TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT **2016**

ENHANCING GROWTH,
DELIVERING VALUE

Contents

Building Solid Results

REVENUE
304.9 million

MARKET CAPITALISATION
as at 31 March 2017
1.946 billion

TOTAL SHAREHOLDERS' EQUITY
1,121.0 million

PROFIT FOR THE FINANCIAL YEAR
148.1 million

Corporate Information

BOARD OF DIRECTORS

Senior Independent Non-Executive Chairman
Tan Sri Dato' Seri Ong Ka Ting

Executive Director
Dato' Lim Yew Boon

Independent Non-Executive Directors
Mr. Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
En Ahmad Jauhari Bin Yahya

Non-Independent Non-Executive Directors
Mr. Lim Chin Sean
Mr. Vijay Vijendra Sethu

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Mr. Soong Chee Keong

Members
Mr. Lim Chin Sean
Dato' Sri Amrin Bin Awaluddin

NOMINATING COMMITTEE

Chairman
Tan Sri Dato' Seri Ong Ka Ting

Members
Mr. Vijay Vijendra Sethu
En Ahmad Jauhari Bin Yahya

REMUNERATION COMMITTEE

Chairman
Tan Sri Dato' Seri Ong Ka Ting

Members
Mr. Soong Chee Keong
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

COMPANY SECRETARIES

Ms. Tan Bee Hwee (MAICSA 7021024)
Ms. Queck Wai Fong (MAICSA 7023051)

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
T + 60 3 2783 9191
F + 60 3 2783 9111

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
T + 60 3 2783 9191
F + 60 3 2783 9111

PRINCIPAL OFFICE

Level 19, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Malaysia
T + 60 3 2788 9100
F + 60 3 2788 9101
E info@taliworks.com.my
W 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
Malaysia
T + 60 3 7849 0777
F + 60 3 7841 8151/52

MAIN AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Malaysia
T + 60 3 7610 8888
F + 60 3 7726 8986

PRINCIPAL BANKERS

AmBank (M) Berhad
AmIslamic Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad

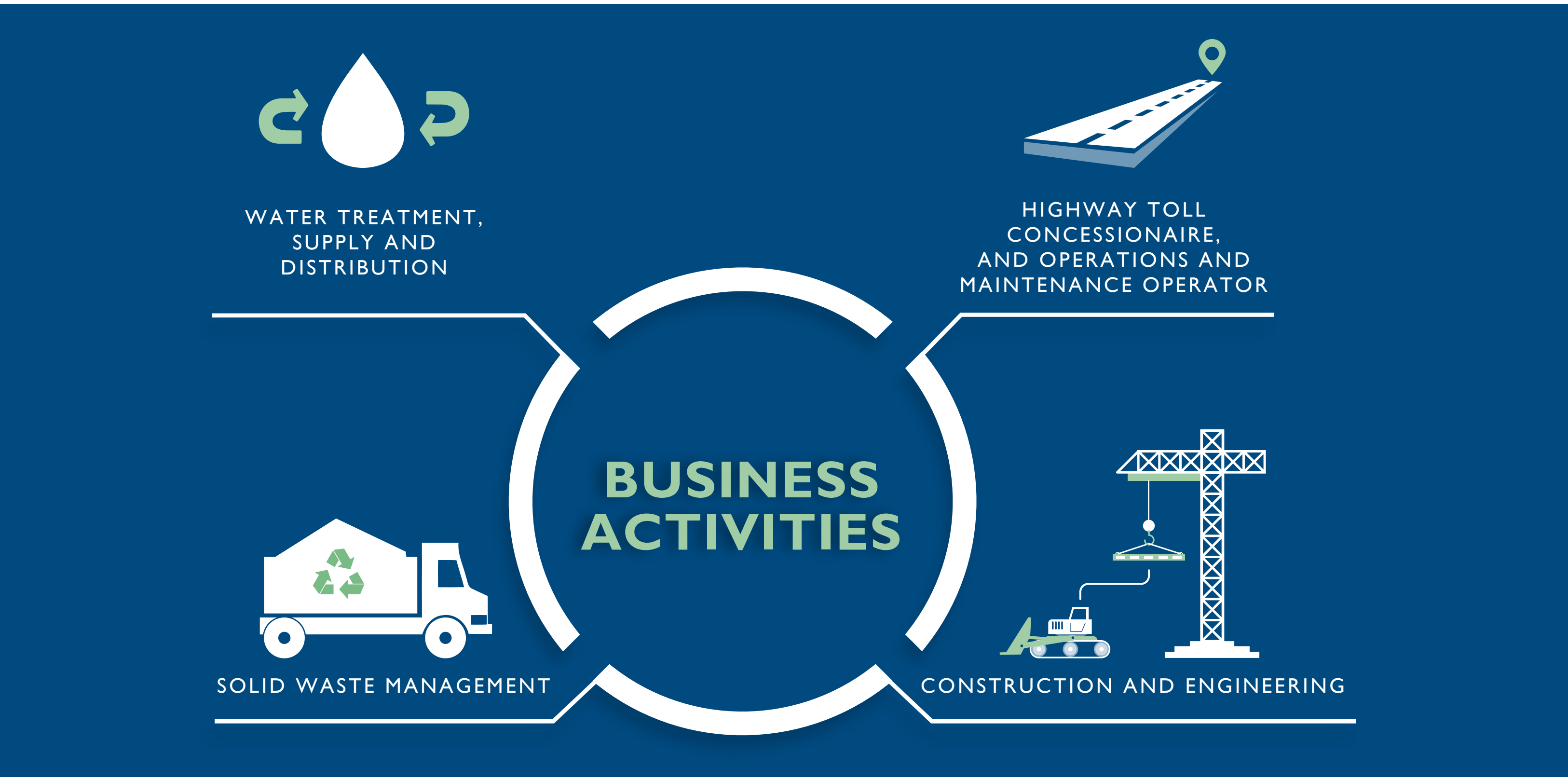
STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock & Code
: TALIWRK & 8524 (Trading/Services)
: TALIWRK-WB & 8524WB (Warrants)

Corporate Profile

BACKGROUND HISTORY

Listed on the Main Market of Bursa Securities under Trading/Services Sector (Name & Code: TALIWRK & 8524), Taliworks Corporation Berhad ("Taliworks" or the "Company") is a pure play infrastructure company involving in four main distinct business sectors as follows:-



FOCUS ON MATURE OPERATIONAL CASH-GENERATING UTILITIES/ INFRASTRUCTURE BUSINESS

Taliworks' subsidiaries started out in the water management sector in 1987 as a pioneer in the privatisation of potable water treatment and supply in Malaysia and today, the water treatment, supply and distribution segment leads as the main core business activity of Taliworks. In 2004, the Company began to diversify its business into the waste management business in the People's Republic of China (which was subsequently disposed of in 2016). Thereafter, it expanded into the highway toll concessionaire and operations and maintenance in 2007.

Corporate
Profile

In 2016, Taliworks completed the realignment of its strategic business focus towards mature operational cash-generating utilities/infrastructure business to support its general dividend policy by disposing its entire waste management businesses in the People's Republic of China and simultaneously acquiring a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMH"). SWMH is an investment holding company whose subsidiaries are principally involved in managing and carrying on the business of solid waste collection and public cleansing management and other related activities in the states of Negeri Sembilan, Melaka and Johor in Malaysia under a 22-year concession agreement with the Federal Government.

Water Treatment, Supply and Distribution

One of Taliworks' core businesses is in the privatised water supply sector. It comprises an operation and maintenance ("O&M") contract for the Sungai Selangor Phase I Water Treatment Plant ("SSP1") that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and the water treatment, supply and distribution system for the entire Pulau Langkawi, Kedah. The O&M contract which is for a duration of 30 years, is undertaken by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and it expires in January 2030.

The water treatment, supply and distribution system in Pulau Langkawi is managed by Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") under a 25 years concession ending October 2020. Taliworks Langkawi 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.

These two companies manage a total of 6 water treatment plants with a combined maximum operating capacity of 1,137 million litres per day (Sungai Harmoni: 1,040 million litres per day; Taliworks Langkawi: 97.0 million litres per day).

Highway Toll Concessionaire, Operations and Maintenance Operator

Taliworks first ventured into highway ownership and toll operations when it acquired a 55% equity interest in Cerah Sama Sdn. Bhd. ("Cerah Sama") in 2007. 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 September 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. The highway serves to ease traffic congestion and minimise travel time for daily commuters within the Cheras-Kajang vicinity. The highway concession 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.

Subsequently in 2014, the Employees Provident Fund Board ("EPF") acquired an effective 49% equity interest in Cerah Sama whilst Taliworks' effective equity interest in Cerah Sama reduced from 55% to 51%. The collaboration with EPF is to position TEI Sdn. Bhd. ("TEI"), the immediate holding company of Cerah Sama, to be the flagship vehicle through which both parties will engage in the business of acquiring and operating mature cash-generating utilities infrastructure assets in Malaysia and in developed countries.

In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu") acquired the assets and concession rights to the New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn. Bhd. (In Liquidation) ("Shapadu") for a cash consideration of RM265 million. Grand Sepadu owns the concession rights to the NNKSB until December 2032.

NNKSB, whose tolling operations commenced in 2002, is a 17.5 km two-lane dual carriageway highway which links North Port to Bukit Raja, Klang. The NNKSB is parallel to the old tolled North Klang Straits Bypass (which became a non-tolled road after NNKSB became operational) and is linked to Lebuh Raya Shah Alam ("KESAS Highway"), Federal Highway, the New Klang Valley Expressway and in the future, the upcoming East Coast Expressway.

Corporate
Profile

In 2015, EPF acquired a 50% equity interest in Pinggiran Muhibbah Sdn. Bhd. ("Pinggiran Muhibbah"), a company that owns 75% equity interest in Grand Sepadu and a 90% economic interest in the NNKSB. This partnership resulted in EPF owning 37.5% equity interest in Grand Sepadu and 45% economic interest in NNKSB and this marks the second partnership between Taliworks and EPF.

Solid Waste Management

SWM Environment Holdings Sdn. Bhd. ("SWMH") is an integrated waste management and public cleansing service provider in the southern region, namely Johor, Negeri Sembilan and Melaka. SWMH's 100% owned SWM Environment Sdn. Bhd. is the concession owner for the provision of solid waste collection and public cleansing services, serving the southern region until 31 August 2033. Its business covers a total geographical region of 27,650 km^2 and serves over 5.1 million population. It services 27 local authorities with over 8,000 staff and 500 sub-contractors who collectively manage approximately 4,500 to 5,000 metric tonnes of waste per day.

Construction and Engineering

Taliworks' construction and engineering division secured its first project in 2002 and has undertaken several other projects in the infrastructure space since. Some of the more notable projects undertaken include the RM120 million Projek Bekalan Air Kedah Tengah on a turnkey basis, the RM149 million design and build Padang Terap Water Supply Project in Kedah and the RM339 million Mengkuang Dam Expansion Project which comprise broadly of site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Construction works undertaken are ISO9001 certified and the Company is also registered with and awarded the highest grade, Grade G7, by CIDB.

Business Focus and Strategies

The water treatment, supply and distribution business in Malaysia accounts for the bulk of Taliworks' revenue and profitability. Taliworks remains focus on its core businesses to support its high dividend payout ratio of not less than 75% of its consolidated Profit After Tax (excluding exceptional items), backed by the existing mature and long term concessions in water treatment, toll highway operations and waste management which provide stable income and cashflow to the Company.

Taliworks has a team of knowledgeable management with more than twenty-five (25) years' experience in the infrastructure industry with privatisation, project management, construction, corporate and funding skillsets. Hence, any project conceptualisation and potential merger and acquisition opportunities are scrutinised thoroughly so that the target strategic assets and outcomes are value-accretive to shareholders.

Leveraging on its strengths, Taliworks is a strategic investor with the objective to grow and expand into mature operational cash-generating utilities/infrastructure businesses both domestically and in foreign developed markets so as to re-position itself as a leading pure play infrastructure project company in the region.

Corporate Milestone

1965

Taliworks Corporation Berhad ("Taliworks") was incorporated in Malaysia as a private limited company under the name of The Carpet Manufacturing Company (Malaysia) Limited ("Carpet Manufacturing") (August).

1968

Carpet Manufacturing changed its name to F&T Carpets (Malaysia) Sdn. Bhd. ("F&T Carpets") (November).

1974

F&T Carpets was renamed to Carpets International Malaysia Sdn. Bhd. ("Carpets International") (February).

1982

Carpets International was converted into a public company and assumed the name Carpets International Malaysia Berhad ("Carpets") (December).

1992

Carpets was listed on the then Second Board of the Kuala Lumpur Stock Exchange *(now known as Bursa Malaysia Securities Berhad ("Bursa Securities")* (July).

2000

- Carpets completed the acquisition of 100% equity interest in Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd. (July).
- Carpets 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)* (October).
- Carpets was renamed to Taliworks Corporation Berhad (November).

2002

- Taliworks ceased the operations of designing, manufacturing, distribution and laying of carpets and rugs.
- Taliworks was awarded the Forbes magazine's list of 100 best smaller-sized enterprises in the Asia Pacific.
- Taliworks secured its maiden project for the design, construction and supervision for water supply works to the Northern Area of the Central Kedah Water Supply Scheme for RM120 million.

2003

Taliworks was awarded the Forbes magazine's list of 100 Best Smaller-Sized Enterprises in the Asia Pacific and KPMG/ The Edge Shareholders Value Awards (ranked 21 out of top 100 companies and ranked 2nd within the Infrastructure Grouping).

2004

- Taliworks diversified its business interests to include waste management in the People's Republic of China.
- Taliworks was awarded the KPMG/ The Edge Shareholders Value Awards (ranked 85 out of top 100 companies).

2005

- Tianjin-SWM (M) Environment Ltd Co, a 90% owned subsidiary of Taliworks, commenced operations in the Tianjin Panlou Municipal Solid Waste Transfer Station (January).
- Taliworks was awarded The Edge Top 100 Best Companies in term of return (3 years) (ranked 78 out of top 100 companies).
- Taliworks was awarded the KPMG/ The Edge Shareholders Value Awards (ranked 40 out of top 100 companies).
- Taliworks issued 70,440,000 warrants 2005/2010 pursuant to a rights issue of warrants on the basis of 1 warrant for every 5 ordinary shares of RM0.50 each held after the split of every 1 ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each (Sept).
- Taliworks adopted a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the next three years commencing from the financial year 2006.

2006

- Taliworks was ranked 124 out of 200 public listed companies based on the market capitalisation as at 31 December 2005 under the Corporate Governance Survey Report 2006 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 212 main board companies selected based on the market capitalisation as at 31 December 2005 under the Dividend Survey 2006 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks issued 17,000,000 new placement shares of RM0.50 each at RM1.35 per share pursuant to a private placement of shares (May).
- Air Kedah Sdn. Bhd; a 60% owned subsidiary, received the Letter of Acceptance to implement the Padang Terap Water Supply Scheme from the Kedah State Government for RM149 million (July).

2007

- Taliworks diversified its business interests to highway toll operations and maintenance through the acquisition of 55% interest in the then JV Company, Cerah Sama Sdn. Bhd. ("Cerah Sama").
- Taliworks acquired a 56% stake in Puresino (Guanghan) Water Co. Ltd. (April) and the company subsequently commenced commercial operations of the Guanghan San Xin Dui wastewater treatment plant in September.
- Taliworks was ranked 87 out of 350 main board companies under the Corporate Governance Survey Report 2007 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.
- Taliworks was ranked amongst the top 500 public listed companies selected based on the market capitalisation as at 31 December 2006 under the Dividend Survey 2007 published jointly by the Minority Shareholder Watchdog Group and Universiti Teknologi MARA.
- Taliworks issued RM225 million of nominal value of 5-year convertible bonds.

2008

Taliworks was ranked 45 out of 960 public listed companies under the Corporate Governance Survey Report 2008 published jointly by the Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus.

2009

Taliworks was ranked amongst the top 100 public listed companies under the Malaysian Corporate Governance Report 2009 published by the Minority Shareholder Watchdog Group.

2011

- Taliworks was awarded the sub-contract of the Mengkuang Dam Expansion Project for a project sum of RM339 million (September).
- Taliworks (Yinchuan) Wastewater Treatment Co. Ltd., a wholly-owned subsidiary of Taliworks, completed the takeover of the operation of four municipal wastewater treatment plants with recycled water facilities in Yinchuan (December).

2012

- Taliworks was awarded the Brandlaureate Best Brand Awards 2011-2012- Best Brands in Industrial - Water Treatment.
- Taliworks' joint-venture with LGB Engineering Sdn. Bhd. was awarded a contract by the State Government of Selangor for the construction and completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir for a contract sum of RM20.3 million (February).

2013

- Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 million in nominal value (January).
- Taliworks (Langkawi) Sdn. Bhd. was granted an authorisation by the National Water Service Commission to undertake and carry out the operations and activities under the Langkawi Water Supply Privatisation Agreement (October).

2014

- Taliworks gained control over Cerah Sama and the company became a subsidiary of Taliworks as a result of an internal re-organisation exercise (June to August).
- The Employees Provident Fund Board ("EPF") acquired 31.85% in Cerah Sama, whilst Taliworks' effective equity interest in Cerah Sama reduced to 28.05% from 55%.
- The consortium of LGB-Taliworks JV was awarded the SSP3 Package Pipeline, involving the supplying and laying of 11km of 1,200 mm diameters of steel pipes with a contract value of RM30.6 million (June).
- Taliworks announced a Dividend Policy of declaring a dividend payout ratio of not less than 75% of its consolidated profit after tax (excluding exceptional items) commencing the financial year ending 31 December 2015 (September).
- Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu") executed a Novation Agreement and a Second Supplemental Concession Agreement to take over the New North Klang Straits Bypass Expressway for cash consideration of RM265 million (December).

2016

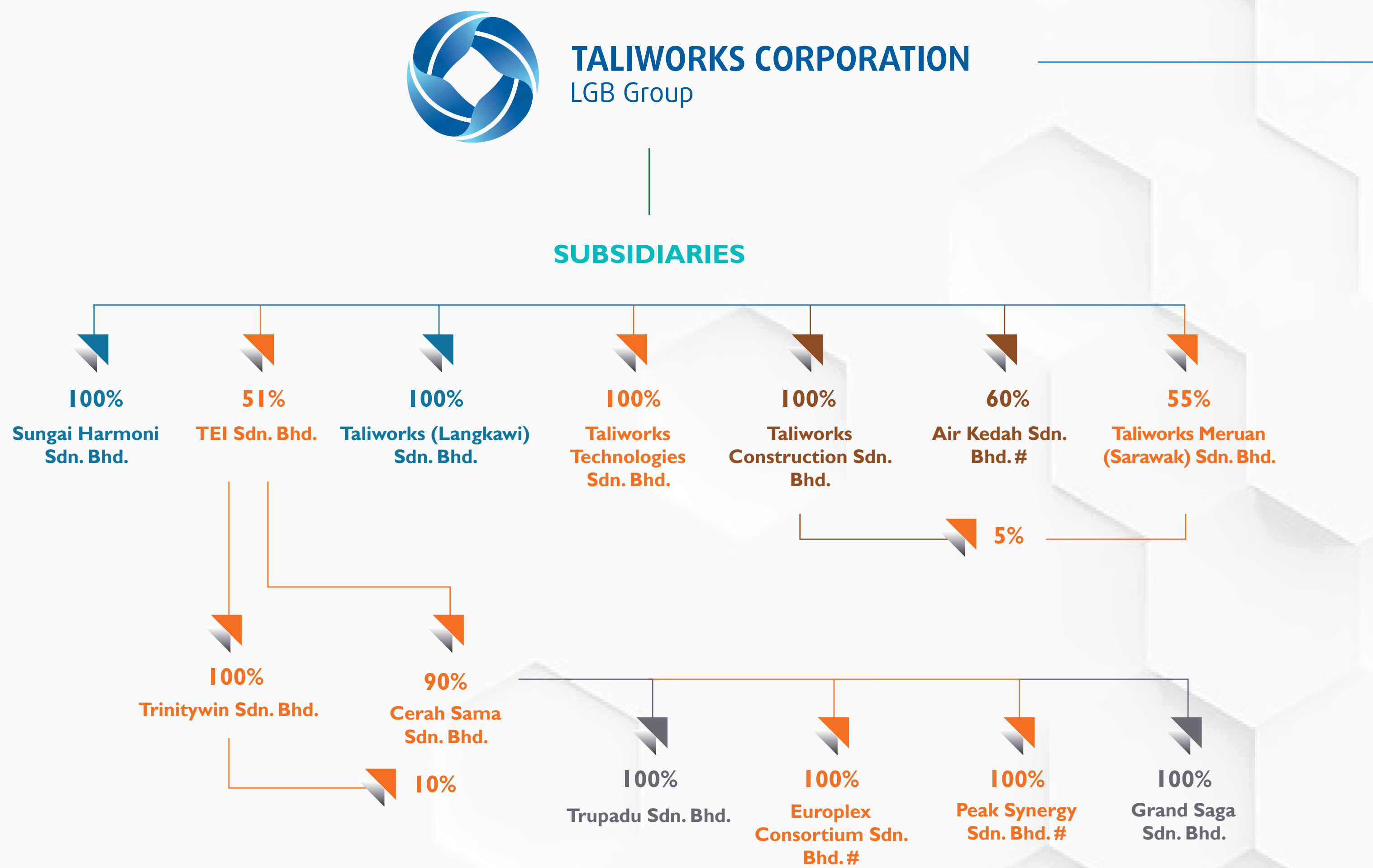
- In line with Taliworks' new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support its dividend policy, Taliworks completed the disposal of the entire waste management operations in the People's Republic of China and the acquisition of 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMH"). This marks Taliworks' 3rd partnership with EPF where EPF held 35% equity interest in SWMH (May).
- A consortium comprising of Taliworks and Ikatan Gemajaya Sdn. Bhd. was awarded the Ganchong Water Treatment Works from the East Coast Economic Region Development Council with the total contract sum of RM73.1 million (September).
- Taliworks was awarded the Brandlaureate SMEs BESTBRANDS Award 2015-2016 - Signature Brand Services – Integrated Solid Waste Management.
- Taliworks was awarded the IEM 2016 Award for Water Management in Malaysia.

2015

- Grand Sepadu issued a RM210 million Sukuk Murabahah.
- TEI Sdn. Bhd. ("TEI") acquired 35% equity interest in Cerah Sama from a shareholder of Cerah Sama - SEASAF Highway Sdn. Bhd., resulting in Taliworks's equity interest in Cerah Sama increasing from 28.05% to 51%.
- LGB Taliworks Consortium Sdn. Bhd. ("LGBTC"), Taliworks 20% associate company, was awarded the SSP7 Project contract by Pengurusan Aset Air Berhad with a contract sum of RM75.9 million (September).
- Taliworks undertook an internal re-organisation to rationalise the group structure such that the group's investment in its highway concessionaires are held under separate immediate holding companies – Cerah Sama is 51% owned by TEI while Grand Sepadu is wholly owned by Pinggiran Muhibbah Sdn. Bhd. ("Pinggiran Muhibbah").
- Taliworks issued 43,980,000 new placement shares of RM0.50 each at RM3.20 per share pursuant to a private placement of shares (October).
- Taliworks issued 241,897,790 Warrants 2015/2018 on the basis of 1 Warrant for every 5 ordinary shares held after the share split comprising the subdivision of every 2 existing ordinary shares of RM0.50 each into 5 ordinary shares of RM0.20 each (November).
- Taliworks completed the 2nd partnership with EPF via the disposal of its 50% equity interest in Pinggiran Muhibbah to EPF (December).
- Taliworks was included in the MSCI Global Small Cap Indexes for Malaysia.

Corporate Structure

as at 31 March 2017



JOINT VENTURE

50%
Pinggiran Muhibbah Sdn. Bhd.

75%
Grand Sepadu (NK) Sdn. Bhd.

ASSOCIATE

24%
Aqua Flo Sdn. Bhd.

40%
Hydrovest Sdn. Bhd.

20%
LGB Taliworks Consortium Sdn. Bhd.

35%
SWM Environment Holdings Sdn. Bhd.

49%
LGB & TCB JV Sdn. Bhd.

Investment Holding Company/Others

Highway Toll Operations and Maintenance

Construction

Water Treatment, Supply and Distribution

Waste Management

Companies in the process of member's voluntary winding-up and/or striking off under the Companies Act 1965

Corporate and Financial Events 2016

MAJOR CORPORATE ANNOUNCEMENTS / SIGNIFICANT EVENTS

25 Feb

The Company entered into the following agreements:-

(i) a conditional share sale agreement with LGB Group (HK) Limited ("LGB HK") for the disposal of the Company's entire investment in the People's Republic of China comprising of:

(a) 100 ordinary shares at Hong Kong Dollar ("HKD") 100 in aggregate in Taliworks International Limited ("TIL"), a wholly-owned subsidiary of the Company, representing 100% equity interest in TIL;
(b) 12,000,000 ordinary shares at HKD12,000,000 in aggregate in Taliworks (Sichuan) Limited ("TSL"), an 80%-owned subsidiary of the Company, representing 80% equity interest in TSL;
(c) 100 ordinary shares of RM1.00 each in SWM Technologies (Malaysia) Sdn. Bhd. ("SWMT") and 19,000,000 redeemable non-cumulative preference shares of RM0.01 each in SWMT, a wholly-owned subsidiary of the Company, representing 100% equity interest in SWMT; and
(d) the assignment from the Company to LGB HK of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to the Company as at 25 February 2016 for an aggregate cash consideration of United States Dollars 54.6 million (equivalent to approximately RM230 million); and

(to be collectively known as the Proposed Disposals)

(ii) a conditional share purchase agreement with Conseec Gali Sdn. Bhd. and Esys Montenay (Malaysia) Sdn. Bhd. to acquire an aggregate of 3,501 ordinary shares of RM1.00 each in SWM Environment Holdings Sdn. Bhd. ("SWMEH"), representing 35% of the total issued and paid-up ordinary shares in SWMEH, for an aggregate cash consideration of RM245 million ("Proposed Acquisition").

The above Proposed Disposals and Proposed Acquisition are collectively referred to as the *"Proposed Corporate Exercises"*.

MAJOR CORPORATE ANNOUNCEMENTS / SIGNIFICANT EVENTS

10 May

(i) The Twenty-Fifth Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

(ii) The ordinary resolutions for the Proposed Corporate Exercises were approved by shareholders by way of poll at the Extraordinary General Meeting convened.

---

17 May

The Company announced the completion of the Proposed Corporate Exercises.

---

9 Sep

The Company announced that it has accepted the Letter of Acceptance from the East Coast Economic Region Development Council ("ECERDC") to a consortium comprising the Company and Ikatan Gemajaya Sdn. Bhd. for the proposed construction and completion of Ganchong water treatment works, main distribution pipeline, booster pump stations and associated works in Pekan, Pahang Darul Makmur for the ECERDC Package 3A – main distribution pipeline, main buildings and associated works at Tg. Agas for a total contract price of RM73,117,000, to be completed by 19 September 2018.

Corporate and Financial
Events 2016

RELEASE OF FINANCIAL RESULTS

DATE	ANNOUNCEMENTS
25 Feb	Unaudited interim results for the 4th Quarter ended 31 December 2015.
15 Apr	Audited financial statements for the financial year ended 31 December 2015.
24 May	Unaudited interim results for the 1st Quarter ended 31 March 2016.
9 Aug	Unaudited interim results for the 2nd Quarter ended 30 June 2016.
16 Nov	Unaudited interim results for the 3rd Quarter ended 30 September 2016.

DECLARATION OF DIVIDEND PAYMENT

DATE	ANNOUNCEMENTS
25 Feb	Fourth interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2015, paid on 11 April 2016.
24 May	First interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 15 July 2016.
9 Aug	Second interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 15 September 2016.
16 Nov	Third interim single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2016, paid on 23 December 2016.

5 Years Financial Highlights

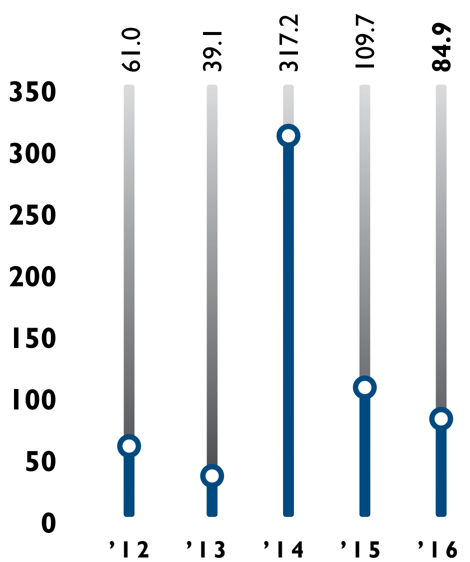
	2012 RM MIL	2013 RM MIL	2014 RM MIL	2015 RM MIL	2016 # RM MIL
PROFITABILITY					
Revenue	253.3	281.8	353.9	410.9	**304.9**
EBITDA	87.8	71.1	373.0	196.0	**130.9**
Profit Before Taxation	61.0	39.1	317.2	109.7	**84.9**
Profit for the Financial Year	42.8	25.1	303.2	91.6	**93.3**
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	980.9	1,050.9	2,797.9	2,914.5	**2,456.0**
Total Borrowings	314.3	336.3	741.1	827.0	**486.4**
Total Shareholders' Equity	566.4	605.6	851.8	1,146.6	**1,121.0**
No of Shares in issue	1,091.2*	1,091.2*	1,091.2*	1,209.5	**1,209.5**
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	141.5	149.9	175.8	175.5	**169.5**
- waste management @	47.7	47.1	55.0	70.7	**-**
- construction	63.9	84.0	99.3	101.9	**39.6**
- toll highway	-	-	23.2	62.8	**92.7**
- others	0.1	0.8	0.6	0.0	**3.0**
	253.3	281.8	353.9	410.9	**304.9**
Profit Before Taxation					
- water treatment, supply and distribution	75.1	59.9	63.9	71.1	**44.8**
- waste management @	(18.0)	(23.0)	(9.9)	(18.2)	**-**
- construction	4.4	4.1	5.5	5.6	**2.6**
- toll highway	-	-	(1.7)	12.2	**24.2**
- others	(11.0)	(11.2)	254.5	38.9	**0.8**
	50.5	29.9	312.3	109.6	**72.4**
- share of results of joint ventures	9.8	10.0	3.8	(0.9)	**0.3**
- share of results of associate	0.8	(0.8)	1.1	1.0	**12.2**
	61.0	39.1	317.2	109.7	**84.9**
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	0.60*	0.40*	2.00*	8.00	**8.00**
Net Assets per share (sen)	51.91*	55.49*	78.06*	94.80	**92.68**
Earnings per share (sen)					
- basic	3.94*	2.57*	27.61*	7.76	**10.54+**
- fully diluted	3.94*	2.57*	27.60*	7.75	**10.54+**
Return on Equity (%)	7.81	4.28	41.60	9.16	**13.07++**
Return on Assets Employed (%)	4.54	2.47	15.75	3.21	**5.52++**
Dividend payout ratio (%)	11.48	17.40	7.20	100.62	**65.32++**
Net Debt to Equity ratio (%)	44.93	44.06	44.88	33.43	**13.89**

* *adjusted for the effects of a subdivision of five new shares of RM0.20 each for every two shares of RM0.50 each (implemented in FY15)*
\# *except for the Key Financial Ratio, the financial information of FY16 exclude the results from discontinued operations.*
@ *represents the contribution from the waste management segment which has been disposed in FY16.*
\+ *calculated on profit attributable to owners of the Company of RM127.428 million.*
++ *calculated on profit for the financial year of RM148.135 million including profit from discontinued operations.*

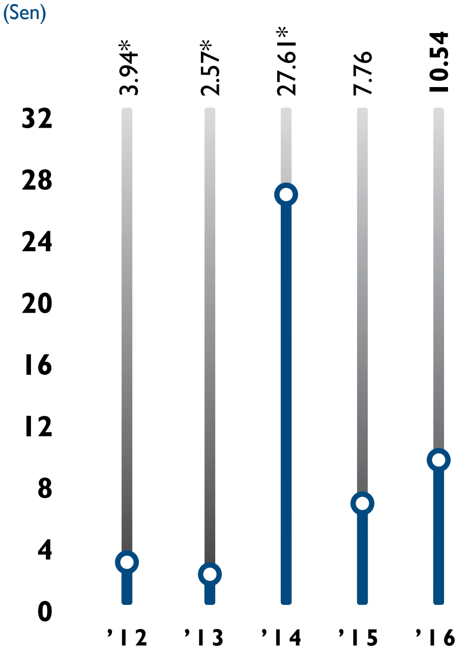
5 Years

Financial Highlights

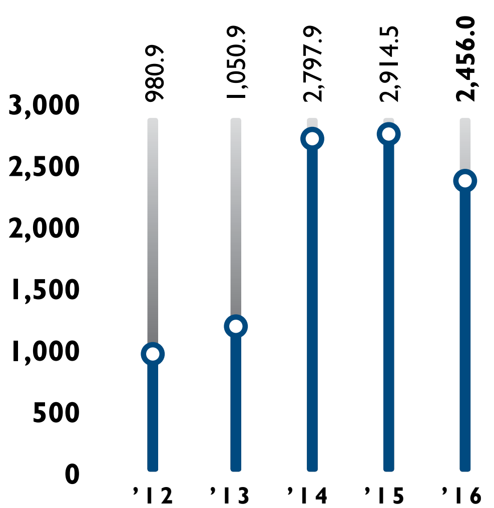
PROFIT BEFORE TAXATION
(RM'million)



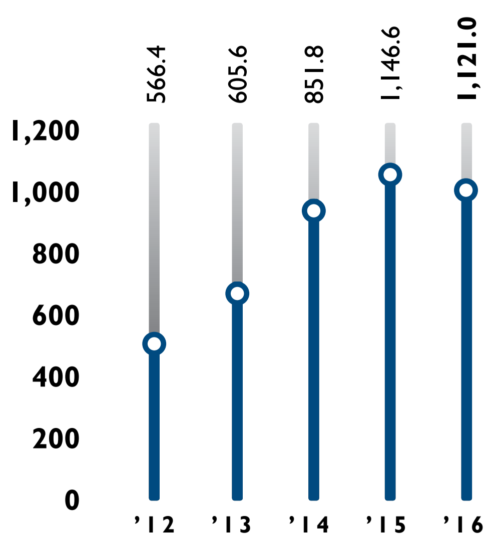
BASIC EARNINGS PER SHARE
(Sen)



TOTAL ASSETS
(RM'million)



SHAREHOLDERS' EQUITY
(RM'million)



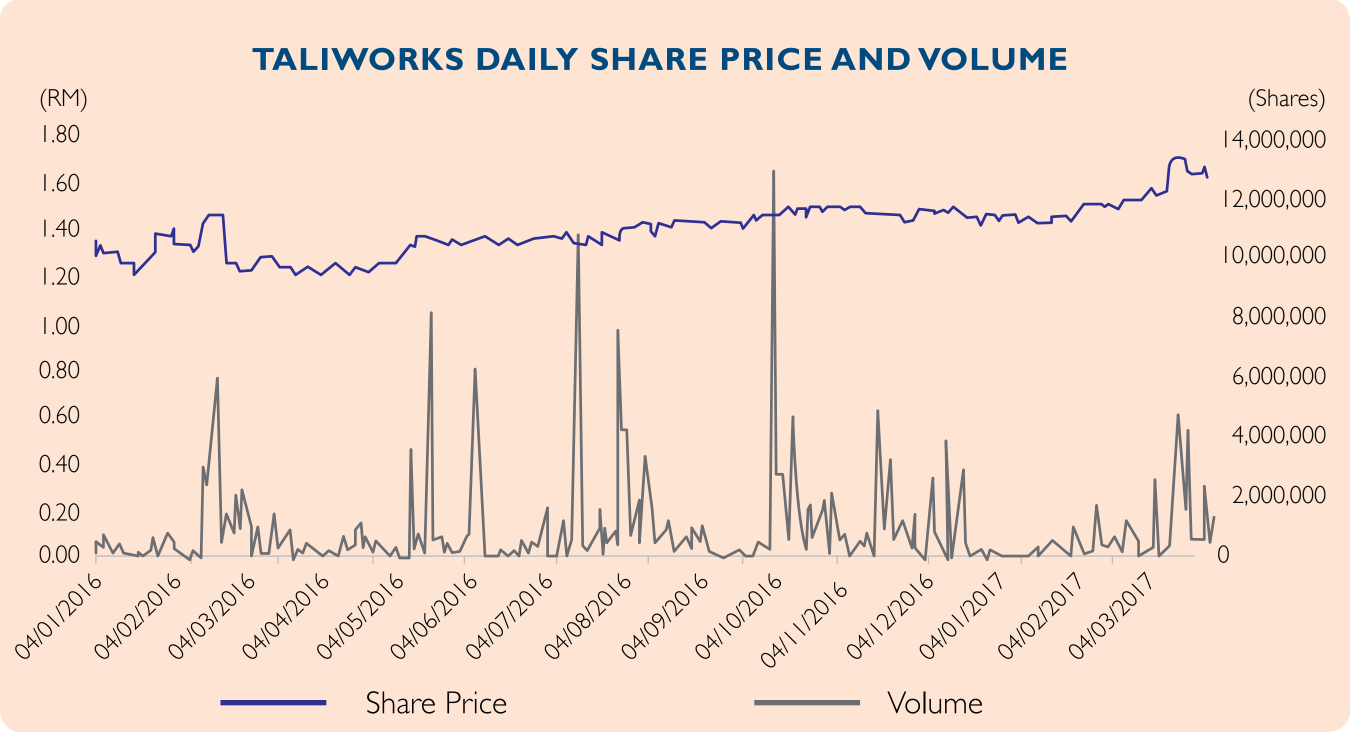
(i) *EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).*

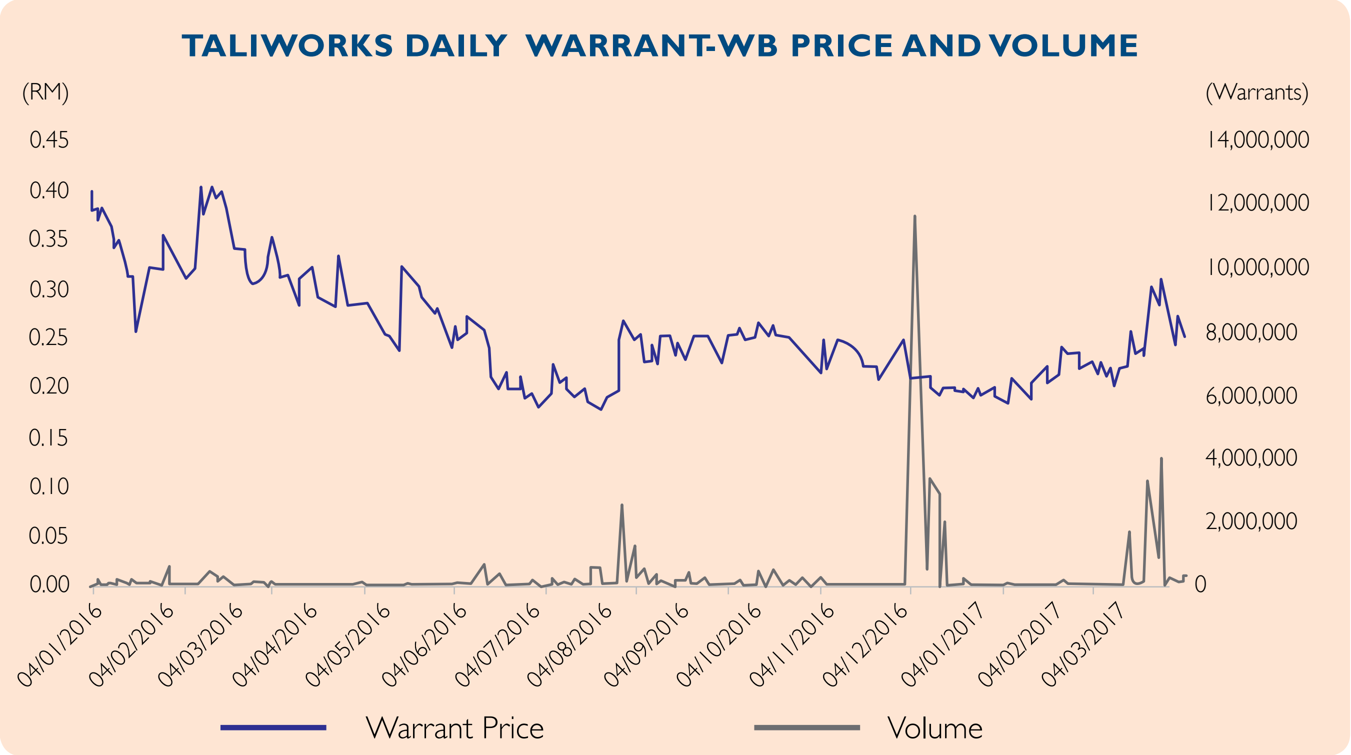
(ii) *Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.*

(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.*

Share & Warrant Performance Highlights





Chairman's Statement

Tan Sri Dato' Seri Ong Ka Ting
Senior Independent Non-Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Taliworks Corporation Berhad ("Taliworks" or "the Company"), I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2016 ("FYE 2016").

