TALIWORKS CORPORATION
LGB Group

Water, Waste & Infrastructure Management Specialist

together to make a better tomorrow

ANNUAL REPORT 2011

Taliworks Corporation Berhad

Table of Contents

corporate information

BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman

- Encik Suhaimi bin Kamaralzaman

Executive Director

- Mr. Lim Yew Boon

Independent Non-Executive Directors

- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- Encik Sulaiman bin Salleh

Non-Independent Non-Executive Directors

- Mr. Wong Yien Kim
- Mr. Lim Chin Sean

AUDIT COMMITTEE

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

Members

- Encik Sulaiman bin Salleh
- Mr. Wong Yien Kim

NOMINATION COMMITTEE

Encik Sulaiman bin Salleh

Chairman

Member

- Mr. Lim Chin Sean
- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir

REMUNERATION COMMITTEE

Encik Suhaimi bin Kamaralzaman
Chairman

Members

- Mr. Lim Chin Sean
- Encik Sulaiman bin Salleh

COMPANY SECRETARIES

Ms. Chua Siew Chuan
(MAICSA No. 0777689)

Mr. Tan Wee Sin
(MAICSA No. 7044797)

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

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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

SHARE REGISTRARS

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

MAIN AUDITORS

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

Industrial and Commercial Bank of China (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market,
Bursa Malaysia Securities Berhad

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

AGM HELPDESK

Contact
Encik Mustapha Kamal Kamaruddin
Corporate Communications Manager

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

corporate profile

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

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

Taliworks together with its group of companies employs about 700 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 RM375.4 million as at 18 May 2012.

corporate profile (cont'd)

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 highway toll operations and maintenance in Malaysia in 2007 through a few strategic acquisitions.

Water treatment, supply and distribution

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

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

Waste management

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

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

(b) a 56% stake in Puresino (Guanghan) Water Co. Ltd which manages and operates the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant in the province of Sichuan for a 30-year concession expiring in 2033;

(c) a 70% interest in Ningxia Eco Wastewater Treatment Co. Ltd which has secured a 30-year concession on a build-operate-transfer basis for the construction and management of the Linhe Integrated Industrial Park Zone A Wastewater and Recycled Water Treatment Plant in the Ningdong Energy Chemical Industrial Zone in Yinchuan, province of Ningxia, with a waste water treatment capacity of 50 million litres per day for Zone A of the Linhe Integrated Industrial Park. Construction works for the first phase facility (capacity 20 million litres per day) commenced in May 2010 and is expected to be completed and commissioned in the second half of 2012.

(d) a wholly-owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd to undertake the operation of four 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, province of Ningxia, on a takeover-operate-transfer basis for a period of 30 years until 2041. The project also includes upgrading and expansion of the capacity of the existing waste water treatment plants.

(e) a 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, for a concession period of 30 years. The project, which has yet to commence, is a build-operate-transfer project for an industrial waste water treatment and recycled water plant of 50 million litres per day treatment capacity.

corporate profile (cont'd)

Highway toll operations and maintenance

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

Cerah Sama is the holding company for Grand Saga Sdn Bhd, a company that owns and operates the concession for the Cheras-Kajang Highway until 2045. The highway is the first four-lane dual carriageway in Malaysia and it measures approximately 11.5 km in length. The highway has 8 interchanges that serve to enhance the traffic flows within the surrounding developments in Cheras and Kajang.

Construction and Engineering

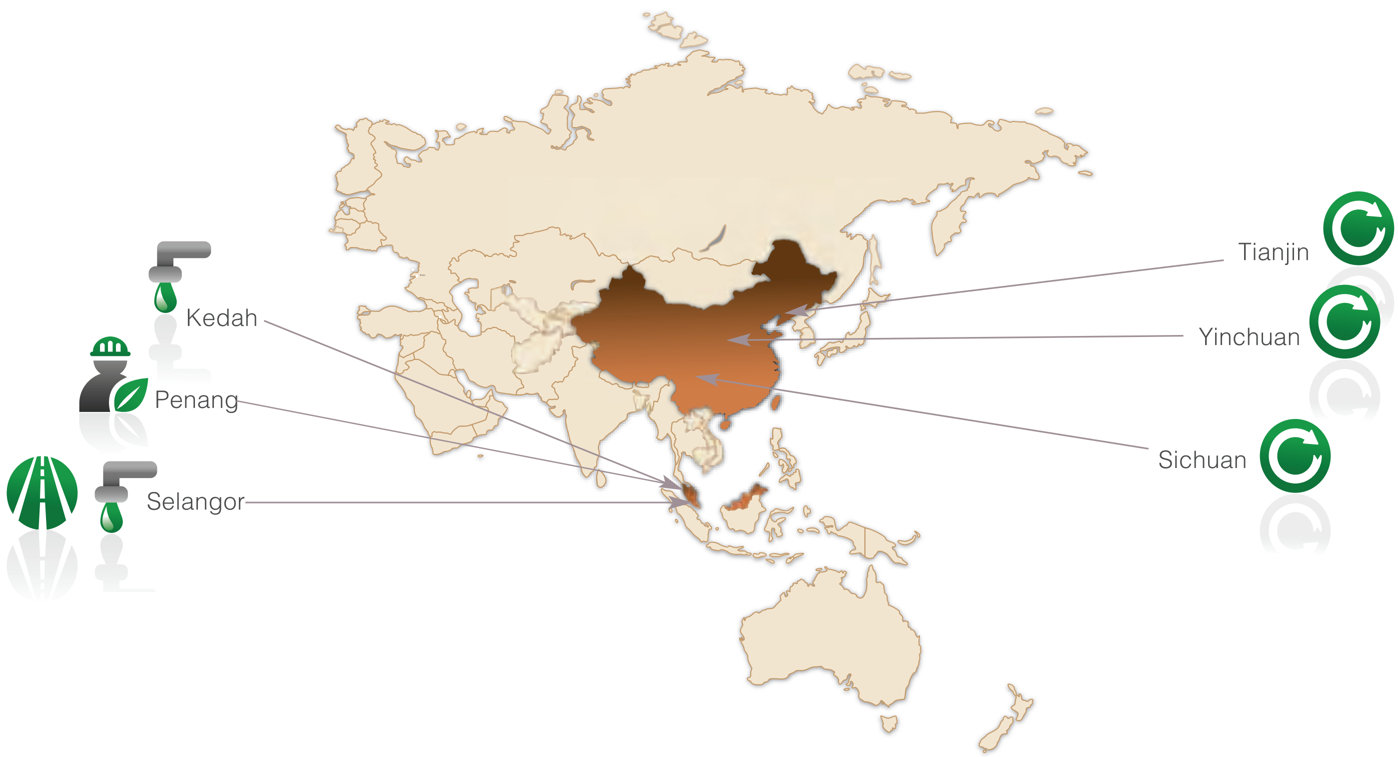
The Group is currently one of the sub-contractors involved in the Mengkuang Dam expansion project in Penang, Malaysia. This project is a Federal Government project and involves earth-filled dam embankment and river diversion tunnel activities. The works are expected to be completed in 2016.

Business Focus

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

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

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



corporate profile (cont'd)

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: 2008 Quality Management Systems – for the Operation and Maintenance of Water Treatment Plant for Sungai Selangor Water Treatment Works Phase 1.

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

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

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

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

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

2002

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

2003

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

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

2004

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

2005

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

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

2006

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

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

2007

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

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

2008

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

2009

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

2012

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

corporate structure

as at 18 May 2012

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

Subsidiary Companies

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

corporate and
financial events 2011

Major Corporate Announcements / Significant Events

23 May	The Company saw several major changes to the composition of the board members with the resignation of two directors and the appointment of three new directors. Encik Suhaimi bin Kamaralzaman was appointed to the Board whereupon he was elected as the new Chairman of Taliworks.
28 Jun	The Twentieth Annual General Meeting of Taliworks was successfully concluded with all proposed resolutions duly adopted.
16 Aug	Taliworks (Yinchuan) Wastewater Treatment Co. Ltd ("Taliworks Yinchuan"), a wholly-owned subsidiary was incorporated to assume the obligation to take-over the four (4) existing waste water treatment plants with recycled water facilities in Yinchuan City, the People's Republic of China under a 30-year concession on a Takeover-Operate-Transfer basis for a total value of RMB810 million ("Yinchuan TOT Project").
26 Aug	Taliworks Yinchuan secured banking facilities amounting to RMB556.5 million to part finance the take-over of the Yinchuan TOT Project.
06 Sep	Taliworks was awarded the sub-contract works valued at RM339.40 million for the Mengkuang Dam Expansion Project in Pulau Pinang, Malaysia.
22 Sep	Taliworks Yinchuan executed the concession agreement and the asset transfer agreement to assume the entire Yinchuan TOT Project.
29 Dec	A transfer ceremony was held to officially transfer the operations of the Yinchuan TOT Project to Taliworks Yinchuan.

Release of Financial Results

25 Feb	Unaudited interim results for the 4th Quarter ended 31 December 2010.
20 Apr	Audited financial statements for the financial year ended 31 December 2010.
23 May	Unaudited interim results for the 1st Quarter ended 31 March 2011.
23 Aug	Unaudited interim results for the 2nd Quarter ended 30 June 2011.
23 Nov	Unaudited interim results for the 3rd Quarter ended 30 September 2011.

Dividend Payment

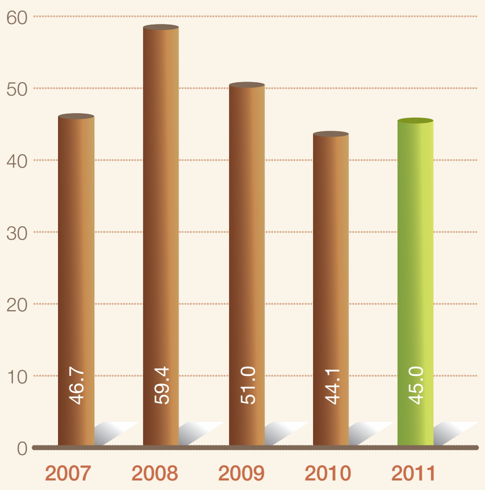
29 Jul	Final gross dividend of 1.5 sen per share less income tax of 25%, for the financial year ended 31 December 2010.

5 years financial highlights

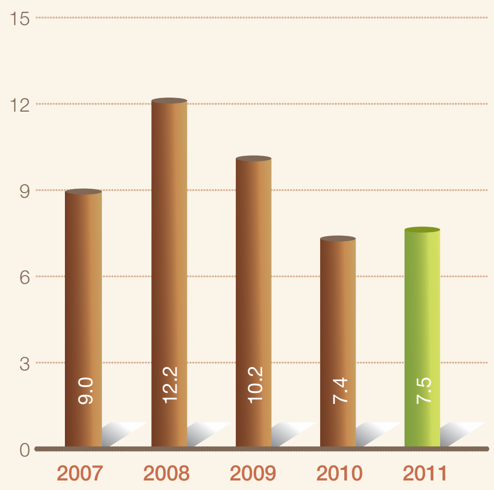
	2007 RM MIL	2008 RM MIL	2009 RM MIL	2010 RM MIL	2011 RM MIL
				(restated)	
Profitability					
Revenue	191.0	226.4	158.9	169.3	168.1
EBITDA	50.2	70.1	64.3	49.5	35.7
Profit Before Taxation	46.7	59.4	51.0	44.1	45.0
Profit for the Financial Year	33.1	46.3	39.0	29.5	33.1
Key Amounts in the Statement of Financial Position					
Total Assets	604.6	664.0	560.4	537.8	880.8
Total Borrowings	226.1	232.6	122.4	2.8	190.2
Total Shareholders' Equity	329.1	351.6	375.5	474.2	505.3
No of Shares in issue	375.4	376.6	376.7	436.5	436.5
Segmental Information					
Revenue					
- water treatment, supply and distribution	126.3	135.9	135.5	138.5	123.3
- construction	108.9	137.9	13.8	35.7	42.3
- waste management	9.6	15.0	17.2	14.4	14.6
- investment holding	84.9	37.7	2.1	8.0	26.6
- elimination	(138.7)	(100.1)	(9.7)	(27.3)	(38.7)
	191.0	226.4	158.9	169.3	168.1
Profit Before Taxation					
- water treatment, supply and distribution	47.2	50.9	54.1	56.4	25.6
- construction	7.5	11.6	3.5	1.7	8.0
- waste management	(0.3)	4.0	2.6	0.9	(0.9)
- investment holding	75.9	34.1	(0.2)	(7.6)	20.7
	130.3	100.6	60.0	51.4	53.4
- elimination	(83.0)	(33.0)	(0.4)	(6.1)	(21.9)
	47.3	67.6	59.6	45.3	31.5
- finance cost	(1.5)	(14.5)	(16.1)	(15.2)	(2.4)
- share of results of jointly controlled entities	0.3	5.7	6.9	13.3	15.3
- share of results of associate	0.6	0.6	0.6	0.7	0.6
	46.7	59.4	51.0	44.1	45.0
Key Financial Ratio					
Gross dividend per share (sen)	9.50	6.25	6.00	1.50	0.5
Net Assets per share (sen)	87.7	93.4	99.7	108.6	115.8
Earnings per share (sen)					
- basic	9.0	12.2	10.2	7.4	7.5
- fully diluted	8.4	11.1	9.7	7.3	7.5
Return on Equity (%)	10.3	13.6	10.6	6.9	6.8
Return on Assets Employed (%)	6.9	7.3	6.3	5.4	4.7
Dividend payout ratio (%)	79.4	37.9	43.5	16.6	4.9
Debt to Equity ratio (%)	68.7	66.2	32.6	0.6	37.6

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

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

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

directors' profile

ENCIK SUHAIMI BIN KAMARALZAMAN *Chairman / Non-Independent Non-Executive Director*

Encik Suhaimi bin Kamaralzaman, a Malaysian aged 44, was appointed to the Board of Taliworks on 23 May 2011 whereupon he was elected as the Chairman. He also serves as the Chairman of the Remuneration Committee of the Company.

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

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

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

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

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

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

MR. LIM YEW BOON *Executive Director*

Mr. Lim Yew Boon, a Malaysian aged 53, was appointed to the Board on 1 March 2010 as an Executive Director. He also serves as a member of the Investment and ESOS committees of the Company.

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

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

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

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

directors' profile (cont'd)

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

Y. Bhg. Dato' Hj Mohd Sinon, a Malaysian aged 61, was appointed to the Board on 1 November 1996. He also serves as the chairman of the Audit Committee and as a member of the Nomination and Investment committees of the Company.

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

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

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

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

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

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

directors' profile (cont'd)

ENCIK SULAIMAN BIN SALLEH *Independent Non-Executive Director*

Encik Sulaiman bin Salleh, a Malaysian aged 67, was appointed to the Board on 25 February 2002. He also serves as the chairman of the Investment, Nomination and ESOS committees and as a member of the Audit Committee of the Company.

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

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

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

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

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

Mr. Wong Yien Kim, a Malaysian aged 58, was appointed to the Board on 1 October 2007. He also serves as a member of the Audit and Investment committees of the Company.

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

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

He is currently the Senior General Manager Finance of KPS.

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

directors' profile (cont'd)

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

Mr. Lim Chin Sean, a Malaysian aged 30, was appointed to the Board on 23 May 2011. He also serves as a member of the Nomination and Remuneration committees of the Company.

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

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

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

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

Notes to Directors' Profile

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

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

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

chairman's statement

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 2011.

Encik Suhaimi bin Kamaralzaman
Chairman

Although I only helmed the position of Chairman for less than a year, it has been a rewarding year for me to be able to witness Taliworks' emergence as one of the major waste management participant in Yinchuan, China come to fruition. Needless to say, the process to plot the path was relatively challenging but given Taliworks' unyielding aspiration to morph into a sizeable provider in the waste management service sector in China, we will see to it that the investment that we have made in Yinchuan will bring about the desired results.

By investing our future in China; and particularly in the province of Ningxia where the Yinchuan capital city is situated, we seek to lay the groundwork for more strategic tie-ups and partnerships to advance our business interests and it is now incumbent on us to further develop a stable, lasting and co-operative partnership with the local Chinese enterprises and to tap into the various opportunities that is able to demonstrate the ability to make a tangible contribution to the bottom line of the Group. Our overarching goal remains steadfast and that is; to attain value recognition for our shareholders.

Arising from the various natural calamities and the financial drag on the EU countries, the world's economy is still experiencing a difficult phase characterised by increased downside risks and fragility. Whilst some countries are on track to a slow recovery, the potential threat of overheating in certain other economies has led to a marked slowdown in their economic activities. The global economic recovery, which began in late 2009, is expected to slow in 2012 largely due to the on-going sovereign debt issues in the advanced economies.

Moving on to the domestic shores, following the strong expansion in 2011, the growth of both private consumption and investment is projected to soften as the economy is affected by the slower global growth. Nevertheless, the announcements of several measures in the 2012 Budget are expected to prop up private consumption. Private investment will be supported by continued investment by domestic-oriented industries and the on-going implementation of projects under the Economic Transformation Programme.

FINANCIAL PERFORMANCE

For the fiscal financial year ended 31 December 2011, the Group posted a higher profit after tax of RM33.1 million (2010: RM29.5 million) which translated into an earnings per share of 7.5 sen (2010: 7.4 sen). For the same period, the Group recorded a revenue of RM168.1 million, which was marginally lower than the RM169.3 million achieved in 2010.

The contribution from the water treatment, supply and distribution business, which accounts for the bulk of revenue and profits have been severely dented by the impairment of trade receivables arising from the continued delay in receiving payments from the counter-parties. The auditors in their audit report, have placed an emphasis of matter on this issue and shareholders are directed to refer to the relevant notes in the financial statements.

DIVIDENDS

As a general company policy, the Board is always committed to build long term shareholders' value through business expansion to ensure long term sustainability of dividend payouts to shareholders. This is achieved either by way of organic growth or through mergers and acquisitions of entities, primarily those that are involved in concession-based businesses as this will ensure a steady, sustained and long term stream of recurring income and cash flow to the Group.

In terms of the quantum of dividends that could be declared to shareholders, the Board takes into account several considerations, namely the financial performance of the Group, the availability of funds required to finance current operations and business expansion.

We wish to inform shareholders that in line with our business strategy, Taliworks had remitted close to USD50 million during (and subsequent to) the financial year to expand our footprint into China. This has the effect of depleting our cash reserves which compromised our ability to recommend higher dividend payouts to shareholders. However, this strategy is crucial in the pursuit of a long term prospect of attaining sustainable and recurring income for the future.

