on any developments and deliberations conducted at the board committee level.

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, members of the Board are guided by the Code of Ethics for Company Directors formulated 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

During the year in review, the Board, led by a non-independent non-executive Chairman, was 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 composition of the Board was well balanced, representing both the major and minority shareholders' interests and complied with:-

(a) the Listing Requirements where at least two (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.

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

The Chairman (*who is not previously a chief executive officer of the Company*) presided over the meetings of the Board. His roles and functions were clearly separated and distinct from those of the executive directors whom were 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 were to develop, in conjunction with the Board, the Group's strategic plans and were responsible for its implementation. In connection therewith, the executive directors to keep the Board informed of the overall operations of the Group and major issues faced by the Group, together bring 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. They are expected to provide constructive input and where required, provide the requisite guidance to the executive directors when faced with the challenges in running the day-to-day affairs of the Group.

The independent non-executive directors play a significant role as check and balance in the functioning of the Board. They had declared themselves to be independent from the management and to be free from any relationship which could materially interfere with the exercise of their independent judgment and objective participation and decision making process of the Board. Independent non-executive directors are required to voice their reservations of any board decisions which could be detrimental to the interest of the minority shareholders.

Members of the Board came from varied background but each brought with them a wide range of business and financial acumen, skills and expertise relevant and necessary for the effective stewardship of the Group. The profile of the serving members of the Board as at the date of this Annual Report is presented in pages 10 to 13 of this Annual Report.

Board Meetings

The Board meets on a quarterly basis to review the operations, financial performance, reports from 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 year in review, the Board met four (4) times and the record of the attendance of each director is set out below:-

	24 Feb	19 May	23 Aug	25 Nov	Total
Y. Bhg. Dato' Hj Abd Karim bin Munisar * *(Chairman, Non-Independent Non-Executive Director)*	•	•	•	•	4/4
Y. Bhg. Dato' Lim Chee Meng *(Executive Deputy Chairman)* **	•	•	•	•	4/4
Mr. Lim Yew Boon *(Executive Director)* ***	n/a	•	•	•	3/3
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)*	•	•	-	•	3/4
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)****	•	-	•	-	2/4
Encik Sulaiman bin Salleh *(Independent Non-Executive Director)*	•	•	•	•	4/4
Mr. Wong Yien Kim *(Non-Independent Non-Executive Director)*	•	•	•	•	4/4

* *resigned on 21 March 2011*
** *re-designated from Executive Director on 1 March 2010 and resigned on 23 May 2011*
*** *appointed on 1 March 2010*
**** *resigned on 23 May 2011*

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.

Board Meetings (cont'd)

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 the 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, members of the Board were 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, both external and internal auditors and/or advisers maybe invited to attend the Board meetings, if required, to provide additional information on the relevant agenda tabled at the board meetings.

The directors in discharging their duties and responsibilities were entitled to have full and unrestricted access to all information and to manage matters relating to the Group's operations. They also had access to the advice and services of the Company Secretary and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The current Company Secretary has the necessary knowledge, experience and skill after 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 has the responsibility 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 the 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 so as to enable the Board to fulfil its role.

Appointments to the Board

The Nomination Committee is responsible for the reviewing of the Board's composition and recommending to the Board appointments of any 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 to 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 to either 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.

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 can be achieved amongst others, through attending trainings provided externally or internally by reading relevant publications and adhering to continuous professional education as required by the respective professional bodies. Training programmes, courses, seminars, conferences, talks, briefings attended by the directors during the year in review were as follows:-

Y. Bhg. Dato' Hj Abd Karim bin Munisar
- *Becoming a Mindful Leader*

Y. Bhg. Dato' Lim Chee Meng
- *Implementing Effective Corporate Social Responsibility*

Mr. Lim Yew Boon
- *"Think on Your Feet" workshop*
- *Implementing Effective Corporate Social Responsibility*

Encik Sulaiman bin Salleh
- *Implementing Effective Corporate Social Responsibility*

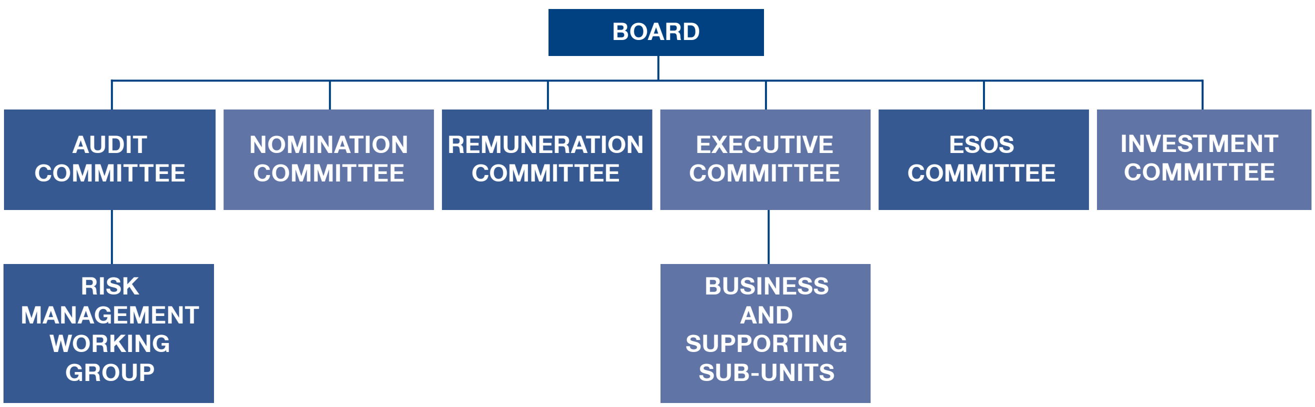
Mr. Wong Yien Kim
- *National Tax Conference 2010 - Driving towards a High Income Economy*
- *World Congress of Accountants 2010*

Directors who were unable to attend any formal training during the financial year were kept informed of the latest regulatory developments by the Company Secretary.

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

Board Committees

The governance structure of the Group is as follows:-



Board Committees (cont'd)

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

Audit Committee

The report of the Audit Committee is set out in pages 46 to 50 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 the independent non-executive directors.

The Nomination Committee would also carry out assessment on the effectiveness of the Board as a whole and towards the Board Committees and each individual director including the independent non-executive directors as well as the Chief Executive Officer once in every two years. The Board through this Committee reviews the required mix of skills and experience and other qualities required by the Board 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) (resigned on 23 May 2011)*

The Committee met once during the year and the meeting was attended by all members of the Nomination Committee.

The Board has subsequently appointed Mr. Lim Choon Eng to replace Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, who has resigned on 23 May 2011.

Remuneration Committee

The Remuneration Committee, comprise mainly of non-executive directors, are 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 the 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) (resigned on 21 March 2011)*
(b) Y. Bhg. Dato' Lim Chee Meng *(member) (resigned on 23 May 2011)*
(c) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman *(member) (resigned on 23 May 2011)*

The Committee met once during the year and the meeting was attended by all members of the Remuneration Committee except Y. Bhg. Dato Wan Puteh bin Wan Mohd Saman.

With the resignation of all members of the Remuneration Committee on 23 May 2011, the Board has subsequently appointed Encik Suhaimi bin Kamaralzaman as the new chairperson and Mr. Lim Chin Sean and Mr. Lim Choon Eng as members of the committee.

Investment Committee

The Investment Committee has been 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.

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) Y. Bhg. Dato' Lim Chee Meng *(member) (resigned on 23 May 2011)*
(d) Mr Wong Yien Kim *(member)*
(e) Mr. Lim Yew Boon *(member)**

* *appointed on 9 April 2010.*

The Committee met three (3) times during the year and the record of attendance of the members was as follows:-

	Number of meetings attended
Encik Sulaiman bin Salleh	3/3
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	3/3
Y. Bhg. Dato' Lim Chee Meng	2/3
Mr Wong Yien Kim	3/3
Mr. Lim Yew Boon	1/1

The Board has subsequently appointed Mr. Lim Choon Eng to replace Y. Bhg. Dato' Lim Chee Meng, who has resigned on 23 May 2011.

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 helps to speed up the decision making process in issues which are routine and administrative in nature.

Members of the EXCO together with the other senior management and divisional heads meet on a monthly basis to review the operational issues of the Group, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the running of the Group's affairs.

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 Y. Bhg. Dato' Lim Chee Meng (who has subsequently resigned on 23 May 2011) and such numbers elected from the 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.

The Board has subsequently appointed Mr. Lim Yew Boon to replace Y. Bhg. Dato' Lim Chee Meng, who has resigned on 23 May 2011.

Risk Management Working Group

This Working Group is headed by the Executive Director 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 appropriate senior level in a consistent manner and that the Board through the Audit Committee receives periodic reporting on the environment risk and the management's actions to mitigate and manage significant risks in a manner which is consistent with the Group's risk appetite.

This Working Group is responsible for the overseeing of 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 has been 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 the roles, responsibilities and accountability in managing risks are clearly established, defined and communicated;

(b) to create high level risk policies which aligns 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 the 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 in review.

B. DIRECTORS' REMUNERATION

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

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 the shareholders at the Annual General Meeting in which an allowance for their attendance at the Board and other board committees' meetings are provided. 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 has also accorded higher meeting allowance.

B. DIRECTORS' REMUNERATION (cont'd)

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

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

		Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(a)	Fees	50	230	280
(b)	Salaries & other emoluments	760	114	874
(c)	Benefits-in-kind	14	-	14
(d)	Meeting allowances	8	54	62
	Total	832	398	1,230

(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
RM200,001 to RM250,000	1		1
RM600,001 to RM650,000	1		1
Total	2	7	9

C. RELATIONSHIP WITH SHAREHOLDERS

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.

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

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

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. (tel +603-2284 8668) and Netresearch-Asia Sdn. Bhd. (tel +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. Subsequent to 2010, the research coverage will be undertaken only by Netresearch-Asia Sdn. Bhd.

Within the organisation, the Group's investor relationship is headed by the General Manager, Group Finance to attend to various investors particularly institutional investors, fund managers and investment analysts and 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 as 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, Persoft Tower, 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

Primary Contact for Investors Relation Matters

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

Mr. Lim Yew Boon ronnie@taliworks.com.my	Mr. Lim is the Executive Director of the Company
Mr. Victor Wong Voon Leong victorwong@taliworks.com.my tel +603 7725 7110	Aged 46, he is currently serving as the General Manager, Group Finance, a position he held since he joined the Company in 2004. He has been involved in investors' relationship for more than ten years. He is a qualified accountant and also a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

Annual General Meeting ("AGM")

The AGM which is held once a year is the principal forum for dialogue with its shareholders. The Annual Report together with the notice of AGM is sent to the 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 the management who are present, to answer questions raised at these meetings.

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

Immediately after the AGM, the board represented by the Chairman together with 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.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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 all 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.

D. ACCOUNTABILITY AND AUDIT (cont'd)

Internal Control

The Statement on Internal Controls included in pages 51 to 52 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 is found in the Audit Committee's Report included in this Annual Report. The management maintains a close and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia. The Audit Committee will meet with the external auditors minimum once a year without the presence of the management to ensure that the independence and objectivity of the external auditors are not compromised. In order to ensure that the external auditors remain independent, the audit engagement partner is rotated every five (5) years in accordance with their firm's policy.

E. DIVIDEND POLICY

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

F. 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 the inclusion in this Annual Report by the Board.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the inclusion in this Annual Report in compliance with paragraph 15.16(1) of the Listing Requirements of the Bursa Securities.

A. COMPOSITION

The Audit Committee comprises the following members:-

CHAIRMAN

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

MEMBER	MEMBER	MEMBER
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj *(Independent Non-Executive Director)*	Encik Sulaiman bin Salleh *(Independent Non-Executive Director)*	Mr. Wong Yien Kim *(Non-Independent Non-Executive Director)*

There was no change to the composition of the Audit Committee since the previous annual report.

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 (3) 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 the 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 three (3) years of 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.

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 and/or internal auditors or both, excluding the attendance of other directors and employees of the Company and its subsidiaries ("Group") whenever deemed necessary. The Chairman of the Audit Committee shall engage on a continuous basis with the senior management, the external and/or internal auditors, in order to be kept informed of all 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 necessary external legal or other independent professional advice 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 on the system of internal controls, the management letter and management's response;

(d) To do the following in respect of an 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 to ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment on the performance of members of the internal audit function;
- approve any appointment or termination on senior staff members of the internal audit function; and
- take cognisance of the resignations of internal audit staff members and provide the resigning staff member an opportunity to submit reasons for his resignation.

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

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

Responsibilities and Duties (cont'd)

(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 the management's 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 ESOS 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 the 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 year and the attendance of each of the members was as follows:-

	22 Feb	5 Apr	17 May	18 Aug	16 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	-	•	-	•	•	3/5
Encik Sulaiman bin Salleh	•	•	•	•	•	5/5
Mr. Wong Yien Kim	•	•	•	•	•	5/5

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 Executive Director 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 the external and internal audit were being discussed.

D. TRAINING

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

E. SUMMARY OF ACTIVITIES

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

Financial 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 Board's approval.

External Audit

(a) Reviewing and approving the external auditors' audit plan prior to the 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 the 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 to be entered into by the Company or the Group to ensure that they are:-

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

(b) 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 major incidences of fraud or wrongdoings, if any, reported by the Executive Director 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 the management.