The uncertainty and volatile economic climate for the year 2016 had presented a mixed bag of challenges and opportunities for us. I am delighted to share that we have managed to deliver a positive operational and financial performance for the year. Our aim is to continuously maintain a sustainable and steady growth of our three core businesses in (1) water treatment, supply and distribution (2) highway toll concessions, and (3) waste management, whilst pursuing new infrastructure sectors such as power and focusing on mature operational brown field cash-generating investments. Armed with a positive operating cash flow and diverse pipeline of growth opportunities, the Group continues to explore potential strategic merger and acquisition ("M&A") exercises to enhance our Company's growth over the medium to long term.

As a follow up to my report last year, I would like to inform you that we have successfully completed two corporate exercises in 2016. We have successfully disposed of our entire waste management business in China and completed the acquisition of a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMH"), marking our third deal in a growing partnership with the Employees Provident Fund. This acquisition has effectively replaced our waste management portfolio in China with a Malaysian investment that would be able to provide an immediate recurring and steady stream of income, which is expected to further enhance the Group's cash flow as well as to support our dividend payout to our shareholders.

We are on track to becoming a pure play infrastructure company with sustainable earnings and cashflow growth into the future.

During the year, we are pleased to see more institutional shareholders joining our shareholder register. In August 2016, Lembaga Tabung Haji ("LTH") came on board as a substantial shareholder, with a 5.16% stake in Taliworks. As of 31 March 2017, LTH has further increased its stake to 6.771%.

On a lesser note, we are disappointed to note the protracted impasse in the resolution of the Selangor State water restructuring exercise between the Selangor State and Federal Government which was expected to be resolved by the April 2017 deadline has now been further extended. From July 2016, Syarikat Pengeluar Air Selangor Sdn. Bhd. ("SPLASH") whilst not disputing our monthly invoices for goods and services provided, further reduced the outstanding payment and is now only paying 33% - 36% of the invoiced amounts which results in a significant increase in the negative operating cashflows from this division and further increasing the receivables due from SPLASH which as at 31 March 2017 has reached approximately RM530 million before provisioning. Whilst this will result in a tremendous one-off boost to our cashflow when we actually get paid, until then it is a strain on our water division's liquidity position.

DIVIDENDS

The Board is committed to enhance shareholders' value and reward our shareholders. We have consistently paid a dividend of 2 sen per share for every quarter during FYE2016. This amounted to a total dividend payout of 8 sen per share; amounting to a total payout of approximately RM96.8 million in FYE2016, which is in line with our stated dividend policy.

Taliworks foresees earnings growth arising from its existing concession businesses and potential M&A exercises. Further cashflow growth and stability will depend on a positive outcome of the Selangor state water restructuring exercise, organic growth and tariff hikes from our concessions. We are hopeful for positive news to drive potential dividend growth, given the Company's existing mature and long-term concessions.

Our Board is vigorous in evaluating any investment opportunities and if and when undertaken will be value accretive to shareholders.

Chairman's Statement

MOVING FORWARD

In the face of challenging economic environment during the year under review, the Group delivered a solid performance in 2016, driven by our water treatment, supply and distribution business and toll highway operations. We anticipate that the coming year will be equally, if not more, challenging for us. The global and domestic economies remain uncertain with a slow recovery expected for 2017 coupled with the poor performance of our Ringgit against major foreign currencies, in particular the US dollar. We are therefore adopting more prudent measures towards our businesses, focussing on enhancing the dynamics of our three core businesses based on our sound business fundamentals, and continue to explore new business opportunities in 2017. While we do not foresee an easy year ahead, we will continue to persevere through these challenges.

As we move forward, we aim to re-position Taliworks as a leading infrastructure player as well as sustaining our stated dividend policy. In order to remain relevant and maintain our edge as a Group, we will continue to identify and explore viable M&A and investment opportunities of cash generating businesses within the domestic market as well as the developed markets. We are also hoping that the Selangor water restructuring exercise will be resolved by this year so that we will have a way forward to monetise our significant receivables balance and clearer visibility on our operating cash flow from our water division.

APPRECIATION

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers, business partners and financiers for their strong and continuing support, trust and confidence in Taliworks throughout the years. In the same vein, I wish to express appreciation to my fellow members of the Board, for their advice and guidance provided over the years. Last but not least, I wish to extend my sincere thanks and appreciation to the Management and staff for their tireless dedication, enthusiasm and professionalism during the year under review. I believe that our people are our most valuable asset and play an important role in contributing to the Group's success. Together, we create possibilities to sustain our enhanced value for you in the long run.

Thank you.

Tan Sri Dato' Seri Ong Ka Ting
Senior Independent Non-Executive Chairman

Management Discussion and Analysis

Dato' Lim Yew Boon
Executive Director

Continuing from where we left off last year, Taliworks went on to pursue its goal of re-positioning itself as a pure play infrastructure company offering a sustained dividend payout to its shareholders. With this in mind, we have been quite steadfast in making significant inroads of re-aligning our business strategies over the past two years by realising some of our investments in the toll highway division and hiving off our entire waste management division in the People's Republic of China, which we managed to complete in May of 2016 ("PRC Disposals").

Other than disposing our investments in China, we had at the same time, acquired a 35% stake in the ordinary shares of SWM Environment Holdings Sdn. Bhd. ("SWMH"); which is involved in the provision of integrated operations for waste collection and public cleansing in the southern part of the Peninsular Malaysia, effectively swapping our waste management portfolio in China which was highly unlikely to be able to support our dividend policy in the near term; to one that would be able to generate a recurring and steady dividend stream to us. We have provided the relevant information to shareholders on the rationale for both the disposal and acquisition undertaken by the Company in an extraordinary general meeting that was held during the year.

We are indeed excited to continue to partake in the waste management business as we are confident that the potential offered to be extremely positive given the relatively young demographic profile of Malaysia and the ever increasing demand for better waste management services by both the authorities and the consumers. As a developing country within the fast growing ASEAN region, our open economy is expected to continue to perform well supported by domestic private consumption, foreign direct investments and accommodative fiscal policies. We will leverage on our credentials in managing and operating concession businesses and we believe we have the necessary core competencies to deliver the desired results from our investment in SWMH.

Management Discussion
and Analysis

In line with the overall business goals, we are presently more focus on acquiring mature and regulated operational brown field cash generating public utilities/infrastructure businesses and/or investments. However, in making sound investment decisions consistent with our investment strategies and risk appetite, we have to ascertain that they meet our safe harbour requirements of targeted internal rate of return and immediate dividend yield besides them being, value accretive to our shareholders. Not only are we eyeing opportunities domestically but we are also casting our aspirations further away to scour for viable prospects in the developed markets. This strategy is to enable us, to broaden our earnings base as well as to achieve diversification across markets and geographical regions. On that note, the disposal of our waste management business in China, which represents our only foreign investment in the entire history of the Company, did not in anyway, dent our zeal for investments abroad but rather continuing with it would no longer fit into our overall business strategy of building ourselves a sturdy platform of cash generating businesses. At present, all of our businesses are derived from Malaysia with no foreign market exposure.

To fast track our ambition to expand our concession-based businesses, we aim to achieve this by identifying potential merger and acquisition targets, either by ourselves or in alliance with other parties via strategic partnership tie-ups or jointly held investment propositions as can be seen from our recent collaboration with the Employees Provident Fund Board on several of our investments in the infrastructure sector. Nevertheless, this is a continuing journey and we are conscious of our endeavour to maximise returns for our shareholders and build long term sustainability driven by a collective pool of healthy cash generation businesses. No efforts will be spared in this regards and we strive to be resilient in our resolve to make further inroads within a period of three years to entrench our presence in the infrastructure space.

Whilst we are progressing with our investments, water treatment, supply and distribution remains an important business that we need to keep a tight lid on. Over the years, this business has been generating the bulk of the profits and cash flow but against the backdrop of uncertainties in the on-going Selangor water restructuring exercise, we have been constantly monitoring the developments within the industry. After having endured prolonged years of impasse, we can finally see some light at the end of the tunnel with the acquisition of Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") by Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") remaining as the last piece of the jigsaw puzzle to the whole Selangor water restructuring exercise. We are aware that negotiations between the Federal Government and the Selangor State Government have been fairly advanced and we hope to see an amicable resolution by this year so that we are able to make out a clearer visibility on the operating cash flow to be generated from this segment for the purposes of determining our dividend payout ratio way well in advance for the benefit of our shareholders. Although there have been some speculation as to what we intend to do should we receive a full lump sum payment from SPLASH, it is too premature to put down anything in specific, we will definitely put the matter to rest when we come to it.

Review of Financial Performance

The following is a summary of the Group's financial performance for the financial year ended 31 December 2016 at a glance:-

	2015	2016
Financial Results *(in RM'000)*		
Continuing Operations		
Revenue	291,993	304,856
Operating Profit	146,141	95,498
Profit before tax	124,961	84,902
Profit for the year	107,874	93,293
Discontinued Operations		
Revenue	118,939	27,562
Operating Profit/(loss)	8,005	(1,590)
Loss before tax	(15,217)	(10,432)
Loss for the year	(16,310)	(10,944)
Profit for the year		
- Continuing operations	107,874	93,293
- Discontinued operations	(16,310)	54,842
Total	91,564	148,135
Financial Position *(in RM'000)*		
Total assets employed	2,914,543	2,456,039
Shareholders' Equity	1,146,602	1,120,972
Key Financial Ratio		
Basic EPS (sen)	7.76	10.54
Net asset per share (sen)	94.80	92.67
Return on Equity (%)	9.2	13.1
Return on Assets Employed (%)	3.2	5.5
Net Debt-to-equity (%)	33.4	13.9

Management Discussion
and Analysis

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM304.86 million, up from RM291.99 million in the previous year while profit for the year came in at RM148.14 million, which is a substantial increase from RM91.56 million recorded a year ago. Revenue for the year was recognised as a net amount after taking into account a provision for discounting on a deferred payment consideration of RM62.32 million (2015: RM41.13 million) arising from the delay in collection of trade receivables from SPLASH.

Basic earnings per share stood at 10.54 sen/share (2015: 7.76 sen/share) with continuing operations contributing 6.23 sen/share (2015: 9.09 sen/share) and discontinued operations 4.31 sen/share (2015: loss of 1.33 sen/share).

Commentary on the Performance of Revenue of the Group

Continuing Operations

For the current financial year, the Group revenue (excluding the provision for discounting on a deferred payment consideration) increased from RM333.13 million to RM367.17 million (or by 10.2%) mainly attributable to higher contributions from the water treatment, supply and distribution and toll operations divisions. However, after taking into account the impact from the provision for discounting on a deferred payment consideration, the Group revenue was lower at RM304.86 million, but still higher than the RM291.99 million recorded in the previous year.

	2015 RM'000	2016 RM'000
Water treatment, supply and distribution	216,658	231,829
Construction	53,687	39,626
Toll operations	62,765	92,672
Others	15	3,047
	333,125	367,174
Less: Provision for discounting on a deferred payment consideration	(41,132)	(62,318)
	291,993	304,856

At the operating level, revenue from water treatment, supply and distribution business recorded an increase from RM216.66 million to RM231.83 million in the previous year (or by 7.0%) on account of higher metered sales recorded in both the subsidiaries operating the water treatment plant facilities. In the Sungai Selangor Water Treatment Works Phase I ("SSP1") operated by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni"), metered sales was higher by 4.9% (i.e. from 349.33 million m3 (or 957 MLD) to 366.45 million m3 (or 1,004 MLD) whereas in the Langkawi operations operated by Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi"), metered sales was higher by 7.7% i.e. from 18.8 million m3 to 20.3 million m3. As a result of the higher metered sales from SSP1, revenue in Sungai Harmoni and Taliworks Langkawi stood at RM171.47 million (2015: RM161.89 million) and RM60.6 million (2015: RM55.18 million) respectively. There were no increases in the Bulk Sale Rate ("BSR") during the year. The next increase in the BSR would be in 2018. As in the prior years, the water treatment, supply and distribution business continues to be the biggest contributor to the revenue of the Group, accounting for close to 63% (2015: 65%) of total Group revenue, before taking into account the impact of the provision for discounting on a deferred payment consideration.

In the construction segment, revenue was lower by RM14.06 million from RM53.69 million to RM39.63 million as one of the projects i.e. SSP3 Pipeline Project - "Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor had been completed during the first quarter of the year and the sub-contract works for the Mengkuang Dam Expansion Project which commenced in 2011, is nearing completion.

The revenue contribution from the toll operations division is solely derived from a 51% indirect subsidiary, Grand Saga Sdn. Bhd. ("Grand Saga") which operates the Cheras-Kajang highway. Revenue was significantly higher at RM92.67 million compared to RM62.77 million in the previous year primarily due to recognition of the toll compensation from the Federal Government of RM9.54 million arising from the deferment of the toll rate hike which was to have commenced on 1 January 2015 (but which was subsequently deferred to 15 October 2015) as well as the effects arising from the increase in the toll rates thereof.

Discontinued Operations

The revenue recognised was lower at RM27.56 million as compared to RM118.94 million as the Group only consolidated the results of the PRC Disposal Companies (the various subsidiaries of the Company in the People's Republic of China which were the subject matter of the PRC Disposals) until 17 May 2016, which was the day these companies were effectively disposed off. Included in the previous year's revenue was RM48.21 million of construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements ("IC 12") for the expansion and upgrading of the Wastewater Treatment Plant No.3 undertaken by the then subsidiary, Taliworks Yinchuan Wastewater Treatment Co. Ltd and which was completed in the second half of 2015. Excluding the revenue recognised from IC 12, revenue from operations only contributed RM70.73 million.

Commentary on Performance of the Profit of the Group

Continuing Operations

	2015 RM'000	2016 RM'000
Water treatment, supply and distribution	71,136	44,862
Construction	1,237	2,645
Toll operations	33,270	45,175
Others	40,498	2,816
Operating profit	**146,141**	**95,498**
Finance cost	(21,284)	(23,152)
Share of results of joint venture	(928)	318
Share of results of associates	1,032	12,238
Profit before tax	124,961	84,902

Management Discussion
and Analysis

Profit before tax was much lower at RM84.90 million compared to RM124.96 million a year ago due to higher net provision made for discounting of RM49.46 million (2015: RM15.94 million) which comprises of a provision for discounting on a deferred payment consideration of RM62.32 million (2015: RM41.13 million) which was set-off against revenue and a reversal for discounting of receivables of RM12.86 million (2015: RM25.20 million) recognised as other operating income. Due to the holding of USD proceeds from the PRC Disposals, the Group made a substantial unrealised gain on foreign exchange of RM15.65 million and a realised gain of RM2.68 million upon conversion of some of the proceeds during the year. As at the end of the financial year, the Group held about USD32.7 million. Against the Malaysian Ringgit, the USD has appreciated significantly to USD1.00/RM4.49 *(closing rate as quoted from BNM's website)* from the date the USD proceeds were first received by the Company. Depending on the movement of the USD/MYR, the Company could make further gains on foreign exchange or losses on foreign exchange in 2017. In 2015, the Group made a one-off gain amounting to RM59.5 million on the disposal of a 50% interest in Pinggiran Muhibbah Sdn. Bhd.; ("PMSB") to the Employees Provident Fund Board. PMSB is the holding company for Grand Sepadu (NK) Sdn. Bhd.; the toll operator for the New North Klang Straits Bypass Expressway.

In terms of segmental performance, the water treatment, supply and distribution division contributed an operating profit of RM44.86 million (2015: RM71.14 million). However, stripping out the effects of the discounting mentioned above, the operating profit would be RM94.32 million (2015: RM87.08 million) in line with the higher turnover. Nevertheless, higher electricity expenses arising from the reduction in electricity rebates caused the overall operating costs to rise by 5.4% to RM95.02 million.

In arriving at the provision for discounting on a deferred payment consideration for the year, we have made critical assumptions on the timing of payment from SPLASH on the gross amount outstanding of RM502.19 million (2015: RM397.34 million), an increase of RM104.85 million over a period of twelve months. Over the same period, the total payment received by Sungai Harmoni from SPLASH amounted to RM76.884 million (2015: RM119.687 million). The amount owing by SPLASH has been escalating due to it not receiving payments in full from Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"), which is the concessionaire for the distribution of treated water in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. Since July 2016, the quantum of payment from SPLASH had been reduced from about 60% to approximately 34%. Management has been in discussion with the Selangor state government on the terms for the payment of amount owing by SPLASH should the Selangor water restructuring exercise come to fruition. Whilst several payment terms have been discussed, no final terms have been concluded. Since then, there has been no further discussion on the matter. The conclusion of the Selangor water restructuring exercise will most likely pave the way for the amount owing by SPLASH to be addressed. However the final terms of payment from SPLASH, if this issue is addressed in 2017, may have a material impact to the financial results of the Group either favourably or otherwise.

At this juncture, the jury is still out there on the possible outcomes and it would be difficult to pinpoint with certainty on what is the likely outcome. This issue, so long as it remains unresolved, clearly is untenable for us in the long run especially if the quantum of payments does not improve. This may also have an adverse impact to our current ability to provide a sustained dividend payout as a pure play infrastructure company as our operating cash flow from other business divisions will be required to be deployed to support the operations of Sungai Harmoni. In this respect, we need to constantly keep ourselves ahead on any developments to ensure that our operations will not be severely jeopardised. As this is a significant issue to the financial results, the auditors have placed an emphasis of matter in their report on the uncertainty over the collectability of the amount due from SPLASH as well as highlighted the assessment of provision for discounting on the receivable as a Key Audit Matter in their report to shareholders.

The construction division meanwhile contributed RM2.64 million (2015: 1.24 million). Despite the lower revenue, operating profit was up on account of lower overheads coupled with an upward revision in margin made to one of the projects which had been completed during the year. As for the toll highway division, changes were made to the accounting policy in calculating the amortisation for intangible assets comprising the Highway Development Expenditure ("HDE") to comply with the amendments to the MRFS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation. Prior to this, the revenue method for amortisation of HDE was used. The change in the accounting policy resulted in higher amortisation charges for the year. However, the profit for the year attributable to owners of the Company increased by RM2.96 million due to reversal of deferred tax provision on higher amortisation charges.

On the Group's share of results of associates amounting to RM12.24 million in the current year, this principally arose from the acquisition of SWMH which was completed during the year. On the other hand, share of results of joint venture is primarily attributable to the results from Grand Sepadu (NK) Sdn. Bhd. where the company turned around to yield profit compared to a loss the year before due to higher traffic volume, receipt of toll compensation and lower provision made for future resurfacing obligations.

<u>Discontinued Operations</u>

Losses for the year attributable to the Group until the effective date of the disposal of the PRC Disposal Companies on 17 May 2016 amounted to RM10.94 million compared to losses of RM16.31 million for the whole of 2015. However, with a net gain on disposal of RM65.79 million, the Group made a profit from discontinued operations of RM54.84 million. The net gain on disposal was derived mainly from the reclassification of currency translation reserves to the income statement upon disposal of the PRC Disposal Companies. The gain from discontinued operations is a one-off event and will not recur in the following year. At the Company level, the Company recorded a loss of RM72.84 million from the disposal of the PRC Disposal Companies.

Management Discussion
and Analysis

Statement of Financial Position

Compared to the previous year, the statement of financial position as at the end of the financial year reflected only the assets and liabilities of the Group without those attributable to those of the PRC Disposal Companies which have been de-consolidated. Notably the Intangible Assets and borrowings of the Group have dropped substantially. As at the year end, the carrying amount of Intangible Assets was lower at RM1.16 billion compared to RM1.79 million whereas borrowings of the Group stood at RM486.40 million, a substantial reduction from RM826.98 million, thus reducing the Net Debt to Equity ratio to 14% (2015: 33%). Total assets stood at RM2.46 billion (2015: RM2.91 billion) whereas total liabilities was at RM1.06 billion (2015: RM1.48 billion), the reduction of which was generally from the reasons as stated above. Arising from the PRC Disposals, the Return of Equity ("ROE") and Return of Assets Employed ("ROAE") of the Group have improved to 13.1% (2015: 9.2%) and 5.5% (2015: 3.2%) respectively, corresponding with the lower ROE and ROAE derived from the PRC waste management segment.

The high trade receivables, particularly the amount owed from SPLASH continues to be a major concern as it has long been outstanding due to the uncertainties in the unresolved Selangor water restructuring exercise. As at the end of the year, the carrying amount of trade receivables, both current and non-current increased to RM430.28 million from RM403.61 million. However, the gross amount would be much higher if the provision for discounting of RM124.12 million (2015: RM75.45 million) was not considered. At this juncture, no provision for doubtful debts was made as we are fairly optimistic that the trade receivables from SPLASH will be fully repaid once the Selangor water restructuring exercise is resolved, expected to be by this year.

Over the course of one year, deposits, cash and bank balances and together with available-for-sale financial assets (which are essentially funds deposited into money market funds with unit trust companies) decreased by RM112.67 million to RM330.72 million. This decrease in holdings was due to a combination of a few factors but mainly from the reduction of payments from SPLASH and payment of 8.0 sen dividends to shareholders totalling almost RM96.8 million. Out of the total deposits, cash and bank balances and available-for-sale financial assets, approximately RM154.1 million is held as securities for banking facilities secured and another RM106.5 million subject to restrictions imposed under a sukuk issuance. Other than planned investments, there is no other foreseeable major capital expenditure expected in the next twelve months. If required, the Company would be in a position to gear up to undertake any acquisition considering that it currently has a low gearing ratio of 14%.

Currently, the share capital of the Company comprises 1.209 billion ordinary shares with about 241.89 million of outstanding Warrants 2015/2018 exercisable at RM1.70. Assuming all of the Warrants are exercised, the Company will receive proceeds of RM411.23 million which can be used, amongst others, for investment purposes. The Warrants when exercised will strengthen the capital base of the Company. The Warrants will expire on 11 November 2018 if they are not exercised by then.

Key Audit Matter ("KAM")

Other than the assessment of provision for discounting on the receivable from SPLASH which is being flagged out by the Auditors as a KAM, impairment assessment of goodwill and intangible assets relating to Cerah Sama Sdn. Bhd., and the fair value measurement of the Group's identifiable assets and liabilities of our investment in SWMH were the other two KAMs that were of significance to the Auditors in the audit of the Group's financial statements.

As allured in the operational review below of our toll and waste management divisions, we are fairly confident of the potential growth of our concession-based assets to support the key bases and assumptions underlying the cash flow projections and we will strive to manage and operate these concession assets to ensure that the value of our assets can be sustainable. These measures would include, amongst others, meeting the revenue targets, optimising the cost structures and monitoring actual results for major deviations from projections.

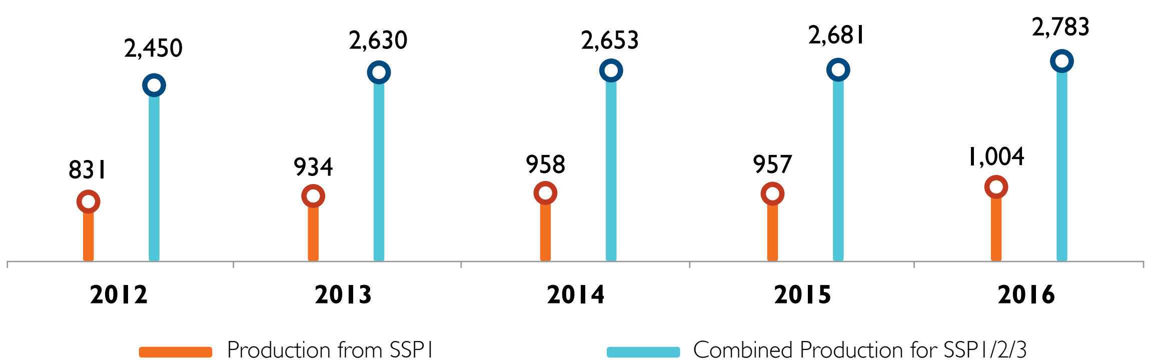
WATER AND ENGINEERING DIVISION

Currently the water treatment, supply and distribution business is undertaken by 100% owned subsidiaries, Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd.; both of which is operating in Malaysia.

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

For the year under review, the average production from SSP1 rose significantly by 4.9% to 1,004.3 MLD compared to an average of 957.1 MLD a year before. This growth rate was commendable considering that the production for 2015 remained relatively unchanged from 2014. As for the three major water treatment plants (SSP1/SSP2/SSP3) operating along the Sungai Selangor river, the total production from these plants increased by 3.8% (2015: 1.1%) i.e. at an average of 2,783 MLD compared to the average of 2,681 MLD in 2015 driven by sustained consumer demand. In 2016, the company supplied about 36.1% (2015: 35.7%) of treated water from the Sungai Selangor river basin to SYABAS. As opposed to the scenario in early 2014 when there was a serious drought that affected the availability of raw water, the production in 2015 and 2016 was not held back by lack of raw water but by a levelling in demand downstream by SYABAS. Gross revenue for the year was up 5.9% in line with the higher production levels whereas the Bulk Sales Rate ("BSR") remained at RM0.42/m3 of production. The next increase in the BSR will be in 2018 to commensurate with the higher rehabilitation and maintenance expected to be incurred in that year. With the output at almost maximum capacity and no increase in BSR, we do not expect significant top line growth in the following year. Nevertheless, as can be seen by the compounded annual growth rate of about 3.2% from the average production from all the three SSP water treatment plants from years 2012-2016 below, increasing consumer demand and higher economic activities will be able to sustain the requirement for treated water, which is a basic necessity for household consumption and commercial and industrial usage.

Average production in MLD



Significant developments

- *2013 - completion of upgrading of pumping installations to its original design capacity of 950 MLD in March*
- *2014 - increase in the BSR on 1 January. This has no impact to the production.*

** The combined production for SSP1/2/3 was tabulated from internal sources*

Management Discussion
and Analysis

As a result of adequate rain fall at the catchment areas, the Sungai Tinggi and Sungai Selangor dams that release raw water to augment the river flow at Sungai Selangor, started the year at 91.11% and 100.0% storage respectively. However, despite the proactive measures undertaken by the Selangor State through its agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN") and Lembaga Urus Air Selangor ("LUAS") and the close monitoring of the Sungai Selangor river levels to optimise dam releases (including strategic releases from the mining ponds), the dam levels dropped critically to 67.1% and 59.2% respectively by the end of 2016. This is mainly due to both the regulating dams discharging higher quantum of raw water to augment the river flows as a result of diminished rainfall during the year compared to the same period last year. With the unexpected delay in commencement of the year end monsoon and the reduced rainfall over the catchment areas, the dams were unable to be filled up substantially to start 2017 at high levels. The SSP1 production for 2017 is expected to be partly constraint by the availability of raw water, at least for the second half of the year as the dam level has not built up substantially to provide the necessary buffer. Continuous monitoring of river flows and dam levels will be stepped by the relevant authorities to ensure that there will be sufficient amount of treated water to meet demands.

With the completion of upgrading works in March 2013, SSP1 is now returned to its original design capacity of 950 MLD and is capable to be overloaded by about 10% to 1,045 MLD. Currently, the average production of 1,004.3 MLD has exceeded the design capacity by almost 5.7%. As such, it is vital that all treatment plant equipment is constantly kept in good optimal working condition and all preventive maintenance properly planned and executed. In this respect, the company expended a total of RM10.90 million (2015: RM11.87 million) in rehabilitation, upkeep and maintenance costs, which constituted approximately 12% of the total operating costs. Among the rehabilitation and improvement programmes carried out in 2016 were the following:-

(a) continuation of programme for the:-

   (i) rehabilitation of raw water and treated water pumps and delivery valves;
   (ii) sludge management activities to control and ensure that the effluent leaving the lagoons complies with the environmental standards;
   (iii) transfer of settled sludge to the sludge depository which is now in maintenance mode;
   (iv) rehabilitation of the sand filters to improve filtered water quality. The third round of rehabilitation for all 48 filters has commenced in 2016;
   (v) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing etc;
   (vi) refurbishment of the support structures of the lamella modules for the Stream B Pulsators.

(b) refurbishment of the chemical dosing systems inclusive of replacing aged dosing pumps, chemical preparation systems and pipe works; and

(c) servicing of HT switchgears including the 33kV incoming switchgear from TNB.

Other major expenses, electricity and chemicals took up 52% and 15% respectively of the operating expenditure of RM95.02 million (2015: RM90.14 million). As such, the company persist in its continual efforts to implement effective, comprehensive and responsive operations regime in managing these operating costs. The overall specific energy consumption at the Intake and Treatment plant continues to be maintained at 0.4212 kWHr/m3 (2015: 0.4166 kWHr/m3) or an overall increase of 1.0%. This is despite the expected deterioration in pump efficiencies due to wear and tear especially for the Intake pumps. The higher production would normally lead to lower pump efficiencies due to increase in pipeline frictional losses. In a way this reflects the effectiveness of the pump rehabilitation programme carried out so far. Compounding the effects from the pump inefficiencies, the higher electricity tariff by 2% (from reduction of Special Industrial Tariff E2S) and the decrease in rebates in the form of Imbalance Cost Pass-Through by 2.8% from 8.2%, played a role in the unit electrical costs creeping up by about 4.9%. However, any increase in electricity cost incurred as a result of an increase in TNB tariff is recoverable as a pass through cost to SPLASH.

On the other hand, the unit chemicals costs saw a marked decline of 5.0% despite the increases in the average prices of chemicals used in the water treatment process by about 5% in May 2016, mainly due to overall improvement in raw water quality. Although the raw water quality appears to have improved, vigilance will continue to be exercised not only to keep any problem under control but to respond speedily to changes in the raw water quality so as to minimise any disruption in the water treatment process. This is in light of the recent contamination in the raw water supply at the Sungai Semenyih and Sungai Langat water treatment plants which resulted in frequent plant shutdowns and supply disruptions. Fortunately, during the year, there were no serious untoward incidences of raw water pollution reported requiring major plant shutdowns in SSP1. However, there was a partial shutdown in December due to major maintenance and upgrading works at the TNB Main Incoming Station. Raw water quality surveillance programme will continue to be carried out at regular intervals. The use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators has contributed significantly in improving the quality of the settled water since their introduction in 2013. Given the quality of raw water encountered, the treatment regime can be considered to be very effective. Based on a 2-hourly daily treated water samples taken at SSP1, the compliance rates were in excess of 98% for selected water quality parameters.

In recognition of its operational and maintenance standards, the SSP1 Water Treatment Plant has been accredited under MS.ISO 9001:2008 for Operation and Maintenance of Water Treatment since 2003, whereas the SSP1 Laboratory has continued to be accorded ISO/IEC 17025 under the SAMM Accreditation Scheme. In addition, SSP1 has also obtained certification under ISO/IEC 27001:2005 'Information Technology – Security Techniques' quality management system for its Information Security Management System for the Management of Information associated with the SCADA System, for the initial period from 22 February 2013 – 21 February 2016 and this has since been renewed till 2019. The company is one of the few water operations specialists in Malaysia to have obtained such certification.

Management Discussion
and Analysis

With regards to the risk management process, the company undertakes a robust approach in managing significant risks to ensure that its water treatment operations are not jeopardised and the company takes appropriate steps to remedy any weaknesses in its operations so that constant supply of treated water to consumers is maintained at all times. On the regulatory front, no significant matters have arisen during the year that would severely hamper the company in running its operations.

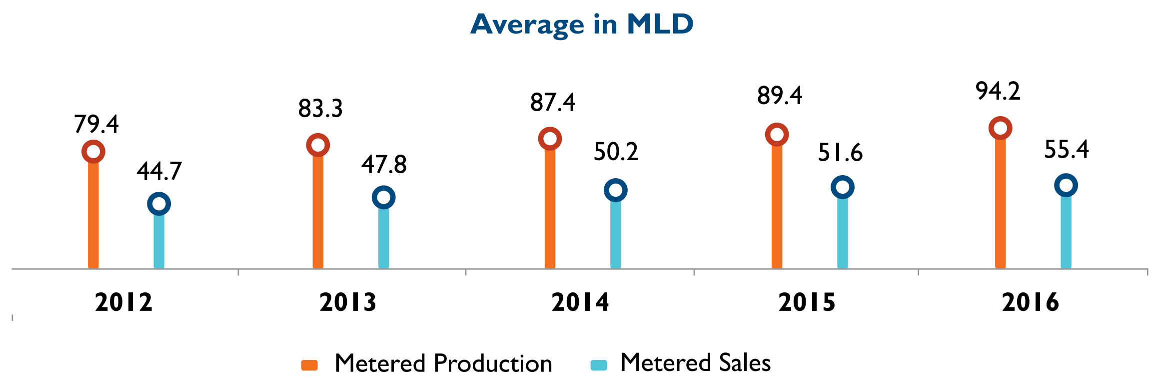
After years of protracted negotiations, the Selangor state government, through Air Selangor has managed to acquire three water concessionaires, namely Konsortium ABBAS, SYABAS and Puncak Niaga Sdn. Bhd. ("PNSB") leaving SPLASH as the remaining water concessionaire to be acquired and consolidated. Air Selangor has formally taken over the operations of SYABAS, PNSB and ABASS on 1 April 2016 and the next step in the consolidation exercise would be acquisition of SPLASH, which was supposed to be finalised by 7 October 2016, but was extended twice by another three months each time, due to pricing and other issues. The latest date that concerned parties must to come to a resolution would be sometime in October 2017.

In the meantime, SPLASH had provided financial assistance to the company by paying up to 70% of the invoiced value since August 2012 but this was reduced to 60% since January 2015 and further reduced to 34% since July 2016. This has seriously jeopardised the operating cash flow of the company. Nevertheless, the company has endeavoured to maintain its service level and to carry out its operational obligations in a satisfactory manner. SPLASH and the Selangor state government are now reportedly still in negotiations for the takeover and it is hope that completion can take place by 2017 after the necessary approvals have been obtained by all the parties concerned.

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

For the year under review, the Langkawi operations impressed with a robust 7.4% growth in metered sales of 20.27 million m3, upstaging the 2.8% growth registered in 2015 brought about by higher demand for treated water from both the domestic and commercial sectors. The number of tourists, as tabulated by the Langkawi Development Authority ("LADA"), and arriving principally through the Kuah jetty and the Langkawi airport was recorded at 3.63 million, only slightly above the 3.62 million arrivals a year before. With the current weaknesses in the Malaysian currency, it is expected that the growth trajectory will remain intact as more foreigners are expected to take advantage of the weak Ringgit whereas the local population will be more inclined to travel domestically. It is projected that metered consumption in the following year will still be in the positive territory but this may be clouded by the world economic condition as Langkawi's economic well-being is closely tied to the health of the tourism and hospitality industry.

In terms of production, the total output from the five water treatment plants operated by the company stood at 94.17 MLD (2015: 89.37 MLD), an increase of 5.4% (2015: 2.8%). Over the same period, the metered sales registered an average of 55.39 MLD compared to the 2015 average metered sales of 51.59 MLD, an increase of 7.4% (2015:2.8%). The island of Langkawi remains one of the top tourist destinations in Malaysia for both the local and foreign visitors and it is not surprising that the compounded annual growth rate of metered sales was at a high of 5.5%. To boost the national economy, the Malaysian government has targeted the tourism industry as one of the priority sectors to be promoted and this augurs well for the tourism activities in the island for the foreseeable future.



Significant developments

- *2013 – 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 and the Supplemental Agreements effective from 1 February 2013 to 31 October 2020*
- *2015 –the BSR was revised downwards to RM2.15/m3 from RM2.21/m3 for 2014-2017 and from RM2.31/m3 to RM2.24/m3 from 2018 to the end of the Langkawi Water Supply Privatisation Agreement in October 2020*

As a result of the increase in metered sales and partly from the increased contribution from the CPI rebates and additional claims for increased pumping from the Sungai Baru water treatment plant located at the mainland, revenue jumped by 9.4% to RM 60.36 million (2015: RM55.18 million). Following an agreement made with Syarikat Darul Aman Sdn. Bhd. ("SADA") in March 2015, the contracted bulk BSR remain unchanged at RM2.15/m3 whilst the next increase will be effective 1 January 2018. As at the end of the year, amount outstanding from SADA stood at RM44.69 million (2015: RM48.47 million). Its operating cash flow continued to improve as payments were received fairly promptly thus the company was able to diligently carry out its operational and maintenance obligations and maintaining its service level.