Nevertheless, to reward our shareholders for your continued support, the Board has recommended the payment of a final gross dividend of 0.5 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

Expansion into a key market place brings a new dimension to the risk exposure to the Group but it is one of the crucial strategies adopted to diversify the earnings base as we are conscious to the fact that concession-based assets are difficult to come by locally. The business model of the Group dictates that an enduring income stream that is recurring and sustainable would pave the way for the creation of a solid foundation for an upward and sustained growth trajectory for Taliworks. Adopting a pro-active approach to investing for the future would stand us in good stead and help us to stand out amongst our competitors in years to come.

The Group's water treatment, supply and distribution business, suffice to say, will continue to remain as the core driver to deliver consistent returns whilst the waste management sector offers a relatively promising business potential.

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

ACKNOWLEDGEMENT

Our management and staff remain one of the core pillars of success for the Group and collectively they have brought a great many accomplishments that the Group currently enjoys. In this respect, the Board would like to acknowledge their immense contribution; many of whom have been delivering exemplary services to the Group.

I would like to extend my gratitude to my fellow colleagues on the Board for their guidance and their dedication in discharging their duties and responsibilities. Coming to this Annual General Meeting, we are indeed saddened by the resignations of several members of the Board, some of whom had served the Company for a considerable length of time. I would like to take this opportunity to place on record our appreciation to Y.A.M. Tengku Putri Datin Paduka Hajjah Arafiah, Y.Bhg. Dato' Hj Abdul Karim and Mr. Lim Choon Eng. We are truly grateful for their valuable contributions and we wish to extend our good wishes to them.

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

At Taliworks, we do recognise building and sustaining long term relationship and gaining the trust of all our stakeholders as being pivotal to our continued success and reputation as a well-managed and respected organisation. As such, we will strive to embed the principles and values of good corporate behaviour encompassing integrity, mutual respect and transparency in our business dealings and creating shared values with our stakeholders by re-connecting our business success with social, ethical and environmental issues. This could well turn up to be one of the pressing issues going forward as more companies seek to re-position themselves on the sustainability platform in the years ahead.

Thank you.

Suhaimi bin Kamaralzaman
Chairman

Mr. Lim Yew Boon
Executive Director

executive director's review of operations

The year 2011 was an eventful and historical moment for Taliworks as it has successfully concluded the take-over of four wastewater treatment plants with water recycling facilities in Yinchuan, China under a takeover-operate-transfer basis for a concession period of thirty years. This marks a new era for the Group as this is a sizeable investment which will further solidify Taliworks' position as a formidable and respected service provider within the waste management sector, particularly in China.

Although it has been a lengthy and laborious process over the past two years preceding the take-over where the Group negotiated vigorously over the terms of the concession and in getting the necessary financing in place, we are firmly grounded in the believe that the efforts and hard work were well spent. The investment has indeed propelled and positioned us in a stronger and firmer footing in the waste management sector which is acknowledged as one of the prime sectors to be involved in as China has placed considerably importance in environmental protection. We will continue to focus our efforts to be an active participant in this growing and promising business segment and to ascertain that we develop a competitive edge over the others by leveraging on our core competencies and harnessing our technological know-how, both in the water treatment and waste management industries in tapping the opportunities of a growing market. However, given the magnitude of our latest investment, we may be hard pressed to go on an active acquisition trail and therefore; would be somewhat discerning in our selection process unless the valuation and growth story appears compelling.

In the previous Annual Report, I had allured to shareholders that we were then standing at a critical juncture in the progress of the Group and that we would require a new impetus that is able to keep the growth momentum going. In this respect, we have intended to expand our businesses to reflect diversification across markets and geographical regions so as not to be too reliant on one particular segment of the market or having the lion's share of the Group's businesses concentrated in one particular location. By doing so, we were hoping to send a clear and concise message to all of our stakeholders that the Group was then ready to take the quantum leap to have the offshore businesses contributing significantly to the top line growth in the medium term. We are proud to say that today; we have stayed true to our course and delivered on that promise.

However, like any other long term investments, we make no qualms about the reality of having to embark on a major undertaking and we recognise that our hard won accomplishment does not stop here. This is just the beginning of a long and arduous journey fraught with uncertainties and unfathomable risks but we are steadfast in our resolution to confront whatever hitches that may be encountered along the way. We have more work to be carried out to optimise the efficiency of operations and to derive value in ensuring a pattern of sustained growth for the Group without compromising on environmental, safety and health regulations. This will be our challenge going forward and we intend to actively manage that process to ensure that our investment will yield the desired returns that we have envisaged.

executive director's review of operations (cont'd)

In the domestic front, despite initial fears that Malaysia's economic growth prospects would be derailed by the contagion fallout from the European sovereign debt crisis, Malaysia's economy recorded a steady pace of growth of 5.1% in 2011 (2010: 7.2%) underpinned by the expansion in domestic activities and firm regional demand. Growth was much lower in the first half of the year, particularly in the second quarter, as the economy was affected by the overall weakness in the advanced economies and the disruptions in the global manufacturing supply chain arising from the effects of the tsunami in Japan. Although the global economic environment became increasingly challenging and uncertain in the second half-year, Malaysia's economic growth improved primarily due to stronger domestic demand. Driven by both household and business spending, and higher public sector consumption, domestic demand registered a strong growth of 8.2% in 2011 up from 6.3% in 2010.

The construction sector expanded at a moderate rate of 3.5% in 2011 compared to 5.1% a year ago due to slower activity in the civil engineering and non-residential sub-sectors. Headline inflation, as measured by the annual percentage change in the Consumer Price Index, averaged 3.2% in 2011, a substantial increase from 1.7% recorded in 2010. Amid the more challenging external environment, the central bank has projected that the Malaysian economy will experience a steady pace of growth of 4 - 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth.

Other than ensuring that our key investment in Yinchuan was concluded according to plan, the on-going Selangor water sector restructuring exercise continues to be one of the key challenges faced by the Group and the water industry. The impasse has resulted in several impediments to the Group including having to restrict the amount of funds available for business expansion, severely curtailing the access to the capital markets and more importantly having to limit the quantum of dividends that could be declared to shareholders. We hope that the issue can be resolved expeditiously and amicably.

Review of Financial Performance
Summary of the Group's Financial Performance at a Glance

	2011	2010
Financial Results (in RM'000)		
Revenue	168,088	169,346
Operating Profit	31,558	45,295
Profit before tax	45,090	44,054
Financial Position (in RM'000)		
Total assets employed	880,751	537,776
Shareholders' Equity	505,355	474,232
Key Financial Ratio		
Basic EPS (sen)	7.5	7.4
Net asset per share (sen)	115.8	108.6
Return on Equity (%)	6.8	6.9
Return on Assets Employed (%)	4.7	5.4
Debt-to-equity (%)	37.6	0.6

For the year in review, the Group recognised a revenue of RM168.1 million in the financial statements compared to RM169.3 million in the previous year. The revenue took into account an amount of RM24.9 million (2010: RM3.8 million) of discounting arising from the delay in collections from certain major trade receivables. Excluding the impact of the discounting, the Group would have posted a revenue of RM193.0 million as compared to RM173.1 million achieved a year ago.

The higher revenue (before impact of discounting) was primarily attributable to the increases in contribution from both the water and construction divisions which recorded a turnover of RM148.3 million (2010: RM142.3 million) and RM30.6 million (2010: RM16.8 million) respectively during the financial year. As with the previous years, the water division remains the major contributor to the Group, accounting for more than 75% of the Group's revenue.

At the operating level, the Group posted an operating profit of RM31.6 million as compared to RM45.3 million in 2010 due mainly to the impact of discounting and provision for impairment on trade receivables which, similar to the previous year, is one of the key operational issues faced by the Group arising from the continued delay in receiving payments from two of the main debtors in the water operations.

Despite the substantial dip in operating profit, the Group's profit before taxation was marginally higher at RM45.1 million as compared to RM44.1 million on account of the absence of an exceptional charge of RM9.2 million arising from the early redemption of the Company's convertible bonds in 2010 and correspondingly, a significant reduction in the borrowing costs as a direct consequence of the said redemption.

executive director's review of operations (cont'd)

Due to the impact of discounting and provision for impairment on trade receivables, the performance of the water business deteriorated with the segment contributing RM25.6 million (2010: RM56.4 million) in pre-tax profits. There was a significant contribution recorded from the construction division for the year of RM8.0 million (2010: RM1.7 million) brought about by the full and final settlement of a dispute in relation to one of the projects undertaken by the Group for a final settlement sum of RM6 million. This contributed significantly to the bottom line of the Group.

During the year, the Group completed a sizeable investment with the successful take-over of the four 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 for RMB810 million (or equivalent to about RM408 million). The investment was funded from both the internal funds of the Group and external borrowings. This resulted in a jump in the assets employed by the Group as at the end of the year with a corresponding increase in borrowings and payables and a significant reduction in cash reserves.

For the first time in the history of the Group, the amount of non-current assets situated in foreign jurisdictions surpassed those that are located within Malaysia, reflecting a change in the risk profile for the Group.

REVIEW OF OPERATIONS

WATER & ENGINEERING DIVISION

Riding on the back of the country's continued economic growth, the overall industrial production and services growth was quite robust and helped to drive water demand growth higher especially in the major industrial hubs. However, the water demand growth was not uniformly spread owing to variances in population and industry demographics. While the output of the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") which supplies to large parts of Selangor and Kuala Lumpur registered a moderate but significant 4.1% increase in output, the metered consumption of Langkawi unexpectedly fell by 3.6%. The increase in output of SSP1 appeared to mirror the rising water consumption demand in the Klang Valley as industrial activities grew but the decline in metered consumption in Langkawi, for the first time since year 1999, appeared to be related to a probable decline in the services and tourism activities which underpinned the Langkawi economy. The decline could be attributable to several natural disasters experienced within the region and arising from the financial crisis plaguing the developed economies.

With Malaysia's economy projected to continue to grow by between 4-5% in 2012 despite weaker external environment, the prospects for further growth in water demand appear to be upbeat, especially in the industrial and commercial hubs particularly as the government embarks on the various high impact projects under the economic transformation programmes. In this regard, there is optimism that the production output of SSP1 will rise further in 2012 to meet increasing demand in the Klang Valley. There is also renewed optimism that water demand growth in Langkawi will recover as shown in the higher metered consumption recorded in the first quarter of 2012.

The focus of the operations in SSP1 and in Langkawi continues to be the optimisation of operating costs as the costs of electricity and water treatment chemicals continue to rise in tandem with world commodity prices. With electricity and chemicals taking up 65% of SSP1's operating expenditure and 45% of Taliworks Langkawi's operating expenditure, the objective is to continue squeezing out incremental reductions in unit costs of electricity and chemicals. The efforts to manage operating costs are predicated on a responsive operations regime supported by a comprehensive maintenance regime and progressive rehabilitation programme of major installations to maintain optimal operating efficiency.

Following the enforcement of the Water Services Industry Act 2006 (Act 655) ("WSIA") on 1 January 2008, Taliworks is still awaiting the resolution of the licensing process under which it is governed. In the meanwhile, the outcome of the consolidation of the Selangor water supply concessions by either the Federal or State Governments, which currently has reached a deadlock in negotiations, continues to loom as a problematic issue that would required to be resolved, one way or another.

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

After a sluggish start, the production of SSP1 increased robustly over the second half of the year to post a total output of 281.67 million cubic metres or an average of 778 million litres per day, a rise of 4.1% over that of the previous year. The robust increase in output reflected continued consumer demand in the Klang Valley as Malaysia's economy remained resilient and continued to step up its industrial production output. Based on the output achievements over the second half of the year, it is projected that barring unforeseen circumstances, the plant output should increase by about 3-4% to the 800-810 million litres per day level for the coming year.

Rainfall throughout the year kept the Sungai Selangor Dam and Sungai Tinggi Dam in a healthy state and filled both dams to full service levels by the end of the year. This gave confidence of adequate storage reserves to meet the regulating needs of the major water treatment plants (SSP1, SSP2 and SSP3) in the coming year. Although the raw water quality was generally satisfactory for conventional treatment regime, there were bouts of pollutants such as high colour, turbidity,

executive director's review of operations (cont'd)

iron and manganese which required speedy response and enhanced treatment to achieve the required clarification but this was achieved at significantly higher unit chemical costs. These incidents of sudden pollutant occurrences have been taking place at more frequent intervals, intensity and periods and point to continuing and sometimes uncontrolled land and commercial development activities in the upstream catchment area. It requires Sungai Harmoni to exercise continued vigilance and speedy response to detect and overcome them in a timely manner to ensure continued production of water of the required quality and quantity. At the same time, unit electrical costs which comprise the major portion of operating expenditure, was managed adequately even as plant output was pushed higher over the second half of the year but these costs were also significantly higher on the whole on account of the revised electricity tariff which took effect in the middle of the year.

Sungai Harmoni maintained its platform of operational quality by continuing to retain the following accreditation schemes:

- MS ISO 9001:2008 'Quality Management Systems for the Operation and Maintenance of Water Treatment Plant' for SSP1, and

- MS ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme for SSP1 Laboratory.

The attempt by the Selangor State Government and the Federal Government to restructure the Selangor water concessions was not concluded by year end. Without any indication when the issue could be resolved, Sungai Harmoni's trade receivables continued to escalate and this has put added pressure on the Group's cash flows until the issue is finally resolved. Nevertheless, the Group is taking various steps to address any shortfall in cash flow by sourcing for banking facilities and managing its cash flows more stringently to minimise any substantial cash outlay.

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

Despite a promising start at the beginning of the year, Taliworks Langkawi saw the water demand outlook decline, such that over the year in review, the total metered consumption fell by 3.6% to 16.33 million cubic metres or an average of 44.73 million litres per day compared to the previous year's 16.93 million cubic metres. Whilst the drop in metered consumption is not that significant per se the reversal represented the first decline for more than a decade. As the economic and financial crisis besetting the Eurozone and U.S. are being slowly worked out through concerted actions of the powers concerned, the unfavourable impact on Malaysia's economy is expected to diminish and enable it to maintain its growth momentum in the coming year. Barring unforeseen circumstances, Langkawi's tourism dependent economy is also expected to pick up in tandem and with this the water consumption demand in Langkawi should expand modestly by about 3–4% to the 46 million litres per day level in 2012.

As a result of higher electricity tariffs which came into effect in mid-year, unit electricity costs has increased in tandem but these increases were kept at a manageable level through efficient pump operation and comprehensive maintenance and servicing programmes. On the other hand, unit chemical costs were pressed lower despite the increase in chemical prices but the steadier water quality conditions over the year helped to stabilise and moderate the treatment regimes significantly. Overall, unit operation costs were kept within budgetary levels through tight controls and effective deployment of resources.

Taliworks Langkawi has retained its commitment to excellence in water quality testing through its accreditation ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme.

Pursuant to the re-negotiations with the relevant authorities under the WSIA, Taliworks Langkawi has agreed to maintain the existing bulk sales rate for the next three years to 2013. The company is awaiting the issuance of a formal written authorisation to carry out its obligations under the concession for the initial term of the agreement.

Significant improvements in collections during the year have enabled the company's cash flows to be increased and this helped to reduce the trade receivables' position considerably.

ENGINEERING & CONSTRUCTION DIVISION

Having successfully implemented its strategic plans, the division capped a fine year by bagging the RM339.4 million sub-contracts works for the Mengkuang Dam Expansion project in Pulau Pinang in August 2011. This is the most sizeable project secured to date and it represents a huge undertaking for the Group to complete the project within the timeframe of five years.

Considerable time and resources will be deployed as the sub-contract will, to a large extent, involve earth-filled dam embankment and river diversion tunnel activities. Having successfully completed the construction of two water treatment facilities previously, this project will place the Group in the forefront of mid-size projects of between RM250-RM500 million whilst carving a niche for the Group to be actively participating in the construction of projects of similar nature.

executive director's review of operations (cont'd)

The securing of the Mengkuang Dam Expansion project was timely given that the Group had just recently completed the design and construction of the RM149 million water supply systems for the Padang Terap Water Supply Scheme in Kedah in June 2011 which was then handed over to the state government of Kedah.

Without resting on its laurels, the division will endeavour to remain competitive given that it operates in an ever increasingly competitive environment and it is expected to continue with its plan to procure more infrastructure projects to ensure that top line growth to the Group can be sustained.

WASTE MANAGEMENT DIVISION

The waste management business of the Group is currently undertaken by four main subsidiaries, all of which are operating from China.

Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM manages, operates and maintains the Tianjin Panlou Life Waste Transfer Station in Tianjin, China and its related assets for a concession period of 21 years ending 2025. The company has managed the facilities since 2005.

Since the completion of a major refurbishment of the compaction system in 2010, the total tonnage of waste processed has returned to the normal production level during the year. Compared to the previous year's 323,134 tonnes (965 tonnes/day), the current tonnage of waste processed stood at 362,715 tonnes (994 tonnes/day). This was comparable to the 362,028 tonnes achieved in 2009. Due to the tariff structure and the incremental costs to be incurred in managing any extra tonnage of waste, it is not expected that the company will see tremendous growth in top line numbers. As such, the challenge would be to adopt more effective cost management measures to generate positive spinoffs. The persistent increase in fuel costs remained a hindrance to achieving higher profitability and the company will continue to scout for other avenues to rationalise costs.

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 2011, the tonnage of waste effluent processed stood roughly at 10.65 million litres, a marginal decline of just over 2.6% from the 10.94 million litres achieved a year ago. Currently operating at an average of 58% 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.

The company is currently bogged down by a few litigation cases and dispute with the minority shareholder which affected its operations. Despite these setbacks, the Group is confident that most of the issues can be resolved and any material developments will be disseminated to shareholders.

Ningxia Eco Wastewater Treatment Co. Ltd

The company is involved in the construction and management of a 20 million per day wastewater and recycled water treatment plant within the Linhe Integrated Industrial Park in Yinchuan. Construction on the first phase of the facility is on-going and it is expected to be completed in time for commercial operations in 2012.

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd

With the formal take-over of operations towards the end of the year, the Group will see significant contribution in revenue in the next financial year. The concession is for a period of 30 years ending 2041 and similar to all concessions with a long gestation period, the returns for this investment are expected to be gradual over a period of time. After the full payment of all financing obligations, the investment will undoubtedly provide the Group with a steady, sustained and long term stream of recurring income and cash flow.

executive director's review of operations (cont'd)

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 the 11.5-km Cheras-Kajang Highway.

After witnessing strong traffic numbers in the previous year due to the opening of the adjoining Lebuhraya Kajang-Seremban ("LEKAS") Highway and the completion of the underpass at the Plaza Phoenix area, the average daily traffic ("ADT") at the Cheras-Kajang Highway continued to chalk up a credible growth to 233,391 vehicles per day compared to 220,981 vehicles per day previously. This represented an almost 5.6% growth year-on-year. Tremendous potential growth is to be expected within the vicinity of the Cheras, Kajang areas which are considered hotspots for residential developments and the highway is a boon to the residents who are able to travel in greater ease to reach their destination in a timely manner.

