TALIWORKS CORPORATION
LGB Group

Reinvigorating Nature

Annual Report 2013

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
- Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting (appointed on 16 April 2014)

Executive Director
- Mr. Lim Yew Boon

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

Non-Independent Non-Executive Directors
- Mr. Lim Chin Sean
- Mr. Vijay Vijendra Sethu (appointed on 16 April 2014)

AUDIT COMMITTEE

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

Members
- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (re-designated on 27 February 2013)
- Mr. Soong Chee Keong (appointed on 27 May 2013)

NOMINATION COMMITTEE

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

Members
- Mr. Lim Chin Sean
- Encik Sulaiman bin Salleh (re-designated on 27 February 2013)

REMUNERATION COMMITTEE

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Chairman
(appointed on 31 March 2014)

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

COMPANY SECRETARIES

Ms. Chua Siew Chuan
(MAICSA No. 0777689)

Ms. Yeow Sze Min
(MAICSA No. 7065735)

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

Level 19, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel 603 2788 9100
Fax 603 2788 9101
Email info@taliworks.com.my
Website www.taliworks.com.my

SHARE REGISTRARS

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

MAIN AUDITORS

Deloitte (AF 0080)
Chartered Accountants
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel 603 7610 8888
Fax 603 7726 8986

PRINCIPAL BANKERS

AmBank (M) Berhad
AmIslamic Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Industrial and Commercial Bank of China (Malaysia) Berhad
United Overseas Bank (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 2788 9100
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 600 employees in Malaysia and the People's Republic of China. The Company is currently listed on the Main Market of Bursa Securities under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation of approximately RM515 million as at 9 May 2014.

BUSINESS BACKGROUND

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

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

WATER TREATMENT, SUPPLY AND DISTRIBUTION

Taliworks' core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in January 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 October 2020) for the water supply and distribution system in Langkawi, Kedah.

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

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

WASTE MANAGEMENT

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

(a) a 90% owned subsidiary, Tianjin-SWM (M) Environment Ltd, Co, a company that holds a 21-year concession rights for the operation and management of the Tianjin Panlou Municipal Solid Waste Transfer Station and its related assets in the city of Tianjin until October 2025. Operations commenced in January 2005 with the concession granting

CORPORATE PROFILE

rights to the company to transport household waste deposited at the transfer station to the municipal landfills and in return collect tipping fees from the local city council for services provided. The company has been nominated for its good track record on traffic safety from 2006-2008 and from 2010 to 2011;

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

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

(d) a 70% interest in Ningxia Eco Wastewater Treatment Co. Ltd which 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 AND ENGINEERING

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

Prior to undertaking this project, the division has successfully completed the design and construction of the water supply systems for the Central Kedah Water Supply Scheme (in 2006) and the Padang Terap Water Supply Scheme (in 2011), both in Kedah at a total contract value of RM120 million and 149 million respectively.

HIGHWAY TOLL OPERATIONS AND MAINTENANCE

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

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

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

CORPORATE PROFILE

Business Focus

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

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

Today, Taliworks has business presence both in Malaysia and China.

ACCREDITATION AND AWARDS

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

Water treatment, supply and distribution

a. ISO 9001: 2008 Quality Management Systems Certification from SIRIM QAS International that is also recognised by IQNet and UKAS for Sungai Harmoni Sdn Bhd, Sungai Selangor Water Treatment Works Phase 1 for the Operation and Maintenance of Water Treatment Plant.

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

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

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

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

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

CORPORATE PROFILE

Highway toll operations and maintenance

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

Construction and Engineering

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

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

2002

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

2003

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

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

2004

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

2005

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

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

2006

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

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

2007

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

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

2008

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

2009

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

2012

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

CORPORATE STRUCTURE

AS AT 9 MAY 2014

TALIWORKS CORPORATION
LGB Group

Associate

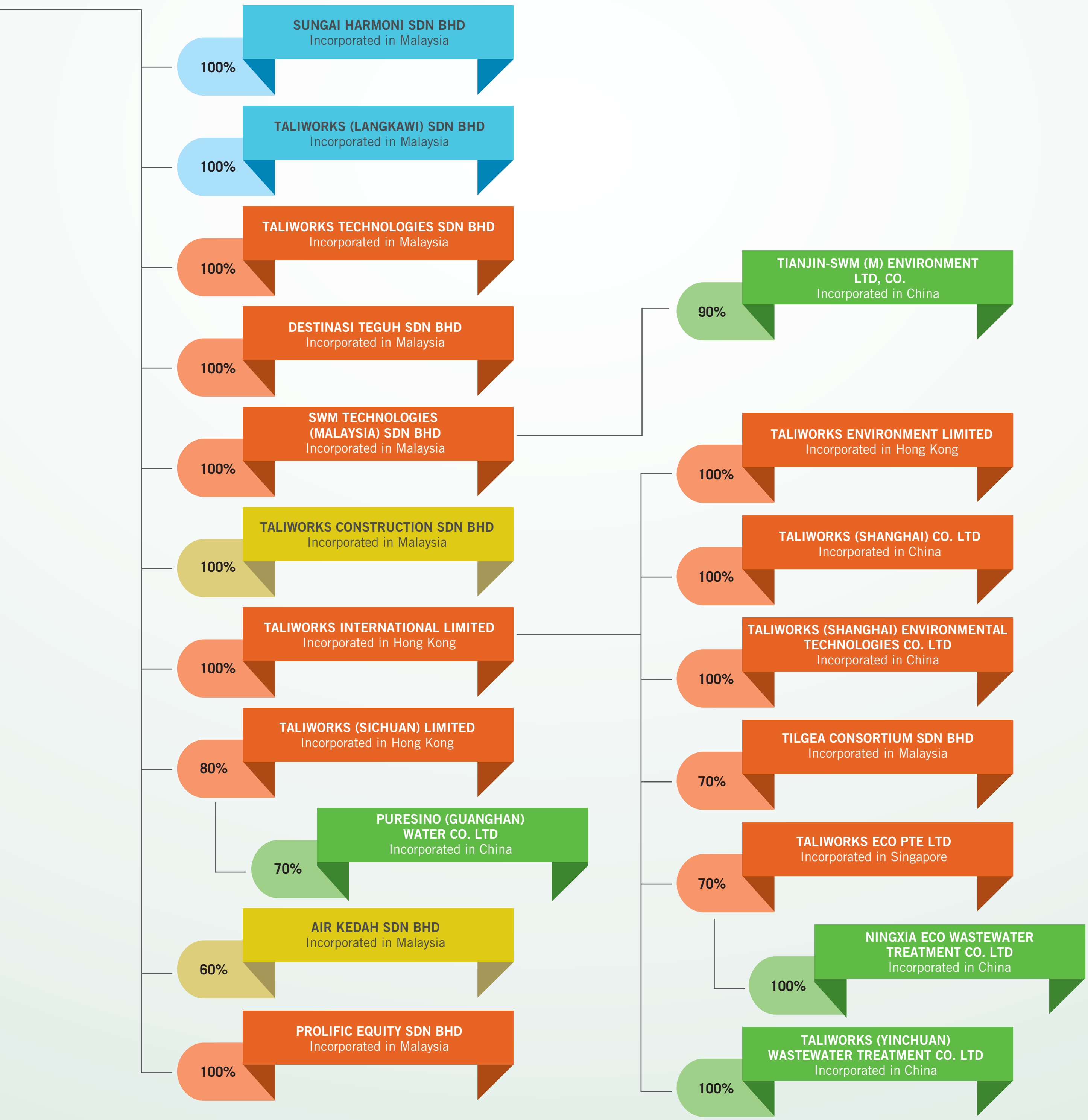
- 40% **HYDROVEST SDN BHD** – Incorporated in Malaysia

Joint Ventures

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

Water treatment, supply and distribution
Waste management
Construction
Highway toll operations and maintenance
Investment holding company/Others

Subsidiaries



CORPORATE AND FINANCIAL EVENTS 2013

Major Corporate Announcements / Significant Events

29 January

Taliworks (Langkawi) Sdn. Bhd. was granted an authorisation by the National Water Services Commission pursuant to Section 192(5) of the Water Services Industry Act 2006, to undertake and carry out the operations and activities under the Langkawi Water Supply Privatisation Agreements.

31 January

Cerah Sama Sdn.Bhd; a joint venture company, issued RM420.0 million of Islamic Medium Term Notes (Sukuk Musharakah) under a Sukuk Programme of up to RM750.0 million in nominal value.

26 June

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

8 November

Menteri Besar Selangor (Pemerbadanan) and Kumpulan Darul Ehsan Berhad ceased to be substantial shareholders of the Company.

27 November

The Company announced the entry of Vijay Vijendra Sethu as a new substantial shareholder of the Company.

CORPORATE AND FINANCIAL EVENTS 2013

Release of Financial Results

27 February

Unaudited interim results for the 4th Quarter ended 31 December 2012.

30 April

Audited financial statements for the financial year ended 31 December 2012.

29 May

Unaudited interim results for the 1st Quarter ended 31 March 2013.

28 August

Unaudited interim results for the 2nd Quarter ended 30 June 2013.

20 November

Unaudited interim results for the 3rd Quarter ended 30 September 2013.

Dividend Payment

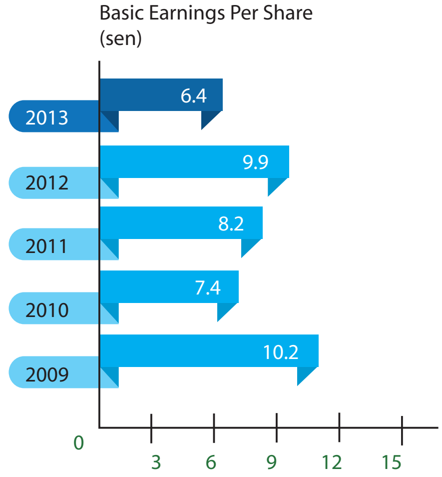
31 July

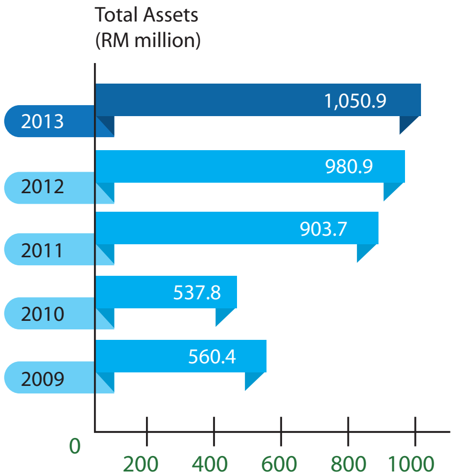
Final gross dividend of 1.5 sen per share less income tax at 25% in respect of the financial year ended 31 December 2012.

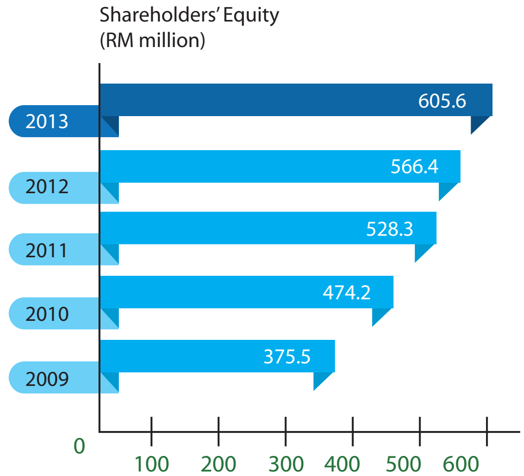
5 YEARS
FINANCIAL HIGHLIGHTS

	2009 RM MIL	2010 RM MIL (restated)	2011 RM MIL (restated)	2012 RM MIL	2013 RM MIL
PROFITABILITY					
Revenue	158.9	169.3	168.1	253.3	281.8
EBITDA	64.3	49.5	35.7	87.8	71.1
Profit Before Taxation	51.0	44.1	48.4	61.0	39.1
Profit for the Financial Year	39.0	29.5	36.4	42.8	25.1
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	560.4	537.8	903.7	980.9	1,050.9
Total Borrowings	122.4	2.8	190.2	314.3	336.3
Total Shareholders' Equity	375.5	474.2	528.3	566.4	605.6
No of Shares in issue	376.7	436.5	436.5	436.5	436.5
SEGMENTAL INFORMATION					
Revenue					
- water, treatment, supply and distribution	135.5	138.5	123.3	141.5	149.9
- construction	13.8	35.7	42.3	72.1	87.6
- waste management	17.2	14.4	14.6	48.3	47.7
- others	2.1	8.0	26.6	20.1	24.3
- elimination	(9.7)	(27.3)	(38.7)	(28.7)	(27.7)
	158.9	169.3	168.1	253.3	281.8
Profit Before Taxation					
- water, treatment, supply and distribution	54.1	56.4	25.6	73.1	57.8
- construction	3.5	1.7	8.0	4.4	4.2
- waste management	2.6	0.9	(0.5)	(4.5)	(0.8)
- others	(0.2)	(7.6)	20.7	7.5	28.0
	60.0	51.4	53.8	80.5	89.2
- elimination	(0.4)	(6.1)	(22.2)	(9.6)	(36.2)
	59.6	45.3	31.6	70.9	53.0
- finance cost	(16.1)	(15.2)	(2.4)	(20.5)	(23.1)
- share of results of joint venture	6.9	13.3	18.6	9.8	10.0
- share of results of associate	0.6	0.7	0.6	0.8	(0.8)
	51.0	44.1	48.4	61.0	39.1
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	6.0	1.5	0.5	1.5	1.0
Net Assets per share (sen)	99.7	108.6	121.02	129.77	138.73
Earnings per share (sen)					
- basic	10.2	7.4	8.2	9.9	6.4
- fully diluted	9.7	7.3	8.2	9.9	6.4
Return on Equity (%)	10.6	6.9	7.3	7.8	4.3
Return on Assets Employed (%)	6.3	5.4	5.1	4.5	2.5
Dividend payout ratio (%)	43.5	16.6	4.5	11.5	17.4
Debt to Equity ratio (%)	32.6	0.6	36.0	55.5	55.5

5 YEARS FINANCIAL HIGHLIGHTS







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

(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

Y.BHG. TAN SRI DATO' SERI ONG KA TING
Chairman/Independent Non-Executive Director

Y.Bhg. Tan Sri Dato' Seri Ong Ka Ting, a Malaysian aged 57, was appointed to the Board of Taliworks on 16 April 2014 whereupon he was elected as an Independent Non-Executive Chairman of the Company.

Tan Sri Dato' Seri Ong holds a Bachelor of Science (Honours) degree and a Diploma in Education respectively from University of Malaya, Malaysia. He was conferred Guest Professor of Xiamen University, People's Republic of China since September 2008 and an Honorary Doctor of Laws Degree by Campbell University in December 2008.

He has held various senior appointments in the Malaysian Government Administration from November 1986 until his retirement in March 2008 including the positions of Parliamentary Secretary for the Ministry of Health, Parliamentary Secretary for the Ministry of Home Affairs, Deputy Minister for the Ministry of Home Affairs and Minister for the Ministry of Housing and Local Government. He was the President of Malaysian Chinese Association from 2003 to 2008, Chairman of Tunku Abdul Rahman College Council from June 2004 to September 2011 and Member of Parliament for Pontian, Tanjong Piai and Kulai constituencies in Johor since October 1990 to April 2013.

He is currently the Prime Minister's Special Envoy to the People's Republic of China and the Chairman of the Malaysia-China Business Council.

Other than being a director of the Company, Tan Sri Dato' Seri Ong is a Senior Independent Non-Executive Director of IOI Properties Group Berhad.

MR. LIM YEW BOON
Executive Director

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

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

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

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

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

DIRECTORS' PROFILE

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

Y.Bhg Dato' Hj Mohd Sinon, a Malaysian aged 63, was appointed to the Board on 1 November 1996. He also serves as the Chairman of the Nomination Committee and as a member of the Audit Committee with effect from 27 February 2013.

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

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

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

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

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

Dato' Hj Mohd Sinon has attended six (6) out of seven (7) Board meetings held during the financial year of the Company.

ENCIK SULAIMAN BIN SALLEH
Independent Non-Executive Director

Encik Sulaiman bin Salleh, a Malaysian aged 69, was appointed to the Board on 25 February 2002. He also serves as the chairman of the Audit (effective 27 February 2013), Investment and ESOS committees and as a member of the Nomination Committee (effective 27 February 2013).

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

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

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

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

DIRECTORS' PROFILE

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

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

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

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

He has attended six (6) out of the seven (7) Board meetings held during the financial year of the Company.

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

MR. SOONG CHEE KEONG
Independent Non-Executive Director

Mr. Soong Chee Keong, a Malaysian aged 44, was appointed to the Board on 25 April 2013 and as a member of the Audit Committee on 27 May 2013. He started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

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

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

He has attended all the Board meetings held during the financial year of the Company since his appointment to the Board.

DIRECTORS' PROFILE

MR. VIJAY VIJENDRA SETHU
Non-Independent Non-Executive Director

Mr. Vijay Vijendra Sethu, an Australian, aged 50, was appointed to the Board of Taliworks on 16 April 2014 as a Non-Independent Non-Executive Director of the Company.

Mr. Sethu holds a Master of Business Administration from Auckland University. He is a fellow of the Chartered Association of Certified Accountants, United Kingdom, an associate of the New Zealand Society of Chartered Accountants and a graduate of the Chartered Institute of Management Accountants, United Kingdom.

Mr. Sethu has over 30 years experience in investment banking industry across Asia, Australia, United Kingdom and the Americas. Currently, Mr. Sethu is an independent director of International Medical University.

He was formerly a board member of Malakoff Berhad, Cerah Sama Sdn. Bhd., Don Muang Tollway and Infraco Asia. He was also formerly the founding CEO of CSSAA, an emerging markets focused infrastructure fund manager, an Executive Director and Head of Project and Structured Finance for Asia for ANZ Investment Bank, Singapore, the Vice President and Head of Mergers and Acquisitions for Enron Asia Pacific, Singapore, engaged by ANZ Investment Bank in Melbourne, London and New York focusing on infrastructure and resource project financing, auditor with KPMG, New Zealand and Exxon in Malaysia and he was a lecturer in a Malaysian college.

Mr. Sethu is a 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

Y.Bhg. Tan Sri Dato' Seri Ong Ka Ting,
Chairman

Dear Valued Shareholders,

Since retiring from active service in the Malaysian Government Administration more than six years ago, I have been keeping myself occupied with various activities, particularly my involvement as the Chairman of the Malaysia-China Business Council, which is one of the platforms for advancing bilateral trade and business interests between both countries.

When I was first approached to assume the Chairmanship of Taliworks, it did not take me long to arrive at a decision and I was honoured that my services were still valued and required. This appointment is my second foray into the corporate world as a board member. Coming into this Annual General Meeting, it is refreshing to know that some of you have been with us for a considerable length of time as shareholders.

Although I have only been Chairman for less than two months, I have been keeping abreast of the developments within Taliworks. It is significant to me to note that the Group is actively engaged in the waste water treatment and solid waste management businesses in China. I firmly believe that given the right impetus and networking opportunities, management will be able to steer the businesses of the Group in China forward, and deliver long term growth which is sustainable and rewarding.

On the global front, economies are in a much better shape than before, and the financial markets, which have gone through much upheaval, have rebounded considerably. This augurs well as China's growth has been much in focus lately, with all eyes on how the world's second largest economy will fare given that the rest of the developed markets are still exhibiting somewhat anemic growth.

Financial Performance

I wish to report to shareholders that for the year ended 31 December 2013, the Group posted a lower profit after tax of RM25.09 million, down from RM42.76 million achieved a year ago although revenue was higher at RM281.81 million compared to RM253.34 million previously. The financial performance of the Group was impacted by the impairment in one of our projects and the effects of discounting from the continued delay in receiving payments, both of which are elaborated upon in the Executive Director's Review of Operations.

As in previous years, the water treatment, supply and distribution business, which accounts for the bulk of revenue and profits of the Group, saw its contribution severely undermined by the impairment of trade receivables arising from the continuing delay in receiving payments. Your attention is thus drawn to this issue, which is also highlighted by the auditors in their audit report as well as in the relevant notes in the financial statements, which provide further disclosure on this subject matter.