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 (2) 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 2010 to 2012 ("IASP") which comprise a three (3) year internal audit strategic plan. The IASP was approved for implementation by the Audit Committee in May 2010.

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

(i) internal audit report on Cycle 1 (2010) has been issued in November 2010

to the Company, its subsidiaries, SHSB and TLSB; where the internal audit undertaken addressed principally the key internal controls relating to the following processes and the related risk areas of:-

The Company

(a) strategic management / governance;
(b) financial management;
(c) risk management;
(d) project management; and
(e) information management.

SHSB and TLSB

(a) financial management

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

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

During the year, the Audit Committee have considered the internal audit findings on several risk and key control areas in the operating subsidiaries of a jointly-controlled entity, Cerah Sama Sdn Bhd. The services were provided by another firm engaged by the board of Cerah Sama.

(c) Remuneration of Internal Auditors

The professional fees for the year (excluding any service taxes and out-of-pocket expenses) incurred or to be incurred in respect of undertaking the above internal audit function of the Group was RM76,000 (2009: RM71,000) per two (2) cycles.

G. AUTHORISATION FOR ISSUANCE

This report has been reviewed and approved for the inclusion in this Annual Report by 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 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 mis-statements 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 the findings from internal audit reviews carried out during the year in review.

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 three (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 year in review, 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.

The key role of the internal audit function is to assess the management's adherence to establish 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.

Internal audit function (cont'd)

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

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 the Board Committees and to the 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 the 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 year in review was reasonably adequate and sufficient to safeguard the assets of the Group and interest of shareholders. There were no material losses incurred during the year in review as a result of weaknesses of internal controls. The management continues to take measures to strengthen and control the environment within the Group.

Review by the External Auditors

As required by paragraph 15.24 of the Listing Requirements of the Bursa Securities, the external auditors had reviewed this Statement on Internal Control. Their review was performed in accordance with the 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 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 2010 to be disclosed in this Annual Report:-

1. Share Buy-Back

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

2. Options, Warrants or Convertible Securities

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

(i) 59,617,080 Warrants 2005/10 at an exercise price of RM1.27 per share;
(ii) 165,000 ESOS options at an exercise price of RM1.31 per share; and
(iii) 15,000 ESOS options at an exercise price of RM1.90 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 • audit related services	36
(b) to a firm affiliated to the External Auditors • Tax compliance and advisory services	56

6. Variation in Results

There were no variances of 10% or more between the results for the financial year ended 31 December 2010 and the unaudited results previously announced.

7. Status of Utilisation of Proceeds

In 2007, the Company raised net proceeds of RM218.25 million from the issuance of RM225 million nominal value of Convertible Bonds 2007/2012 ("Convertible Bonds"). The proceeds were utilised in the following manner:-

	Total Proceeds Utilised (RM'000)
For local and overseas business expansion	25,484
For general working capital purposes	12,700
To re-purchase RM112 million nominal value of Convertible Bonds from bondholders	119,360
Part payments made for the early redemption of RM113 million nominal value of Convertible Bonds by bondholders	60,706
TOTAL	**218,250**

The Company's obligations in respect of the Convertible Bonds have been fully extinguished as at the end of the financial year.

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 45 of the financial statements of the Group and of the Company for the financial year ended 31 December 2010, 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 23 June 2010, 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(2)(b) of the Listing Requirements, the details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2010 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	Sale of water and waste treatment chemicals, products, services and related equipment or systems to the Company and/or its subsidiaries	11,963

12. Material Properties of the Group

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

13. Statement by the Audit Committee

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

14. A breakdown of the options offered to and exercised (if any) by non-executive directors pursuant to a share scheme for employees in respect of the financial year

There were no options granted by the Company to non-executive directors pursuant to the ESOS in respect of the financial year. The outstanding ESOS options exercised during the financial year and held at the end of the financial year by these directors are disclosed in page 58 of this Annual Report.

TALIWORKS CORPORATION BERHAD

FINANCIAL STATEMENTS

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 2010.

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 subsidiaries are set out in Note 19 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 19 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	28,412	(19,563)

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009:	
- 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	11,311

The Directors have recommended the payment of a final gross dividend of 1.5 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2010 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

DIRECTORS

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

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
Encik Sulaiman bin Salleh
Mr. Wong Yien Kim
Mr. Lim Yew Boon
Y. Bhg. Dato' Hj Abd Karim bin Munisar (resigned on 21 March 2011)

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 1.1.2010/ date of appointment	Bought	Sold	At 31.12.2010
Y. Bhg. Dato' Hj Abd Karim bin Munisar	100,000	0	(28,600)	71,400
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	(6,390,000)	0
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0	0	580,000
Y. Bhg. Dato' Lim Chee Meng				
- direct	317,000	268,900	0	585,900
- indirect#	196,700,000	44,940,000	0	241,640,000
Encik Sulaiman bin Salleh	42,800	0	0	42,800
Mr. Lim Yew Boon *(appointed on 1 March 2010)*	120,000	30,000	0	150,000

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 the shares of all the Company's subsidiaries to the extent the Company has an interest.

	Number of Warrants over ordinary shares of RM0.50 each in the Company at RM1.27 per share				
	At 1.1.2010	Bought / Sold	Exercised	Lapsed	At 31.12.2010
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman					
- indirect#	1,278,000	0	0	(1,278,000)	0
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	104,000	0	0	(104,000)	0
Y. Bhg. Dato' Lim Chee Meng					
- direct	148,900	0	(148,900)	0	0
- indirect#	44,940,000	0	(44,940,000)	0	0
Encik Sulaiman bin Salleh	4,560	0	0	(4,560)	0

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

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of options over ordinary shares of RM0.50 each in the Company			
	Exercise price (RM)	**At 1.1.2010**	**Exercised**	**At 31.12.2010**
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	60,000
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	80,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	60,000	0	60,000
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	(120,000)	0
	1.90	145,000	0	145,000
Encik Sulaiman bin Salleh	1.90	60,000	0	60,000

Other than disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any other interest in shares and options over shares in the Company and 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 RM188,347,250 comprising 376,694,500 ordinary shares of RM0.50 each to RM218,245,790 comprising 436,491,580 ordinary shares of RM0.50 each by the issuance of 59,797,080 new ordinary shares of RM0.50 each pursuant to the exercise of share options and Warrants of the Company.

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

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") for eligible directors and employees of the Company and its subsidiaries was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS became effective on 30 September 2005 (when the last of the requisite approvals were obtained). The ESOS will expire on 29 September 2015 ("Expiry Date"). During the financial year, the Company extended the ESOS by another 5 years to the Expiry Date.

Some of the main features of the ESOS are set out in Note 32(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. As at the said expiry date, a total of 10,171,420 Warrants were unexercised and have been deemed null and void and cease to be exercisable.

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

CONVERTIBLE BONDS

In 2007, the Company issued RM225,000,000 nominal value of 2.25% convertible bonds 2007/12 ("Convertible Bonds"), which were convertible into new ordinary shares of RM0.50 each in the Company by way of surrendering such nominal value of the Convertible Bonds equivalent to the conversion price of RM2.16 per share.

During the financial year, holders of the Convertible Bonds exercised their option to early redeem the outstanding Convertible Bonds in accordance with the Trust Deed dated 29 November 2007 constituting the Convertible Bonds. Arising therefrom, the Company's obligations in respect of the Convertible Bonds have been fully extinguished as at the end of the financial year.

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 13 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 45 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of income, statements of comprehensive income and statements of financial position 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 there were no known bad debts 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

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

(a) which would render it necessary to write off any 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 as 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 20 April 2011.

Y. BHG. DATO' LIM CHEE MENG
DIRECTOR

LIM YEW BOON
DIRECTOR

STATEMENTS OF INCOME

for the financial year ended 31 december 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	6	**171,836**	158,917	**24,465**	9,830
Cost of operations	7	**(90,068)**	(76,518)	**(14,884)**	(3,096)
Gross profit		**81,768**	82,399	**9,581**	6,734
Other operating income	8	**5,901**	9,094	**4,864**	7,428
Administrative expenses	9	**(33,125)**	(31,884)	**(9,486)**	(12,643)
Other loss - net	10	**(9,249)**	0	**(9,249)**	0
Operating profit/(loss)		**45,295**	59,609	**(4,290)**	1,519
Finance cost	11	**(15,213)**	(16,108)	**(15,057)**	(15,616)
Share of results of jointly controlled entities		**12,172**	6,915	**0**	0
Share of results of associates		**704**	630	**0**	0
Profit/(loss) before tax		**42,958**	51,046	**(19,347)**	(14,097)
Tax expense	14	**(14,546)**	(12,053)	**(216)**	1,883
Profit/(loss) for the financial year		**28,412**	38,993	**(19,563)**	(12,214)
Attributable to:					
Owners of the Company		**28,098**	38,561	**(19,563)**	(12,214)
Non-controlling interest		**314**	432	**0**	0
		28,412	38,993	**(19,563)**	(12,214)
Earnings per share attributable to owners of the Company (sen)					
- basic	15	**7.1**	10.2		
- diluted	15	**7.0**	9.7		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 december 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit/(loss) for the financial year		**28,412**	38,993	**(19,563)**	(12,214)
Other comprehensive income:					
Available-for-sale financial assets	31(a)	**(430)**	0	**(580)**	0
Foreign currency translation differences		**(819)**	(61)	**0**	0
Share of other comprehensive income of jointly controlled entities and associate		**(4)**	0	**0**	0
Other comprehensive income for the year, net of tax		**(1,253)**	(61)	**(580)**	0
Total comprehensive income for the year		**27,159**	38,932	**(20,143)**	(12,214)
Attributable to:					
Owners of the Company		**27,264**	38,541	**(20,143)**	(12,214)
Non-controlling interest		**(105)**	391	**0**	0
Total comprehensive income for the year		**27,159**	38,932	**(20,143)**	(12,214)

STATEMENTS OF FINANCIAL POSITION

as at 31 december 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Property, plant and equipment	16	**23,934**	25,276	**675**	959
Investment properties	17	**424**	434	**424**	434
Concession rights	18	**13,181**	15,110	**0**	0
Subsidiaries	19	**0**	0	**132,810**	117,314
Jointly controlled entities	20	**75,441**	68,443	**55,538**	55,538
Associate	21	**4,971**	4,267	**2,520**	2,520
Goodwill on consolidation	22	**2,504**	2,007	**0**	0
Deferred tax assets	23	**2,867**	215	**0**	0
Long term receivables	24	**133,304**	47,000	**0**	0
Deposits, bank and cash balances	25	**15,909**	12,479	**6,384**	3,000
Total non-current assets		**272,535**	175,231	**198,351**	179,765
Inventories	27	**1,054**	1,017	**0**	0
Trade and other receivables	28	**103,534**	176,538	**695**	1,007
Amount due from subsidiaries	29	**0**	0	**5,924**	38,466
Amount due from a jointly controlled entity	30	**0**	29,150	**0**	29,150
Tax recoverable		**3,903**	6,876	**3,717**	6,847
Available-for-sale financial assets	31(a)	**23,752**	0	**17**	0
Investments	31(b)	**0**	142,401	**0**	124,840
Deposits, bank and cash balances	25	**137,284**	29,235	**108,089**	7,584
Total current assets		**269,527**	385,217	**118,442**	207,894
TOTAL ASSETS		**542,062**	560,448	**316,793**	387,659
EQUITY AND LIABILITIES					
Share capital	32	**218,246**	188,347	**218,246**	188,347
Share premium	33	**74,176**	22,149	**74,176**	22,149
Warrant reserve		**0**	6,482	**0**	6,482
Share option reserve	34	**2,284**	2,139	**2,284**	2,139
Currency translation reserve		**1,014**	1,414	**0**	0
Available-for-sale reserve		**160**	0	**0**	0
Merger deficit	35	**(71,500)**	(71,500)	**0**	0
Retained earnings	36	**254,138**	226,442	**9,868**	24,472
Total equity attributable to owners of the Company		**478,518**	375,473	**304,574**	243,589
Non-controlling interest		**5,890**	5,842	**0**	0
Total equity		**484,408**	381,315	**304,574**	243,589

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
LIABILITIES					
Borrowings	38	**18**	23	**0**	0
Total non-current liabilities		**18**	23	**0**	0
Amount due to subsidiary		**0**	0	**300**	0
Borrowings	38	**2,809**	122,407	**0**	119,377
Trade and other payables	40	**50,650**	54,787	**11,919**	24,693
Taxation		**4,177**	1,916	**0**	0
Total current liabilities		**57,636**	179,110	**12,219**	144,070
TOTAL LIABILITIES		**57,654**	179,133	**12,219**	144,070
TOTAL EQUITY AND LIABILITIES		**542,062**	560,448	**316,793**	387,659

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010

		Attributable to owners of the Company										
	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2010												
- As previously stated		188,347	22,149	6,482	2,139	1,414	0	(71,500)	226,442	375,473	5,842	381,315
- Effects of adopting FRS 139	47	0	0	0	0	0	590	0	10,226	10,816	0	10,816
At 1 January 2010, as restated		188,347	22,149	6,482	2,139	1,414	590	(71,500)	236,668	386,289	5,842	392,131
Comprehensive income:												
Profit for the financial year		0	0	0	0	0	0	0	28,098	28,098	314	28,412
Other comprehensive income:												
- Available-for-sale financial assets	31(a)	0	0	0	0	0	(430)	0	0	(430)	0	(430)
- Share of other comprehensive loss of associate		0	0	0	0	0	0	0	(4)	(4)	0	(4)
- Currency translation differences		0	0	0	0	(400)	0	0	0	(400)	(419)	(819)
Total other comprehensive income		0	0	0	0	(400)	(430)	0	(4)	(834)	(419)	(1,253)
Total comprehensive income for the financial year		**0**	**0**	**0**	**0**	**(400)**	**(430)**	**0**	**28,094**	**27,264**	**(105)**	**27,159**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010 (cont'd)