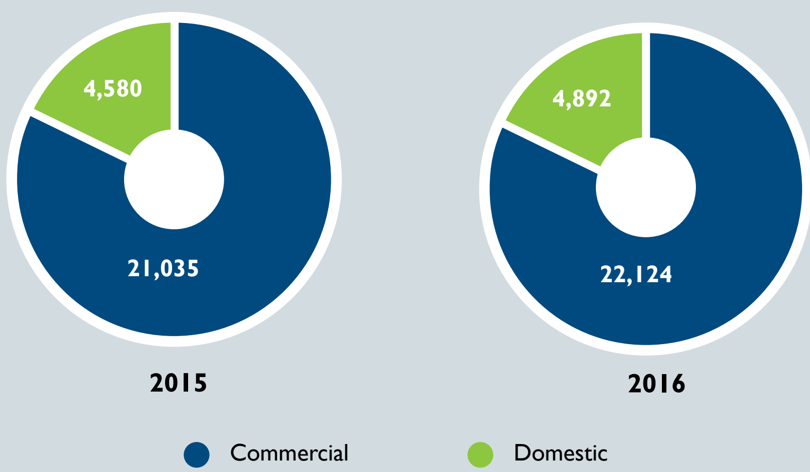
In the Langkawi operations, electricity and chemicals took up 43.8% of the operating expenditure of RM33.49 million (2015: RM30.79 million). The other large cost component comprises rehabilitation, upkeep and maintenance costs at 18.3% and operating staff costs at 23.5%. Unit costs of electricity and chemicals averaged out to be higher by 6.6% and 7.3% respectively.

The increased in unit electrical cost compared to the previous year was due to a number of factors but primarily from the reduction in the SIT Tariff by 2%, decrease in rebates in the form of Imbalance Cost Pass-Through by 2.8% from 8.2% and the increased pumping to refill the Malut Dam which dropped to its historical lowest level of 66.7m RL in June 2016. In ensuring that the pumping installations are running efficiently and the pumping costs are kept at a manageable level, the company continue to step up the pump maintenance and rehabilitation programme. This programme comprises servicing the motors including replacing the bearing and revarnishing works and also the refurbishment of pumps by changing the bearings, coatings to increase efficiencies and replacement of wearing rings. For the year, the company incurred a total of RM6.14 million (2015: RM6.11 million) in rehabilitation, upkeep and maintenance costs.

Management Discussion
and Analysis

For the Langkawi operations, other than raw water being sourced from the island itself, close to 55-60% of treated water comes from Sungai Baru at the mainland. Raw water treated at the Sungai Baru water treatment plant in Perlis is transported via a 711mm outer diameter submarine pipeline of approximately 35 kilometres in length to the Penarak booster station. Given the diverse raw water sources, the company had effectively managed the treatment process as water was treated to the required quality in excess of the 97.9% compliance mark for most of the parameters based on the 2 hourly daily treated water samples taken. There has been an improvement in compliance in almost all the parameters monitored.

Since 1995, the company has been managing a progressively increasing consumer base and expanding water supply and distribution assets as the population and economy of Langkawi grew and water demand increased. The consumer base had grown from 9,998 accounts back in 1995 to the following:-



Domestic accounts grew by 5.2% (2015: 2.3%) whilst non-domestic (commercial) accounts grew by 6.8% (2015: 2.0%) reflecting the ever increasing demand for treated water. Apart from managing these assets and consumer accounts to ensure supply of water to the required quality and quantity at all times, the company issued water bills to the consumers at monthly intervals and this figure has reached 29,086 bills per meter reader per year in 2016 (2015: 27,943).

One of the main issues relating to the Langkawi operations is the non-replacement of the aging piping network which is under the purview of SADA. As a result, the Non Revenue Water ("NRW") stood at 41.16% (2015: 41.51%) compared to the national average of about 35.5% in 2015 *(based on the statistics from SPAN)*. To manage the high level of NRW, various activities have been undertaken by the company and these include:

(a) identification of pipelines with high leak frequencies through its GIS facility and recommending them to SADA for pipeline replacement. Nevertheless, response has been marginal to date;

(b) a total of 960 spoilt consumer meters has been replaced in 2016, and together with the 2,400 meters replaced in 2015, this has already contributed positively in increasing the quantity sold in 2016 and the reduction in NRW. This will continue to contribute to higher sales volumes in succeeding years;

(c) the Active Leakage Control ("ALC") programme initiated in 2015 and continued in 2016 whereby an external consultant was engaged to conduct the ALC programme and at the same time inoculate the staff of the company with the latest ALC methodologies as part of capacity building. There has been positive results achieved and it is envisaged that the staff will be able to continue to build up their competency in managing the ALC programme;

(d) stepping up the pressure management programme in the distribution system by installing additional Advance Pressure Management System ("APMS") in a few more District Metering Zones and this has been effective in reducing the background water losses;

(e) continue involving all levels of staff in reporting visual leaks. The meter readers have been most active in making this a continuing success. A dedicated toll free hotline has also been activated for consumers to report any leakages; and

(f) staged replacement of communication pipes with PN 16 ratings instead of PN12 rated HDPE pipes, as low quality communication pipes has been identified as a significant cause of pipeline leakages. A total of 20 kilometres of such communication pipes were replaced in 2016.

In August 2016, SADA commissioned a 6-month study entitled "Projek Pembangunan Skim Bekalan Air Langkawi" to plan for the short term and long term needs of the Langkawi island until year 2040. The outcome of this study will help to urgently address the current situation whereby demand has exceeded the nominal production capacity of all the treatment plants with some plants presently operating under overloaded condition.

In recognition of its operational and maintenance standards, the company continues to be accredited under the following ISO schemes:

(a) ISO 9001:2008 for 'the Management and Support Services for the Operation of Four (4) Water Treatment Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including the Maintenance of the existing Distribution Network and Consumer Services';

(b) ISO/IEC 27001:2005 Information Technology – Security Techniques for Information Security Management System for the Management of Information associated with the Monitoring and Operations for the Supply of Potable Water to Langkawi, covering the Treatment Processes, Water Distribution System and Consumer Affairs; and

(c) SAMM ISO/IEC 17025 for the Padang Saga and Sungai Baru treatment plant laboratories.

Management Discussion
and Analysis

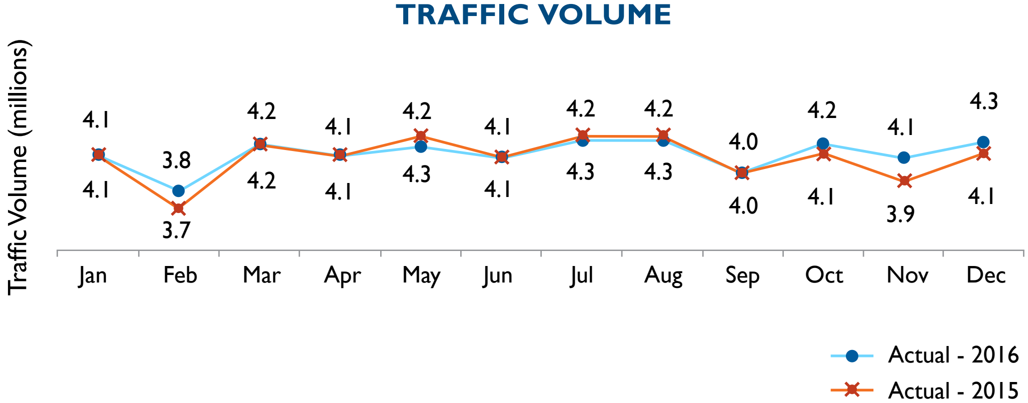
TOLL HIGHWAY DIVISION

Currently the toll highway business is undertaken by a 51% owned subsidiary, Grand Saga Sdn. Bhd. and a 37.5% associate, Grand Sepadu (NK) Sdn. Bhd.; both of which is operating in Malaysia.

Grand Saga Sdn. Bhd. ("Grand Saga")

The toll revenue for the Cheras-Kajang Highway increased from RM51.67 million in 2015 to RM65.84 million in 2016 due to the toll tariff increase implemented on 15 October 2015. However, as expected, the higher toll rates had an adverse impact on the average daily traffic ("ADT") plying the Highway, especially in the first three quarters of the year where the ADT registered negative growth compared to the corresponding periods. In the fourth quarter, the ADT improved significantly by 4.74% over the same period the year before, resulting in the overall ADT in 2016 clocking a marginal growth of 0.48% compared to a growth of 3.0% recorded in 2015. The ADT increased from 135,133 vehicles per day in 2015 to 135,785 vehicles per day in 2016. However, in terms of growth at the toll plazas, the y-o-y ADT at Plaza Batu 9 grew by 1.30% whereas Plaza Batu 11 saw a 0.44% reduction in the ADT. The next scheduled toll increase is expected only in 2020.

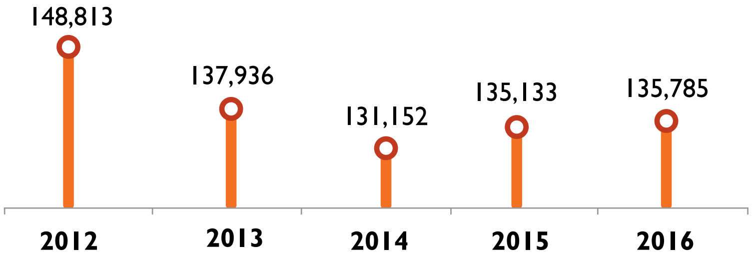
TRAFFIC VOLUME



Another positive contributing factor to the higher ADT, notwithstanding the toll increase, was the completion of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT") project ground works along the affected stretches of the Highway around the third quarter of 2016, which had resulted in the road users who had previously preferred alternative routes due to traffic congestion attributed to KVMRT works, gradually returning to the Highway. Nevertheless, with the anticipated commencement of operations of the Kuala Lumpur to Kajang portion of the KVMRT service in the second half of 2017, we have projected for the ADT to decline in 2017. However, it is envisaged that the impact of the KVMRT operations is likely to be temporary and over the long term, the KVMRT service would complement the Highway's growth by providing connectivity and aiding the development of new townships in surrounding areas.

Despite the then on-going KVMRT works and the increase in toll rates, the Highway continues to gain ridership reflecting the stable traffic profile of the Cheras-Kajang Highway as a fairly matured intra-urban motorway serving a large middle class population within which it serves. Cheras is considered one of the hotspots for medium and upscale residential developments given the scarcity of land in the Klang Valley and the proximity of Cheras to the city centre and its connectivity. The Cheras-Kajang corridor has seen tremendous growth over the years in terms of population size and the development of both landed and high rise accommodation. The proximity of other nearby complementing highways like the Sistem Lingkaran-Lebuhraya Kajang ("SILK Highway") and Lebuhraya Kajang-Seremban ("LEKAS Highway") provide the inter-connectivity to road users to travel along the Cheras-Kajang Highway. Over the past five years, the ADT recorded at the Cheras-Kajang Highway was as follows, with over 94.9% (2015: 94.1%) of total traffic volume comprising Class A vehicles.

ADT



Significant developments

- *2012 – closure of and abolishment of toll collection at one bound each of the toll plaza Bt 9 and Bt 11 on 1 March 2012*
- *2013 – commencement of KVMRT construction works in the second quarter of the year*
- *2015 – increase in toll rates on 15 October 2015*
- *2016 - substantial completion of the KVMRT project ground works along the affected stretches of the Highway around the third quarter of 2016*

Management Discussion

and Analysis

As part of the ongoing Government's initiatives towards smoother traffic flow at toll plazas, Grand Saga commenced the 100% Electronic Toll Collection ("ETC") at both toll plazas with effect from 13 January 2016, whereby payment of toll is restricted only to Touch 'n Go cards and SmartTAGs. In order to facilitate customer convenience, two dedicated lanes provide sales of Touch 'n Go cards and Touch 'n Go card reload transaction services 24 hours daily at each toll plaza. The implementation of the 100 ETC tolling had greatly reduced congestion at lanes as the SmartTAG and Touch 'n Go lanes could handle about 1,000 and 550 vehicles per hour respectively at the toll booth compared to just 400 vehicles at the cash lanes. In order to encourage the conversion to the electronic tolling, the company had extended certain incentives during the promotional period, including the following:-

(a) 10% toll discount for a 2 months period

(b) Issuance of 20,000 free Touch 'n Go cards

(c) Sale of SmartTAGs at a promotional price of RM99.00

As part of its service commitment to facilitate smooth and uninterrupted traffic flow, Grand Saga continues to implement the "contra flow" operations to alleviate the traffic congestion for the Kuala Lumpur bound traffic congestion in the morning and Kajang bound traffic in the evening. This "contra flow" is ongoing for more than ten years in collaboration the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police. As a responsible highway operator, Grand Saga strives to provide quality related services to its road users such as Rest & Service stops and regular patrolling of the Highway and providing break down, towing assistance and others services including emergency first aid care for commuters in need.

In order to ensure that road conditions are sufficiently maintained at optimal standards, major pavement rehabilitation works were undertaken in 2011/2012 with the next planned for 2018. A total amount of RM1.78 million was incurred for repairs and maintenance during the year (2015: RM5.34 million) and it is expected that in 2017, the company will expense RM2.88 million.

In terms of financial performance, the company recorded total operating revenue of RM92.67 million (2015: RM62.77 million) comprising toll revenue of RM65.84 million (2015: RM51.67 million) and recognition of prior years' and current year's government compensation of RM26.83 million (2015: RM11.10 million). The substantially higher toll collection came about from the impact of the toll hike. In accordance with the Concession Agreement, the Federal Government agreed to pay compensation for the deferment in implementing a scheduled toll tariff increase, which was originally due on 1 January 2015. However, the hike in the toll tariffs was subsequently approved on 15 October 2015 and the company was compensated a sum of RM9.54 million in October 2016. EBITDA was recorded at RM75.52 million (2015: RM45.02 million] mainly as a result of the higher operating revenue.

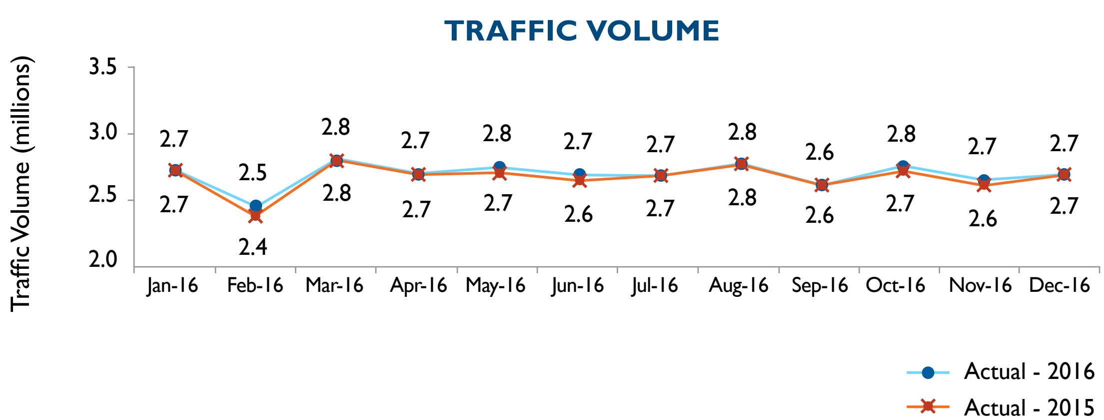
To comply with the amendments to the MRFS 116 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138) which clarified the acceptable methods of depreciation and amortisation, the company changed its policy on amortisation of Highway Development Expenditure ("HDE") from the revenue based method to the traffic volume based method. The adoption of the traffic volume method has resulted in the HDE amortisation charge for the year being higher by RM1.84 million compared to the revenue method. For 2016, the company recorded depreciation and amortisation charges of RM7.43 million compared to RM4.86 million a year ago.

During the year, the company formalised its risk management framework by identifying and evaluating several risk areas potentially affecting the highway operations including general business environment and safety issues. Appropriate action plans have been put in place to manage any significant risks identified and the company will continue to monitor its risks profile from time to time. On the regulatory front, no significant matters have arisen during the year that would severely impact the company's operations. With an experienced management team in place coupled with the straight forward nature of highway operations, the financial performance of the company would be in line with internal expectations in 2017.

Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

Ever since the new management took over the operations of the company in December 2014 following the successful acquisition of the concession rights and assets to the 17.5 km New North Klang Straits Bypass Expressway ("NNKSB"), several key measures have been implemented to improve the operational efficiency and comfort level of road users. As a result of these efforts, the year saw three out of the four toll plazas recording a significant jump in the ADT with the Kapar, MOC A and MOC B toll plazas experiencing growth rates of 10.1%, 19.7% and 7.1% respectively.

Nevertheless, traffic volume at the Bukit Raja toll plaza which accounts for the highest ADT amongst the four toll plazas at 62,013 vehicles per day (or 70.0%) saw a marked decline of 2.7% in ADT mainly due to a drop in Class 1 vehicles. Overall, the ADT of NNKSB grew by 0.9% (2015: 0.2%) from 87,746 vehicles per day to 88,528 vehicles per day in 2016. In line with the higher ADT, the company recorded toll revenue of RM44.1 million as compared to RM41.7 million the year before.

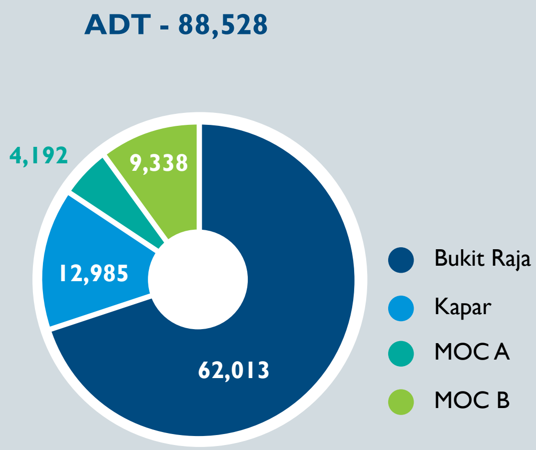


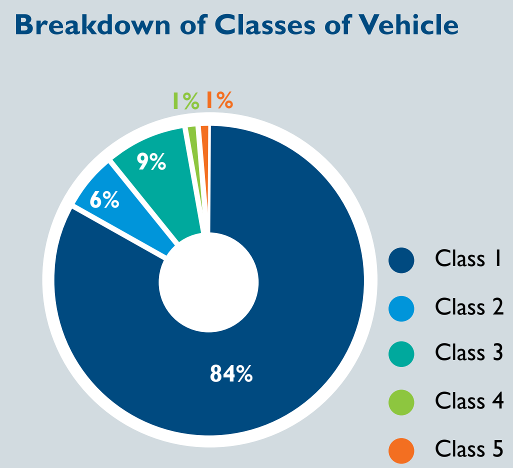
The substantial increase in the ADT of the three toll plazas, Kapar, MOC A and MOC B can be attributed to the continuous efforts initiated in 2015, to increase public awareness and improvement in signages leading to the Expressway. In the current year further additional directional signages both within NNKSB and on other connecting highways and local roads within 5 km radius of NNKSB were erected. Additionally, based on traffic study of surrounding areas and supported by a traffic consultant's report, the company commenced the construction of a new access to the NNKSB at Jalan Haji Sirat. This new inter-change will provide a direct access into the Expressway for residents and business owners from the surrounding industrial areas and is expected to contribute positively to the projected toll revenue of the company once completed. The new access is to be built at an approximate cost of RM11 million, and is slated for completion by the end of 2017.

Management Discussion

and Analysis

With NNKSB servicing mainly daily commuters from towns in Klang as well as commercial vehicles to the North Port and Westport terminals, the breakdown of traffic volume in each of the toll plazas and the categories of vehicles that passes through them were as follows:-





In line with the Government's initiatives towards implementation of fully electronic toll collection system nationwide, the company had also implemented 100% ETC at all its toll plazas on 1 June 2016. In order to promote electronic tolling, Grand Sepadu had extended certain incentives during the promotional period, including the following:

(a) 10% toll discount for a 2 months period for all Class 1 vehicles

(b) Issuance of 40,000 free Touch 'n Go cards

(c) Sale of SmartTAGs at a promotional price of RM105.00 each

For the year, the Kapar toll plaza contributed 46.2% of the total toll revenue of RM44.1 million whereas the Bukit Raja at 33.1% and MOC A and MOC B at 8.7% and 12.0% respectively. Although the traffic volume at the Kapar toll plaza at 14.7% was significantly lower than that of the Bukit Raja toll plaza at 70.0%, the toll rates at Kapar was much higher, thus the traffic volume increases at the Kapar toll plaza would have a significant impact to the revenue line.

In accordance with the concession agreement, the scheduled toll increase for NNKSB was due on 1 January 2016. However, in order to alleviate the burden on road users, the Federal Government decided to defer the toll increment for all toll concessionaires for the years 2016 and 2017. In the absence of the toll hike, the Government paid the company a sum of RM3.77 million as a 50% advance compensation bringing the total revenue for the year to RM47.9 million (2015: RM41.7 million).

In line with the higher revenue, EBITDA for the year came in at RM33.2 million (2015: RM21.4 million). The lower EBITDA in 2015 was mainly due to higher provisions made in that year for future resurfacing obligations amounting to RM9.7 million. The company expects to incur RM8.1 million for major maintenance, primarily for pavement rehabilitation works for the next three years, with subsequent major pavement works expected in 2023 and 2029 as part of its maintenance commitment under the concession agreement. In terms of routine repair works, the company incurred RM2.7 million (2015: RM2.0 million) for the year and RM3.0 million for year 2017. Routine repair includes works relating to highway upkeep such as grass cutting, landscaping, road cleaning and repairs of lightings and toll equipment.

Consistent with Grand Saga, the company also changed its policy on amortisation of HDE from the revenue based method to the traffic volume method which resulted in the HDE amortisation charge for the year higher by RM4.53 million compared to the revenue method. As with other toll concessionaires, depreciation and amortisation charges, which are non-cash transactions, represent a significant cost amounting to RM13.8 million in year (2015: RM7.5 million).

To re-finance a bridging loan drawdown for the acquisition of the NNKSB, the company had in 2015 issued a Sukuk Murabahah of RM210.0 million. As a result of the issuance of the sukuk, financing costs for the year was lower at RM10.6 million compared to RM11.2 million a year ago. The sukuk rated by the Malaysian Rating Corporation Berhad carries a rating of AA-is with a stable outlook.

Traffic on the NNKSB is fairly susceptible to any slowdown in North Port's and West Port's operations and nearby industrial activities, however given the capacity constraints of alternative non-tolled roads; the traffic performance at NNKSB is expected to remain resilient. Other than assessing the potential risk of a downturn in traffic volume, the company has also looked into several aspects to identify any potential risk areas that would have a significant impact to its operations and financial obligations to the sukuk holders. On-going assessments are undertaken from time to time to review the internal controls are in place to ensure that all weaknesses are identified and promptly attended to.

ENGINEERING & CONSTRUCTION DIVISION

The Federal Government created the *"Projek Pembesaran Empangan Mengkuang"* (commonly referred to as "MKGD") in Penang with the aim of upgrading the existing dam capacity for storing raw water for emergency use in the event of any prolonged droughts in the state. Our involvement in this project can be broadly described as site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. During the year, the MKGD project achieved its contractual milestone of sectional completion of Stage I Works (Dam 2). In addition, the progress of Stage 2 Works (Dam 1) was also on schedule. The expansion works, which commenced in the third quarter of 2011, was originally targeted to be completed by July 2016. However, the completion date was subsequently extended in accordance with the terms of the sub-contract owing to material delays caused by other sub-contractors engaged by the main contractor and exceptional inclement weather. As at the end of the year, the physical completion of the works was almost 98%. It is expected that the project would be completed by the first half of 2017.

On the flip side, the final sub-contract sum for this project will be drastically reduced from the original sub-contract sum of RM339.4 million at award to less than RM250 million due to two primary reasons i.e. provisional quantities provided in the sub-contract far exceeded the actual quantities used in the project and reduction in the scope of work. The total estimated construction revenue and cost were revised downwards accordingly to better reflect on the actual situation as the project is nearing completion. In the light of the significant reduction in the sub-contract sum, we are compelled to manage the project even more prudently to mitigate the adverse impact.

Management Discussion
and Analysis

As for the RM30.65 million SSP3 Pipeline project, formally known as *"Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor"*, it was undertaken by LGB-Taliworks JV, an unincorporated joint venture, which we participated in about 48% of the works. The works under the contract form a constituent part of the larger water supply scheme aimed at boosting potable water supply to the Klang district, particularly to the water-stressed areas serviced by the existing Bukit Lipat Kijang reservoir. The project was successfully handed over to the client within the extended contractual completion date in the first quarter of the year. Though the final contract sum and costs are not finalised yet, the financial performance is expected to exceed the initial profit target judging from our preliminary assessment.

The RM73.12 million contract for the *"Proposed Construction and Completion of the Ganchong Water Treatment Works, Main Distribution Pipeline, Booster Pump Stations and Associated Works in Pekan, Pahang Darul Makmur for ECERDC (Package 3a – Main Distribution Pipeline, Main Buildings and Associated Works at Tg. Agas"* (commonly referred to as "GP3A") was awarded by the East Coast Economic Region Development Council ("ECERDC") to an unincorporated joint venture between Ikatan Gemajaya Sdn. Bhd. and Taliworks Corporation Berhad, which approximately 49% of the Works has been allocated to us. The works commenced in September of 2016 and was progressing according to schedule at the time of reporting. The project is expected to be completed by September 2018.

As reported in the previous year, Pengurusan Aset Air Berhad ("PAAB") awarded the construction contract known as the *"Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7"* (commonly referred to as "L2P7 Project") for the construction of a 92-million litre reinforced concrete balancing reservoir at a contract sum of approximately RM75.9 million that is to be completed within twenty-seven months. L2P7 forms a component of the overall Langat 2 Water Supply Project that is envisaged to become the major source of water supply for the State of Selangor up to year 2025. The incorporated joint venture that secured the contract, LGB Taliworks Consortium Sdn. Bhd., is 20%-owned by us. Nevertheless, approximately 63% of the works have been sub-contracted by the joint venture to be undertaken by us. Although the award was in September 2015, we could only commence physical construction work in October 2016 due to delay in the client providing us with the site to work on. The project is expected to be completed by January 2019.

The overall business environment for the construction industry was tough in 2016. The scarcity of construction projects in the market prompted desperate contractors to resort to tendering at almost cost price. Our endeavour to procure new projects was somewhat hindered as we did not possess the all-important *Sijil Perolehan Kerja Kerajaan* (or "SPKK" in short) license (formerly known as *Pusat Khidmat Kontraktor* or PKK license), which is the normal pre-requisite for tenders for government projects. To overcome this hurdle, we had formed strategic partnerships with LGB Engineering Sdn. Bhd., our major shareholder (which possesses the SPKK) and other third parties to bid for Government projects under a joint venture arrangement. This proved to be a successful strategy as we are now involved in the GP3A and L2P7 projects together with our joint venture partners.

Procurement of future projects through open tender was a risky undertaking in 2016. Despite the grim outlook, our successful procurement of GP3A and L2P7 projects with decent margins was testament of our ability to compete with other contractors in the open tender market. These two newly-commenced projects should keep us occupied for the next two years. Despite so, we are continuing with our efforts to tender for more projects, primarily in the infrastructure sector to boost our order book.

During the year, we have encountered many challenges. The weakened Ringgit caused prices of imported goods, plant and equipment to soar. To add to the contractors' woes, fuel price rose steadily over the one-year period. With the combination of the depreciated local currency and escalated fuel price, construction cost inevitably rose in tandem and affected our profitability.

Clients have become increasingly knowledgeable due to easy access to information via web technology. Armed with the acquired knowledge, clients demanded higher quality and faster turnaround time. Similarly, with the rising awareness of health, safety and environmental ("HSE") issues, clients and pertinent authorities insisted on stricter compliance with HSE procedures at the work site.

The shortage of loyal foreign construction workers in the market is also a factor that increased our operation cost. Most of the labour-only sub-contractors had difficulty recruiting skilled foreign workers due to economic recovery of neighbouring countries that we traditionally source workers from.

In order to remain competitive, we instituted changes to our operational approach, which included the following:-

(a) revised our sub-contract strategy by outsourcing our construction labour needs to labour-only sub-contractors;

(b) outsourcing HSE monitoring services instead of employing full-time HSE personnel; and

(c) hiring plant and machinery from suppliers; and when machinery hire is not feasible, purchase machinery and dispose of it after project completion to reduce withholding and maintenance cost.

Through administrative controls and prudent management of resources, we are pleased to report that all completed projects achieved decent profit margins thus far. In 2016, it can be said that we have performed fairly well considering the plethora of challenges that manifested along the way. Healthy project cash flow, supplemented by adequate financing facilities from the financial institutions, where necessary, enabled us to make prompt payments to our external providers; thus our operations were able to be managed without any major hitches.

It is without doubt that the construction industry will continually evolve in this technological age. To this end, our level of success in the construction business hinges on its ability to adapt to the ever changing environment and landscape. To remain relevant in this competitive market, we have to engage meaningfully with our external providers and continually seek opportunities for improvement, including keeping the team abreast with technological advances, information on forces that shape the market, statutory/ regulatory requirements, the lofty expectations from clients and competitors' strengths and weaknesses. All of the projects undertaken are located in Malaysia and the division has no immediate plans to venture abroad.

Management Discussion
and Analysis

WASTE MANAGEMENT DIVISION

This is the first year, the Company invested in a waste management company operating in Malaysia after successfully disposing of its entire waste management business in the People's Republic of China. The Company bought a 35% interest in SWM Environment Holdings Sdn. Bhd. ("SWMH"), which holds 100% of SWM Environment Sdn. Bhd. ("SWM"). SWM is currently Malaysia's largest concessionaire providing integrated operations for waste collection, public cleansing and recycling for the municipal authorities, commercial and industrial sectors. With the strength of over 8,000 staff, SWM supports 27 local authorities, manages over 1,500 collection vehicles and operates 27 workshops as well as depots servicing over a combined population size close to 5.1 million in the states of Johor, Melaka and Negeri Sembilan.

The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of SWM's business. Currently, SWM manages a fleet of over 800 collection vehicles and a workforce of approximately 3,000 employees to provide scheduled and timely collection service.

The second largest contributor to revenue is the provision of public cleansing services including grass cutting, drain cleaning, street sweeping, wet/dry market cleaning and beach cleansing. To undertake this task, the company has a fleet of over 500 cleansing vehicles, machineries and a workforce of over 5,000 employees deployed.

During the year, several initiatives were undertaken to increase productivity and operational efficiency and these included:-

(a) investing in machineries and vehicles;

(b) launching a series of human resources improvements such as Skilled Certification for general workers. As general workers and operations staff make up almost 90% of the company's workforce, skilled training is important to mitigate and reduce non-compliance of services which is one out of the two key performance indicators ("KPI") of the company's service level measured by the Government;

(c) launching its Occupational Health and Safety Campaign from June to December 2016 in line with the regulations from Department of Health and Safety Malaysia which saw a compliance increase of almost 50% in key areas resulting in more awareness, lesser accidents and better emergency preparedness and response; and

(d) engaging their party to prepare a risk management plan and framework to identify key risk areas that could potentially affect the business, public perception, stakeholder management and safety issues.

Being highly reliant of labour, payroll and subcontractors' costs represent almost 73% of total operating costs and 61% of general and administration costs. Managing these costs and to source for the availability of labour remains a constant challenge. The other major cost component would be depreciation at 19% of total operating costs. To assist in the running of its operations, SWMH has developed several key innovative systems such as:-

(a) a centralised Customer Relationship Management System. By implementing daily monitoring and briefings to operations, SWM has successfully surpassed its target of reducing complaints to 37% in 2016 compared to 46% in 2015. Customer's complaint is the other KPI monitored by the Government. With more investments made in operations training, CRM systems upgrades, the company expects the number of complaints to decline;

(b) a mapping system for route planning and geo-fencing, the GIS & Data Management System manages inventories such as premises, roads, drains, grass areas, waste bin inventories and customer database;

(c) an integrated Fleet Management System encompassing various departments from Operation Planning, Fleet and Inventory that allows real time updated information. The GPS Systems monitor the routing and real time behaviour of vehicles and alerts depot/ Headquarters of abnormal activities while providing information to operations to make strategic, informed purchases, track repair work on equipment and manage assets, maintenance and warranties efficiently. This Fleet Management System also maximises asset and vehicle lifecycles to operate safely and efficiently;

(d) a Contract Service Management System that monitors and updates contractor profiles, billing, schedules, tenders and payments while assists in resource planning; and

(e) an Enterprise Resource Planning System that rounds up as the backbone of the group's business system with core modules for Finance and Control, Procurement, Plant Maintenance, Project Systems and SAP Business Workflow.

By investing in these systems, it is anticipated that significant savings in costs and downtime can be achieved whilst improving both service level and safety records.

Management Discussion
and Analysis

FUTURE PROSPECTS AND OUTLOOK

For the past two to three years, several initiatives have been undertaken including re-strategising our overall business plans with an overarching aim of increasing our shareholders' value over time. We set out to lay a solid foundation for our assets and investments to provide a steady, sustained and long term stream of recurring operating cash flow to support our dividend policy which we had outlined in 2014. As we strive to bolster our ability to increase the dividend payout to shareholders in the longer timeframe, it becomes essential that we step up to the plate to intensify our efforts to plot the next growth trajectory apart from our existing myriad of business interests.

Being highly involved in the concession business of water treatment, supply and distribution; waste management and toll highway operations, which contribute significantly to the Group, we are rather insulated from the vagaries of any economic uncertainties as these are essential services that have to be provided to or used by consumers. Given that these businesses will progressively grow organically, we are considering other avenues for growth and prospects that would place us in a better footing to expand our businesses rapidly especially our planned investments in the infrastructure space. We hope shareholders will share our optimism in delivering a positive outcome and be part of an important stakeholder to a shared responsibility in shaping our businesses together.

Sustainability Statement

The 2016 Sustainability Statement marks our first step towards integrating sustainability beyond mere compliance, within the organisation. Through this section, we aim to communicate our approach and progress on our sustainability journey.

This year, our reported issues were determined based on discussion with key internal stakeholders, and supported by assessment of key internal documents and publicly available documents including press releases. In shaping our sustainability report, we also considered local, regional and global issues surrounding the water, infrastructure and waste management businesses. The preparation of our Sustainability Statement is guided by Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statements in Annual Reports.

Reporting Scope and Boundaries

This Sustainability Statement covers the Malaysian operations of Taliworks Corporation Berhad ("Taliworks" or "the Company") and its subsidiaries, joint ventures and associate company within the financial reporting year from 1 January 2016 to 31 December 2016.

OUR APPROACH TO SUSTAINABILITY

Sustainability
Statement

ECONOMIC GROWTH AND ENVIRONMENTAL PROTECTION

As a responsible corporate citizen, we are committed towards conducting our business in an ethical and thoughtful way, with a concern for the impact we have on the environment in which we operate.

Maintaining Good Standards

To ensure maintenance of high operation standards in our Water and Engineering Division, we endeavour to secure and maintain appropriate accreditations for our treatment facilities. To date, we have secured ISO 9001, ISO/IEC 17025 and ISO/IEC 27001 for both Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi").

In the Engineering and Construction Division, we are wholly committed to achieving customer satisfaction by consistently delivering high quality products in a timely manner as underlined by our Quality Policy. We ensure that construction works comply with our project-specific Environmental Management Plan that addresses compliance requirements on environmental protection at construction sites. The Division is guided by a deep understanding of our customers' requirements and strives to be in compliance with the ISO 9001:2015 Quality Management System.

In the Toll and Highway business, Grand Saga Sdn. Bhd., an indirect subsidiary of Taliworks, which owns and operates the concession for the Cheras-Kajang Highway has been certified with the ISO 9001:2008 Quality Management System for highway maintenance and toll collections.

Underlying our approach to quality standards is our regard in achieving customer satisfaction. Our commitment is reflected by management's direct involvement in all our projects to ensure smooth delivery of quality products, and our continuous efforts to improve management system. Annual customer satisfaction surveys are also conducted to measure customers' satisfaction and to identify areas of improvement. In terms of our procurement practices, we adopt economic, environmental and social criteria in vendor selection.

Efficient Water Management

To date, treated water produced from all our treatment plants are in compliance with the quality standards of the Malaysian Ministry of Health and the World Health Organisation. The operations are backed by up-to-date water treatment technology and Supervisory Control and Data Acquisition ("SCADA") system, which allows for real-time control and remote monitoring of process information and data.

Managing Waste

We have undertaken initiatives to properly manage our water treatment residuals and ensure appropriate disposal methodologies in compliance with the Environmental Quality Act (EQA) 1974. Improper management of drinking water sludge will result in the pollution of surrounding water sources and environment, and is a potential hazard to humans and other life forms.

At Taliworks Langkawi, we are one of the first to use the GeoTube® Dewatering Containers, a novel and cost-effective method of dewatering water treatment plant residuals, at the Bukit Kemoja and Padang Saga 2 & 3 treatment plants. The dewatering containers are manufactured using specially engineered dewatering fabrics that provide excellent solids retention and discharge of high quality filtrate. The trapped dried sludge is kept in the dewatering containers for final disposal to Department of Environment approved sites.

At SWM Environment Sdn. Bhd. ("SWM"), we have in place a Quality and Environmental Policy that covers management of energy and water consumption as well as management of waste. SWM also carries out 3R education practices for the public.

Water treatment plant residual management system using GeoTube® Dewatering Containers

3R Educational Talk

Sustainability
Statement

SOCIAL CONTRIBUTION

Workplace Practices

Our people are our greatest asset and we are committed to delivering the best possible career experience to our employees. We are also working towards becoming a more diverse and inclusive business, and this is reflected by our fair, merit-based and non-discriminatory hiring process.

Training and Development

At Taliworks, we are aware that a highly skilled workforce is the key to sustainable and balanced growth.

To develop our employees' career and to build a talent pipeline for our organisation, we provide a range of training programmes that cater to all our employees. These include financial, accounting, management, and technical skill improvement programmes. Training programmes for ISO 9001, ISO 17025 and ISO 14001 are also provided to ensure effective implementations of the management systems. Besides training, we also encourage transfer of knowledge between our various divisions or business units through short term employee visitation to other units.

In 2016, more than 80% of our employees have received regular performance and career development review. We spent a total of over RM130,000 on training and development for our employees this year.

Employees training

Employees Sports Day 2016

Employee Welfare, Well-being and Safety

In our day-to-day operations, we pay close attention to advance the welfare and well-being of our employees. One of our key approaches is to provide a conducive working environment based on dignity and mutual respect. To encourage our employees to lead a balanced and healthy lifestyle, we introduced various sporting activities as well as suitable sporting and recreational amenities. We also provide our employees with medical, dental, hospitalisation and insurance benefits. Some of these healthcare benefits have also been extended to our employees' direct family members.