CHAIRMAN'S STATEMENT

Dividends

The Board wishes to re-affirm its commitment to creating long term shareholder value by ploughing back the Group's cash reserves to expand the existing concession-based businesses. Taliworks firmly believes that this business model will greatly enhance the ability of the Group to sustain a steady stream of recurring income and cash flow.

Our current major investment in China, namely the operations of the four wastewater treatment plants in Yinchuan which the Group has been managing since 2012, is at the early stage of operations and is not expected to contribute any dividends over the medium term. The Group is also facing another challenge as current operations in the water treatment, supply and distribution sector are saddled with high receivables, thus limiting the ability of the Board to meet shareholders' expectations for higher dividend payouts. Until the water consolidation exercise in Selangor is amicably settled and the long outstanding debts adequately addressed, the Board will be hard-pressed to declare a higher quantum of dividends to shareholders. We look forward to the day when our receivables can be fully repaid so that the Board is in a position to assess Taliwork's capability to return the cash surplus to shareholders.

Despite the challenges faced by Taliworks, the Board, in appreciation of your continued support, has recommended the payment of a final single-tier dividend of 1.0 sen per share, which is subject to your approval at the forthcoming Annual General Meeting of the Company.

Future Outlook and Prospects

Although the Group has been successfully managing its concession assets thus far, there remain ever present key challenges. Foremost would be putting our businesses in China on a better footing and, in particular, achieving our goal of ensuring that our wastewater treatment business in Yinchuan is managed effectively and profitably. The next two years will be crucial as we embark on a massive undertaking to expand and upgrade the wastewater treatment plants which will yield a higher tariff rate.

Needless to say, our business prospects will depend on our ability to innovate, change with the times and enhance our core competencies to sharpen our competitiveness and create new markets for ourselves. Therefore, to crystallise these aspirations, we have mandated the management to pursue measures that are necessary to attain these goals by raising the bar on the Board's expectations on management to deliver exceptional performance.

To achieve these ambitions, emphasis will also be given to ensure a more stringent and robust risk management as well as internal control framework is in place and that our strategies and business plans are routinely examined and evaluated to keep pace with current developments.

Acknowledgement

I am saddened by the intended departure of two of the longest serving directors, Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir and Encik Sulaiman bin Salleh. In the interest of maintaining independency of the Board in accordance with the recommendations under the Malaysian Code on Corporate Governance, they have decided not to offer themselves for re-election at this forthcoming Annual General Meeting. Dato' Sinon has served the Company since 1996 whereas Encik Sulaiman has been with us since 2002. My predecessor, Encik Suhaimi bin Kamaralzaman, who resigned in March of this year, has served the Board since 2010.

Their service to the Group has been invaluable and, on behalf of the Board and members of the Taliworks, I would like to take this opportunity to place on record our appreciation to all of them. We are truly grateful for their immense contributions and wish to extend our very best wishes to them.

Likewise, I would like to extend a warm welcome to Mr. Vijay Vijendra Sethu, who, like myself, joined the Board in April. Mr. Vijay has over thirty years of experience in investment banking across several continents and we are indeed fortunate to have him on board.

To the management and staff of the Group, the Board would like to acknowledge your hard work, dedication and commitment. Without your contributions, we would not be where we are today, a successful, resourceful and dynamic group.

To our shareholders, I would like to thank you for your unwavering support and we look forward to your continuing vote of confidence.

Last but not least, we wish to express our gratitude to all others who have in one way or another contributed to our success throughout the year.

Thank you.

Tan Sri Dato' Seri Ong Ka Ting
Chairman

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

Mr. Lim Yew Boon,
Executive Director

The increased complexity of today's evolving business environment, as well as fluctuating global economic conditions, pose some challenges to the administration of the businesses of Taliworks. Despite adhering to what is assumed to be a stable and safe business model for the operation and management of concessions, several impediments continue to hamper our efforts, and have slowed down growth in our operations.

The on-going stalemate in the Selangor water restructuring exercise has garnered its fair share of publicity in the media throughout the year, and the Group continues to bear the brunt of negative sentiment from the prolonged uncertainty of settlement. Stemming from this, we continue to see a significant reduction in cash flow whilst enduring a high level of trade receivables which are subject to impairment. To date, several attempts have been made by all parties concerned to bring the matter to an equitable resolution. While these efforts have sparked several false starts, they have also given rise to unexpectedly positive developments that could nudge those involved closer to an agreement.

At the operational level, the high trade receivables in the water treatment, supply and distribution sector in Selangor continues to stand out as one of the key dominant risks as it puts a spotlight on the industry's deteriorating finances. The gross receivables from our primary customer, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), for the financial year ended 31 December 2013, stood at almost RM260 million, up from RM218 million for the previous comparable period. Whilst we still have our eye trained on the ball, uncertainty still persists as to the effects of the eventual outcome of the impasse. As the issue has been dragging for a considerable length of time, we believe that the stalemate will eventually have to be resolved to address the wider interests of consumers. Towards this end, we have been fine-tuning our internal strategies to re-position ourselves to both protect the Group's assets and safeguard its pecuniary interests in this matter. Until the impasse in the water restructuring exercise can be sorted out comprehensively, residual effects will continue to affect the financial performance of the Group.

Even with the best laid plans and stringent risk mitigation in place, there is still the possibility that things may go awry. In 2011, the Group commenced the construction of Phase 1 of the 20 million litre a day ("MLD") LINHE waste water and recycle water treatment plant in Yinchuan under a build-operate-transfer concept. The company undertaking this project was initially awarded a 30-year concession to manage and operate the facility. As reported last year, there was a delay in the project due to several factors. Eventually, the contracting parties came to the conclusion that since they could not come to an agreement on certain key issues, it would be in the best interests of all parties to transfer the partially constructed facility to the grantor to complete the project. The Group is in the midst of negotiations to settle the final compensation sum and bring the matter to a close. Arising from this turn of events, the Group made a significant adjustment to its financial results.

EXECUTIVE DIRECTOR'S
REVIEW OF OPERATIONS

In the wider global economy, the pace of growth in developed markets continues to improve whilst moderate growth is seen within key emerging economies. On the domestic front, despite a weaker external economic environment during the first half of the year, Malaysian GDP grew by 4.7% in 2013 (2012: 5.6%), driven by higher growth in domestic demand and led by robust private sector activity. Although risks to domestic growth and inflation were assessed to be balanced during the earlier part of the year, uncertainty increased towards the second half.

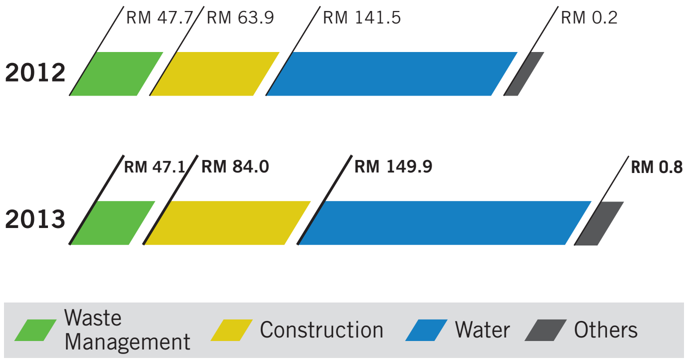
With growth momentum improving in the second half of the year and expected to continue into 2014, there was uncertainty about the strength of the global recovery and the extent to which the nation's fiscal consolidation and subsidy rationalisation would affect domestic demand. The Malaysian Central Bank has projected that the country's economy is expected to remain on a steady growth path in 2014, expanding by 4.5%-5.5% with domestic demand being the key driver of growth, albeit at a more moderate pace.

Review of Financial Performance

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

	2012	**2013**	
Financial Results *(in RM'000)*			
Revenue	253,338	**281,812**	11.2%
Operating Profit	71,025	**52,936**	(25.5%)
Profit before tax	61,046	**39,123**	(35.9%)
Financial Position *(in RM'000)*			
Total assets employed	980,859	**1,051,901**	7.2%
Shareholders' Equity	566,439	**605,557**	6.9%
Key Financial Ratio			
Basic EPS (sen)	9.9	**6.4**	
Net asset per share (sen)	129.77	**138.73**	
Return on Equity (%)	7.8	**4.3**	
Return on Assets Employed (%)	4.5	**2.5**	
Debt-to-equity (%)	55	**55**	

The following is the breakdown of Taliworks' revenue by segment in million :-



In the financial year ended 31 December, 2013, Taliworks posted a revenue of RM281.8 million as compared to RM253.3 million in the previous year. This takes into account an amount of RM22.9 million (2012: RM17.8 million), a provision for discounting on a deferred payment consideration arising from the expected delay in collections, mostly from SPLASH.

Higher revenue was primarily achieved from increases in contributions from both the water treatment, supply and distribution as well as the engineering and construction segments. These segments recorded a turnover of RM149.9 million (2012: RM141.5 million) and RM 84.0 million (2012: RM 63.9 million) respectively during the financial year. The water treatment, supply and distribution business continues to be the largest contributor with its metered sales of treated water accounting close to 57% of the Group's revenue (before the impact of the provision for discounting). Revenue from this segment has risen due to higher production output recorded from both the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") under Sungai Harmoni Sdn. Bhd ("Sungai Harmoni") and from Taliworks (Langkawi) Sdn Bhd ("Taliworks Langkawi"). Revenue from the construction segment was mostly attributable to the on-going Mengkuang Dam Expansion project. As for the Group's waste management operations in China, the biggest contributor was the Yinchuan Wastewater and Recycle Water Treatment Plant. Out of the total RM47.1 million (2012: RM47.7 million) in revenue recorded from this segment, RM35.2 million (2012: RM33.4 million) was directly contributed by this project, which currently represents our largest investment outside of Malaysia.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

Taliworks' operating profit declined to RM52.9 million as compared to RM71.0 million in 2012. This was due mainly to the effects of discounting on trade receivables which, similar to the previous year, is one of the key operational issues faced by the Group and arises from the continued delay in receiving payments as well as a RM10.1 million impairment that was recognised from the LINHE project.

At the pre-tax level, an amount of RM39.1 million was recorded as compared to RM61.0 million previously.

WATER AND ENGINEERING DIVISION

In the concession areas served by both Sungai Harmoni and Taliworks Langkawi, water supply demand remained fairly strong. SSP1 operations posted a significant 10.0% increase in production output, while Taliworks Langkawi was able to increase its metered consumption output by a respectable 6.6%. The growth in water demand in the Klang Valley which SSP1 supplies is expected to continue in 2014 due to increasing demands from both residential and commercial customers. The ability of SSP1 to meet this demand growth in the long term was enhanced by the completion in March 2013 of the project initiated by the Selangor State Government to upgrade SSP1's pumping installations to its original nominal design capacity of 950 MLD. This will drive higher production output in SSP1.

The operations of Sungai Harmoni and Taliworks Langkawi continue to face challenges brought about by external factors such as climate and regulatory changes. As a result, the optimisation of production costs, especially electrical and chemical, which account for between 45%-65% of total operating costs, continues to be monitored and controlled. This is done through computer aided comprehensive servicing and maintenance programs coupled with progressive rehabilitation and improvement programs, ensuring uninterrupted operations. Concurrently, a responsive operations regime as well as effective standard operating procedures has been put in place to respond in a timely manner to environmental changes such as unpredictable weather, changing raw water quality and pollutant spikes.

Sungai Harmoni and, to a lesser extent Taliworks Langkawi, continue to be hampered by escalating trade receivables which, as yet, have not been entirely resolved. For Sungai Harmoni, this is being managed through financial assistance provided by SPLASH and through improved collections during the year for Taliworks Langkawi. Since the implementation of the Water Services Industry Act 2006 (Act 655) ("WSIA") on 1 January 2008 and the expiry of the 2-year initial authorisation period, Taliworks Langkawi has opted for written authorisation in preference to the licensing regime. Accordingly, Taliworks Langkawi was granted written authorisation pursuant to Section 192(5) of the WSIA by the National Water Services Commission ("SPAN") to undertake and carry out operations and activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004 effective from 1 February 2013 to the end of the concession on 31 October 2020. Sungai Harmoni, on the other hand, is still awaiting resolution of the consolidation of the Selangor water supply concessions by either the State or Federal Government.

In previous years, river flows were generally adequate to sustain the abstraction operations of SSP1/SSP2/SSP3, supported by regulated releases from the Sungai Selangor and Sungai Tinggi Dams during the usual dry spell in the third quarter of the year. In 2013, these regulating dams did not manage to recover their full service levels by year end and appeared to have inadequate storage reserves to meet the regulating needs of these water treatment plants during the coming dry seasons in 2014, which is expected to put a damper on SSP1 sales.

The consolidation of the Selangor State water supply system through the restructuring of the four water concessions by Selangor remains unresolved despite a final offer by the Selangor State Government. As a result of the impasse, Sungai Harmoni's trade receivables have escalated further and this curbs our ability to manage its operational activities more efficiently due to declining cash reserves.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

As for the Langkawi operations, over half of the metered consumption in Langkawi is attributed to the hotel and tourism industry. As such, the monthly metered consumption is greatly influenced by the seasonal arrivals of tourists, both foreign and local, which has shown an uptrend in 2013, averaging 47.81 MLD or an increase of 6.6% over the previous year. Taliworks Langkawi's cash flow continued to improve during the year as payments were received for outstanding receivables for the current year as well as partial payment of some long overdue receivables. This has enabled Taliworks Langkawi to carry out its operational and maintenance obligations in a more systematic and efficient manner.

CONSTRUCTION & ENGINEERING DIVISION

The Mengkuang Dam Expansion Project ("MKGD") continues to be the mainstay of the engineering and construction division in 2013. To recapitulate, the project sub-contracted at a contract value of RM339 million consisted broadly of site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Construction work commenced in August 2011 and is scheduled to be completed by the July 2016 deadline.

Though we have managed to make reasonably good progress on the MKGD project throughout 2013, we believe that we could have done better if not for the labour shortages in the market. Nevertheless, we managed to devise a comprehensive risk management plan at the onset of the project and actively maintain it to promote internal process changes to counter the vagaries of the market. Costs for the project did rise, however effective management measures were taken to bring them in line with the budget. I am pleased to report that actual progress is at about 40% and construction of the dam embankment is on schedule.

The RM20.3 million Upgrading of the SSP1 Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir ("SSP1 project") was successfully completed within time. This large-diameter pipe laying project concerns the construction of a 3.8km long DN 1800mm mild steel raw water pumping main and 250m long DN 900mm mild steel inter-connection pipe works at the Matang Pagar Reservoir. The SSP1 project provided us with the opportunity to engage in the construction of the biggest inter-connection pipe works in the country with a reclined position using the hot tapping method. Most importantly, the timely completion of the project resulted in an increase of the supply capacity of SSP1 to its design capacity of 950 MLD.

TOLL HIGHWAY DIVISION

Subsequent to the one bound closure at each of the two toll plazas which took effect on 2 March 2012, the Cheras-Kajang highway witnessed a steady growth in its traffic volume as the cost of travelling on the highway has been reduced by half. The average daily traffic ("ADT") increased from 132,081 vehicles/day (for the 10 months in 2012, post one bound closure) to 137,936 vehicles/day for the year 2013, an overall increment of 4.4%. In terms of growth by plaza, the ADT at Plaza Batu 9 and Plaza Batu 11 grew by 2.7% and 6.5% respectively. The growth rate at Plaza Batu 9 is evidently lower due to the commencement of construction works on the Mass Rapid Transit ("MRT") project which runs along the highway. The aforementioned works caused traffic congestion during peak periods due to the narrowing of roads leading into the highway from the city and also affected sections along the highway as well. Traffic flow is expected to return to normalcy after July 2014 with the expected completion of the MRT works on the ground.

As part of its service commitment to road users to ensure smooth and uninterrupted traffic flow, Grand Saga Sdn Bhd ("Grand Saga"), the operator of the highway, implemented "contra flow" operations to alleviate the traffic congestion for Kajang bound traffic in the evening and Kuala Lumpur bound traffic congestion in the morning. It was conducted with the assistance of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police. As an additional initiative to further improve the level of service, Grand Saga plans to convert and re-configure the toll collection lanes salvaged from the one bound closure in 2012, converting the lanes by stages into electronic tolling. These additional electronic toll lanes will cater to the increasing number of Electronic Toll Collection ("ETC") users and reduce transaction times during peak periods.

On 6 February 2014, Grand Saga became a signatory of the Corporate Integrity Pledge ("CIP"). The CIP is a document that allows a company to make a commitment to uphold the Anti-Corruption Principles for Corporations in Malaysia. The CIP was jointly developed by the Integrity Institute of Malaysia, Transparency International Malaysia and the Malaysian Anti-Corruption Commission.

The highway division continues to seek to extract the fullest potential from its expertise in highway operations by investigating the acquisition of interests in other tolled roads, both locally and abroad. Towards this end, the company has RM330 million of undrawn Sukuk facility from the RM750 million Sukuk facility issued on 31 January 2013.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

WASTE MANAGEMENT DIVISION

Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM manages, operates and maintains the Tianjin Panlou Municipal Solid Waste Transfer Station and its related assets with a concession period of 21 years ending in 2025. The company has managed the facility since 1 January 2005 and since then has carried out operations in accordance with the terms of the concession. Compared to the previous year's production of 333,773 tonnes (919 tonnes/day), the current tonnage of waste processed stood at 337,436 tonnes (924 tonnes/day), which is a marginal increase from last year. Operating cost per tonne was higher compared to the previous year, mainly as a result of higher fuel and manpower costs coupled with a short term trial run of delivering waste to a newer and farther incinerator site.

Due to the aging of the truck fleet, a total of six new trucks were progressively replaced during 2013. Turnaround time has vastly improved, resulting in the ability to increase the tonnage of waste processed. Nevertheless, despite improvements in turnaround time, there was only an incremental increase in the waste processed as we are negotiating for higher tariff rates before agreeing to raise the quantity of waste processed. Beyond addressing the issue of tariff increases and truck replacements, other important matters relating to the station's general environment, refurbishment, health and safety measures are being looked into on a continuous basis as part of our efforts to upgrade the service level as well as improve the general well-being of staff.

Puresino (Guanghan) Water Co Ltd.

Puresino (Guanghan) manages and operates the 50-million litre a day Guanghan San Xin Dui wastewater treatment plant in the city of Guanghan in the province of Sichuan with a concession period of 30 years ending in the year 2033. This project marks a historical milestone for Taliworks, as it is the Group's first foray into the wastewater treatment industry in China. Commercial operations started in the third quarter of 2007.

During the year, the tonnage of waste effluent processed was significantly lower due to damage to the incoming waste water pipeline caused by floods which occurred in July 2013. Production for the year was recorded at 4.59 million litres, a marked decline of over 56% from the 10.48 million litres achieved a year ago. Due to the shutdown of the facility, production capacity was down to an average of 49% of the plant's design capacity. Fortunately, production was able to resume to normal level in January 2014 and we are optimistic that production should achieve an average of more than 60% of the plant's design capacity in 2014.

As reported in the previous year, we are still in a dispute with a minority shareholder and this has yet to be resolved amicably. Arising from the dispute, operations have been affected significantly resulting in the operation cost per tonne to increase considerably as the operations and management of the facility is handled by a third party caretaker operator. On a brighter note, all the remaining litigation cases involving the company however, have been resolved and decided before the courts.

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd

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

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

This being the second year in operating the facilities, the amount of treated waste water registered an increase of 6.8% from last year. Production was recorded at 121.26 million litres (or equivalent to 332 MLD) increasing from 113.49 million litres previously, exceeding the design capacity of 300 MLD by 10%. Whilst operating costs have increased in line with higher production levels, they are being continuously monitored to ensure that they are kept within budget.

Plans are already underway to upgrade and expand the total capacity of the four waste water treatment plants by another 100 million litres per day to 400 million litres per day. The estimated additional investments that the Group is required to invest to upgrade and expand the facilities is in the region of RMB650 million. This is a substantial investment. However, we are taking the long term view that the investment proposition is viable and will provide a recurring income stream and sustainable cash flow over the period of the concession. Our first undertaking is to successfully upgrade and expand one of the water treatment plants for an estimated amount of RMB162 million before proceeding to the following phases. The upgrade and expansion is expected to commence in the second quarter of 2014 and is anticipated to take a year to complete. With the completion of the upgrade and expansion, we look forward to higher tariff rates to commensurate with the investments that we have made.