During the year, as part of the Ministry of Transport's ("MOT") National Key Result Areas to improve the public transportation system (especially the movement of buses), Grand Saga was chosen as one of the three highway concessionaires to construct and implement the new Multi-class SmartTag lanes which would allow access to all classes of vehicles. The current SmartTag system is only passable by Class 1 vehicles i.e. passenger cars. The four BET lanes dedicated for buses aimed at cutting travel times became operational in February 2011. The implementation of these new SmartTag lanes also contributed to the increased utilisation of electronic lanes at both toll plazas. For the first time, the percentage of electronic transactions surpassed 50% of the total traffic transactions as compared to 47% in 2010.

Grand Saga is committed to ensure that the road conditions at the highway are sufficiently maintained to optimal standards required in promoting higher safety and greater driving comfort to all road users. As such, a major pavement rehabilitation exercise was undertaken which is expected to be completed in the first half of 2012. In addition, as part of its service commitments, Grand Saga initiated a "contra flow' operation to alleviate the traffic congestion for Kajang bound traffic in the evening. This is in addition to the six year old "contra flow" operation to clear the Kuala Lumpur bound traffic congestion in the morning, which is conducted with the assistance of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police.

The Bandar Mahkota Cheras issue which Grand Saga was embroiled in since 2009 came to an amicable conclusion with all parties involved agreeing to discontinue the legal proceedings without liberty to file afresh. On its part, Grand Saga was compensated and the concession was further extended by another three years.

On 1 March 2012, the Prime Minister announced the closure of one bound at each of the two toll plazas at the Lebuhraya Cheras-Kajang to lighten the financial burden of road users. The Government announced the abolishment of toll collection at Plaza Batu 9 for the Kuala Lumpur bound and the Plaza Batu 11 for the Kajang bound which came into effect the very next day. In view of the significant loss in revenue and cash flow throughout the remaining period of the concession arising from the closure, Grand Saga has been compensated in line with the provisions of the concession agreement. A significant portion of the cash compensation receivable is expected to be set aside for the repayment to bondholders of the RM380 million of Islamic Medium Term Notes issued by Cerah Sama.

KEY PRIORITIES AND CHALLENGES

In this ever changing and dynamic business environment, the Group is encumbered with several key priorities and challenges that it needs to confront head on. There is an increasing necessity to respond to threats with seeming urgency and on the other hand to fully capitalise on any opportunities to ensure that the Group is on the right track to achieving its vision and mission in the shortest time possible.

Towards this end, the Group will continue to strengthen its internal processes, procedures and systems to prioritise the close monitoring and supervision of key risks. Over time, we envisage that the Group will expand its presence to other localities by capitalising on our sizeable operations. Therefore, the race is on to build an even stronger foundation so that the Group will be well placed to take on the challenges in time to come.

Thank you.

LIM YEW BOON
Executive Director

Conducting a successful and sustainable business model 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.

corporate social responsibility

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 Taliworks promote cover the following areas:-

EMPLOYEES' WELFARE AND WELL-BEING

We strive to maintain our standards in the development of our employees to ensure that the pool of human talent remains with us. We are subscribed to the principle that our employees are one of the 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.

corporate social responsibility (cont'd)

ENGAGEMENT WITH THE RELATED STAKEHOLDERS (CONT'D)

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 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.

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 water treatment plants.

corporate social responsibility (cont'd)

PROTECTION AND CONSERVATION OF THE ENVIRONMENT (CONT'D)

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

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

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

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

For 2011, the major CSR programmes undertaken include:-

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

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

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

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

- Contributing sums to worthy charitable causes and for 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.

statement on corporate governance

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 is 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 Group has applied the Principles as set out in Part 1 of the Code and the extent to which it has complied with the Best Practices set out in Part 2 of the Code:-

A. BOARD OF DIRECTORS

Board Responsibilities

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

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, interests and/or assets, consideration of significant financial matters and announcements of financial results, appointments to the Board and control structure within the Group.

To effectively carry out its responsibilities, the Board has delegated certain of its functions to other board committees, which operate under approved terms of reference. At every board meeting, these board committees will report to the Board on any significant 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.

statement on corporate governance (cont'd)

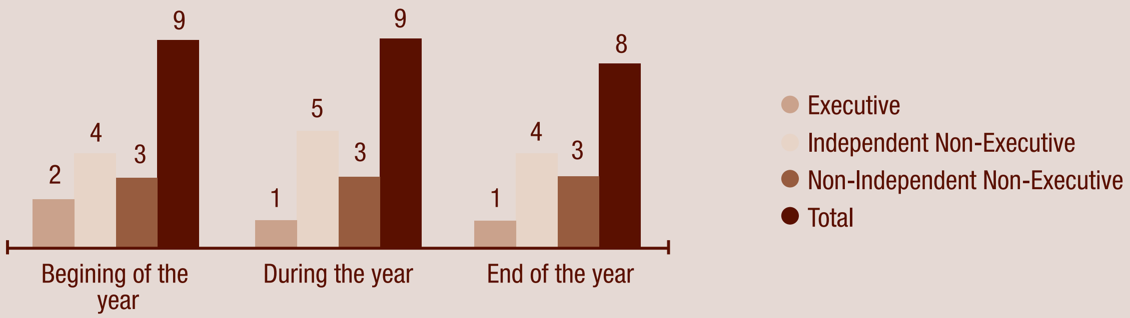
Board Composition, Balance and Changes

There were several changes to the Board during the year in review namely:-

(a) the resignation of one (1) executive director, two (2) non-independent non-executive directors and one (1) independent non-executive director; and

(b) the appointment of two (2) non-independent non-executive directors and one (1) independent non-executive director as replacements thereof.

As at the end of the year, the Board, led by a non-independent non-executive Chairman, was made up of eight (8) members comprising one (1) executive director and seven (7) other non-executive directors, four (4) of whom are independent directors.



** Subsequent to the year end, two (2) independent non-executive directors have resigned from the Board.*

The composition of the Board is deemed 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, is of the opinion that the number of members in the Board is appropriate. However, the Board is open to the idea of increasing its members if so warranted to ensure that the Board is able to function more effectively.

Encik Suhaimi bin Kamaralzaman, the non-independent non-executive Chairman *(who previously does not hold any executive position in the Company)* presides over the meetings of the Board. His role and function are clearly separated and distinct from those of the executive director whom is specifically responsible for managing the strategic and operational agenda of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day-basis.

statement on corporate governance (cont'd)

Board Composition, Balance and Changes (cont'd)

The executive director is to develop, in conjunction with the Board, the Group's strategic plans and is responsible for its implementation. In connection therewith, the executive director keeps the Board informed of overall operations of the Group and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

Non-executive directors do not participate in the day-to-day management of the Group. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. They are expected to provide constructive input and where required, provide the requisite guidance to the executive director when faced with the challenges in running the day-to-day affairs of the Group.

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

Members of the Board came from varied background and 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 current serving members of the Board is presented in this Annual Report under the Directors' Profile.

Board Diversity and Skill-set

	Gender		Age Profile			Skill-set		
	Male	Female	30-45 years	46-60 years	>61 years	Finance / Economics / Business Administration	Engineering	Others
Executive	1	-	-	1	-	-	1	-
Independent Non-Executive	3	1	-	1	3	3	-	1
Non-Independent Non-Executive	3	-	2	1	-	2	-	1
Sub-total	7	1	2	3	3	5	1	2
Total	8		8			8		

The tenureship of Board Members

	Less than 3 years	3-9 years	More than 9 years	Total
Executive	1	-	-	1
Independent Non-Executive	-	-	4	4
Non-Independent Non-Executive	2	1	-	3
Total	3	1	4	8

statement on corporate governance (cont'd)

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. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special board meetings maybe convened by the Company Secretary, after consultation with the Chairman.

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 five (5) times and the record of the attendance of each director is set out below:-

	25 Feb	23 May	23 Aug	23 Nov	1 Dec	Total
Encik Suhaimi bin Kamaralzaman *(Chairman, Non-Independent Non-Executive Director)* *- appointed on 23 May 2011*	n/a	•	•	•	•	4/4
Y. Bhg. Dato' Haji Abd. Karim bin Munisar *(Chairman, Non-Independent Non-Executive Director)* *- resigned on 21 March 2011*	•	n/a	n/a	n/a	n/a	1/1
Y. Bhg. Dato' Lim Chee Meng *(Executive Deputy Chairman)* *- resigned on 23 May 2011*	•	•	n/a	n/a	n/a	2/2
Mr. Lim Yew Boon *(Executive Director)*	•	•	•	•	•	5/5
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir *(Senior Independent Non-Executive Director)*	•	•	•	•	•	*5/5*
YAM Tengku Putri Datin Paduka Hajjah Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj *(Independent Non-Executive Director) - resigned on 1 March 2012*			•	•	•	3/5
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman *(Independent Non-Executive Director)* *- resigned on 6 January 2012*	•	•	•			3/5
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman *(Non-Independent Non-Executive Director)* *- resigned on 23 May 2011*	•		n/a	n/a	n/a	1/2
Encik Sulaiman bin Salleh *(Independent Non-Executive Director)*	•	•	•	•	•	5/5
Mr. Wong Yien Kim *(Non-Independent Non-Executive Director)*	•	•	•	•	•	5/5
Mr. Lim Chin Sean *(Non-Independent Non-Executive Director)* *- appointed on 23 May 2011*	n/a		•	•	•	3/4
Mr. Lim Choon Eng *(Independent Non-Executive Director)* *- appointed on 23 May 2011 and resigned on 15 December 2011*	n/a	•			•	2/4

statement on corporate governance (cont'd)

Board Meetings (cont'd)

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

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

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

Supply of Information

Prior to each board meeting, members of the Board will be provided with an agenda and a set of board papers containing reports and other relevant information detailing various aspects of the Group's operations and performance to enable them to make informed decisions. The board papers may include financial, strategic and corporate proposals that require the Board's deliberation and approval. The senior management, both external and internal auditors and/or advisers may be invited to attend the board meetings, if required, to provide additional information on the relevant agenda tabled at the board meetings.

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

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

Appointments to the Board

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

Re-Election of Directors

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

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

statement on corporate governance (cont'd)

Re-Election of Directors (cont'd)

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

Encik Suhaimi bin Kamaralzaman	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad • Corporate Training Programme - IC Interpretation 12 - Service Concession Arrangements - Economic Developments & Outlook: Reality Check - Klang Valley Property Market Overview
Mr. Lim Yew Boon	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad
Encik Sulaiman bin Salleh	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad
Mr. Wong Yien Kim	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad • Corporate Training Programme - IC Interpretation 12 - Service Concession Arrangements - Economic Developments & Outlook: Reality Check - Klang Valley Property Market Overview
Mr. Lim Chin Sean	• Directors' Obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

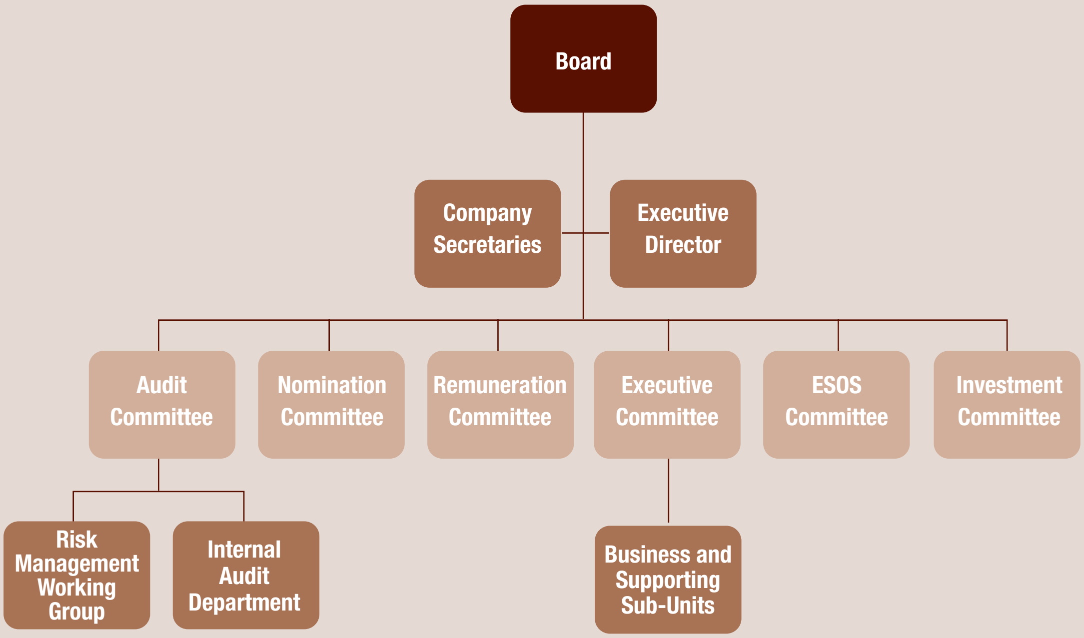
Directors were also kept informed of the latest regulatory developments by the Company Secretary.

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 at the Company's expense so as to keep themselves updated on developments that are current and relevant.

statement on corporate governance (cont'd)

Board Committees

The governance structure of the Group is as follows:-



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

Audit Committee

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

Nomination Committee

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

The Nomination Committee would also carry out assessment of the effectiveness of the Board as a whole, the Committees of the Board and each individual director including the independent non-executive directors as well as the executive director(s) once every two years. The Board through this Committee reviews the required mix of skills and experience and other qualities the Board requires in order for it to discharge its duties effectively.

statement on corporate governance (cont'd)

Nomination Committee (cont'd)

Members of the Committee comprise of:-

Current

(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) (resigned on 1 March 2012 and replaced by Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir on 14 May 2012)*
(c) Mr. Lim Chin Sean *(member) (appointed on 27 February 2012)*

Resigned during the year

(d) Mr. Lim Choon Eng *(member) (appointed on 23 May 2011 and resigned on 15 December 2011)*
(e) 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.

Remuneration Committee

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

Members of the Committee comprise of:-

Current

(a) Encik Suhaimi bin Kamaralzaman *(Chairman of the Committee) (appointed on 23 May 2011)*
(b) Mr. Lim Chin Sean *(member) (appointed on 23 May 2011)*
(c) Encik Sulaiman bin Salleh *(member) (appointed on 27 February 2012)*

Resigned during the year

(d) Y. Bhg. Dato' Hj Abd Karim bin Munisar *(Chairman of the Committee) (resigned on 21 March 2011)*
(e) Y. Bhg. Dato' Lim Chee Meng *(member) (resigned on 23 May 2011)*
(f) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman *(member) (resigned on 23 May 2011)*
(g) Mr. Lim Choon Eng *(member) (appointed on 23 May 2011 and resigned on 15 December 2011)*

The Committee did not meet during the year.

statement on corporate governance (cont'd)

Investment Committee

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

Members of the Committee comprise of:-

Current

(a) Encik Sulaiman bin Salleh *(Chairman of the Committee)*
(b) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir *(member)*
(c) Mr. Wong Yien Kim *(member)*
(d) Mr. Lim Yew Boon *(member)*

Resigned during the year

(e) Y. Bhg. Dato' Lim Chee Meng *(member) (resigned on 23 May 2011)*
(f) Mr. Lim Choon Eng *(member) (appointed on 23 May 2011 and resigned on 15 December 2011)*

The Committee did not meet during the year since there were no investment proposals presented to the Committee.

Employees' Share Option Scheme ("ESOS") Committee

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

Members of the Committee comprise of:-

Current

(a) Encik Sulaiman bin Salleh *(Chairman of the Committee)*
(b) Mr. Lim Yew Boon *(member)*

Resigned during the year

(c) Y. Bhg. Dato' Lim Chee Meng *(member) (resigned on 23 May 2011)*

The Committee did not meet during the year since there were no new ESOS options granted by the Company.

Executive Committee ("EXCO")

The EXCO is tasked to speed up the decision making process in issues which are routine and administrative in nature.

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

statement on corporate governance (cont'd)

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 appropriately senior level in a consistent manner and that the Board through the Audit Committee receives periodic reporting on the risk environment and management's actions to mitigate and manage significant risks in a manner consistent with the Group's risk appetite.

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

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

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

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

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

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

The Working Group met four (4) times during the year 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 a general meeting. The number of ESOS granted to directors is based on their number of years in service with the Company and whether they hold any executive position in the Company.

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

statement on corporate governance (cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

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

The details of directors' remuneration for the financial year (inclusive of directors who had resigned during the 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	35	240	275
(b) Salaries, bonus and defined contribution plan	1,120	-	1,120
(c) Other emoluments	7	170	177
Total	**1,162**	**410**	**1,572**

(b) 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	-	7	7
RM50,001 to RM100,000	-	1	1
RM100,001 to RM150,000	-	1	1
RM200,001 to RM250,000	1	-	1
RM900,001 to RM950,000	1	-	1
Total	**2**	**9**	**11**

statement on corporate governance (cont'd)

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.

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

The Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on the Group by an independent research house, Netresearch-Asia Sdn. Bhd (Tel +603-2163 3700); so as to provide shareholders and other stakeholders with further information to facilitate their investment decisions. For 2011, four reports have been published as follows:-

Title of Report		Date of Publication
Update Report	:	3 March 2011
1QFY11 Results	:	24 May 2011
2QFY11 Results Update	:	24 August 2011
3QFY11 Results Report	:	24 November 2011

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

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

The Board has identified Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, the Senior Independent Non-Executive Director, to whom any queries, feedbacks and concerns with regards to the Group, may be conveyed. Letters stamped "Private & Confidential" can be addressed to him personally at the Company's registered address at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

statement on corporate governance (cont'd)

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

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

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

(b) Communications with the Senior Independent Non-Executive Director, YBhg 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 47, he is currently serving as the General Manager, Group Finance, a position he held since he joined the Company in 2004. He has been involved in investors' relationship for more than ten years. He qualified as an accountant and currently is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

Annual General Meeting ("AGM")

Shareholders

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

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

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

statement on corporate governance (cont'd)

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

Regulators and the Minority Shareholder Watchdog Group ("MSWG")
Other than the shareholders of the Company, representatives from the regulators and MSWG will also be invited as observers if prior requests have been made.