We pay special attention to the health and safety of our workers at our construction sites. We do so by ensuring compliance with pertinent contractual and regulatory requirements, which may include the provision of a suitable and qualified Safety Personnel to oversee safe practices at site. The Safety Personnel is responsible for the preparation of a safety manual and to ensure that the workplace environment as well as all related practices comply with the safety and health requirements as stated in the manual.

An engaged workforce is the most productive workforce. We have been consistently engaging our employees by carrying out employee surveys to gauge the satisfaction level of employees towards their workplace, and to identify areas for improvement in the workplace. Following the rollout of the employee survey results in the fourth quarter of 2015, several steps have been undertaken to strengthen the focus on employee's engagement and learning process. Some major initiatives conducted during the financial year under review include:

Sustainability
Statement

Contribution to the Community

The Group believes that we have an important responsibility to make positive contributions to the communities that we operate in. Consistent with our organisational culture and philosophy towards giving back to the community, while encouraging the culture of volunteerism among employees, we have been actively engaging our communities through a variety of social initiatives.

In 2016, some of the community activities we have undertaken include:

- Festive celebrations and charitable contributions to the poor or less fortunate, orphans and old folks.
- Extending assistance for disaster relief to affected local communities.
- Community clean-up services such as grass cutting, repainting and cleaning up schools with the local communities.
- Knowledge-sharing sessions on water treatment plant processes and overall water management business with university students.
- In support of Bursa Malaysia's effort to raise funds for charities, we have also continued to participate in the Bursa Bull Charge for the 2nd consecutive year since 2015. The funds were raised to provide economic support for the disadvantaged and entrepreneurs, as well as to improve their financial literacy.
- A blood donation drive was held in our efforts to promote a culture of voluntary blood donation and simultaneously to save lives.

We have also conducted the following initiatives as part of our appreciation to our highway users:

- Road safety campaigns with the local communities, including students in schools, surrounding our highways.
- Providing incentives for 100% Electronic Toll Collection Implementation such as distribution of free Touch n' Go cards with a minimum top-up of RM5, promotional sale of Touch n' Go cards and SmartTAG, as well as 10% rebate for Class I vehicles.
- 10% toll discount during festive seasons.


The Bursa Bull Charge 2016

Community clean-up services


Festive home visit


Road safety campaign during festive season


University students' visit to the water treatment plant

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 are 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 2012 ("MCCG") 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 employees. The Board recognises that good ethical conduct and a 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 and driven by the basic tenets of good governance.

- In December 2016, the Company received a letter from Bursa Malaysia Berhad stating that it has reviewed and analysed the annual reports issued for the financial years 2014 and 2015 from a selection of 280 Main and ACE listed companies to determine the adequacy of their corporate governance disclosures. The purpose of the review was to assess the level and quality of disclosures in relation to the MCCG and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") in the Corporate Governance Statement, Audit Committee Report and Internal Control Statement in particular relating to the Principles and Recommendations under Principles 1 to 6 of the MCCG. Arising from the review, the letter was tabled to the Board and the following were the scores obtained by the Company in each of the six Principles as follows:-

	2014 Company Score (%)	2016 Company Score (%)	2016 Average Score for 280 listed companies (%)
Principle 1: Establish Clear Roles and Responsibilities	73.5	76.5	68.8
Principle 2: Strengthen Composition	37.7	70.4	65.3
Principle 3: Reinforce Independence	85.7	100.0	81.6
Principle 4: Foster Commitment	81.8	90.9	76.2
Principle 5: Uphold Integrity in Financial Reporting	58.8	73.5	68.1
Principle 6: Recognise and Manage Risks	56.3	62.5	62.0

Corporate Governance

Statement

- Pursuant to paragraph 15.25 of the Listing Requirements, the following Corporate Governance Statement outlines the manner in which the Group has applied the Principles contained in the MCCG 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.

Principle 1 – Establish clear roles and responsibilities

Recommendation 1.1
The board should establish clear functions reserved for the board and those delegated to management.

Segregation of Roles

- The roles played by the Board and the management are separate and distinct whereby the Board provides the stewardship role whereas the management is given the mandate and authority to implement the strategic directions of the Board. The Board fulfils its fiduciary role by overseeing that the management has undertaken its responsibilities in executing the policies and strategies adopted by the Board and the Board being adequately kept informed of matters relating to the Group's business and financial performance at the Board meetings which are held at every quarter of the year. Where there were important issues that require the Board's immediate attention e.g. proposals for major acquisitions, significant outlay of capital commitments, the Board may convene a special Board meeting.

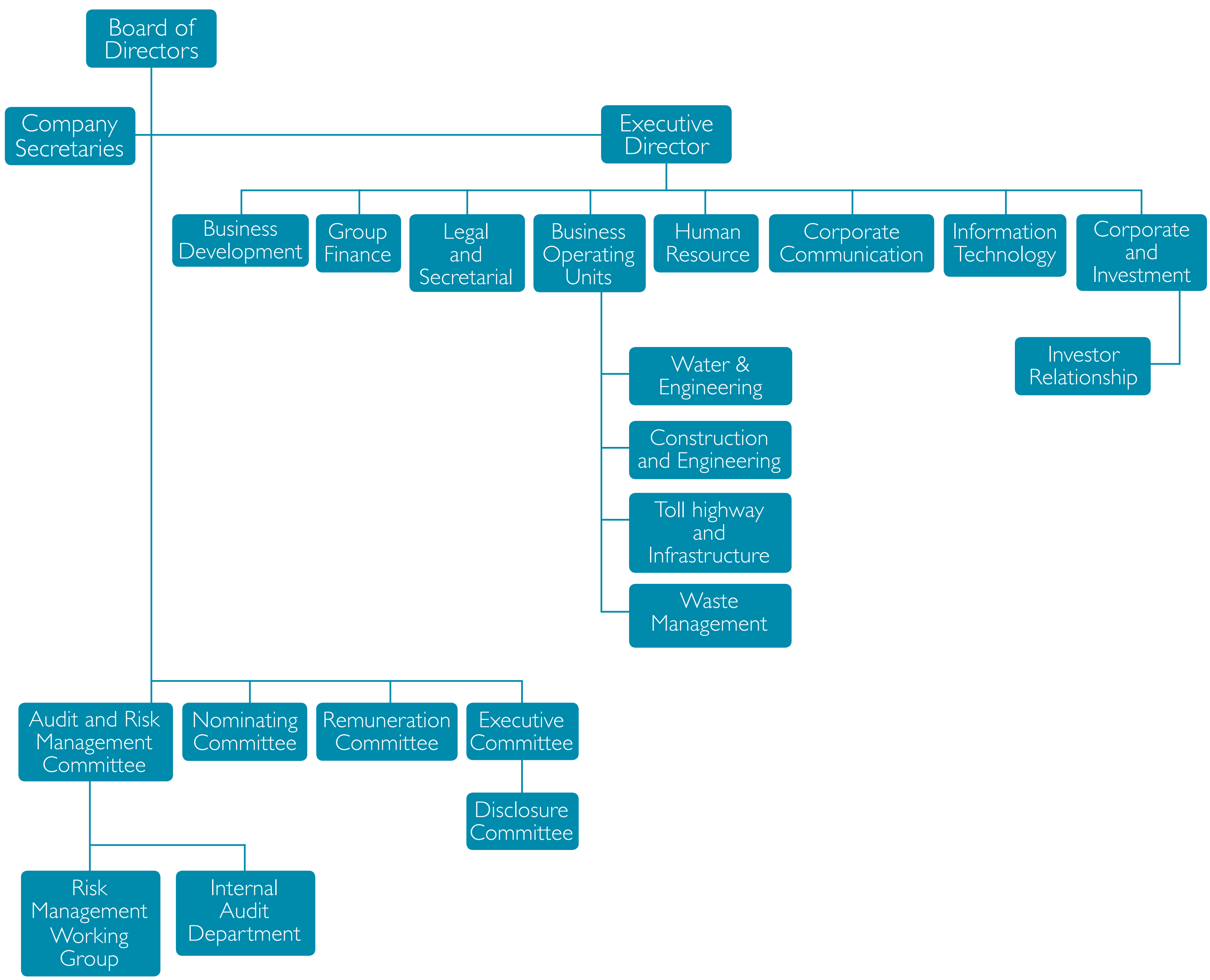
- The Company has established a Limits of Authority ("LOA") that defines the authority given to Management to act on specific matters and any matters that require Board approval. The LOA was last reviewed on 28 March 2017.

- To further assist the Board in its oversight role, the Board, through the Remuneration Committee, will be establishing the Key Performance Indicators ("KPI") for the Chief Executive Officer ("CEO") (if and when the CEO is appointed) in 2017 that are linked to the Company's business strategies and long term corporate objectives.

Principle I – Establish clear roles and responsibilities (cont'd)

Governance Structure

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



Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

Executive Committee ("EXCO")

- To assist the Executive Director in executing the mandates from the Board, an EXCO has been established 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 management of the Group's affairs.

Recommendation 1.2
The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

- The business and affairs of the Group is managed by or under the direction of the Board. 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 jointly formulated with the management, namely from the Executive Director and the Chief Investment Officer, on the strategic direction, corporate positioning and business propositions ("Strategies") to be undertaken by the Group. The Board will deliberate on these Strategies and the Executive Director and/or the Chief Investment Officer will provide updates at the Board meetings should there be any significant developments so that the Board is able to monitor the Strategies are being effectively implemented in accordance with the mandate by the Board;

  (b) overseeing the conduct of the Group's business. In this regards, the Board would meet every quarter together with the management, namely the Executive Director, Chief Investment Officer, the General Manager, Group Finance and the external Company Secretaries to discuss and deliberate on the several agendas put forth at the Board meetings. Two of the more important agenda would comprise the Executive Director's Quarterly Operational Report and the Quarterly Financial Interim Report detailing the operations of each of the business divisions and the financial performance of the Group;

  (c) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. To undertake these dual responsibilities, the Board has delegated both the risk management and internal audit functions to the Audit and Risk Management Committee to oversee. A more detailed description of these functions can found in the Statement of Risk Management and Internal Controls and in the Audit and Risk Management Committee's Report included in this Annual Report;

Principle 1 – Establish clear roles and responsibilities (cont'd)

(d) succession planning to provide for a clear and orderly succession of senior management and ensure that all candidates appointed to senior management positions are of sufficient calibre. To assist the Board in discharging this responsibilities, the Board has adopted the Succession Planning Policy for Board, Chairman of the Audit and Risk Management Committee and Senior Management as promulgated by the Group Human Resource;

(e) overseeing the development and implementation of an shareholder communications policy for the Group to enable effective communication with the shareholders and other stakeholders. In this respect, the Group has established several channels (including a Company website) where shareholders and other stakeholders will be able to communicate with the Company and vice versa. This is further elaborated in this Statement under Recommendation 8.3;

(f) reviewing the adequacy and the integrity of the Group's management information and internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. In discharging these responsibilities, the Board has established an internal audit function to assess the adequacy and the integrity of the internal control systems. The Board has also at its disposal the services of the external Company Secretaries and the Group Legal Advisor.

Recommendation 1.3
The board should formalise ethical standards through a code of conduct and ensure its compliance.

Code of Business Conduct and Ethics for Directors

- The Code of Business Conduct and Ethics for Directors was first adopted in 24 April 2013 and is to be reviewed every three years or from time to time when there are significant developments requiring the Code to be amended. The Code of Business Conduct and Ethics for Directors was last revised on 30 March 2016.

- 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.

Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

Code of Business Conduct and Ethics for Directors (cont'd)

- The main thrust of the Code of Business Conduct and Ethics for Directors are in the following areas:-

  (a) Compliance with applicable laws and regulations
  (b) Maintain the highest standards and uphold corporate values
  (c) Conflict of interest
  (d) Personal and Family Relationships
  (e) Gifts, Gratuities and/or Bribes
  (f) Confidentiality
  (g) Insider Trading

- A copy of the Code of Business Conduct and Ethics for Directors is published in the Company's website at http://www.taliworks.com.my/governance/conduct_and_ethics.html

- A separate Code of Conduct containing policies and guidelines relating to standards and ethics for all employees, sexual harassment and disciplinary procedures are given to all employees upon their employment with the Company.

Whistle-Blowing Policy

- The Group has implemented a "Policies and Procedures for Reporting of Legitimate Concerns" raised by employees. The policy is a specific mean by which an employee can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Group's policies and regulatory requirements in a responsible and sensible manner.

- The objectives of the Policy are:

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

  (b) to protect the integrity of the concerned employee, the Group, the Board and the Management by standing up to any public scrutiny through the proper and effective implementation of the Policy; and

  (c) to protect an employee from any form of harassment, reprisal or retaliation as a direct consequence of them reporting any legitimate concerns under the Policy. The protection accorded is to encourage them to report such legitimate concerns whilst removing any fear or risks and to safeguard their identity.

Principle 1 – Establish clear roles and responsibilities (cont'd)

Whistle-Blowing Policy (cont'd)

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

  (a) the Senior Independent Non-Executive Chairman at SID@taliworks.com.my

  (b) the Chairman of the Audit & Risk Management Committee at ARMC@taliworks.com.my

  (c) the Executive Director of the Company at ronnie@taliworks.com.my

  (d) the Head of Group Human Resource at GHR@taliworks.com.my; or

  (e) the Head of Internal Audit at IA@taliworks.com.my

- When a legitimate concern is reported, it will be acknowledged and immediately thereafter forwarded to the relevant parties who will conduct a preliminary investigation to determine whether it merits further investigation. Any conclusion arrived therefrom as soon as a decision is made will be informed to the party who reported the legitimate concerns.

- The whistle-blowing provisions have been incorporated into the Employment Handbook which is distributed to all employees setting out the channels for reporting of legitimate concerns, procedures (including how their report will be dealt with and the conclusion arrived therefrom as soon as a decision is made), employees' safeguards etc.

- The Policies and Procedures for Reporting of Legitimate Concerns was last revised on 28 March 2017.

Recommendation 1.4
The board should formalise ethical standards through a code of conduct and ensure its compliance.

- In October 2015, Bursa Malaysia amended the Listing Requirements to require mandatory disclosure against Economic, Environmental, and Social ("EES") risks and opportunities. The amendments took effect on a staggered basis over a period of 3 years, starting from 31 December 2016 to 31 December 2018. For the Company, mandatory disclosure will be effective from 31 December 2017.

- As the first step towards sustainability reporting, the Company will be releasing a Sustainability Statement for 2016, replacing the Corporate Sustainability Statement in the previous Annual Report 2015.

Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

- The Sustainability Statement for 2016 will serve as a guide for the Group to embark on a more complete and robust reporting in the following year. The preparation of the Sustainability Statement for 2016 will be guided by the Listing Requirements relating to Sustainability Statement.

- The Board has recently engaged the services on an external consultant to roll out the sustainability agenda for the Group for the next two years.

Recommendation 1.5
The board should have procedures to allow its members access to information and advice.

Access to Information from the Company

- 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.

- Prior to each meeting of the Board and Board Committees, and subject to the availability of the board papers, the Company Secretary will circulate to members of the Board and Board Committees within seven days prior to meetings via email, an agenda and as soon as all the board papers are made available, a set of the board papers containing reports and other relevant information to enable the members of the Board and Board Committees ample time to review the documents and subsequently to be able to make informed decisions at the meeting of the Board and Board Committees. The Board papers may include financial, strategic and corporate proposals that require the Board's deliberation and approval. Directors may opt for the board papers to be circulated electronically via email.

- Both the Chief Investment Officer and the General Manager, Group Finance will be present during meetings of the Board whereas other senior management, external auditors and/or advisers maybe invited to attend the meetings, if required, to provide additional information on the relevant agenda tabled at the meetings.

- Both the Head of Internal Audit and the General Manager, Group Finance will be present during meetings of the Audit and Risk Management Committee whereas the external auditors maybe invited to attend the meetings, if required, to provide additional information on the relevant agenda tabled at the meetings.

- For meeting of the Remuneration Committee, the Head of the Group Human Resource will sit in for the meeting.

Principle 1 – Establish clear roles and responsibilities (cont'd)

Access to Information and Services from the Company Secretary and External Parties

- The Directors also have access to the advice and services of the Company Secretaries and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. The following are the procedures adopted by the Board in engaging the services of independent professional advisors:-

  (a) where any member of the Board makes a request to the management to engage the services of independent professional advisors, the request is then communicated by the Company Secretaries to other Board members for concurrence;

  (b) where necessary, the Chairman will convene a special Board meeting to discuss the matter and where a concurrence from a majority of the Directors is obtained, the management will be directed to procure suitable independent professional advisors acceptable to the Board; and

  (c) the independent professional advisors will report their findings to the Board.

Recommendation 1.6
The board should ensure it is supported by a suitably qualified and competent company secretary.

- The Company Secretaries, Ms Tan Bee Hwee and Ms Queck Wai Fong, are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. Both of them are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

- In order to ensure effective functioning of the Board, the Company Secretaries regularly update and advise the Board on the changes of statutory and regulatory requirements relating to its duties and responsibilities. The Company Secretaries also play an advisory role to the Board in relation to the Company's constitutions, policies and procedures, and ensure compliance with the relevant legislations, regulatory requirements and best practices of corporate governance. Every member of the Board has unrestricted access to the advice and services of the Company Secretaries.

- The Company Secretaries attend all Board and Board Committees meetings, ensuring that the deliberations and decisions made by the Board and Board Committees are recorded and well documented with any dissenting decisions by any members of the Board or Board Committees recorded accordingly. The Company Secretaries also ensure that the records of the proceedings of the Board and Board Committees meetings are properly kept at the registered office of the Company.

- The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in company law, Listing Requirements and corporate governance through attending relevant conferences and training programmes.

Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

- The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging their functions.
- The appointment and termination of the Company Secretaries are at the absolute discretion of the Board.
- As the Company Secretary plays an important role in ensuring that the Company and the Board adhere to the Listing Requirements and the applicable laws, their role and functions are clearly spelt out in the Board Charter (as defined under Recommendation 1.7 below).

Recommendation 1.7
The board should formalise, periodically review and make public its board charter.

Board Charter

- The Board has adopted a board charter ("Board Charter") 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, shall comprise of Independent Directors;

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

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

  (f) appointment of Board Committees.

- The Board Charter is 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.
- The Board Charter was first adopted on 24 April 2013 and will be reviewed every three years or from time to time when there are significant developments requiring the Board Charter to be amended. The Board Charter was subsequently revised on 12 February 2015 and 28 March 2017.
- A copy of the Board Charter is published in the Company's website at http://www.taliworks.com.my/governance/board_charter.html

Principle I – Establish clear roles and responsibilities (cont'd)

Role of the Chairman

- The Chairman of the Company, who is appointed by other members of the Board, presides over the meetings of the Board to ensure the smooth functioning of the Board.

- Other than monitoring the conduct of the board meetings and meeting of shareholders, the Chairman is to ensure that all relevant issues for the successful stewardship of the Group's business are on the Board agenda to facilitate effective decision making by the Board.

Role of the Executive Director

- The Executive Director, who is a paid employee of the Company, 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.

Role of the Non-Independent Non-Executive Directors

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

Role of the Independent Non-Executive Directors

- The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any 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.

Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

Role of the Independent Non-Executive Directors (cont'd)

- 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.

Appointments to the Board

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

Re-Election of Directors

- Pursuant to Article 80 of the Company's Constitution, one-third (1/3) of the Directors including the Managing Director (if any) for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third shall retire by rotation at each Annual General Meeting and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

- Based on the schedule of retirement by rotation, the Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. On 16 February 2017, the Board, with the exception of the retiring Directors, approved the recommendation of the Nominating Committee that the Directors who are due to retire by rotation at the forthcoming Annual General Meeting i.e. Tan Sri Dato' Seri Ong Ka Ting, Dato' Lim Yew Boon and Vijay Vijendra Sethu be put forth for shareholders' approval at the forthcoming Annual General Meeting 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.

Board Committees

- 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.

Principle 1 – Establish clear roles and responsibilities (cont'd)

Board Committees (cont'd)

- 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 namely:-

  (a) Audit and Risk Management Committee;
  (b) Nominating Committee; and
  (c) Remuneration Committee

- The primary objectives of establishing the 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.

- Each of the Board Committees operates under its own Terms of Reference as approved by the Board. At every Board meetings, the Board Committee Chairman shall report to the Board, any significant developments and deliberations conducted at the Board Committee level.

- The delegation by the Board does not diminish nor abdicate its responsibilities and the Board remains responsible for all the actions of the Board Committees with regard to the execution of the delegated responsibilities. 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.

Composition of Key Board Committees

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

	ARMC	NC	RC
Independent Non-Executive Directors			
Tan Sri Dato' Seri Ong Ka Ting	-	C	C
Mr. Soong Chee Keong	C	-	M
Dato' Sri Amrin Bin Awaluddin	M	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	M
En. Ahmad Jauhari Bin Yahya	-	M	-
Non-Independent Non-Executive Directors			
Mr. Lim Chin Sean	M	-	-
Mr. Vijay Vijendra Sethu	-	M	-

Definition:-
C – Chairman of Board Committee
M – Member of Board Committee
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

Corporate Governance
Statement

Principle 1 – Establish clear roles and responsibilities (cont'd)

Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

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

- No revisions to the Terms of Reference were made since the publication of the last Annual Report.

(b) Nomination Committee

- The terms of reference, function and activities undertaken by the Nomination Committee is elaborated under Recommendations 2.1 and 2.2 below.

(c) Remuneration Committee

- The terms of reference, function and activities undertaken by the Remuneration Committee is elaborated under Recommendation 2.3 below.

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 Chairman.

- The dates for Board and Board Committee meetings for the year will be circulated by the Company Secretary well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the annual general meeting. At the end of each Board and Audit and Risk Management Committee meetings, the date of the next meetings is to be re-confirmed.

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

Principle 1 – Establish clear roles and responsibilities (cont'd)

Board Meetings (cont'd)

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

  (a) reviewing the Executive Director's 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;

  (b) reviewing the Quarterly Financial Reports and Annual Budgets;

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

- Minutes of meeting of the Board and Board Committees would also indicate the number of Board and Board Committees meetings that had been attended by each member of the Board and Board Committees and they are notified in advance the date and time of Board and Board Committee meetings that are to be held during the year.

- 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 deliberation and 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.

Corporate Governance

Statement

Principle 2 – Strengthen composition

Recommendation 2.1
The board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent.

Nominating Committee

- The Nominating Committee is made up entirely of Non-Executive Directors, the majority of whom are Independent Directors in compliance with paragraph 15.08A(1) of the Listing Requirements. The Nominating Committee is headed by the Senior Independent Non-Executive Chairman, Tan Sri Dato' Seri Ong Ka Ting.

Terms of Reference

- Under the Terms of Reference, the Nominating Committee shall have the following responsibilities:-

  (a) Developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of Directors, Independent Directors and the CEO.

    (i) The following criteria should be considered in the recruitment process before making any recommendation to the Board for consideration:-

      - mix of skills;
      - knowledge, expertise and experience;
      - professionalism;
      - integrity;
      - diversity (including gender diversity and diversity in ethnicity and age);
      - ability to discharge the responsibilities expected by the Board as stated in the Board Charter; and
      - time commitment.

    (ii) With regards to the annual assessment of Directors and Independent Directors, the Nominating Committee shall be guided by the Board Assessment Procedures on Directors and Independent Directors;

    (iii) With regards to the annual assessment of the CEO, the Nominating Committee shall be guided by the Board Assessment Procedures on CEO.

  (b) Proposing or assessing the candidature of Directors for the Board as well as the Directors to fill the seats on Board Committees having regard to the mix of skills, independence, diversity (including gender diversity and diversity in ethnicity and age), competencies, commitment, contribution and performance (if applicable);

Principle 2 – Strengthen composition

Terms of Reference (cont'd)

- Under the Terms of Reference, the Nominating Committee shall have the following responsibilities (cont'd):-

  (c) Reviewing on an annual basis the effectiveness of the Board as a whole, Executive Director, Independent Directors, Board Committees and the contribution of each individual Director and the required mix of skills and experience and other core qualities, including core competencies, which the Directors should bring to the Board;

  (d) Making recommendation, based on the assessment results, to the Board for the re-election and/or re-appointment of Directors at the Annual General Meeting;

  (e) Reviewing the succession plans of the Board and the CEO;

  (f) Reviewing training programs for the Board and ensure that all newly appointed Directors undergo appropriate induction programs and receive continuous training; and

  (g) Facilitating achievement of Board diversity policies and targets.

- The current Terms of Reference of the Nominating Committee was adopted on 12 February 2015 and no revisions were made since then.

Board Composition Meeting the Needs of the Company

- At the end of the financial year, the Board, led by Tan Sri Dato' Seri Ong Ka Ting, a Senior Independent Non-Executive Chairman, is made up of eight (8) members (including the Chairman) comprising:

  (a) one (1) Executive Director;
  (b) two (2) Non-Independent Non-Executive Directors; and
  (c) five (5) Independent Non-Executive Directors.

- As stated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board is such that it facilitates the making of informed and critical decisions. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. Where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The Board views 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.

Corporate Governance
Statement

Principle 2 – Strengthen composition

Board Composition Meeting the Needs of the Company (cont'd)

- The composition of the Board is well balanced representing both the major and minority shareholders' interests and complied with paragraph 15.02(1) of the Listing Requirements where at least two (2) directors or one-third (1/3) of the Board, whichever is higher, must comprise of independent directors. At the end of the financial year, more than half of the composition of Board members or 63% to be precise (i.e. five (5) out of eight (8) members) comprises of Independent Directors, thus exceeding the threshold as prescribed under the Listing Requirements.

- The Board, through the Nominating Committee, 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.

- The Board does not have a policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Group. However, the Board Charter specifies that, as a matter of policy, the Board shall consist of qualified individuals with diverse experience, background and perspective and the Board has taken into consideration the varied mix of board diversity, skill-set and qualification of candidates chosen to be members of the Board.

Board Diversity, Skill-set and Qualification

	Gender		Age Profile			Skill-set		
	Male	Female	30-40 years	41-50 years	51-69 years	Finance related	Engineering related	Others
Executive Director	1	-	-	-	1	-	1	-
Independent Non-Executive Directors	4	1	-	2	3	3	1	1
Non-Independent Non-Executive Directors	2	-	1	-	1	1	-	1
Total					8			

Recommendation 2.2
The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

Recruitment and Assessment Process

- When identifying potential candidates for nomination as director, the Nominating Committee may consult whatever sources it deems appropriate, including, but not limited to, referrals from existing Directors or officers, recommendations from a third-party search firm, or recommendation from shareholders.

Principle 2 – Strengthen composition (cont'd)

Recruitment and Assessment Process (cont'd)

- With respect to the recommendation of nominees by shareholders, the Nominating Committee shall have the authority to retain whatever advisors (including attorneys and search firms) it believes appropriate in its efforts to identify and evaluate the potential nominees.
- The Nominating Committee shall make an initial assessment of each candidate. It shall select from this pool one or more candidates for an initial interview. No candidate shall be selected for recommendation to the Board without such candidate having been interviewed by a majority of members of the Committee in attendance. When the Committee identifies an individual that it believes meets the criteria and should be elected as director, it will forward its recommendation to the Board.
- In assessing the suitability of a candidate for the position of a Board member, the Nominating Committee is guided by the criteria set out in their Terms of Reference as elaborated in Recommendation 2.1 above.

Assessment of Board, Board Committees and Individual Directors

- To carry out the tasks of reviewing on an annual basis the effectiveness of the Board as a whole, Executive Director, Independent Directors, Board Committees and the contribution of each individual Director and the required mix of skills and experience and other core qualities, including core competencies, which the Directors should bring to the Board , the Nominating Committee has adopted the following performance evaluation forms:-

Evaluation Form		Purpose
Audit and Risk Management Committee Evaluation Questionnaire	:	Used to evaluate the performance of the Audit and Risk Management Committee over 3 sections covering 38 questionnaires
AC Members' Self and Peer Evaluation Form	:	Used by the members of the Audit and Risk Management Committee to evaluate themselves and their peers separately over 8 questionnaires. The self-assessment by the members of the Audit and Risk Management Committee will be used by the Nominating Committee in conjunction with the Audit and Risk Management Committee Evaluation Questionnaire to assess the overall performance of the Audit and Risk Management Committee.
Independent Directors' Self-Assessment Checklist	:	Used to assess whether the existing Independent Directors meet the requirements as independent directors. All the Independent Directors are required to self-assess themselves over 22 questionnaires and thereafter the Nominating Committee will review and make an overall assessment.
Directors'/Key Officers' Self-Assessment Evaluation Form	:	Used as an evaluation form for individual Directors. Under this assessment, Directors self-assessed themselves and other Directors separately over 30 questionnaires, and thereafter their score are tabulated and compared to the average score for all Directors.

Corporate Governance
Statement

Principle 2 – Strengthen composition (cont'd)

Assessment of Board, Board Committees and Individual Directors (cont'd)

Evaluation Form		Purpose
Board Skills Matrix Form	:	Used as a general assessment of the composition, knowledge, skills and experience of the current Board. Directors are assessed by the Nominating Committee over 8 sections.
Board and Board Committees Evaluation Form	:	Used to assist the process of evaluating the Board and Board Committees. The criteria used by the Nominating Committee in evaluating the Board are in a set of 35 questionnaires in the following areas:- (a) Board mix and composition (b) Quality of information & decision making (c) Boardroom activities whereas the criteria in evaluating the Board Committees are in a set of 8 questionnaires. Where any of the member of the Nominating Committee is required to assess themselves as a member of any of the Board Committees, they will be required to abstain from the assessment exercise in respect of his/her performance in that particular Board Committee.

- The above assessments were undertaken together with the external Company Secretaries and the Board did not engage any other external party to undertake an independent assessment of the Directors.

- The Nominating Committee met once during the year in review, i.e. on 19 January 2016 and the following matters were discussed:-

  (a) to review the Assessment Report on Individual Director for 2015 and make appropriate recommendation to the Board;

  (b) to review the Independent Director Self-Assessment Report for 2015 and make appropriate recommendation to the Board;

  (c) to assess the effectiveness of the Board and Board Committees for 2015 and make appropriate recommendation to the Board;

  (d) to review the composition of the Board and Board Committees for 2015 and make appropriate recommendation to the Board;

  (e) to review the term of office and performance of the Audit and Risk Management Committee and each member for 2015 and make appropriate recommendation to the Board;

  (f) to discuss training requirements/needs for Directors; and

  (g) to recommend the retirement and re-election of Directors at the forthcoming Annual General Meeting in accordance with the Company's Constitution.

Principle 2 – Strengthen composition (cont'd)

Policy Formalising its Approach to Boardroom Diversity

- As stated in the Board Charter, as a matter of policy, the Board shall promote diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors.

- The Board believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment.

- 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.

- The Board has not formalised any 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 suitable candidates who have the necessary competency and experience to bring value to the Board.

- Under the Board Charter, the Board has mandated that the composition of the members of the Board should always comprise of mixed genders to bring about a more diverse perspective to issues faced by the Group.

Recommendation 2.3
The board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

Remuneration Committee

- The Remuneration Committee, comprise of Non-Executive Directors, is headed by the Senior Independent Non-Executive Chairman, Tan Sri Dato' Seri Ong Ka Ting.

Terms of Reference

- Under the Terms of Reference, the Remuneration Committee shall have the following responsibilities:-

    (a) Recommending to the Board the remuneration policies, procedures and framework for the remuneration of Directors including remuneration and terms of service of the Executive Directors in all its forms, drawing from external advice, if necessary;

    (b) Reviewing and recommending to the Board the remuneration packages of the Directors and the chief executive officer of the Company ("CEO"). A fair remuneration is critical to attract, retain and motivate the Directors and the CEO;

    (c) Determining and setting performance measures for incentive plans of the Executive Directors and the CEO; and

Corporate Governance
Statement

Principle 2 – Strengthen composition (cont'd)

Terms of Reference (cont'd)

(d) Reviewing the compensation policy of the Executive Directors and the CEO and ensuring alignment of compensation to corporate performance, and that the compensation offered are in line with market practice and industry norm.

- The current Terms of Reference of the Remuneration Committee was adopted on 12 February 2015 and no revisions were made since then.

Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees are approved by shareholders at the Annual General Meeting.

- The Remuneration Committee met once during the year in review, i.e. on 19 January 2016 and the following matters were considered and deliberated:-

  (a) to recommend the remuneration packages for the Company's Executive Director for 2016 to the Board for approval;.

  (b) to recommend the Directors' Fees for 2015 to the Board for recommendation of the same to the shareholders for approval at the Annual General Meeting on 10 May 2016;

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors for 2016 to the Board for approval. This was based on the number of scheduled Board and Board Committee meetings for next year; and

  d) to recommend to the Board an increase in the quantum of Directors' fees for 2016, subject to approval of shareholders at the forthcoming Annual General Meeting to be held.

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.

- The remuneration of the Executive Director is based on the terms of his employment contract and his remuneration package is not structured to link rewards to corporate and individual performance. Other than his employment income, he is also remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for his attendance at the Board meetings.

Principle 2 – Strengthen composition (cont'd)

Directors' Remuneration (cont'd)

- Currently, the remuneration of the Executive Director is not aligned with the business strategy and long-term corporate objectives of the Company. The Remuneration Committee is looking into establishing a remuneration policy and Key Performance Indicators in 2017 for the CEO, the position of which is currently vacant.

- Non-Executive Directors are remunerated in the form of Directors' fees as approved by shareholders at the Annual General Meeting and an allowance for their attendance at the Board and other Board Committees' meetings. The remuneration for the chairman of the Board and the Audit and Risk Management Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairman 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 are as follows:-

	Directors' Fees RM per Annum
Chairman	200,000
Chairman of the ARMC	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

	Meeting allowances (RM per Meeting)			
	Board	ARMC	NC	RC
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

Definition
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

- The amount of Directors' fees payable was an increase from the previous year and is effective from 1 January 2016.

Corporate Governance
Statement

Principle 2 – Strengthen composition (cont'd)

Directors' Remuneration (cont'd)

- The details of Directors' remuneration for the financial year including remuneration for services rendered to the Company and its subsidiaries are as follows:-

		Fees (RM)	Salaries, bonus and defined contribution (RM)	Other emoluments (RM)	Total (RM)
Tan Sri Dato' Seri Ong Ka Ting	• Senior Independent Non-Executive Chairman • Chairman of NC, RC	200,000	-	12,800	212,800
Mr. Soong Chee Keong	• Independent Non-Executive Director • Chairman of ARMC • Member of RC	160,000	-	16,600	176,600
Dato' Lim Yew Boon	• Executive Director	144,000 (Note 1)	354,403	45,200 (Note 2)	543,603
Mr. Lim Chin Sean	• Non-Independent Non-Executive Director • Member of ARMC	120,000	-	16,494 (Note 2)	136,494
Mr. Vijay Vijendra Sethu	• Independent Non-Executive Director • Member of NC	120,000	-	7,000	127,000
Dato' Sri Amrin Bin Awaluddin	• Independent Non-Executive Director • Member of ARMC	120,000	-	12,000	132,000
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Independent Non-Executive Director • Member of RC	120,000	-	7,000	127,000
En. Ahmad Jauhari Bin Yahya	• Independent Non-Executive Director • Member of NC	120,000	-	5,000	125,000
TOTAL		**1,104,000**	**354,403**	**122,094**	**1,580,497**

Note:-

1 - include directors' fees received from the Company of RM120,000 and RM24,000 from an indirect subsidiary, Grand Saga Sdn. Bhd., in which he is a director.

2 - include meeting allowances and benefits-in-kind received by them.

Principle 2 – Strengthen composition (cont'd)

Directors' Remuneration (cont'd)

- The remuneration paid to Directors during the financial year analysed into bands of RM50,000 is follows:-

Range of Remuneration	Executive Director	Non-Executive Directors	Total
RM100,001 to RM150,000	-	5	5
RM150,001 to RM200,000	-	1	1
RM200,001 to RM250,000	-	1	1
RM500,001 to RM550,000	1	-	1

Principle 3 – Reinforce independence

Recommendation 3.1
The board should undertake an assessment of its independent directors annually.

- Independent directors bring independent and objective judgment to the board and this mitigates risks arising from conflict of interest or undue influence from interested parties. Nevertheless, the existence of independent directors on the board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members or major shareholders.

- The Nominating Committee undertakes an assessment of the Independent Directors annually as elaborated in Recommendation 2.2 above. In assessing the independence of Independent Directors, the Nominating Committee had concluded that all the Independent Directors have met the independence requirements and they were able to continue to bring independent and objective judgment to Board deliberations.

- Other than fully complying with the criteria (a) to (g) of Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for Accounts, the Independent Directors have themselves assessed on 15 other criteria in the Independent Directors' Self-Assessment Checklist submitted to the Nominating Committee annually including application of subjective assessments pursuant to the definition of independent directors in the Listing Requirements.

Corporate Governance
Statement

Principle 3 – Reinforce independence (cont'd)

Recommendation 3.2
The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- The tenure of Directors of the Company is as follows:-

As at 31 December 2016	>1-3 years	>3-5 years	>5-7 years
Executive Director	-	-	1
Independent Non-Executive Directors	4	1	-
Non-Independent Non-Executive Directors	1	1	-
Total		**8**	

- Under the MCCG, the tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

- Currently, the Board does not have a policy in place on the tenure for Independent Directors in the Board Charter as the Board is of the view that a cumulative term of more than nine 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 in the Board Charter at this juncture.

- Nevertheless, in the event where any Independent Director has served the Board for a cumulative term of nine years, the Nominating Committee, will assess and decide whether he/she can remain as an Independent Director. In such a situation, the Board will make a recommendation and provide strong justification to the shareholders in a general meeting to provide the shareholders with sufficient insight to enable them to assess the merits of the Board's decision to retain the services of the Independent Director beyond the nine year tenure.

- Where the Board has determined that the said Independent Director shall not remain as an Independent Director, then he/she will be re-designated as a Non-Independent Director accordingly.

Principle 3 – Reinforce independence (cont'd)

Recommendation 3.3
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.

- As at the end of the financial year, none of the Independent Non-Executive Directors have served on the Board for more than nine years.

Recommendation 3.4
The positions of chairman and CEO should be held by different individuals, and the chairman must be a non-executive member of the board.

- The Chairman of the Company, Tan Sri Dato' Seri Ong Ka Ting, a Senior Independent Non-Executive Chairman, is not related to any of the Directors or major shareholders of the Company. His roles and functions are clearly separated and distinct from those of the Executive Director, Dato' Lim Yew Boon, 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.

- Under the Board Charter, the positions of Chairman and CEO are to be held by different individuals, and the Chairman must be a Non-Executive member of the Board.

- The separation of duties is to reinforce the independence of the Board.

Recommendation 3.5
The board must comprise a majority of independent directors where the chairman of the board is not an independent director.