KEY PRIORITIES AND CHALLENGES

As in the previous year, our investments in China pose the greatest challenge as we do have a sizeable portion of our funds invested there. These challenges arise from three main areas, the differences in the legal framework, the working culture and our expectations. The increasingly high cost of doing business also stands out as being one of the principal contributory factors. As such, considerable efforts and resources have been directed to ensure that our long term business objective of expanding our footprint in the waste management sector is on track with our strategic business plan. As our investments in China are essentially long term in nature, we stand by our principle to not deliver short term gains at the expense of creating long term problems which may jeopardise the eventual returns from these investments.

In the coming year, all eyes will be on the upgrading and expansion of one of the waste water treatment plants in Yinchuan as this will set the groundwork for the other remaining plants to follow suit. The immediate priority is to ensure that this undertaking is implemented effectively and efficiently within the cost structure.

Also foremost in our consideration is the final outcome of the consolidation of the water concessionaires in Selangor. The issue is compelling as it is expected to alter the dynamics of the water treatment, supply and distribution industry in Selangor through the introduction of new players, and revamp how the entire water supply will be managed and funded. We are cautiously optimistic that it will be eventually resolved.

Despite all of the setbacks that we encountered throughout the year, we have worked tirelessly to ensure that all the businesses of the Group are properly managed and are aware that there is no room for complacency. Unpredictable global economic conditions and growing business complexities have all changed the landscape of decision making. Nevertheless, we will continue to strive to meet rising shareholders' and stakeholders' expectations and to repay the faith in us by delivering respectable returns on your investments.

Thank you.

LIM YEW BOON
Executive Director

CORPORATE SUSTAINABILITY STATEMENT

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

Thus, it becomes inevitable that an organisation has to put in thought and effort to seriously consider the interest of all stakeholders and work towards a win-win situation where all parties concerned are able to derive some degree of benefits without leaving any parties to an extremely disadvantaged position. However, it should be acknowledged that interest of the various parties maybe somewhat conflicted with one another and that a balanced approach would be required to minimise such conflicts. Up and foremost for the long term survival of an organisation, is the attainment of a sustainable business model incorporating good Corporate Social Responsibilities ("CSR") practices that embraces responsibilities for the impact arising from the conduct of its activities.

Unlike the past, organisations today are hard pressed to spell out clearly their commitment towards environmental, social, governance ("ESG") and sustainability agendas as well as give an account of the effects and outcomes of their business practices on their stakeholders. In addition, stakeholders are also clamouring for organisations to disclose how their activities can benefit communities and consumers and outline how they mitigate any negative impact arising from their business activities.

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

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

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 subscribe to the principle that our employees are one of the main pillars of our success and they remain our most valuable asset.

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

- Promoting a safe working environment that foster mutual respect where employees irrespective of status, position and gender are treated with dignity and free from sexual harassment;
- Ensuring continuous human resource development by making available training and career advancement opportunities;
- Providing suitable sporting and recreational amenities to our employees to lead a balanced and healthy lifestyle;
- Adopting non-discriminatory hiring practices;

CORPORATE SUSTAINABILITY STATEMENT

- Providing staff with medical, dental, hospitalisation and insurance benefits including certain benefits to extended family members;

- Making available opportunities to our employees to share ownership of the company through the implementation of an employees' share option scheme;

- Providing a smoke-free environment at the workplace;

- Enabling the sharing and transfer of knowledge within the various business units in the organisation through the provision of short term visitation by staff to other operating units.

CONTRIBUTION TO THE COMMUNITY

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

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

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

- Arranging and paying for the connection of water supply to certain deserving residents in Langkawi;

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

- Organising festive open house and participating in cooperative programmes with the authorities to benefit the orphanages, the underprivileged and the handicapped during festive seasons particularly our Ramadan outreach programmes;

- Providing sponsorship to certain sporting carnivals and deserving school children returning to classes;

- Organising events to inculcate road safety awareness amongst road users and the younger generation including holding joint campaigns at the Cheras-Kajang Highway during the festive seasons to reduce road fatalities by way of distribution of safety brochures and goodies to road users. Additionally, safety awareness talks and exhibitions are held at selected secondary schools within the vicinity of the Highway throughout the year;

- Extending toll rate discount to road users at the Cheras-Kajang Highway during certain festive seasons and distributing free Touch N' Go card during major festivals to highway users in order to increase the patronage of electronic tolling and to alleviate congestion at cash toll lanes;

- Organising the School Assistance and Charity Homes programmes with the objective of benefitting poor students and charitable homes within the vicinity of the Cheras-Kajang Highway.

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.

CORPORATE SUSTAINABILITY STATEMENT

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

- Continuing collection of raw water quality data in the catchment area(s) where some of our water treatment plants operate for study and research into long term pollution trends and sources so that the appropriate 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;
- Creating awareness amongst schools, universities and community groups by participating in testing the quality of streams, rivers, lakes within the water catchments and submitting the results to the International Water Association's online database;
- Participation in events organised by the relevant government/state authorities on environmental, water conservation, recycling campaigns in our waste management operations in the People's Republic of China;
- Creating awareness amongst the employees on green issues and their contribution to global warming and encouraging the practice of the 3Rs within the organisation including water conservation in some of our operations;
- Leveraging on the advances in the field of technology by conducting paperless e-meetings, where permissible, to minimise usage of papers.

CORPORATE SUSTAINABILITY STATEMENT

ENGAGEMENT WITH THE RELATED STAKEHOLDERS

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

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

- Continued participation in the CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia with the aim of ensuring wider research coverage on our Company;
- Granting request to investors, financiers and rating agencies to discuss the developments within the organisation through an investors' relation function;
- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time;
- Providing stakeholders with dedicated emails at info@taliworks.com.my and investor@taliworks.com.my for them to communicate with the Company on any matters.

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. 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.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

A. BOARD OF DIRECTORS

1. Board Responsibilities

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

1. Board Responsibilities (cont'd)

- The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, that 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, changes to the composition of the Board and the board committees as well as control structure within the Group.

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

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

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

2. Board Composition, Balance and Changes

- At the end of the financial year, the Board, led by an Independent Non-Executive Chairman, was made up of six (6) members (including the Chairman) comprising one (1) Executive Director and five (5) other Non-Executive Directors, four (4) of whom are Independent Directors.

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

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

- The Board having reviewed the size and complexity of the Group's operation is of the view that the number of members in the Board is appropriate. Nevertheless, the Board is receptive to revamp the composition of members to ensure that the Board is able to function more effectively.

- Under the Code, it is recommended that the Board must comprise a majority of Independent Directors where the chairperson of the Board is not an Independent Director. Encik Suhaimi bin Kamaralzaman (subsequently resigned from the Board on 31 March 2014), who was then a Non-Independent Non-Executive Chairman, was re-designated as an Independent Non-Executive Chairman on 17 October 2013 following the cessation of Kumpulan Perangsang Selangor Berhad, in which he is the Group Chief Executive Officer/Managing Director, as a substantial shareholder of the Company.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

2.1 Role of the Chairperson

Encik Suhaimi bin Kamaralzaman, who was then the Independent Non-Executive Chairman, presided over the meetings of the Board. His roles and functions were clearly separated and distinct from those of the Executive Director whom is specifically responsible for managing the strategic and operational agenda of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day-basis. Other than monitoring the conduct of the board meetings and meeting of shareholders, the chairperson is to ensure that all relevant issues for the successful stewardship of the Group's business were on the Board agenda to facilitate effective decision making by the Board.

2.2 Role of the Executive Director

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

2.3 Role of the Non-Independent Non-Executive Directors

The Non-Independent Non-Executive Director, Mr. Lim Chin Sean, does not participate in the day-to-day management of the Group. However, he contributes in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. He is expected to provide constructive input and where required, provide the requisite guidance to the Executive Director when faced with the challenges in running the day-to-day affairs of the Group.

2.4 Role of the Independent Non-Executive Directors

The Independent Non-Executive Directors, Y. Bhg Dato' Hj Mohd Sinon bin Mudakir, Encik Sulaiman bin Salleh and Mr. Soong Chee Keong, play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision making process of the Board. Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretary in the Board minutes.

Members of the Board come from varied background and each brings with them a wide range of business and financial acumen, competence, knowledge and experience relevant and necessary for the effective stewardship of the Group.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

3. Board Diversity and Skill-set

	Gender	Age Profile			Skill-set		
	Male	30-45 years	46-60 years	>61 years	Finance related	Engineering related	IT related
ED	1	-	1	-	-	1	-
INED	4	2	-	2	4	-	1
NINED	1	1	-	-	-	-	1
Total	6						

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

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

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

4. Tenure of Directors

As at 31 December 2013	Less than 3 years	3-9 years	More than 9 years
ED	-	1	-
INED	2	-	2
NINED	1	-	-
Total	6		

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

4. Tenure of Directors (cont'd)

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

- Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir and Encik Sulaiman bin Salleh, Independent Directors who have served the Company for more than nine (9) years, have indicated their intention to the Board not to seek re-election at the forthcoming Annual General Meeting.

5. Directorship in Other Public Listed Companies

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

6. Board Charter

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

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

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

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

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

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

  (f) appointment of Board committees;

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

6. Board Charter (cont'd)

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

7. Directors' Code of Business Conduct and Ethics

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

- This code sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company or when representing the Company and includes the expectation of professionalism and trustworthiness from the Directors.

- The Code of Business Conduct and Ethics for Directors was approved and formally adopted on 24 April 2013 and a copy of the document is published in the Company's website at http://www.taliworks.com.my/governance/conduct_and_ethics.html

8. Board Meetings

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

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

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

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

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

  (c) reviewing the reports and minutes of each of the Board committees; and

  (d) legal and secretarial matters including any pronouncements from the stock exchange.

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

8. Board Meetings (cont'd)

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

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

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

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

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

10. Appointments to the Board

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

11. Re-Election of Directors

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

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

CORPORATE
GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

11. 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.

- In accordance with the Code, the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years.

12. Directors' Training

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

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

Encik Suhaimi bin Kamaralzaman	• Personal Data Protection Act (PDPA) 2010 Executive Briefing • The Business of Innovation • Corporate Governance Talk • Nominating Committee Program
Mr. Lim Yew Boon	• Personal Data Protection Act (PDPA) 2010 Executive Briefing
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	• Personal Data Protection Act (PDPA) 2010 Executive Briefing
Encik Sulaiman Bin Salleh	• Personal Data Protection Act (PDPA) 2010 Executive Briefing
Mr. Lim Chin Sean	• Personal Data Protection Act (PDPA) 2010 Executive Briefing
Mr. Soong Chee Keong	• Personal Data Protection Act (PDPA) 2010 Executive Briefing • GST briefing • Deloitte TaxMax 39th series • Advocacy Sessions on Corporate Disclosure for directors

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees

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

13.1 Composition of Board Committee

The composition of the Board committees as at the end of the financial year was as follows:-

	AC	NC	RC	IC	EC
ED					
Mr. Lim Yew Boon				M	M
INED					
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	M[2]	C[1]		M	
Encik Sulaiman bin Salleh	C[1]	M[2]	M	C	C
Encik Suhaimi bin Kamaralzaman			C		
Mr. Soong Chee Keong	M[3]				
NINED					
Mr. Lim Chin Sean		M	M		

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

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

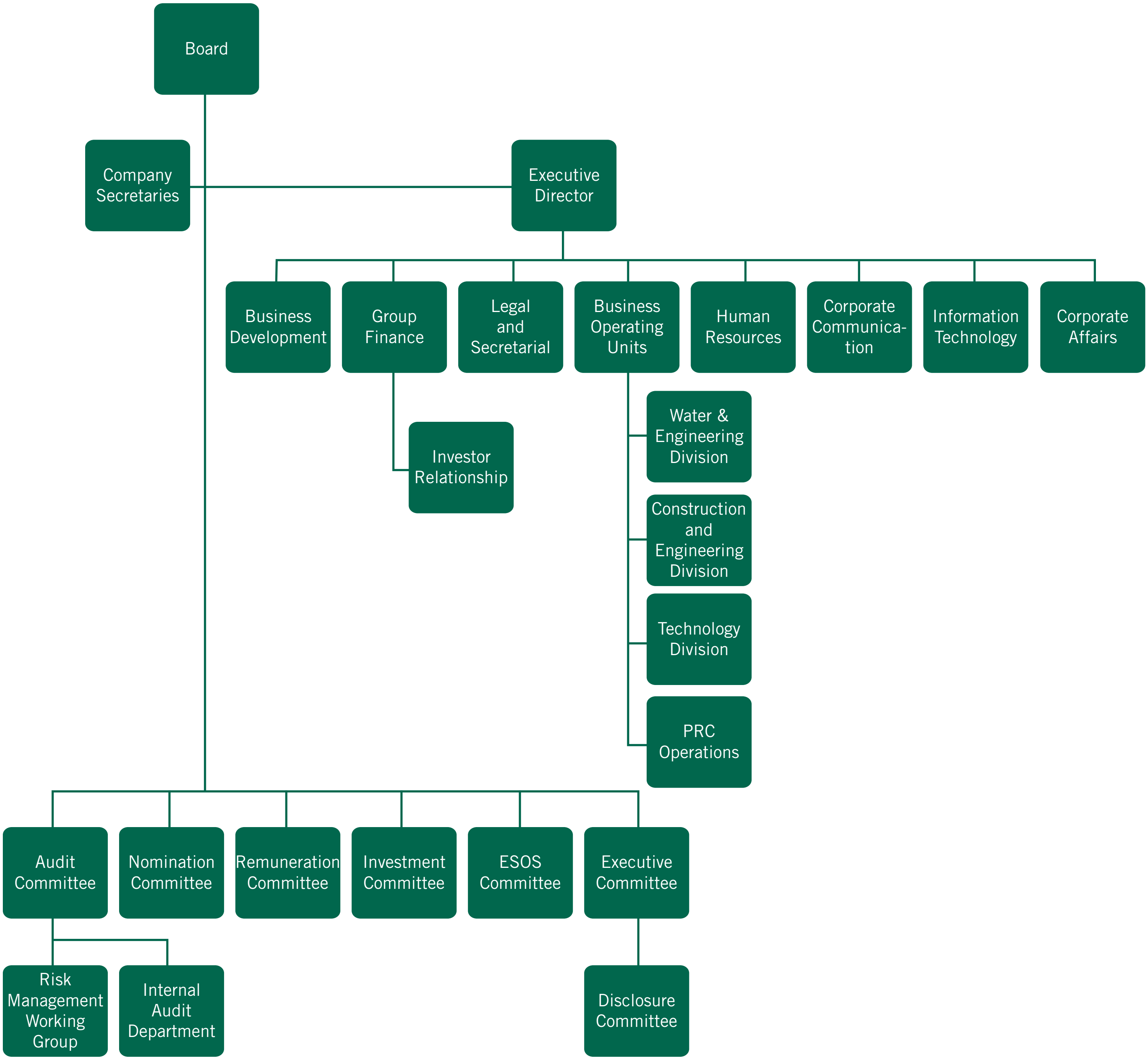
Note:-
1 - re-designated as Chairman on 27 February 2013
2 - re-designated as a member of the Committee on 27 February 2013
3 - appointed on 27 May 2013

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.2 Governance Structure

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



CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.3 Audit Committee

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

13.4 Nomination Committee

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

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

13.5 Remuneration Committee

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

13.6 Investment Committee

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

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.8 Executive Committee ("EXCO")

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

13.9 Company Secretaries

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

13.10 Risk Management Working Group ("RMWG")

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

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

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

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

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

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

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

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

CORPORATE
GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.11 Internal Auditors

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

13.12 Disclosure Committee

Pursuant to the recommendation of the Code, the Board has established the Disclosure Committee to administer, implement and interpret the Company's Corporate Disclosure Policies and Procedures. The members of the Disclosure Committee comprise the following:-

(a) the chief executive officer of the Company;
(b) the chief financial officer of the Company;
(c) the chief regulatory officer of the Company; and
(d) such any other directors and officers of the Company as may be determined by the Board.

14 Record of Attendance at Meetings

The record of attendance of each of the Directors of the Company during the financial year was as follows:-

	BOD	AC	NC	RC
<u>ED</u>				
Mr. Lim Yew Boon	7/7			
<u>INED</u>				
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	6/7	5/6	2/2	
Encik Sulaiman bin Salleh	7/7	6/6	2/2	1/1
Encik Suhaimi bin Kamaralzaman	7/7			1/1
Mr. Soong Chee Keong	4/4	4/4		
<u>NINED</u>				
Mr. Lim Chin Sean	6/7		1/2	1/1
Mr. Wong Yien Kim (Resigned on 17 October 2013)	5/5	4/4		

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

14 Record of Attendance at Meetings (cont'd)

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

B. DIRECTORS' REMUNERATION

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

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

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

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

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

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

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

BOD - Board
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CORPORATE
GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION (cont'd)

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

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

	Executive Director (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(i) Fees	25	185	210
(ii) Salaries, bonus and defined contribution plan	288	-	288
(iii) Other emoluments	303	72	375
Total	616	257	873

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

Range of Remuneration	Executive Director	Non-Executive Directors	Total
Up to RM50,000	-	4*	4
RM50,001 to RM100,000	-	2	2
RM600,001 to RM650,000	1	-	1
Total	1	6	7

* *inclusive of one (1) Director who resigned during the year*

C. RELATIONSHIP WITH SHAREHOLDERS

1. Investors' Relationship, Media and Shareholders Communication

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

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

- The Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on the Group by an independent research house, Netresearch-Asia Sdn. Bhd. (+603-2163 3700); so as to provide shareholders and other stakeholders with further information to facilitate their investment decisions. For 2013, four reports have been published as follows:-

Title of Report		Date of Publication
4QFY12 Results Update	:	28 February 2013
2QFY13 Results Update	:	29 August 2013
3QFY13 Results Update	:	21 November 2013
4QFY13 Results Report	:	27 February 2014

  Copies of independent research reports on the Group can be downloaded from http://www.bursamalaysia.com/market/listed-companies/research-repository/research-reports

- Within the organisation, the Group's investor relationship is headed 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.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

2. Primary Contact for Investors Relation Matters

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

Mr. Lim Yew Boon ronnie@taliworks.com.my	Mr. Lim is the Executive Director of the Company
Wong Voon Leong victorwong@taliworks.com.my +603 2788 9100	Aged 49, he is currently serving as the General Manager, Group Finance, a position he held since he joined the Company in 2004. He has been involved in investors' relationship for more than ten years. He qualified as an accountant and currently is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

3. Annual General Meeting ("AGM")

3.1 Shareholders

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

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

- The chairperson of the AGM will inform shareholders of their right to demand a poll vote at the commencement of the AGM and also before any vote is taken by a show of hands. In compliance with the Listing Requirements, the Company has amended its Memorandum and Articles of Association in the previous AGM to incorporate the provision for electronic poll voting.

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

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

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

3.3 Members of the Media

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

CORPORATE GOVERNANCE STATEMENT

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

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

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

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

- As required by the Act and the Listing Requirements, the financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

- The Directors have considered in preparing the latest set of financial statements, that the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

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

3. Risk Management and Internal Control

- The Statement on Risk Management and Internal Control set out in this Annual Report required to be made pursuant to the Listing Requirements, provides an overview on the state of risk management and internal control of the Group.

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

- The risk management 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 Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments, the Group's assets, and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Board wishes to highlight that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss due to inherent limitations.

CORPORATE GOVERNANCE STATEMENT

D. ACCOUNTABILITY AND AUDIT (cont'd)

4. Relationship with External Auditors

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

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

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

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

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

E. CORPORATE DISCLOSURE POLICIES AND PROCEDURES

Along with good corporate governance practices, the Group is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis. In line with this commitment and in order to enhance transparency and accountability, the Board has approved the adoption of the Corporate Disclosure Policies and Procedures on 20 November 2013 that sets out the general principles and standards of disclosure of information in relation to the business, operations and financial performance of the Group. A copy of the document is published in the Company's website at http://www.taliworks.com.my/governance/disclosures.html

F. DIVIDEND POLICY

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

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

CORPORATE GOVERNANCE STATEMENT

G. WHISTLE-BLOWING POLICY

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

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

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

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

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

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

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

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

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

H. SUSTAINABILITY

The details of the Group's sustainability activities including its corporate social responsibility activities are set out in the Corporate Sustainability Statement in this Annual Report.