	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to owners of the Company								→		
Transactions with owners:												
Issue of ordinary shares pursuant to:												
- exercise of ESOS options/warrants	32,33	29,899	46,060	0	0	0	0	0	0	75,959	0	75,959
Transfer to/(from) reserve upon												
- exercise of warrants	33	0	5,962	(5,962)	0	0	0	0	0	0	0	0
- expiry of warrants		0	0	(520)	0	0	0	0	520	0	0	0
Transfer to/(from) reserve upon												
- exercise of ESOS options	33,34	0	5	0	(5)	0	0	0	0	0	0	0
- ESOS options lapsed	34	0	0	0	(167)	0	0	0	167	0	0	0
Share option expenses	34	0	0	0	317	0	0	0	0	317	0	317
Dividends paid	37	0	0	0	0	0	0	0	(11,311)	(11,311)	0	(11,311)
Non-controlling interest arising from business combination		0	0	0	0	0	0	0	0	0	153	153
Total transactions with owners		**29,899**	**52,027**	**(6,482)**	**145**	**0**	**0**	**0**	**(10,624)**	**64,965**	**153**	**65,118**
At 31 December 2010		**218,246**	**74,176**	**0**	**2,284**	**1,014**	**160**	**(71,500)**	**254,138**	**478,518**	**5,890**	**484,408**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010 (cont'd)

	Note	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	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to owners of the Company							→		
At 1 January 2009		188,295	22,059	6,492	2,139	1,434	(71,500)	202,712	351,631	5,451	357,082
Comprehensive income:											
Profit for the financial year		0	0	0	0	0	0	38,561	38,561	432	38,993
Other comprehensive income:											
Currency translation differences		0	0	0	0	(20)	0	0	(20)	(41)	(61)
Total other comprehensive income		0	0	0	0	(20)	0	0	(20)	(41)	(61)
Total comprehensive income for the financial year		0	0	0	0	(20)	0	38,561	38,541	391	38,932
Transactions with owners:											
Warrants:											
- proceeds from shares issued	32,33	52	80	0	0	0	0	0	132	0	132
- transfer upon exercise	33	0	10	(10)	0	0	0	0	0	0	0
Dividends paid	37	0	0	0	0	0	0	(14,831)	(14,831)	0	(14,831)
Total transactions with owners		**52**	**90**	**(10)**	**0**	**0**	**0**	**(14,831)**	**(14,699)**	**0**	**(14,699)**
At 31 December 2009		188,347	22,149	6,482	2,139	1,414	(71,500)	226,442	375,473	5,842	381,315

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010

	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Available for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010								
- As previously stated		188,347	22,149	6,482	2,139	0	24,472	243,589
- Effects of adopting FRS 139	47	0	0	0	0	580	15,583	16,163
At 1 January 2010, as restated		188,347	22,149	6,482	2,139	580	40,055	259,752
Comprehensive income:								
Loss for the financial year		0	0	0	0	0	(19,563)	(19,563)
Other comprehensive income:								
- Available-for-sale financial assets	31(a)	0	0	0	0	(580)	0	(580)
Total other comprehensive income		0	0	0	0	(580)	0	(580)
Total comprehensive income for the financial year		**0**	**0**	**0**	**0**	**(580)**	**(19,563)**	**(20,143)**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010 (cont'd)

	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Available for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
Transactions with owners:								
Issue of ordinary shares pursuant to:								
- exercise of ESOS options/warrants		29,899	46,060	0	0	0	0	75,959
Transfer to/(from) reserve upon								
- exercise of warrants	33	0	5,962	(5,962)	0	0	0	0
- expiry of warrants		0	0	(520)	0	0	520	0
Transfer to/(from) reserve upon								
- exercise of ESOS options	33,34	0	5	0	(5)	0	0	0
- ESOS options lapsed	34	0	0	0	(167)	0	167	0
Share option expenses	34	0	0	0	317	0	0	317
Dividends paid	37	0	0	0	0	0	(11,311)	(11,311)
Total transactions with owners		**29,899**	**52,027**	**(6,482)**	**145**	**0**	**(10,624)**	**64,965**
At 31 December 2010		**218,246**	**74,176**	**0**	**2,284**	**0**	**9,868**	**304,574**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2010 (cont'd)

	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
Comprehensive income:							
Loss for the financial year		0	0	0	0	(12,214)	(12,214)
Total comprehensive income for the financial year		**0**	**0**	**0**	**0**	**(12,214)**	**(12,214)**
Transactions with owners:							
Warrants:							
- proceeds from shares issued	32,33	52	80	0	0	0	132
- transfer upon exercise	33	0	10	(10)	0	0	0
Dividends paid	37	0	0	0	0	(14,831)	(14,831)
Total transactions with owners		**52**	**90**	**(10)**	**0**	**(14,831)**	**(14,699)**
At 31 December 2009		188,347	22,149	6,482	2,139	24,472	243,589

STATEMENTS OF CASH FLOWS

for the financial year ended 31 december 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		**42,958**	51,046	**(19,347)**	(14,097)
Adjustments for:					
Amortisation of concession rights	18	**905**	983	**0**	0
Finance cost	11	**15,213**	16,108	**15,057**	15,616
Depreciation:					
- property, plant and equipment	16	**3,291**	3,664	**479**	475
- investment properties	17	**10**	10	**10**	10
Loss/(gain) on disposal of property, plant and equipment		**62**	(70)	**0**	(3)
Property, plant and equipment written off	16	**2**	38	**2**	0
Provision for impairment		**0**	881	**0**	881
Bad debts recovered	9	**(728)**	0	**(728)**	0
Foreign exchange loss		**1,741**	537	**0**	238
Impairment:					
- amount due from subsidiaries		**0**	0	**0**	3,246
- investment in a subsidiary	19	**0**	0	**140**	411
- receivables in subsidiaries		**3,765**	0	**0**	0
- property, plant and equipment	16	**91**	0	**0**	0
Unwinding of discount		**(2,490)**	0	**0**	0
Other loss - net	10	**9,249**	0	**9,249**	0
Share option expenses	34	**317**	0	**317**	0
Available-for-sale financial assets/Investments:					
- dividend income	8	**(3,257)**	(5,003)	**(2,492)**	(4,542)
- gain on redemption	8	**(1,995)**	(1,081)	**(1,995)**	(1,030)
Interest income	8	**(663)**	(743)	**(332)**	(275)
Gain on liquidation of an associate		**0**	(961)	**0**	(881)
Share of results:					
- jointly controlled entities		**(12,172)**	(6,915)	**0**	0
- associates		**(704)**	(630)	**0**	0
Investment from non-controlling interest		**98**	0	**0**	0
Dividend income	7	**0**	0	**(5,770)**	0
		55,693	57,864	**(5,410)**	49
Changes in working capital:					
Inventories		**(37)**	269	**0**	0
Trade and other receivables		**(21,559)**	(13,510)	**1,041**	(1,119)
Trade and other payables		**(3,492)**	(17,260)	**(12,592)**	(21,998)
Amount due from subsidiaries		**0**	0	**32,842**	28,231
Amount due from a jointly controlled entity		**29,150**	9,350	**29,150**	9,350
Net cash inflow from operations		**59,755**	36,713	**45,031**	14,513
Interest paid		**(2,575)**	(5,090)	**(2,536)**	(5,060)
Interest received		**642**	815	**331**	283
Tax (paid)/received		**(8,214)**	(14,699)	**4,357**	(295)
Net cash inflow from operating activities		**49,608**	17,739	**47,183**	9,441

STATEMENTS OF CASH FLOWS

for the financial year ended 31 december 2010 (cont'd)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment:					
- proceeds from disposal		71	74	0	7
- purchase	16	(3,600)	(1,112)	(197)	(233)
Acquisition of subsidiary	19(a)	(543)	0	0	0
Dividend received from a jointly controlled entity		3,877	0	3,877	0
Dividend received from a subsidiary		0	0	450	14,625
Distribution received from an associate on liquidation		0	21,538	0	21,538
Available-for-sale financial assets:					
- purchase		(156,622)	(180,600)	(130,022)	(158,500)
- proceeds from redemption		280,583	249,964	259,235	231,694
- dividends		100	33	97	33
Capital contribution to subsidiaries		0	0	(15,636)	0
(Withdrawal)/ placement in deposit balances pledged as security		(3,430)	1,722	(3,384)	1,753
Net cash inflow from investing activities		120,436	91,619	114,420	110,917
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares		75,959	132	75,959	132
Dividends paid	37	(11,311)	(14,831)	(11,311)	(14,831)
Repayment of borrowings		(19)	(1,569)	0	(1,551)
Redemption of Convertible Bonds		(125,746)	(119,360)	(125,746)	(119,360)
Net cash outflow from financing activities		(61,117)	(135,628)	(61,098)	(135,610)
Effect of foreign exchange rate changes		(878)	(121)	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		108,049	(26,391)	100,505	(15,252)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		29,235	55,626	7,584	22,836
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	26	137,284	29,235	108,089	7,584

1 GENERAL INFORMATION

The principal activities of the Company are investment holding, provision of contracting, project and management services. There has been no significant change in the activities of the Company during the financial year.

The principal activities of the Group consist of management, operation and maintenance of water treatment plants and water distribution systems, waste management services and provision of contracting, project and management services. There has been no significant change in the activities of the Group during the financial year except as disclosed in Note 19 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, Persoft Tower
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. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with Financial Reporting Standards 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 the 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 and Company'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.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current financing.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

(i) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2010 are as follows:

FRS 7	Financial Instruments: Disclosures and the related Amendments
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement and the related Amendments
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
FRS 101 (revised)	Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation
IC Interpretation 9	Reassessment of Embedded Derivatives and the related Amendments
IC Interpretation 10	Interim Financial Reporting and Impairment
Improvements to FRSs (2009)	

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and Company is set out in Note 2.2.

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

The Group has elected to apply the following revised standards to the financial year beginning on or after 1 January 2010:

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) 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 profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions with non-controlling interests from 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. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

(iii) 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's and Company's financial period beginning on or after 1 January 2011:

- Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 - group and treasury share transactions", which shall be withdrawn upon application of this amendment.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

- Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.

- IC Interpretation 4 "Determining whether an arrangement contains a lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.

- IC Interpretation 12 "Service concession arrangements" (effective from 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.

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

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

- IC Interpretation 18 "Transfers of assets from customers" (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue".

  The following amendments are part of the Malaysian Accounting Standards Board's ("MASB") improvement projects that are applicable to the Group but not yet effective:

- FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- FRS 3 (effective from 1 January 2011)
  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.

- IC Interpretation 9 (effective from 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations.

The following Note 2.2 (i) to (vi) disclose the impacts of such changes on the financial statements of the Group and Company.

(i) FRS 7 "Financial instruments: Disclosures" introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments. FRS 7 does not require comparative disclosures when the standard is first applied.

ii) FRS 8 Operating segments, requires the Group's segment information to be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker, i.e. 'management approach'. The Group presents its segment information based on its business segment, which is consistent to its internal management reports. This standard does not have any significant impact on the financial results of the Group. The Group has identified the Executive Committee as the chief operating decision-maker.

(iii) FRS 101 Presentation of financial statements (as revised), prohibits the presentation of non-owner changes in equity in the statement of changes in equity. All non-owner changes in equity are required to be shown in the performance statement as total comprehensive income. Comparatives, with the exception of the requirement under FRS 139, had been restated in conformity to this revised standard. This standard does not have any significant impact on the financial results of the Group.

(iv) FRS 139 Financial Instruments: Recognition and Measurement, establishes principles for recognising and measuring financial assets and financial liabilities. Financial instruments are initially recorded at fair value and are subsequently measured in accordance to its classification. The Group determines its classification on initial recognition and on first adoption of the standard on 1 January 2010.

- Trade receivables: With the adoption of FRS 139, trade receivables are initially fair valued and subsequently carried at amortised cost less impairment. An impairment loss is recognised for trade receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

  In subsequent periods, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is taken to profit or loss.

- Investments: Prior to the adoption of FRS 139, investments in quoted unit trusts were stated at the lower of costs or market value on a portfolio basis. Under FRS 139, these investments determined by the Group as available-for-sale ("AFS") financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is de-recognised or determined to be impaired at which time the cumulative gain or loss is recognised in profit or loss and removed from the fair value reserve.

- Convertible Bonds: Prior to the adoption of FRS 139, the Convertible Bonds 2007/2012 ("Convertible Bonds") issued by the Company were initially recognised at net proceeds received upon issuance and adjusted subsequently for accretion of discount to maturity. Under FRS 139, embedded derivatives contained within the Convertible Bonds and deemed not closely related to the host contract are separately accounted for as derivatives and are fair valued at the inception date. Subsequent measurement of the embedded derivatives are done at fair value at the end of each reporting period and the difference taken to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 CHANGES IN ACCOUNTING POLICIES (cont'd)

(v) IC interpretation 9 Reassessment of Embedded Derivatives, requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as derivative when the entity first becomes a party to the contract.