- As stated in the Board Charter, where the Chairman of the Board is not an independent Director, the majority of Board members shall be Independent Directors.

- The current Chairman of the Company, Tan Sri Dato' Seri Ong Ka Ting, is a Senior Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

Corporate Governance
Statement

Principle 4 – Foster commitment

Recommendation 4.1
The board should set out expectations on time commitment for its members and protocols for accepting new directorships.

Time Commitment

- Under the Board Charter:-

  (a) the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed the number as may be prescribed by the Listing Requirements. In this respect, based on the disclosure in the Directors' Profile, none of the Company's Board members hold more than five (5) directorships in listed issuers in compliance with paragraph 15.06(1) of the Listing Requirements.

  (b) the Directors should devote sufficient time to the Company and observe the following policies and procedures:-

    (i) to disclose to the Board, through the Nominating Committee, at the time of his/her appointment, and in a timely manner for any change, the number and nature of office held in public companies or organisations and any other significant commitments;

    (ii) to notify the Chairman and the Board before accepting any new directorships and provide an indication of time that will be spent in the new appointment which should include the time required to prepare and attend board and board committee meetings, general meetings, continuous training programmes, site visitation and major company events. At the beginning of each calendar year, a schedule for Board and Board Committee meetings will be prepared and distributed to all Board Members for their reference. Each Board Member should allocate sufficient time for these meetings and attend all the scheduled meetings. If a Board Member is unable to attend any of the scheduled meetings, he/she should notify the Board, through the Company Secretary, as early as practicable;

    (iii) to ensure that sufficient time and attention is allocated to the Company and that other commitments do not affect the effectiveness of their contribution or the time available in the discharge of their duties and responsibilities; and

    (iv) to take an interest in the affairs of the Group, obtain a general understanding of its businesses and to follow up on all the unusual transactions that comes to his/her attention.

Principle 4 – Foster commitment (cont'd)

Time Commitment (cont'd)

- The dates for the Board and Board Committee meetings for the year will be circulated by the Company Secretaries well in advance at the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the Annual General Meeting.

- The Board and Board Committee members are expected to attend these meetings which have been scheduled well in advance. In the situation where any of them will not be available, they will inform the Company Secretaries who accordingly will endeavour to re-schedule to another date where all other members would be able to attend.

- Directors who are unable to attend meetings in person may join the meeting by teleconferencing or by other means of telecommunication devices or modes.

Record of Attendance at Board and Board Committee Meetings

- The following is the record of attendance of each of the Directors of the Company at the Board and Board Committees during the financial year:-

	Board	ARMC	NC	RC
Executive Director				
Dato' Lim Yew Boon	6/6	-	-	-
Independent Non-Executive Directors				
Tan Sri Dato' Seri Ong Ka Ting	6/6	-	1/1	1/1
Mr. Soong Chee Keong	6/6	6/6	-	1/1
Dato' Sri Amrin Bin Awaluddin	6/6	6/6	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	6/6	-	-	1/1
En. Ahmad Jauhari Bin Yahya	4/6	-	1/1	-
Non-Independent Non-Executive Directors				
Mr. Lim Chin Sean	6/6	6/6	-	-
Mr. Vijay Vijendra Sethu	6/6	-	1/1	-

Definition
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

Corporate Governance
Statement

Principle 4 – Foster commitment (cont'd)

Record of Attendance at Board and Board Committee Meetings (cont'd)

- Under paragraph 15.05(3)(c) of the Listing Requirements, the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year. In this respect, all the Board members have devoted sufficient time to attend more than 50% of the total Board meetings held for the year.

Recommendation 4.2
The board should ensure its members have access to appropriate continuing education programmes.

- 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 those 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:-

Tan Sri Dato' Seri Ong Ka Ting	• Corporate Disclosure Policy of the Listing Requirements and Brief Introduction on Business Sustainability • 2nd Investment Promotion Conference for Malaysia and China "Two Countries, Twin Parks" • International Workshop - "Great Fall or New Normal? China's Economic Restructuring and its Impact on Southeast Asia" • Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysian Code on Corporate Governance • Malaysia-China Digital Economy Forum • Malaysia-China Business Forum "Strengthening Cooperation, Building Opportunities" • Tax Budget 2017 on Briefing on Budget Issues and Current Tax Development Impacting Organisation
Dato' Lim Yew Boon	• Corporate Disclosure Policy Under the Listing Requirements and Brief Introduction on Business Sustainability • Sustainability Engagement Series for Directors/Chief Executive Officers • CG Breakfast Series – "Future of Auditor Reporting - The Game Changer For Boardroom" • Proposed and Amendments to Malaysian Code on Corporate Governance 2016 • Advocacy Session on Management Discussion & Analysis For Chief Executive Officers and CFO
Mr. Lim Chin Sean	• Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysian Code of Corporate Governance 2016

Principle 4 – Foster commitment (cont'd)

Record of Attendance at Board and Board Committee Meetings (cont'd)

Mr. Soong Chee Keong	• Corporate Disclosure Policy Under the Listing Requirements and Brief Introduction on Business Sustainability • Improving Board Risk Oversight Effectiveness • A Director's Guide to Fraud & Corruption Risks • The Interplay between CG, Non Financial Information (NFI) and Investment Decision • Summary of Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements • Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysian Code on Corporate Governance 2016 • Updates on Listing Requirements and Corporate Governance • Deloitte Taxmax on Budget 2017 • 2017 Budget – Corporate Tax and Other highlights • The Cybersecurity Threat and How Board should Mitigate the Risks • How to Leverage on AGM for Better Engagement with Shareholders
Mr. Vijay Vijendra Sethu	• Corporate Disclosure Policy of the Listing Requirements and Brief Introduction on Business Sustainability • Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysia Code on Corporate Governance • Corporate Governance Breakfast Series With Directors: "Anti-Corruption & Integrity – Foundation of Corporate Sustainability" by MINDA
Dato' Sri Amrin Bin Awaluddin	• Corporate Disclosure Policy of the Listing Requirements • Composite Risk Rating with the Board Members • Risk Appetite Workshop • CIMB Risk Posture Workshop (CIMBGH/CIMB Bank/CIMB Investment/CIMB Islamic)
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Board of Directors' Workshop, Media Prima Berhad on "The Open Source Organisation – New Leadership & Management Imperatives for the Digital Age" and "Global Entertainment and Media Outlook 2016-2020" • Board of Directors Training: 2017 Budget – Corporate Tax and Other highlights • Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysian Code on Corporate Governance • SIDC Capital Market Directors Program: Module 1: Directors as Gatekeepers of Market Participants • SIDC Capital Market Directors Program: Module 2B: Business Challenges and Regulatory Expectations – What Directors Need To Know (Fund Management) • SIDC Capital Market Directors Program: Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors • SIDC Capital Market Directors Program: Module 4: Current and Emerging Regulatory Issues In The Capital Market • Corporate Disclosure Policy Under the Listing Requirements and Brief Introduction on Business Sustainability

Corporate Governance
Statement

Principle 4 – Foster commitment (cont'd)

Record of Attendance at Board and Board Committee Meetings (cont'd)

En. Ahmad Jauhari Bin Yahya	• Corporate Disclosure Policy of the Listing Requirements and Brief Introduction on Business Sustainability • Amendments to Listing Requirements 2016 and Proposed Amendments to Malaysian Code on Corporate Governance 2016

- Directors are also kept informed of the latest regulatory developments by the Company Secretaries at every Board meetings.

- 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.

- During the year, the Company has organised several in-house talks by external parties for the benefit of the Directors.

- Training requirements/needs for Directors were discussed by the Nominating Committee under Recommendation 2.2 above and reported to the Board.

Principle 5 – Uphold integrity in financial reporting

Recommendation 5.1
The Audit Committee should ensure financial statements comply with applicable financial reporting standards.

- 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 Management Discussion & Analysis ("MD&A") 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 and Risk Management 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.

- In releasing the unaudited full year's results, the Audit and Risk Management Committee will meet with External Auditors who summarises all the principal matters that have arisen from the audit that may have a material impact to the Group results. The Audit and Risk Management Committee also engages the External Auditors on financial disclosures and the accounting judgments made in preparing the financial statements.

Principle 5 – Uphold integrity in financial reporting (cont'd)

- The Directors of the Company are responsible for the preparation of the 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, 2016 ("Act") 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.

- 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

Recommendation 5.2
The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

Relationship with External Auditors

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

- The Audit and Risk Management 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 and Risk Management Committee are duly recorded by the Company Secretary.

- To ensure that the objectivity of the External Auditors are not compromised, the Board has on 28 March 2017 established policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures and safeguards that must be adhered to by the management. A summary of audit and non-audit fees provided for the year by the External Auditors is disclosed under section "Additional Compliance Information" in this Annual Report. The amount of fees paid for non-audit fees, which comprise of fees incurred for taxation services paid to a firm affiliated to the External Auditors, did not exceed the audit fees for the Group.

- In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the External Auditors have:

  (a) given written assurance and 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; and

Corporate Governance
Statement

Principle 5 – Uphold integrity in financial reporting (cont'd)

Relationship with External Auditors (cont'd)

- In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the External Auditors have (cont'd):

  (b) highlighted their internal policies and procedures with respect to their audit independence and objectivity which includes safeguards and procedures and independence policy adopted. Further details can be found under the topic *"Assessing the Independence and Suitability of the External Auditors"* in the Audit and Risk Management Committee Report.

- Having taken into consideration of the above, the Board, through the Audit and Risk Management Committee, is of the view that the External Auditors are suitably qualified to act and that they are independent.

Principle 6 – Recognise and manage risks

Recommendation 6.1
The board should establish a sound framework to manage risks.

Risk Management and Internal Control

- 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.

- 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.

Principle 6 – Recognise and manage risks (cont'd)

Risk Management Working Group ("RMWG")

- The RWMG, reporting to the Audit and Risk Management Committee, is headed by the Executive Director, a Non-Independent Non-Executive Director and comprise of two (2) other senior management namely the Director of Business Development and the General Manager, Group Finance in ensuring that all risk classes particularly the Group strategic risks, risks related to the water, waste management, toll operations and construction businesses, are considered at an appropriately senior level in a consistent manner and that the Board through the Audit and Risk Management 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; and

  (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 and Risk Management Committee;

- The RMWG met two (2) times during the year in review i.e. on 5 May 2016 and 7 November 2016.

Recommendation 6.2
The board should establish an internal audit function which reports directly to the Audit Committee.

Internal Auditors

- The Group's internal audit function which is 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 are tasked to conduct regular reviews and appraisals on the effectiveness of the governance, risk management and internal controls processes within the Group in accordance with the Internal Audit Plan as approved by the Audit and Risk Management Committee.

Corporate Governance
Statement

Principle 6 – Recognise and manage risks (cont'd)

Internal Auditors (cont'd)

- The Head of Internal Audit is supported by a team of six members employed under the Company. Further elaboration of the internal audit function of the Group can be found in Section F of the Audit and Risk Management Committee Report in this Annual Report.

- To enhance their independence, the internal audit function reports directly to the Audit and Risk Management Committee.

Principle 7 – Ensure timely and high quality disclosure

Recommendation 7.1
The board should ensure the company has appropriate corporate disclosure policies and procedures.

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.

- The Corporate Disclosure Policies and Procedures was last revised on 28 March 2017 and a copy of the document is published in the Company's website at http://www.taliworks.com.my/governance/disclosures.html

Disclosure Committee

- Pursuant to the recommendation of the MCCG, a Disclosure Committee has been established 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;
  (d) the chief investment officer of the Company; and
  (e) such any other directors and officers of the Company as may be determined by the EXCO.

Principle 7 – Ensure timely and high quality disclosure (cont'd)

Recommendation 7.2
The board should encourage the company to leverage on information technology for effective dissemination of information.

- 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.

- Included in the said website are matters relating to:-

  (a) corporate information and profile of the Group business activities;

  (b) financial information, stock information, annual report, quarterly reports, company announcements;

  (c) corporate governance including the Board Charter, Code of Business Conduct and Ethics for Directors, terms of reference of Board Committees, minutes of shareholders' meetings.

Principle 8 – Strengthen relationship between company and shareholders

Recommendation 8.1
The board should take reasonable steps to encourage shareholder participation at general meetings.

Annual General Meeting ("AGM")

- The AGM which is held once a year is the principal forum for dialogue with shareholders. The Annual Report together with the Notice of AGM is sent to registered shareholders within the prescribed period as allowed under the Company's Constitution 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.

- Where there are any resolutions involving related party transactions, the Chairman will inform that interested Directors and interested shareholders and persons connected with them shall abstain from voting.

Corporate Governance
Statement

Principle 8 – Strengthen relationship between company and shareholders (cont'd)

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

- 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.

- The summary of the key matters discussed at the AGM including a summary of the discussions or explanations on the matters set out in the agenda, substantial or pertinent comments or queries from shareholders relating to the agenda and responses from the board and management will be posted within three months from the date of the AGM at the Company's website at http://www.taliworks.com.my/governance/minutes_shareholders.html

Recommendation 8.2
The board should encourage poll voting.

- Before the Chairman of the AGM proceeds with the first item on the AGM agenda, he will inform shareholders of their right to demand a poll vote (before or upon the declaration of results on the show of hands):

  (a) by the Chairman; or

  (b) by at least three (3) members present in person or by proxy or by attorney or a representative; or

  (c) by any member or members present in person or by proxy or by attorney or a representative and representing not less than one-tenth (1/10) of the total voting rights of all members having the right to vote at the meeting; or

  (d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares conferring that right.

- For substantive resolutions, the Chairman of the AGM will demand to vote by poll and request for an announcement of the detailed results showing the number of votes cast for and against each resolution.

- The polling process will be conducted by an external party as the Poll Administrator and an independent scrutineer will also be engaged to oversee the conduct of the poll and verify the results of the poll. Before shareholders proceed to conduct the poll voting, the Poll Administrator will brief the shareholders on the poll procedures.

- In compliance with the Listing Requirements, the Company has amended its Constitution to incorporate the provision for electronic poll voting.

Principle 8 – Strengthen relationship between company and shareholders (cont'd)

Recommendation 8.3
The board should promote effective communication and proactive engagements with shareholders.

Investors' Relationship, Media and Shareholders Communication

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

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

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

- Within the organisation, the Group's Investor Relationship is headed by the Corporate and Investment Department, 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 the Corporate Disclosure Policies and Procedures which sets out the communication channels, authorised spokespersons and disclosure policies.

- The Board has identified Tan Sri Dato' Seri Ong Ka Ting, the Senior Independent Non-Executive Chairman, 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 office at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi, 59200 Kuala Lumpur Wilayah Persekutuan 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 Chairman, at SID@taliworks.com.my

Corporate Governance

Statement

Principle 8 – Strengthen relationship between company and shareholders (cont'd)

Primary Contact for Investors Relation Matters

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

  (a) the Executive Director of the Company, Dato' Lim Yew Boon at ronnie@taliworks.com.my and

  (b) the Chief Investment Officer of the Company, Kevin Chin at kevin.chin@taliworks.com.my

- Communication can also be channelled to the Investor Relations unit at investor@taliworks.com.my.

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 at the Company's general meetings if prior requests have been made.

- Queries raised by the MSWG and the Company's reply thereto are read out to shareholders at the AGM.

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.

- Under the Corporate Disclosure Policies and Procedures, several persons have been identified as Authorised Spokesperson namely:-

  (a) on Group matters/business/investments – the Chairman, Executive Director/CEO and the Chief Investment Officer;

  (b) on the business unit's operational matters – the Executive Director/CEO and the respective Heads of the Business Units.

Authorisation for Issuance

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

Audit and Risk Management Committee Report

Composition

The Audit and Risk Management Committee ("ARMC") comprises of three non-executive directors, the majority of whom are independent, as follows:-

Chairman

(a) Mr. Soong Chee Keong
(Independent Non-Executive Director)

Members

(b) Dato' Sri Amrin Bin Awaluddin
(Independent Non-Executive Director)

(c) Mr. Lim Chin Sean
(Non-Independent Non-Executive Director)

This meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad.

The ARMC Chairman, Mr. Soong Chee Keong, is a member of the Malaysian Institute of Accountants. Accordingly, Paragraphs 15.09(1)(c)(i) and 15.10 of the MMLR have been complied with.

Terms of Reference

A copy of the Terms of Reference is published in the Company's website at http://taliworks.com.my/pdf/TOR-of-the-ARMC.pdf.

The Terms of Reference was last revised on 12 February 2015 and there were no changes since then.

Meeting

The ARMC convened six (6) meetings during the year and the meetings were attended 100% by all the members of the ARMC.

The meetings were held on the following dates and the main agenda were as follows:-

(a) 22 February – to review and approve the following:-

(i) unaudited quarterly financial results,
(ii) ARMC Report for inclusion in the 2015 Annual Report
(iii) Internal Audit reports

Audit and Risk Management

Committee Report

Meeting (cont'd)

(b) 25 February – to review two significant inter-conditional related party transactions

(c) 29 March – to review and approve the audited financial statements for the financial year ended 31 December 2015

(d) 24 May – to review and approve the following:-

(i) unaudited quarterly financial results,
(ii) the report of the Risk Management Working Group
(iii) Internal Audit reports
(iv) Internal Audit Plan 2016/2017

(e) 9 August – to review and approve the following:-

(i) unaudited quarterly financial results,
(ii) Internal Audit reports

(f) 16 November – to review and approve the following:-

(i) unaudited quarterly financial results,
(ii) the report of the Risk Management Working Group
(iii) Internal Audit reports
(iv) External Auditors' 2016 Audit Plan

The ARMC held the meetings without the presence of other Directors and employees, except when the ARMC requested their attendance. The General Manager of Group Finance ("GFGM")was invited to all ARMC meetings to facilitate and provide clarification on financial issues and risk management. The Senior Manager, Group Internal Audit ("GIA"), who is also the Head of GIA, attended four (4) ARMC meetings to table the respective Internal Audit reports.

To ensure that the audited financial statements are in compliance with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's financial statements before they were presented to the ARMC for review and approval. They are then recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit.

The ARMC had two (2) private sessions with the External Auditors on 22 February 2016 and 29 March 2016 without the presence of the Management and the GIA to discuss any issues that were of concern to the External Auditors.

Meeting (cont'd)

Subsequent to the meetings of the ARMC, the Chairman of the ARMC will brief the Board on matters discussed and deliberated at the ARMC meetings. The ARMC Chairman conveys to the Board matters of significant concern as and when raised by the Management, External Auditors and the GIA. Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

Training

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

Summary of Activities

The ARMC's activities during the year comprised the following:-

Financial Reporting

(a) *Reviewing and approving the financial results of the Group*

The ARMC reviewed and approved the quarterly financial statements for the fourth quarter ended 31 December 2015, first quarter ended 31 March 2016, second quarter ended 30 June 2016 and third quarter ended 30 September 2016 at the respective ARMC meetings as indicated in Section C above. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters:-

(i) changes in or implementation of major accounting policies changes;

(ii) significant and unusual events; and

(iii) compliance with accounting standards and other regulatory requirements.

On 29 March 2016, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2015 with the External Auditors in attendance.

All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board and Paragraph 9.22 of the MMLR.

The ARMC's recommendations were presented for approval at the subsequent Board meetings.

Audit and Risk Management

Committee Report

Summary of Activities (cont'd)

External Audit

(a) *Overseeing the work of the External Auditors.*

On 22 Feb 2016, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2015 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2015 (which was presented earlier to the ARMC on 16 November 2015) and would issue an unqualified opinion on the financial statements of the Group subject to the satisfactory resolution of the outstanding matters. The External auditors briefed the ARMC on Significant Risks and Other Areas of Audit Focus which had identified in the Professional Services Planning Memorandum. ARMC noted the non-audit fees incurred in 2015 amounted to RM508,000, constituting approximately 58% of the total remuneration of RM869,000 to the External Auditors. In addition, ARMC obtained confirmation from External Auditors that they had received full cooperation from Management and had unrestricted access to information. There was no material disagreement nor did the External Auditors encountered significant difficulties in performing its work.

On 29 March 2016, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2015 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval at its meeting held on 30 March 2016.

On 16 November 2016, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2016 ("2016 External Audit Plan") which encompasses the following salient points:-

(i) Auditor's responsibilities

(ii) Client service team

(iii) Business highlights

(iv) Materiality

(v) Significant risks and areas of audit focus
- *a total of seven (7) significant risks and seven (7) areas of audit focus were identified*

(vi) Consideration of fraud

(vii) Internal control plan

(viii) Involvement of internal auditors, internal specialists and component auditors
- *the External Auditors do not expect to use the work of the internal audit function to modify the nature of timing, or reduce the extent, of audit procedures to be performed*

Summary of Activities (cont'd)

External Audit (cont'd)

(a) *Overseeing the work of the External Auditors (cont'd)*

(ix) Timing of audit

(x) Engagement quality control, independence policies and procedures

(xi) Financial reporting and other updates
- *the ARMC were briefed by the External Auditors on the new MFRS that have became effective in the current period or effective in future periods, the Bursa Malaysia Sustainability Reporting for listed issuers, the new and revised Auditor Reporting Standards, the amendments to Bursa Malaysia Main Market Market Listing Requirements as well as the key highlights of the Companies Bill 2015*

Having considered the above and after having further discussion with the External Auditors, the ARMC approved the 2016 External Audit Plan.

(b) *Assessing the Independence and Suitability of the External Auditors*

Under the Independence policies and procedures set out in the 2016 External Audit Plan, the ARMC noted the following from the External Auditors:-

(i) that the External Auditors are in compliance with their independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants ("By-Laws"). In this respect, the External Auditors have provided a written assurance to the ARMC on their independence.

(ii) that the External Auditors have developed policies and important safeguards and procedures to address threats to their independence and objectivity including:-

(a) assessment is made to the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement.

(b) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System.

(c) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients.

(d) periodic rotation takes place of the audit engagement partner, the independent review partner and key audit partners in accordance with their policies and professional and regulatory requirements.

Audit and Risk Management

Committee Report

Summary of Activities (cont'd)

External Audit (cont'd)

(b) *Assessing the Independence and Suitability of the External Auditors (cont'd)*

(iii) that the External Auditors have issued detailed ethical standards and independence policies to all partners and employees whom are required to confirm their compliance annually. They are also required to comply with the policies of other relevant professional and regulatory bodies. Amongst other things , these policies:-

(a) generally state that no partner or employee (or their financial dependents) are allowed to hold a financial interest in any the audit clients (unless otherwise expressly permitted);

(b) state that no partner or employee (or their financial dependents) should enter into business relationships with an audit client or affiliates;

(c) prohibit any professional employee from accepting gifts from clients unless the value is clearly insignificant, trivial and inconsequential; and

(d) provide safeguards against potential conflicts of interest.

(iv) the External Auditors' independence policy requires them to communicate in writing to the ARMC all breaches of independence set out in the By-Laws on a timely basis and all insignificant breaches on a quarterly basis as well as to obtain concurrence from the ARMC on actions taken to satisfactorily address any consequence of any identified breach.

Upon due consideration on the External Auditors' past performance, client service team, engagement quality control, independence policies and procedures as set out in the 2016 External Audit Plan as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors are suitable to be engaged to undertake the statutory audit and are satisfied that their independence have not been compromised.

The ARMC is aware that non-audit services, if any, performed by the External Auditors could compromise the independence of the External Auditor. In this respect, the ARMC will undertake to establish policies in 2017 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.

Summary of Activities (cont'd)

Internal Audit

The GIA team conducted the audit activities as per the 2015 Risk-Based Internal Audit Plan approved by the ARMC on 26 May 2015. The Head of GIA presented internal audit reports in four (4) ARMC meetings during the year. These reports contain:- (cont'd)

(a) status and progress of internal audit assignments including summaries of the audit reports issued;

(b) effects / potential risks and audit recommendations provided by the GIA;

(c) Management's responses to audit recommendations and their committed action plans; and

(d) status of follow-up audits on Management's committed action plans.

The Risk-Based Internal Audit Plan is reviewed on a yearly basis and as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of 45 full internal audits and 24 follow-up internal audits were completed during the year focusing on the following 15 key areas:-

(a) Business development & corporate affairs
(b) Business Contract management
(c) Electronic toll collection
(d) Finance
(e) Fixed asset management
(f) Geographic information system
(g) Human resource
(h) Inventory management
(i) Maintenance
(j) Operation
(k) Operation planning
(l) Personal Data Protection Act
(m) Procurement
(n) Project management
(o) Security, safety & health

On 17 May 2016, the entire waste management business in the People's Republic of China was disposed off and hence the related internal audit functions ceased to be reported to the ARMC. Meanwhile, with the substantial investment in SWM Environment Holdings Sdn. Bhd., the GIA would be conducting internal audits on the company (including that of its main operating subsidiaries) and reporting its findings to the ARMC.

On 24 May 2016, the ARMC approved the annual Internal Audit Plan 2016/2017 that covers all core operations including water treatment, highway management and construction.

Audit and Risk Management
Committee Report

Summary of Activities (cont'd)

Risk Management

The ARMC reviewed bi-annually the report of the Risk Management Working Group ("RMWG") presented by the GFGM on 24 May 2016 and 16 November 2016 that covered risk profiles of the following divisions:-

(a) Engineering and Construction
(b) Water and Engineering Division – Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd.
(c) Tianjin- SWM Environmental Co Ltd*
(d) Taliworks (Yinchuan) Wastewater Treatment Plant Co Ltd*
(e) Puresino (Guanghan) Water Co Ltd*
(f) Group Strategic Risks

* *The risks associated with the People's Republic of China waste management business would not concern the Group from 17 May 2016 onwards with the disposal of these companies.*

The Risk Profile indicated the impact, likelihood and residual risk rating of every risk identified for the divisions. It is supported by Risk Registers that detailed the description, cause, consequences, control and its effectiveness etc for each and every identified risk.

The ARMC presented a summary of the RMWG reports at the subsequent Board meetings for notation.

Recurrent Related Party Transactions ("RRPTs") and Related Party Transactions ("RPTs")

The ARMC evaluated the RRPTs tabled at the ARMC meetings at every quarter.

At the meeting held on 25 February 2016, the ARMC discussed and deliberated a proposal for two inter-conditional related party transactions i.e. the proposed disposal of the Company's waste management business in the People's Republic of China and the proposed acquisition of a 35% equity in SWM Environment Holdings Sdn. Bhd. with the presence of the principal advisers, independent adviser, independent valuer, tax agents, solicitors, auditors to ensure that the RPTs were conducted:-

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

The ARMC (except for an interested director) thereafter recommended the RRPTs and RPTs for approval at the subsequent Board meetings.

Summary of Activities (cont'd)

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

The ARMC had approved this Audit and Risk Management Committee Report and reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

Fraud

There was no major incidence of fraud or wrongdoings during the year reported to the ARMC by the Executive Director or to the Chairman of the ARMC under the Company's whistle-blowing policy.

As part of the External Auditors' assessment of the audited financial statements, the ARMC had also confirmed to the External Auditors that it has no knowledge of any actual, suspected or alleged fraud affecting the Group.

Internal Audit Function

The ARMC is supported by an internal audit function in the discharge of its duties and responsibilities. The internal audit function reports directly to the ARMC and is responsible to independently review, appraise and recommend improvements to the governance, risk and internal control systems established by the Management. The internal audit function provides timely and impartial advice to the ARMC 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 ARMC for review and actions.

The internal audit function performed a risk-based, ad-hoc and routine audits during the year in accordance with the Internal Audit Plan as approved by the ARMC. The audit results were discussed with the respective Management and presented to ARMC 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 to the Management in the course of performing its internal audit activities.

The internal audit function is supported by an in-house GIA Department. The department provides internal audit services covering the Company, all of its local and foreign subsidiaries and major associated companies. The total costs incurred for the internal audit function for the year was approximately RM784,000 (2015: RM884,000).

Audit and Risk Management

Committee Report

Internal Audit Function (cont'd)

The GIA is headed by a Senior Manager who is a fellow member of the Association of Chartered Certified Accountants with double degrees. He has over twenty years of experience in internal audit and various other functions (i.e. compliance, information technology, risk management, quality management, finance and credit control) involving multiple industries including merchant banking, investment banking, both life and general insurance, property development and construction.

The Head of GIA is supported by a team of six (6) members employed under the Company. The ARMC is of the view that the GIA is competently staffed and has determined that it has adequate resources to carry out the internal audit function.

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 the 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, rules 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 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 and Risk Management Committee which reports its findings to the Board. Whilst the Audit and Risk Management 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 undertaken by the Risk Management Working Group, chaired by the Executive Director. Further elaboration on the duties and functions of the Risk Management Working Group can be found under Recommendation 6.1 of the Corporate Governance Statement.

- The Board reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the internal audit function.

- However where the Group does not have full management control over associates that contribute significantly to the Group, it may seek the collaboration of the internal audit function of the associates to evaluate the system of internal control of said associates. In the absence of such internal audit function, it may seek the assistance from the management of the associates to undertake the review of the system of internal control.

Statement on Risk Management
and Internal Control

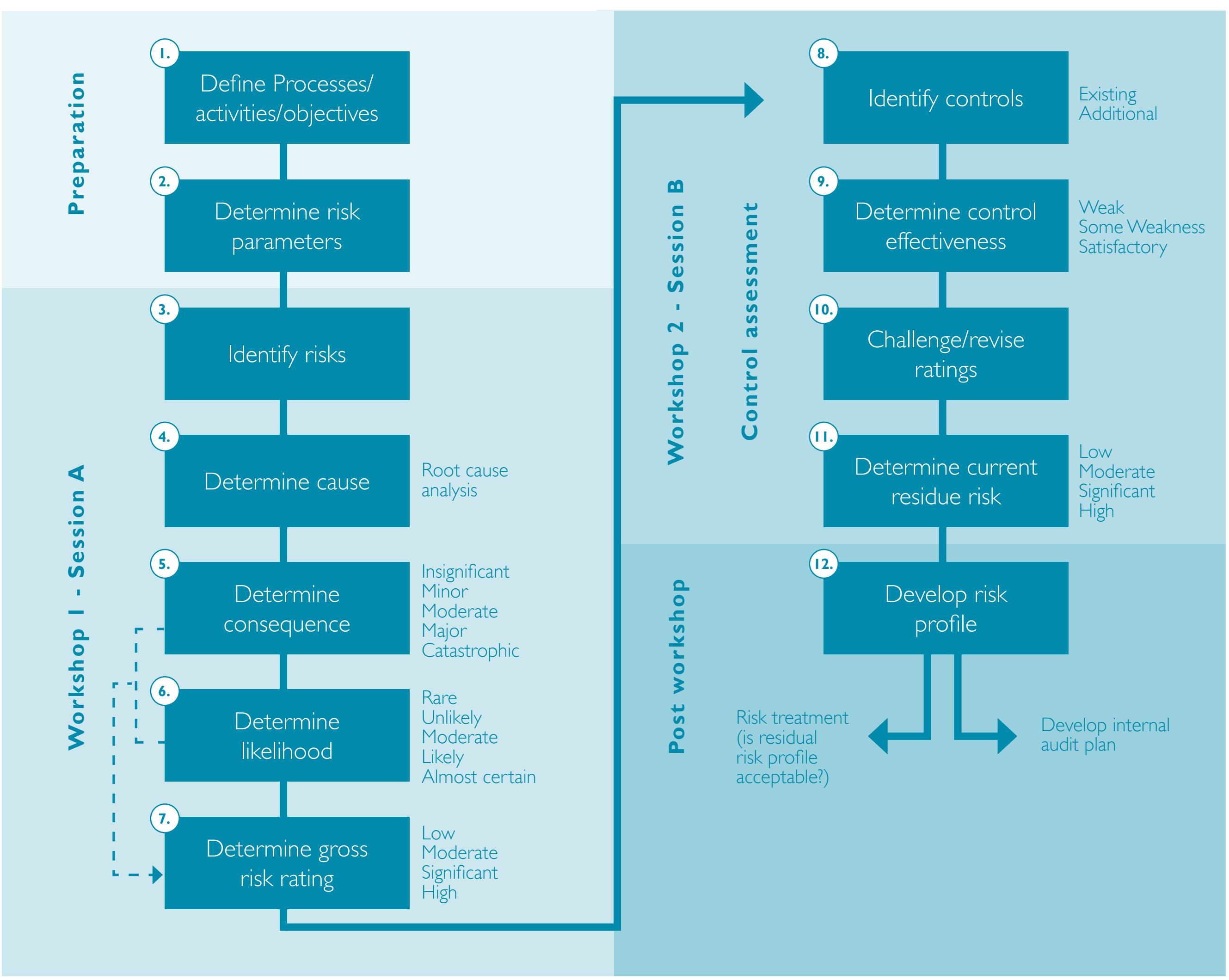
Risk Management Framework

(i) Adoption of a Risk Management Framework

- The Board has established a risk management framework for the Group by adopting the "Risk Management Policy and Guidelines Document" on 28 November 2014. This framework prepared in conjunction with external risk management consultants, 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.

(ii) The Key Steps Undertaken in the Risk Management Process

- The following summarises the key steps undertaken by the Group in identifying, measuring, controlling, monitoring and reporting of risks under the risk management framework:-



Risk Management Framework (cont'd)

(ii) The Key Steps Undertaken in the Risk Management Process (cont'd)

- To prepare the Risk Profile and Risk Register for the purposes of monitoring and reporting of risks, the Group has initiated several workshops attended by the risk owners in each of the business divisions to determine the risk parameters, identify risks, determine the causes, consequences and likelihood, identify controls before a comprehensive Risk Profile and Risk Register with action plans are developed together with the risk owners.

- Once the Risk Profile and Risk Register are developed, they will be reviewed by the risk owners on a bi-annual basis to ensure that the Risk Profile and Risk Register remain relevant. Risk owners will also update the action plans taken or to be taken to mitigate the risks that were identified earlier in the Risk Register.

- The risk owners, who are normally at the operational level, will report their status to the head of business units who then collates and summarises the risks to be briefed to the Risk Management Working Group on a bi-annually basis in May for risk assessment as at 31 March and in November for risk assessment as at 30 September.

(iii) Main Features of the Risk Management Framework

- 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) Risk assessment reports are submitted bi-annually in May and November of each year and briefed by the various heads of business units to the Risk Management Working Group where the following are to be reported:-

    (i) the current status or new developments in any of the risks identified;

    (ii) any changes to the Risk Profile including new or removal of risks that were previously reported and the reason(s) thereof;

    (iii) any new or additional controls that are put in place to mitigate the risks; and

    (iv) the status of action plans to address each of the risk.

  The head of Internal Audit function attend such briefings.

Statement on Risk Management

and Internal Control

Risk Management Framework (cont'd)

(iii) Main Features of the Risk Management Framework (cont'd)

(d) The Risk Management Working Group will report its findings to the Audit and Risk Management Committee which then reports to the Board;

(e) All updated Risk Profile and Risk Registers will be tabled to the Audit and Risk Management Committee after they had been considered and deliberated by the Risk Management Working Group;

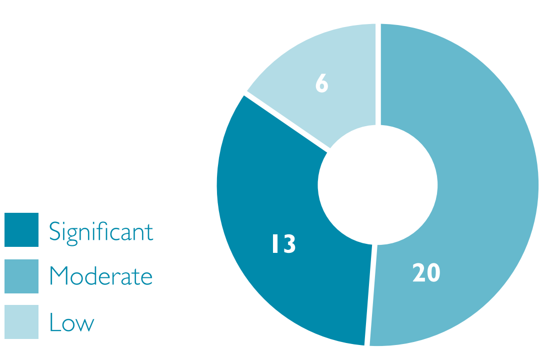
(f) Annual re-assessment of risks are to be conducted selectively in all operational sites by a representative of the Risk Management Working Group together with the risk owners where existing controls will be verified to ensure their validity and evaluation will be conducted to determine their effectiveness.

- Currently, risk management covers the three core businesses of the Group, namely the operation, treatment and maintenance of water treatment plants and distribution facilities, the construction and engineering division and the toll management division (which tabled their Risk Profile and Risk Register for the first time in November 2016).

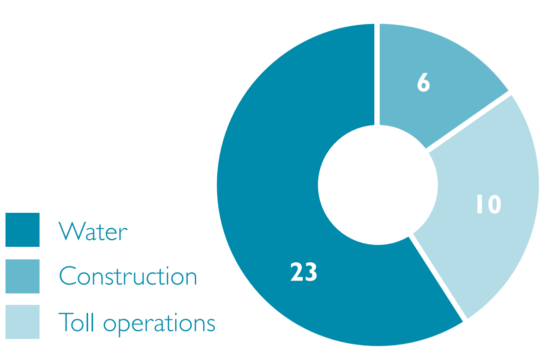
(iv) Specific Risks Identified

As at 30 September 2016, being the latest date for a risk assessment to be undertaken by the Group, the combined risk profile of individual operating companies are summarised into the following:-

Breakdown by Risk Ratings



Breakdown by Business Divisions



Specific action plans have been identified and the timeline for the action plans to be implemented are documented in the Risk Registers by the risk owners.

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.

- 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 and Risk Management 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 established by the Group, amongst others, are as follows:-

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

    (b) a budgetary process whereby the Executive Committee ("EXCO") 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 a monthly management meeting attended by the EXCO, heads of department and business units. At these meetings, relevant operational, financial and strategic issues are discussed and followed up by management;

    (e) briefing by the Executive Director to the Board on the operational performance of the Group on a quarterly basis;

    (f) briefing by the General Manager, Group Finance to the Audit and Risk Management Committee and to Board on the financial performance of the Group on a quarterly basis;

    (g) briefing by the head of Internal Audit on the internal audit findings to the Audit and Risk Management Committee on a quarterly basis;

    (h) the existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns to be raised by employees to the management, head of internal audit, the Senior Independent Non-Executive Chairman and/or to the Chairman of the Audit and Risk Management Committee;

Statement on Risk Management
and Internal Control

Other Key Elements of Internal Controls (cont'd)

- Other key elements of the system of internal control established by the Group, amongst others, are as follows (cont'd):-

  (i) the provision of a dedicated email address to the Senior Independent Non-Executive Chairman at SID@taliworks.com.my and to the Chairman of the Audit and Risk Management Committee at ARMC@taliworks.com.my for shareholders and third parties to communicate with them on matters relating to the Group;

  (j) 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

  (k) a Code of Conduct contained in the Employment Handbook which governs the policies and guidelines relating to the standards and ethics that all employees of the Group are expected to adhere to in the course of discharging their duties and responsibilities.

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.

Authorisation for Issuance

The Board has reviewed and approved this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

Additional Compliance Information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information to be disclosed in this Annual Report:-

Profile of Directors, Chief Executive and Key Senior Management

The profile of the Directors and key senior management of the Company are disclosed in the Company's website at www.taliworks.com.my

Audit and Non-Audit Fees

(a) The amount of audit fees paid or payable by the Company and the Group to the Company's External Auditors, Deloitte PLT, are as follows:-

(i) Company – RM105,000
(ii) Group – RM396,000*

** including audit fees incurred by a joint venture company, in which Deloitte PLT are the External Auditors*

(b) The non-audit fees paid or payable for services rendered to the Company and the Group by the Company's External Auditors or a firm or corporation affiliated to it, amounted to RM28,500 and RM114,000 respectively. The expenses are paid in respect of provision of taxation services and transfer pricing documentation.