I. AUTHORISATION FOR ISSUANCE

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

AUDIT COMMITTEE
REPORT

The Audit Committee is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

A. COMPOSITION

The Audit Committee consists of the following members:-

(a) Encik Sulaiman bin Salleh, Audit Committee Chairman
(Independent Non-Executive Director)

(b) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, Audit Committee Member
(Senior Independent Non-Executive Director)

(c) Mr. Soong Chee Keong, Audit Committee Member
(Independent Non-Executive Director)

Note:

(i) Encik Sulaiman bin Salleh was re-designated as the Chairman on 27 February 2013.
(ii) Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir was re-designated as a member on 27 February 2013.
(iii) Mr. Soong Chee Keong was appointed as a member with effect from 27 May 2013.
(iv) Mr. Wong Yien Kim had ceased to be a member with effect from 17 October 2013.

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 these terms of reference.

Quorum

Majority of members present must be independent directors.

Circular Resolutions

A resolution in writing signed by a majority of members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

B. APPROVED TERMS OF REFERENCE (cont'd)

Qualification

At least one (1) member of the Committee;

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

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

- he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
- he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- fulfils such other requirement as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

In this respect, both Encik Sulaiman bin Salleh and Mr. Soong Chee Keong 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. Minutes of the Audit Committee shall subsequently be made available to the Board once they have been confirmed by the Chairman of the Audit Committee.

The presence of external and/or internal auditors would be requested, if required. Other members of the Board and/or senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and external auditors may also request a meeting if they consider that one is necessary. The Audit Committee shall meet with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group 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 Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

Responsibilities and Duties

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

Risk Management

(a) to review the adequacy and effectiveness of the risk management framework and policies in managing the key risks of the Group.

AUDIT COMMITTEE **REPORT**

B. APPROVED TERMS OF REFERENCE (cont'd)

Responsibilities and Duties (cont'd)

Financial Reporting

(a) 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.

External Audit

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

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

(d) 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;

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

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

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

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

Internal Audit

(a) to support and provide directions to the internal audit function to ensure its effectiveness;

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

(c) to 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;

(d) to 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;

AUDIT COMMITTEE REPORT

B. APPROVED TERMS OF REFERENCE (cont'd)

Responsibilities and Duties (cont'd)

Internal Audit (cont'd)

(e) to 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;

(f) to review any appraisal or assessment of the performance of members of the internal audit function;

(g) to approve any appointment or termination of senior staff members of the internal audit function; and

(h) to take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

Others

(a) 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;

(b) 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

(c) 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 six (6) meetings during the year and the attendance of each of the members was as follows:-

	26 Feb	24 Apr	29 May	26 Aug	20 Nov	9 Dec	Total
Encik Sulaiman bin Salleh	•	•	•	•	•	•	6/6
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	•	•	Abs	•	•	•	5/6
Mr. Soong Chee Keong	N/A	N/A	•	•	•	•	4/4
Mr. Wong Yien Kim	•	•	•	•	N/A	N/A	4/4

Note:

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

D. TRAINING

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

AUDIT COMMITTEE **REPORT**

E. SUMMARY OF ACTIVITIES

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

Financial Reporting

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

External Audit

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

(b) Reviewed and approved the external audit plan;

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

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

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

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

Internal Audit

(a) Reviewed and approved the Internal Audit Plan;

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

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

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

Risk Management

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

Related Party Transactions

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

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

AUDIT COMMITTEE REPORT

E. SUMMARY OF ACTIVITIES (cont'd)

Related Party Transactions (cont'd)

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

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

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

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

Fraud

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

F. INTERNAL AUDIT FUNCTION

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

(a) in accordance with the Group's policies and direction;
(b) in compliance with prescribed laws and regulations; and
(c) achieving the desired results effectively and efficiently.

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

The internal audit function performed risk-based, ad-hoc and routine audits for the year 2013 in accordance with the approved audit plans. The audit results were discussed with the respective management and presented to Audit Committee for review. Where applicable, the internal audit function conducted follow-up audits to ensure that management's commitment on corrective actions were fulfilled timely and appropriately. In addition, the internal audit function played an advisory role in the course of performing its internal audit activities.

The internal audit function is supported by an in-house Internal Audit Department. The department provides internal audit services covering the Company, all its local and foreign subsidiaries and jointly-controlled entities. The total costs incurred for the internal audit function is RM790,769 for the year.

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

G. AUTHORISATION FOR ISSUANCE

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

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

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

Responsibility

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

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

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

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

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

Risk Management Framework

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

One of the foreign operating subsidiary involved in the waste management segment is currently exempted from this process due to an on-going shareholders' dispute. Nevertheless, it provides updates on strategic operational issues and critical risk areas in its monthly management reports to the management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

Internal Audit Function

The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies including that of a joint venture entity.

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.

Other Key Elements of Internal Controls

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

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

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

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

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

(e) quarterly review by the Board and the Audit Committee 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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Internal Controls (cont'd)

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

(h) a Code of Business Conduct and Ethics for Directors which sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company; and

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

The Code of Business Conduct and Ethics for Directors was approved for adoption on 24 April 2013.

Management's Assurance

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

Review by the External Auditors

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 31 December 2013 to be disclosed in this Annual Report:-

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

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

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

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

5. **Non-Audit Fees**
   The non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors, Deloitte or a firm or company affiliated to it, amounted to RM53,000 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 2013 and the unaudited results previously announced.

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

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

10. **Material Contracts**
    Save as disclosed in Note 43 of the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2013.

11. **Recurrent Related Party Transaction of Revenue or Trading Nature**
    At the Annual General Meeting of the Company held on 26 June 2013, 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 2013 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	14,004

ADDITIONAL COMPLIANCE INFORMATION

12. Material Properties of the Group

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

13. Share Issuance Scheme

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

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

	Share options granted to eligible directors and employees		Share options granted to eligible directors and chief executive officer	
	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)
Number of options granted				
- @ RM1.31	0	5,460	0	650
- @ RM1.90	0	6,410	0	770
Number of options exercised				
- @ RM1.31	0	5,282	0	650
- @ RM1.90	0	1,741	0	160
Number of options lapsed				
- @ RM1.31	10	145	0	0
- @ RM1.90	177	685	0	265
Number of options remaining unexercised exercised				
- @ RM1.31	33	33	0	0
- @ RM1.90	3,984	3,984	200	345

ADDITIONAL COMPLIANCE INFORMATION

13. Share Issuance Scheme (cont'd)

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

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of TALIWORKS CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	39,123	24,731
Income tax expense	(14,031)	(7,501)
Profit for the financial year	25,092	17,230
Profit attributable to:		
Owners of the Company	28,009	17,230
Non-controlling interests	(2,917)	-
	25,092	17,230

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the reversal of discounting of receivables and the impairment of intangible assets as disclosed in Notes 8 and 9 to the Financial Statements, respectively.

DIRECTORS' REPORT

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2012 and dealt with in the previous year's Directors' report:	
Final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less 25% tax, paid on 31 July 2013	4,911

On 25 February 2014, the Directors proposed the payment of a final single-tier dividend of 1.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM4,365,000 in respect of the current financial year, which is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

EMPLOYEES' SHARE OPTION SCHEME

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

The main features of the ESOS and the movements in the ESOS for the financial year ended 31 December 2013 are disclosed in Note 29 to the Financial Statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

DIRECTORS

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

Y. Bhg Dato' Hj Mohd Sinon bin Mudakir
Encik Sulaiman bin Salleh
Mr. Lim Yew Boon
Mr. Lim Chin Sean
Mr. Soong Chee Keong (appointed on 25 April 2013)
Mr. Wong Yien Kim (resigned on 17 October 2013)
Encik Suhaimi bin Kamaralzaman (resigned on 31 March 2014)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 each			
	As of 1.1.2013	Bought	Sold	As of 31.12.2013
Shares in the Company				
Direct interest				
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	285,000	-	-	285,000
Encik Sulaiman bin Salleh	42,800	-	-	42,800
Mr. Lim Yew Boon	150,000	-	-	150,000
Indirect interest				
Mr. Lim Chin Sean#	241,640,000	-	-	241,640,000

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

DIRECTORS' REPORT

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

Options granted pursuant to the ESOS of the Company:

		Number of options over Ordinary Shares of RM0.50 each		
	Exercise price (RM)	As of 1.1.2013	Exercised	As of 31.12.2013
Direct interest				
Y. Bhg Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	-	80,000
Encik Sulaiman bin Salleh	1.90	60,000	-	60,000
Mr. Lim Chin Sean	1.90	60,000	-	60,000

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

AUDITORS

The auditors, Messrs. Deloitte (formerly known as Deloitte KassimChan), have indicated their willingness to continue in office.

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

LIM CHIN SEAN

LIM YEW BOON

Kuala Lumpur
2 April 2014

STATEMENT **BY DIRECTORS**

The Directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 45 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

LIM CHIN SEAN

LIM YEW BOON

Kuala Lumpur
2 April 2014

DECLARATION BY THE OFFICER PRIMARILY **RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY**

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

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **KUALA LUMPUR** this 2nd day of April 2014.

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

Report on the Financial Statements

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 71 to 159.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD

Report on Other Legal and Regulatory Requirements

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

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

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

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the 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 as required by us for those purposes; and

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

Other Matter

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

Other Reporting Responsibilities

The supplementary information set out in Note 45 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA" Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE
AF 0080
Chartered Accountants

TEO SWEE CHUA
Partner - 2846/01/16 (J)
Chartered Accountant

2 April 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Revenue	6	281,812	253,338	26,021	26,968
Cost of operations	7	(218,231)	(181,570)	(6,726)	(6,887)
Gross profit		63,581	71,768	19,295	20,081
Other operating income	8	27,601	35,307	14,362	605
Administrative and other expenses	9	(38,246)	(36,050)	(7,181)	(15,964)
Finance costs	10	(23,052)	(20,542)	(1,745)	(1,693)
Share of results of joint venture	19	10,008	9,812	-	-
Share of results of associate	20	(769)	751	-	-
Profit before tax		39,123	61,046	24,731	3,029
Income tax expense	13	(14,031)	(18,285)	(7,501)	(4,176)
Profit/(Loss) for the financial year		25,092	42,761	17,230	(1,147)
Other comprehensive income/(loss):					
Item that will be reclassified subsequently to profit and loss:					
Foreign currency translation differences for foreign operations		17,027	(3,505)	-	-
Net fair value gain/(loss) on available-for-sale financial assets		63	(14)	-	52
Share of other comprehensive income of joint venture		162	46	-	-
Total other comprehensive income/(loss) for the financial year		17,252	(3,473)	-	52
Total comprehensive income/(loss) for the financial year		42,344	39,288	17,230	(1,095)

STATEMENTS OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		28,009	43,001	17,230	(1,147)
Non-controlling interests		(2,917)	(240)	-	-
		25,092	42,761	17,230	(1,147)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		44,123	39,857	17,230	(1,095)
Non-controlling interests		(1,779)	(569)	-	-
		42,344	39,288	17,230	(1,095)
Earnings per share attributable to Owners of the Company (sen):					
- Basic and diluted (sen per share)	14	6.4	9.9		

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

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	22,319	9,716	11,301	1,136
Investment properties	16	394	404	394	404
Intangible assets	17	456,160	432,636	-	-
Investment in subsidiaries	18	-	-	103,629	102,811
Investment in joint venture	19	122,245	112,075	55,538	55,538
Investment in associate	20	5,171	6,340	2,120	2,520
Goodwill on consolidation	21	2,504	2,504	-	-
Deferred tax assets	22	8,730	8,512	-	-
Long-term trade receivables	23	157,502	136,237	-	-
Long-term other receivables	24	548	418	-	-
Deposits, cash and bank balances	25	20,572	16,903	10,308	10,271
Amount due from subsidiaries	26	-	-	194,421	185,531
Total Non-Current Assets		796,145	725,745	377,711	358,211
Current Assets					
Inventories	27	1,109	1,223	-	-
Amount due from contract customers	38	1,164	67	-	67
Trade receivables	23	192,841	204,315	1,008	3,681
Other receivables, deposits and prepayments	24	5,796	5,547	672	578
Amount due from subsidiaries	26	-	-	1,570	4,188
Tax recoverable		4,909	1,050	4,532	4,799
Available-for-sale financial assets	28	25,460	20,946	-	-
Deposits, cash and bank balances	25	23,477	21,966	2,156	1,319
Total Current Assets		254,756	255,114	9,938	14,632
Total Assets		1,050,901	980,859	387,649	372,843

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	29	218,246	218,246	218,246	218,246
Share premium	30	74,176	74,176	74,176	74,176
Share option reserve	31	2,111	2,205	2,111	2,205
Currency translation reserve		17,347	1,458	-	-
Available-for-sale reserve		40	(23)	-	-
Merger deficit	32	(71,500)	(71,500)	-	-
Retained earnings	33	365,137	341,877	40,514	28,195
Total Equity Attributable to Owners of the Company		605,557	566,439	335,047	322,822
Non-controlling interests		4,990	6,769	-	-
Total Equity		610,547	573,208	335,047	322,822
Non-Current Liabilities					
Long-term borrowings	35	305,172	215,417	20,393	30,538
Deferred tax liabilities	22	2,246	-	2,239	-
Long-term trade payables	36	3,547	-	-	-
Total Non-Current Liability		310,965	215,417	22,632	30,538
Current Liabilities					
Amount due to contract customers	38	336	10,029	336	-
Trade payables	36	60,315	51,137	392	1,192
Other payables and accruals	37	34,346	26,922	14,160	3,170
Tax liabilities		3,240	5,270	-	-
Short-term borrowings	35	31,152	98,876	15,082	15,121
Total Current Liabilities		129,389	192,234	29,970	19,483
Total Liabilities		440,354	407,651	52,602	50,021
TOTAL EQUITY AND LIABILITIES		1,050,901	980,859	387,649	372,843

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

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

STATEMENTS OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

			← Non-distributable reserves				→	Distributable	Attributable		
The Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	reserve - Retained earnings RM'000	to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 January 2013		218,246	74,176	2,205	1,458	(23)	(71,500)	341,877	566,439	6,769	573,208
Available-for-sale financial assets		-	-	-	-	63	-	-	63	-	63
Share of other comprehensive income of joint venture		-	-	-	-	-	-	162	162	-	162
Foreign currency translation differences		-	-	-	15,889	-	-	-	15,889	1,138	17,027
Total other comprehensive income for the financial year		-	-	-	15,889	63	-	162	16,114	1,138	17,252
Profit/(Loss) for the financial year		-	-	-	-	-	-	28,009	28,009	(2,917)	25,092
Total comprehensive income/(loss) for the financial year		-	-	-	15,889	63	-	28,171	44,123	(1,779)	42,344
Transactions with owners of the Company:											
Transfer from reserve upon ESOS options lapsed	31	-	-	(94)	-	-	-	-	(94)	-	(94)
Dividends paid	34	-	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)
Total transactions with Owners of the Company		-	-	(94)	-	-	-	(4,911)	(5,005)	-	(5,005)
As of 31 December 2013		218,246	74,176	2,111	17,347	40	(71,500)	365,137	605,557	4,990	610,547

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

The Company	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Available-for-sale reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
		← Non-distributable reserves →					
As of 1 January 2012		218,246	74,176	2,248	(52)	30,979	325,597
Available-for-sale financial assets	28	-	-	-	52	-	52
Total other comprehensive income for the financial year		-	-	-	52	-	52
Loss for the financial year		-	-	-	-	(1,147)	(1,147)
Total comprehensive income/(loss) for the financial year		-	-	-	52	(1,147)	(1,095)
Transactions with owners of the Company:							
Transfer from reserve upon ESOS options lapsed	31	-	-	(43)	-	-	(43)
Dividends	34	-	-	-	-	(1,637)	(1,637)
Total transactions with Owners of the Company		-	-	(43)	-	(1,637)	(1,680)
As of 31 December 2012		218,246	74,176	2,205	-	28,195	322,822
As of 1 January 2013		218,246	74,176	2,205	-	28,195	322,822
Total other comprehensive income for the financial year		-	-	-	-	-	-
Profit for the financial year		-	-	-	-	17,230	17,230
Total comprehensive income for the financial year		-	-	-	-	17,230	17,230
Transactions with owners of the Company:							
Transfer from reserve upon ESOS options lapsed	31	-	-	(94)	-	-	(94)
Dividends	34	-	-	-	-	(4,911)	(4,911)
Total transactions with Owners of the Company		-	-	(94)	-	(4,911)	(5,005)
As of 31 December 2013		218,246	74,176	2,111	-	40,514	335,047

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	39,123	61,046	24,731	3,029
Adjustments for:				
Amortisation of intangible assets	15,741	14,897	-	-
Finance costs	23,052	20,542	1,745	1,693
Depreciation:				
- Property, plant and equipment	2,438	1,898	611	407
- Investment properties	10	10	10	10
Loss/(Gain) on disposal of property, plant and equipment	179	(94)	(50)	(36)
Unrealised foreign exchange (gain)/loss	(902)	(671)	(12,820)	3,757
Impairment/(Reversal of impairment):				
- Investment in subsidiaries	-	-	(818)	4,012
- Receivables	-	1,656	-	-
- Other receivables	21	-	-	-
- Intangible assets	10,144	-	-	-
Provision for/(Reversal of) discounting of receivables - net	8,656	(10,004)	-	-
Unwinding of discount on receivables	(977)	(2,201)	-	-
Share option expenses	(94)	(43)	(94)	(43)
Available-for-sale financial assets:				
- Dividend income	(512)	(504)	-	(2)
- (Gain)/Loss on redemption	(89)	19	-	19
Interest income	(859)	(702)	(655)	(553)
Construction profit recognised pursuant to IC 12	(220)	(692)	-	-
Share of results:				
- Joint venture	(10,008)	(9,812)	-	-
- Associate	769	(751)	-	-
Intangible assets written off	-	1,954	-	-
Property, plant and equipment written off	162	-	19	-
Value-added tax exempted by tax authority	(4,926)	(1,934)	-	-
Loss on liquidation of a subsidiary	-	36	-	-
Dividend income	-	-	(19,980)	(16,650)
Other receivables written off	8	-	8	-
Interest income imputed on retention sums	(1,083)	-	-	-
Over-accrual of litigation claims	(1,961)	-	-	-
Accrual of litigation fee	248	-	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating Profit/(Loss) Before Working Capital Changes	78,920	74,650	(7,293)	(4,357)
(Increase)/Decrease in:				
Inventories	144	(105)	-	-
Amount due from contract customers	(1,071)	(67)	67	(67)
Trade and other receivables	(10,695)	(70,290)	2,625	(2,192)
Increase/(Decrease) in:				
Amount due to contract customers	(9,622)	8,343	336	(1,601)
Trade and other payables	18,391	25,280	72	7
Cash Generated From/(Used In) Operations	76,067	37,811	(4,193)	(8,210)
Income tax paid	(18,984)	(14,949)	(4,995)	(4,617)
Income tax refunded	1,115	45	-	-
Net Cash From/(Used In) Operating Activities	58,198	22,907	(9,188)	(12,827)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	859	672	601	511
Decrease/(Increase) in amount due from subsidiaries	-	-	6,548	(57,766)
Property, plant and equipment:				
- Proceeds from disposal	192	94	57	36
- Purchase *	(4,680)	(2,657)	(684)	(182)
Purchase of intangible assets	(5,879)	(127,950)	-	-
Dividend received from a subsidiary	-	-	19,980	14,307
Available-for-sale financial assets:				
- Purchase	(36,316)	(21,500)	-	(2,000)
- Proceeds from redemption	32,466	15,016	-	6,051
Decrease in cash restricted	3	1,759	-	-
Placement of deposits pledged as security	(3,672)	(2,318)	(37)	(2,607)
Decrease/(Increase) in proceeds deposited in the designated bank accounts	1,608	(2,671)	-	-
Proceeds from redemption of preference share from associate	400	-	400	-
Net Cash Used In Investing Activities	(15,019)	(139,555)	26,865	(41,650)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Interest paid	(28,554)	(15,509)	(1,745)	(1,693)
Dividends paid	(4,911)	(1,637)	(4,911)	(1,637)
Repayments of borrowings	(99,011)	(129,227)	(10,000)	-
Drawdowns of borrowings	93,610	252,246	-	40,000
Repayment of finance lease payables	(219)	(201)	(146)	(141)
Net Cash (Used In)/From Financing Activities	(39,085)	105,672	(16,802)	36,529

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,094	(10,976)	875	(17,948)
Effects of foreign exchange rate changes		(937)	(234)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		11,888	23,098	(3,632)	14,316
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	15,045	11,888	(2,757)	(3,632)

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Payment by cash	4,680	2,657	684	182
Other payables and accruals	10,118	-	10,118	-
Financed by finance lease	174	1,061	-	842
Total (Note 15)	14,972	3,718	10,802	1,024

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

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

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

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

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

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

The principal place of business of the Company is located at Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 2 April 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs issued by the Malaysian Accounting Standards Board (MASB) that are relevant to their operations and effective for annual periods beginning on or after 1 January 2013 as follows:

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)]
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Adoption of New and Revised Malaysian Financial Reporting Standards (cont'd)

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

The adoption of these new and revised MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance of the Group and of the Company.