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

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Statement of Directors' Responsibility for Preparing the Financial Statements

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

Internal Control and Risk Management

The Statement on Internal Control included in this Annual Report provides an overview on the state of internal control and the risk management framework 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.

statement on corporate governance (cont'd)

Relationship with Auditors (cont'd)

The Audit Committee will meet with the external auditors twice a year without the presence of management to ensure that the independence and objectivity of the external auditors are not compromised. To ensure that the external auditors remain independent, the audit engagement partner is rotated every five (5) years in accordance with their firm policy.

E. DIVIDEND POLICY

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

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

F. WHISTLE-BLOWING POLICY

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

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

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

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

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

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

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

(a) the Chairman of the Audit Committee, Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir, at SID@taliworks.com.my

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

G. AUTHORISATION FOR ISSUANCE

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.

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

audit committee report

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

A. COMPOSITION

The Audit Committee comprises of the following members:-

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

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

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

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

** Subsequently resigned from the Board and a member of the Audit Committee on 1 March 2012.*

B. APPROVED TERMS OF REFERENCE

Membership

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

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

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

Quorum

Majority of members present must be independent directors.

audit committee report (cont'd)

Qualification

At least one member of the Audit Committee:

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

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

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

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

Meeting and Minutes

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

Authority

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

audit committee report (cont'd)

Responsibilities and Duties

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

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

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

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

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

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

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

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

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

audit committee report (cont'd)

Responsibilities and Duties (cont'd)

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

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

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

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

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

C. MEETINGS

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

	22 Feb	20 Apr	19 May	18 Aug	21 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 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 included in this Annual Report.

audit committee report (cont'd)

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 approval of the Board.

External Audit

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

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

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

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

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

Internal Audit

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

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 assists the Audit Committee in identifying, evaluating, monitoring and managing principal risks that affects or potentially 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 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.

audit committee report (cont'd)

Related Party Transactions (cont'd)

(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.

Audit Committee's Report and Statement on Internal Control

To review the Audit Committee's Report and Statement on Internal Control for inclusion in the Company's Annual Report.

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 principal role of the internal audit function is to undertake an independent, regular and systematic review of the system of internal controls so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal controls of key operating companies within the Group and the extent of compliance of these companies with the Group's policies and procedures as well as relevant statutory requirements.

(b) Internal Audit Reviews During the Year

The internal auditors are required to undertake two cycles of internal audit for the year in accordance with their terms of reference and the scope of work outlined in the Internal Audit Strategy Plan 2010 to 2012 ("IASP") which comprise a 3-year internal audit strategic plan. The IASP was approved for implementation by the Audit Committee in May 2010.

audit committee report (cont'd)

(b) *Internal Audit Reviews During the Year (cont'd)*

Under the IASP, the following are the area of internal audit focus to address principally the key internal controls relating to the following processes and the related risks areas of:-

	2010		2011		2012	
	Cycle					
	1	2	1	2	1	2
	A	A	A	A	A	P
Taliworks						
Strategic management / governance and process	■		■		■	
Financial management	■		■		■	
Risk management	■		■		■	
Legal		■		■		■
Human resource management		■		■		■
Information management	■		■		■	
Project management	■		■		■	
Procurement						■
Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd						
Financial management	■		■		■	
Inventory management		■		■		■
Fixed asset management		■		■		■
Operations and maintenance		■		■		■
Safety, health and environment		■		■		■

A - Actual Implemented P - Proposed to be Implemented

Note

(i) *Findings of Cycle 2 (2010) and Cycle 1 (2011) was reported to the Audit Committee during the year*

(ii) *Cycle 2 (2011) was undertaken in 2011 and will be reported to the Audit Committee in 2012*

(iii) *Cycles 1 and 2 (2012) will be undertaken in 2012*

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

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

audit committee report (cont'd)

(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 (2010: RM76,000) per two cycles.

(d) Establishment of in-house Group Internal Audit Department

In December 2011, the Company established an in-house Group Internal Audit department ("GIAD") headed by a senior internal audit manager to principally undertake internal audit assignments for the Group's operations in China. The Head of GIAD shall report directly to the Audit Committee to maintain the objectivity of the internal audit function.

G. AUTHORISATION FOR ISSUANCE

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

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

statement on internal control (cont'd)

Risk management framework (cont'd)

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

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

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

With respect to the Group's operations in China, the Board will establish a risk management framework in 2012 in view of the increasing importance and relevance of the said operations to the Group.

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 established policies and procedures as well as acting as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

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

In December 2011, the Company established an in-house Group Internal Audit department to principally undertake internal audit assignments for the Group's operations in China.

Other key elements of internal control

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

(a) Clearly defined delegation of responsibilities to committees of the Board and to management, including appropriate authorisation levels;
(b) A budgetary process whereby the management approves the operating and capital budgets of the key operating units and the Board approves the operating and capital budgets of the Group on a consolidated basis;
(c) Monitoring of results against budgets, with major variances and trends in key performance indicators being highlighted and management action taken, where necessary;

statement on internal control (cont'd)

Other key elements of internal control

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

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

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

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

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

Your Board's conclusion

Based on the processes set out above, the Board is of the view that an appropriate system of internal control in operation during the 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 the control environment within the Group.

Review by the External Auditors

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

additional compliance information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 31 December 2011 to be disclosed in this Annual Report:-

1. **Share Buy-Back**
The Company has not implemented any share buy-back scheme.

2. **Options, Warrants or Convertible Securities**
During the financial year, there were no options, warrants or convertible securities exercised into ordinary shares of the Company.

3. **Depository Receipt Programme**
The Company did not sponsor any depository receipt programme during the financial year.

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

5. **Non-Audit Fees**
The non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors, PricewaterhouseCoopers or a firm or company affiliated to it, amounted to RM120,000 as disclosed in Note 9 to the financial statements.

6. **Variation in Results**
There were no variances of 10% or more between the results for the financial year ended 31 December 2011 and the unaudited results previously announced.

7. **Status of Utilisation of Proceeds**
There were no proceeds raised from any corporate proposals during the financial year.

8. **Profit Guarantee**
The Company did not give any profit guarantee during the financial year.

10. **Material Contracts**
Save as disclosed in Note 44 of the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2011.

11. **Recurrent Related Party Transaction of Revenue or Trading Nature**
At the Annual General Meeting of the Company held on 28 June 2011, the Company had obtained a mandate from its shareholders to allow the Company and its subsidiaries to enter into recurrent related party transactions of revenue or trading nature. Pursuant to paragraph 10.09(2)(b) of the Listing Requirements, the details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2011 pursuant to the said shareholders' mandate, the aggregate value of transactions of which exceeds RM1,000,000, is as follows:-

Related Party	**Type of Transaction**	**Aggregate Value of Transactions (RM'000)**
Aqua-Flo Sdn Bhd	Purchase of water and waste treatment chemicals, products, services and related equipment or systems by the Company and/or its subsidiaries	12,439

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

additional compliance information (cont'd)

13. Share Issuance Scheme

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

(b) There is only one share issuance scheme in existence during the financial year, the details of which are disclosed in Note 30(a) to the financial statements. Other information pertaining to the share options are as follows:-

	Share options granted to eligible directors and employees		Share options granted to eligible directors and chief executive officer	
	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)
Number of options granted				
- @ RM1.31	0	5,460	0	650
- @ RM1.90	0	6,410	0	770
Number of options exercised				
- @ RM1.31	0	5,282	0	650
- @ RM1.90	0	1,741	0	160
Number of options lapsed				
- @ RM1.31	0	127	0	0
- @ RM1.90	0	432	0	205
Number of options remaining unexercised exercised				
- @ RM1.31	51	51	0	0
- @ RM1.90	4,237	4,237	260	405 (note 1)

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

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

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

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

taliworks corporation berhad

financial statements

directors' report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

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 for the financial year	33,114	25,985

DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2010 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010:	
- Final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less income tax of 25%, paid on 29 July 2011	4,910

The Directors have recommended the payment of a final gross dividend of 0.5 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2011 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' report (cont'd)

DIRECTORS

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

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	
Encik Sulaiman bin Salleh	
Mr. Wong Yien Kim	
Mr. Lim Yew Boon	
Encik Suhaimi Bin Kamaralzaman	(appointed on 23 May 2011)
Mr. Lim Chin Sean	(appointed on 23 May 2011)
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	(resigned on 23 May 2011)
Y. Bhg. Dato' Lim Chee Meng	(resigned on 23 May 2011)
Mr. Lim Choon Eng	(appointed on 23 May 2011, resigned on 15 December 2011)
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman	(resigned on 6 January 2012)
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	(resigned on 1 March 2012)

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 1.1.2011/ date of appointment	**Bought**	**Sold**	**At 31.12.2011**
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0	0	285,000
Encik Sulaiman bin Salleh	42,800	0	0	42,800
Mr. Lim Yew Boon	150,000	0	0	150,000
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman	120,000	0	0	120,000
Mr. Lim Chin Sean				
- *indirect#*	241,640,000	0	0	241,640,000

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

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

directors' report (cont'd)

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of options over ordinary shares of RM0.50 each in the Company			
	Exercise price (RM)	At 1.1.2011/ date of appointment	Exercised	At 31.12.2011
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	80,000
Encik Sulaiman bin Salleh	1.90	60,000	0	60,000
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	60,000
Mr. Lim Chin Sean	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

There was no change to the issued and paid up share capital of the Company during the year.

EMPLOYEES' SHARE OPTION SCHEME

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

Some of the main features of the ESOS are set out in Note 30(a) to the financial statements.

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

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement 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 options granted under the Company's ESOS.

directors' report (cont'd)

DIRECTORS' BENEFITS (cont'd)

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 44 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.

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.

directors' report (cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

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 25 April 2012.

SUHAIMI BIN KAMARALZAMAN
DIRECTOR

LIM YEW BOON
DIRECTOR

statements of income

for the financial year ended 31 december 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000
Revenue	6	**168,088**	169,346	**41,904**	24,465
Cost of operations	7	**(106,992)**	(90,068)	**(8,935)**	(14,884)
Gross profit		**61,096**	79,278	**32,969**	9,581
Other operating income	8	**9,909**	8,453	**6,989**	4,864
Administrative expenses	9	**(39,447)**	(33,187)	**(8,490)**	(9,486)
Other loss - net	10	**0**	(9,249)	**0**	(9,249)
Operating profit/(loss)		**31,558**	45,295	**31,468**	(4,290)
Finance cost	11	**(2,386)**	(15,213)	**0**	(15,057)
Share of results of jointly controlled entities	20	**15,300**	13,268	**0**	0
Share of results of associate	21	**618**	704	**0**	0
Profit/(loss) before tax		**45,090**	44,054	**31,468**	(19,347)
Tax expense	14	**(11,976)**	(14,546)	**(5,483)**	(216)
Profit/(loss) for the financial year		**33,114**	29,508	**25,985**	(19,563)
Attributable to:					
Owners of the Company		**32,561**	29,194	**25,985**	(19,563)
Non-controlling interest		**553**	314	**0**	0
		33,114	29,508	**25,985**	(19,563)
Earnings per share attributable to owners of the Company (sen)					
- basic	15	**7.5**	7.4		
- diluted	15	**7.5**	7.3		

statements of comprehensive income

for the financial year ended 31 december 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000 (restated)	2011 RM'000	2010 RM'000
Profit/(loss) for the financial year		**33,114**	29,508	**25,985**	(19,563)
Other comprehensive income:					
Available-for-sale financial assets		**(146)**	(430)	**(52)**	(580)
Foreign currency translation differences		**4,515**	(819)	**0**	0
Share of other comprehensive income of jointly controlled entities and associate		**(2)**	(4)	**0**	0
Other comprehensive income/ (expense) for the year, net of tax		**4,367**	(1,253)	**(52)**	(580)
Total comprehensive income/ (expense) for the year		**37,481**	28,255	**25,933**	(20,143)
Attributable to:					
Owners of the Company		**36,033**	28,360	**25,933**	(20,143)
Non-controlling interest		**1,448**	(105)	**0**	0
Total comprehensive income/ (expense) for the year		**37,481**	28,255	**25,933**	(20,143)

statements of financial position

as at 31 december 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Property, plant and equipment	16	**8,041**	23,934	**519**	675
Investment properties	17	**414**	424	**414**	424
Intangible assets	18	**453,515**	13,181	**0**	0
Subsidiaries	19	**0**	0	**106,073**	106,073
Jointly controlled entities	20	**79,310**	71,155	**55,538**	55,538
Associate	21	**5,589**	4,971	**2,520**	2,520
Goodwill on consolidation	22	**2,504**	2,504	**0**	0
Deferred tax assets	23	**10,135**	2,867	**0**	0
Long term receivables	24	**160,282**	133,304	**0**	0
Deposits, bank and cash balances	25	**16,344**	15,909	**7,664**	6,384
Amount due from subsidiaries	27	**0**	0	**130,675**	26,737
Total non-current assets		**736,134**	**268,249**	**303,403**	**198,351**
Inventories	26	**1,118**	1,054	**0**	0
Trade and other receivables	24	**103,748**	103,534	**2,018**	695
Amount due from subsidiaries	27	**0**	0	**3,442**	5,924
Tax recoverable		**214**	3,903	**4,358**	3,717
Available-for-sale financial assets	29	**13,983**	23,752	**4,016**	17
Deposits, bank and cash balances	25	**25,554**	137,284	**14,316**	108,089
Total current assets		**144,617**	269,527	**28,150**	118,442
TOTAL ASSETS		**880,751**	537,776	**331,553**	316,793
EQUITY AND LIABILITIES					
Share capital	30	**218,246**	218,246	**218,246**	218,246
Share premium	31	**74,176**	74,176	**74,176**	74,176
Share option reserve	32	**2,248**	2,284	**2,248**	2,284
Currency translation reserve		**4,634**	1,014	**0**	0
Available-for-sale reserve		**14**	160	**(52)**	0
Merger deficit	33	**(71,500)**	(71,500)	**0**	0
Retained earnings	34	**277,537**	249,852	**30,979**	9,868
Total equity attributable to owners of the Company		**505,355**	474,232	**325,597**	304,574
Non-controlling interest		**7,338**	5,890	**0**	0
Total equity		**512,693**	**480,122**	**325,597**	**304,574**

statements of financial position

as at 31 december 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000
LIABILITIES					
Borrowings	36	**54,644**	18	**0**	0
Total non-current liability		**54,644**	18	**0**	0
Amount due to a subsidiary		**0**	0	**0**	300
Borrowings	36	**135,527**	2,809	**0**	0
Trade and other payables	37	**175,222**	50,650	**5,956**	11,919
Taxation		**2,665**	4,177	**0**	0
Total current liabilities		**313,414**	57,636	**5,956**	12,219
TOTAL LIABILITIES		**368,058**	57,654	**5,956**	12,219
TOTAL EQUITY AND LIABILITIES		**880,751**	537,776	**331,553**	316,793

consolidated statement of changes in equity

for the financial year ended 31 december 2011

	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	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 2011											
- As previously stated		218,246	74,176	2,284	1,014	160	(71,500)	254,138	478,518	5,890	484,408
- Effects of adopting IC Interpretation 12	46	0	0	0	0	0	0	(4,286)	(4,286)	0	(4,286)
At 1 January 2011, as restated		218,246	74,176	2,284	1,014	160	(71,500)	249,852	474,232	5,890	480,122
Comprehensive income:											
Profit for the financial year		0	0	0	0	0	0	32,561	32,561	553	33,114
Other comprehensive income/(expense):											
- Available-for-sale financial assets	29	0	0	0	0	(146)	0	0	(146)	0	(146)
- Share of other comprehensive expense of associate		0	0	0	0	0	0	(2)	(2)	0	(2)
- Currency translation differences		0	0	0	3,620	0	0	0	3,620	895	4,515
Total other comprehensive income/(expense)		0	0	0	3,620	(146)	0	(2)	3,472	895	4,367
Total comprehensive income/ (expense) for the financial year		**0**	**0**	**0**	**3,620**	**(146)**	**0**	**32,559**	**36,033**	**1,448**	**37,481**
Transactions with owners:											
Transfer to/(from) reserve upon											
- ESOS options lapsed	32	0	0	(36)	0	0	0	36	0	0	0
Dividends paid	35	0	0	0	0	0	0	(4,910)	(4,910)	0	(4,910)
Total transactions with owners		**0**	**0**	**(36)**	**0**	**0**	**0**	**(4,874)**	**(4,910)**	**0**	**(4,910)**
At 31 December 2011		218,246	74,176	2,248	4,634	14	(71,500)	277,537	505,355	7,338	512,693

consolidated statement of changes in equity

for the financial year ended 31 december 2011 (cont'd)

	Note	Attributable to owners of the Company										
		Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	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	590	(71,500)	236,668	386,289	5,842	392,131
- Effects of adopting IC Interpretation 12	46	0	0	0	0	0	0	0	(5,382)	(5,382)	0	(5,382)
At 1 January 2010, as restated		188,347	22,149	6,482	2,139	1,414	590	(71,500)	231,286	380,907	5,842	386,749
Comprehensive income:												
Profit for the financial year		0	0	0	0	0	0	0	29,194	29,194	314	29,508
Other comprehensive income/(expense):												
- Available-for-sale financial assets	29	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/ (expense)		0	0	0	0	(400)	(430)	0	(4)	(834)	(419)	(1,253)
Total comprehensive income/ (expense) for the financial year		**0**	**0**	**0**	**0**	**(400)**	**(430)**	**0**	**29,190**	**28,360**	**(105)**	**28,255**

consolidated statement of changes in equity

for the financial year ended 31 december 2011 (cont'd)