(c) The above fees exclude GST and out-of-pocket expenses.

Status of Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year except from the Disposal of Foreign Operations as disclosed in Note 46 to the Financial Statements:-

	Gross proceeds raised		Actual utilisation
	USD' 000	RM' 000#	RM' 000
(i) Part finance the SWMH Acquisition as disclosed in Note 46 to the Financial Statements/ future investments/ working capital purposes/payment of dividends/ repayment of borrowings	53,408	239,936	85,315
(ii) Estimated expenses	1,192	5,000	5,000
	54,600	244,936	90,315

 # based on the exchange rate of USD1/RM4.486 as at the end of the financial year.

Additional Compliance
Information

Material Contracts

Save as disclosed in Note 46 relating to the Disposal of Foreign Operations and the SWMH Acquisition and Note 48 on the Significant Related Party Transactions, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

The details of the Disposal of Foreign Operations and SWMH Acquisition are contained in the Circular to Shareholders dated 25 April 2016.

Properties of the Group

Particulars of the properties of the Company or 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 as at the end of the financial year.

Employee Share Options Scheme ("ESOS")

There is no ESOS implemented by the Company which is subsisting as at the end of the financial year.

Audited 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 2016.

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19 to the Financial Statements.

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/(Loss) before tax	84,902	(21,278)
Income tax income	8,391	-
Profit/(Loss) for the financial year from continuing operations	93,293	(21,278)
Profit for the financial year from discontinued operations	54,842	-
Profit/(Loss) for the financial year	148,135	(21,278)
Profit/(Loss) attributable to:		
Owners of the Company	127,428	(21,278)
Non-controlling interests	20,707	-
	148,135	(21,278)

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 gain/loss on disposal of foreign operations as disclosed in Notes 14 and 46 to the Financial Statements.

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 2015 and dealt with in the previous year's Directors' report:	
Fourth interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, paid on 11 April 2016;	**24,190**
In respect of the financial year ended 31 December 2016:	
First interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, paid on 15 July 2016; and	**24,190**
Second interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, paid on 15 September 2016	**24,190**
Third interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares of RM0.20 each, paid on 23 December 2016	**24,189**
	96,759

The Directors do not recommend any final dividends in respect of the current financial year. However, on 16 February 2017, the Directors declared the payment of the fourth interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,190,000 in respect of the financial year ended 31 December 2016, to be paid on 31 March 2017 and this 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

During the financial year, the issued and paid-up share capital of the Company was increased from RM241,897,790 comprising 1,209,488,950 ordinary shares of RM0.20 each, to RM241,897,800 comprising 1,209,489,000 ordinary shares of RM0.20 each by way of the issuance of 50 new ordinary shares of RM0.20 each pursuant to the exercise of Warrants of the Company. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company save and except that they were not entitled to any dividends, rights, allotments and/or other distributions, declared, made or paid prior to the date of allotment of the said new ordinary shares.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Directors' Report

WARRANTS

In 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held. The Warrants entitle the holders to subscribe for new ordinary shares within three years, from the date of issuance of the Warrants to the expiry date on 11 November 2018, and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants and the movements in the Warrants for the financial year ended 31 December 2016 are disclosed in Note 31 to the Financial Statements.

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 be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the 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 the 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

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Lim Yew Boon
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Encik Ahmad Jauhari Bin Yahya

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 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares of RM0.20^ each			
	As of 1.1.2016	Bought	Sold	As of 31.12.2016
Shares in the Company				
Direct interest				
Dato' Lim Yew Boon	375,000	-	-	375,000
Mr. Lim Chin Sean	150,004	-	-	150,004
Tan Sri Dato' Seri Ong Ka Ting	8,750,000	-	-	8,750,000
Mr. Vijay Vijendra Sethu	63,750,000	-	-	63,750,000
Indirect interest				
Mr. Lim Chin Sean	604,100,000#	-	-	604,100,000#
Mr. Vijay Vijendra Sethu	45,000,000*	-	-	45,000,000*

Directors' Report

	Number of Warrants 2015/2018 As of 1.1.2016	Granted	Sold	As of 31.12.2016
Warrants in the Company				
Direct interest				
Dato' Lim Yew Boon	75,000	-	-	75,000
Mr. Lim Chin Sean	30,004	-	-	30,004
Tan Sri Dato' Seri Ong Ka Ting	1,750,000	-	-	1,750,000
Mr. Vijay Vijendra Sethu	12,750,000	-	-	12,750,000
Indirect interest				
Mr. Lim Chin Sean	120,820,000#	-	-	120,820,000#
Mr. Vijay Vijendra Sethu	9,000,000*	-	-	9,000,000*

\# Deemed interest by virtue of his interest in corporate shareholders pursuant to Section 8(4) of the Companies Act, 2016.

By virtue of this interest in the Company pursuant to Section 8(4) of the Companies Act, 2016, 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.

* Indirect interest through a family trust.

^ Upon the effect of the Companies Act, 2016 on 31 January 2017, the ordinary shares do not have any par value.

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 in 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 48 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 Warrants as disclosed above.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains Directors and Officers liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, amounting to RM10,000,000, which provides appropriate insurance cover for the Directors and officers of the Company and its subsidiaries. The amount of insurance premium paid during the year amounted to RM15,380 (inclusive of GST and stamp duty).

AUDITORS

The auditors, Messrs. Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2016 is as disclosed in Notes 9 and 14 to the Financial Statements.

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

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur
28 March 2017

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 requirements 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 2016 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 49 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,

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur
28 March 2017

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 **PETALING JAYA** this 28th day of March 2017.

Before me,

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
MALAYSIA
No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

COMMISSIONER FOR OATHS

Independent Auditors' Report
to the Members of Taliworks Corporation Berhad

Report on the Audit of the Financial Statements

Opinion

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 at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 128 to 245.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 25(b) to the Financial Statements which more fully explains the uncertainty over the collectability of an amount owing by a customer. Our opinion is not qualified in respect of this matter.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters presented below are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the Members of Taliworks Corporation Berhad

Key audit matters	How the scope of our audit responded to the key audit matters
Impairment assessment of goodwill and intangible asset	
The Group has goodwill and intangible asset of RM129,385,000 and RM1,155,333,000 respectively, relating to Cerah Sama Sdn. Bhd. ("CSSB") which arose as a result of a restructuring exercise in August 2014. Determining whether the goodwill and intangible asset are impaired requires management estimation of the recoverable amount. The recoverable amount is determined based on an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount involve a significant degree of management judgement. Refer to key bases and assumptions used as disclosed in Note 23.	Our audit procedures, among others, included: • Involvement of our internal valuation specialist in reviewing the appropriateness of the valuation model for the purpose of impairment review; • Performed retrospective review of the cash flow projection used in the model to assess the reliability of management's estimates; • Challenged the reasonableness of the key bases and assumptions underpinning the model, including the discount rate used and the traffic volume growth rate; and • Performed sensitivity analysis on management's assumptions to reflect reasonably possible future alternative scenarios.
Assessment of provsion for discounting of a trade receivable	
As of 31 December 2016, the gross invoiced amount owing by Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") to the Group amounted to RM502,186,000. In September 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), a special purpose vehicle created by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya by acquiring all the concessionaires. The Selangor state government, through Air Selangor, has completed the acquisitions of other water concessionaires namely Puncak Niaga (M) Sdn. Bhd., Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS") and Konsortium ABASS Sdn. Bhd.	Our audit procedures, among others, using our own valuation specialists to the extent necessary, included: • Performed retrospective review to assess the reliability of management's estimates; • For each of the three scenarioes, we challenged the reasonableness of the management estimates and assumptions, including the timing of repayment, the discount rate used and the probability of each scenario; and • Performed sensitivity analysis on management's assumptions to reflect reasonably possible future alternative scenarios.

Key audit matters	How the scope of our audit responded to the key audit matters
Assessment of provsion for discounting of a trade receivable (cont'd) SPLASH, being the only remaining water concessionaire in Selangor yet to be taken over, is in the process of re-negotiating terms with the Selangor state government. Pending the final outcome, SPLASH's receipts from SYABAS, 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. Revenue from SPLASH is measured at fair value of the consideration received and receivable. Based on the estimation of the timing of collection of the receivable from SPLASH, a provision for discounting is recognised and net-off against the revenue. Due to the uncertainty over the collectability of the receivable, the Directors of the Company have considered three possible scenarios on the timing of collection and has taken the probability-weighted average approach to determine the provision for discounting for the current financial year, amounting to RM49,458,000. Significant management judgment is required in estimating the timing of collection of the receivable, the discount rate used and the probability of each scenario. Refer to the key assumptions used as disclosed in Note 25.	

Independent Auditors' Report

to the Members of Taliworks Corporation Berhad

Key audit matters	How the scope of our audit responded to the key audit matters
Fair value measurement of the Group's share of identifiable assets and liabilities of its investment in associate	
The Group acquired a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMH") during the financial year for a cash consideration of RM245,000,000. Consequently, SWMH became an associate of the Group. On the date of acquisition of the investment, the Group is required to determine the fair value of its share of the identifiable assets and liabilities of SWMH. The identification and determination of the fair values of assets and liabilities acquired involve complex accounting considerations, as disclosed in Note 21.	Our audit procedures, among others, included: • Reviewed the sale and purchase agreement to test the validity of the purchase consideration and the completeness of the related terms; and • Evaluated management's valuation in determining the fair values of the identifiable assets and liabilities of SWMH, which included reviewing the independent external valuation report, as follows: (i) Involvement of our internal valuation specialist in reviewing the valuation model used for the identification of assets and liabilities. (ii) Reviewed the competency and independence of the third party valuer by reference to their qualifications and experience; and (iii) Challenged the key assumptions within the valuation report, in particular the reasonableness of the assumptions underlying the identification of the separately identifiable intangible asset in respect of the concession right to provide solid waste collection services and public cleansing management services in the southern region of Malaysia, including the tariff escalation rates, inventory escalation rates and the discount rate used.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditors' report, and the remaining other information included in the annual report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report

to the Members of Taliworks Corporation Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated in Note 19 to the Financial Statements.

Other Reporting Responsibilities

The supplementary information set out in Note 49 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 and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

TEO SWEE CHUA
Partner - 2846/01/18 (J)
Chartered Accountant

28 March 2017

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Continuing operations					
Revenue	6	**304,856**	291,993	**78,723**	58,621
Cost of operations	7	**(207,801)**	(203,190)	**(18,235)**	(12,587)
Gross profit		**97,055**	88,803	**60,488**	46,034
Other operating income	8	**42,132**	103,770	**6,976**	123,205
Administrative and other expenses	9	**(43,689)**	(46,432)	**(86,634)**	(19,023)
Finance costs	10	**(23,152)**	(21,284)	**(2,108)**	(197)
Share of results of joint venture		**318**	(928)	**-**	-
Share of results of associates		**12,238**	1,032	**-**	-
Profit/(Loss) before tax		**84,902**	124,961	**(21,278)**	150,019
Income tax income/(expense)	13	**8,391**	(17,087)	**-**	-
Profit/(Loss) for the financial year from continuing operations		**93,293**	107,874	**(21,278)**	150,019
Discontinued operations					
Profit/(Loss) for the financial year from discontinued operations, net of tax	14	**54,842**	(16,310)	**-**	-
Profit/(Loss) for the financial year		**148,135**	91,564	**(21,278)**	150,019
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences of foreign operations		**(13,568)**	32,848	**-**	-
Currency translation differences - transfer to profit or loss upon disposal of foreign operations		**(46,176)**	-	**-**	-
Net fair value gain/(loss) on available-for-sale financial assets		**82**	(177)	**197**	(218)
Total other comprehensive (loss)/income for the financial year		**(59,662)**	32,671	**197**	(218)
Total comprehensive income/(loss) for the financial year		**88,473**	124,235	**(21,081)**	149,801

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Profit/(Loss) for the financial year from continuing operations attributable to:					
Owners of the Company		**75,247**	101,366	**(21,278)**	150,019
Non-controlling interests		**18,046**	6,508	**-**	-
		93,293	107,874	**(21,278)**	150,019
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		**127,428**	86,549	**(21,278)**	150,019
Non-controlling interests		**20,707**	5,015	**-**	-
		148,135	91,564	**(21,278)**	150,019
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company		**71,129**	117,644	**(21,081)**	149,801
Non-controlling interests		**17,344**	6,591	**-**	-
		88,473	124,235	**(21,081)**	149,801
Earnings per share attributable to Owners of the Company (sen):	15				
Basic					
- From continuing operations		**6.23**	9.09		
- From discontinued operations		**4.31**	(1.33)		
		10.54	7.76		
Diluted					
- From continuing operations		**6.23**	9.08		
- From discontinued operations		**4.31**	(1.33)		
		10.54	7.75		

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

Statements of Financial Position

as of 31 December 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	16	**21,050**	32,971	**4,100**	5,860
Investment properties	17	**247**	254	**247**	254
Intangible assets	18	**1,155,333**	1,787,111	**-**	-
Investment in subsidiaries	19	**-**	-	**319,782**	336,627
Investment in joint venture	20	**67,655**	67,337	**67,173**	67,173
Investment in associates	21	**251,854**	7,213	**249,931**	2,420
Other investment	22	**240**	240	**-**	-
Goodwill on consolidation	23	**129,385**	131,889	**-**	-
Deferred tax assets	24	**31,906**	19,032	**-**	-
Long-term trade receivables	25	**277,470**	232,219	**-**	-
Long-term other receivables	26	**-**	855	**-**	-
Amount due from subsidiaries	28	**-**	-	**-**	292,444
Deposits, cash and bank balances	27	**154,123**	36,881	**125,807**	4,787
Total Non-Current Assets		**2,089,263**	2,316,002	**767,040**	709,565
Current Assets					
Inventories	29	**1,488**	1,770	**-**	-
Amount due from contract customers	40	**13,101**	8,552	**-**	-
Trade receivables	25	**152,783**	171,389	**4,211**	4,291
Other receivables, deposits and prepayments	26	**21,342**	8,817	**17,790**	1,506
Amount due from subsidiaries	28	**-**	-	**39,246**	5,066
Tax recoverable		**1,466**	1,221	**-**	-
Available-for-sale financial assets	30	**63,020**	238,692	**4,052**	188,982
Deposits, cash and bank balances	27	**113,576**	168,100	**43,390**	6,293
Total Current Assets		**366,776**	598,541	**108,689**	206,138
TOTAL ASSETS		**2,456,039**	2,914,543	**875,729**	915,703

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	31	**241,898**	241,898	**241,898**	241,898
Share premium	32	**196,663**	196,663	**196,663**	196,663
Share option reserve	33	**-**	-	**-**	-
Currency translation reserve		**-**	56,397	**-**	-
Available-for-sale reserve		**(66)**	(164)	**(21)**	(218)
Merger deficit	34	**(71,500)**	(71,500)	**-**	-
Retained earnings	35	**753,977**	723,308	**344,601**	462,638
Total Equity Attributable to Owners of the Company		**1,120,972**	1,146,602	**783,141**	900,981
Non-controlling interests		**277,270**	286,553	**-**	-
Total Equity		**1,398,242**	1,433,155	**783,141**	900,981
Deferred and Non-Current Liabilities					
Long-term borrowings	37	**416,185**	803,725	**-**	31
Deferred tax liabilities	24	**238,866**	254,588	**-**	-
Long-term trade payables	38	**7,250**	8,043	**-**	-
Deferred income	41	**156,294**	193,302	**-**	-
Provision for heavy repairs	42	**16,720**	12,605	**-**	-
Total Deferred and Non-Current Liabilities		**835,315**	1,272,263	**-**	31
Current Liabilities					
Amount due to contract customers	40	**184**	1,403	**184**	1,403
Trade payables	38	**88,003**	86,663	**-**	140
Other payables and accruals	39	**45,361**	78,169	**22,373**	12,962
Tax liabilities		**2,081**	1,808	**-**	-
Short-term borrowings	37	**70,213**	23,255	**70,031**	186
Deferred income	41	**16,640**	17,827	**-**	-
Total Current Liabilities		**222,482**	209,125	**92,588**	14,691
Total Liabilities		**1,057,797**	1,481,388	**92,588**	14,722
TOTAL EQUITY AND LIABILITIES		**2,456,039**	2,914,543	**875,729**	915,703

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

Statements of Changes in Equity
for the year ended 31 December 2016

The Group	Note	Share capital RM'000	Non-distributable reserve: Share premium RM'000	Non-distributable reserve: Share option reserve RM'000	Non-distributable reserve: Currency translation reserve RM'000	Non-distributable reserve: Available-for-sale reserve RM'000	Non-distributable reserve: 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
As of 1 January 2015		218,246	74,176	1,591	25,140	(2)	(71,500)	604,110	851,761	523,668	1,375,429
Available-for-sale financial assets		-	-	-	-	(162)	-	-	(162)	(15)	(177)
Currency translation differences		-	-	-	31,257	-	-	-	31,257	1,591	32,848
Total other comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	-	31,095	1,576	32,671
Profit for the financial year		-	-	-	-	-	-	86,549	86,549	5,015	91,564
Total comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	86,549	117,644	6,591	124,235

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 reserve →									
Transactions with Owners of the Company:											
Transfer to/(from) reserve upon ESOS options:	33										
- exercised		-	1,519	(1,519)	-	-	-	-	-	-	-
- lapsed		-	-	(72)	-	-	-	72	-	-	-
Proceeds from exercise of ESOS	31, 32	1,662	4,653	-	-	-	-	-	6,315	-	6,315
Proceeds from private placement of shares, net of share issue costs	31, 32	21,990	116,315	-	-	-	-	-	138,305	-	138,305
Dividends paid	36	-	-	-	-	-	-	(67,944)	(67,944)	-	(67,944)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	(67,250)	(67,250)
Changes in ownership interests in a subsidiary	46	-	-	-	-	-	-	100,521	100,521	67,124	167,645
Reduction in non-controlling interest arising from increase in stake in subsidiaries	46	-	-	-	-	-	-	-	-	(270,496)	(270,496)
Non-controlling interest arising from issuance of redeemable preference shares		-	-	-	-	-	-	-	-	26,916	26,916
Total transactions with Owners of the Company		23,652	122,487	(1,591)	-	-	-	32,649	177,197	(243,706)	(66,509)
At 31 December 2015		241,898	196,663	-	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155

Statements of Changes in Equity

for the year ended 31 December 2016

The Group	Note	Share capital RM'000	Non-distributable reserve: Share premium RM'000	Non-distributable reserve: Share option reserve RM'000	Non-distributable reserve: Currency translation reserve RM'000	Non-distributable reserve: Available-for-sale reserve RM'000	Non-distributable reserve: 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
As of 1 January 2016		241,898	196,663	-	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155
Available-for-sale financial assets		-	-	-	-	98	-	-	98	(16)	82
Currency translation differences		-	-	-	(12,936)	-	-	-	(12,936)	(632)	(13,568)
Currency translation differences - transfer to profit or loss upon disposal of foreign operations	46	-	-	-	(43,461)	-	-	-	(43,461)	(2,715)	(46,176)
Total other comprehensive (loss)/income for the financial year		**-**	**-**	**-**	**(56,397)**	**98**	**-**	**-**	**(56,299)**	**(3,363)**	**(59,662)**
Profit for the financial year		-	-	-	-	-	-	127,428	127,428	20,707	148,135
Total comprehensive (loss)/income for the financial year		**-**	**-**	**-**	**(56,397)**	**98**	**-**	**127,428**	**71,129**	**17,344**	**88,473**

The Group	Note	Non-distributable reserve: Share capital RM'000	Non-distributable reserve: Share premium RM'000	Non-distributable reserve: Share option reserve RM'000	Non-distributable reserve: Currency translation reserve RM'000	Non-distributable reserve: Available-for-sale reserve RM'000	Non-distributable reserve: 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
Transactions with Owners of the Company:											
Proceeds from exercise of Warrants	31,32	-*	-*	-	-	-	-	-	-*	-	-*
Dividends paid	36	-	-	-	-	-	-	(96,759)	(96,759)	-	(96,759)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	(19,404)	(19,404)
Non-controlling interest arising from issuance of ordinary shares in a subsidiary		-	-	-	-	-	-	-	-	200	200
De-recognition on disposal of subsidiaries	46	-	-	-	-	-	-	-	-	(7,423)	(7,423)
Total transactions with Owners of the Company		**-**	**-**	**-**	**-**	**-**	**-**	**(96,759)**	**(96,759)**	**(26,627)**	**(123,386)**
At 31 December 2016		**241,898**	**196,663**	**-**	**-**	**(66)**	**(71,500)**	**753,977**	**1,120,972**	**277,270**	**1,398,242**

* Includes 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018 as disclosed in Note 31.

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

Statements of Changes in Equity

for the year ended 31 December 2016

			← Non-distributable		→		
				reserve		Distributable	
				Share	Available-	reserve -	
		Share	Share	option	for-sale	Retained	Total
		capital	premium	reserve	reserve	earnings	equity
The Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As of 1 January 2015		218,246	74,176	1,591	-	380,491	674,504
Available-for-sale financial assets		-	-	-	(218)	-	(218)
Total other comprehensive loss for the financial year		-	-	-	(218)	-	(218)
Profit for the financial year		-	-	-	-	150,019	150,019
Total comprehensive (loss)/ income for the financial year		-	-	-	(218)	150,019	149,801
Transactions with Owners of the Company:							
Transfer to/(from) reserve upon ESOS options:	33						
- exercised		-	1,519	(1,519)	-	-	-
- lapsed		-	-	(72)	-	72	-
Proceeds from exercise of ESOS	31,32	1,662	4,653	-	-	-	6,315
Proceeds from private placement of shares, net of share issue costs	31,32	21,990	116,315	-	-	-	138,305
Dividends paid	36	-	-	-	-	(67,944)	(67,944)
Total transactions with Owners of the Company		23,652	122,487	(1,591)	-	(67,872)	76,676
As of 31 December 2015		241,898	196,663	-	(218)	462,638	900,981

The Company	Note	Share capital RM'000	← Non-distributable → Share premium RM'000	Non-distributable reserve Share option reserve RM'000	Available-for-sale reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
As of 1 January 2016		241,898	196,663	-	(218)	462,638	900,981
Available-for-sale financial assets		-	-	-	197	-	197
Total other comprehensive income for the financial year		**-**	**-**	**-**	**197**	**-**	**197**
Loss for the financial year		-	-	-	-	(21,278)	(21,278)
Total comprehensive income/ (loss) for the financial year		**-**	**-**	**-**	**197**	**(21,278)**	**(21,081)**
Transactions with Owners of the Company:							
Proceeds from exercise of Warrants	31,32	-*	-*	-	-	-	-*
Dividends paid	36	-	-	-	-	(96,759)	(96,759)
Total transactions with Owners of the Company		**-**	**-**	**-**	**-**	**(96,759)**	**(96,759)**
As of 31 December 2016		**241,898**	**196,663**	**-**	**(21)**	**344,601**	**783,141**

* Includes 50 new ordinary shares of RM0.20 each issued at RM1.70 per share from the exercise of Warrants 2015/2018 as disclosed in Note 31.

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

Statements of Cash Flows

for the year ended 31 December 2016

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before tax	**140,256**	109,744	**(21,278)**	150,019
Adjustments for:				
Amortisation of intangible assets	**35,602**	31,463	**-**	-
Finance costs	**32,123**	44,518	**2,108**	197
Depreciation:				
- Property, plant and equipment	**8,813**	10,557	**2,476**	2,852
- Investment properties	**7**	6	**7**	6
(Gain)/Loss on disposal of :				
- property, plant and equipment	**(172)**	(152)	**(73)**	-
- an investment property	**-**	(120)	**-**	(120)
- subsidiaries	**(65,786)**	(59,547)	**72,841**	(65,130)
Unrealised foreign exchange (gain)/loss - net	**(13,619)**	(3,843)	**3,055**	(54,272)
Impairment/(Reversal of impairment) of:				
- Investment in subsidiaries	**-**	-	**(62)**	-
- Trade receivables	**-**	612	**-**	-
- Other receivables	**-**	7	**-**	-
- Intangible assets	**-**	6,745	**-**	-
Provision for discounting of receivables - net	**49,458**	15,936	**-**	-
Provision for heavy repairs	**4,115**	3,506	**-**	-
Deferred income recognised:				
- Government compensation	**(17,289)**	(11,096)	**-**	-
- Rental and maintenance fee	**(67)**	(68)	**-**	-
- Government grant	**(163)**	(42)	**-**	-
Unwinding of discount on receivables	**(9)**	(35)	**-**	-
Available-for-sale financial assets:				
- Dividend income	**(3,972)**	(2,989)	**(1,914)**	(1,166)
- (Gain)/Loss on redemption - net	**(471)**	(352)	**(466)**	15
Interest income	**(4,059)**	(4,885)	**(1,076)**	(743)
Construction profit recognised pursuant to IC Interpretation 12	**(108)**	(4,383)	**-**	-
Share of results:				
- Joint venture	**(318)**	928	**-**	-
- Associates	**(12,238)**	(1,032)	**-**	-
Writte off of:				
- Property, plant and equipment	**9**	568	**-**	-
- Amount owing from subsidiary	**-**	-	**6**	-

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Value-added tax exempted by tax authority	**(1,350)**	(5,045)	**-**	-
Dividend income	**-**	-	**(60,034)**	(45,936)
Reversal of interest income/(Interest income) imputed in retention sums - net	**(160)**	166	**-**	-
Interest expense imputed in borrowings	**550**	548	**-**	-
Operating Profit/(Loss) Before Working Capital Changes	**151,152**	131,715	**(4,410)**	(14,278)
(Increase)/Decrease in:				
Inventories	**(411)**	(504)	**-**	-
Amount due from contract customers	**(4,549)**	(7,141)	**-**	-
Trade and other receivables	**(102,288)**	42,234	**(1,334)**	73,234
(Decrease)/Increase in:				
Amount due to contract customers	**(1,219)**	1,403	**(1,219)**	1,403
Trade and other payables	**13,281**	18,460	**8,140**	(2,139)
Cash Generated From Operations	**55,966**	186,167	**1,177**	58,220
Income tax paid	**(20,601)**	(24,967)	**-**	-
Income tax refunded	**51**	7,813	**-**	-
Net Cash From Operating Activities	**35,416**	169,013	**1,177**	58,220

Statements of Cash Flows

for the year ended 31 December 2016

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	**4,078**	5,001	**906**	333
Decrease in amount due from subsidiaries	**-**	-	**(34,880)**	(52,907)
Payment for acquisition of subsidiary in prior year	**-**	(37,102)	**-**	-
Property, plant and equipment:				
- Proceeds from disposal	**172**	152	**73**	-
- Purchase*	**(2,571)**	(2,557)	**(716)**	(245)
Purchase of intangible assets@	**(1,404)**	(35,837)	**-**	-
Proceeds from disposal on investment property	**-**	245	**-**	245
Payment for acquisition of non-controlling interests (Note 46)	**-**	(102,851)	**-**	-
Investment in subsidiary	**-**	-	**(275)**	-
Investment in associates	**(246,381)**	(300)	**(246,381)**	(300)
Dividend received from subsidiaries	**-**	-	**44,926**	45,936
Dividend received from an associate	**408**	-	**408**	-
Proceeds from government grant	**-**	20,883	**-**	-
Available-for-sale financial assets:				
- Purchase	**(110,163)**	(277,081)	**(94,163)**	(216,714)
- Proceeds from redemption	**290,360**	156,012	**281,670**	28,665
(Placement)/Withdrawals of deposits pledged as security	**(117,242)**	(4,004)	**(121,020)**	1,016
Decrease in proceeds deposited into a designated bank account	**10,162**	2,017	**-**	-
Net cash inflow from the disposal of a subsidiary (Note 46)	**152,229**	65,822	**218,774**	66,750
Net Cash (Used In)/From Investing Activities	**(20,352)**	(209,600)	**49,322**	(127,221)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		**(29,121)**	(48,256)	**(2,108)**	(197)
Dividends paid		**(96,759)**	(67,944)	**(96,759)**	(67,944)
Dividends paid by a subsidiary to non-controlling interests		**(19,404)**	(67,250)	**-**	-
Repayments of borrowings		**(28,311)**	(18,559)	**(24,000)**	-
Drawdowns of borrowings		**103,608**	50,434	**94,000**	-
Proceeds from issuance of ordinary shares in a subsidiary to non-controlling interests		**200**	-	**-**	-
Repayment of finance lease payables		**(357)**	(358)	**(186)**	(176)
Proceeds from private placement of shares, net of share issue costs		**-**	138,305	**-**	138,305
Proceeds from exercise of ESOS		**-**	6,315	**-**	6,315
Net Cash (Used In)/From Financing Activities		**(70,144)**	(7,313)	**(29,053)**	76,303
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(55,080)**	(47,900)	**21,446**	7,302
Effects of foreign exchange rate Changes		**10,718**	8,750	**15,651**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**157,938**	197,088	**6,293**	(1,009)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	27	**113,576**	157,938	**43,390**	6,293

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

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Payment by cash	**2,571**	2,557	**716**	245
Financed by finance lease	**-**	73	**-**	-
Total (Note 16)	**2,571**	2,630	**716**	245

@ Purchase of intangible assets consists of the following:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Payment by cash	**1,404**	35,837	**-**	-
Other payables	**-**	9,714	**-**	-
Total (Note 18)	**1,404**	45,551	**-**	-

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

Notes to the Financial Statements

for the year ended 31 December 2016

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 information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 19.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 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 28 March 2017.

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 requirements 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 adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2016.

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

The adoption of these new and revised MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except as disclosed below:

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to MFRS 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to MFRS 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation for its property, plant and equipment, the application of the amendments to MFRS 116 has had no impact on the Group's consolidated financial statements.

Prior to the amendments to MFRS 138, the Group used the revenue method for amortisation of the intangible assets, comprising Highway Development Expenditure ("HDE"). During the financial year, the Group has applied the amendments and adopted the traffic volume method for amortisation of the cost of its HDE as disclosed in Note 3. The amendments are applied prospectively with effect from 1 January 2016. The financial impact is as disclosed below:

	The Group RM'000
Increase in amortisation of intangible assets	**(9,197)**
Reversal of deferred tax liabilities	**14,995**
Net increase to the profit for the financial year arising from continuing operations	**5,798**
Net increase to the profit for the financial year arising from continuing operations attributable to:	
Owners of the Company (Note 15)	**2,957**
Non-controlling interests	**2,841**
	5,798

Notes to the Financial Statements

for the year ended 31 December 2016

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

Standards in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[2]
MFRS 15	Revenue from Contract with Customers[2]
MFRS 16	Leases[3]
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions[2]
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue from Contracts with Customers[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to MFRS 140	Transfers of Investment Property[2]

Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Annual Improvements to MFRSs 2014 - 2016 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The Directors anticipate that the abovementioned MFRSs and amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as disclosed below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2016, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2016) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

(c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors do not anticipate that the application of MFRS 9 in the future to have a material impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group completes a detailed review.

Notes to the Financial Statements
for the year ended 31 December 2016

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the contract.
(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The Directors do not anticipate the application of MFRS 15 in the future to have a material impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group completes a detailed review.

MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Directors do not anticipate the application of MFRS 16 in the future to have a material impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group completes a detailed review.

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.

Notes to the Financial Statements
for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 value 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured 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 re-measured 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, when 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in Associates 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.

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 re-measurement to fair value upon such changes in ownership interests.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Toll revenue is accounted for as and when toll is chargeable for the usage of the highway.

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.

Deferred Income

Deferred income comprises the following:

(i) fees received by a subsidiary from third parties for the use of ancillary facilities along the Cheras-Kajang highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(ii) Government compensation received by a subsidiary as a result of changes made to the terms and conditions of the Concession Agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statement of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

Government Grant

Government grant is recognised initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the expenses incurred are recognised in profit or loss over the year necessary to match them with the related costs that they are intended to compensate. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

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.

Notes to the Financial Statements
for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency (cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

(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 model 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.

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Current tax

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when 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 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

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

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

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

Notes to the Financial Statements
for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 under the intangible asset model, as defined in IC Interpretation 12, are stated at cost less accumulated amortisation and impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As disclosed in Note 2, during the financial year, upon adoption of Amendments to MFRS 116 and 138: Clarification of Acceptable Methods of Depreciation and Amortisation, Grand Saga Sdn. Bhd., an indirect subsidiary of the Company, changed the accounting policy relating to the amortisation of the intangible assets, comprising the HDE, from revenue method to traffic volume method.

The Group amortises its HDE using the traffic volume method for the current financial year based on the following formula:

$$\frac{\text{Actual Traffic Volume For The Year}}{\text{Actual Traffic Volume For The Year Plus Projected Traffic Volume to Completion}} \times \text{Opening Net Book Value Plus Current Year Addition}$$

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 de-recognised 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.

<u>Effective interest method</u>

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.

Notes to the Financial Statements
for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 re-measurement 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)

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.

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

<u>De-recognition of financial assets</u>

The Group de-recognises 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 de-recognition 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.

Financial Liabilities and Equity Instruments

<u>Classification as debt or equity</u>

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

<u>Equity instruments</u>

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.

<u>Financial liabilities</u>

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

Notes to the Financial Statements

for the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 re-measurement 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

De-recognition of financial liabilities

The Group de-recognises 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 de-recognised 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 includes 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2016

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. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 18.

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 an estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

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

(c) Amortisation of Highway Development Expenditure ("HDE")

The cost of HDE is amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total traffic volume for subsequent financial years to 2045 and is based on the initial base case traffic volume projections prepared by independent traffic consultants, which is updated by management annually. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economic conditions. Changes in the expected traffic volume could impact future amortisation charges.

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

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

(d) Provision for Heavy Repairs

Heavy repairs of highway are provided based on annual independent pavement assessment condition that estimates the future requirements for pavement resurfacing, and management estimates of incidental costs, discounted to present value. Changes to the expected level of usage and technological developments could impact future requirements for heavy repairs, and therefore, the provision could be revised.

(e) 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.

(f) Taxation

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

(h) 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.

Notes to the Financial Statements

for the year ended 31 December 2016

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

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

(i) 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.

(j) 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 RM430,253,000 (2015: RM403,608,000), RM422,761,000 (2015: RM371,145,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 25.

(k) Fair Value Measurement Of Identifiable Assets And Liabilities Of Investment In Joint Venture And Associate

As disclosed in Notes 20 and 21, the Group completed the fair value measurement exercises to determine the fair values assigned to the Group's share of the identifiable assets and liabilities acquired pursuant to the requirements of MFRS 128: Investment in Associates and Joint Ventures.

Significant management judgement was involved in determining the fair value of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

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	Solid waste collection and public cleansing management and other related activities.
Construction	Provision of contracting, project and management services relating to construction contracts.
Toll highway	Provision of operation and maintenance of toll highway.
Others	Investment holding and other non core businesses other than the above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. The revenue and profit performance represent the Group's proportionate share of interest in each of the subsidiaries (instead of full consolidation) and includes a proportionate share of the interest of joint ventures or associates (instead of being equity accounted). The total is then reconciled to the revenue and profit performance in the Statements of Profit or Loss and Other Comprehensive Income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The Company's entire waste management investment in the People's Republic of China was discontinued in the current financial year. Arising thereof, the segmental information on revenue and profit performance related to the People's Republic of China has been excluded as their information is no longer relevant for management decision making purposes.

As at the end of the financial year, the Operating Segment-Waste Management business represents the proportionate share of results of SWM Environment Holdings Sdn. Bhd. ("SWMH") from the date of acquisition, 17 May 2016, to the end of the financial year, as disclosed in Note 46.

Accordingly, the comparatives have been adjusted to conform to the current year's presentation

Notes to the Financial Statements

for the year ended 31 December 2016

5. SEGMENT REPORTING (cont'd)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Water		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Amount as per Statement of Comprehensive Income	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	**231,828**	216,658	**193,699**	-	**39,678**	53,687	**65,210**	57,789	**3,047**	15	**533,462**	328,149	**(228,606)**	(36,156)	**304,856**	291,993
EBITDA(i)	**95,223**	87,864	**60,570**	-	**3,275**	1,725	**51,921**	37,785	**5,169**	43,377	**216,158**	170,751	**(85,277)**	(3,644)	**130,881**	167,107
Depreciation and amortisation	**(903)**	(792)	**(21,658)**	-	**(673)**	(485)	**(22,863)**	(13,047)	**(2,290)**	(2,659)	**(48,387)**	(16,983)	**13,004**	(3,983)	**(35,383)**	(20,966)
Operating profit	**94,320**	87,072	**38,912**	-	**2,602**	1,240	**29,058**	24,738	**2,879**	40,718	**167,771**	153,768	**(72,273)**	(7,627)	**95,498**	146,141
Finance costs	**(15)**	(4)	**(19,179)**	-	**(26)**	(30)	**(14,693)**	(17,381)	**(2,103)**	(183)	**(36,016)**	(17,598)	**12,864**	(3,686)	**(23,152)**	(21,284)
Share of results of joint venture	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**318**	(928)	**318**	(928)
Share of results of associate	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**12,238**	1,032	**12,238**	1,032
Profit before tax	**94,305**	87,068	**19,733**	-	**2,576**	1,210	**14,365**	7,357	**776**	40,535	**131,755**	136,170	**(46,853)**	(11,209)	**84,902**	124,961
Income tax expense	**(6,687)**	(16,644)	**(10,116)**	-	**(306)**	(430)	**6,123**	(2,789)	**-**	-	**(10,986)**	(19,863)	**19,377**	2,776	**8,391**	(17,087)
Profit for the financial year from continuing operations	**87,618**	70,424	**9,617**	-	**2,270**	780	**20,488**	4,568	**776**	40,535	**120,769**	116,307	**(27,476)**	(8,433)	**93,293**	107,874
EBDA(ii)	**88,521**	71,216	**31,275**	-	**2,943**	1,265	**43,351**	17,615	**3,066**	43,194	**169,156**	133,290	**(40,480)**	(4,450)	**128,676**	128,840

5. SEGMENT REPORTING (cont'd)

Segment revenues and results (cont'd)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment: (cont'd)

	Water		Waste management		Construction		Toll highway		Others		Total		Reconciliation		Addition of property, plant and equipment (Note 16)	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capex(iii)	**906**	851	**1,436**	-	**622**	207	**489**	2,180	**716**	245	**4,169**	3,483	**(1,598)**	(853)	**2,571**	2,630

(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation (and excludes share of results of associates and joint venture).
(ii) EBDA is defined as earnings before depreciation and amortisation.
(iii) Capex is defined as capital expenditure based on the Group's proportionate share on capital expenditure incurred for the year.