In these financial statements, the amount recognised as derivative financial liabilities was determined by reference to the fair value of the embedded derivatives contained within the Convertible Bonds at the date of inception of the Convertible Bonds computed using the Black-Scholes model.

(vi) In accordance with FRS 139, the recognition, de-recognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. Pursuant to the transitional provisions of FRS 139 for first time adoption, adjustments arising from re-measuring the financial instruments at the beginning of the financial year are to be recognised as adjustments to the opening retained earnings or another appropriate reserve ("Day 1 Adjustments") as disclosed in Note 47.

2.3 SUBSIDIARIES

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

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

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

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

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. See the accounting policy Note 2.6 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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 SUBSIDIARIES (cont'd)

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

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

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

2.4 JOINTLY CONTROLLED ENTITIES

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

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

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

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

2.5 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.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition movements are adjusted against the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 ASSOCIATES (cont'd)

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 profit or loss.

2.6 GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash generating 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 2.11(ii) on the impairment of non-financial assets.

2.7 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 the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.11(ii) on the impairment of non-financial assets.

2.8 INVESTMENT PROPERTIES

Investment property carried at cost.

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 profit or loss in the period of the retirement or disposal.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 INVESTMENT PROPERTIES (cont'd)

Following the amendment made to FRS140, Investment Property, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

2.9 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 profit or loss 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 the end of each reporting period.

At the end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. See accounting policy Note 2.11(ii) 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 profit or loss.

2.10 INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

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 2.11(ii) on the impairment of non-financial assets.

2.11 IMPAIRMENT

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 IMPAIRMENT (cont'd)

(i) Financial assets (cont'd)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) 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 the end of each reporting period.

2.12 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 profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 ASSETS ACQUIRED UNDER LEASES (cont'd)

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

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 2.9 above.

2.13 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.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

2.14 CONSTRUCTION CONTRACTS

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 TRADE RECEIVABLES

Prior to 1 January 2010, trade receivables are carried at invoiced 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.

Following the adoption of FRS 139, trade receivables are categorised and measured as loans and receivables in accordance with Note 2.23.

2.16 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 in the statements of financial position.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2.23.

2.17 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 end of the reporting period. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period. 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 profit or loss for share options granted. With the adoption of FRS 2: Share-Based Payment, the compensation expense relating to share options is recognised in profit or loss 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 SHARE CAPITAL (cont'd)

(iv) Share-based compensation (cont'd)

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

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

2.18 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 retained earnings.

2.19 TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 end of each reporting period.

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 end of each reporting period 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 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.

2.21 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.

2.22 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 profit or loss.

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

(iii) Group companies

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

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 FOREIGN CURRENCIES (cont'd)

(iii) Group companies (cont'd)

- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as 'currency translation 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 profit or loss 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	**31.12.2010 RM**	**31.12.2009 RM**
1 US Dollar	**3.09**	3.43
100 Hong Kong Dollars	**39.64**	44.18
100 Chinese Renminbi	**46.74**	50.19
1 Singapore Dollar	**2.39**	-

2.23 FINANCIAL INSTRUMENTS

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 2.2.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instruments.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 FINANCIAL INSTRUMENTS (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categories financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are not held for trading.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On de-recognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Dividend income from the investment is recognised in profit or loss when the Group's right to receive payment is established.

All the above financial assets are subject to review for impairment as disclosed in Note 2.11(i).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) De-recognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risk and rewards of the asset. On de-recognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liabilities assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On de-recognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 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 profit or loss 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 profit or loss with a corresponding increase in equity.

2.25 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 and results 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 and results 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.

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision maker, which in this case is the Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.26 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 profit or loss over the period of the borrowings. Borrowing costs incurred are expensed to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.27 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 Group and Company 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 are discussed as follows:

(a) Impairment of Goodwill on Consolidation

The Group reviews the carrying amounts of Goodwill on Consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated 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 22 to the financial statements.

(b) 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.

(c) 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 these judgments, the Group relied on past experience and work of specialists.

(d) Trade receivables of subsidiaries

The credit risk with respect of the carrying amount of the Group's trade receivables amounting to RM226,648,000 (2009: RM213,490,000) is concentrated on two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 28 to the financial statements.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial Risk Factors

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 Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk as a result of foreign currency transactions is limited as the Group's foreign currency payables or receivables are minimal at present.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's deposits and investments in available-for-sale financial assets. The interest rate exposure to borrowings is not significant as the Convertible Bonds issued by the Company was at a fixed coupon rate and other borrowings of the Group are minimal. The Group closely monitors the interest rate trend. 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.

Investments are allowed only in liquid securities and only with financial institutions that have a sound credit rating. Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act 2007 of Malaysia. The Group monitors its exposure to interest rate risk on an ongoing basis.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and it arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated on a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 28.

Liquidity and Cash Flow Risk

Liquidity and cash flow risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. 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. If required, the Group will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceeded current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries so as to enable the subsidiaries to meet their liabilities as and when they fall due.

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents and available-for-sale financial assets. Total capital is the "total equity attributable to owners of the Company" as shown in the statements of financial position.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the gearing ratio less than 100%. The gearing ratios at the end of each reporting period were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RM'000	RM'000	**RM'000**	RM'000
Total borrowings (Note 38)	**2,827**	122,430	**0**	119,377
Less: cash and cash equivalents (Note 26)	**(137,284)**	(29,235)	**(108,089)**	(7,584)
Less: available-for-sale financial assets/ Investments (Note 31)	**(23,752)**	(142,401)	**(17)**	(124,840)
	N/A	N/A	**N/A**	N/A
	478,518	375,473	**304,574**	243,589
Gearing ratio	**0%**	0%	**0%**	0%

N/A – not applicable

5 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.

Segment revenue and results 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 and results 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 management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions and performance review.

The Group comprises the following reportable segments:

Water	Management, operations and maintenance of water treatment plants and water distribution systems
Waste management	Provision of management, operation and maintenance of waste management services and technical services relating to waste management
Construction	Provision of contracting, project and management services relating to construction contracts
Toll highway	Provision of operation and maintenance of the Cheras-Kajang Expressway

5 SEGMENT REPORTING (cont'd)

	Water 2010 RM'000	Water 2009 RM'000	Waste management 2010 RM'000	Waste management 2009 RM'000	Construction 2010 RM'000	Construction 2009 RM'000	Toll Highway 2010 RM'000	Toll Highway 2009 RM'000	Others 2010 RM'000	Others 2009 RM'000	Total 2010 RM'000	Total 2009 RM'000
Revenue												
Total revenue	**142,349**	135,506	**14,428**	17,173	**35,720**	13,800	**0**	0	**7,995**	2,173	**200,492**	168,652
Inter-segment revenue	**0**	0	**(625)**	(1,610)	**(18,909)**	(5,990)	**0**	0	**(7,847)**	(2,135)	**(27,381)**	(9,735)
External revenue	**142,349**	135,506	**13,803**	15,563	**16,811**	7,810	**0**	0	**148**	38	**173,111**	158,917
Reconciliation:												
Difference in accounting policy (see note below)	**(1,346)**	0	**71**	0	**0**	0	**0**	0	**0**	0	**(1,275)**	0
Revenue as per Statements of Income											**171,836**	158,917
Results												
Segment results	**56,428**	54,084	**934**	2,656	**1,671**	3,510	**12,172**	6,915	**1,607**	(236)	**72,812**	66,929
Reconciliation:												
Inter-segment results											**(6,096)**	(405)
Other loss - net											**(9,249)**	0
Finance cost											**(15,213)**	(16,108)
Share of results of associates											**704**	630
Profit before tax											**42,958**	51,046
Tax expense											**(14,546)**	(12,053)
Profit for the year as per Statements of Income											**28,412**	38,993

Note: Segment policy is to show the effect of discounting of revenue by reducing revenue recognised instead of within operating expenses.

5 SEGMENT REPORTING (cont'd)

Segment results represent the contribution of the segments to the profit of the Group and exclude the effects of non-recurring expenditure from operations such as fair value gain on embedded derivatives contained within the Convertible Bonds and loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds that are not generated from the operating activities.

The Group earns revenues from external customers from two main geographical areas:

(i) Malaysia* - 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		Non-current assets	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**158,033**	143,346	**237,325**	137,367
China	**13,803**	15,571	**35,210**	37,864
	171,836	158,917	**272,535**	175,231

Revenue from two major customers SADA and SPLASH in the water segment during the year, amounted to RM42,160,000 (2009:RM39,519,000) and RM100,189,000 (2009:RM95,987,000) respectively.

6 REVENUE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Management, operation and maintenance of water treatment plants	**142,349**	135,506	**0**	0
Contract revenue	**16,959**	7,848	**16,655**	7,790
Waste management	**13,803**	15,563	**0**	0
Management fees from subsidiaries	**0**	0	**2,040**	2,040
Dividend from a subsidiary	**0**	0	**600**	0
Dividend from a jointly controlled entity	**0**	0	**5,170**	0
	173,111	158,917	**24,465**	9,830
Less: Provision for impairment	**(1,275)**	0	**0**	0
	171,836	158,917	**24,465**	9,830

7 COST OF OPERATIONS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Building material	**3,027**	423	**3,027**	423
Pipelines and fitting works	**865**	734	**0**	0
Chemical cost	**11,250**	9,524	**0**	0
Other site cost	**1,994**	876	**243**	(476)
Upkeep and maintenance of equipment	**9,039**	9,687	**22**	21
Rental	**10**	26	**10**	18
Vehicle expenses	**2,705**	3,469	**185**	162
Utilities	**35,643**	34,773	**42**	50
General expenses	**1,195**	1,310	**427**	407
Professional fees	**10,804**	10,282	**0**	0
Employee related expenses	**70**	64	**58**	43
Travelling and accommodation expenses	**86**	52	**86**	52
Sub-contract costs	**8,484**	46	**8,506**	46
Service cost for management fees	**0**	0	**2,040**	2,040
Staff cost	**1,638**	1,824	**12**	36
Property, plant and equipment:				
- written off (Note 16)	**2**	0	**2**	0
- depreciation (Note 16)	**2,071**	2,176	**203**	206
Amortisation of concession rights (Note 18)	**905**	983	**0**	0
Hire of plant and machinery	**130**	119	**21**	68
Lease rental of waterworks assets	**150**	150	**0**	0
	90,068	76,518	**14,884**	3,096

8 OTHER OPERATING INCOME

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest income	**663**	743	**332**	275
Dividend from available-for-sale financial assets / investments	**3,257**	5,638	**2,492**	5,172
Rental income	**13**	9	**13**	9
Realised gain on available-for-sale financial assets / investments	**1,995**	1,081	**1,995**	1,030
(Loss)/gain on disposal on property, plant and equipment	**(62)**	70	**0**	3
Gain on liquidation of an associate	**0**	961	**0**	881
Maintenance income	**0**	588	**0**	0
Others	**35**	4	**32**	58
	5,901	9,094	**4,864**	7,428

9 ADMINISTRATIVE EXPENSES BY NATURE

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fees to PricewaterhouseCoopers for:				
- statutory audit services	**162**	148	**69**	64
- audit related services	**36**	35	**36**	35
- tax compliance and advisory services	**56**	59	**13**	21
Statutory audit fees to other auditors	**83**	67	**0**	0
Rental of premises	**682**	644	**414**	398
Rental - others	**45**	26	**4**	8
Staff cost	**19,453**	18,513	**5,767**	5,208
Employee related expenses	**837**	677	**219**	217
Depreciation on investment properties (Note 17)	**10**	10	**10**	10
Property, plant and equipment:				
- depreciation (Note 16)	**1,220**	1,488	**276**	269
- written off (Note 16)	**0**	38	**0**	0
Impairment				
- available-for-sale financial assets	**0**	635	**0**	630
- receivables from subsidiaries	**0**	0	**0**	3,246
- investment in subsidiaries (Note 19)	**0**	0	**140**	411
- assets in a subsidiary	**197**	0	**0**	0
Allowance for doubtful debts	**0**	881	**0**	881
Foreign exchange losses				
- realised	**58**	94	**0**	30
- unrealised	**1,683**	443	**0**	208
Upkeep and maintenance of equipment	**447**	295	**31**	42
Vehicle related expenses	**803**	748	**83**	113
Utilities	**631**	652	**171**	205
Travelling and accommodation expenses	**1,984**	1,380	**885**	537
Professional fees	**2,034**	2,229	**697**	1,160
General expenses	**3,432**	2,822	**3,439**	990
Management fee	**0**	0	**(2,040)**	(2,040)
Bad debts recovered	**(728)**	0	**(728)**	0
Total administrative expenses	**33,125**	31,884	**9,486**	12,643

10 OTHER LOSS - NET

Other loss – net comprise the following:-

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds (Note 47)	**(25,019)**	0	**(25,019)**	0
Fair value gain on embedded derivatives contained within the Convertible Bonds (Note 39)	**15,770**	0	**15,770**	0
	(9,249)	0	**(9,249)**	0

10 OTHER LOSS - NET (cont'd)

The loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds was arrived as follows:-

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Redemption price for the Convertible Bonds	**125,746**	0	**125,746**	0
Less: Redemption of the Convertible Bonds (Note 38(b))	**(100,079)**	0	**(100,079)**	0
Less: Carrying value of embedded derivatives contained within the Convertible Bonds (Note 39)	**(648)**	0	**(648)**	0
	25,019	0	**25,019**	0

During the financial year, holders of the Convertible Bonds exercised their option to early redeem the outstanding RM113,000,000 nominal value of Convertible Bonds at the Early Redemption Amount (*as defined in the Trust Deed dated 29 November 2007 constituting the Convertible Bonds*) for RM125,746,400. Arising therefrom, the Company's obligations in respect of the Convertible Bonds have been fully extinguished as at the end of the financial year.