Standards and Amendments in Issue But Not Yet Effective

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

MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively and Transition Disclosures)[3]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010)[3]
Amendments to MFRS 10, MFRS 12, and MFRS 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements - Investment Entities[1]
MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)[2]
Amendments to MFRS 132	Financial Instruments: Presentation - offsetting Financial Assets and Financial Liabilities[1]
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non - Financial Assets[1]
MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)[1]
IC Int 21	Levies[1]

Annual improvements to MFRSs 2010 - 2012 cycle (issued in February 2014)[2]
Annual improvements to MFRSs 2011 - 2013 cycle (issued in February 2014)[2]

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Accounting (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Subsidiaries

Investments in subsidiaries which are eliminated on consolidation are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations (cont'd)

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

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

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

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

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

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in Associate and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the costs of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in Associate and Joint Venture (cont'd)

When the Group reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Group classifies to profit or loss the proportion of the gain or loss that had previously been recognised in the other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or joint venture of the Group, profit or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate or joint venture that are not related to the Group.

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, discounting and appropriate taxes, and after eliminating billings within the Group. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits associated with the transactions will flow to the Group.

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

Foreign Currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

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

Borrowing Costs

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

Taxation

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

<u>Current tax</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

Deferred tax

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

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

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

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

Property, Plant and Equipment

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

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

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

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
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 7 years
Building renovations	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment (cont'd)

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

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

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

Assets Acquired Under Leases

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

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

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

Investment Properties

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

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

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

Intangible Assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible Assets (cont'd)

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

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

Inventories

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

Costs of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Construction Contracts

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

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

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

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

Provisions

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

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

Financial Instruments

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

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

Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Financial Assets (cont'd)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, that are readily convertible to cash with insignificant risk of changes in value, net of outstanding bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits and restricted cash and bank balances. Restricted cash and bank balances represent amount frozen in subsidiaries as described in Note 25.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables.

Segment Reporting

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

Contingent Liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3 above, the Directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The Directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

(a) Impairment of Intangible Assets

Determining whether the intangible assets are impaired requires an estimation of the recoverable amount of the intangible assets. Note 17 provides information about the key bases and assumptions used by the Directors in the estimation of the recoverable amounts.

The Directors are of the opinion that the bases and assumptions used in the estimation of the recoverable amounts are reasonable.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 21.

(c) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use. The key assumptions used in the estimation of the value in use are disclosed in Note 18.

(d) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Construction Contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(f) Revenue and Cost Recognition for Intangible Asset model

A subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, which adopts the intangible asset model as defined in IC Interpretation 12, has recognised a construction margin of 10% in the construction of its wastewater treatment facility. Income and expenses associated with the said construction are recognised based on percentage of completion method. The estimated margin is based on relative comparison with general industry trend although actual margins may differ due to location, materials and other pricing considerations.

(g) Trade Receivables and Revenue Recognition

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

Of the total amount of the Group's trade receivables amounting to RM350,343,000 (2012: RM340,552,000), RM311,344,000 (2012: RM285,511,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 23.

(h) Litigations

The Group, having considered the legal advice from the external solicitors and other evidences, has assessed and determined its obligation that could arise from the legal claims as disclosed in Note 41.

5. SEGMENT REPORTING

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

Water	Management, operations and maintenance of water treatment plants and water distribution systems.
Waste management	Provision of management and technical services relating to waste management.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Provision of operation and maintenance of toll expressway.
Others	Investment holding and trading in equipment for environment protection and water treatment and provision of related services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without share of profits of associate and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. SEGMENT REPORTING (cont'd)

Segment analysis:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue												
Total revenue	172,757	159,374	47,711	48,257	87,649*	72,128*	-	-	24,287^	20,136^	332,404	299,895
Inter-segment revenue	-	-	(569)	(542)	(3,660)	(8,181)	-	-	(23,499)	(20,005)	(27,728)	(28,728)
External revenue	172,757	159,374	47,142	47,715	83,989	63,947	-	-	788	131	304,676	271,167
Reconciliation: Difference in accounting policy (see note below)	(22,864)	(17,829)	-	-	-	-	-	-	-	-	(22,864)	(17,829)
Revenue as per statement of comprehensive income	149,893	141,545	47,142	47,715	83,989	63,947	-	-	788	131	281,812	253,338

* including RM2,418,000 (2012: RM7,609,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

^ Included in others is dividend income of RM19,980,000 (2012: RM16,650,000) received from a subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. SEGMENT REPORTING (cont'd)

Segment analysis (cont'd):

	Water		Waste management		Construction		Toll highway		Others		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Earnings before finance costs, depreciation and amortisation and income tax	58,294	73,666	15,403	11,292	4,451	4,634	10,008	9,812	28,435	7,753	116,591	107,157
Depreciation and amortisation	(459)	(581)	(17,057)	(15,779)	(260)	(243)	-	-	(413)	(202)	(18,189)	(16,805)
	57,835	73,085	(1,654)	(4,487)	4,191	4,391	10,008	9,812	28,022	7,551	98,402	90,352
Finance costs	-	(1)	(21,306)	(18,848)	(45)	-	-	-	(1,701)	(1,693)	(23,052)	(20,542)
Inter-segment results	2,040	2,040	-	5,316	-	(5)	-	-	(37,498)	(16,866)	(35,458)	(9,515)
Segment results	59,875	75,124	(22,960)	(18,019)	4,146	4,386	10,008	9,812	(11,177)	(11,008)	39,892	60,295
Share of results of associate											(769)	751
Profit before tax											39,123	61,046
Income tax expense											(14,031)	(18,285)
Profit for the financial year as per statement of profit or loss and comprehensive income											25,092	42,761

5. SEGMENT REPORTING (cont'd)

The segment assets and segment liabilities of the Group are as follows:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Segment assets	360,030	331,129	497,174	477,357	34,836	38,994	122,245	112,075	36,616	21,304	1,050,901	980,859
Segment liabilities	(47,616)	(43,966)	(315,725)	(287,675)	(25,243)	(27,332)	-	-	(51,770)	(48,678)	(440,354)	(407,651)
Net segment assets/(liabilities)	312,414	287,163	181,449	189,682	9,593	11,662	122,245	112,075	(15,154)	(27,374)	610,547	573,208
Other financial information:												
Capital additions:												
Intangible assets	-	-	5,879	6,722	-	-	-	-	-	-	5,879	6,722
Property, plant and equipment	1,011	311	2,024	2,045	1,136	332	-	-	10,801	1,030	14,972	3,718
Depreciation:												
Property, plant and equipment	459	581	1,316	868	323	50	-	-	402	449	2,500	1,948
Investment properties	-	-	-	-	-	-	-	-	10	10	10	10
Amortisation of intangible assets	-	-	15,741	14,897	-	-	-	-	-	-	15,741	14,897

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5. SEGMENT REPORTING (cont'd)

Revenue from the two major customers of Water Segment contributed approximately RM149,893,000 (2012: RM141,545,000) of the Group's total revenue.

Revenue from the three major customers of Waste Management Segment contributed approximately RM47,142,000 (2012: RM47,715,000) of the Group's total revenue.

Revenue from a major customer of Construction Segment contributed approximately RM77,923,000 (2012: RM37,572,000) of the Group's total revenue.

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

(i) Malaysia* - Water, construction and provision of technical services relating to waste management.

(ii) China - Waste management and water treatment equipment and provision of related services.

* The Company's home country.

The following is an analysis of the Group's revenue by geographical areas:

	Revenue 2013 RM'000	Revenue 2012 RM'000
Malaysia	232,252	198,014
China	49,560	55,324
	281,812	253,338

The following is an analysis of the carrying amount of segment asset, capital additions in respect of intangible assets and property, plant and equipment by the geographical areas in which the assets are located:

	Total assets		Capital additions: Intangible assets		Capital additions: Property, plant and equipment	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	553,151	502,940	-	-	12,948	1,667
China	497,519	477,749	5,879	6,722	2,024	2,051
Singapore	231	170	-	-	-	-
	1,050,901	980,859	5,879	6,722	14,972	3,718

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6. REVENUE

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Management, operation and maintenance of water treatment plants ^	149,893	141,545	-	-
Revenue from construction contracts *	83,989	63,947	3,401	8,278
Waste management	47,142	47,715	-	-
Management fees (Note 43)	600	-	2,640	2,040
Dividend from a subsidiary (Note 43)	-	-	19,980	16,650
Others	188	131	-	-
	281,812	253,338	26,021	26,968

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of repayment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM22,864,000 (2012: RM17,829,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plants.

* Revenue from construction contracts of the Group includes RM2,418,000 (2012: RM7,609,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

7. COST OF OPERATIONS

	The Group 2013 RM'000	The Group 2012 RM'000 (restated)	The Company 2013 RM'000	The Company 2012 RM'000
Amortisation of intangible assets (Note 17)	15,741	14,897	-	-
Chemical costs	14,893	13,802	-	-
Employee related expenses	54	138	-	-
General expenses	2,044	1,346	-	-
Hire of plant and machinery	98	83	-	-
Lease rental of waterwork assets	150	150	-	-
Other site cost	3,470	2,407	-	-
Pipeline and fitting works	974	1,003	-	-
Professional fees	13,145	12,094	-	-
Depreciation of property, plant and equipment (Note 15)	1,078	633	3	-
Rental of tools and equipment	5	55	-	-
Staff costs	16,993	15,147	2,177	2,040
Contract costs recognised *	77,824	54,481	4,546	4,847
Upkeep and maintenance of equipment	13,617	12,339	-	-
Utilities	54,629	49,770	-	-
Vehicle expenses	3,508	3,220	-	-
Travelling and accommodation expenses	8	5	-	-
	218,231	181,570	6,726	6,887

* Contract costs recognised of the Group includes RM2,198,000 (2012: RM6,917,000) construction costs recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

8. OTHER OPERATING INCOME

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income on fixed deposits with licensed banks	859	702	655	553
Available-for-sale financial assets:				
- Dividend income	512	504	-	2
- Gain on redemption	89	-	-	-
Rental income	20	14	19	14
Gain on disposal of property, plant and equipment (Note 15)	75	94	50	36
Realised foreign exchange gain	163	-	-	-
Unrealised foreign exchange gain	1,605	1,174	12,820	-
Unwinding of discount on:				
- trade receivables (Note 23)	947	2,173	-	-
- other receivables (Note 24)	30	28	-	-
Reversal of discounting of receivables (Note 23)	14,288	28,242	-	-
Value-added tax exempted by tax authority	4,926	1,934	-	-
Reversal of impairment of investment in subsidiaries (Note 18)	-	-	818	-
Interest income imputed on retention sum (Note 36)	1,083	-	-	-
Over-accrual of litigation claims	1,961	-	-	-
Others	1,043	442	-	-
	27,601	35,307	14,362	605

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2013 RM'000	2012 RM'000 (restated)	2013 RM'000	2012 RM'000
Depreciation of investment properties (Note 16)	10	10	10	10
Employee related expenses	811	2,400	100	357
Auditors' remuneration:				
Auditors of the Company:				
- Statutory audit	149	142	65	62
- Audit related services	48	40	48	40
- Other	5	3	5	3
Other auditors - statutory audit	147	168	-	-
Tax compliance and advisory services	55	59	13	14
General expenses	3,443	5,219	677	1,293
Depreciation of property, plant and equipment (Note 15)	1,360	1,265	608	407
Impairment:				
- Investment in subsidiaries (Note 18)	-	-	-	4,012
- Receivables (Note 23)	-	1,656	-	-
- Other receivables (Note 24)	21	-	-	-
- Intangible asset (Note 17)	10,144	-	-	-
Professional fees	1,032	2,172	157	-

9. ADMINISTRATIVE AND OTHER EXPENSES (cont'd)

	The Group		The Company	
	2013 RM'000	2012 RM'000 (restated)	2013 RM'000	2012 RM'000
Provision for discounting of receivables	80	409	-	-
Rental of premises	709	853	424	418
Rental - others	378	311	17	9
Staff costs	14,324	13,821	4,222	4,596
Travelling and accommodation expenses	2,028	2,324	463	671
Upkeep and maintenance of equipment	294	265	59	39
Utilities	768	1,197	212	194
Vehicle related expenses	1,065	1,004	74	63
Loss on liquidation of a subsidiary	-	36	-	-
Available-for-sale financial assets				
- loss on redemption	-	19	-	19
Other receivables written off	8	-	8	-
Property, plant and equipment written off (Note 15)	162	-	19	-
Intangible assets written off (Note 17)	-	1,954	-	-
Arbitration claims	-	220	-	-
Loss on disposal of property, plant and equipment (Note 15)	254	-	-	-
Accrual of liquidation fee	248	-	-	-
Unrealised foreign exchange loss	703	503	-	3,757
	38,246	36,050	7,181	15,964

10. FINANCE COSTS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense:				
- Borrowings	23,007	20,524	1,701	1,676
- Finance lease	45	18	44	17
	23,052	20,542	1,745	1,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. STAFF COSTS

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Wages, salaries and bonus	28,429	26,689	5,668	5,913
Defined contribution - Employees Provident Fund	2,084	1,961	616	641
Other employee benefits	804	318	115	82
	31,317	28,968	6,399	6,636

Included in staff costs of the Group and of the Company are Directors' remuneration of RM873,000 (2012: RM643,000) and RM577,000 (2012: RM643,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM251,000 (2012: RM120,000) and RM169,000 (2012: RM100,000) respectively.

12. DIRECTORS' REMUNERATION

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

Non-executive Directors
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
Encik Sulaiman bin Salleh
Mr. Lim Chin Sean
Mr. Soong Chee Keong (appointed on 25 April 2013)
Mr. Wong Yien Kim (resigned on 17 October 2013)
Encik Suhaimi bin Kamaralzaman (resigned on 31 March 2014)

Executive Director
Mr. Lim Yew Boon

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Non-executive Directors:				
- Fees	185	175	185	175
- Other emoluments	72	57	72	57
Executive Director:				
- Fees	25	25	25	25
- Salaries and bonus	257	208	257	208
- Defined contribution plan	31	25	31	25
- Other emoluments	303	153	7	153
	873	643	577	643

13. INCOME TAX EXPENSE

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax:				
Current year	14,173	21,142	6,082	4,162
(Over)/Underprovision in prior years	(2,196)	(4,573)	(820)	14
	11,977	16,569	5,262	4,176
Foreign income tax	3	101	-	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	2,051	1,615	2,239	-
	14,031	18,285	7,501	4,176

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before tax	39,123	61,046	24,731	3,029
Taxation at statutory tax rates	13,473	13,866	6,183	757
Tax effects of:				
Non-deductible expenses	4,933	1,888	3,656	1,206
Non-taxable income	(709)	(570)	(109)	(94)
Realisation of deferred tax assets previously not recognised	(1,470)	-	(1,409)	-
Deferred tax assets not recognised	-	7,674	-	2,293
(Over)/Underprovison of income tax expense in prior years	(2,196)	(4,573)	(820)	14
Income tax expense recognised in profit or loss	14,031	18,285	7,501	4,176

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group 2013 RM'000	The Group 2012 RM'000
Profit for the financial year attributable to owners of the Company	28,009	43,001
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Basic EPS (sen)	6.4	9.9

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

	The Group 2013 RM'000	The Group 2012 RM'000
Profit for the financial year attributable to owners of the Company	28,009	43,001
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Effects of dilution from ESOS Option ('000)	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	436,492	436,492
Diluted EPS (sen)	6.4	9.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2013	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office, equipment furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost								
At 1 January 2013	280	700	12,571	-	8,216	8,407	1,204	31,378
Additions	-	-	704	2,055	4,451	2,098	5,664	14,972
Disposals	-	-	-	-	(26)	(1,162)	-	(1,188)
Write off	-	-	-	-	(186)	-	(195)	(381)
At 31 December 2013	280	700	13,275	2,055	12,455	9,343	6,673	44,781
Accumulated depreciation								
At 1 January 2013	-	132	9,656	-	4,115	4,804	1,066	19,773
Charge for the financial year	-	14	1,207	34	454	655	136	2,500
Disposals	-	-	-	-	(7)	(797)	-	(804)
Write offs	-	-	-	-	(162)	-	(44)	(206)
At 31 December 2013	-	146	10,863	34	4,400	4,662	1,158	21,263
Accumulated currency translation differences								
At 1 January 2013	-	-	1,195	-	(3,169)	67	18	(1,889)
Currency translation differences	-	-	451	-	44	166	29	690
At 31 December 2013	-	-	1,646	-	(3,125)	233	47	(1,199)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group 2012	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office, equipment furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost								
At 1 January 2012	280	700	11,490	-	7,857	6,805	1,024	28,156
Additions	-	-	1,081	-	396	2,061	180	3,718
Disposals	-	-	-	-	(37)	(459)	-	(496)
At 31 December 2012	280	700	12,571	-	8,216	8,407	1,204	31,378
Accumulated depreciation								
At 1 January 2012	-	132	8,778	-	3,835	4,616	960	18,321
Charge for the financial year	-	-	878	-	317	647	106	1,948
Disposals	-	-	-	-	(37)	(459)	-	(496)
At 31 December 2012	-	132	9,656	-	4,115	4,804	1,066	19,773
Accumulated currency translation differences								
At 1 January 2012	-	-	1,293	-	(3,181)	78	16	(1,794)
Currency translation differences	-	-	(98)	-	12	(11)	2	(95)
At 31 December 2012	-	-	1,195	-	(3,169)	67	18	(1,889)
Net book value								
At 31 December 2013	280	554	4,058	2,021	4,930	4,914	5,562	22,319
At 31 December 2012	280	568	4,110	-	932	3,670	156	9,716

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company	Plant and machinery RM'000	Mechanical and electrical RM'000	Office, equipment furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
At 1 January 2012	106	-	1,038	1,586	306	3,036
Additions	-	-	75	949	-	1,024
Disposals	-	-	(1)	(96)	-	(97)
At 31 December 2012	106	-	1,112	2,439	306	3,963
At 1 January 2013	106	-	1,112	2,439	306	3,963
Additions	-	1,855	3,815	-	5,132	10,802
Disposals	-	-	-	(498)	-	(498)
Write offs	-	-	(167)	-	(6)	(173)
At 31 December 2013	106	1,855	4,760	1,941	5,432	14,094
Accumulated depreciation						
At 1 January 2012	105	-	874	1,299	239	2,517
Charge for the financial year	-	-	112	252	43	407
Disposals	-	-	(1)	(96)	-	(97)
At 31 December 2012	105	-	985	1,455	282	2,827
At 1 January 2013	105	-	985	1,455	282	2,827
Charge for the financial year	-	31	213	258	109	611
Disposals	-	-	-	(491)	-	(491)
Write offs	-	-	(152)	-	(2)	(154)
At 31 December 2013	105	31	1,046	1,222	389	2,793
Net book value						
At 31 December 2013	1	1,824	3,714	719	5,043	11,301
At 31 December 2012	1	-	127	984	24	1,136

(a) The net book value of assets held under finance lease agreements of the Group and of the Company is RM960,000 (2012: RM1,017,000) and RM601,000 (2012: RM790,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Depreciation charges for the financial year consist of:

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Capitalised in amount due to contract customers	38	62	50	-	-
Statements of profit or loss and other comprehensive income:					
Cost of operations	7	1,078	633	3	-
Administrative and other expenses	9	1,360	1,265	608	407
		2,438	1,898	611	407
		2,500	1,948	611	407

(c) Write off for the financial year consists of:

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Capitalised in amount due from contract customers	38	13	-	-	-
Statements of profit or loss and other comprehensive income	9	162	-	19	-
		175	-	19	-

(d) Gain/(Loss) on disposal for the financial year consists of:

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Capitalised in amount due from contract customers	38	(13)	-	-	-
Other operating income	8	75	94	50	36
Administrative and other expenses	9	(254)	-	-	-
		(192)	94	50	36

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16. INVESTMENT PROPERTIES

	The Group and The Company 2013 RM'000	2012 RM'000
Cost		
At 1 January/At 31 December	529	529
Accumulated Depreciation		
At 1 January	99	89
Charge for the financial year (Note 9)	10	10
At 31 December	109	99
Accumulated Impairment Loss		
At 1 January/At 31 December	26	26
Net Book Value		
At 31 December	394	404
Representing:		
Freehold building	128	131
Leasehold buildings	266	273
	394	404

Fair value of the investment properties of the Group and of the Company as of 31 December 2013 is estimated at RM1,007,000 (2012: RM777,000) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity. No independent external valuation was performed.