Notes

1. The Group monitors the performance of its business by four main business divisions namely water, construction, toll operations and waste management. Others refer to investment holding and other non core businesses.

2. The segmental information on the water division excluded a total provision of RM49,458,000 (2015: RM15,936,000) which was charged to profit, comprising a provision for discounting on a deferred payment consideration, amounting to RM62,318,000 (2015: RM41,132,000) which was set-off against revenue; and a reversal of discounting of receivables of RM12,860,000 (2015: RM25,196,000) recognised as other operating income.

3. The segmental information on the waste management division excluded the fair value measurement adjustments made at the Group level. The segmental results (including the calculation of the EBITDA and EBDA), which is solely from the concession business, included results of operation from 17 May 2016 (the date of completion of SWMH Acquisition as disclosed in Note 46) to the end of the financial year, after proportionate deduction of the dividend on the cumulative preference shares held by parties other than the Group. No comparatives have been disclosed as the acquisition of SWMH was completed during the financial year.

4. The addition of property, plant and equipment consists of:

	The Group	
	2016 RM'000	2015 RM'000
Capex from continuing operations	**2,453**	2,535
Capex from discontinued operations	**118**	95
Addition of property, plant and equipment (Note 16)	**2,571**	2,630

Notes to the Financial Statements

for the year ended 31 December 2016

5. SEGMENT REPORTING (cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

As at 31 Dec	Water 2016 RM'000	Water 2015 RM'000	Construction 2016 RM'000	Construction 2015 RM'000	Toll highway 2016 RM'000	Toll highway 2015 RM'000	Waste management 2016 RM'000	Waste management 2015 RM'000	Others 2016 RM'000	Others 2015 RM'000	Discontinued operations 2016 RM'000	Discontinued operations 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
Segment assets	**485,416**	427,647	**45,539**	36,536	**1,488,781**	1,522,127	**242,294**	-	**194,009**	212,684	**-**	715,549	**2,456,039**	2,914,543
Segment liabilities	**(89,071)**	(71,165)	**(30,266)**	(26,482)	**(856,695)**	(887,282)	**-**	-	**(81,765)**	(12,495)	**-**	(483,964)	**(1,057,797)**	(1,481,388)
Net segment assets	**396,345**	356,482	**15,273**	10,054	**632,086**	634,845	**242,294**	-	**112,244**	200,189	**-**	231,585	**1,398,242**	1,433,155

5. SEGMENT REPORTING (cont'd)

Geographical Segments

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

(i) Malaysia* - Water, construction, toll highway and waste management.

(ii) People's Republic of China - Waste management, water treatment equipment and provision of related services, and revenue recognised under IC Interpretation 12 (Prior to the completion of the Disposal of Foreign Operations as disclosed in Note 46).

* The Company's home country.

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

	2016 RM'000	2015 RM'000
Malaysia (Note 6)	**304,856**	291,993
People's Republic of China (Note 14)	**27,562**	118,939
	332,418	410,932

6. REVENUE

The following is an analysis of the Group's and the Company's revenue for the year from continuing operations

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Management, operation and maintenance of water treatment plants^	**169,511**	175,526	**-**	-
Revenue from construction contracts	**39,626**	53,687	**7,359**	9,805
Management fees (Note 48)	**3,047**	-	**11,330**	2,880
Toll revenue and operator fee	**65,843**	51,669	**-**	-
Deferred income (Note 41)	**17,289**	11,096	**-**	-
Government compensation	**9,540**	-	**-**	-
Dividend from subsidiaries, joint venture and associates (Note 48)	**-**	-	**60,034**	45,936
Others	**-**	15	**-**	-
	304,856	291,993	**78,723**	58,621

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of payment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM62,318,000 (2015: RM41,132,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plants.

Notes to the Financial Statements

for the year ended 31 December 2016

7. COST OF OPERATIONS

The following is an analysis of the Group's and the Company's cost of operations for the year from continuing operations.

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of intangible assets	**27,074**	11,825	**-**	-
Hire of plant and machinery	**39**	43	**-**	-
Lease rental of waterwork assets	**150**	150	**-**	-
Depreciation of property, plant and equipment	**3,818**	4,547	**-**	-
Provision for heavy repairs (Note 42)	**4,115**	3,506	**-**	-
Staff costs	**16,865**	16,210	**8,290**	2,880
Contract costs recognised	**35,160**	49,424	**7,180**	9,707

8. OTHER OPERATING INCOME

The following is an analysis of the Group's and the Company's other operating income for the year from continuing operations.

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Reversal of discounting of receivables (Note 25)	**12,860**	25,196	**-**	-
Interest income on fixed deposits with licensed banks	**3,842**	4,527	**1,076**	743
Available-for-sale financial assets:				
- Dividend income	**3,970**	2,975	**1,914**	1,166
- Gain on redemption	**471**	363	**466**	-
Rental income	**640**	590	**684**	682
Gain on disposal of:				
- property, plant and equipment (Note 16)	**172**	152	**73**	-
- an investment property	**-**	120	**-**	120
- a subsidiary (Note 46)	**-**	59,547	**-**	65,130
Reversal of impairment on investment in subsidiaries (Note 19)	**-**	-	**63**	-
Realised foreign exchange gain	**2,682**	15	**2,682**	-
Unrealised foreign exchange gain	**15,651**	394	**-**	54,272
Recognition of rental and maintenance fee (Note 41)	**67**	68	**-**	-
Interest income imputed in retention sums (Note 38)	**160**	-	**-**	-
Investment income	**-**	7,486	**-**	-

9. ADMINISTRATIVE AND OTHER EXPENSES

The following is an analysis of the Group's and the Company's administrative and other expenses for the year from continuing operations.

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss on disposal of subsidiaries (Note 46)	**-**	-	**72,841**	-
Depreciation of investment properties (Note 17)	**7**	6	**7**	6
Auditors' remuneration:				
Auditors of the Company:				
- Statutory audit	**327**	366	**105**	138
- Other services	**-**	310	**-**	250
Depreciation of property, plant and equipment	**4,484**	4,587	**2,476**	2,852
Rental of premises	**2,804**	2,811	**1,366**	2,802
Rental-others	**119**	124	**67**	55
Staff costs	**20,454**	20,450	**2,463**	7,133
Write off of:				
- Property, plant and equipment	**9**	3	**-**	-
- Amount owing from subsidiary	**-**	-	**6**	-
Interest expense imputed in borrowing (Note 37)	**550**	548	**-**	-
Unrealised foreign exchange loss	**312**	20	**3,055**	-
Realised foreign exchange loss	**373**	-	**-**	-
Loss on redemption of available-for-sale financial assets	**3**	15	**-**	15
Reversal of interest income imputed in retention sum	-	209	**-**	-

10. FINANCE COSTS

The following is an analysis of the Group's and the Company's finance costs for the year from continuing operations.

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense:				
- Borrowings	**23,130**	21,250	**2,102**	183
- Finance lease	**22**	34	**6**	14
	23,152	21,284	**2,108**	197

Notes to the Financial Statements

for the year ended 31 December 2016

11. STAFF COSTS

The following is an analysis of the Group's and the Company's staff costs for the year from continuing operations.

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Wages, salaries and bonus	**32,982**	32,250	**9,629**	8,921
Defined contribution				
- Employees Provident Fund	**3,469**	3,416	**980**	960
Other employee benefits	**868**	994	**144**	132
	37,319	36,660	**10,753**	10,013

Included in staff costs of the Group and of the Company are Directors' remuneration of RM1,580,000 (2015: RM993,000) and RM1,552,000 (2015: RM965,000) 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 RM180,000 (2015: RM486,000) and RM107,000 (2015: RM92,000) respectively.

12. DIRECTORS' REMUNERATION

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

Non-executive Directors
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Encik Ahmad Jauhari Bin Yahya

Executive Director
Dato' Lim Yew Boon

12. DIRECTORS' REMUNERATION (cont'd)

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

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-executive Directors:				
- Fees	**960**	420	**960**	420
- Other emoluments	**77**	104	**77**	104
Executive Director:				
- Fees	**144**	84	**120**	60
- Salaries and bonus	**316**	298	**316**	298
- Defined contribution plan	**38**	36	**38**	36
- Other emoluments	**45**	51	**41**	47
	1,580	993	**1,552**	965

13. INCOME TAX (INCOME)/EXPENSE

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Continuing operations				
Malaysian income tax:				
Current year	**21,956**	21,720	**-**	-
Overprovision in prior years	**(1,457)**	(1,317)	**-**	-
	20,499	20,403	**-**	-
Deferred tax :				
Relating to origination and reversal of temporary differences	**(28,890)**	(3,316)	**-**	-
	(8,391)	17,087	**-**	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

for the year ended 31 December 2016

13. INCOME TAX (INCOME)/EXPENSE (cont'd)

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before tax from continuing operations	**84,902**	124,961	**(21,278)**	150,019
Taxation at statutory tax rates	**20,376**	31,240	**(5,107)**	37,505
Tax effects of:				
Non-deductible expenses	**2,245**	617	**23,716**	3,731
Non-taxable income	**(29,668)**	(13,850)	**(18,887)**	(41,740)
Deferred tax assets not recognised	**113**	238	**278**	504
Overprovision of income tax expense in prior years	**(1,457)**	(1,317)	**-**	-
Effect of changes in tax rate	**-**	159	**-**	-
Income tax (income)/expense recognised in profit or loss	**(8,391)**	17,087	**-**	-

14. DISCONTINUED OPERATIONS

(a) Disposal of Foreign Operations

On 25 February 2016, the Company entered into a conditional share sale agreement ("Disposal SSA") with LGB Group (HK) Limited ("LGB HK"), a related party of the Company as disclosed in Note 48, for an aggregate cash consideration of United States Dollars 54.6 million for the disposal of the Company's entire investment in the People's Republic of China comprising:

(i) 100 ordinary shares at Hong Kong Dollar ("HKD") 100 in aggregate in Taliworks International Limited ("TIL"), a wholly-owned subsidiary of the Company, representing 100% equity interest in TIL;

(ii) 12,000,000 ordinary shares at HKD12,000,000 in aggregate in Taliworks (Sichuan) Limited ("TSL"), an 80%-owned subsidiary of the Company, representing 80% equity interest in TSL;

(iii) 100 ordinary shares of RM1.00 each in SWM Technologies (Malaysia) Sdn. Bhd. ("SWMT") and 19,000,000 redeemable non-cumulative preference shares of RM0.01 each in SWMT, a wholly-owned subsidiary of the Company, representing 100% equity interest in SWMT; and

(iv) the assignment from the Company to LGB HK of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to the Company as at 25 February 2016.

(Collectively referred to as "Disposal of Foreign Operations")

14. DISCONTINUED OPERATIONS (cont'd)

(a) Disposal of Foreign Operations (cont'd)

The Disposal of Foreign Operations is consistent with the Group's new business strategy to focus on mature operational cash-generating utilities/infrastructure businesses to support the Company's dividend policy of distributing not less than 75% of the consolidated profit after tax (excluding exceptional items).

The Disposal of Foreign Operations was completed on 17 May 2016. Details of the assets and liabilities disposed of, and the calculation of the gain/(loss) on disposal, are disclosed in Note 46.

(b) Analysis of profit/(loss) for the year from discontinued operations

The results of the discontinued operations included in the profit/(loss) for the year are set out below. The comparative have been re-presented to include those operations classified as discontinued in the current year.

	The Group	
	2016 RM'000	**2015 RM'000**
Profit/(Loss) for the year from discontinued operations		
Revenue	**27,562**	118,939
Cost of operations	**(27,566)**	(103,333)
Gross (loss)/profit	**(4)**	15,606
Other operating income	**2,934**	11,064
Administrative and other expenses	**(4,520)**	(18,665)
Finance costs	**(8,842)**	(23,222)
Loss before tax	**(10,432)**	(15,217)
Income tax expense	**(512)**	(1,093)
	(10,944)	(16,310)
Gain on disposal (Note 46)	**65,786**	-
Profit/(Loss) for the financial year from discontinued operations	**54,842**	(16,310)
Profit/(Loss) for the financial year from discontinued operations attributable to:		
Owners of the Company	**52,181**	(14,817)
Non-controlling interests	**2,661**	(1,493)
	54,842	(16,310)

Notes to the Financial Statements

for the year ended 31 December 2016

14. DISCONTINUED OPERATIONS (cont'd)

(b) Analysis of profit/(loss) for the year from discontinued operations (cont'd)

The following amounts have been included in arriving at the loss before tax of the discontinued operations:

	The Group	
	2016 RM'000	**2015 RM'000**
Cost of operations		
Amortisation of intangible assets	**8,528**	19,638
Depreciation of property, plant and equipment	**349**	1,133
Contract costs recognised pursuant to IC Interpretation 12	**1,083**	43,831
Other operating income		
Interest income on fixed deposits with licensed banks	**217**	358
Available-for-sale financial assets:		
- Dividend income	**2**	14
- Gain on redemption	**3**	4
Unrealised foreign exchange gain	**59**	4,951
Unwinding of discount on other receivables (Note 26)	**9**	35
Value-added tax exempted by tax authority	**1,350**	5,045
Recognition of government grant (Note 41)	**163**	42
Interest income imputed in retention sums	**-**	43
Administrative and other expenses		
Auditors' remuneration:		
Auditors of the Company:		
- Statutory audit	**3**	9
Other auditors - Statutory audit	**125**	190
Depreciation of property, plant and equipment	**42**	132
Impairment of:		
- Other receivables (Note 26)	**-**	7
- Trade receivable (Note 25)	**-**	612
- Intangible assets (Note 18)	**-**	6,745
Rental of premises	**67**	175
Rental - others	**131**	329
Staff costs		
- Wages, salaries and bonus	**4,746**	11,045
- Other employee benefits	**8**	46
Property, plant and equipment written off	**-**	565
Unrealised foreign exchange loss	**1,779**	1,482
Arbitration claims	**-**	2,914

14. DISCONTINUED OPERATIONS (cont'd)

(c) Analysis of cash flows from discontinued operations

The cash flows of the discontinued operations included in the net (decrease)/increase in cash and cash equivalents for the year are set out below. The comparatives have been re-presented to include those operations classified as discontinued in the current year.

	The Group 2016 RM'000	The Group 2015 RM'000
Net cash (outflows)/inflows from operating activities	**(647)**	54,018
Net cash outflows from investing activities	**(861)**	(27,099)
Net cash (outflows)/inflows from financing activities	**(601)**	4,908
Net cash (outflows)/inflows	**(2,109)**	31,827

15. EARNINGS PER SHARE

(a) Basic earnings per share

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 2016 RM'000	The Group 2015 RM'000
Profit for the financial year attributable to owners of the Company	**127,428**	86,549
(Profit)/Loss for the financial year from discontinued operations attributable to owners of the Company (used in the calculation of basic EPS from discontinued operations)	**(52,181)**	14,817
Earnings used in the calculation of basic EPS from continuing operations	**75,247**	101,366
Weighted average number of ordinary shares in issue ('000)	**1,209,489**	1,115,867
Basic EPS (sen)		
From continuing operations	**6.23**	9.09
From discontinued operations	**4.31**	(1.33)
Total Basic EPS (sen)	**10.54**	7.76

Notes to the Financial Statements

for the year ended 31 December 2016

15. EARNINGS PER SHARE (cont'd)

(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 Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive as at the end of the financial year.

	The Group 2016 RM'000	The Group 2015 RM'000
Profit for the financial year attributable to owners of the Company	**127,428**	86,549
(Profit)/Loss for the financial year from discontinued operations attributable to owners of the Company used in the calculation of diluted EPS from discontinued operations	**(52,181)**	14,817
Earnings used in the calculation of diluted EPS from continuing operations	**75,247**	101,366
Weighted average number of ordinary shares in issue ('000)	**1,209,489**	1,115,867
Effects of dilution from ESOS Options ('000)	**-**	1,477
Adjusted weighted average number of ordinary shares in issue ('000)	**1,209,489**	1,117,344
Diluted EPS (sen)		
From continuing operations	**6.23**	9.08
From discontinued operations	**4.31**	(1.33)
Total Diluted EPS (sen)	**10.54**	7.75

(c) Impact of changes in accounting policies

As a result of the change in the Group's accounting policies relating to the amortisation of HDE during the year as described in Note 3, the profit for the year attributable to the owners of the Company increased by RM2,957,000 which translates into an increase of 0.24 sen in basic and diluted earnings per share. The changes in accounting policy affected only the Group's results from continuing operations.

16. PROPERTY, PLANT AND EQUIPMENT

The Group 2016	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	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2016	280	700	9,720	1,971	13,768	12,940	6,194	21,272	23	**66,868**
Additions	-	-	128	87	302	1,649	246	159	-	**2,571**
Disposals	-	-	-	-	(8)	(646)	-	-	-	**(654)**
Write offs	-	-	-	-	(183)	-	-	-	-	**(183)**
Derecognised on disposal of subsidiaries (Note 46)	-	-	(7,199)	-	(4,211)	(4,333)	(90)	-	-	**(15,833)**
At 31 December 2016	280	700	2,649	2,058	9,668	9,610	6,350	21,431	23	**52,769**

Notes to the Financial Statements

for the year ended 31 December 2016

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

The Group 2016	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	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Accumulated depreciation										
At 1 January 2016	-	202	9,990	841	7,565	6,135	2,757	6,458	8	**33,956**
Charge for the financial year	-	14	332	416	1,277	1,692	1,261	3,817	4	**8,813**
Disposals	-	-	-	-	(8)	(646)	-	-	-	**(654)**
Write offs	-	-	-	-	(174)	-	-	-	-	**(174)**
Derecognised on disposal of subsidiaries (Note 46)	-	-	(8,015)	-	(758)	(1,347)	(102)	-	-	**(10,222)**
At 31 December 2016	-	216	2,307	1,257	7,902	5,834	3,916	10,275	12	**31,719**
Accumulated currency translation differences										
At 1 January 2016	-	-	2,323	-	(3,189)	899	26	-	-	**59**
Currency translation differences	-	-	(147)	-	(36)	(203)	-	-	-	**(386)**
Derecognised on disposal of subsidiaries	-	-	(2,176)	-	3,225	(696)	(26)	-	-	**327**
At 31 December 2016	-	-	-	-	-	-	-	-	-	**-**

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

The Group 2015	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	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2015	280	700	10,806	2,068	13,121	12,481	6,386	20,665	17	66,524
Additions	-	-	241	-	696	1,067	13	607	6	2,630
Disposals	-	-	-	-	(3)	(606)	-	-	-	(609)
Write offs	-	-	(1,324)	-	(12)	(2)	-	-	-	(1,338)
Adjustments	-	-	(3)	(97)	(34)	-	(205)	-	-	(339)
At 31 December 2015	280	700	9,720	1,971	13,768	12,940	6,194	21,272	23	66,868
Accumulated depreciation										
At 1 January 2015	-	188	9,830	470	5,634	4,976	1,781	1,911	3	24,793
Charge for the financial year	-	14	921	371	1,956	1,767	976	4,547	5	10,557
Disposals	-	-	-	-	(3)	(606)	-	-	-	(609)
Write offs	-	-	(760)	-	(8)	(2)	-	-	-	(770)
Adjustments	-	-	(1)	-	(14)	-	-	-	-	(15)
At 31 December 2015	-	202	9,990	841	7,565	6,135	2,757	6,458	8	33,956

Notes to the Financial Statements
for the year ended 31 December 2016

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

The Group 2015	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	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Accumulated currency translation differences										
At 1 January 2015	-	-	1,972	-	(3,271)	289	26	-	-	(984)
Currency translation differences	-	-	351	-	82	610	-	-	-	1,043
At 31 December 2015	-	-	2,323	-	(3,189)	899	26	-	-	59
Net book value										
At 31 December 2016	**280**	**484**	**342**	**801**	**1,766**	**3,776**	**2,434**	**11,156**	**11**	**21,050**
At 31 December 2015	280	498	2,053	1,130	3,014	7,704	3,463	14,814	15	32,971

16. 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 2015	68	1,865	4,967	1,674	5,151	13,725
Additions	-	-	232	-	13	245
Adjustments	-	(92)	-	-	(148)	(240)
At 31 December 2015	68	1,773	5,199	1,674	5,016	13,730
At 1 January 2016	**68**	**1,773**	**5,199**	**1,674**	**5,016**	**13,730**
Additions	**-**	**-**	**82**	**388**	**246**	**716**
At 31 December 2016	**68**	**1,773**	**5,281**	**2,062**	**5,262**	**14,446**
Accumulated depreciation						
At 1 January 2015	67	403	2,220	1,216	1,112	5,018
Charge for the financial year	-	333	1,321	223	975	2,852
At 31 December 2015	67	736	3,541	1,439	2,087	7,870
At 1 January 2016	**67**	**736**	**3,541**	**1,439**	**2,087**	**7,870**
Charge for the financial year	**1**	**354**	**874**	**210**	**1,037**	**2,476**
At 31 December 2016	**68**	**1,090**	**4,415**	**1,649**	**3,124**	**10,346**
Net book value						
At 31 December 2016	**-**	**683**	**866**	**413**	**2,138**	**4,100**
At 31 December 2015	1	1,037	1,658	235	2,929	5,860

Notes to the Financial Statements

for the year ended 31 December 2016

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

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM464,000 (2015: RM837,000) and RM32,000 (2015: RM221,000) respectively.

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

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Capitalised in amount due to contract customers	40	**120**	158	**-**	-
Statements of profit or loss and other comprehensive income:					
Cost of operations		**4,167**	5,680	**-**	-
Administrative and other expenses		**4,526**	4,719	**2,476**	2,852
		8,693	10,399	**2,476**	2,852
		8,813	10,557	**2,476**	2,852

(c) Write offs for the financial year consist of:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Administrative and other expenses	**9**	568	**-**	-

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

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Other operating income	8	**172**	152	**73**	-

17. INVESTMENT PROPERTIES

	The Company 2016 RM'000	2015 RM'000
Cost		
At 1 January/At 31 December	**369**	369
Accumulated depreciation		
At 1 January	**89**	83
Charge for the financial year (Note 9)	**7**	6
At 31 December	**96**	89
Accumulated impairment loss		
At 1 January/At 31 December	**26**	26
Net book value		
At 31 December	**247**	254
Representing:		
Freehold building	**119**	122
Leasehold building	**128**	132
	247	254

Fair value of the investment properties of the Group and of the Company as of 31 December 2016 is estimated at RM740,000 (2015: RM672,000) based on Directors' assessment of the current prices in an active market for the respective properties within the vicinity.

Details of the Group's and the Company's investment properties, all of which are located in Malaysia, and information about the fair value hierarchy as of 31 December 2016 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2016				
Freehold building	**-**	**-**	**335**	**335**
Leasehold building	**-**	**-**	**405**	**405**
2015				
Freehold building	-	-	423	423
Leasehold building	-	-	249	249

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and the Company is 77 years (2015: 78 years).

Notes to the Financial Statements

for the year ended 31 December 2016

18. INTANGIBLE ASSETS

	The Company	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	**1,757,687**	1,707,753
Additions	**1,404**	45,551
Profits from the construction of a public service infrastructure	**108**	4,383
Derecognised on disposal of subsidiaries (Note 46)	**(496,296)**	-
At 31 December	**1,262,903**	1,757,687
Accumulated amortisation		
At 1 January	**91,014**	59,551
Charged for the financial year	**35,602**	31,463
Derecognised on disposal of subsidiaries (Note 46)	**(19,046)**	-
At 31 December	**107,570**	91,014
Accumulated impairment loss		
At 1 January	**18,871**	12,126
Impairment loss for the financial year (Note 14)	**-**	6,745
Derecognised on disposal of subsidiaries (Note 46)	**(18,871)**	-
At 31 December	**-**	18,871
Accumulated currency translation differences		
At 1 January	**139,309**	53,596
Currency translation differences	**(41,280)**	85,713
Derecognised on disposal of subsidiaries (Note 46)	**(98,029)**	-
At 31 December	**-**	139,309
Carrying amount	**1,155,333**	1,787,111
Representing:		
Intangible asset of a subsidiary in Malaysia	**1,155,333**	1,182,406
Intangible assets of subsidiaries in the People's Republic of China	**-**	604,705
	1,155,333	1,787,111

The intangible assets of the Group consist of the following:

(A) **Intangible asset of a subsidiary in Malaysia**

A concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn. Bhd., for fifty years to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway ("Highway"). The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

18. INTANGIBLE ASSETS (cont'd)

The intangible assets of the Group consist of the following: (cont'd)

(B) Intangible assets of subsidiaries in People's Republic of China

(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 (equivalent to RM18,294,000 then) on a takeover-operate-transfer basis. The concession grants rights to the subsidiary to transport household waste to the municipal landfills and in return collect tipping fees from the local city council based on incoming tonnage of household waste deposited at the transfer station at a rate in accordance with the concession agreement;

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

(c) an industrial wastewater and recycled water treatment facilities 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 subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the facilities; and

(d) a 30-year concession right (expiring in September 2041) to operate, use and maintain four municipal wastewater treatment plants with recycled water 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 (equivalent to RM407,754,000 then) 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.

During the financial year, the intangible assets in respect of subsidiaries in the People's Republic of China with carrying amount totaling RM556,407,849 have been derecognised upon disposal of subsidiaries as disclosed in Note 46.

Notes to the Financial Statements

for the year ended 31 December 2016

19. INVESTMENT IN SUBSIDIARIES

	The Company 2016 RM'000	The Company 2015 RM'000
Unquoted shares - at cost		
At 1 January	**344,473**	106,465
Additions	**275**	306,801
Disposals (Note 46)	**(24,505)**	(68,793)
At 31 December	**320,243**	344,473
Accumulated impairment loss		
At 1 January	**7,846**	7,846
Reversal of impairment loss for the financial year (Note 9)	**(63)**	-
Derecognised on disposal of subsidiaries (Note 46)	**(7,322)**	-
At 31 December	**461**	7,846
Carrying amount	**319,782**	336,627

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

Name	Country of incorporation	Proportion of ownership interest held by the Group 2016 %	Proportion of ownership interest held by the Group 2015 %	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn. Bhd. ("SHSB")&	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	Application to strike off was made under Section 308 of the Companies Act, 1965 on 16 August 2016.
Taliworks Technologies Sdn. Bhd.	Malaysia	**100**	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2016 %	2015 %	Principal activities
Held directly by the Company: (cont'd)				
Taliworks Meruan (Sarawak) Sdn. Bhd. ("TMSB")€	Malaysia	**60**	-	Provision of construction, development, management, operation and maintenance of water supply schemes, solid waste disposal facilities.
Taliworks International Limited ("TIL")*©	Hong Kong SAR	**-**	100	Investment holding and waste management business activities.
SWM Technologies (Malaysia) Sdn. Bhd. ("SWMT")©	Malaysia	**-**	100	Investment holding and waste management business activities
Taliworks (Sichuan) Limited ("TSL")*©	Hong Kong SAR	**-**	80	Investment holding.
Destinasi Teguh Sdn. Bhd.	Malaysia	**-**	100	Struck off from the register and dissolved pursuant to Section 308(4) of the Companies Act, 1965 on 10 June 2016.
Taliworks Construction Sdn. Bhd.	Malaysia	**100**	100	General construction
Prolific Equity Sdn. Bhd.	Malaysia	**-**	100	Struck off from the register and dissolved pursuant to Section 308(4) of the Companies Act, 1965 on 10 June 2016.
Pinggiran Muhibbah Sdn. Bhd. ("PMSB")	Malaysia	**-**	-	Investment holding. (Subsequently disposed off on 11 December 2015 as disclosed in Note 46).
Jemari Infiniti Sdn. Bhd. ("JISB")	Malaysia	**-**	100	Struck off from the register and dissolved pursuant to Section 308(4) of the Companies Act, 1965 on 10 June 2016.
TEI Sdn. Bhd. ("TEI")$	Malaysia	**51**	51	Investment holding. (Formerly held through PMSB prior to the Group's re-organisation as disclosed in Note 46).

Notes to the Financial Statements

for the year ended 31 December 2016

19. INVESTMENT IN SUBSIDIARIES (cont'd)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2016 %	2015 %	Principal activities
Held through TEI:				
Trinitywin Sdn. Bhd.$	Malaysia	**51**	51	Investment holding.
Cerah Sama Sdn. Bhd. ("CSSB")$	Malaysia	**51**	51	Investment holding.
Held through CSSB:				
Trupadu Sdn. Bhd.#$	Malaysia	**51**	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd.#$	Malaysia	**51**	51	Investment holding. The company is under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Europlex Consortium Sdn. Bhd.#$	Malaysia	**51**	51	Investment holding. The company is under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.
Grand Saga Sdn. Bhd.#$	Malaysia	**51**	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period of 50 years expiring in September 2045.
Held through SWMT:				
Tianjin-SWM (M) Environment Co Ltd*©	People's Republic of China	**-**	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.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

The shares of all subsidiaries are held directly by the Company unless otherwise indicated as follows: (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2016 %	2015 %	Principal activities
Held through TIL:				
Taliworks (Shanghai) Co Ltd*©	People's Republic of China	-	100	Trading in equipment for environment protection and water environment equipment and provision of related services. The company is currently dormant.
Taliworks (Shanghai) Environment Technologies Co Ltd*©	People's Republic of China	-	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste.
Taliworks Environment Limited*©	Hong Kong SAR	-	100	Investment holding. The company is currently dormant.
Taliworks ECO Pte Ltd ("TECO")*©	Singapore	-	70	Investment holding.
TILGEA Consortium Sdn. Bhd.©	Malaysia	-	70	General construction. The company is currently dormant.
Taliworks (Yinchuan) Wastewater Treatment Co Ltd*©	People's Republic of China	-	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 TECO:				
Ningxia ECO Wastewater Treatment Co Ltd*©	People's Republic of China	-	70	The subsidiary ceased the construction of the facilities and the negotiations are on-going for the grantor to take-over the facilities.
Held through TSL:				
Puresino (Guanghan) Water Co Ltd*©	People's Republic of China	-	56	Management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

Notes to the Financial Statements

for the year ended 31 December 2016

19. INVESTMENT IN SUBSIDIARIES (cont'd)

* Audited by a firm other than Deloitte PLT.

& 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 equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium Term Notes borrowings as disclosed in Note 37.

$ The acquisition and/or disposal of these subsidiaries formed part of the Group's re-organisation exercise in the previous reporting period as disclosed in Note 46.

© The disposal of these subsidiaries formed part of the Disposal of Foreign Operations as disclosed in Note 46.

€ TMSB was incorporated on 27 June 2016 as a wholly-owned subsidiary of the Company, with an authorised share capital of RM500,000 of which RM2 comprising 2 ordinary shares of RM1.00 each was issued and paid up.

Subsequently, on 26 July 2016, TMSB increased its issued and paid up share capital from RM2 to RM500,000 by way of issuance of 499,998 new ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of TMSB. Out of the 499,998 ordinary shares issued, TMSB allotted 274,999 ordinary shares to the Company; 24,999 ordinary shares to Taliworks Construction Sdn. Bhd., a wholly-owned subsidiary of the Company, and the remaining 200,000 ordinary shares to external shareholders. Consequently, TMSB became a 60% owned subsidiary of the Company.

Composition of the Group

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 2016	2015
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**	2
Provision of management and technical services relating to waste management	People's Republic of China	**-**	1
General construction	Malaysia	**1**	1
Investment holding	Hong Kong SAR	**-**	2
Investment holding	People's Republic of China	**-**	2
		4	10

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Information about the composition of the Group at the end of the reporting period is as follows: (cont'd)

Principal activities	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		2016	**2015**
Provision of management and technical services relating to waste management	People's Republic of China	**-**	3
Construction of water treatment works	Malaysia	**1**	1
Investment holding	Hong Kong SAR	**-**	1
General construction	Malaysia	**1**	1
Investment holding	Singapore	**-**	1
Toll highway	Malaysia	**7**	7
		9	14

Details for non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interest	
	2016 %	**2015 %**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
TEI	**49%**	49%	**17,925**	6,511	**277,070**	278,565
Other individually immaterial subsidiaries	**-***	-*	**2,782**	(1,496)	**200**	7,988
			20,707	5,015	**277,270**	286,553

* Various proportion of ownership interests and voting rights held by non-controlling interests.

Notes to the Financial Statements

for the year ended 31 December 2016

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	TEI 2016 RM'000	TEI 2015 RM'000
Non-current assets	**1,276,275**	1,307,587
Current assets	**122,430**	124,763
Current liabilities	**(30,036)**	(33,158)
Non-current liabilities	**(803,220)**	(830,693)
Net assets	**565,449**	568,499
Equity attributable to owners of the Company	**288,379**	289,934
Non-controlling interest	**277,070**	278,565
Revenue	**92,672**	62,765
Expenses	**(56,091)**	(51,134)
Profit for the financial year	**36,581**	11,631
Profit attributable to owners of the Company	**18,656**	5,120
Profit attributable to non-controlling interest	**17,925**	6,511
Net cash generated from/(used in):		
- Operating activities	**54,740**	35,938
- Investing activities	**2,244**	(25,654)
- Financing activities	**(60,551)**	(102,509)
Net change in cash and cash equivalents	**(3,567)**	(92,225)

20. INVESTMENT IN JOINT VENTURE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted ordinary shares, at cost	**30,749**	30,749	**30,749**	30,749
Redeemable preference shares, at cost	**36,424**	36,424	**36,424**	36,424
Group's share of post-acquisition reserve, net of dividend	**482**	164	**-**	-
	67,655	67,337	**67,173**	67,173

20. INVESTMENT IN JOINT VENTURE (cont'd)

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

Name	Proportion of ownership interest held by the Group 2016 %	2015 %	Principal activities
Grand Sepadu (NK) Sdn. Bhd. ("GSNK")^	**-**	-	Operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period of 18 years ending in December 2032.
Pinggiran Muhibbah Sdn. Bhd. ("PMSB")*	**50**	50	Investment holding in a company principally engaged in activities of operation and maintenance of the New North Klang Straits Bypass Expressway.

* The recognition of PMSB as a joint venture formed part of the significant events in 2015 as disclosed in Note 46.

During the financial year, the Company completed the fair value measurement exercise to determine the fair values assigned to the joint venture' share of identifiable assets and liabilities acquired in the previous financial year pursuant to the requirements of MFRS 128 Investment in Associates and Joint Ventures. The provisional amounts recognised in the previous financial year approximate their fair values. No adjustments were made to the share of results recognised in 2015.

Significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

^ On 29 December 2015, PMSB obtained control over its former joint venture, GSNK, as disclosed in Note 46. Consequently, GSNK became a subsidiary of PMSB.

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group 2016	PMSB RM'000
Summarised statement of financial position	
Non-current assets	368,439
Current assets	42,158
Current liabilities	(1,558)
Non-current liabilities	(236,429)
Non-controlling interests	(37,301)
Net assets	135,309

Notes to the Financial Statements

for the year ended 31 December 2016

20. INVESTMENT IN JOINT VENTURE (cont'd)

The Group 2016	PMSB RM'000
Summarised statement of profit or loss and other comprehensive income	
Revenue	47,859
Profit for the financial year	635

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

Net assets	135,309
Proportion of the Group's ownership interest in the joint venture	50%
Carrying amount of the investment in joint venture	67,655

The Group 2015	PMSB RM'000	GSNK RM'000
Summarised statement of financial position		
Non-current assets	393,127	-
Current assets	20,946	-
Current liabilities	(7,777)	-
Non-current liabilities	(234,539)	-
Non-controlling interests	(37,083)	-
Net assets	134,674	-
Summarised statement of profit or loss and other comprehensive income		
Revenue	56,389	39,401
Loss for the financial year	(2,212)	(1,455)

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

Net assets	134,674	-
Proportion of the Group's ownership interest in the joint venture	50%	-
Carrying amount of the investment in joint venture	67,337	-

21. INVESTMENT IN ASSOCIATES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**249,931**	2,420	**249,931**	2,420
Share of post-acquisition reserve, net of dividend	**1,923**	4,793	**-**	-
	251,854	7,213	**249,931**	2,420

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

Name	Proportion of ownership interest held by the Group 2016 %	2015 %	Principal activities
Hydrovest Sdn. Bhd. ("Hydrovest")*	**40**	40	Provision of water management and project services.
LGB Taliworks Consortium Sdn. Bhd. ("LGB Consortium")@*	**20**	20	General construction.
LGB & TCB JV Sdn. Bhd.*	**49**	49	General construction.
Aqua Flo Sdn. Bhd. ("AFSB")*ß	**24**	-	Trading in chemical products.(Formerly held through Hydrovest).
SWM Environment Holdings Sdn. Bhd. ("SWMH")*∞	**35**	-	Investment holding with its principal investment in a company managing and carrying on solid waste collection and public cleansing management and other related activities.

* Audited by a firm other than Deloitte PLT.

@ On 23 September 2015, the Company subscribed for 200,000 ordinary shares of RM1.00 each representing 20% equity interest in LGB Consortium. LGB Consortium has an authorised, issued and paid up share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Subsequently on 8 December 2015, LGB Consortium increased its authorised share capital from RM1,000,000 to RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital from RM1,000,000 to RM1,500,000 by way of issuance of new 500,000 ordinary shares of RM1.00 each. The Company subscribed for an additional 100,000 ordinary shares of RM1.00 each in LGB Consortium for a cash consideration of RM100,000.

∞ The acquisition of SWMH as an associate formed part of the significant events in 2016 as disclosed in Note 46.

The Company completed the fair value measurement exercise ("FVM Exercise") by engaging Crowe Horwath Advisory Sdn. Bhd., a licensed Corporate Finance Advisors, to determine the fair values assigned to the SWMH's identifiable assets and liabilities acquired in the current financial year pursuant to the requirement of MFRS 128 Investment in Associates and Joint Ventures.

In conducting the FVM Exercise by Crowe Horwath Advisory Sdn. Bhd., significant management judgement was involved in determining the fair values of these identifiable assets and liabilities based on acceptable valuation procedures and practices that rely on the use of numerous reasonable assumptions.

Notes to the Financial Statements

for the year ended 31 December 2016

21. INVESTMENT IN ASSOCIATES (cont'd)

ß On 30 June 2016, the Company acquired 120,000 ordinary shares of RM1.00 each in AFSB, from Hydrovest, a 40% associate of the Company, representing 24% of the issued and paid up capital of AFSB, for a consideration of RM1,256,400. Prior to the acquisition, AFSB was a 60% owned subsidiary of Hydrovest.