	Note	Attributable to owners of the Company										
		Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	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
Transactions with owners:												
Issue of ordinary shares pursuant to:												
- exercise of ESOS options/warrants	30,31	29,899	46,060	0	0	0	0	0	0	75,959	0	75,959
Transfer to/(from) reserve upon												
- exercise of warrants	31	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	31,32	0	5	0	(5)	0	0	0	0	0	0	0
- ESOS options lapsed	32	0	0	0	(167)	0	0	0	167	0	0	0
Share option expenses	32	0	0	0	317	0	0	0	0	317	0	317
Dividends paid	35	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)	249,852	474,232	5,890	480,122

company statement of changes in equity

for the financial year ended 31 december 2011

	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Available for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011		218,246	74,176	2,284	0	9,868	304,574
Comprehensive income:							
Profit for the financial year		0	0	0	0	25,985	25,985
Other comprehensive income/(expense):							
- Available-for-sale financial assets	29	0	0	0	(52)	0	(52)
Total other comprehensive income/(expense)		0	0	0	(52)	0	(52)
Total comprehensive income/(expense) for the financial year		0	0	0	(52)	25,985	25,933
Transactions with owners:							
Transfer to/(from) reserve upon							
- ESOS options lapsed	32	0	0	(36)	0	36	0
Dividends paid	35	0	0	0	0	(4,910)	(4,910)
Total transactions with owners		**0**	**0**	**(36)**	**0**	**(4,874)**	**(4,910)**
At 31 December 2011		218,246	74,176	2,248	(52)	30,979	325,597

company statement of changes in equity

for the financial year ended 31 december 2011 (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
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/(expense):								
- Available-for-sale financial assets	29	0	0	0	0	(580)	0	(580)
Total other comprehensive income/(expense)		0	0	0	0	(580)	0	(580)
Total comprehensive income/(expense) for the financial year		**0**	**0**	**0**	**0**	**(580)**	**(19,563)**	**(20,143)**
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	31	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	31,32	0	5	0	(5)	0	0	0
- ESOS options lapsed	32	0	0	0	(167)	0	167	0
Share option expenses	32	0	0	0	317	0	0	317
Dividends paid	35	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

statements of cash flows

for the financial year ended 31 december 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		**45,090**	44,054	**31,468**	(19,347)
Adjustments for:					
Amortisation of intangible assets	18	**2,371**	905	**0**	0
Finance cost	11	**2,386**	15,213	**0**	15,057
Depreciation:					
- property, plant and equipment	16	**1,795**	3,291	**402**	479
- investment properties	17	**10**	10	**10**	10
(Gain)/loss on disposal of property, plant and equipment		**(260)**	62	**(114)**	0
Property, plant and equipment written off	16	**0**	2	**0**	2
Bad debts recovered	9	**0**	(728)	**0**	(728)
Foreign exchange (gain)/loss	8	**(4,552)**	1,741	**(5,004)**	2,239
Impairment:					
- amount due from subsidiaries		**0**	0	**1,700**	0
- investment in a subsidiary	19	**0**	0	**0**	140
- receivables in subsidiaries	24	**5,136**	3,765	**0**	0
- property, plant and equipment	16	**0**	91	**0**	0
Unwinding of discount on receivables	8	**(1,620)**	(2,490)	**0**	0
Other loss - net	10	**0**	9,249	**0**	9,249
Share option expenses	32	**0**	317	**0**	317
Available-for-sale financial assets:					
- dividend income	8	**(1,263)**	(3,257)	**(653)**	(2,492)
- gain on redemption	8	**(709)**	(1,995)	**(647)**	(1,995)
Interest income	8	**(1,174)**	(663)	**(403)**	(332)
Construction profit recognised pursuant to IC 12	18	**(1,431)**	0	**0**	0
Share of results:					
- jointly controlled entities	20	**(15,300)**	(13,268)	**0**	0
- associate	21	**(618)**	(704)	**0**	0
Investment income from non-controlling interest		**0**	98	**0**	0
Dividend income	6	**0**	0	**(24,132)**	(5,770)
		29,861	55,693	**2,627**	(3,171)

statements of cash flows

for the financial year ended 31 december 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Changes in working capital:					
Inventories		**(64)**	(37)	**0**	0
Trade and other receivables		**(13,558)**	(21,559)	**(1,315)**	1,041
Trade and other payables		**(6,995)**	(3,488)	**(5,963)**	(12,592)
Amount due from subsidiaries		**0**	0	**(98,452)**	14,967
Amount due from a jointly controlled entity	28	**0**	29,150	**0**	29,150
Net cash inflow from operations		**9,244**	59,759	**(103,103)**	29,395
Interest paid		**(1,912)**	(2,575)	**0**	(2,536)
Interest received		**1,180**	642	**395**	331
Tax (paid)/received		**(17,036)**	(8,214)	**(1,285)**	4,357
Net cash (outflow)/inflow from operating activities		**(8,524)**	49,612	**(103,993)**	31,547
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment:					
- proceeds from disposal		**267**	71	**118**	0
- purchase	16	**(6,381)**	(3,604)	**(250)**	(197)
Intangible assets					
- purchase		**(296,757)**	0	**0**	0
Acquisition of subsidiary		**0**	(543)	**0**	0
Dividend received from a jointly controlled entity		**7,143**	3,877	**7,143**	3,877
Dividend received from a subsidiary		**0**	0	**12,150**	450
Available-for-sale financial assets:					
- purchase		**(124,000)**	(156,622)	**(106,000)**	(130,022)
- proceeds from redemption		**135,567**	280,583	**103,249**	259,235
- dividends		**10**	100	**0**	97
Cash restricted	25	**(1,762)**	0	**0**	0
(Withdrawal)/placement in deposit balances pledged as security		**1,327**	(3,430)	**(1,280)**	(3,384)
Net cash (outflow)/inflow from investing activities		**(284,586)**	120,432	**15,130**	130,056

statements of cash flows

for the financial year ended 31 december 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000 (restated)	Company 2011 RM'000	Company 2010 RM'000 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares		**0**	75,959	**0**	75,959
Dividends paid	35	**(4,910)**	(11,311)	**(4,910)**	(11,311)
Repayment of borrowings		**(18)**	(19)	**0**	0
Redemption of Convertible Bonds	10	**0**	(125,746)	**0**	(125,746)
Drawdown of borrowings	36	**185,528**	0	**0**	0
Net cash inflow/(outflow) from financing activities		**180,600**	(61,117)	**(4,910)**	(61,098)
Effect of foreign exchange rate changes		**780**	(878)	**0**	0
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		**(111,730)**	108,049	**(93,773)**	100,505
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**137,284**	29,235	**108,089**	7,584
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	25	**25,554**	137,284	**14,316**	108,089

notes to the financial statements

for the financial year ended 31 december 2011

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 principal activities of the Company during the financial year.

The principal activities of the Group mainly 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

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

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 in Malaysia.

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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

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 to the financial statements.

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. 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 2011 are as follows:

Amendment to FRS 2	Share-based payment - Group cash-settled share-based payment transactions
Amendment to FRS 7	Financial instruments: Disclosures - improving disclosures about financial instruments
Amendments to FRS 132	Financial instruments: Presentation - Classification of rights issues
IC Interpretation 12	Service concession arrangements
IC Interpretation 17	Distribution of non-cash assets to owners
Improvements to FRSs (2010)	

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 is set out in Note 2.2 to the financial statements.

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

The Group will apply the new standards, amendments to standards and interpretations in the following period:

(a) Financial year beginning on/after 1 January 2012

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

(a) Financial year beginning on/after 1 January 2012 (cont'd)

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

(b) Financial year beginning on or after 1 January 2013

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in "other comprehensive income" ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

(b) Financial year beginning on or after 1 January 2013 (cont'd)

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 BASIS OF PREPARATION (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

(b) Financial year beginning on or after 1 January 2013 (cont'd)

- The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in "other comprehensive income" ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group adopted IC Interpretation 12 which resulted in a change in the accounting policy on intangible assets.

IC Interpretation 12 "Service Concession Arrangements" 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. Refer to Note 2.7 to the financial statements for accounting policy on intangible assets. Certain comparative amounts have been restated as disclosed in Note 46 to the financial statements.

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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 SUBSIDIARIES (cont'd)

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

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

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

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).

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 JOINTLY CONTROLLED ENTITIES (cont'd)

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

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

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.

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 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) to the financial statements on the impairment of non-financial assets.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 INTANGIBLE ASSETS

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

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

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) to the financial statements for impairment of non-financial assets.

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under this model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognised profits from the construction or upgrade of the public service infrastructure. Income and expenses associated with construction contracts are recognised in accordance with Note 2.14 to the financial statements.

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

The adoption of IC Interpretation 12 has been accounted for as a change in accounting policy and as such, certain comparative amounts have been restated as disclosed in Note 46 to the financial statements. However, in accordance with the transitional provisions of IC Interpretation 12, the Group has not recognised any margin on the construction of a wastewater treatment facility in one of the subsidiary, Puresino (Guanghan) Water Co Ltd, which was completed prior to the acquisition of the said subsidiary. Margin was calculated for the concession as a whole at the beginning of construction. Given the passage of time, it is difficult to estimate the margin for construction of the said facility as a separate component retrospectively.

2.8 INVESTMENT PROPERTIES

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

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

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 de-recognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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. See accounting policy Note 2.11(ii) to the financial statements 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) to the financial statements on the impairment of non-financial assets.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 IMPAIRMENT

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, jointly controlled entities 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.

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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 IMPAIRMENT (cont'd)

(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. See accounting policy Note 2.6 to the financial statements for impairment of goodwill.

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. All other leases are classified as operating leases.

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

All other property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset as disclosed in Note 2.9 to the financial statements.

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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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).

2.15 TRADE RECEIVABLES

Trade receivables are categorised and measured as loans and receivables in accordance with Note 2.22 to the financial statements.

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, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. These include bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits and restricted bank and cash balances. Restricted bank and cash balances represented amount frozen pursuant to an on-going litigation in a subsidiary as described in Note 36(d) to the financial statements.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2.22 to the financial statements.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

2.18 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 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 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 tax 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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 REVENUE RECOGNITION

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

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

2.21 FOREIGN CURRENCIES

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 FOREIGN CURRENCIES (cont'd)

(iii) Group companies

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

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

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as 'currency translation reserve', a separate component of equity.

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

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

2.22 FINANCIAL INSTRUMENTS

Financial instruments are categorised and measured using accounting policies as mentioned below.

(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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 FINANCIAL INSTRUMENTS (cont'd)

(i) Initial recognition and measurement (cont'd)

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 the accounting policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company use the following financial instruments categories:

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 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. 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.

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 FINANCIAL INSTRUMENTS (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

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 de-recognised 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 de-recognised 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.

2.23 EMPLOYEE BENEFITS

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 EMPLOYEE BENEFITS (cont'd)

(iii) Share-based compensation

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

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 2006. 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 2006.

Prior to 1 January 2006, 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.

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

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

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

2.24 SEGMENT REPORTING

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 BORROWINGS

Borrowings are initially recognised based on the fair value proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using effective yield method, any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowing costs incurred are expensed to profit or loss.

2.26 CONTINGENT LIABILITIES

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are evaluated by the Group and Company, 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 or recognition of income and expense are discussed as follows:

(a) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 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 Contracts

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

(d) Revenue and Cost Recognition for Intangible Asset model

One of the subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, which adopted the intangible asset model, as defined in IC Interpretation 12, has recognised a construction margin of approximately 10% in the construction of its wastewater treatment facility. See accounting policy Note 2.7 to the financial statements on intangible assets. Income and expenses associated with the said construction are recognised in accordance with Note 2.14 to the financial statements. The estimated margin is based on relative comparison with general industry trend although actual margins may differ due to location, materials and other pricing considerations.

(e) Trade Receivables and Revenue Recognition

Revenue is measured at fair value of the consideration received and receivable. The Group has made an estimate on the timing of repayment for trade receivable based on past payment trend.

The credit risk with respect of the carrying amount of the Group's trade receivables amounting to RM257,987,000 (2010: RM233,528,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 24 to the financial statements.

(f) Litigations

The Group, having considered the legal advice from the external solicitors, have assessed and determined whether a present obligation in relation to a litigation exists. On the basis of the legal advice and other evidences, the Group has made an estimate of the required provisions in the financial statements.

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, interest rate, credit and liquidity risks. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group does not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk as a result of foreign currency transactions is significant as a sizeable of the Group's financial assets and liabilities are denominated in foreign currency due to certain subsidiaries operating in foreign jurisdictions. The currencies giving rise to the risk are primarily United States Dollar, Chinese Renminbi, Hong Kong Dollar and Singapore Dollar.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial Risk Factors (cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's deposits and investments in available-for-sale financial assets and borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenor of borrowings and deposits are made based on the expected trend of interest rate movements.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated in a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 24 to the financial statements.

Investments in available-for sale financial assets are only allowed 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 credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Deposits, bank and cash balances		
External credit rating (as rated by a rating agency in Malaysia):		
AAA	**18,639**	26,665
AA1	**9,290**	9,634
Without external credit rating	**13,969**	116,894
	41,898	153,193

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

4 FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Financial Risk Factors (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group seeks to maintain flexibility in funding by keeping committed credit lines available. If required, the Group will raise additional funds through external borrowings or from the capital markets.

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Group			
	Less than 1 year RM'000	**Between 1 and 2 years RM'000**	**Between 2 and 5 years RM'000**	**Over 5 years RM'000**
At 31 December 2011				
Current liabilities				
Trade payables	37,400	0	0	0
Other payables	137,822	0	0	0
Borrowings	135,527	0	0	0
Taxation	2,665	0	0	0
Non-current liabilities				
Borrowings	0	0	2,341	52,303
Interest payables	4,249	4,249	12,475	25,052

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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 and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

Consistent with others in the industry, the Group and Company 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 the financial year, the Group's strategy, which was unchanged from the previous year, was to maintain the gearing ratio less than 100%. The gearing ratios at the end of each reporting period were as follows:

	Group		**Company**	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total borrowings (Note 36)	**190,171**	2,827	**0**	0
Less: cash and cash equivalents (Note 25)	**(25,554)**	(137,284)	**(14,316)**	(108,089)
Less: available-for-sale financial assets (Note 29)	**(13,983)**	(23,752)	**(4,016)**	(17)
Net debt	**150,634**	N/A	**N/A**	N/A
Total equity	**505,355**	474,232	**325,597**	304,574
Net gearing ratio	**30%**	0%	**0%**	0%

N/A – not applicable

5 SEGMENT REPORTING

The Group has determined the operating segments based on the reports reviewed by the chief operating decision maker which is the Executive Committee, used to make strategic decisions and performance review:

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

	Water		Waste management		Construction		Toll highway		Others		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue												
Total revenue	**148,268**	142,349	**14,597**	14,428	**42,269***	35,720	**0**	0	**26,607^**	7,995	**231,741**	200,492
Inter-segment revenue	**0**	0	**(502)**	(625)	**(11,677)**	(18,909)	**0**	0	**(26,538)**	(7,847)	**(38,717)**	(27,381)
External revenue	**148,268**	142,349	**14,095**	13,803	**30,592**	16,811	**0**	0	**69**	148	**193,024**	173,111
Reconciliation:												
Difference in accounting policy (see note below)	**(24,936)**	(3,811)	**0**	46	**0**	0	**0**	0	**0**	0	**(24,936)**	(3,765)
Revenue as per Statements of Income	**123,332**	138,538	**14,095**	13,849	**30,592**	16,811	**0**	0	**69**	148	**168,088**	169,346
Results												
Segment results	**25,637**	56,428	**(915)**	934	**7,979**	1,671	**15,300**	13,268	**20,727**	1,607	**68,728**	73,908
Reconciliation:												
Inter-segment results											**(21,870)**	(6,096)
Other loss – net											**0**	(9,249)
Finance cost											**(2,386)**	(15,213)
Share of results of associates											**618**	704
Profit before tax											**45,090**	44,054
Tax expense											**(11,976)**	(14,546)
Profit for the year as per statements of income											**33,114**	29,508

* *including RM14,826,000 (2010: Nil) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure.*

^ *Included in others is dividend income of RM24,132,000 (2010: RM5,770,000) received from a subsidiary and a jointly controlled entity.*

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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 in the previous financial year) that are not generated from the operating activities.

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

(i) Malaysia* - Water, 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	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000 (restated)**
Malaysia	**139,141**	155,543	**274,556**	233,039
China	**28,947**	13,803	**461,578**	35,210
	168,088	169,346	**736,134**	268,249

6 REVENUE

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000**
Management, operation and maintenance of water treatment plants	**123,332**	138,538	**0**	0
Construction works	**30,661**	16,959	**15,732**	16,655
Waste management	**14,095**	13,849	**0**	0
Management fees from subsidiaries	**0**	0	**2,040**	2,040
Dividend from a subsidiary	**0**	0	**16,200**	600
Dividend from a jointly controlled entity	**0**	0	**7,932**	5,170
	168,088	169,346	**41,904**	24,465

* including RM14,826,000 (2010: Nil) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

7 COST OF OPERATIONS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amortisation of intangible assets (Note 18)	**2,371**	905	**0**	0
Building material	**13,591***	3,027	**114**	3,027
Chemical cost	**11,704**	11,250	**0**	0
Employee related expenses	**71**	70	**61**	58
General expenses	**1,110**	1,195	**277**	427
Hire of plant and machinery	**142**	130	**72**	21
Lease rental of waterworks assets	**150**	150	**0**	0
Other site cost	**1,828**	1,994	**316**	243
Pipelines and fitting works	**775**	865	**0**	0
Professional fees	**11,166**	10,804	**0**	0
Property, plant and equipment:				
- written off (Note 16)	**0**	2	**0**	2
- depreciation (Note 16)	**554**	2,071	**186**	203
Rental	**37**	10	**9**	10
Service cost for management fees	**0**	0	**2,040**	2,040
Staff cost	**1,675**	1,638	**10**	12
Sub-contract costs	**5,189**	8,484	**5,334**	8,506
Travelling and accommodation expenses	**71**	86	**71**	86
Upkeep and maintenance of equipment	**11,993**	9,039	**20**	22
Utilities	**41,460**	35,643	**197**	42
Vehicle expenses	**3,105**	2,705	**228**	185
	106,992	90,068	**8,935**	14,884

* including RM13,478,000 (2010: Nil) construction costs recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

8 OTHER OPERATING INCOME

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000**
Interest income	**1,174**	663	**403**	332
Available-for-sale financial assets				
- dividend income	**1,263**	3,257	**653**	2,492
- gain on disposal	**709**	1,995	**647**	1,995
Rental income	**15**	13	**15**	13
Gain on disposal on property, plant and equipment	**260**	0	**114**	0
Foreign exchange gain	**4,552**	0	**5,004**	0
Others	**316**	35	**153**	32
Unwinding of discount on receivables	**1,620**	2,490	**0**	0
	9,909	8,453	**6,989**	4,864

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

9 ADMINISTRATIVE EXPENSES BY NATURE

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000**
Bad debts recovered	**0**	(728)	**0**	(728)
Business development expenses	**952**	0	**0**	0
Depreciation of investment properties (Note 17)	**10**	10	**10**	10
Employee related expenses	**858**	837	**179**	219
Fees to PricewaterhouseCoopers for:				
- statutory audit services	**172**	162	**73**	69
- audit related services	**50**	36	**50**	36
- tax compliance and advisory services	**70**	56	**15**	13
Foreign exchange losses	**0**	1,741	**0**	2,239
General expenses	**3,089**	3,432	**899**	1,200
Management fee	**363**	0	**(2,040)**	(2,040)
Property, plant and equipment:				
- depreciation (Note 16)	**1,241**	1,220	**216**	276
- loss on disposal	**0**	62	**0**	0
Impairment				
- receivables from subsidiaries	**0**	0	**1,700**	0
- investment in subsidiaries (Note 19)	**0**	0	**0**	140
- assets in a subsidiary	**0**	197	**0**	0
Pre-incorporation expenses	**711**	0	**0**	0
Professional fees	**1,488**	2,034	**313**	697
Provision for impairment of receivables	**5,136**	0	**0**	0
Rental of premises	**732**	682	**418**	414
Rental - others	**39**	45	**8**	4
Statutory audit fees to other auditors	**133**	83	**0**	0
Staff cost	**20,317**	19,453	**5,731**	5,767
Travelling and accommodation expenses	**2,023**	1,984	**667**	885
Upkeep and maintenance of equipment	**504**	447	**25**	31
Utilities	**710**	631	**176**	171
Vehicle related expenses	**849**	803	**50**	83
Total administrative expenses	**39,447**	33,187	**8,490**	9,486