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2013 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value 2013 RM'000
Freehold building located in Malaysia	-	513	-	513
Leasehold buildings located in Malaysia	-	494	-	494

There were no transfer between Levels 1 and 2 during the year.

The unexpired lease period of the leasehold buildings of the Group and of the Company ranges from 22 to 80 years (2012: 23 to 81 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17. INTANGIBLE ASSETS

	The Group	
	2013 RM'000	2012 RM'000
Cost		
At 1 January	463,987	458,527
Additions	5,879	6,722
Profits from the construction of a public service infrastructure	220	692
Written off during the financial year (Note 9)	-	(1,954)
At 31 December	470,086	463,987
Accumulated Amortisation		
At 1 January	22,873	7,976
Charged for the financial year (Note 7)	15,741	14,897
At 31 December	38,614	22,873
Accumulated Impairment Loss:		
At 1 January	-	-
Impairment loss for the financial year (Note 9)	10,144	-
At 31 December	10,144	-
Accumulated Currency Translation Differences		
At 1 January	(8,478)	2,964
Currency translation differences	43,310	(11,442)
At 31 December	34,832	(8,478)
Carrying amount	456,160	432,636

The intangible assets of the Group consist of the following:

(a) a 21-year concession right (expiring in October 2025) to operate, use and maintain the Tianjin Panlou Domestic Waste Transfer Station and its related assets in Tianjin, People's Republic of China acquired by a subsidiary, Tianjin-SWM (M) Environment Co Ltd, in 2004 for a cash consideration of RMB40,000,000 (RM18,294,000) on a takeover-operate-transfer basis. The concession grants rights to the subsidiary to transport household waste to the municipal landfills and in return collect tipping fees from the local city council based on incoming tonnage of household waste deposited at the transfer station at a rate in accordance with the concession agreement;

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

17. INTANGIBLE ASSETS (cont'd)

(c) an industrial wastewater and recycled water treatment facilities proposed to be constructed by a subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, whereby the subsidiary undertakes 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 Facility"). The subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the Facility.

During the financial year, negotiations have been made with Yinchuan Ningdong Energy and Chemical Base Management Committee ("the Grantor") to take over the ownership of the Facility. The subsidiary is in negotiation with the Grantor for a higher termination value of the concession right and has engaged an independent valuer to perform a valuation of the Facility;

(d) a 30-year concession right (expiring in September 2041) to operate, use and maintain four municipal wastewater treatment plants with recycled facilities in Yinchuan, People's Republic of China acquired by a subsidiary, Taliworks (Yinchuan) Wastewater Co Ltd for a total consideration of RMB810,000,000 (RM407,754,000) on a takeover-operate-transfer basis which was funded by internal funds of the Group and bank borrowings. The facilities were officially taken-over on 29 December 2011 and the revenue for wastewater treated and sale of recycled water to be collected from a local government entity is calculated at a rate in accordance with the concession agreement.

An impairment review of the carrying amounts of the intangible assets at the end of the reporting year has been undertaken by the Directors. The said review involves the estimation of the recoverable amounts of the intangible assets, which are based on value in use calculations.

The key bases and assumptions used in the estimation of the recoverable amounts of the intangible assets are as follows:

(a) Tianjin Panlou Domestic Waste Transfer Station

(i) Tonnage is estimated at 1,050 tonnes/day in 2014 until the end of the concession period expiring in October 2025;

(ii) The tipping fee for basic tonnage is estimated to be RMB57.36/tonne in 2014 and increases by 2% per annum in accordance with the concession agreement; whereas the tipping fee for extra tonnage is estimated to be RMB26/tonne in 2014 and increases by RMB1/tonne per annum;

(iii) Expenses to increase by 3% per annum;

(iv) Truck replacements to be incurred over a 9 year cycle; and

(v) Pre-tax discount rate of 8%.

(b) Guanghan Wastewater Treatment Plant

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17. INTANGIBLE ASSETS (cont'd)

(c) Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant

The Group held negotiations with the Grantor to take-over the Facility which was in-progress as at the end of the financial year. The Grantor has made an offer to take-over the ownership of the Facility at a termination value of RMB38,571,000 (RM20,871,000). Subsequently, a negotiation for a higher termination value of the concession right is held and the Group engaged a firm of valuers to determine the fair value of the Facilities. The valuation exercise is still ongoing as at the end of the financial year.

In the absence of a final negotiated termination value, the Group has assessed the impairment on the intangible asset by comparing the carrying value of the intangible asset as of 31 December 2013 against the termination value offered by the Grantor and arising thereof, the Group has recognised an impairment loss of intangible asset of approximately RMB19,652,000 (RM10,144,000) during the financial year, as disclosed in Note 9.

(d) Yinchuan Wastewater and Recycled Water Treatment Plant

(i) Quantity of wastewater treated is estimated at 331 million liters per day ("MLD") in 2014, 370 MLD in 2015 and 400 MLD from 2016 until the end of the concession period expiring in September 2041; whereas quantity of sales of recycled water is estimated to be 17 MLD in 2014, 23 MLD in 2015 and thereafter, increase by 1 MLD a year until the end of the concession period;

(ii) Expenses to increase by 3% per annum;

(iii) Estimated additional capital expenditure of RMB630,000,000 (RM340,893,000) for the expansion and upgrading of plant facility required to be incurred in 2014 to 2016. The expansion and upgrading is required to be undertaken by the Group to comply with the terms of the concession agreement;

(iv) The tariff rate for wastewater treated is estimated to be RMB0.80/m^3 in 2014 and increases to RMB1.75/m^3 for Plant 3 from 2015, with a subsequent tariff revision every two years based on an annual increment of 3%. The new rate will be applied to Plant 2 in 2016 and Plants 1 and 4 in 2017, after completion of expansion and upgrading works in 2014 to 2016; and

(v) Pre-tax discount rate of 8%.

The recoverable amount of the intangible assets have been estimated by the Directors based on the abovementioned bases and assumptions as to future events which the Directors expect to take place and actions which the Directors expect to take as of the time the recoverable amounts were estimated. While information may be available to support the bases and assumptions on which the recoverable amounts of the intangible assets were based, such information is generally future oriented and anticipated events may not occur as expected which may result in the variation of the recoverable amounts. However, the Directors are of the opinion that the key assumptions used in the estimation of the recoverable amounts are reasonable and there is no impairment to the carrying amounts of the intangible assets other than as disclosed above.

In respect of (a) and (d) above, if the estimated pre-tax discount rate applied to the discounted cash flows had been 10% instead of 8% as of 31 December 2013, the intangible assets would not be impacted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

18. INVESTMENT IN SUBSIDIARIES

	The Company 2013 RM'000	2012 RM'000
Unquoted shares - at cost		
At 1 January	107,374	106,624
Addition	-	750
At 31 December	107,374	107,374
Accumulated impairment loss		
At 1 January	4,563	551
Impairment loss for the financial year (Note 9)	-	4,012
Reversal of impairment loss for the financial year (Note 8)	(818)	-
At 31 December	3,745	4,563
Carrying amount	103,629	102,811

During the financial year, the Directors reviewed the Company's investment in subsidiaries for indicators of impairment and concluded that the recoverable amounts of certain subsidiaries are in excess of their carrying values. Accordingly, the Directors made a reversal of impairment loss amounting to RM818,000 (2012: recognised impairment loss of RM4,012,000), in respect of the investment in these subsidiaries.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows:

Name	Country of Incorporation	Group's Effective Interest 2013 %	2012 %	Principal Activities
Held directly by the Company:				
Sungai Harmoni Sdn Bhd &	Malaysia	100	100	Management, operation and maintenance of water treatment plants 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	Development, construction management, operation and maintenance and privatisation of water supply schemes and related business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Principal Activities
Held directly by the Company:				
Taliworks Technologies Sdn Bhd ^	Malaysia	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks International Limited *^	Hong Kong SAR	100	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd ("SWMT") ^	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.
Prolific Equity Sdn Bhd *^	Malaysia	100	100	General trading company.
Held through SWMT:				
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.
Taliworks-IBI Technologies International Limited *+	Hong Kong SAR	-	70	Liquidated on 9 January 2013.
Taliworks (Shanghai) Environment 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.

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Principal Activities
Held through Taliworks International Limited:				
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	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	Construct, management, operation and maintenance of industrial waste-water treatment plant for a concession period of 30 years expiring June 2040. During the financial year, the subsidiary ceased construction of the Facility and the negotiations are on-going for the Grantor to take-over the Facility as disclosed in Note 17.
Held through Taliworks (Sichuan) Ltd:				
Puresino (Guanghan) Water Co Ltd *@	People's Republic of China	56	56	Management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Audited by a firm other than Deloitte.

\+ Liquidated during the financial year.

& The auditors' report on the financial statements of the subsidiary contained an emphasis of matter on the uncertainty over the collectability of amount owing by a customer.

@ The auditors' report on financial statements of the subsidiary contained an emphasis of matter on the going concern basis used in the preparation of the financial statements which is dependent on the resolution of the disputes between the shareholders of the subsidiary.

^ The auditors' reports on the financial statements of these subsidiaries include an emphasis of matter regarding the ability of these subsidiaries to continue as a going-concern in view of their capital deficiency positions as at the end of the reporting period. The financial statements of these subsidiaries have been prepared on a going-concern basis as the Company has undertaken to provide continued financial support to the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. INVESTMENT IN SUBSIDIARIES (cont'd)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Country of incorporation and operation	Number of wholly-owned subsidiaries 2013	2012
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1
Provision of management and technical services relating to waste management	People's Republic of China	1	1
General construction	Malaysia	1	1
General trading company	Malaysia	1	1
Investment holding	Malaysia	2	2
Investment holding	Hong Kong SAR	2	2
Investment holding	People's Republic of China	2	2
		12	12

Principal activities	Country of incorporation and operation	Number of wholly-owned subsidiaries 2013	2012
Provision of management and technical services relating to waste management	People's Republic of China	3	3
Construction of water treatment works	Malaysia	1	1
Investment holding	Hong Kong SAR	1	2
General construction	Malaysia	1	1
Investment holding	Singapore	1	1
		7	8

NOTES TO THE FINANCIAL STATEMENTS
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19. INVESTMENT IN JOINT VENTURE

	2013 RM'000	2012 RM'000
The Group		
Share of net assets of joint venture	122,245	112,075
The Company		
Unquoted investments, at cost	55,538	55,538

The Group's share of revenue and profit of joint venture are as follows:

	The Group	
	2013 RM'000	2012 RM'000
Revenue	33,289	38,699
Profit for the financial year	10,008	9,812
Other comprehensive income for the financial year	162	46
Total comprehensive income for the financial year	10,170	9,858

The Group's share of assets and liabilities of joint venture are as follows:

	The Group	
	2013 RM'000	2012 RM'000
Non-current assets	393,336	395,135
Current assets	165,395	96,708
Current liabilities	(14,089)	(9,454)
Non-current liabilities	(422,397)	(370,314)
Net assets	122,245	112,075

The above profit for the financial year includes the following:

	The Group	
	2013 RM'000	2012 RM'000
Interest income	3,354	1,923
Depreciation of property, plant and equipment	(6,102)	(5,671)
Interest expense	(11,617)	(12,092)
Income tax expense	(1,304)	(386)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19. INVESTMENT IN JOINT VENTURE (cont'd)

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	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 the company principally engaged in the business as toll operator, general contractor and related activities.

* Audited by a firm other than Deloitte.

20. INVESTMENT IN ASSOCIATE

	2013 RM'000	2012 RM'000
The Group		
Share net assets of associate	5,171	6,340
The Company		
Unquoted investments, at cost		
Ordinary shares	2,000	2,000
Preference shares	120	520
	2,120	2,520

The Group's share of revenue and (loss)/profit of the associate are as follows:

	The Group 2013 RM'000	The Group 2012 RM'000
Revenue	7,518	18,706
(Loss)/Profit for the financial year	(769)	751

20. INVESTMENT IN ASSOCIATE (cont'd)

The Group's share of assets and liabilities of the associate are as follows:

	The Group 2013 RM'000	The Group 2012 RM'000
Non-current assets	421	1,975
Current assets	13,177	12,706
Current liabilities	(4,952)	(5,671)
Non-current liabilities	(72)	(34)
Non-controlling interests	(3,403)	(2,636)
Net assets	5,171	6,340

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the consolidated financial statements:

	The Group 2013 RM'000	The Group 2012 RM'000
Net assets of the associate	12,928	15,850
Proportion of the Group's ownership interest in the associate	40%	40%
Carrying amount of the Group's interest in the associate	5,171	6,340

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

Name	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %	Principal Activities
Hydrovest Sdn Bhd*	40	40	Provision of water management and project services.

* Audited by a firm other than Deloitte.

21. GOODWILL ON CONSOLIDATION

	The Group 2013 RM'000	The Group 2012 RM'000
At cost	2,504	2,504

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21. GOODWILL ON CONSOLIDATION (cont'd)

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

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

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

(a) Quantity of wastewater treated to increase from 27,608 tonnes/day in 2014, 40,000 tonnes/day in 2015, 42,000 tonnes/day in 2016 and 2017, 45,000 tonnes/day in 2018 and reaches maximum production capacity of 50,000 tonnes/day in 2022;

(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% per annum;

(d) Capital expenditure to be incurred over a 5 - 10 year cycle to replace the machinery equipment; and

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

The Directors are of the opinion that the underlying key bases and assumptions used in the estimation of the recoverable amount are reasonable and there is no impairment to the carrying amount of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10.0% instead of 8.0% as of 31 December 2013, the goodwill will be impaired by RM1,179,000.

22. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liability and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	8,730	8,512	-	-
Deferred tax liabilities	(2,246)	-	(2,239)	-
At end of financial year	6,484	8,512	(2,239)	-

22. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The movements during the financial year are as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	8,512	10,135	-	-
Transfer from/(to) profit or loss (Note 13):				
Property, plant and equipment	(355)	16	(320)	-
Amount due from subsidiaries	-	-	(3,217)	
Other receivables, deposits and prepayments	(124)	109	-	-
Trade receivables	1,550	(2,792)	-	-
Other payables and accruals	(4,024)	1,052	396	-
Unused tax losses	423	-	423	-
Unabsorbed capital allowances	479	-	479	-
	(2,051)	(1,615)	(2,239)	-
Credit to statements of changes in equity:				
Available-for-sale financial assets	23	(8)	-	-
At 31 December	6,484	8,512	(2,239)	-

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets (before offsetting)				
Tax effects of deductible temporary differences arising from:				
Trade receivables	8,518	6,968	-	-
Other receivables, deposits and prepayments	-	106	-	-
Other payables and accruals	998	1,584	396	-
Unused tax losses	423	-	423	-
Unabsorbed capital allowances	479	-	479	-
	10,418	8,658	1,298	-
Offsetting	(1,688)	(146)	(1,298)	-
Deferred tax assets (after offsetting)	8,730	8,512	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2013

22. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax liabilities (before offsetting)				
Tax effects of taxable temporary differences arising from:				
Property, plant and equipment	469	114	320	-
Amount due from subsidiaries	-	-	3,217	-
Other receivables, deposits and prepayments	27	9	-	-
Other payables and accruals	3,438	-	-	-
Available-for-sale financial assets	-	23	-	-
	3,934	146	3,537	-
Offsetting	(1,688)	(146)	(1,298)	-
Deferred tax liabilities (after offsetting)	2,246	-	2,239	-

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2013, the estimated amount of deductible temporary differences, unused tax losses, unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Temporary differences arising from:				
Property, plant and equipment	(325)	(307)	-	-
Amount due from subsidiaries	-	-	-	3,601
Other receivables, deposits and prepayments	1	3,756	-	-
Other payables and accruals	322	2,939	-	1,404
Unused tax losses	29,209	27,122	-	-
Unabsorbed capital allowances	166	1,743	-	632
	29,373	35,253	-	5,637

The unused tax losses and unabsorbed capital allowances, subject to the agreement by the tax authorities, are available for offset against future chargeable income.

NOTES TO THE FINANCIAL STATEMENTS
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23. TRADE RECEIVABLES

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Current				
Trade receivables	189,984	161,010	-	-
Less: Provision for discounting	(32,482)	(24,773)	-	-
Net	157,502	136,237	-	-
Current				
Trade receivables	192,841	205,971	1,008	3,681
Less: Provision for impairment	-	(1,656)	-	-
Net	192,841	204,315	1,008	3,681
Total	350,343	340,552	1,008	3,681

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2013 RM'000	2012 RM'000
Non-Current		
At 1 January	24,773	36,950
Provision for discounting	22,944	18,238
Reversal of discounting (Note 8)	(14,288)	(28,242)
Unwinding of discount (Note 8)	(947)	(2,173)
At 31 December	32,482	24,773
Current		
At 1 January	1,656	-
Written-off	(1,656)	-
Provision for impairment (Note 9)	-	1,656
At 31 December	-	1,656

NOTES TO THE FINANCIAL STATEMENTS

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23. TRADE RECEIVABLES (cont'd)

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	331,150	318,876	1,008	3,681
Chinese Renminbi	19,193	21,676	-	-
Total	350,343	340,552	1,008	3,681

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

Of the total trade receivables of the Group of RM350,343,000 (2012: RM340,552,000), RM311,344,000 (2012: RM285,511,000) 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.

(a) Kedah State Government and SADA

The gross invoiced amount due from the Kedah State Government together with SADA as of 31 December 2013 is RM51,670,000 (2012: RM54,167,000), out of which RM50,323,000 (2012: RM54,167,000) was deemed by Group to be current, based on its assessment of past collection trends.

(i) Amount due from the Kedah State Government

As of 1 January 2013, the balance owing by the Kedah State Government amounted to RM21,473,000 (2012: RM37,995,000).

During the financial year, the Kedah State Government paid RM10,478,000 and further offered to settle RM9,648,000 via various scheduled payments, commencing from May 2014 to November 2014. Hence, the Group assumed that the Kedah State Government will honour the balance of the scheduled payments of RM9,648,000 in the next twelve months. Accordingly, these amounts are classified as current and the remaining gross invoiced amount of RM1,347,000 has been classified as non-current.

Accordingly, the non-current portion of the amount receivable represents the net balance after provision for discounting amounted to RM80,000 (2012: RMNil). The amount due is carried at amortised cost and was discounted using rates ranging from 4% to 5%.

In 2012, as a result of the improvement in collection, a reversal of provision for discounting of RM2,391,000 was made.

23. TRADE RECEIVABLES (cont'd)

(a) Kedah State Government and SADA (cont'd)

(ii) Amount due from SADA

As the payments from SADA have been regular, it is assumed that all outstanding amounts due from SADA will be repaid within the next 12 months and as such, classified as current.

In 2012, a provision for impairment of RM1,656,000 was made in the financial statements, which has been written off during the financial year.