11 FINANCE COST

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense:				
- borrowings	**153**	509	**0**	20
- finance lease	**3**	3	**0**	0
- convertible bond	**2,354**	4,855	**2,354**	4,855
Amortisation of discount on Convertible Bonds	**12,703**	10,741	**12,703**	10,741
	15,213	16,108	**15,057**	15,616

12 STAFF COST

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	**18,888**	18,507	**4,847**	4,651
Defined contribution - Employees Provident Fund	**1,658**	1,629	**518**	506
Share option expenses	**317**	0	**317**	0
Other employee benefits	**228**	201	**97**	87
	21,091	20,337	**5,779**	5,244
Number of employees (including executive directors)	**427**	441	**40**	39

Included in staff cost of the Group and of the Company are Directors' remuneration of RM1,216,000 (2009: RM1,417,000) and RM1,102,000 (2009: RM1,303,000) respectively as further disclosed in Note 13.

13 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 (resigned on 21 March 2011)
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
Mr. Lim Yew Boon

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

	Group		**Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Non-executive Directors:				
- fees	**230**	230	**230**	230
- other emoluments	**168**	160	**54**	46
Executive Directors:				
- fees	**50**	50	**50**	50
- salaries and bonus	**679**	865	**679**	865
- defined contribution plan	**81**	104	**81**	104
- other emoluments	**8**	8	**8**	8
	1,216	1,417	**1,102**	1,303

Benefits in kind received by the Directors of the Company were RM14,000 (2009: RM23,000) for the Group and the Company.

14 TAX EXPENSE

	Group		**Company**	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Malaysian income tax				
Current tax:				
Current year	**14,453**	11,833	**0**	2,675
Under accrual in prior years	**84**	263	**216**	317
	14,537	12,096	**216**	2,992
Foreign income tax	**204**	0	**0**	0
Deferred tax (Note 23):				
Origination and reversal of temporary differences	**(195)**	(43)	**-**	(4,875)
Tax expense	**14,546**	12,053	**216**	(1,883)

14 TAX EXPENSE (cont'd)

The explanation of the relationship between tax expense and profit/ (loss) before tax is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	**25.0**	25.0	**(25.0)**	(25.0)
Effect of tax rates in foreign jurisdictions	**0.5**	0	**0**	0
Tax effects of:				
- share of results of associates/jointly controlled entity	**(6.7)**	(3.7)	**0**	0
- expenses not deductible for tax purposes	**23.8**	4.8	**49.3**	21.7
- income not subject to tax	**(12.2)**	(3.5)	**(26.2)**	(12.6)
- previously unrecognised temporary differences	**3.3**	0.5	**1.9**	0.3
- under accrual in prior years	**0.2**	0.5	**1.1**	2.2
Average effective tax rate	**33.9**	23.6	**1.1**	(13.4)

15 EARNINGS PER SHARE

Basic earnings per share

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

	2010	**2009**
Net profit attributable to owners of the Company (RM'000)	**28,098**	38,561
Weighted average number of ordinary shares in issue ('000)	**393,847**	376,677
Basic earnings per share (sen)	**7.1**	10.2

Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. In the previous year, the net profit attributable to owners of the Company was 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.

15 EARNINGS PER SHARE (cont'd)

	2010	2009
Net profit attributable to owners of the Company (RM'000)	**28,098**	38,561
Weighted average number of ordinary shares in issue ('000)	**393,847**	376,677
Effects of dilution from:		
- Warrants ('000)	**7,230**	19,147
- ESOS options ('000)	**25**	60
Adjusted weighted average number of ordinary shares in issue ('000)	**401,102**	395,884
Diluted earnings per share (sen)	**7.0***	9.7*

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

16 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 2010	280	582	21,751	1,026	1,277	360	25,276
Additions	0	0	204	2,875	506	19	3,604
Write off charged to cost of operations (Note 7)	0	0	0	(2)	0	0	(2)
Impairment	0	0	0	0	0	(91)	(91)
Disposals	0	0	(90)	(5)	(38)	0	(133)
Depreciation charged to administrative expenses (Note 9)	0	(14)	(236)	(389)	(460)	(121)	(1,220)
Depreciation charged to cost of operations (Note 7)	0	0	(1,858)	(34)	(179)	0	(2,071)
Currency translation differences	0	0	(1,422)	2	(2)	(7)	(1,429)
At 31 December 2010	280	568	18,349	3,473	1,104	160	23,934
At 31 December 2010							
Cost	280	700	25,965	7,614	6,720	1,021	42,300
Accumulated depreciation	0	(132)	(8,466)	(4,158)	(5,623)	(877)	(19,256)
Accumulated currency translation differences	0	0	850	17	7	16	890
Net book value	280	568	18,349	3,473	1,104	160	23,934

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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 charged to administrative expenses (Note 9)	0	0	0	0	0	(38)	(38)
Disposals	0	0	0	0	(4)	0	(4)
Depreciation charged to administrative expenses (Note 9)	0	(14)	(312)	(534)	(510)	(118)	(1,488)
Depreciation charged to cost of operations (Note 7)	0	0	(1,962)	(34)	(180)	0	(2,176)
Currency translation differences	0	0	(257)	(7)	(1)	(1)	(266)
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

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Net book value					
At 1 January 2010	40	253	490	176	959
Additions	0	70	127	0	197
Write off charged to cost of operations (Note 7)	0	(2)	0	0	(2)
Depreciation charged to administrative expenses (Note 9)	0	(152)	(69)	(55)	(276)
Depreciation charged to cost of operations (Note 7)	(21)	(3)	(179)	0	(203)
At 31 December 2010	19	166	369	121	675
At 31 December 2010					
Cost	105	953	1,994	305	3,357
Accumulated depreciation	(86)	(787)	(1,625)	(184)	(2,682)
Net book value	19	166	369	121	675

Company	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
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 charged to administrative expense (Note 9)	0	(162)	(52)	(55)	(269)
Depreciation charged to cost of operations (Note 7)	(20)	(6)	(180)	0	(206)
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

Assets held under finance lease agreements were motor vehicles of the Group with a net book value as at 31 December 2010 of nil (2009: RM5,000).

17 INVESTMENT PROPERTIES

	Group and Company	
	2010	2009
	RM'000	RM'000
Net book value		
At 1 January	**434**	444
Depreciation charged to administrative expenses (Note 9)	**(10)**	(10)
At 31 December	**424**	434
At 31 December		
Cost	**529**	529
Accumulated depreciation	**(79)**	(69)
Accumulated impairment losses	**(26)**	(26)
Net book value	**424**	434

The fair value of the investment properties is approximately RM529,000. This fair value was based on directors' valuation and no independent external valuation was performed.

18 CONCESSION RIGHTS

	Group	
	2010	2009
	RM'000	RM'000
Net book value		
At 1 January	**15,110**	16,286
Amortisation charged to cost of operations (Note 7)	**(905)**	(983)
Currency translation difference	**(1,024)**	(193)
At 31 December	**13,181**	15,110
At 31 December		
Cost	**18,294**	18,294
Accumulated amortisation	**(5,605)**	(4,700)
Accumulated currency translation difference	**492**	1,516
Net book value	**13,181**	15,110

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.

19 SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Carrying amount		
At 1 January	**106,213**	106,624
Less: Impairment losses charged to administrative expenses (Note 9)	**(140)**	(411)
At 31 December	**106,073**	106,213
Amount due from subsidiaries - Non-trade	**26,737**	11,101
At 31 December	**132,810**	117,314
At 31 December		
Unquoted investments, at cost	**106,624**	106,624
Less: Accumulated impairment losses	**(551)**	(411)
	106,073	106,213
Amount due from subsidiaries-Non -trade	**26,737**	11,101
Unquoted investments, at carrying amount	**132,810**	117,314

The amount due from subsidiaries represents capital contributions by the Company in certain subsidiaries.

During the financial year, the Company changed the accounting treatment for the amounts due from subsidiaries as at 31 December 2009 of RM11,101,000 by reclassifying these amounts to subsidiaries as it represents capital contributions by the Company to its subsidiaries. A statement of financial position as at 31 December 2008 has not been presented as the amounts are not material.

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

Name	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	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.

19 SUBSIDIARIES (cont'd)

Name	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
Held directly by Taliworks Corporation Berhad: (cont'd)				
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**	100	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.
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.

19 SUBSIDIARIES (cont'd)

Name	Country of incorporation	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
Held through Taliworks International Limited: (cont'd)				
Taliworks Environment Limited *	Hong Kong SAR	**100**	100	Investment holding.
Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte Ltd) * ^	Singapore	**70**	0	Investment holding.
TILGEA Consortium Sdn Bhd #	Malaysia	**70**	0	General construction.
Held through Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte Ltd):				
Ningxia ECO Wastewater Treatment Co., Ltd * ∞	People's Republic of China	**70**	0	Management, operation and maintenance of industrial waste-water treatment plant for a concession period of 30 years expiring June 2040.
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	In the process of liquidation.
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.

19 SUBSIDIARIES (cont'd)

* Not audited by PricewaterhouseCoopers, Malaysia.

^ Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte Ltd) was acquired on 5 March 2010, as a 70% subsidiary of Taliworks International Limited ("TIL"), with an authorised and issued share capital of SGD100,000 (Note 19(a)).

TILGEA Consortium Sdn Bhd was incorporated on 4 June 2010, as a 70% subsidiary of TIL, with an authorised share capital of RM1,000,000 of which RM10 comprising 10 ordinary shares of RM1.00 each was issued and paid up. As at the end of the financial year, the issued and paid-up share capital has increased to 325,750 ordinary shares of RM1.00 each.

∞ Ningxia ECO Wastewater Treatment Co., Ltd. was incorporated on 17 June 2010, as a 100% subsidiary of Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte. Ltd.). The company was incorporated as a foreign investment enterprise in the People's Republic of China with a registered capital of USD4,200,000.

(a) Significant acquisition

On 5 March 2010, Taliworks International Limited ("TIL"), a wholly owned subsidiary, completed the acquisition of 70% equity interest in Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte Ltd) for a cash consideration of Singapore Dollars 70,000.

Details of net liabilities acquired and goodwill at the date of acquisition are as follows:

	At date of acquisition RM'000
Purchase consideration discharged by cash	637
Fair value of net assets acquired	(140)
Goodwill (Note 22)	497

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

	Acquiree's carrying amount RM'000	Fair Value RM'000
Property, plant and equipment	4	4
Current Assets:		
Other receivables	483	483
Cash and bank balances	94	94
Other payables	(386)	(386)
Total net asset	195	195
Less: Non-controlling interest	(55)	(55)
Net assets acquired	140	140

19 SUBSIDIARIES (cont'd)

(a) Significant acquisition (cont'd)

Details of cash flow arising from the acquisition are as follows:

	Fair value RM'000
Purchase consideration settled in cash	637
Less: cash and cash equivalents of subsidiary acquired	(94)
Cash outflow of the Group on acquisition	543

20 JOINTLY CONTROLLED ENTITIES

	2010 RM'000	2009 RM'000
Group		
Share of net assets of jointly controlled entities	**75,441**	68,443
Company		
Unquoted investments, at cost	**55,538**	55,538
The Group's share of revenue, profit, assets and liabilities of jointly controlled entities are as follows:		
Revenue	**49,447**	41,315
Profit for the year	**10,875**	6,915
Non-current assets	**386,508**	399,921
Current assets	**24,384**	37,512
Current liabilities	**(9,401)**	(38,334)
Non-current liabilities	**(326,050)**	(330,656)
Net assets	**75,441**	68,443

Details of the jointly controlled entities, which are incorporated in Malaysia, are as follows:

Name	Group's effective interest 2010 %	Group's effective interest 2009 %	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.
Prolific Equity Sdn Bhd*	**50**	0	General trading company.

* *Not audited by PricewaterhouseCoopers, Malaysia.*

21 ASSOCIATE

	2010 RM'000	2009 RM'000
Group		
Share of net assets of associate	**4,971**	4,267
Company		
Unquoted investment, at cost and carrying amount	**2,520**	2,520
The Group's share of revenue, profit, assets and liabilities of associate is as follows:		
Revenue	**15,163**	14,038
Profit for the year	**704**	407
Non-current assets	**2,062**	1,939
Current assets	**9,297**	7,977
Current liabilities	**(4,098)**	(3,712)
Non-current liabilities	**(40)**	(85)
Non-controlling interest	**(2,250)**	(1,852)
Net assets	**4,971**	4,267

Details of the associate, which is incorporated in Malaysia, is as follows:

Name	Group's effective interest 2010 %	Group's effective interest 2009 %	Principal activities
Hydrovest Sdn Bhd*	**40**	40	Provision of water management and project services.