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

10 OTHER LOSS - NET

Other loss – net comprise the following:

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds	**0**	(25,019)
Fair value gain on embedded derivatives contained within the Convertible Bonds (Note 39)	**0**	15,770
	0	(9,249)

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

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Redemption price for the Convertible Bonds	**0**	125,746
Less : Redemption of the Convertible Bonds (Note 36(e))	**0**	(100,079)
Less : Carrying value of embedded derivatives contained within the Convertible Bonds (Note 39)	**0**	(648)
	0	25,019

During the previous 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 previous financial year.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

11 FINANCE COST

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense:				
- borrowings	**2,383**	153	**0**	0
- finance lease	**3**	3	**0**	0
- convertible bond	**0**	2,354	**0**	2,354
Amortisation of discount on Convertible Bonds	**0**	12,703	**0**	12,703
	2,386	15,213	**0**	15,057

12 STAFF COST

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages, salaries and bonus	**20,043**	18,888	**5,097**	4,847
Defined contribution - Employees Provident Fund	**1,766**	1,658	**563**	518
Share option expenses	**0**	317	**0**	317
Other employee benefits	**183**	228	**81**	97
	21,992	21,091	**5,741**	5,779
Number of employees (including executive directors)	**444**	427	**44**	40

Included in staff cost of the Group and of the Company are Directors' remuneration of RM1,572,000 (2010: RM1,216,000) and RM1,458,000 (2010: RM1,102,000) respectively as further disclosed in Note 13 to the financial statements.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

13 DIRECTORS' REMUNERATION

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

Non-executive Directors

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	
Encik Sulaiman bin Salleh	
Mr. Wong Yien Kim	
Encik Suhaimi Bin Kamaralzaman	(appointed on 23 May 2011)
Mr. Lim Chin Sean	(appointed on 23 May 2011)
Mr. Lim Choon Eng	(appointed on 23 May 2011, resigned on 15 December 2011)
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	(resigned on 23 May 2011)
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman	(resigned on 6 January 2012)
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	(resigned on 1 March 2012)

Executive Directors

Mr. Lim Yew Boon	
Y. Bhg. Dato' Lim Chee Meng	(resigned on 23 May 2011)

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Non-executive Directors:				
- fees	**240**	230	**240**	230
- other emoluments	**170**	168	**56**	54
Executive Directors:				
- fees	**35**	50	**35**	50
- salaries and bonus	**1,000**	679	**1,000**	679
- defined contribution plan	**120**	81	**120**	81
- other emoluments	**7**	8	**7**	8
	1,572	1,216	**1,458**	1,102

Benefits in kind received by the Directors of the Company were Nil (2010: RM14,000) for the Group and the Company.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

14 TAX EXPENSE

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax				
Current tax:				
Current year	**19,160**	14,453	**5,483**	0
(Over)/under accrual in prior years	**(101)**	84	**0**	216
	19,059	14,537	**5,483**	216
Foreign income tax	**154**	204	**0**	0
Deferred tax (Note 23):				
Origination and reversal of temporary differences	**(7,237)**	(195)	**0**	0
Tax expense	**11,976**	14,546	**5,483**	216

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	%	**%**	**%**	**%**
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	**0.2**	0.5	**0**	0
Tax effects of:				
- share of results of associates/jointly controlled entity	**(5.8)**	(6.7)	**0.0**	0.0
- expenses not deductible for tax purposes	**2.8**	23.8	**2.3**	49.3
- income not subject to tax	**(4.8)**	(12.2)	**(8.8)**	(26.2)
- previously unrecognised temporary differences	**0.4**	3.3	**(1.1)**	1.9
- (over)/under accrual in prior years	**(0.2)**	0.2	**0.0**	1.1
Average effective tax rate	**17.6**	33.9	**17.4**	1.1

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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.

	Group	
	2011	**2010 (restated)**
Net profit attributable to owners of the Company (RM'000)	**32,561**	29,194
Weighted average number of ordinary shares in issue ('000)	**436,492**	393,847
Basic earnings per share (sen)	**7.5**	7.4

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. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

The basic earnings per share is the same as diluted earnings per share as the ESOS options are anti-dilutive.

In the previous financial 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. The convertible bonds have been fully redeemed whereas the warrants have expired in the previous financial year.

	Group	
	2011 RM'000	**2010 RM'000 (restated)**
Net profit attributable to owners of the Company (RM'000)	**32,561**	29,194
Weighted average number of ordinary shares in issue ('000)	**436,492**	393,847
Effects of dilution from:		
- Warrants ('000)	**0**	7,230
- ESOS options ('000)	**0**	25
Adjusted weighted average number of ordinary shares in issue ('000)	**436,492**	401,102
Diluted earnings per share (sen)	**7.5**	7.3*

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

16 PROPERTY, PLANT AND EQUIPMENT

Group	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
Net book value							
At 1 January 2011							
As previously stated	280	568	18,349	3,473	1,104	160	23,934
Effects of adopting IC Interpretation 12 (Note 46)	0	0	(15,160)	(2,628)	0	0	(17,788)
At 1 January 2011, as restated	280	568	3,189	845	1,104	160	6,146
Additions	0	0	1,200	3,443	1,729	9	6,381
Disposals	0	0	0	(3)	(4)	0	(7)
Depreciation charged to administrative expenses (Note 9)	0	0	(459)	(224)	(469)	(89)	(1,241)
Depreciation charged to cost of operations (Note 7)	0	0	(368)	(22)	(164)	0	(554)
Currency translation differences	0	0	443	(3,198)	71	0	(2,684)
At 31 December 2011	280	568	4,005	841	2,267	80	8,041
At 31 December 2011							
Cost	280	700	11,490	7,857	6,805	1,024	28,156
Accumulated depreciation	0	(132)	(8,778)	(3,835)	(4,616)	(960)	(18,321)
Accumulated currency translation differences	0	0	1,293	(3,181)	78	16	(1,794)
Net book value	280	568	4,005	841	2,267	80	8,041

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	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
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

The net book value of asset held under finance lease agreements for the Group is Nil (2010: Nil).

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Company					
Net book value					
At 1 January 2011	19	166	369	121	675
Additions	0	84	165	1	250
Disposal	0	0	(4)	0	(4)
Depreciation charged to administrative expenses (Note 9)	0	(83)	(79)	(54)	(216)
Depreciation charged to cost of operations (Note 7)	(18)	(4)	(164)	0	(186)
At 31 December 2011	1	163	287	68	519
At 31 December 2011					
Cost	105	1,037	1,585	306	3,033
Accumulated depreciation	(104)	(874)	(1,298)	(238)	(2,514)
Net book value	1	163	287	68	519
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

There is no asset held under finance lease agreements for the Company in the current and previous financial year.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

17 INVESTMENT PROPERTIES

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Net book value		
At 1 January	**424**	434
Depreciation charged to administrative expenses (Note 9)	**(10)**	(10)
At 31 December	**414**	424
At 31 December		
Cost	**529**	529
Accumulated depreciation	**(89)**	(79)
Accumulated impairment losses	**(26)**	(26)
Net book value	**414**	424

The fair value of the investment properties is approximately RM525,000 (2010: RM529,000). This fair value was based on market research performed at the end of the reporting period. No independent external valuation was performed.

18 INTANGIBLE ASSETS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Net book value		
At 1 January, as previously stated	**13,181**	15,110
Effects of adopting IC Interpretation 12 (Note 46)	**17,788**	0
At 1 January, as restated	**30,969**	15,110
Additions	**421,097**	0
Profits from the construction of a public service infrastructure	**1,431**	0
Amortisation charged to cost of operations (Note 7)	**(2,371)**	(905)
Currency translation differences	**2,389**	(1,024)
At 31 December	**453,515**	13,181
At 31 December		
Cost	**458,610**	18,294
Accumulated amortisation	**(7,976)**	(5,605)
Accumulated currency translation difference	**2,881**	492
Net book value	**453,515**	13,181

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

18 INTANGIBLE ASSETS (cont'd)

The intangible assets of the Group consist of the following:

(a) a 21-year concession right (expiring in October 2025) to operate, use and maintain the Tianjin Panlou Domestic Waste Transfer Station and its related assets in Tianjin, People's Republic of China acquired by a subsidiary, Tianjin-SWM (M) Environment Co Ltd, in 2004 for a cash consideration of RMB40,000,000 on a takeover-operate-transfer basis. The concession grants rights to the subsidiary to transport household waste to the municipal landfills and in return collect tipping fees from the local city council based on incoming tonnage of household waste deposited at the transfer station at a rate in accordance with the concession agreement;

(b) a wastewater treatment facility constructed by a subsidiary, Puresino (Guanghan) Water Co Ltd, whereby the subsidiary has been granted a 30-year concession (expiring in July 2033) by the Construction and Planning Bureau of Guanghan City under a build-operate-transfer basis to undertake, manage and operate the Guanghan Wastewater Treatment Plant in Guanghan City, Sichuan, People's Republic of China. Commercial operations commenced in September 2007 to treat domestic and industrial wastewater and the subsidiary is entitled to levy a charge on the local government on the volume of wastewater effluent treated at the facility at a rate pre-determined by both parties;

(c) an industrial wastewater and recycled water treatment facilities currently being constructed by a subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, whereby the subsidiary is undertaking the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Base in Yinchuan, People's Republic of China under build-operate-transfer basis. The subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the facilities. Construction of the facilities has commenced in the previous financial year and is expected to be completed in the next financial year. The facilities will serve potential customers within the vicinity of the industrial park at a rate to be negotiated;

(d) a 30-year concession right (expiring in September 2041) to operate, use and maintain four municipal wastewater treatment plants with recycled facilities in Yinchuan, People's Republic of China acquired by a subsidiary, Taliworks (Yinchuan) Wastewater Co Ltd during the financial year for total consideration of RMB810,000,000 (RM407,754,000) on a takeover-operate-transfer basis which is to be funded by internal funds of the Group and bank borrowings.

    The subsidiary has entered into a 30-year concession agreement (expiring in September 2041) and an asset transfer agreement to assume the entire project, with the consideration to be paid over three tranches. Two payments totalling RMB567,000,000 (RM285,428,000) were made during the financial year whilst the final tranche payment of RMB243,000,000 (RM124,340,000) was made subsequent to the financial year. The facilities were officially taken-over on 29 December 2011 and the revenue for wastewater treated and sale of recycled water to be collected from a local government entity is calculated at a rate in accordance with the concession agreement.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

19 SUBSIDIARIES

	Company 2011 RM'000	Company 2010 RM'000
Carrying amount		
At 1 January	**106,073**	106,213
Less: Impairment losses charged to administrative expenses (Note 9)	**0**	(140)
At 31 December	**106,073**	106,073
At 31 December		
Unquoted investments, at cost	**106,624**	106,624
Less: Accumulated impairment losses	**(551)**	(551)
Unquoted investments, at carrying amount	**106,073**	106,073

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

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 2011 %	Group's effective interest 2010 %	Principal activities
Held directly by Taliworks Corporation Berhad:				
Sungai Harmoni Sdn Bhd	Malaysia	**100**	100	Management, operation and maintenance of water treatment plant for a period of 30 years expiring in January 2030.
Taliworks (Langkawi) Sdn Bhd	Malaysia	**100**	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd	Malaysia	**60**	60	Construction of water treatment works.
Taliworks Technologies Sdn Bhd	Malaysia	**100**	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

19 SUBSIDIARIES (cont'd)

Name	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
Held directly by Taliworks Corporation Berhad: (cont'd)				
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 environment equipment and provision of related services.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

19 SUBSIDIARIES (cont'd)

Name	Country of incorporation	Group's effective interest 2011 %	2010 %	Principal activities
Held through Taliworks International Limited: (cont'd)				
Taliworks-IBI Technologies International Limited *	Hong Kong SAR	**70**	70	In the process of winding up
Taliworks (Shanghai) Environmental Technologies Co Ltd *	People's Republic of China	**100**	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste in the People's Republic of China.
Taliworks Environment Limited *	Hong Kong SAR	**100**	100	Investment holding.
Taliworks ECO Pte Ltd*	Singapore	**70**	70	Investment holding.
TILGEA Consortium Sdn Bhd	Malaysia	**70**	70	General construction.
Taliworks (Yinchuan) Wastewater Treatment Co Ltd *	People's Republic of China	**100**	100	Construct, operation and maintenance of Yinchuan City's 1st to 4th waste water treatment plants for a concession period of 30 years expiring September 2041.
Held through Taliworks ECO Pte Ltd:				
Ningxia ECO Wastewater Treatment Co Ltd *	People's Republic of China	**70**	70	Management, operation and maintenance of industrial waste-water treatment plant for a concession period of 30 years expiring June 2040.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

19 SUBSIDIARIES (cont'd)

Name	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
Held through Taliworks-IBI Technologies International Limited:				
Taliworks-IBI Technologies (Xiamen) Limited *	Hong Kong SAR	**63**	63	In the process of winding up
Held through Taliworks-IBI Technologies (Xiamen) Limited:				
Taliworks (Xiamen) Environmental Technologies Co Ltd *	People's Republic of China	**0**	63	Voluntary wound up on 23 June 2011
Held through Taliworks (Sichuan) Ltd:				
Puresino (Guanghan) Water Co Ltd *	People's Republic of China	**56**	56	Management, operation and maintenance of a wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Not audited by PricewaterhouseCoopers, Malaysia.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

20 JOINTLY CONTROLLED ENTITIES

	2011 RM'000	2010 RM'000 (restated)
Group		
Share of net assets of jointly controlled entities		
- As previously stated	**79,310**	75,441
- Effects of adopting IC Interpretation 12 (Note 46)	**0**	(4,286)
- As restated	**79,310**	71,155
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:

	2011 RM'000	2010 RM'000 (restated)
Revenue	**55,230**	49,447
Profit for the year		
- As previously stated	**15,300**	12,172
- Effects of adopting IC Interpretation 12 (Note 46)	**0**	1,096
- As restated	**15,300**	13,268
Non-current assets	**370,558**	380,752
Current assets	**47,464**	24,384
Current liabilities	**(10,969)**	(9,401)
Non-current liabilities	**(327,743)**	(324,580)
Net assets	**79,310**	71,155

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

Name	Group's effective interest 2011 %	Group's effective interest 2010 %	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**	50	General trading company.

* Not audited by PricewaterhouseCoopers, Malaysia.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

21 ASSOCIATE

	2011 RM'000	2010 RM'000
Group		
Share of associate's net assets	**5,589**	4,971
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	**15,386**	15,163
Profit for the year	**618**	704
Non-current assets	**1,938**	2,062
Current assets	**10,808**	9,297
Current liabilities	**(4,693)**	(4,098)
Non-current liabilities	**(57)**	(40)
Non-controlling interest	**(2,407)**	(2,250)
Net assets	**5,589**	4,971

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

Name	Group's effective interest 2011 %	Group's effective interest 2010 %	Principal activities
Hydrovest Sdn Bhd *	**40**	40	Provision of water management and project services.

* Not audited by PricewaterhouseCoopers, Malaysia.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

22 GOODWILL ON CONSOLIDATION

Goodwill on consolidation arose from the acquisition of Puresino (Guanghan) Water Co Ltd by Taliworks (Sichuan) Limited, an 80% owned subsidiary of the Company in May 2007.

An impairment review of the carrying value of the goodwill at the end of the reporting year was undertaken by comparing to the recoverable amount, which was based on value in use calculations.

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

(a) Tonnage to increase from 40,083 tonnes/day in 2012, 40,000 tonnes/day in 2013, 42,000 tonnes/day in 2014, 44,000 tonnes/day in 2015 and reaches maximum production capacity of 50,000 tonnes/day in 2018;

(b) The tariff rate is estimated to be 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 5-10 years cycle to replace the machinery equipment; and

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

The Group is of the opinion that the underlying key assumptions used in the estimation of the recoverable amount 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 2011, goodwill would not be impacted.

23 DEFERRED TAX

The analysis of deferred tax assets is as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Deferred tax assets:		
- Recoverable after 12 months	**9,437**	2,555
- Recoverable within 12 months	**698**	312
	10,135	2,867

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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	
	2011	**2010**
	RM'000	**RM'000**
Deferred tax assets	**10,135**	2,867
At 1 January	**2,867**	215
Credited/(Charged) to profit or loss (Note 14):		
- property, plant and equipment	**34**	44
- receivables	**2**	(5)
- provision for impairment of receivables	**7,136**	319
- other provisions	**65**	(163)
	7,237	195
Credited to equity:		
- long term receivables	**31**	2,457
At 31 December	**10,135**	2,867
Subject to income tax		
Deferred tax assets (before offsetting):		
- provision for impairment of receivables	**9,385**	2,272
- other provisions	**901**	742
Offsetting	**(151)**	(147)
Deferred tax assets (after offsetting)	**10,135**	2,867
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	**(130)**	(92)
- dividend receivable	**(12)**	(15)
- available-for-sale financial assets	**(9)**	(40)
	(151)	(147)
Offsetting	**151**	147
Deferred tax liabilities (after offsetting)	**0**	0

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed tax losses	**435**	883	**0**	581
Unabsorbed capital allowances	**401**	373	**361**	334
	836	1,256	**361**	915

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

24 TRADE AND OTHER RECEIVABLES

The analysis of trade and other receivables between non-current and current is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-Current Assets				
Trade receivables, net	**159,866**	132,986	**0**	0
Other receivable, net	**416**	318	**0**	0
	160,282	133,304	**0**	0
Current Assets				
Trade receivables, net	**98,121**	100,542	**1,340**	0
Other receivables, net	**5,627**	2,992	**678**	695
	103,748	103,534	**2,018**	695
Total				
Trade receivables, net	**257,987**	233,528	**1,340**	0
Other receivables, net	**6,043**	3,310	**678**	695
	264,030	236,838	**2,018**	695
Trade receivables: Non-Current				
Trade receivables, gross	**168,069**	137,647	**0**	0
Less: Provision for impairment	**(9,797)**	(7,126)	**0**	0
Add: Unwinding of discount	**1,594**	2,465	**0**	0
	159,866	132,986	**0**	0
Trade receivables: Current				
Trade receivables, gross	**98,121**	100,695	**1,340**	153
Less: Provision for impairment	**0**	(153)	**0**	(153)
	98,121	100,542	**1,340**	0
Total trade receivables, net	**257,987**	233,528	**1,340**	0

As at 31 December 2011, the carrying amount of the Group's trade receivables is RM257,987,000 (2010: RM233,528,000), of which RM248,192,000 (2010: RM225,682,000) is concentrated in two customers. These customers are the Kedah State Government together with Syarikat Air Darul Aman Sdn Bhd ("SADA"), a corporatised body under the Kedah State Government and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

24 TRADE AND OTHER RECEIVABLES (cont'd)

(a) Kedah State Government and SADA

The gross invoiced amount due from the Kedah State Government together with SADA as at 31 December 2011 is RM68,912,000 (2010: RM78,303,000), out of which RM32,039,000 (2010: RM36,627,000) was deemed by the Group to be current, based on its assessment of past collection trends. Based on this assessment and the slow payments in the current financial year, the Group revised its expectation on the timing of payments. Accordingly, the gross invoiced amount of RM36,873,000 (2010: RM41,676,000) was deemed to be non-current.