The Group believes that the credit risk relating to the amounts owing by the Kedah State Government and SADA to be minimal as the amounts are due from government and the related entities.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the receivable due from Kedah State Government would be further discounted by approximately RM2,105,000 (2012: RM2,143,000).

(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 of 31 December 2013, the amount due from SPLASH under the DSA is RM31,378,000 (2012: RM38,276,000). The non-current portion of the installments payable representing the net balance after provision for the 10th installment under the DSA amounted to RM10,978,000 (2012: RM21,015,000, comprising the 9th to 10th installments). The amount due under the DSA is carried at amortised cost and was discounted using rates ranging from 3% to 5%. If the installments are delayed by a year, an additional provision for discounting of RM1,340,000 (2012: RM1,651,000) will be required.

(ii) Invoiced Amounts

Subsequent to the current financial year, the Federal Government and the Selangor State Government signed a Memorandum of Understanding to facilitate the restructuring of the water sector in Selangor, paving the way for the Selangor State Government to acquire and consolidate all water concessionaires operating in the state. However, not all of the water concessionaires accepted the latest offer by the Selangor State Government, thus the matter remains unresolved, resulting in a continued impasse.

Due to the uncertainty relating to the future outcome of the impasse, SPLASH's receipts from Syarikat Bekalan Air Selangor Sdn Bhd, the concessionaire for the supply of treated water in Selangor is expected to continue to be delayed, thus affecting its ability to make timely payments to the Group.

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FOR THE YEAR ENDED 31 DECEMBER 2013

23. TRADE RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

(ii) Invoiced Amounts (cont'd)

As such, the gross invoiced amounts due from SPLASH as of 31 December 2013 amounting to RM260,230,000 (2012: RM217,643,000) not expected to be fully received within the next twelve months. During the financial year, there has been further improvement in amount of collection from SPLASH as compared to the previous financial year due to higher billings of subsequent invoices and therefore, the Group estimates that approximately RM88,800,000 will be received within the next twelve months, up from the previous estimate of RM82,000,000. The balance outstanding of RM171,430,000 is expected to be received progressively between 2015 to 2017 and accordingly, has been classified as non-current.

As a result of this improvement in collection, a reversal of provision for discounting of RM13,930,000 (2012: RM25,581,000) has been made in the financial year.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the invoiced amounts due from SPLASH would require an additional provision for discounting of RM26,032,000 (2012: RM22,192,000).

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

The Group	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2013				
Past due up to 3 months	5,475	22,513	13,639	41,627
Past due 3 to 9 months	22,731	20,528	2,175	45,434
Past due 9 months and above	11,254	99,262	9,982	120,498
	39,460	142,303	25,796	207,559
2012				
Past due up to 3 months	4,754	26,197	34,508	65,459
Past due 3 to 9 months	21,315	31,644	3,521	56,480
Past due 9 months and above	21,406	116,161	4,476	142,043
	47,475	174,002	42,505	263,982

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Current				
Other receivables	1,027	1,053	-	-
Less: Foreign currency translation differences	100	(26)	-	-
Less: Provision for discounting	(579)	(609)	-	-
Net	548	418	-	-
Current				
Other receivables and prepayments	4,965	4,615	290	153
Deposits	852	932	382	425
Less: Provision for impairment	(21)	-	-	-
	5,796	5,547	672	578
Total	6,344	5,965	672	578

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

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2013 RM'000	2012 RM'000
Non-Current		
At 1 January	609	637
Unwinding of discount (Note 8)	(30)	(28)
At 31 December	579	609
Current		
At 1 January	-	-
Provision for impairment (Note 8)	21	-
At 31 December	21	-

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FOR THE YEAR ENDED 31 DECEMBER 2013

25. DEPOSITS, CASH AND BANK BALANCES

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Non-Current				
Deposits with licensed banks	20,572	16,900	10,308	10,271
Cash and bank balances	-	3	-	-
	20,572	16,903	10,308	10,271
Current				
Deposits with licensed banks	10,160	9,200	-	-
Cash and bank balances	13,317	12,766	2,156	1,319
	23,477	21,966	2,156	1,319
Total:				
Deposits with licensed banks	30,732	26,100	10,308	10,271
Cash and bank balances	13,317	12,769	2,156	1,319
	44,049	38,869	12,464	11,590
Less:				
Deposits pledged as security	(20,572)	(16,900)	(10,308)	(10,271)
Proceeds deposited in the designated bank accounts	(3,519)	(5,127)	-	-
Cash and bank balances restricted	-	(3)	-	-
Overdraft (Note 35)	(4,913)	(4,951)	(4,913)	(4,951)
	(29,004)	(26,981)	(15,221)	(15,222)
Cash and cash equivalents	15,045	11,888	(2,757)	(3,632)

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Ringgit Malaysia	34,793	28,954	12,464	11,590
Chinese Renminbi	9,174	9,892	-	-
Hong Kong Dollar	30	16	-	-
US Dollar	4	4	-	-
Singapore Dollar	48	3	-	-
Total	44,049	38,869	12,464	11,590

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

(a) Included in deposits with licensed banks of the Group and the Company are long term deposits amounting to RM20,572,000 and RM10,308,000 (2012: RM16,900,000 and RM10,271,000) respectively 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. In addition, the Group's deposits are pledged as security for performance bonds on contracts for the management, operation and maintenance of water treatment plants.

(b) At the end of the reporting period, RM9,174,000 (2012: RM9,892,000) held by 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) The average interest rates of deposits of the Group and Company at the end of the reporting period range from 2.30% to 3.30% (2012: 2.20% to 3.30%) per annum and 2.55% to 3.30% (2012: 2.55% to 3.30%) per annum respectively.

(d) Deposits of the Group and Company have an average maturity ranging from 8 to 973 days (2012: 7 to 973 days) and 90 to 973 days (2012: 60 to 973 days) respectively. Bank balances are deposits held at call with licensed banks.

26. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2013 RM'000	2012 RM'000
Non-current		
Amount due from subsidiaries	202,152	193,262
Less: Provision for impairment	(7,731)	(7,731)
	194,421	185,531
Current		
Amount due from subsidiaries	1,570	4,188
	195,991	189,719

The currency profile of amount due from subsidiaries is as follows:

	The Company	
	2013 RM'000	2012 RM'000
US Dollar	5,849	-
Ringgit Malaysia	5,518	18,146
Hong Kong Dollar	184,279	171,357
Singapore Dollar	345	216
Total	195,991	189,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

26. AMOUNT DUE FROM SUBSIDIARIES (cont'd)

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within next twelve months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

27. INVENTORIES

	The Group	
	2013 RM'000	2012 RM'000
Consumable spares	1,109	1,223

All of the Group's inventories are expected to be used within the next twelve months.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise investment in quoted unit trusts in Money Market Securities instruments that are not held for trading.

The movement in available-for-sale financial assets during the financial year is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	20,946	13,983	-	4,016
Additions	36,828	22,004	-	2,002
Disposals	(32,377)	(15,035)	-	(6,070)
Fair value changes transferred to equity	123	(24)	-	24
Fair value changes transferred from equity	(60)	18	-	28
	63	(6)	-	52
At 31 December	25,460	20,946	-	-

29. SHARE CAPITAL

	The Group and The Company	
	2013	2012
	RM'000	RM'000
Authorised:		
1,000,000,000 ordinary shares of RM0.50 each	500,000	500,000
Issued and fully paid:		
436,491,580 ordinary shares of RM0.50 each	218,246	218,246

Employees' Share Option Scheme ("ESOS")

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

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws.

The options are exercisable from the effective date and expire on 29 September 2015. Any options not exercised by that date shall thereafter lapse and cease to be valid.

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

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

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

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

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

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

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

(vii) subject to the provisions of the ESOS By-laws, an option holder may deal with the new shares allotted and issued to him without any retention period or restriction of transfer. However, option holders who are non-executive Directors must not sell, transfer or assign the new shares allotted and issued to them pursuant to the exercise of their options within 1 year from the date of offer; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29. SHARE CAPITAL (cont'd)

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:

Date of Grant	Exercise price per share RM	Number of ESOS options over ordinary shares of RM0.50 each — At 1 January '000	Exercised '000	Lapsed '000	At 31 December '000
2013					
3.10.2005	1.31	43	-	(10)	33
5.9.2007	1.90	4,161	-	(177)	3,984
		4,204	-	(187)	4,017
Weighted average exercise price (RM)		1.89	-	1.89	1.89
2012					
3.10.2005	1.31	51	-	(8)	43
5.9.2007	1.90	4,237	-	(76)	4,161
		4,288	-	(84)	4,204
Weighted average exercise price (RM)		1.89	-	1.84	1.89

All outstanding share options as of 31 December 2013 and 31 December 2012 were exercisable. There were no options exercised in the current and previous financial year, except for options lapsed, which arose upon resignation of employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

30. SHARE PREMIUM

	The Group and The Company 2013 RM'000	2012 RM'000
At 1 January/31 December	74,176	74,176

31. SHARE OPTION RESERVE

	The Group and The Company 2013 RM'000	2012 RM'000
At 1 January	2,205	2,248
Transfer from share option reserve upon ESOS lapsed	(94)	(43)
At 31 December	2,111	2,205

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

32. MERGER DEFICIT

	The Group 2013 RM'000	2012 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
Subsidiaries acquired in financial year ended 31 December 2000			
Sungai Harmoni Sdn Bhd	47,000	5,000	(42,000)
Taliworks (Langkawi) Sdn Bhd	32,500	3,000	(29,500)
	79,500	8,000	(71,500)

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

33. RETAINED EARNINGS

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous full imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies with Section 108 tax credit are given an irrevocable option to disregard tax credit or to continue to utilise such tax credits until the tax credits are fully utilised or upon the expiry of the 6 year transitional period on 31 December 2013, whichever is earlier. During the transitional period, the Section 108 tax credit will be reduced by any tax credits utilised and any tax paid will not be added to this account.

The Company had not previously made the irrevocable option to disregard the Section 108 tax credits. Accordingly, the Company will be under the single tier tax system upon the expiry of the transitional period on 31 December 2013. Any remaining balance of the Section 108 tax credits as of that date shall be disregarded.

34. DIVIDENDS

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

	The Group and The Company			
	2013		2012	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Final dividend in respect of the financial year ended 31 December 2012, less 25% tax, on 436,491,580 ordinary shares paid on 31 July 2013	1.5	4,911	-	-
Final dividend in respect of the financial year ended 31 December 2011, less 25% tax, on 436,491,580 ordinary shares paid on 31 July 2012	-	-	0.5	1,637

On 25 February 2014, the Directors proposed the payment of a final single-tier dividend of 1.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM4,365,000 in respect of the current financial year, which is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

35. BORROWINGS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Current				
Finance lease liabilities	553	631	393	538
Term loans	284,619	184,786	-	-
Revolving credit	20,000	30,000	20,000	30,000
	305,172	215,417	20,393	30,538
Current				
Government loan	3,247	2,945	-	-
Finance lease liabilities	276	243	169	170
Term loans	12,716	80,737	-	-
Overdraft	4,913	4,951	4,913	4,951
Revolving credit	10,000	10,000	10,000	10,000
	31,152	98,876	15,082	15,121
Total				
Government loan (a)	3,247	2,945	-	-
Finance lease liabilities (b)	829	874	562	708
Term loans (c)	297,335	265,523	-	-
Revolving credit (c)	30,000	40,000	30,000	40,000
Overdraft	4,913	4,951	4,913	4,951
	336,324	314,293	35,475	45,659

The currency profile of borrowings is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Chinese Renminbi	300,582	268,468	-	-
Ringgit Malaysia	35,742	45,825	35,475	45,659
Total	336,324	314,293	35,475	45,659

The Group and the Company have a total of RM482,990,000 and RM118,516,000 (2012: RM459,661,000 and RM123,516,000) respectively of borrowing limits comprising government loan, term loans, overdrafts, revolving credit and other trade financing facilities secured from a local government and financial institutions.

Facilities of the Group amounting to RM474,743,000 (2012: RM451,716,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

35. BORROWINGS (cont'd)

Facilities of the Company amounting to RM113,516,000 (2012: RM118,516,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or dividends payable by a joint venture.

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

	The Group		The Company	
	2013	2012	2013	2012
	%	%	%	%
Government loan	6.9	6.4	-	-
Finance lease liabilities	2.40-4.86	2.40-2.50	2.40-2.50	2.40-2.50
Term loans	6.36-7.60	6.36-7.60	-	-
Overdraft	BLR +1.0	BLR +1.0	BLR +1.0	BLR +1.0
Revolving credit	COF +1.5	COF +1.5	COF +1.5	COF +1.5

(a) Government loan

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

(b) Finance lease liabilities

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

	The Group		The Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
The minimum lease payments at the end of the reporting period are as follows:				
Not later than 1 year	309	270	191	191
Later than 1 year	586	702	413	603
	895	972	604	794
Future finance charges	(66)	(98)	(42)	(86)
Present value	829	874	562	708
The maturity profile of the present value of the finance lease liabilities is as follows:				
Not later than 1 year	276	243	169	170
Later than 1 year	553	631	393	538
	829	874	562	708

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

35. BORROWINGS (cont'd)

(c) Term loans and revolving credit

In 2012, the Company drawndown its revolving credit facility of RM40,000,000. The revolving credit is repayable over four equal instalments of RM10,000,000 a year over a duration of four years and is secured by a deed of assignment over all dividends payable by a joint venture and a fixed deposit placement of RM250,000.

In 2012, Taliworks (Yinchuan) Wastewater Co Ltd, a subsidiary, drawndown RMB157,950,000 (RM76,858,000) of its term loans facility to fund the final tranche consideration of the project totaling RMB243,000,000 (RM124,340,000). The subsidiary also drawndown RMB541,000,000 (RM265,523,000), out of which RMB150,000,000 (RM73,620,000) was arranged by the financial institution to be obtained under a separate financing arrangement. During the financial year, the subsidiary refinanced the borrowing of RMB150,000,000 and subsequent to the re-financing of the borrowing, the subsidiary has a long term loan of RMB526,500,000 (RM284,889,000). The long term loan is repayable over fourteen years and is secured by its fees receivable from wastewater treatment plants.

36. TRADE PAYABLES

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-Current				
Retention sums	4,630	-	-	-
Less: Interest income imputed on retention sum	(1,083)	-	-	-
Net	3,547	-	-	-
Current				
Trade payables	59,373	47,263	171	113
Retention sums	942	3,874	221	1,079
	60,315	51,137	392	1,192
Total	63,862	51,137	392	1,192

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM5,572,000. Out of this amount, the Group anticipated that RM942,000 will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM4,630,000 has been classified as long term payables, and is expected to be released to contractors between 2015 to 2018. As a result, an interest income imputed on retention sum amounting to RM1,083,000 has been recognised in the current financial year.

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

36. TRADE PAYABLES (cont'd)

The currency profile of trade payables is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	63,200	50,471	392	1,192
Chinese Renminbi	662	666	-	-
	63,862	51,137	392	1,192

37. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables and accruals	32,075	20,672	13,987	2,949
Interest payables	2,271	6,250	173	221
	34,346	26,922	14,160	3,170

Included in other payables and accruals of the Group and of the Company is amount owing to LGB Engineering Sdn Bhd, a related party of the Company, in which certain shareholders of the Company are also shareholders, amounting to RM1,109,000 (2012: RM1,109,000). The amount mainly arose from non-trade transaction which is unsecured, interest free and repayable on demand.

Included in other payables and accruals of the Group and of the Company are amounts owing to Mr. Lim Chin Sean, Director of the Company and Y. Bhg. Dato' Lim Chee Meng, the major shareholder of the Company, amounting to RM12,000 and RM12,000 (2012: RM12,000 and RM12,000) respectively. The amounts mainly arose from the non-trade transactions which is unsecured, interest-free and repayable on demand.

38. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Aggregate costs incurred to-date and recognised profits	425,257	361,832	157,779	152,888
Progress billings	(424,429)	(371,794)	(158,115)	(152,821)
Net amount due from/(to) contract customers	828	(9,962)	(336)	67
Represented by:				
Amount due from contract customers	1,164	67	-	67
Amount due to contract customers	(336)	(10,029)	(336)	-
	828	(9,962)	(336)	67

Included in amount due from/(to) contract customers are:

	The Group	
	2013 RM'000	2012 RM'000
Depreciation of property, plant and equipment (Note 15)	62	50
Rental of site office	17	28
Property, plant and equipment written off (Note 15)	13	-
Loss on disposal of property, plant and equipment (Note 15)	13	-

39. FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

39. FINANCIAL INSTRUMENTS (cont'd)

Capital Risk Management (cont'd)

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings (Note 35)	336,324	314,293	35,475	45,659
Less: Deposits, cash and bank balances (Note 25)	(44,049)	(38,869)	(12,464)	(11,590)
Less: Available-for sale financial assets (Note 28)	(25,460)	(20,946)	-	-
Net debt	266,815	254,478	23,011	34,069
Total capital	605,557	566,439	335,047	322,822
Net gearing ratio	44%	45%	7%	11%

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability are disclosed in Note 3.

Categories of financial instruments

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets				
Loan and receivables:				
Trade receivables	350,343	340,552	1,008	3,681
Other receivables, deposits and prepayments	6,344	5,965	672	578
Deposits, cash and bank balances	44,049	38,869	12,464	11,590
Amount due from subsidiaries	-	-	195,991	189,719
Available-for-sale financial assets	25,460	20,946	-	-
Financial liabilities				
At amortised costs:				
Trade payables	63,862	51,137	392	1,192
Other payables and accruals	34,346	26,922	14,160	3,170
Borrowings	336,324	314,293	35,475	45,659

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk as a result of foreign currency transactions is significant as a sizeable of the Group's financial assets and liabilities are denominated in foreign currency due to certain subsidiaries operating in foreign jurisdictions.

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

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of Chinese Renminbi.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. If Chinese Renminbi strengthens/weakens against RM by 5%, with all other variables held constant, the Group's pre-tax profit for the financial year would have been RM14,022,000 (2012: RM12,527,000) higher/lower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's deposits and 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 tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

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FOR THE YEAR ENDED 31 DECEMBER 2013

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit/loss for the financial year would have been RM3,362,000 and RM355,000 (2012: RM3,144,000 and RM457,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis prepared by management excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated in a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 23.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations as of 31 December 2013.

Investment in available-for-sale financial assets is only allowed in liquid securities and only with financial institutions that has a sound credit rating. Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia.

The Group does not hold any collateral or credit enhancements to cover its credit risks associated with its receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits, bank and cash balances (Note 25)				
External credit rating (as rated by a rating agency in Malaysia):				
- AAA	33,792	27,809	11,445	10,487
- AA1	25	25	-	-
Without external credit rating	10,232	11,035	1,019	1,103
	44,049	38,869	12,464	11,590

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (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.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Group						
2013						
Non-interest bearing:						
Trade payables	-	59,373	-	-	-	59,373
Other payables and accruals	-	34,346	-	-	-	34,346
Interest bearing:						
Trade payables	8	942	737	3,893	-	5,572
Borrowings	2.4 - 7.6	31,153	31,319	89,964	346,376	498,812
		125,814	32,056	93,857	346,376	598,103
2012						
Non-interest bearing:						
Trade payables	-	51,137	-	-	-	51,137
Other payables and accruals	-	26,922	-	-	-	26,922
Interest bearing:						
Borrowings	2.4 - 7.6	98,876	25,369	75,852	248,336	448,433
		176,935	25,369	75,852	248,336	526,492

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FOR THE YEAR ENDED 31 DECEMBER 2013

39. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
2013						
Non-interest bearing:						
Trade payables	-	392	-	-	-	392
Other payables and accruals	-	14,160	-	-	-	14,160
Interest bearing:						
Borrowings	2.4 - 7.6	15,083	11,151	10,716	-	36,950
		29,635	11,151	10,716	-	51,502
2012						
Non-interest bearing:						
Trade payables	-	1,192	-	-	-	1,192
Other payables and accruals	-	3,170	-	-	-	3,170
Interest bearing:						
Borrowings	2.4 - 7.6	15,121	11,643	21,841	-	48,605
		19,483	11,643	21,841	-	52,967

40. FAIR VALUE ESTIMATION

The fair value of investment in unlisted collective investment scheme is generally determined based on the last published repurchase price per unit of such collective investment scheme.