* *Not audited by PricewaterhouseCoopers, Malaysia.*

22 GOODWILL ON CONSOLIDATION

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	**2,007**	2,007
Addition (Note 19(a))	**497**	0
At 31 December	**2,504**	2,007

22 GOODWILL ON CONSOLIDATION (cont'd)

Goodwill arose mainly 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 end of the reporting period 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 37,001 tonnes/day in 2011 to 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) The tariff rate to be estimated at RMB1.15/m3 throughout the concession period. This tariff rate is subject to review every two years;

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

(d) Capital expenditure to be incurred over a 10-year cycle to replace the machinery equipment; and

(e) 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 2010, there is no impact to the goodwill.

23 DEFERRED TAX

The analysis of deferred tax assets is as follows:

	Group 2010 RM'000
Deferred tax assets:	
- Recoverable after more than 12 months	2,555
- Recoverable within 12 months	312
	2,867

23 DEFERRED TAX (cont'd)

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 statements of financial position:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**2,867**	215	**0**	0
At 1 January	**215**	172	**0**	(4,875)
Charged to profit or loss (Note 14):				
- property, plant and equipment	**44**	106	**0**	51
- receivables	**(5)**	(10)	**0**	4,875
- provisions	**156**	(53)	**0**	(51)
	195	43	**0**	4,875
Credited to equity:				
- long term receivables	**2,457**	0	**0**	0
At 31 December	**2,867**	215	**0**	0
Subject to income tax				
Deferred tax assets (before offsetting):				
- provisions	**3,014**	457	**0**	97
Offsetting	**(147)**	(242)	**0**	(97)
Deferred tax assets (after offsetting)	**2,867**	215	**0**	0
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	**(92)**	(232)	**0**	(97)
- dividend receivable	**(15)**	(10)	**0**	0
- available-for-sale financial assets	**(40)**	0	**0**	0
	(147)	(242)	**0**	(97)
Offsetting	**147**	242	**0**	97
Deferred tax liabilities (after offsetting)	**0**	0	**0**	0

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed tax losses	**883**	171	**581**	0
Unabsorbed capital allowances	**373**	327	**334**	323
	1,256	498	**915**	323

24 LONG TERM RECEIVABLES

	Group 2010 RM'000	Group 2009 RM'000
At 31 December		
Trade receivables, gross (Note 28)	**141,458**	45,996
Less: Provision for impairment	**(8,472)**	0
Trade receivables, net	**132,986**	45,996
Other receivable, gross	**1,004**	1,004
Less: Provision for impairment	**(686)**	0
Other receivable, net	**318**	1,004
Total (net)	**133,304**	47,000

	Group 2010 RM'000	Group 2009 RM'000
Movements in the Group's long term receivables are as follows:		
Trade receivables		
At 1 January, as previously stated (Note 28(b)(i))	**45,996**	45,996
Effects of applying FRS 139 (Note 47)	**(7,126)**	0
At 1 January, as restated/ At 31 December	**38,870**	45,996
Reclassification to trade receivables – current assets (a)	**(6,277)**	0
Reclassification from trade receivables – current assets (b)	**101,739**	0
	134,332	45,996
Less: Provision for impairment	**(3,811)**	0
Add: Unwinding of discount	**2,465**	0
At 31 December	**132,986**	45,996
Other receivables		
At 1 January, as previously stated	**1,004**	1,004
Effects of applying FRS 139 (Note 47)	**(688)**	0
At 1 January, as restated	**316**	1,004
Add: Reversal of impairment	**46**	0
Add: Unwinding of discount	**25**	0
Less: Foreign exchange differences	**(69)**	0
At 31 December	**318**	1,004
Total long term receivables, at 31 December	**133,304**	47,000

24 LONG TERM RECEIVABLES (cont'd)

(a) This relates to the 6th installment under the Debt Settlement Agreement ("DSA") with Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd ("SPLASH") due on 31 December 2011 which is reclassified to current receivables at the end of reporting period. The terms of the installments under the DSA is disclosed in Note 28(b)(i) to the financial statements.

(b) This relates to amounts due from two major customers, Syarikat Air Darul Aman Sdn. Bhd of RM42,799,000 (2009: Nil) and SPLASH of RM58,940,000 (2009:Nil) which are deemed non-current receivables as disclosed in Note 28 (a) and (b)(ii) to the financial statements.

Movements on the Group's provision for impairment of long term receivables are as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
At 1 January, as previously stated	**0**	0
Effects of applying FRS 139 (Note 47)	**(7,814)**	0
At 1 January, as restated	**(7,814)**	0
Less: Provision for impairment	**(3,811)**	0
Add: Unwinding of discount	**2,465**	0
At 31 December	**(9,160)**	0

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 values of long term receivables are based on cash flows discounted using a rate based on the borrowing rate ranging from 3% to 5%.

25 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Current Assets				
Deposits with licensed banks (Note 26)	**15,909**	12,479	**6,384**	3,000
Current Assets				
Deposits with licensed banks	**124,204**	13,168	**107,642**	800
Bank and cash balances	**13,080**	16,067	**447**	6,784
	137,284	29,235	**108,089**	7,584
Total				
Deposits with licensed banks	**140,113**	25,647	**114,026**	3,800
Bank and cash balances	**13,080**	16,067	**447**	6,784
	153,193	41,714	**114,473**	10,584

25 DEPOSITS, BANK AND CASH BALANCES (cont'd)

Included in deposits with licensed banks of the Group are long term deposits amounting to RM15,909,000 (2009: RM12,479,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

Included in deposits with licensed banks of the Company are long term deposits amounting to RM6,384,000 (2009: RM3,000,000) 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.

The weighted average interest rate of deposits that was effective for the Group and Company as at the end of the reporting period is 2.3% (2009: 1.8%) per annum and 2.8% (2009: 2.1%) per annum, respectively.

Deposits of the Group and Company have an average maturity of 30 days (2009: 30 days) and 30 days (2009: 30 days) respectively. Bank balances are deposits held at call with licensed banks.

26 CASH AND CASH EQUIVALENTS

For purpose of cash flow statements, cash and cash equivalents comprise the following statements of financial position amounts:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks	**140,113**	25,647	**114,026**	3,800
Bank and cash balances	**13,080**	16,067	**447**	6,784
Total deposits, bank and cash balances	**153,193**	41,714	**114,473**	10,584
Less: Deposits pledged as security (Note 25)	**(15,909)**	(12,479)	**(6,384)**	(3,000)
	137,284	29,235	**108,089**	7,584

27 INVENTORIES

	Group	
	2010	**2009**
	RM'000	**RM'000**
Consumable spares, at cost	**1,054**	993
Raw material	**33**	24
	1,087	1,017
Less: Write-down of inventories	**(33)**	0
	1,054	1,017

28 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**242,153**	221,644	**153**	881
Less: Non-current portion (Note 24)	**(141,458)**	(45,996)	**0**	0
Less: Allowance for doubtful debts	**(153)**	(881)	**(153)**	(881)
	100,542	174,767	**0**	0
Amounts due from customer on contract (Note 41)	**5**	364	**0**	341
Other receivables and prepayments	**1,928**	1,031	**155**	395
Deposits	**1,059**	376	**540**	271
Total	**103,534**	176,538	**695**	1,007

The credit risk with respect of the carrying amount of the Group's trade receivables amounting to RM226,648,000 (2009: RM213,490,000) is concentrated on two customers. These customers comprise Syarikat Air Darul Aman Sdn. Bhd. ("SADA") and Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1, which is operated by a subsidiary, Sungai Harmoni Sdn Bhd ("SHSB").

a) SADA

The amount due from SADA as at 31 December 2009 of RM55,983,000 was classified as current. In the current financial year, due to the slow payments from SADA, the Directors revised their expectation of the timing of payments. Accordingly, an amount due from SADA of RM42,799,000 (Note 24) was deemed to be non-current. Arising from this, impairment loss amounting to RM1,122,000 was made to account for the anticipated delay in receiving payments. As on-going discussions are currently being undertaken with SADA and the State Government of Kedah, the Directors believed that there is no credit risk other than delay in payments as SADA is a corporatised body under the State Government of Kedah.

Assuming that all other variables remain constant, the Group will recognise additional impairment of RM1,420,000 should the payments be delayed by another year.

b) SPLASH

(i) Due Under the Debt Settlement Agreement ("DSA")

Arising from the DSA with SPLASH in 2005, a total of RM64,827,000 was agreed to be settled via ten installments, commencing from 31 December 2006 and ending on 31 December 2015. As at 31 December 2009, the non-current portion of the installments payable representing the 6^{th} to 10^{th} installments under the DSA amounted to RM45,966,000 (Note 24). As at 31 December 2010, the long term portion of the amounts due under the DSA is reduced by the reclassification to current receivables, of the 6th installment amounting to RM6,277,000 (Note 24) which is due on 31 December 2011.

As a result of the first time adoption of FRS 139 on 1 January 2010, the impact of discounting amounting to RM6,578,000 was recognised in respect of the deferred installment terms under the DSA.

Assuming that all other variables remain constant, the Group will recognise an additional impairment of RM1,650,000 should each of the installments be delayed by another year.

28 TRADE AND OTHER RECEIVABLES (cont'd)

b) SPLASH (cont'd)

(ii) Due From Current Invoiced Amounts

At present, there are on-going discussions between the State Government of Selangor and the Federal Government with regards to restructuring the water sector in Selangor, whereby the State Government of Selangor intends to acquire and consolidate all water concessionaires operating in the state. To-date, these discussions have not concluded. As a result of this impasse, SHSB has only been receiving partial payments from SPLASH. Therefore, the Directors anticipate that a portion of the trade receivables will not be fully realised within the next twelve months. Hence, as at 31 December 2010, based on the past payments pattern and the Group's best estimate, approximately RM58,940,000 (Note 24) of amounts contractually due within the next 12 months is expected to be received between 2012 and 2013. As such, this amount has been impaired by RM3,001,000 and classified as non-current.

The financial effect from a prolonged impasse has not been quantified as it would be difficult to make a reasonable estimate given the various issues impacting the current water sector restructuring discussions. Nevertheless it was reported that both the Federal Government and State Government of Selangor remain committed to resolving the issue.

Assuming that all other variables remain constant, the Group will recognise additional impairment of RM2,325,000 should the payments be delayed by another year.

The ageing of trade receivables which was past due but not impaired as at end of the reporting period is:

	SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
Group				
2010				
Past due - up to 3 months	9,070	15,037	1,971	26,078
Past due - 3 to 9 months	18,769	-	1,748	20,517
`	27,839	15,037	3,719	46,595
2009				
Past due - up to 3 months	8,791	17,854	2,213	28,858
Past due - 3 to 9 months	17,456	11,394	2,695	31,545
	26,247	29,248	4,908	60,403

29 AMOUNT DUE FROM SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Amount due from subsidiaries – trade	**11,955**	44,497
Less: Accumulated impairment loss	**(6,031)**	(6,031)
	5,924	38,466

The amounts due from subsidiaries are interest free, unsecured and repayable on demand.

30 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.

31 AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENTS

(a) Available-for-sale financial assets

	Group 2010 RM'000	Company 2010 RM'000
At 1 January, as previously stated	**142,401**	**124,840**
Effects of applying FRS 139 (Note 47)	**590**	**580**
At 1 January, as restated	**142,991**	**125,420**
Additions	**159,780**	**132,417**
Disposals	**(278,589)**	**(257,240)**
Fair value changes transfer from equity (Note 47)	**(430)**	**(580)**
At 31 December	**23,752**	**17**

(b) Investments

	Group 2009 RM'000	Company 2009 RM'000
At 1 January, as previously stated	205,714	192,495
Effects of applying FRS 139	0	0
At 1 January, as restated	205,714	192,495
Additions	185,570	163,009
Disposals	(248,883)	(230,664)
At 31 December	142,401	124,840

The investments are denominated in Ringgit Malaysia and comprise of investments in quoted unit trusts that are carried at the lower of costs and market value on a portfolio basis.

32 SHARE CAPITAL

	Group and Company			
	2010		2009	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised:				
Ordinary shares				
At beginning and end of financial year	**1,000,000**	**500,000**	1,000,000	500,000

32 SHARE CAPITAL (cont'd)

		Group and Company			
		2010		2009	
	Note	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Issued and fully paid:					
Ordinary shares					
At beginning of financial year		**376,694**	**188,347**	376,590	188,295
Issued during the financial year:					
- pursuant to exercise of share options	32(a)	**180**	**90**	0	0
- pursuant to exercise of warrants	32(b)	**59,617**	**29,809**	104	52
At end of financial year		**436,491**	**218,246**	376,694	188,347

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

In 2005, the Company implemented an ESOS. A total of 5,460,000 options were granted to eligible directors and employees of the Company and its subsidiaries at an exercise price of RM1.31 per share. Subsequently, in 2007, the Company further granted a total of 6,410,000 ESOS options at an exercise price of RM1.90 per share.

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws. The options are exercisable from the effective date and expire on 29 September 2015. Any options not exercised by that date shall thereafter lapse and cease to be valid.