As a result of this expected delay in receiving payments, an impairment of RM2,131,000 was made using discount rates ranging from 4.1% to 4.9%. The Group believes that the credit risk of the Kedah State Government and SADA to be minimal as the amounts are due from government related entities.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the receivable due from the Kedah State Government and SADA would be further impaired by RM1,870,000.

(b) SPLASH

The amounts due from SPLASH are segregated between amounts due under the Debt Settlement Agreement and invoiced amounts, as detailed below:

(i) Debt Settlement Agreement ("DSA")

Arising from the DSA with SPLASH in 2005, a total of RM64,827,000 was agreed to be settled via ten installments, commencing from 31 December 2006 and ending on 31 December 2015.

As at 31 December 2011, the amount due from the SPLASH under the DSA is RM43,241,000 (2010: RM46,355,000). The non-current portion of the installments payable representing the net balance after provision for 8th to 10th installments under the DSA amounted to RM29,118,000 (2010: RM35,370,000, comprising the 7th to 10th installments). The amount due under the DSA is carried at amortised cost and was discounted using rates ranging from 3% to 5%. If the installments are delayed by a year, an additional impairment of RM1,912,000 will be required.

(ii) Invoiced Amounts

The Federal Government and the Selangor State Government are currently having regulatory discussions on the restructuring of the water sector in Selangor, whereby both the Federal Government and the Selangor State Government intend to acquire and consolidate all water concessionaires operating in the state, resulting in a regulatory impasse. Nevertheless, it was reported that both parties remain committed to resolve this regulatory impasse.

Due to the uncertainty relating to the future outcome of the regulatory impasse, SPLASH's receipts from a water concessionaire have been delayed, thus affecting its ability to make timely payments to the Group.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

24 TRADE AND OTHER RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

(ii) Invoiced Amounts (cont'd)

As such, the Group anticipates that the gross invoiced amounts due from SPLASH as at 31 December 2011 amounting to RM141,175,000 (2010: RM101,024,000) will not be fully received in the next twelve months. Based on past payments pattern for SPLASH, the Group has assessed that approximately gross amounts of RM99,012,000 are expected to be received between 2013 and 2017. Accordingly, these amounts are classified as non-current, and an impairment of RM3,005,000 was made using discount rates ranging from 9.4% to 11.8%, reflecting the delays and uncertainty in receiving these payments.

The remaining gross invoiced amounts of RM42,163,000 (2010: RM45,085,000) have been classified as current as these are expected to be recovered within the next twelve months.

If the Group's expectations on the timing of payments are extended by a year, assuming no payments in 2012 and all other variables being constant, the invoiced amounts due from SPLASH would require an additional impairment of RM16,077,000.

(c) The ageing of Group's trade receivables which was past due but not impaired as at end of the reporting period is:

	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
Group				
2011				
Past due - up to 3 months	10,240	0	3,434	13,674
Past due - 3 to 9 months	6,827	0	2,041	8,868
	17,067	0	5,475	22,542
2010				
Past due - up to 3 months	9,070	15,037	1,971	26,078
Past due - 3 to 9 months	18,769	0	1,748	20,517
	27,839	15,037	3,719	46,595

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

24 TRADE AND OTHER RECEIVABLES (cont'd)

(d) Other receivables

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Other receivables: Non-Current				
Other receivables, gross	**1,053**	981	**0**	0
Less: Provision for impairment	**(663)**	(688)	**0**	0
Add: Unwinding of discount	**26**	25	**0**	0
	416	318	**0**	0
Other receivables: Current				
Amounts due from customer on contract (Note 38)	**0**	5	**0**	0
Other receivables and prepayments	**4,560**	1,928	**141**	155
Deposits	**1,067**	1,059	**537**	540
	5,627	2,992	**678**	695
Total other receivables, net	**6,043**	3,310	**678**	695

The non-current portion of other receivable relates to an amount paid on behalf of a minority shareholder in respect of its investment in Tianjin-SWM (M) Environment Co Ltd. In accordance with the Joint Venture Agreement, this amount, which is denominated in Chinese Renminbi and is interest free, will be repaid on the event of the liquidation of Tianjin-SWM (M) Environment Co Ltd.

Movements on the Group's and Company's provision for impairment of trade and other receivables are as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
At 1 January	**(5,477)**	(8,695)	**(153)**	(881)
Less: Provision for impairment	**(5,136)**	0	**0**	0
Add: Bad debt recovered	**153**	728	**153**	728
Add: Unwinding of discount	**1,620**	2,490	**0**	0
At 31 December	**(8,840)**	(5,477)	**0**	(153)

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

25 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Non-Current Assets				
Deposits with licensed banks	**14,582**	15,909	**7,664**	6,384
Bank and cash balances	**1,762**	0	**0**	0
	16,344	15,909	**7,664**	6,384
Current Assets				
Deposits with licensed banks	**11,549**	124,204	**8,640**	107,642
Bank and cash balances	**14,005**	13,080	**5,676**	447
	25,554	137,284	**14,316**	108,089
Total				
Deposits with licensed banks	**26,131**	140,113	**16,304**	114,026
Bank and cash balances	**15,767**	13,080	**5,676**	447
	41,898	153,193	**21,980**	114,473
Less: Deposits pledged as security	**(14,582)**	(15,909)	**(7,664)**	(6,384)
Bank and cash balances restricted (Note 36 (d))	**(1,762)**	0	**0**	0
Cash and cash equivalents	**25,554**	137,284	**14,316**	108,089

(a) Included in deposits with licensed banks of the Group are long term deposits amounting to RM14,582,000 (2010: RM15,909,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

(b) As at the end of the reporting period, RM9,162,000 held in subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

(c) Included in deposits with licensed banks of the Company are long term deposits amounting to RM7,664,000 (2010: RM6,384,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects.

(d) The weighted average interest rate of deposits that was effective for the Group and Company as at the end of the reporting period is 2.5% (2010: 2.3%) per annum and 2.5% (2010: 2.8%) per annum, respectively.

(e) Deposits of the Group and Company have an average maturity of 30 days (2010: 30 days) and 3 days (2010: 30 days) respectively. Bank balances are deposits held at call with licensed banks.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

26 INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
Consumable spares	**1,118**	1,054
Raw material	**0**	33
	1,118	1,087
Less: Write-down of inventories	**0**	(33)
	1,118	1,054

27 AMOUNT DUE FROM SUBSIDIARIES

	Company 2011 RM'000	Company 2010 RM'000
Non-current		
Amount due from subsidiaries - Non-trade	**130,675**	26,737
Current		
Amount due from subsidiaries – Trade	**11,173**	11,955
Less: Accumulated impairment loss	**(7,731)**	(6,031)
	3,442	5,924
	134,117	32,661

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

28 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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

29 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000 (restated)	2011 RM'000	2010 RM'000 (restated)
At 1 January, as restated	**23,752**	142,991	**17**	125,420
Additions	**125,986**	159,780	**107,309**	132,417
Disposals	**(135,578)**	(278,589)	**(103,258)**	(257,240)
Fair value changes transfer to equity	**518**	1,667	**528**	1,513
Fair value changes transfer from equity	**(695)**	(2,097)	**(580)**	(2,093)
At 31 December	**13,983**	23,752	**4,016**	17

30 SHARE CAPITAL

		Group and Company			
		2011		2010	
	Note	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
Issued and fully paid:					
Ordinary shares					
At beginning of financial year		**436,491**	**218,246**	376,694	188,347
Issued during the financial year:					
- pursuant to exercise of share options	30(a)	**0**	**0**	180	90
- pursuant to exercise of warrants	30(b)	**0**	**0**	59,617	29,809
At end of financial year		**436,491**	**218,246**	436,491	218,246

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

30 SHARE CAPITAL (cont'd)

(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;

(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;

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

30 SHARE CAPITAL (cont'd)

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

(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**
2011					
3.10.2005	1.31	75	0	(24)	51
5.9 2007	1.90	4,310	0	(73)	4,237
		4,385	0	(97)	4,288
Weighted average exercise price (RM)		1.89	0	1.75	1.89
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

All outstanding share options as at 31 December 2010 and 31 December 2011 were exercisable. Options exercised during the financial year resulted in Nil (2010: 180,000) units of shares being issued at a weighted average exercise price of Nil (2010: RM1.36) per share. The related weighted average share price at the time of exercise was Nil (2010: RM1.45) per share.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

30 SHARE CAPITAL (cont'd)

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

Proceeds on exercise of ESOS are as follows:

	2011 RM'000	2010 RM'000
Ordinary share capital – at par, issued	**0**	90
Share premium (Note 31)	**0**	155
Proceeds received	**0**	245
Fair value at exercise date of shares issued	**0**	262

(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.

The Warrants have since expired in the previous financial year

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

Warrants exercised in the previous financial year resulted in 59,617,080 units of shares issued. The related weighted average share price at the time of exercise was RM1.31 per share.

Proceeds on exercise of warrants were as follows:

	2010 RM'000
Ordinary share capital – at par	29,809
Share premium (Note 31)	45,905
Proceeds received	75,714
Fair value at exercise date of shares issued	78,002

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

31 SHARE PREMIUM

	Group and Company 2011 RM'000	2010 RM'000
At beginning of financial year	**74,176**	22,149
Share options:		
- proceeds from shares issued (Note 30(a))	**0**	155
- transfer from share option reserves upon exercise	**0**	5
Warrants:		
- proceeds from shares issued (Note 30(b))	**0**	45,905
- transfer from warrant reserves upon exercise	**0**	5,962
At end of financial year	**74,176**	74,176

32 SHARE OPTION RESERVES

	Group and Company 2011 RM'000	2010 RM'000
At beginning of financial year	**2,284**	2,139
Share option granted under ESOS:		
- recognised in profit or loss	**0**	317
Transfer to share premium upon exercise	**0**	(5)
Transfer to retained earning upon ESOS lapsed	**(36)**	(167)
At end of financial year	**2,248**	2,284

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

33 MERGER DEFICIT

	Group 2011 RM'000	2010 RM'000
Merger deficit	**(71,500)**	(71,500)

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)

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

34 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 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2011, the Company has sufficient credit in the tax exempt account and Section 108 balance to pay franked dividends out of its entire retained earnings.

35 DIVIDENDS

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

	Group and Company			
	2011		2010	
	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	**0**	**0**	4.0	11,311
Final dividend in respect of the financial year ended 31 December 2010, less income tax of 25% on 436,491,580 ordinary shares paid on 29 July 2011	**1.5**	**4,910**	0	0
	1.5	**4,910**	4.0	11,311

On 27 February 2012, the Directors recommended the payment of a final gross dividend of 0.5 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2011, 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.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

36 BORROWINGS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Current		
Government loan	**3,020**	2,804
Finance lease liabilities	**5**	5
Loan from non-controlling interest	**1,618**	0
Term loan	**130,884**	0
	135,527	2,809
Non-Current		
Finance lease liabilities	**0**	18
Term loan	**54,644**	0
	54,644	18
Total		
Government loan (unsecured) (a)	**3,020**	2,804
Finance lease liabilities (secured) (b)	**5**	23
Term loans (secured) (c)	**185,528**	0
Loan from non-controlling interest (unsecured) (d)	**1,618**	0
	190,171	2,827

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

	Group	
	2011	**2010**
	%	**%**
Government loan	**6.9**	5.8
Finance lease liabilities	**2.6**	2.6
Term loans	**7.5-7.755**	N/A

(a) Government loan

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

36 BORROWINGS (cont'd)

(b) Finance lease liabilities

The finance lease liabilities are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	Group	
	2011	**2010**
	RM'000	**RM'000**
The minimum lease payments at the end of the reporting period are as follows:		
- not later than 1 year	**6**	22
- later than 1 year	**0**	5
	6	27
Future finance charges	**(1)**	(4)
Present value	**5**	23
The maturity profile of the present value of the finance lease liabilities are as follows:		
- not later than 1 year	**5**	18
- later than 1 year and not later than 3 years	**0**	5
	5	23

The net book value of the asset held under finance lease agreement is nil (2010: nil) as disclosed in Note 16 to the financial statements.

(c) Term loans

During the financial year, Taliworks (Yinchuan) Wastewater Co Ltd, a subsidiary of the Company, executed a loan agreement with a financial institution for RMB526,500,000 (RM265,040,000) to partly fund the acquisition of the project as described in Note 18(d) to the financial statements. The term loan is repayable over 16 years with the first repayment commencing in 2014.

At the end of the financial year, the subsidiary has drawndown RMB368,550,000 (RM185,528,000), out of which RMB260,000,000 (RM130,884,000) was arranged by the financial institution to be obtained under a separate financing arrangement whereby this portion of the loan is due within the next twelve months. The subsidiary has obtained commitment from the financial institution to re-finance this short-term borrowing.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

36 BORROWINGS (cont'd)

(d) Loan from non-controlling interest

A loan totalled RMB3,215,000 (RM1,618,000) was obtained from a non-controlling interest of Puresino (Guanghan) Water Co Ltd, a subsidiary of the Company. The loan bears an interest rate of 5%, unsecured and no fixed term of repayment.

During the financial year, the non-controlling interest had commenced a civil suit against the subsidiary to seek repayment of its loan to the subsidiary and as a result, RMB3,500,000 (RM1,762,000) has been frozen by the court pursuant to the civil suit. This amount has been taken up as bank and cash balances under non-current assets in Note 25 to the financial statements.

In the event that the non-controlling interest is successful in its claim, the subsidiary is required to settle the entire loan and other associated costs.

(e) Convertible bonds - financial liability elements

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Nominal value	**0**	113,000
Less: Discount on issuance	**0**	(3,390)
Accumulated amortised discount	**0**	22,470
Less: Effects of applying FRS139	**0**	(32,001)
Less: Redemption of Convertible bonds (Note 10)	**0**	(100,079)
	0	0

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 2009 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.

In 2010, 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 previous financial year.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

37 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**35,665**	29,982	**2,469**	3,258
Amounts due to customer on contract (Note 38)	**1,736**	7,258	**1,601**	6,580
Other payables and accruals	**133,092**	9,327	**365**	793
Provisions	**4,729**	4,083	**1,521**	1,288
	175,222	50,650	**5,956**	11,919

Included in other payables and accruals of the Group is an amount of RM124,340,000 (2010: Nil) being the final tranche payment as described in Note 18(d) to the financial statements.

38 AMOUNTS DUE FROM/(TO) CUSTOMER ON CONTRACT

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Aggregate costs incurred to-date and recognised profits	**323,312**	160,201	**170,744**	155,082
Progress billings	**(325,048)**	(167,454)	**(172,345)**	(161,662)
Net amounts due to customer on contract	**(1,736)**	(7,253)	**(1,601)**	(6,580)
Represented by:				
Amount due from customer on contract (Note 24)	**0**	5	**0**	0
Amount due to customer on contract (Note 37)	**(1,736)**	(7,258)	**(1,601)**	(6,580)
	(1,736)	(7,253)	**(1,601)**	(6,580)

39 CONVERTIBLE BONDS - DERIVATIVE FINANCIAL LIABILITIES

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
		(restated)
At 1 January, as restated	**0**	16,418
Fair value gain (Note 10)	**0**	(15,770)
Fair value of de-recognition (Note 10)	**0**	(648)
At 31 December	**0**	0

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

40 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loan and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS");and
(iii) Other liabilities ("OL")

Financial assets	L&R RM'000	AFS RM'000	Total RM'000
2011			
Group			
Trade and other receivables	103,748	0	103,748
Long term receivables	160,282	0	160,282
Available-for-sale financial assets	0	13,983	13,983
Deposits, bank and cash balances	41,898	0	41,898
	305,928	13,983	319,911
Company			
Trade and other receivables	2,018	0	2,018
Available-for-sale financial assets	0	4,016	4,016
Deposits, bank and cash balances	21,980	0	21,980
	23,998	4,016	28,014

Financial liabilities	OL RM'000
2011	
Group	
Trade and other payables	167,197
Borrowings and interest payables	191,730
	358,927
Company	
Trade and other payables	2,834

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

40 FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

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	153,193	0	153,193
	390,031	23,752	413,783
Company			
Trade and other receivables	695	0	695
Available-for-sale financial assets	0	17	17
Deposits, bank and cash balances	114,473	0	114,473
	115,168	17	115,185

Financial liabilities	OL RM'000
2010	
Group	
Trade and other payables	38,704
Borrowings and interest payables	3,432
	42,136
Company	
Trade and other payables	4,051

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

41 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows

(i) Level 1 - Quoted price in active markets for identical assets or liabilities;
(ii) Level 2 - Inputs other than quoted prices that are observable for asset or liability directly or indirectly;
(iii) Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial assets	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Group				
Available-for-sale financial assets	13,983	0	0	13,983
Company				
Available-for-sale financial assets	4,016	0	0	4,016
2010				
Group				
Available-for-sale financial assets	23,752	0	0	23,752
Company				
Available-for-sale financial assets	17	0	0	17

42 CONTINGENT LIABILITIES

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

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Secured				
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	**10,833**	7,573	**10,833**	7,573
Bank guarantees issued to third parties for services rendered and as performance bonds	**8,805**	11,693	**779**	3,944

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

42 CONTINGENT LIABILITIES (cont'd)

(b) Litigations

(i) China Electronics System Engineering No.3 Construction Co Ltd ("CESE3") against Puresino (Guanghan) Water Co Ltd ("PGH"), a subsidiary of the Company

On 10 November 2011, PGH received a summons from CESE3 to settle the outstanding construction, procurement of equipment and management fees in the sum of RMB7,685,000 (RM3,869,000) together with interest in the sum of RMB2,008,000 (RM1,011,000).