For unquoted fixed income securities in general, fair values have been estimated by reference to quotes published by Bond Pricing Agency.

For deposits and placements with financial institutions with maturities of less than twelve months, the carrying value is a reasonable estimate of fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

40. FAIR VALUE ESTIMATION (cont'd)

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Long-term trade receivables	-	-	157,502	157,502
Long-term other receivables	-	-	548	548
Available-for-sale financial assets	25,460	-	-	25,460
Total	25,460	-	158,050	183,510
2012				
Long-term trade receivables	-	-	136,237	136,237
Long-term other receivables	-	-	418	418
Available-for-sale financial assets	20,946	-	-	20,946
Total	20,946	-	136,655	157,601

Fair Value of Financial Instruments

Deposit, cash and bank balances, trade and other receivables, intercompany indebtedness, trade and other payables and short-term borrowings.

The carrying amounts approximate their fair values due to short maturity of these instruments.

Long-term borrowings and finance lease liabilities

The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of the finance lease liabilities as of the reporting date. The Group's and the Company's long-term borrowings bear interest at floating rates and hence, their carrying amounts approximate fair values.

NOTES TO THE FINANCIAL STATEMENTS

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41. CONTINGENT LIABILITIES

Litigations

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

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

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

(a) construction deposit amounted to RMB3,160,000 (RM1,551,000);

(b) unpaid contract price of RMB6,533,000 (RM3,206,000); and

(c) penalty breach in performing the equipment procurement contract in the sum of RMB3,648,000 (RM1,790,000).

After few arbitral hearings held in the current financial year, Ningxia Eco had on 12 July 2012 received the decision in respect of the arbitration from CIETAC dated 10 July 2012. The main decisions of the arbitration award are as follows:

(a) Ningxia Eco shall pay the construction deposit of RMB1,550,000 (RM761,000) to Hua Sheng upon receipt of a bank performance bond;

(b) Ningxia Eco shall pay the contract sum amounting to RMB3,654,000 (RM1,794,000) to Hua Sheng;

(c) Ningxia Eco shall pay a late payment penalty on the principal sum of RMB1,610,000 (RM790,000), at the corresponding base lending rate ("BLR") as quoted by the People's Bank of China from 13 June 2011 to 21 July 2011 to Hua Sheng, amounting to RMB10,321 (RM5,000);

(d) Ningxia Eco shall pay a late payment penalty on a construction deposit of RMB1,550,000 (RM761,000) at the corresponding BLR as quoted by the People's Bank of China from 13 June 2011 to 1 April 2012 to Hua Sheng, amounting to RMB74,909 (RM37,000);

(e) Ningxia Eco is required to partially bear Hua Sheng's legal fee for arbitration amounting to RMB742,000 (RM365,000); and

(f) The arbitration cost of RMB516,126 (RM253,000) shall be borne by Ningxia Eco and Hua Sheng in the proportion of 70% (RMB361,288 or RM177,000) and 30% (RMB154,378 or RM76,000) respectively.

Ningxia Eco had not received the bank performance bond as construction deposits from Hua Sheng and therefore, Ningxia Eco has no obligation to pay the said deposits to Hua Sheng. The contract sum and other associated costs totaling RMB4,845,000 (RM2,378,000) have been adequately accrued for in the previous year's financial statements.

41. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

(i) **Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company (cont'd)**

During the financial year, Hua Sheng had applied for a further arbitration from CIETAC and Ningxia Eco had on 15 October 2013 received a new arbitration notice. The details of the arbitration application are as follows:

(a) The penalty for breach of contract to be borne by Ningxia Eco shall be raised from the rate stated in the contract i.e., 8% to 20% of the total contract value;

(b) The penalty amount to be paid by Ningxia Eco would be equivalent to RMB11,298,900, being the total contract value of RMB63,200,000 x 89.39% x 20% (work done before termination of contract was 10.61%); and

(c) Ningxia Eco shall bear the arbitration cost, Hua Sheng's legal cost and property preservation fee.

The first arbitral hearing was held on 17 January 2014, whereby, Ningxia Eco has filed a counter-claim on Hua Sheng for breach of contract based on the ground that Hua Sheng has stopped project work without the consent of Ningxia Eco. Due to Ningxia Eco's counter-claim, a second arbitral hearing will be fixed and the parties were ordered to submit further evidence.

The Directors of the Company, supported by legal advice, are of the opinion that the success of the claim against the Company is remote and, accordingly, no provision for the loss has been made in the financial statements.

(ii) **Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd. ("2nd Defendant") 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental") 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")**

On 27 March 2013, Puresino Guanghan received a Civil Judgement dated 26 January 2013 from the Sichuan Province High Court.

The High Court's judgements are as follows:

(a) The Sichuan Deyang Intermediate People's Court Civil Judgement (2010) No. 61 is overruled, which was read as follows:

- the Defendants shall remit the management fee in the sum of RMB725,000 (RM365,000) to CESE3;

- the Defendants shall remit compensation payment in the sum of RMB5,223,800 (RM2,630,000), which include the balance of purchase price of equipment of RMB4,723,800 (RM2,378,000) and compensation fee of RMB500,000 (RM252,000) together with interests on (a) principal amount of RMB3,570,420 (RM1,798,000), to be calculated at 0.05% on a daily basis commencing from 1 August 2007 until full payment; (b) principal amount of RMB1,653,380 (RM832,000), to be calculated at 0.05% on a daily basis, commencing from 1 August 2008 until full payment. The judgement amount shall not exceed RMB4,296,047 (RM2,163,000) together with interest calculated up to 26 July 2011 amounted to RMB2,770,159 (RM1,395,000), and the remaining interest shall be on RMB4,296,047(RM2,163,000), to be calculated at 0.05% on a daily basis, commencing from 27 July 2011 until full payment.

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41. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

(ii) **Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd. ("2nd Defendant") 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental") 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3") (cont'd)**

(a) The Sichuan Deyang Intermediate People's Court Civil Judgement (2010) No. 61 is overruled, which was read as follows (cont'd):

- all other claims by CESE3 and the Plaintiff are dismissed; and
- fee amounting to RMB77,885 (RM39,200) consists of court fee of RMB72,885 (RM36,700) and other litigation fees of RMB5,000 (RM2,500) shall be paid as follows:
  - Puresino Guanghan and 2nd Defendant shall jointly bear the sum RMB65,205 (RM32,800);
  - CESE3 shall bear the sum of RMB7,680 (RM3,900); and
  - the Plaintiff shall bear the sum of RMB5,000 (RM2,500).

(b) The management fees of RMB496,020 (RM243,000) shall be borne by Puresino Guanghan and the 2nd Defendant and payment shall be made within 10 days from the effective date of the said judgement to CESE3. If payment obligations are not fulfilled in accordance with the deadline of the judgement, double interest on the overdue shall be paid in accordance with the stipulation of Article 253 of the Civil Procedure Act of the People's Republic of China.

(c) All other claims by CESE3 and the Plaintiff are dismissed.

(d) The first instance fee amounting to RMB77,885 (RM38,200) consists of court fee of RMB72,885 (RM35,800) and other litigation fees of RMB5,000 (RM2,400).

The aforesaid fees shall be paid as follows:

- the plaintiff and Watson Environmental shall jointly bear the sum of RMB70,000 (RM34,400);
- Puresino Guanghan and 2nd Defendant shall jointly bear the sum RMB7,000 (RM3,400); and
- CESE3 shall bear the sum of RMB885 (RM400).

(e) The second instance fee amounts to the sum of RMB72,885 (RM35,800) and shall be paid as follows:

- the Plaintiff and Watson Environmental shall jointly bear the sum of RMB67,000 (RM32,900);
- Puresino Guanghan and 2nd Defendant shall jointly bear the sum of RMB5,200 (RM2,600); and
- CESE3 shall bear the sum of RMB685 (RM300).

The decision of the Court is final and the Directors have assessed the financial impact on the financial statements. Accordingly, a reversal of the over-accrual of litigation claims amounting to RM1,961,000 has been recognised in the current financial year, as disclosed in Note 8.

42. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Authorised but not contracted for:				
Property, plant and equipment	9,302	7,454	7	8
Intangible assets	84,815	-	-	-
Authorised and contracted for:				
Property, plant and equipment	-	979	-	-
	94,117	8,433	7	8

In accordance with a concession agreement executed by a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, the subsidiary shall be liable to upgrade and expand its existing wastewater treatment plants facilities. The upgrading and expansion is to fulfill the overall water demand in Yinchuan city, and to meet the effluent water quality standard in accordance with the said concession agreement. At the end of the financial year, the cost for upgrading and expansion has not been finalised by the subsidiary and therefore, it has yet to be authorised by the Directors of the Company except for the cost of upgrading and expansion of Plant 3 amounting to RMB156,745,000 (RM84,815,000). However, for the purpose of estimating the recoverable amounts of intangible assets for impairment review, the Group has estimated an additional capital expenditure of RMB630,000,000 (RM340,893,000) as disclosed in Note 17.

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2013 RM'000	2012 RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	600	600
Later than 5 years	300	450
	1,050	1,200

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

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FOR THE YEAR ENDED 31 DECEMBER 2013

42. CAPITAL COMMITMENTS (cont'd)

(b) Non-cancellable operating lease commitments (cont'd):

(ii) Rental of premises:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
No later than 1 year	2,726	-	2,028	-
Later than 1 year but not later than 5 years	5,451	-	4,056	-
	8,177	-	6,084	-

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Related party	Relationship
Alam Ria Sdn Bhd	Common director and major shareholder
Exitra Sdn Bhd	Common director and major shareholder
Perangsang Water Management Sdn Bhd	Common director and major shareholder
Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	Common director and major shareholder
Aqua-Flo Sdn Bhd	Common major shareholders
LGB Realty Sdn Bhd	Common director and major shareholders
Taliworks Consortium Sdn Bhd	Common shareholder
Air Kedah Sdn Bhd	Subsidiary
Sungai Harmoni Sdn Bhd	Subsidiary
Taliworks (Langkawi) Sdn Bhd	Subsidiary
Cerah Sama Sdn Bhd	Joint venture

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 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 from:				
- Aqua-Flo Sdn Bhd	14,004	12,734	-	50
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	4,792	4,357	-	-
- Perangsang Water Management Sdn Bhd	2,396	2,178	-	-
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd	2,235	2,096	-	-
Service rendered in relation to information technology services and maintenance fee paid to:				
- Exitra Sdn Bhd	765	322	318	141
Fees charged for management, operation and maintenance of water treatment plants to:				
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	127,383	116,825	-	-
Rental of premises from:				
- LGB Realty Sdn Bhd	228	228	228	228
- Taliworks Consortium Sdn Bhd	78	78	-	-
(Contract revenue over-recognised)/Contract revenue from:				
- Air Kedah Sdn Bhd	-	-	(686)	3,334
Management fee from:				
Subsidiaries:				
- Sungai Harmoni Sdn Bhd	-	-	1,080	1,080
- Taliworks (Langkawi) Sdn Bhd	-	-	960	960
Joint venture:				
- Cerah Sama Sdn Bhd	600	-	600	-
Total (Note 6)	600	-	2,640	2,040
Dividend income from:				
- Taliworks (Langkawi) Sdn Bhd	-	-	19,980	16,650

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.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (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.

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. LGB Holdings Sdn Bhd (formerly known as L.G.B. Holdings Sdn Bhd) ("LGB") is deemed a substantial shareholder of the Company by virtue of its substantial shareholdings in these companies. Mr. Lim Chin Sean is a major shareholders of LGB and therefore he is deemed as a substantial shareholders of the Company.

Kumpulan Perangsang Selangor Berhad ("KPSB") has ceased to be a substantial shareholder of the Company with effect from 4 October 2013 upon disposal of its shares totaling 37,866,628 ordinary shares of RM0.50 each.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fees	25	25	25	25
Wages, salaries and bonus	4,570	4,487	3,200	2,890
Defined contribution - Employees Provident Fund	564	605	400	425
Other emoluments	303	153	7	153
	5,462	5,270	3,632	3,493

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM616,000 and RM320,000 (2012: RM411,000 and RM411,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM251,000 (2012: RM120,000) and RM169,000 (2012: RM100,000) respectively.

44. RECLASSIFICATION OF COMPARATIVES

Certain comparatives have been reclassified to conform with the current year's presentation as follows:

	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
2012			
The Group			
Statement of profit or loss and other comprehensive income			
Cost of operations	180,036	1,534	181,570
Administrative and other expenses	37,584	(1,534)	36,050

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45. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries:				
Realised profits	285,748	272,336	27,694	31,952
Unrealised gains/(losses)	9,632	9,185	12,820	(3,757)
	295,380	281,521	40,514	28,195
Total share of retained earnings from associate:				
Realised profits	3,050	3,819	-	-
Total share of retained earnings from joint venture:				
Realised profits	79,043	70,120	-	-
Unrealised losses	(12,336)	(13,583)	-	-
	66,707	56,537	-	-
Total Group's and Company's retained earnings	365,137	341,877	40,514	28,195

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The supplementary information has been made solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

ANALYSIS OF SHAREHOLDINGS

AS AT 2 MAY 2014

SHAREHOLDINGS STRUCTURE

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

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	26	1.68	581	0.00
100 – 1,000	155	10.01	112,770	0.03
1,001 – 10,000	964	62.23	4,507,401	1.03
10,001 – 100,000	325	20.98	10,339,200	2.37
100,001 to less than 5% of issued shares	72	4.65	102,351,128	23.45
5% and above of issued shares	7	0.45	319,180,500	73.12
Total	1,549	100.00	436,491,580	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	92,012,400	21.08
2.	Water Clinic Sdn Bhd	64,800,000	14.85
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (SG BR-TST-Asing)*	43,909,300	10.06
4.	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for UBS AG Hong Kong (Foreign)*	36,000,000	8.25
5.	Malar Terang Sdn Bhd	29,913,200	6.85
6.	Century General Water (M) Sdn Bhd	29,541,600	6.77
7.	Mal Monte Sdn Bhd	23,004,000	5.27
8.	Cartaban Nominees (Asing) Sdn Bhd *Exempt an for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	18,280,700	4.19
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for the Hong Kong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	15,523,000	3.56
10.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	12,311,100	2.82

ANALYSIS OF **SHAREHOLDINGS**

AS AT 2 MAY 2014

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
11.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt an for Bank of New York Mellon SA/NV (UBPSG-MSIA)*	9,366,628	2.15
12.	Maybank Nominees (Asing) Sdn Bhd *DBS Bank for Vijay Vijendra Sethu (516479)*	7,500,000	1.72
13.	Ng Yim Hoo	4,653,200	1.07
14.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt an for UOB Kay Hian (Hong Kong) Limited-A/C Clients*	3,366,500	0.77
15.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Ka Ting (E-SS2)*	3,000,000	0.69
16.	Malar Teguh Sdn Bhd	2,657,400	0.61
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	2,317,600	0.53
18.	Century General Water (M) Sdn Bhd	2,098,800	0.48
19.	Kembangan Sepadu Sdn Bhd	1,645,000	0.38
20.	Goh Phaik Lynn	1,333,500	0.31
21.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Choong Foong Ming (CEB)*	1,290,700	0.30
22.	Phang Wai Hoong	1,134,800	0.26
23.	Mestika Pertiwi Sdn Bhd	1,073,000	0.25
24.	Ertidaya Sdn Bhd	838,000	0.19
25.	Lee Ker Thai @ Lee Ah Kaw	715,400	0.16
26.	Wan Puteh Bin Wan Mohd Saman	580,000	0.13
27.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Oh Kim Sun (CEB)*	554,100	0.13
28.	Anjung Bahtera Sdn Bhd	514,700	0.12
29.	Lean Seok Tee	495,000	0.11
30.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Liew Yoon Peck*	489,000	0.11
	TOTAL	**410,918,628**	**94.14**

LIST OF SUBSTANTIAL SHAREHOLDERS

AS AT 2 MAY 2014

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	-		-
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	-		-
Mr. Vijay Vijendra Sethu	25,500,000	5.84	18,000,000	(a)	4.12
Mal Monte Sdn Bhd	23,004,000	5.27	-		-
Anekawal Sdn Bhd	-	-	92,012,400	(b)	21.08
LGB Holdings Sdn Bhd	-	-	241,370,000	(c)	55.30
Adil Cita Sdn Bhd	-	-	123,652,800	(d)	28.33
Y.Bhg. Dato' Lim Chee Meng	585,900	0.13	241,640,000	(e)	55.36
Mr. Lim Chin Sean	-	-	241,640,000	(e)	55.36
GSL Development Sdn Bhd	-	-	31,640,400	(f)	7.25

Notes:-

(a) Indirect interest through a family trust.

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

(c) 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.

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

(e) 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.

(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

AS AT 2 MAY 2014

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. Tan Sri Dato' Seri Ong Ka Ting	3,000,000	1.37	-	-	-
Mr. Lim Yew Boon	150,000	0.03	-	-	-
Y.Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.07	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Vijay Vijendra Sethu	25,500,000	5.84	18,000,000	(a)	4.12
Mr. Lim Chin Sean	-	-	241,640,000	(b)	55.36
Mr. Soong Chee Keong	-	-	-	-	-

(a) Indirect interest through a family trust.

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

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

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

Name	Exercise Price (RM)	As at 1 January 2013	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 Third Annual General Meeting ("23rd AGM") of the Company will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 18 June 2014 at 11:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2013. **(Resolution 1)**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2013. **(Resolution 2)**

4. To re-elect the following Directors who are retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Y.Bhg. Tan Sri Dato' Seri Ong Ka Ting; and **(Resolution 3)**
   (b) Mr. Vijay Vijendra Sethu. **(Resolution 4)**
   (Please refer to Note 2)

5. To reappoint Messrs. Deloitte 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)**

   <u>As Special Business</u>

   To consider and if thought fit, with or without any modification(s), to pass the following Ordinary Resolution:-

6. **ORDINARY RESOLUTION**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

7. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE OF BOOK CLOSURE

NOTICE IS ALSO HEREBY GIVEN that a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2013 will be payable on 25 June 2014 to depositors whose names appear in the Record of Depositors at the close of business on 11 June 2014 if approved by the members at the Twenty Third Annual General Meeting of the Company.

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

(a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 11 June 2014 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)
YEOW SZE MIN (MAICSA 7065735)
Company Secretaries

Kuala Lumpur
Dated: 27 May 2014

Explanatory Notes to Special Business: -

1. Authority to Issue Shares

The proposed Resolution 6 is intended to renew the authority granted to the Directors of the Company at the Twenty Second Annual General Meeting of the Company held on 26 June 2013 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "**General Mandate**").

The General Mandate granted by the shareholders at the Twenty Second Annual General Meeting of the Company held on 26 June 2013 had not been utilised and hence, no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

NOTICE OF
ANNUAL GENERAL MEETING

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. Y.Bhg. Dato' Hj Mohd Sinon Bin Mudakir and Encik Sulaiman Bin Salleh who retire by rotation pursuant to Article 80 of the Company's Articles of Association have indicated that they do not wish to seek for re-election.

3. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 11 June 2014 shall be eligible to attend the Meeting.

4. 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.

5. 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 Sections 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.

6. 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.

7. 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 accoun**t"), 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.

8. 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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Cds account No.

Number of ordinary shares held

TALIWORKS CORPORATION
LGB Group

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 Third Annual General Meeting of the Company to be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 18 June 2014 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	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon.			
		Resolution	**For**	**Against**
2.	To approve the payment of a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2013.	1		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2013.	2		
4(a).	To re-elect Y.Bhg Tan Sri Dato' Seri Ong Ka Ting, who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election.	3		
4(b).	To re-elect Mr. Vijay Vijendra Sethu, who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election.	4		
5.	To reappoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	5		
Special Business				
6.	**Ordinary Resolution:** Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.	6		

As witness my/our hand(s) this day __________ of ____________________, 2014.

** Strike out whichever not applicable*

____
*Signature/Common Seal of Shareholder

Notes :-

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 11 June 2014 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
TALIWORKS CORPORATION BERHAD (6052-V)

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

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TALIWORKS CORPORATION
LGB Group

TALIWORKS CORPORATION BERHAD (6052-V)

Level 19, Menara LGB, No.1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.
• Tel : 03 2788 9100 • Fax : 03 2788 9101 • info@taliworks.com.my • www.taliworks.com.my