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

(i) the maximum number of new shares which may be allotted and issued pursuant to the exercise of options shall not exceed 10% of the total issued and paid-up share capital of the Company at any time;

(ii) not more than 50% of the new shares available under the ESOS are to be allocated, in aggregate, to the directors and senior management of the Group;

(iii) not more than 10% of the new shares available under the ESOS are to be allocated, in aggregate, to any person who either singly or collectively through his associates, holds 20% or more of the issued and paid-up capital of the Company;

(iv) the ESOS options granted are personal and is not transferable, chargeable, disposable or assignable in any manner whatsoever except as provided for in the ESOS By-laws;

(v) the price at which an option holder shall be entitled to subscribe for new shares ("Subscription Price") shall be the higher of, the par value of the shares of the Company or a price determined based on the weighted average market price of the shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%;

(vi) the new shares to be allotted and issued upon the exercise of any options shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions the entitlement date of which precedes or is prior to the date of allotment of the new shares;

32 SHARE CAPITAL (cont'd)

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

(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**	**At 1 January '000**	**Exercised '000**	**Lapsed '000**	**At 31 December '000**
2010					
3.10.2005	1.31	240	(165)	0	75
5.9 2007	1.90	4,498	(15)	(173)	4,310
		4,738	(180)	(173)	4,385
Weighted average exercise price (RM)		1.87	1.45	1.90	1.89
2009					
3.10.2005	1.31	240	0	0	240
5.9 2007	1.90	4,525	0	(27)	4,498
		4,765	0	(27)	4,738
Weighted average exercise price (RM)		1.87	0	1.90	1.87

All outstanding share options as at 31 December 2009 and 31 December 2010 were exercisable. Options exercised during the financial year resulted in 180,000 (2009: nil) units of shares being issued at a weighted average exercise price of RM1.36 (2009: nil) per share. The related weighted average share price at the time of exercise was RM1.45 (2009: nil) per share.

32 SHARE CAPITAL (cont'd)

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

Proceeds on exercise of ESOS are as follows:

	2010 RM'000	2009 RM'000
Ordinary share capital – at par	**90**	0
Share premium (Note 33)	**155**	0
Proceeds received	**245**	0
Fair value at exercise date of shares issued	**262**	0

(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 at an exercise price of RM1.27 per share.

A total of 10,171,420 warrants remained unexercised on 21 September 2010 and is deemed null and void and cease to be exercisable thereafter.

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

	Number of warrants			
	At 1 January '000	Exercised '000	Lapsed '000	At 31 December '000
2010	**69,789**	**(59,617)**	**(10,172)**	**0**
2009	69,893	(104)	0	69,789

Warrants exercised during the financial year resulted in 59,617,080 (2009: 104,200) units of shares issued. The related weighted average share price at the time of exercise was RM1.31 (2009: RM1.86) per share.

Proceeds on exercise of warrants are as follows:

	2010 RM'000	2009 RM'000
Ordinary share capital – at par	**29,809**	52
Share premium (Note 33)	**45,905**	80
Proceeds received	**75,714**	132
Fair value at exercise date of shares issued	**78,002**	193

33 SHARE PREMIUM

	Group and Company 2010 RM'000	2009 RM'000
At beginning of financial year	**22,149**	22,059
Share options:		
- proceeds from shares issued (Note 32(a))	**155**	0
- transfer from share option reserves upon exercise	**5**	0
Warrants:		
- proceeds from shares issued (Note 32(b))	**45,905**	80
- transfer from warrant reserves upon exercise	**5,962**	10
At end of financial year	**74,176**	22,149

34 SHARE OPTION RESERVES

	Group and Company 2010 RM'000	2009 RM'000
At beginning of financial year	**2,139**	2,139
Share option granted under ESOS:		
- recognised in profit or loss	**317**	0
Transfer to share premium upon exercise	**(5)**	0
Transfer to retained earnings upon ESOS lapsed	**(167)**	0
At end of financial year	**2,284**	2,139

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

35 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)

36 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 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the tax exempt account and Section 108 balance to pay franked dividends out of its entire retained earnings.

37 DIVIDENDS

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

	Group and Company			
	2010		2009	
	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 2009, less income tax of 25% on 377,058,480 ordinary shares paid on 29 March 2010 (2009: 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)	**4.0**	**11,311**	2.0	5,650
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	**0**	**0**	1.25	3,531
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	**0**	**0**	2.0	5,650
	4.0	**11,311**	5.25	14,831

On 25 February 2011, the Directors recommended the payment of a final gross dividend of 1.5 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2010, which will be proposed for members' approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect these dividends.

38 BORROWINGS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Government loan (unsecured)	**2,804**	3,011	**0**	0
Convertible bonds (unsecured)	**0**	119,377	**0**	119,377
Finance lease liabilities	**5**	19	**0**	0
	2,809	122,407	**0**	119,377
Non-current				
Finance lease liabilities	**18**	23	**0**	0
	18	23	**0**	0
Total				
Government loan (unsecured)	**2,804**	3,011	**0**	0
Convertible bond (unsecured)	**0**	119,377	**0**	119,377
Finance lease liabilities	**23**	42	**0**	0
	2,827	122,430	**0**	119,377

Weighted average interest rates that were effective as at the end of the reporting period are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Government loan	**5.8**	5.8	**N/A**	N/A
Convertible bonds	**N/A**	2.3	**N/A**	2.3
Finance lease liabilities	**2.6**	2.6	**N/A**	N/A

(a) 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 installments at anytime or by way of deduction to the agreeable tariff within the concession period.

38 BORROWINGS (cont'd)

(b) Convertible Bonds - financial liability elements

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Nominal value	**113,000**	225,000
Less: Discount on issuance	**(3,390)**	(6,750)
Accumulated amortised discount	**22,470**	20,487
Less: Effects of applying FRS139 (Note 47)	**(32,001)**	0
Less: Purchase of Convertible Bonds	**0**	(119,360)
Less: Redemption of Convertible bonds (Note 10)	**(100,079)**	0
	0	119,377

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of 2.25% convertible bonds 2007/12 ("Convertible 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 Company has in the previous financial year purchased RM112,000,000 nominal value of the Convertible Bonds for a total cash consideration of RM119,360,346 from the holders of the Convertible Bonds.

During the financial year, holders of the Convertible Bonds exercised their option to early redeem the outstanding RM113,000,000 nominal value of Convertible Bonds at the Early Redemption Amount (*as defined in the Trust Deed dated 29 November 2007 constituting the Convertible Bonds*) for RM125,746,400. Arising therefrom, the Company's obligations in respect of the Convertible Bonds have been fully extinguished as at the end of the financial year.

(c) 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 2010 RM'000	Group 2009 RM'000
The minimum lease payments at the end of the reporting period are as follows:		
- not later than 1 year	**22**	22
- later than 1 year	**5**	27
	27	49
Future finance charges	**(4)**	(7)
Present value	**23**	42
The maturity profile of the present value of the finance lease liabilities are as follows:		
- not later than 1 year	**18**	19
- later than 1 year and not later than 3 years	**5**	23
	23	42

The net book value of the asset held under finance lease agreement is disclosed in Note 16.

39 CONVERTIBLE BONDS - DERIVATIVE FINANCIAL LIABILITIES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Derivative financial liabilities				
At 1 January, as previously stated	**0**	0	**0**	0
Effects of applying FRS 139 (Note 47)	**16,418**	0	**16,418**	0
At 1 January, as restated	**16,418**	0	**16,418**	0
Fair value gain (Note 10, Note 47)	**(15,770)**	0	**(15,770)**	0
Fair value of de-recognition (Note 10)	**(648)**	0	**(648)**	0
At 31 December	**0**	0	**0**	0

40 TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade payables	**29,982**	26,484	**3,258**	8,006
Amounts due to customer on contract (Note 41)	**7,258**	14,594	**6,580**	14,594
Other payables and accruals	**13,410**	13,709	**2,081**	2,093
	50,650	54,787	**11,919**	24,693

41 AMOUNTS DUE FROM/(TO) CUSTOMER ON CONTRACT

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Aggregate costs incurred to-date and recognised profits	**160,201**	141,328	**155,082**	138,619
Progress billings	**(167,454)**	(155,558)	**(161,662)**	(152,872)
Net amounts due to customer on contract	**(7,253)**	(14,230)	**(6,580)**	(14,253)
Represented by:				
Amount due from customer on contract (Note 28)	**5**	364	**0**	341
Amount due to customer on contract (Note 40)	**(7,258)**	(14,594)	**(6,580)**	(14,594)
	(7,253)	(14,230)	**(6,580)**	(14,253)

42 FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categories as follows:

(a) Loan and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS");and
(c) Other liabilities ("OL")

Financial assets	**L&R RM'000**	**AFS RM'000**	**Total RM'000**
2010			
Group			
Trade and other receivables	103,534	0	103,534
Long term receivables	133,304	0	133,304
Available-for-sale financial assets	0	23,752	23,752
Deposits, bank and cash balances	137,284	0	137,284
	374,122	23,752	397,874
Company			
Trade and other receivables	695	0	695
Available-for-sale financial assets	0	17	17
Deposits, bank and cash balances	108,089	0	108,089
	108,784	17	108,801

Financial liability	**OL RM'000**
2010	
Group	
Trade and other payables	50,650
Borrowings	2,827
	53,477
Company	
Trade and other payables	11,919
Borrowings	0
	11,919

43 CONTINGENT LIABILITIES

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 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	**11,693**	9,771	**3,944**	2,234

The bank guarantees facilities are to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

44 CAPITAL COMMITMENTS

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment				
- Authorised and contracted for (i)	**92,756**	0	**92,756**	0
- Authorised but not contracted for	**4,229**	4,998	**6**	33
	96,985	4,998	**92,762**	33

(i) This relates to an amount payable by Ningxia ECO Wastewater Treatment Co., Ltd., a 70% indirect subsidiary of the Company, for the proposed take-over of municipal waste water treatment plants with recycled facilities in the People's Republic of China for Chinese Renminbi 810,000,000 on a takeover-operate-transfer basis which is to be financed by 35% equity contribution of which the Group's participation is 70%. The Group's equity contribution is approximately RM92,756,000 based on the closing rate referred to in Note 2.22 (iv). Should the Group's participation be 100%, the capital commitment would be approximately RM132,508,000. The equity contribution will be funded by the Company. The proposed transaction is subject to regulatory approvals and is pending completion.

(b) Non-cancellable operating lease commitments

	Group	
	2010 RM'000	2009 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	**750**	900
	1,500	1,650

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.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related party transactions described below were carried out in the normal course of business on agreed terms and prices.

Related party and relationship

The related party and the relationship with the Company is as follows:

Related party	Relationship
- LGB Realty Sdn Bhd	Common director and major shareholder
- Exitra Sdn Bhd	Common director and major shareholder
- Amalgamated Industrial Marketing Sdn Bhd	Common director and major shareholder
- Aqua-Flo Sdn Bhd	Common directors and major shareholders
- Alam Ria Sdn Bhd	Common director and major shareholder
- Perangsang Water Management Sdn Bhd	Common director and major shareholders
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	Common directors and major shareholder
- Air Kedah Sdn Bhd	Subsidiary
- Sungai Harmoni Sdn Bhd	Subsidiary
- Taliworks (Langkawi) Sdn Bhd	Subsidiary
- SWM Technolgies Sdn Bhd	Subsidiary
- Cerah Sama Sdn Bhd	Jointly controlled entity

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

Related party transactions

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental of buildings paid to:				
- LGB Realty Sdn Bhd	**228**	228	**228**	228
- Taliworks Consortium Sdn Bhd	**78**	72	**0**	0
Services rendered in relation to provision of information technology services and maintenance from:				
- Exitra Sdn Bhd	**280**	280	**121**	122
Purchase of construction material from:				
- Amalgamated Industrial Marketing Sdn Bhd	**16**	578	**16**	578
Design, supply, install, testing and commissioning of equipment for water treatment plant by:				
- Aqua-Flo Sdn Bhd	**585**	1,242	**585**	1,242
Purchase of water treatment chemicals and related equipment or systems from:				
- Aqua-Flo Sdn Bhd	**11,378**	10,176	**0**	0
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	**3,833**	3,659	**0**	0
- Perangsang Water Management Sdn Bhd	**1,916**	1,830	**0**	0

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

Related party transactions (cont'd)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd	**2,086**	1,943	**0**	0
Fees charged for management, operation and maintenance of water treatment plants to:				
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	**100,189**	95,987	**0**	0
Contract revenue from:				
- Air Kedah Sdn Bhd	**0**	0	**16,655**	7,790
Management fee from:				
- Sungai Harmoni Sdn Bhd	**0**	0	**1,080**	1,080
- Taliworks (Langkawi) Sdn Bhd	**0**	0	**960**	960
Dividend from:				
- SWM Technolgies Sdn Bhd	**0**	0	**600**	0
- Cerah Sama Sdn Bhd	**0**	0	**5,170**	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 ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("Taliworks (Langkawi)"). The contractual agreement in respect of technical support and management services between SHSB and Alam Ria and PWM was entered into in March 2000. The contractual agreement in respect of royalty fees between Taliworks (Langkawi) and Alam Ria was originally entered into in September 1996.

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

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.

Mr. Lim Yew Boon is a director of Amalgamated Industrial Steel Berhad, which is the holding company 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 as at the end of the reporting period. Dato' Hj Abd Karim bin Munisar subsequently resigned as a director of KPSB and SPLASH on 18 March 2011 and as a director of the Company on 21 March 2011. Mr. Wong Yien Kim subsequently resigned as a director of KPSB on 20 April 2011.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	**4,043**	4,216	**2,347**	2,576
Defined contribution-Employees Provident Fund	**486**	504	**282**	312
	4,529	4,720	**2,629**	2,888

Included in total key management remuneration of the Group and of the Company are remuneration of the Company's executive Directors of RM760,000 (2009: RM969,000).