PGH had filed its defence to the Sichuan Deyang Intermediate People's Court and at the hearing held on 12 March 2012, various issues were highlighted to the court, namely the locus standi of the CESE3 to bring an action against PGH and the sums claimed that were not supported by any document or evidence.

Based on the legal advice of the solicitors, the outcome of the legal proceedings is uncertain at this juncture and the final amount of the indebtedness cannot be reliably estimated as the parties are awaiting the result of an audit to be conducted by the Guanghan Audit Firm and Business Intermediary Organisation (Deyang), appointed by the Court to audit the total sum claimed.

(ii) Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company

Hua Sheng and Ningxia Eco had, on 17 October 2010, entered into a Main Contractor Agreement, in which Hua Sheng was responsible for the construction works and procurement of equipments and materials for a wastewater project undertaken by Ningxia Eco.

On 3 November 2011, Hua Sheng filed an arbitration application in the China International Economic and Trade Arbitration Commission, Shanghai (CIETAC) against Ningxia Eco for the termination of the Main Contractor Agreement on 6 September 2011. Hua Sheng has amongst others, claimed for:

(a) construction deposit amounted to RMB3,160,000 (RM1,591,000);
(b) unpaid contract price of RMB6,533,000 (RM3,289,000); and
(c) penalty breach in performing the equipment procurement contract in the sum of RMB3,648,000 (RM1,836,000).

The first arbitral hearing was held on 5 December 2011. Ningxia Eco has submitted its defence to the CIETAC and the parties were ordered to submit further evidence, in which the same had been submitted to the CIETAC on 12 December 2011.

The second arbitral hearing was held on 2 March 2012, in which the arbitrators decided to have another arbitral hearing to cross examine the remaining evidences submitted by Ningxia Eco.

The final arbitral hearing was held on 31 March 2012 to cross examine the remaining evidences submitted by Ningxia Eco. Based on the legal advice from the solicitors, the cross examination of evidences is still pending and it is difficult to anticipate the intention of the arbitrators at this juncture. The arbitration award will only be issued sometime in June 2012.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

43 CAPITAL COMMITMENTS

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

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
- Authorised but not contracted for	**3,702**	3,652	**7**	6
Intangible asset:				
- Authorised and contracted for	**0**	92,756	**0**	92,756
- Authorised but not contracted for	**20,541**	577	**0**	0
	24,243	96,985	**7**	92,762

(b) Non-cancellable operating lease commitments

	Group	
	2011	2010
	RM'000	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	**600**	750
	1,350	1,500

The above lease payments relate to a subsidiary, Taliworks (Langkawi) Sdn Bhd's non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract.

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The related parties and the relationship with the Company are as follows:

Related party	Relationship
- Alam Ria Sdn Bhd	Common director and major shareholder
- Perangsang Water Management Sdn Bhd	Common director and major shareholders
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	Common directors and major shareholder
- Aqua-Flo Sdn Bhd	Common major shareholders
- Air Kedah Sdn Bhd	Subsidiary
- Sungai Harmoni Sdn Bhd	Subsidiary
- Taliworks (Langkawi) Sdn Bhd	Subsidiary
- SWM Technologies (Malaysia) Sdn Bhd	Subsidiary
- Taliworks International Limited	Subsidiary
- Cerah Sama Sdn Bhd	Jointly controlled entity

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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

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	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant by:				
- Aqua-Flo Sdn Bhd	**12,439**	11,963	**432**	585
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	**3,991**	3,833	**0**	0
- Perangsang Water Management Sdn Bhd	**1,996**	1,916	**0**	0
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd	**2,017**	2,086	**0**	0
Fees charged for management, operation and maintenance of water treatment plants to:				
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	**107,249**	100,189	**0**	0
Contract revenue from:				
- Air Kedah Sdn Bhd	**0**	0	**10,227**	16,655
Management fee from:				
- Sungai Harmoni Sdn Bhd	**0**	0	**1,080**	1,080
- Taliworks (Langkawi) Sdn Bhd	**0**	0	**960**	960
Dividend from:				
- SWM Technologies (Malaysia) Sdn Bhd	**0**	0	**16,200**	600
- Cerah Sama Sdn Bhd	**0**	0	**7,932**	5,170
Advances to:				
-Taliworks International Limited	**0**	0	**128,958**	23,517

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

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

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

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

Mr. Lim Chin Sean is a Director of the Company. Alam Ria and PWM are companies in which Mr. Lim Chin Sean has a controlling interest.

Y. Bhg. Dato' Lim Chee Meng has resigned as director of the Company on 23 May 2011. Alam Ria and PWM are companies in which he has a controlling interest.

Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd are substantial shareholders of the Company. L.G.B. Holdings Sdn Bhd is deemed a substantial shareholder of the Company by virtue of its substantial shareholdings in these companies. Both Y. Bhg. Dato' Lim Chee Meng and Mr. Lim Chin Sean are major shareholders of L.G.B. Holdings Sdn Bhd and therefore they are deemed as substantial shareholders of the Company.

Kumpulan Perangsang Selangor Berhad ("KPSB") is another substantial shareholder of the Company and Aqua-Flo Sdn Bhd is effectively controlled by KPSB. In addition, KPSB owns 30% of SPLASH. Encik Suhaimi Bin Kamaralzaman is a Director of the Company, KPSB and SPLASH whilst Mr. Wong Yien Kim is a Director of the Company and SPLASH as at the end of the reporting period.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	**4,575**	4,043	**2,817**	2,347
Defined contribution-Employees Provident Fund	**543**	486	**338**	282
	5,118	4,529	**3,155**	2,629

Included in total key management remuneration of the Group and of the Company are remuneration (consisting of salaries, bonus and defined contribution plan) of the Company's executive directors of RM1,120,000 (2010: RM760,000).

Benefits in kind received by executive directors and other members of key management of the Group and the Company are RM50,000 (2010: RM107,000) and RM25,000 (2010: RM50,000) respectively.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

45 MATERIAL SUBSEQUENT EVENTS

(i) Arising from the Fourth Supplemental Concession Agreement entered between the Government of Malaysia and Grand Saga Sdn. Bhd., a jointly controlled entity of the Company, toll collections were discontinued for the Kuala Lumpur bound lane at Toll Plaza Batu 9 and the Kajang bound lane at Toll Plaza Batu 11 of the Cheras-Kajang Highway with effect from 2 March 2012. In return, the jointly controlled entity agreed to:

(a) a tax-exempt cash compensation of RM120,550,000;

(b) an extension of the Concession Period for a further period of fifteen year, expiring on 18 September 2045;

(c) terminate the toll revenue sharing; and

(d) a waiver of income tax payable for the year of assessments 2012 to 2021.

(ii) As stated in Note 18(d) to the financial statements, an amount of RM124,340,000 was paid subsequent to the financial year end. This amount was principally funded from the following sources:

(a) the drawdown of a revolving credit facility of RM40,000,000 obtained by the Company from a financial institution in Malaysia;

(b) the drawdown of further term loans amounting to RMB157,950,000 (RM79,512,000) from the loan agreement stated in Note 36(c) to the financial statements.

46 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group has adopted IC Interpretation 12 – Service Concession Arrangements. As a result, certain comparative amounts have been restated as follows:

	As previously stated 1 January 2011 RM'000	Effects of IC Interpretation 12 RM'000	As restated 1 January 2011 RM'000
Group			
Statements of financial position			
Non-Current Assets			
Property, plant and equipment (Note 16)	23,934	(17,788)	6,146
Intangible assets (Note 18)	13,181	17,788	30,969

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

6 CHANGES IN ACCOUNTING POLICIES (cont'd)

	As previously stated 31 December 2010 RM'000	Effects of IC Interpretation 12 RM'000	As restated 31 December 2010 RM'000
Group			
Statements of financial position			
Non-Current Assets			
Jointly controlled entities (Note 20)	75,441	(4,286)	71,155
Equity			
Retained earnings	254,138	(4,286)	249,852
Statements of Income			
Share of results of jointly controlled entities (Note 20)	12,172	1,096	13,268

	As previously stated 1 January 2010 RM'000	Effects of IC Interpretation 12 RM'000	As restated 1 January 2010 RM'000
Group			
Statements of financial position			
Equity			
Retained earnings	236,668	(5,382)	231,286

Impacts on the statements of financial position as at 31 December 2011 and statements of income for the year ended 31 December 2011 are as follows:

	Effects of IC Interpretation 12 RM'000
Group	
Statements of financial position	
Non-Current Assets	
Property, plant and equipment	8,041
Intangible Assets	453,515
Jointly controlled entities	79,310
Statements of Income	
Share of results of jointly controlled entities	15,300

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2012.

notes to the financial statements

for the financial year ended 31 december 2011(cont'd)

48 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		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 (restated)**	**RM'000**	**RM'000**
Total retained earnings of Taliworks and its subsidiaries:				
- Realised profits	**236,010**	230,560	**25,976**	12,107
- Unrealised gain/(losses)	**14,687**	1,349	**5,003**	(2,239)
	250,697	231,909	**30,979**	9,868
Total share of retained earnings from associate:				
- Realised profits	**3,068**	2,451	**0**	0
Total share of retained earnings from jointly controlled entities:				
- Realised profits	**28,212**	16,310	**0**	0
- Unrealised losses	**(4,440)**	(818)	**0**	0
Total Group's retained earnings as per consolidated accounts	**277,537**	249,852	**30,979**	9,868

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, Suhaimi Bin Kamaralzaman 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 143 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 2011 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 48 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 25 April 2012.

SUHAIMI BIN KAMARALZAMAN
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 143 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 25 April 2012, before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

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

independent auditors' report

to the members of taliworks corporation berhad

(Incorporated in Malaysia) (Company No. 6052-V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Taliworks Corporation Berhad on pages 61 to 143, which comprise the statements of financial position as at 31 December 2011 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 Notes 1 to 47.

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 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

We draw attention to Note 24(b)(ii) to the financial statements which describes the uncertainty relating to the future outcome of the regulatory impasse on a specific trade receivable of the Group to make timely payments. Our opinion is not modified in respect of this matter.

independent auditors' report

to the members of taliworks corporation berhad (cont'd)

(Incorporated in Malaysia) (Company No. 6052-V)

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 48 on page 144 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
25 April 2012

analysis of shareholdings

as at 4 May 2012

SHAREHOLDINGS STRUCTURE

Authorised Capital	:	RM500,000,000
Issued and Fully paid-up	:	RM218,245,790
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	24	1.40	482	0.00
100 – 1,000	163	9.50	123,470	0.03
1,001 – 10,000	1,090	63.55	5,104,500	1.17
10,001 – 100,000	351	20.47	10,735,400	2.46
100,001 to less than 5% of issued shares	79	4.61	100,760,600	23.08
5% and above of issued shares	8	0.47	319,767,128	73.26
Total	1,715	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	21.07
2.	Water Clinic Sdn Bhd	64,800,000	14.84
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)*	22,429,300	5.13
8.	Kumpulan Perangsang Selangor Berhad	22,066,628	5.06
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Bank of New York Mellon SA/NV (AMEX-foreign)*	18,280,700	4.19
10.	Malaysia Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Kumpulan Perangsang Selangor Berhad*	15,800,000	3.62

analysis of shareholdings

as at 4 May 2012 (cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
11.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)*	15,523,000	3.56
12.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	12,311,100	2.82
13.	HDM Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian (Hong Kong) Limited (clients)*	3,024,300	0.69
14.	Malar Teguh Sdn Bhd	2,657,400	0.61
15.	ECML Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Yim Hoo*	2,423,800	0.56
16.	Century General Water (M) Sdn Bhd	2,098,800	0.48
17.	Kembangan Sepadu Sdn Bhd	1,645,000	0.38
18.	Mestika Pertiwi Sdn Bhd	1,638,500	0.38
19.	Goh Phaik Lynn	1,333,500	0.31
20.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choong Foong Ming (CEB)*	1,231,200	0.28
21	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	1,210,600	0.28
22.	Phang Wai Hoong	1,134,800	0.26
23.	Mestika Pertiwi Sdn Bhd	1,073,000	0.25
24.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	1,057,000	0.24
25.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Oh Kim Sun (CEB)*	854,100	0.20
26.	Ertidaya Sdn Bhd	838,000	0.19
27.	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Zabir bin Bajuri (SJ8)*	815,600	0.19
28.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Douglas Mark Boudville*	777,800	0.18
29.	Lim Sau Khim @ Lam Sum Ying	710,400	0.16
30.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for MAAKL Al-Faid*	700,000	0.16
	TOTAL	**406,905,728**	**93.22**

list of substantial shareholders

as at 4 may 2012

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

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

Notes:-

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

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

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

(d) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd (formerly known as 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 4 may 2012

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

A. Number of Ordinary Shares of RM0.50 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.07	-	-	-
Encik Suhaimi bin Kamaralzaman	-	-	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-
Mr. Lim Chin Sean	-	-	241,640,000	(a)	55.36
Mr. Lim Yew Boon	150,000	0.03	-	-	-

(a) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd (formerly known as L.G.B. Engineering Sdn Bhd).

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

list of directors' shareholdings

as at 4 may 2012 (cont'd)

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

Name	Exercise Price (RM)	As at 1 January 2011	Granted	Exercised	Balance
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	-	-	80,000
Encik Sulaiman bin Salleh	1.90	60,000	-	-	60,000
Mr. Lim Chin Sean	1.90	60,000	-	-	60,000

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting ("21st AGM") of the Company will be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 June 2012 at 11:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of a final gross dividend of 0.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2011. **(Resolution 1)**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2011. **(Resolution 2)**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) En. Sulaiman bin Salleh; and **(Resolution 3)**
   (b) Mr. Lim Yew Boon. **(Resolution 4)**

5. To appoint Messrs. Deloitte KassimChan as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked 'Annexure A' in the Annual Report had been received by the Company for the nomination of Messrs. Deloitte KassimChan for appointment as Auditors of the Company and the intention to propose the following ordinary resolution:-

   "THAT subject to their consent to act, Messrs. Deloitte KassimChan be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Ordinary Resolutions:-

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **(Resolution 6)**

   "**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature for the Company and/or its subsidiaries to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time with the Related Parties as specified in Section 2.4 of the Circular to Shareholders dated 6 June 2012 provided that such transactions are:-

notice of annual general meeting
(cont'd)

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)** **(Resolution 6)**

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the Company's day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(iv) not to the detriment of minority shareholders

(the "Proposed Shareholders' Mandate");

THAT the authority for the Proposed Shareholders' Mandate shall continue to be in force until the earlier of:-

(i) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next Annual General Meeting;

(ii) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

(iii) is revoked or varied by resolution passed by the shareholders in a general meeting before the next Annual General Meeting;

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **(Resolution 7)**

"**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad.

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. To transact any other ordinary business of which due notice shall have been given.

notice of annual general meeting
(cont'd)

NOTICE OF BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that a final gross dividend of 0.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2011 will be payable on 31 July 2012 to depositors whose names appear in the Record of Depositors at the close of business on 11 July 2012 if approved by the members at the 21st AGM.

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

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 11 July 2012 in respect of ordinary transfers; and

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

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
TAN WEE SIN (MAICSA 7044797)
Company Secretaries

Kuala Lumpur
Dated : 6 June 2012

notice of annual general meeting
(cont'd)

Explanatory Notes to Special Business: -

1. Proposed Shareholders' Mandate

The proposed Resolution 6 is intended to enable the Company and/or its subsidiary companies ("Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations to facilitate transactions in the normal course of business of the Group with the specified classes of related parties, provided that they are carried out on an arms' length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 6 June 2012 for further information.

2. Authority to Issue Shares

The proposed Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Twentieth Annual General Meeting of the Company held on 28 June 2011 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate granted by the shareholders at the Twentieth Annual General Meeting of the Company held on 28 June 2011 had not been utilised and hence, no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

Notes :-

1. This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval for the Audited Financial Statements from the shareholders. Hence, this Agenda item is not put forward for voting.

2. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 21 June 2012 shall be eligible to attend the Meeting.

3. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

4. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

6. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

7. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

annexure A

Date: May 17, 2012

The Board of Directors
TALIWORKS CORPORATION BERHAD
Level 7, Menara Milenium,
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

We, the undersigned, being the registered shareholder of Taliworks Corporation Berhad ("**the Company**"), hereby nominate, Messrs. Deloitte KassimChan, for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhouseCoopers at the forthcoming Annual General Meeting of the Company, pursuant to Section 172(11) of the Companies Act, 1965.

Therefore, we propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:-

"That subject to their consent to act, Messrs. Deloitte KassimChan be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully,
For and on behalf of
TALI-EAUX SDN. BHD

LIM SHIAK LING
Director

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CDS Account No.

Number of ordinary shares held

TALIWORKS CORPORATION
LGB Group
Water, Waste & Infrastructure Management Specialist

form of proxy

*I/We (full name), ____ ,

bearing *NRIC No./Passport No./Company No. ____

of (full address) ____

being a *shareholder/shareholders of Taliworks Corporation Berhad ("the Company") hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			
			100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 June 2012 at 11:00 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy ____
____ (one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and the Auditors thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of a final gross dividend of 0.5 sen per ordinary share less income tax at 25% in respect of the financial year ended 31 December 2011.	1		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2011.	2		
4(a).	To re-elect En. Sulaiman bin Salleh, who is retiring in accordance with Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	3		
4(b)	To re-elect Mr. Lim Yew Boon, who is retiring in accordance with Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	4		
5.	Appointment of Auditors. Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked 'Annexure A' in the Annual Report had been received by the Company for the nomination of Messrs. Deloitte KassimChan for appointment as Auditors of the Company and the intention to propose the following ordinary resolution:- "THAT subject to their consent to act, Messrs. Deloitte KassimChan be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors.	5		
Special Business				
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	6		
7.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.	7		

As witness my/our hand(s) this day _________ of ___________________, 2012.

____
*Signature/Common Seal of Shareholder

** Strike out whichever is not applicable*

Notes :-

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 21 June 2012 shall be eligible to attend the Meeting.

2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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Stamp

The Company Secretary

Taliwork Corporation Berhad

(6052-V)

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel: 603 2084 9000

Fax: 603 2094 9940

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TALIWORKS CORPORATION BERHAD (6052-V)

28, Jalan Wan Kadir 1, Taman Tun Dr Ismail,
60000 Kuala Lumpur, Malaysia.

Tel 603 7725 7110 Fax 603 7725 7099
E-mail info@taliworks.com.my

www.taliworks.com.my