Benefits in kind received by executive directors and other members of key management of the Group and the Company are RM107,000 (2009: RM73,000) and RM50,000 (2009: RM43,000) respectively.

46 SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year.

47 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group changed the following accounting policies upon adoption of new accounting standards, amendments and improvements to published standards and interpretations:

- FRS 139 "Financial Instruments: Recognition and Measurement"

Comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by adjusting the following opening balances in the statements of financial position as follows:

	Balance as at 31 December 2009 RM'000	**Effects of FRS 139 RM'000**	**Balance as at 1 January 2010 RM'000**
Group			
Non-Current Assets			
Long term receivables (Note 24)			
- trade receivables	45,996	(7,126)	**38,870**
- other receivable	1,004	(688)	**316**
Current Assets			
Available-for-sale financial assets (Note 31(a))	142,401	590	**142,991**
Current Liabilities			
Convertible Bonds			
- Derivative financial liabilities (Note 39)	0	16,418	**16,418**
Convertible Bonds			
- Financial liability elements (Note 38(b))	119,377	(32,001)	**87,376**

47 CHANGES IN ACCOUNTING POLICIES (cont'd)

	Balance as at 31 December 2009 RM'000	Effects of FRS 139 RM'000	Balance as at 1 January 2010 RM'000
Group			
Equity			
Retained earnings	226,442	10,226	**236,668**
Available-for-sale reserve	0	590	**590**

	Balance as at 31 December 2009 RM'000	Effects of FRS 139 RM'000	Balance as at 1 January 2010 RM'000
Company			
Current Assets			
Available-for-sale financial assets (Note 31(a))	124,840	580	**125,420**
Current Liabilities			
Convertible Bonds - Derivative financial liabilities (Note 39)	0	16,418	**16,418**
Convertible Bonds - Financial liability elements (Note 38(b))	119,377	(32,001)	**87,376**
Equity			
Retained earnings	24,472	15,583	**40,055**
Available-for-sale reserve	0	580	**580**

Impacts on the closing balances in the statements of financial position are as follows:

Group	Effects of FRS 139 RM'000
Non-Current Assets	
Long term receivables (Note 24)	
- trade receivables	(1,346)
- other receivable	71
Current Assets	
Available-for-sale financial assets (Note 31(a))	(430)
Current Liabilities	
Convertible Bonds - Derivative financial liabilities (Note 39)	15,770
Convertible Bonds - Financial liability elements (Note 10)	(25,019)

47 CHANGES IN ACCOUNTING POLICIES (cont'd)

Company	Effects of FRS 139 RM'000
Current Assets	
Available-for-sale financial assets (Note 31(a))	(580)
Current Liabilities	
Convertible Bonds - Derivative financial liabilities (Note 39)	15,770
Convertible Bonds - Financial liability elements (Note 10)	(25,019)

Impacts on the statements of income/statements of comprehensive income for year ended 31 December 2010 are as follows:

	Effects of FRS 139 RM'000
Group	
Provision for impairment	(3,765)
Unwinding of discount	2,490
Available-for-sale financial assets	(430)
Fair value gain on embedded derivatives contained within the Convertible Bonds	15,770
Loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds	(25,019)
Company	
Available-for-sale financial assets	(580)
Fair value gain on embedded derivatives contained within the Convertible Bonds	15,770
Loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds	(25,019)

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2011.

49 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained profits/(accumulated losses) at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group 2010 RM'000
Total retained earnings of Taliworks and its subsidiaries:	
- Realised profits	233,998
- Unrealised losses	(2,213)
	231,785
Total share of retained earnings from associate:	
- Realised profits	2,451
Total share of retained earnings from jointly controlled entities:	
- Realised profits	20,720
- Unrealised losses	(818)
Total Group's retained earnings as per consolidated accounts	254,138

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

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

We, Y. Bhg. Dato' Lim Chee Meng and Lim Yew Boon, two of the Directors of **Taliworks Corporation Berhad**, state that, in the opinion of the Directors, the financial statements set out on pages 61 to 135 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 2010 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.

The information set out in Note 49 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 April 2011.

Y. BHG. DATO' LIM CHEE MENG
DIRECTOR

LIM YEW BOON
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 61 to 135 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 20 April 2011, before me.

PESURUHJAYA SUMPAH
No. W 350
SHAFIE B. DAUD
MALAYSIA

38A, JALAN TUN MOHD FUAD 1
TAMAN TUN DR. ISMAIL
60000 KUALA LUMPUR.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Taliworks Corporation Berhad on pages 61 to 135, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows 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 note 1 to 48.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material 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 judgment, 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence 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 2010 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 19 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 49 on page 135 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

TIANG WOON MENG
(No. 2927/05/12 (J))
Chartered Accountant

Kuala Lumpur
20 April 2011

ANALYSIS OF SHAREHOLDINGS

as at 6 may 2011

SHAREHOLDINGS STRUCTURE

Authorised Capital	:	RM 500,000,000
Issued and Fully paid-up	:	RM 218,245,790
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 - 99	25	1.40	492	0.00
100 - 1,000	163	9.11	126,260	0.03
1,001 - 10,000	1,160	64.80	5,422,200	1.24
10,001 - 100,000	350	19.55	10,498,400	2.41
100,001 to less than 5% of issued shares	85	4.75	122,443,728	28.05
5% and above of issued shares	7	0.39	298,000,500	68.27
Total	**1,790**	**100.00**	**436,491,580**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	92,012,400	21.08
2.	Water Clinic Sdn Bhd	64,800,000	14.85
3.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kumpulan Perangsang Selangor Berhad*	36,000,000	8.24
4.	Malar Terang Sdn Bhd	29,913,200	6.85
5.	Century General Water (M) Sdn Bhd	29,541,600	6.77
6.	Mal Monte Sdn Bhd	23,004,000	5.27
7.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (SG BR-TST-Asing)*	22,729,300	5.21
8.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt an for Deutsche Bank AG Singapore (PWM Asing)*	18,280,700	4.19
9.	Malaysia Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Kumpulan Perangsang Selangor Berhad*	15,800,000	3.62
10.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)*	15,523,000	3.56
11.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for AMBANK (M) Berhad for Kumpulan Perangsang Selangor Berhad*	14,000,000	3.21

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
12.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	12,311,100	2.82
13.	Kumpulan Perangsang Selangor Berhad	8,066,628	1.85
14.	Malar Teguh Sdn Bhd	2,657,400	0.61
15.	HDM Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian (Hong Kong) Limited (Clients)*	2,569,600	0.59
16.	ECML Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Yim Hoo*	2,409,200	0.55
17.	Century General Water (M) Sdn Bhd	2,098,800	0.48
18.	Kembangan Sepadu Sdn Bhd	1,645,000	0.38
19.	Mestika Pertiwi Sdn Bhd	1,638,500	0.38
20.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for MAAKL Progress Fund*	1,539,100	0.35
21.	Goh Phaik Lynn	1,333,500	0.31
22.	Phang Wai Hoong	1,134,800	0.26
23.	Mestika Pertiwi Sdn Bhd	1,073,000	0.25
24.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choong Foong Ming*	1,058,300	0.24
25.	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Zabir bin Bajuri*	1,000,000	0.23
26.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	857,000	0.20
27.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Oh Kim Sun*	854,100	0.20
28.	Ertidaya Sdn Bhd	838,000	0.19
29.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	800,000	0.18
30.	Douglas Mark Boudville	777,800	0.18
TOTAL:		**406,266,028**	**93.08**

LIST OF SUBSTANTIAL SHAREHOLDERS

as at 6 may 2011

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	92,012,400	21.08	-		-
Kumpulan Perangsang Selangor Berhad	73,866,628	16.92	-		-
Water Clinic Sdn Bhd	64,800,000	14.85	-		-
Malar Terang Sdn Bhd	29,913,200	6.85	-		-
Century General Water (M) Sdn Bhd	31,640,400	7.25	-		-
Mal Monte Sdn Bhd	23,004,000	5.27	-		-
HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (SG BR-TST-Asing)*	22,729,300	5.21	-		-
Anekawal Sdn Bhd	-	-	92,012,400	(a)	21.08
L.G.B. Holdings Sdn Bhd	-	-	241,370,000	(b)	55.30
Adil Cita Sdn Bhd	-	-	123,652,800	(c)	28.33
Y. Bhg. Dato' Lim Chee Meng	585,900	0.13	241,640,000	(d)	55.36
Lim Chin Sean	-	-	241,640,000	(d)	55.36
GSL Development Sdn Bhd	-	-	31,640,400	(e)	7.25
Kumpulan Darul Ehsan Berhad	-	-	73,866,628	(f)	16.92
Menteri Besar Selangor (Pemerbadanan) 1994	-	-	73,866,628	(g)	16.92

Notes:-

(a) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.

(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.

(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.

(d) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and 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 6 may 2011

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' Lim Chee Meng (Resigned on 23 May 2011)	585,900	0.13	241,640,000	(a)	55.36
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	-	-	-
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Resigned on 23 May 2011)	580,000	0.13	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-
Mr. Lim Yew Boon	150,000	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.

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 ESOS Options over Ordinary Shares of RM0.50 each

Name	Exercise Price (RM)	As At 1 January 2010	Granted	Exercised	Balance
Y. Bhg. Dato' Lim Chee Meng (Resigned on 23 May 2011)	1.31	120,000	0	(120,000)	0
	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
Encik Sulaiman bin Salleh	1.90	60,000	0	0	60,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Resigned on 23 May 2011)	1.90	60,000	0	0	60,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of **TALIWORKS CORPORATION BERHAD** (Company No. 6052-V) will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 28 June 2011 at 11:30 a.m. for the following purposes:-

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of final dividend of 1.5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2010. Resolution 1

3. To approve the payment of Directors' fees for the financial year ended 31 December 2010. Resolution 2

4. To re-elect the following Directors who retire by rotation pursuant to Article 80 of the Company's Articles of Association:-

   a) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir Resolution 3

   b) Mr. Wong Yien Kim Resolution 4

5. To re-elect the following Directors who retire pursuant to Article 85 of the Company's Articles of Association:-

   a) Encik Suhaimi bin Kamaralzaman Resolution 5

   b) Mr. Lim Chin Sean Resolution 6

   c) Mr. Lim Choon Eng Resolution 7

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 8

SPECIAL BUSINESS:-

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

Ordinary Resolution 1

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** Resolution 9

   "THAT the Company and/or its subsidiaries be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.4 of the Circular to Shareholders dated 6 June 2011 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 that 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."

Ordinary Resolution 2

8. **Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** Resolution 10

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

ANY OTHER BUSINESS:-

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the Twentieth Annual General Meeting of the Company, a final dividend of 1.5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2010 will be paid on 29 July 2011 to depositors who are registered in the Record of Depositors at the close of business on 11 July 2011.

A depositor shall qualify for entitlement only in respect of:-

a. Shares transferred into the depositor's securities account before 4.00 p.m. on 11 July 2011 in respect of ordinary transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

NG YIM KONG (LS 0009297)
Company Secretary

Petaling Jaya
Date: 6 June 2011

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, Persoft Tower, 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 Notes on Special Business

   - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

     The Shareholders' Mandate under Resolution 9 is intended to facilitate transactions in the normal course of business of the Company and/or its subsidiaries ("the Group") which are transacted from time to time with the Related Party, provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

     By renewing the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

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

     The proposed Resolution 10, 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.

6. Explanatory Notes on Special Business (cont'd)

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 Nineteenth Annual General Meeting held on 23 June 2010. 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 Nineteenth Annual General Meeting as 59,797,080 new ordinary shares of RM0.50 each were issued pursuant to the exercise of share options and warrants of the Company which yielded proceeds sufficient for working capital purposes during the year.

STATEMENT ACCOMPANYING NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

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

(i)	Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	(Resolution 3)
(ii)	Mr. Wong Yien Kim	(Resolution 4)
(iii)	Encik Suhaimi bin Kamaralzaman	(Resolution 5)
(iv)	Mr. Lim Chin Sean	(Resolution 6)
(v)	Mr. Lim Choon Eng	(Resolution 7)

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 142 and 143 of this Annual Report.

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FORM OF PROXY

TALIWORKS CORPORATION
LGB Group

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 Twentieth Annual General Meeting of the Company to be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 28 June 2011 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 final dividend of 1.5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2010		
Resolution 2	To approve the payment of Directors' fees for the financial year ended 31 December 2010		
Resolution 3	Re-election of Director - Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir		
Resolution 4	Re-election of Director - Mr. Wong Yien Kim		
Resolution 5	Re-election of Director - Encik Suhaimi bin Kamaralzaman		
Resolution 6	Re-election of Director - Mr. Lim Chin Sean		
Resolution 7	Re-election of Director - Mr. Lim Choon Eng		
Resolution 8	To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
Resolution 9	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		

(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).

(* Strike out if not applicable)

Dated this ....day of................................2011.

____
(Signature/Common Seal of Shareholder(s))

Number of ordinary shares held :	

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, Persoft Tower, 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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Stamp

The Company Secretary

Taliworks Corporation Berhad
(6052-V)
Unit 07-02, Level 7, Persoft Tower
6B, Persiaran Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 7804 5929
Fax: 603 7805 2559

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