The summarised financial information of the material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group	SWMH 2016 RM'000
Summarised statement of financial position	
Non-current assets	3,695,947
Current assets	828,721
Current liabilities	(330,207)
Non-current liabilities	(2,013,710)
Non-controlling interest	(1,490,571)
Net assets	690,180
Summarised statement of profit or loss and other comprehensive income	
Revenue	553,433
Profit for the financial year	32,171

Reconciliation of the above summarised financial information to the carrying amount of the interest in SWMH recognised in the financial statements of the Group is as follows:

Net assets	690,180
Proportion of the Group's ownership interest in the associates	35%
	241,560
Adjustment for stamp duties	735
Carrying amount of the investment in associates	242,295

21. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of other individually immaterial associates are set out below.

The Group	Others 2016 RM'000	Others 2015 RM'000
Summarised statement of financial position		
Non-current assets	**2,954**	989
Current assets	**61,059**	47,068
Current liabilities	**(26,026)**	(18,200)
Non-current liabilities	**(65)**	(123)
Non-controlling interest	**-**	(10,952)
Net assets	**37,922**	18,782
Summarised statement of profit or loss and other comprehensive income		
Revenue	**83,864**	62,474
Profit for the financial year	**3,233**	2,580

22. OTHER INVESTMENT

	The Group 2016 RM'000	The Group 2015 RM'000
Available for sale:		
At cost,		
Golf membership	**240**	240

23. GOODWILL ON CONSOLIDATION

	The Group 2016 RM'000	The Group 2015 RM'000
At 1 January	**131,889**	131,889
Derecognised on disposal of subsidiaries (Note 46)	**(2,504)**	-
At 31 December	**129,385**	131,889

Goodwill on consolidation arose from:

(i) the acquisition of Cerah Sama Sdn. Bhd. arising from the restructuring exercise in August 2014; and

(ii) the acquisition of Puresino (Guanghan) Water Co Ltd by Taliworks (Sichuan) Ltd, an 80% owned subsidiary of the Company in May 2007. During the year, the goodwill has been derecognised upon disposal of the subsidiary as disclosed in Note 46.

Notes to the Financial Statements

for the year ended 31 December 2016

23. GOODWILL ON CONSOLIDATION (cont'd)

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the Directors 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) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.7% and 2.3% respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3% annually;

(c) Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 1.5% of total toll revenue collected; and

(d) Pre-tax discount rate of 8.5%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital.

The recoverable amounts of the abovementioned goodwill 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 goodwill 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 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 increased by an additional 0.25%, being the quantum of change in the most recent revision to the overnight policy rate by Bank Negara Malaysia in July 2016, and all other variables remain constant, there will be no impairment to the carrying value of the goodwill at the end of the reporting period.

24. 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 liabilities 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	
	2016 RM'000	**2015 RM'000**
Deferred tax assets	**31,906**	19,032
Deferred tax liabilities	**(238,866)**	(254,588)
At end of financial year	**(206,960)**	(235,556)

24. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The movements during the financial year are as follows:

	The Group 2016 RM'000	The Group 2015 RM'000
At 1 January	**(235,556)**	(238,466)
Derecognised on disposal of subsidiaries (Note 46)	**(253)**	-
Transfer (to)/from profit or loss:		
Property, plant and equipment	**(35)**	(19)
Intangible assets	**15,492**	224
Other receivables, deposits and prepayments	**5**	-
Trade receivables	**13,449**	3,067
Other payables and accurals	**(21)**	(464)
	28,890	2,808
Currency translation differences	**(41)**	102
At 31 December	**(206,960)**	(235,556)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group 2016 RM'000	The Group 2015 RM'000
Deferred tax assets (before offsetting)		
Tax effects of deductible temporary differences arising from:		
Trade receivables	**31,367**	18,621
Other payables and accurals	**749**	761
Deffered income	**95**	95
Provision for heavy repairs	**1,071**	1,071
	33,282	20,548
Offsetting	**(1,376)**	(1,516)
Deffered tax assets (after offsetting)	**31,906**	19,032
Deferred tax liabilities (before offsetting)		
Tax effects of taxable temporary differences arising from:		
Property, plant and equipment	**876**	841
Intangible assets	**239,349**	254,841
Other receivables, deposits and prepayments	**7**	12
Other payables and accurals	**10**	410
	240,242	256,104
Offsetting	**(1,376)**	(1,516)
Deffered tax liabilities (after offsetting)	**238,866**	254,588

Notes to the Financial Statements

for the year ended 31 December 2016

24. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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 2016, 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Temporary differences arising from:				
Other payables and accurals	**5,211**	1,161	**5,020**	1,118
Unused tax losses	**17,345**	21,796	**15,930**	19,554
Unabsorbed capital allowances	**5,427**	4,556	**5,320**	4,440
	27,983	27,513	**26,270**	25,112

25. TRADE RECEIVABLES

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Trade receivables	**401,586**	307,667	**-**	-
Less: Provision for discounting	**(124,116)**	(75,448)	**-**	-
Net	**277,470**	232,219	**-**	-
Current				
Trade receivables	**152,783**	171,389	**4,211**	4,291
Total	**430,253**	403,608	**4,211**	4,291

25. TRADE RECEIVABLES (cont'd)

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Non-Current		
At 1 January	**75,448**	58,765
Provision for discounting (Note 6)	**62,318**	41,132
Impairment (Note 14)	**-**	612
Reversal of discounting (Note 8)	**(12,860)**	(25,196)
Derecognised on disposal of subsidiaries	**(1,240)**	-
Currency translation differences	**450**	135
At 31 December	**124,116**	75,448

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**430,253**	381,421	**4,211**	4,291
Chinese Renminbi	**-**	22,187	**-**	-
Total	**430,253**	403,608	**4,211**	4,291

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 RM430,253,000 (2015: RM403,608,000), RM422,761,000 (2015: RM371,145,000) is concentrated in two customers. These customers are 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) SADA

The gross invoiced amount due from SADA as of 31 December 2016 is RM44,691,000 (2015: RM48,465,000) was deemed by the Group to be current as payments from SADA has been regular.

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entities of the state government.

Notes to the Financial Statements

for the year ended 31 December 2016

25. TRADE RECEIVABLES (cont'd)

(b) SPLASH

In 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), a special purpose vehicle created by the Selangor state government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya ("Supply Area") by acquiring all the concessionaires namely, SPLASH, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1, Puncak Niaga (M) Sdn. Bhd., the concessionaire for the Sungai Selangor Water Supply Scheme Phase 2, Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"), the concessionaire for the distribution of treated water in the Supply Area and Titisan Modal (M) Sdn. Bhd., the holding company of Konsortium ABASS Sdn. Bhd. ("ABASS"). ABASS operates and maintains the Sungai Semenyih Water Supply Scheme.

The Selangor state government, through Air Selangor, completed the acquisitions of Puncak Niaga (M) Sdn. Bhd. and SYABAS in October 2015 and Titisan Modal (M) Sdn. Bhd. in January 2016. However, the proposed take-over of SPLASH did not proceed due to pricing disagreements. SPLASH has been given a one-year grace period until 7 October 2016 to re-negotiate terms with the Selangor state government but there were subsequent extentions given until October 2017. Pending the acquisition of SPLASH by Air Selangor, SYABAS has not been making full monthly payments to SPLASH and SPLASH in turn is unable to make full monthly payments to Sungai Harmoni Sdn. Bhd. ("SHSB") resulting in the gross invoiced amount from SPLASH to SHSB as of 31 December 2016 to be RM502,186,000 (2015: RM397,338,000) ("Amount Due from SPLASH").

In July 2016, the quantum of payments from SPLASH had been reduced from about 60% of the monthly billings to approximately 34% with no indication that the quantum will be increased or decreased in the future. The Group has had discussions with the Selangor Economic Planning Unit and Air Selangor to reach a possible settlement on the Amount Due from SPLASH. Whilst several settlement terms have been discussed, no final terms have been concluded.

In assessing the timing of repayment of Amount Due from SPLASH, the Board has taken the probability-weighted average approach on three (3) different scenarios, using the repayment terms as parameters to determine the provision for discounting on a deferred payment consideration. Under this approach, the Board has set out the scenarios and placed an equal probability of one-third to each of the scenario. These scenarios are based on the Board's assumptions as to future events which the Board expect to take place as of the time the asssumptions were made but the actual outcome could differ from the scenarios taken.

A net impact of RM49,458,000 (2015: RM15,936,000) on the provision for discounting has been made in the current financial year, comprising:

(i) provision for discounting on a deferred payment consideration of RM62,318,000 (2015: RM41,132,000) which was set-off against revenue, as disclosed in Note 6; and

(ii) a reversal of discounting of receivables amounting to RM12,860,000 (2015: RM25,196,000) recognised as other operating income.

25. TRADE RECEIVABLES (cont'd)

If the Group's expectations on the timing of payments are extended by a year and all other variables remain constant, the invoiced amounts due from SPLASH would require an additional provision for discounting of RM38,945,000 (2015: RM39,204,000).

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

The Group	SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2016				
Past due up to 3 months	**14,733**	**47,206**	**2,490**	**64,429**
Past due 3 to 9 months	**20,330**	**2,594**	**2,130**	**25,054**
Past due 9 months and above	**-**	**299,132**	**-**	**299,132**
	35,063	**348,932**	**4,620**	**388,615**
2015				
Past due up to 3 months	14,674	31,794	1,378	47,846
Past due 3 to 9 months	23,846	17,929	1,069	42,844
Past due 9 months and above	3,214	243,887	12,870	259,971
	41,734	293,610	15,317	350,661

The Company	2016 RM'000	2015 RM'000
Past due up to 3 months	**571**	-

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Other receivables	**-**	1,127	**-**	-
Currency translation differences	**-**	240	**-**	-
Less: Provision for discounting	**-**	(512)	**-**	-
Net	**-**	855	**-**	-
Current				
Other receivables and prepayments	**3,410**	7,300	**538**	685
Deposits	**1,501**	1,590	**821**	820
Amount due from an associate	**16,431**	1	**16,431**	1
Less: Provision for impairment	**-**	(74)	**-**	-
	21,342	8,817	**17,790**	1,506
Total	**21,342**	9,672	**17,790**	1,506

Notes to the Financial Statements

for the year ended 31 December 2016

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

During the financial year, the amount has been derecognised on the date of disposal of the subsidiary as disclosed in Note 46.

Included in amount due from an associate is a dividend receivable amounting to RM14,700,000 (2015: RMNil), which is interest free, unsecured and is expected to be repaid within the next 12 months.

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Non-Current		
At 1 January	**512**	547
Unwinding of discount	**(9)**	(35)
Derecognised on disposal of subsidiaries	**(503)**	-
At 31 December	**-**	512
Current		
At 1 January	**74**	42
Provision for impairment	**-**	7
Derecognised on disposal of subsidiaries	**(62)**	-
Currency translation differences	**(12)**	25
At 31 December	**-**	74

27. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Deposits with licensed banks	**154,123**	36,881	**125,807**	4,787
Current				
Deposits with licensed banks	**100,996**	62,303	**39,245**	1,000
Cash and bank balances	**12,580**	105,797	**4,145**	5,293
Total	**113,576**	168,100	**43,390**	6,293

27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Total:				
Deposits with licensed banks	**255,119**	99,184	**165,052**	5,787
Cash and bank balances	**12,580**	105,797	**4,145**	5,293
	267,699	204,981	**169,197**	11,080
Less:				
Deposits pledged as security	**(154,123)**	(36,881)	**(125,807)**	(4,787)
Proceeds deposited into the designated bank accounts	**-**	(10,162)	**-**	-
	(154,123)	(47,043)	**(125,807)**	(4,787)
Cash and cash equivalents	**113,576**	157,938	**43,390**	6,293

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

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Ringgit Malaysia	**120,907**	123,978	**22,405**	11,080
Chinese Renminbi	**-**	57,939	**-**	-
US Dollar	**146,792**	22,452	**146,792**	-
Other currencies	**-**	612	**-**	-
Total	**267,699**	204,981	**169,197**	11,080

(a) Included in deposits with licensed banks of the Group are long-term deposits amounting to RM154,123,000 (2015: RM36,881,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants and as security for a revolving credit facility as disclosed in Note 37.

(b) At the end of the previous reporting period, RM69,092,000 held by subsidiaries in the People's Republic of China was subject to the exchange control restrictions of that country. The restrictions will only apply if the monies were to be remitted outside the country.

(c) Included in deposits with licensed banks of the Company are long-term deposits amounting to RM125,807,000 (2015: RM4,787,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects and as security for a revolving credit facility as disclosed in Note 37.

(d) The average interest rates of deposits of the Group and the Company at the end of the reporting period range from 0.48% to 4.00% (2015: 0.50% to 3.94%) per annum and 0.48% to 3.30% (2015: 2.50% to 3.30%) per annum, respectively.

Notes to the Financial Statements

for the year ended 31 December 2016

27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

(e) Deposits of the Group and the Company have an average maturity ranging from 7 days to 1,007 days (2015: 7 to 1,119 days) and 7 days to 1,007 days (2015: 30 to 1,119 days) respectively. Bank balances are deposits held at call with licensed banks.

(f) Included in the Group's deposits with licensed banks as of 31 December 2016 is an amount of RM11,795,000 (2015: RM11,372,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium Term Notes as disclosed in Note 37.

28. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2016 RM'000	**2015 RM'000**
Non-Current		
Amount due from subsidiaries	**3,415**	300,625
Less: Provision for impairment	**(3,415)**	(8,181)
	-	292,444
Current		
Amount due from subsidiaries	**39,246**	5,366
Less: Provision for impairment	**-**	(300)
	39,246	5,066
	39,246	297,510

The movement in provision for impairment during the financial year is as follows:

	2016	2015
Non-Current		
At 1 January	**8,181**	8,181
Derecognised on disposal of subsidiaries	**(4,766)**	-
At 31 December	**3,415**	8,181
Current		
At 1 January	**300**	300
Write off	**(300)**	-
At 31 December	**-**	300

28. AMOUNT DUE FROM SUBSIDIARIES (cont'd)

The currency profile of amount due from subsidiaries is as follows:

	The Company	
	2016 RM'000	2015 RM'000
US Dollar	-	276,884
Ringgit Malaysia	**39,246**	9,786
Hong Kong Dollar	-	7,386
Singapore Dollar	-	2,450
Chinese Renminbi	-	1,004
Total	**39,246**	297,510

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 the next 12 months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

29. INVENTORIES

	The Group	
	2016 RM'000	2015 RM'000
Consumable spares	**1,488**	1,770

All of the Group's inventories are expected to be used within the next 12 months.

30. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	**238,692**	114,459	**188,982**	-
Additions	**114,135**	280,070	**96,077**	217,880
Disposals	**(289,889)**	(155,660)	**(281,204)**	(28,680)
Fair value changes transferred to equity	**280**	17	**392**	21
Fair value changes transferred from equity	**(198)**	(194)	**(195)**	(239)
	82	(177)	**197**	(218)
At 31 December	**63,020**	238,692	**4,052**	188,982

Notes to the Financial Statements

for the year ended 31 December 2016

31. SHARE CAPITAL

	The Group and The Company					
	2016			2015		
	Nominal value per share RM	Number of shares '000	Nominal value RM'000	Nominal value per share RM	Number of shares '000	Nominal value RM'000
Authorised:						
Ordinary shares						
At 1 January	**0.20**	**2,500,000**	**500,000**	0.50	1,000,000	500,000
Share split into RM0.20 each		**-**	**-**	0.20	1,500,000	-
At 31 December	**0.20**	**2,500,000**	**500,000**	0.20	2,500,000	500,000
Issued and fully paid:						
Ordinary shares						
At 1 January	**0.20**	**1,209,489**	**241,898**	0.50	436,491	218,246
Issued during the financial year:						
- Exercise of Warrants	**0.20**	**-***	**-***	-	-	-
- Private placement of shares		**-**	**-**	0.50	43,980	21,990
- Exercise of ESOS options		**-**	**-**	0.50	3,324	1,662
- Share split into RM0.20 each		**-**	**-**	0.20	725,694	-
At 31 December	**0.20**	**1,209,489**	**241,898**	0.20	1,209,489	241,898

* Includes 50 new ordinary shares of RM0.20 each.

(a) (I) During the financial year, the issued and paid-up share capital of the Company was increased from RM241,897,790 comprising 1,209,488,950 ordinary shares of RM0.20 each, to RM241,897,800 comprising 1,209,489,000 ordinary shares of RM0.20 each by way of the issuance of 50 new ordinary shares of RM0.20 each pursuant to the exercise of Warrants of the Company.

(II) In 2015, the movements in the share capital of the Company were as follows:

(a) The issued and paid-up share capital was increased from RM218,245,790 comprising 436,491,580 ordinary shares of RM0.50 each to RM241,897,790 comprising 483,795,580 ordinary shares of RM0.50 each by way of:

- issuance of 3,324,000 new ordinary shares of RM0.50 each pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.90 per share; and
- issuance of 43,980,000 new ordinary shares of RM0.50 each, pursuant to a private placement of new shares at RM3.20 per share.

31. SHARE CAPITAL (cont'd)

(II) In 2015, the movements in the share capital of the Company were as follows: (cont'd)

(b) On 9 November 2015, the issued and paid-up share capital of every two existing ordinary shares of RM0.50 each was subdivided into five ordinary shares of RM0.20 each ("Share Split"). Pursuant to the Share Split, 483,795,580 ordinary shares of RM0.50 each of the Company were subdivided into 1,209,488,950 ordinary shares of RM0.20 each.

(b) 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 were exercisable from the effective date and expired on 29 September 2015. Any options not exercised has lapsed and ceased to be valid. The ESOS was terminated upon the lapse of the ESOS options.

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

		Number of ESOS options over ordinary shares of RM0.50 each			
Date of Grant	Exercise price per share RM	At 1 January RM'000	Exercised RM'000	Lapsed '000	At date of expiry '000
2015					
3.10.2005	1.31	21	-	(21)	-
5.9.2007	1.90	3,483	(3,324)	(159)	-
		3,504	(3,324)	(180)	-
Weighted average exercise price (RM)		1.89	1.90	1.89	-

There were 3,324,000 options exercised during the previous financial year. The ESOS had expired on 29 September 2015 and a total of 21,000 ESOS options at exercise price of RM1.31 per share and 159,000 ESOS options at exercise price of RM1.90 per share remained unexercised. In accordance with the ESOS By-laws, all ESOS options to the extent unexercised on the expiry of the ESOS had lapsed and were null and void and of no further force or effect.

Proceeds on exercise of ESOS are as follows:

	The Group and The Company 2015 RM'000
Ordinary shares of RM0.50 each	1,662
Share premium (Note 32)	4,653
Proceeds received	6,315

Notes to the Financial Statements

for the year ended 31 December 2016

31. SHARE CAPITAL (cont'd)

(c) Warrants

On 12 November 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.20 each within three years, from the date of issuance of the Warrants to the expiry date on 11 November 2018 (the period referred to as the "Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are:-

(i) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company ("Deed Poll");

(ii) each Warrant entitles the holder to subscribe for one new ordinary share of RM0.20 each at an exercise price of RM1.70 per share at any time during the Exercise Period;

(iii) the Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities to the ordinary shareholders in the Company until and unless such Warrant holders exercise their Warrants;

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

(v) the exercise price of the Warrants and/or the number of unexercised Warrants may from time to time be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

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

		Number of Warrants over ordinary shares of RM0.20 each			
Date of issue	**Exercise price per share '000**	**At 1 January '000**	**Exercised '000**	**Lapsed '000**	**At 31 December '000**
2016					
12.11.2015	1.70	241,898	-£	-	241,898
Weighted average exercise price (RM)		1.70	1.70	-	1.70

£ There were 50 (2015: Nil) Warrants exercised during the financial year resulting in 50 (2015: Nil) units of shares being issued. The proceeds received from the exercise of warrants is RM85.

32. SHARE PREMIUM

	The Group and The Company 2016 RM'000	The Group and The Company 2015 RM'000
At 1 January	**196,663**	74,176
ESOS:		
- transfer from share options reserve upon ESOS options exercised	-	1,519
- proceeds from shares issued	-	4,653
	-	6,172
Private placement of shares:		
- proceeds from shares issued	-	118,746
- share issue costs	-	(2,431)
	-	116,315
Warrants:		
- proceeds from shares issued	-^	-
	-	-
At 31 December	**196,663**	196,663

^ Includes RM75 proceeds on exercise of Warrants as disclosed in Note 31.

33. SHARE OPTION RESERVE

	The Group and The Company 2016 RM'000	The Group and The Company 2015 RM'000
At 1 January	-	1,591
Transfer from share option reserve upon ESOS lapsed	-	(72)
Transfer from share option reserve upon ESOS exercised	-	(1,519)
At 31 December	-	-

The share option reserve represents the equity-settled share options granted to eligible Directors and employees of the Company and its subsidiaries which had expired on 29 September 2015.

Notes to the Financial Statements
for the year ended 31 December 2016

34. MERGER DEFICIT

	The Group	
	2016 RM'000	2015 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

35. RETAINED EARNINGS

In accordance with the Finance Act 2007, the entire retained earnings of the Company as of 31 December 2016 is available for the distribution of single-tier dividend.

36. DIVIDENDS

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

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2016		
Fourth interim single-tier dividend in respect of the financial year ended 31 December 2015 on 1,209,488,950 ordinary shares of RM0.20 each, paid on 11 April 2016	2.0	24,190
First interim single-tier dividend in respect of the financial year ended 31 December 2016 on 1,209,488,950 ordinary shares of RM0.20 each, paid on 15 July 2016	2.0	24,190
Second interim single-tier dividend in respect of the financial year ended 31 December 2016 on 1,209,488,950 ordinary shares of RM0.20 each, paid on 15 September 2016	2.0	24,190
Third interim single-tier dividend in respect of the financial year ended 31 December 2016 on 1,209,489,000 ordinary shares of RM0.20 each, paid on 23 December 2016	2.0	24,189
		96,759

36. DIVIDENDS (cont'd)

Dividends declared and paid in respect of the financial year are as follows: (cont'd)

	The Group and The Company	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
2015		
First interim single-tier dividend in respect of the financial year ended 31 December 2015 on 436,491,580 ordinary shares of RM0.50 each, paid on 1 April 2015	5.0	21,825
Second interim single-tier dividend in respect of the financial year ended 31 December 2015 on 438,580,580 ordinary shares of RM0.50 each, paid on 31 July 2015	5.0	21,929
Third interim single-tier dividend in respect of the financial year ended 31 December 2015 on 1,209,488,950 ordinary shares of RM0.20 each, paid on 23 December 2015	2.0*	24,190
		67,944

* after the subdivision of every two (2) existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each.

The Directors do not recommend any final dividend in respect of the current financial year. However, on 16 February 2017, the Directors declared the payment of the forth interim single-tier dividend of 2.0 sen per share on 1,209,489,000 ordinary shares, amounting to approximately RM24,190,000 in respect of the financial year ended 31 December 2016, to be paid on 31 March 2017 and this has not been included as a liability in the financial statements.

37. BORROWINGS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Finance lease liabilities	**217**	429	**-**	31
Term loans	**-**	387,878	**-**	-
Islamic Medium Term Notes ("IMTN")	**415,968**	415,418	**-**	-
	416,185	803,725	**-**	31
Current				
Government loan	**-**	3,966	**-**	-
Finance lease liabilities	**213**	358	**31**	186
Term loans	**-**	18,931	**-**	-
Revolving credit	**70,000**	-	**70,000**	-
	70,213	23,255	**70,031**	186

Notes to the Financial Statements

for the year ended 31 December 2016

37. BORROWINGS (cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total				
Government loan (a)	**-**	3,966	**-**	-
Finance lease liabilities (b)	**430**	787	**31**	217
Term loans (c)	**-**	406,809	**-**	-
IMTN (d)	**415,968**	415,418	**-**	-
Revolving credit (e)	**70,000**	-	**70,000**	-
	486,398	826,980	**70,031**	217

The currency profile of borrowings is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Chinese Renminbi	**-**	410,775	**-**	-
Ringgit Malaysia	**486,398**	416,205	**70,031**	217
Total	**486,398**	826,980	**70,031**	217

The Group and the Company have a total of RM967,315,000 and RM156,000,000 (2015: RM1,310,078,000 and RM61,000,000) of credit facilities, respectively comprising government loan secured from local government, term loans, revolving credit, overdrafts and other trade financing facilities granted by financial institutions and a RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM959,315,000 (2015: RM1,293,112,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

Facilities of the Company amounting to RM148,000,000 (2015: RM48,000,000) are secured by way of either proceeds deposited into designated bank accounts and fixed deposits.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM48,061,000 (2015: RM48,281,400) issued to financial institutions for banking facilities secured by a subsidiary, Taliworks Construction Sdn. Bhd..

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

	The Group		The Company	
	2016 %	2015 %	2016 %	2015 %
Government loan	**-**	6.15	**-**	-
Finance lease liabilities	**2.40 - 3.20**	2.40 - 3.20	**2.40 - 2.47**	2.40 - 2.50
Term loans	**-**	6.21 - 6.49	**-**	-
Revolving credit	**4.32**	-	**4.32**	-
IMTN	**4.63 - 5.20**	4.65 - 5.44	**-**	-

37. BORROWINGS (cont'd)

(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 a subsidiary, Puresino (Guanghan) Water Co Ltd, 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.

During the financial year, the outstanding government loan amounts have been derecognised upon disposal of the subsidiary as disclosed in Note 46.

(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 which revert to the lessor in the event of default.

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
The minimum lease payments at the end of the reporting period are as follows:				
Not later than 1 year	**228**	387	**32**	191
Later than 1 year	**224**	452	**-**	32
	452	839	**32**	223
Future finance charges	**(22)**	(52)	**(1)**	(6)
Present value	**430**	787	**31**	217
The maturity profile of the present value of the finance lease liabilities is as follows:				
Not later than 1 year	**213**	358	**31**	186
Later than 1 year	**217**	429	**-**	31
	430	787	**31**	217

(c) Term loans

In 2011, a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co Ltd, secured a long-term loan facility of RMB526,500,000 (equivalent to RM265,040,000 then) to partly finance the acquisition of the concession right as disclosed in Note 18. The long-term loan is repayable over fourteen years with repayment commencing in 2014.

In 2014, the subsidiary secured another long term loan facility of RMB100,000,000 (equivalent to RM56,340,000 then) to fund the upgrading and expansion of Wastewater Treatment Plant No. 3. The long-term loan is repayable over seven years with repayment commencing in 2016. Both of the long term loan facilities are secured by fees receivable from the management, operation and maintenance of the wastewater treatment plants.

During the financial year, the outstanding term loans have been derecognised upon disposal of the subsidiary as disclosed in Note 46.

Notes to the Financial Statements

for the year ended 31 December 2016

37. BORROWINGS (cont'd)

(d) Islamic Medium Term Notes ("IMTN")

	The Group	
	2016 RM'000	2015 RM'000
At 1 January	**415,418**	414,870
Interest imputed in borrowing (Note 9)	**550**	548
At 31 December	**415,968**	415,418

The Ringgit Malaysia denominated IMTN of Cerah Sama Sdn. Bhd. ("CSSB"), a subsidiary, was issued under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account; and

(ii) CSSB's equity interest in ordinary shares of all of its subsidiaries.

(e) Revolving credit

On 17 May 2016, the Company drawn down RM80,000,000 from a revolving credit facility of RM100,000,000 to finance the SWMH Acquisition referred to in Note 46. The revolving credit facility will be repaid using the proceeds from the Disposal of Foreign Operations as disclosed in Note 46. The revolving credit was secured by an assignment and charge over 110% marginal deposits placed in USD Escrow account with the lender. As at the end of financial year, the outstanding balance of the revolving credit amounted to RM70,000,000.

38. TRADE PAYABLES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-Current				
Retention sums	**8,422**	9,296	**-**	-
Less: Interest income imputed in retention sum	**(1,172)**	(1,253)	**-**	-
Net	**7,250**	8,043	**-**	-
Current				
Trade payables	**86,052**	83,658	**-**	140
Retention sums	**1,951**	3,005	**-**	-
	88,003	86,663	**-**	140
Total	**95,253**	94,706	**-**	140

38. TRADE PAYABLES (cont'd)

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM10,373,000 (2015: RM12,301,000). Out of this amount, the Group anticipated that RM1,951,000 (2015: RM3,005,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM8,422,000 (2015: RM9,296,000) has been classified as long-term payables, and it is expected to be released to contractors between 2018 to 2019.

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Non-Current		
At 1 January	**1,253**	1,378
Recognised in profit or loss	**160**	(166)
Derecognised on disposal of subsidiaries	**(224)**	-
Currency translation differences	**(17)**	41
At 31 December	**1,172**	1,253

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 currency profile of trade payables is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	**95,253**	85,801	**-**	140
Chinese Renminbi	**-**	8,905	**-**	-
	95,253	94,706	**-**	140

39. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables and accurals	**36,439**	66,282	**22,373**	12,962
Interest payables	**8,922**	11,887	**-**	-
	45,361	78,169	**22,373**	12,962

Notes to the Financial Statements

for the year ended 31 December 2016

39. OTHER PAYABLES AND ACCRUALS (cont'd)

Included in other payables and accruals of the Group and of the Company are the following:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
(a) an amount owing to a company in which a Director and major shareholders have an interest	**316**	945	**156**	945
(b) an amount owing to an unincorporated joint venture of the Company in which a Director and major shareholder have an interest	**-**	929	**-**	929
(c) an amount owing arising from the acquisition of AFSB as disclosed in Note 21	**1,130**	-	**1,130**	-

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

40. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Aggregrate costs incured to-date and recognised profits	**444,391**	395,834	**168,064**	160,704
Progress bilings	**(431,474)**	(388,685)	**(168,248)**	(162,107)
Net amount due from/(to) contract customers	**12,917**	7,149	**(184)**	(1,403)
Represented by:				
Amount due from contract customers	**13,101**	8,552	**-**	-
Amount due to contract customers	**(184)**	(1,403)	**(184)**	(1,403)
	12,917	7,149	**(184)**	(1,403)

Included in amount due from/(to) contract customers are:

	The Group 2016 RM'000	The Group 2015 RM'000
Depreciation of property, plant and equipment (Note 16)	**120**	158
Rental of site office	**23**	33
Interest expense on borrowings	**123**	51
Interest expense on finance lease	**6**	12

41. DEFERRED INCOME

	The Group 2016 RM'000	The Group 2015 RM'000
Rental and maintenance fee		
At 1 January	**769**	886
Adjustment	**-**	(49)
Recognised in profit or loss (Note 8)	**(67)**	(68)
At 31 December	**702**	769
Government compensation		
At 1 January	**189,521**	200,617
Recognised in profit or loss (Note 6)	**(17,289)**	(11,096)
At 31 December	**172,232**	189,521
Government grant		
At 1 January	**20,839**	-
Proceeds received	**-**	20,883
Recognised in profit or loss (Note 8)	**(163)**	(42)
Currency translation difference	**(1,421)**	(2)
Derecognised on disposal of subsidiaries (Note 46)	**(19,255)**	-
At 31 December	**-**	20,839
Current	**16,640**	17,827
Non-current	**156,294**	193,302
Total deferred income	**172, 934**	211,129

42. PROVISION FOR HEAVY REPAIRS

	The Group 2016 RM'000	The Group 2015 RM'000
At 1 January	**12,605**	9,099
Provision for the year (Note 7)	**4,115**	3,506
At 31 December	**16,720**	12,605

Notes to the Financial Statements

for the year ended 31 December 2016

43. 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.

The Group's strategy, which was unchanged from the previous year, is 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total borrowings (Note 37)	**486,398**	826,980	**70,031**	217
Less: Deposits, cash and bank balances (Note 27)	**(267,699)**	(204,981)	**(169,197)**	(11,080)
Less: Available-for-sale financial assets (Note 30)	**(63,020)**	(238,692)	**(4,052)**	(188,982)
Net debt	**155,679**	383,307	**N/A**	N/A
Total capital	**1,120,972**	1,146,602	**783,141**	900,981
Net gearing ratio	**14%**	33%	**N/A**	N/A

* N/A-not applicable

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.

43. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Financial assets				
Loans and receivables:				
Total receivables	**430,253**	403,608	**4,211**	4,291
Other receivables and deposits	**19,837**	6,560	**17,681**	1,393
Deposits, cash and bank balances	**267,699**	204,981	**169,197**	11,080
Amount due from subsidiaries	**-**	-	**39,246**	297,510
Avalable-for-sale financial assets:				
Investment in quoted unit trusts	**63,020**	238,692	**4,052**	188,982
Other investments	**240**	240	**-**	-
Investment in redeemable preference shares of a joint venture	**36,424**	36,424	**36,424**	36,424
Financial liabilities				
Other financial liabilities:				
At amortised costs:				
Trade payables	**95,253**	94,706	**-**	140
Other payables and accurals	**45,361**	78,169	**22,373**	12,962
Borrowings	**486,398**	826,980	**70,031**	217

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 is exposed to foreign currency risk as a result of transactions undertaken denominated in currencies other than the functional currencies of the entities.

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

Notes to the Financial Statements
for the year ended 31 December 2016

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of US Dollar.

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 US Dollar 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 RM7,340,000 (2015: RM1,151,000) higher/lower.

In the Director'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.

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 for the financial year would have been RM2,308,000 and RM951,000 (2015: RM7,270,000 and RM58,000) 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 25.

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

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 2016.

Available-for-sale financial assets comprise investment in liquid securities primarily in quoted unit trusts in money market securities instruments 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 risk associated with its receivables.

The credit quality of deposits, cash and bank balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits, cash and bank balances (Note 27)				
External credit rating				
(as rated by a rating agency in Malaysia):				
- AAA	**244,663**	130,686	**166,871**	9,275
- AA1	**1,826**	2,150	**-**	-
- AA2	**18,665**	2,585	**169**	1,798
Without external credit rating	**2,545**	69,560	**2,157**	7
	267,699	204,981	**169,197**	11,080

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 exceed 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.

Notes to the Financial Statements

for the year ended 31 December 2016

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Liquidity Risk (cont'd)

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						
2016						
Non-interest bearing:						
Trade payables	**-**	**86,052**	**-**	**-**	**-**	**86,052**
Other payables and accruals	**-**	**45,361**	**-**	**-**	**-**	**45,361**
Interest bearing:						
Trade payables	**8**	**1,951**	**357**	**8,065**	**-**	**10,373**
Borrowings	**2.4 - 5.4**	**91,352**	**21,233**	**120,331**	**453,668**	**686,584**
		224,716	**21,590**	**128,396**	**453,668**	**828,370**
2015						
Non-interest bearing:						
Trade payables	-	83,657	-	-	-	83,657
Other payables and accruals	-	78,169	-	-	-	78,169
Interest bearing:						
Trade payables	6.2 - 8.0	3,005	2,265	7,031	-	12,301
Borrowings	2.4 - 6.5	69,241	60,673	242,021	843,525	1,215,460
		234,072	62,938	249,052	843,525	1,389,587
The Company						
2016						
Non-interest bearing:						
Other payables and accruals	**-**	**22,373**	**-**	**-**	**-**	**22.373**
Interest bearing:						
Borrowings	**2.4 - 2.5**	**71,782**	**-**	**-**	**-**	**71,782**
		94,155	**-**	**-**	**-**	**94,155**
2015						
Non-interest bearing:						
Trade payables	-	140	-	-	-	140
Other payables and accruals	-	12,962	-	-	-	12,962
Interest bearing:						
Borrowings	2.4 -2.5	191	32	-	-	223
		13,293	32	-	-	13,325

44. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

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).

(a) Financial assets that are measured at fair value

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2016				
Available-for-sale				
- investment in quoted unit trusts	**-**	**63,020**	**-**	**63,020**
2015				
Available-for-sale				
- investment in quoted unit trusts	-	238,692	-	238,692
The Company				
2016				
Available-for-sale				
- investment in quoted unit trusts	**-**	**4,052**	**-**	**4,052**
2015				
Available-for-sale				
- investment in quoted unit trusts	-	188,982	-	188,982

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in quoted unit trusts in general, fair values have been estimated by reference to quotes published by unit trust companies.

Investment in golf membership and investment in redeemable preference shares of joint venture are stated at cost less identified impairment losses as they do not have a quoted market price in an active market and the Directors believe that the fair values cannot be reliably measured.

Notes to the Financial Statements

for the year ended 31 December 2016

44. FAIR VALUE MEASUREMENT (cont'd)

(b) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2016				
Long-term trade receivables	**-**	**-**	**277,470**	**277,470**
IMTN	**-**	**435,122**	**-**	**435,122**
2015				
Long-term trade receivables	-	-	232,219	232,219
IMTN	-	426,928	-	426,928

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 4.64% to 5.20%.

(c) Description of key inputs to valuation on the financial assets measured at Level 3

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
Long-term trade receivables			
Discounted cash flows method	Discount rate	4.50 to 12.41	An increase in the discount rate used would result in a decrease in the fair value.

45. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Authorised but not contracted for:				
Property, plant and equipment	**2,247**	5,343	**716**	899
Authorised and contracted for:				
Intangible assets	**-**	34,033*	**-**	-
	2,247	39,376	**716**	899

45. CAPITAL COMMITMENTS (cont'd)

* In accordance with the concession agreement executed, a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, shall be liable to upgrade and expand its existing wastewater treatment plants. The upgrading and expansion is to fulfill the overall water demand in Yinchuan city and to meet the effluent wastewater quality standard in accordance with the said concession agreement.

In 2015, the upgrading and expansion of the Wastewater Treatment Plant No. 3 has been completed. The Group has estimated that total capital expenditure for upgrading and expansion works of the remaining Wastewater Treatment Plants No. 1, 2 and 4 is approximately RMB649,018,000 (RM429,000,000), out of which RMB51,487,000 (RM34,033,000), being the cost of upgrading and expansion of Wastewater Treatment Plant No. 4 has been authorised by the directors of the subsidiary.

With the Disposal of Foreign Operations as disclosed in Note 46, this capital commitment is no longer required in the current financial year.

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2016 RM'000	2015 RM'000
No later than 1 year	**150**	150
Later than 1 year but not later than 5 years	**450**	600
	600	750

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.

(ii) Rental of premises:

During the financial year, the Group renewed an operating lease with the landlord for the rental of its office premise. The rental tenure is for 3 years with the option for renewal of two terms of 3 years each, at RM3,038,458 per annum.

Future rentals payables under the non-cancelllable operating lease at the reporting date are as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
No later than 1 year	**3,038**	2,775	**3,038**	2,775
Later than 1 year but not later than 5 years	**6,077**	-	**6,077**	-
	9,115	2,775	**9,115**	2,775

Notes to the Financial Statements

for the year ended 31 December 2016

46. SIGNIFICANT EVENTS

2015

(a) On 26 February 2015, the Group increased its stake in PMSB and CSSB by way of acquisition of non-controlling interests:

(i) the Company accepted an offer to acquire 1,538 ordinary shares of RM1.00 each, representing 15.38% of the ordinary share capital in PMSB and 26,916,218 redeemable preference shares of RM0.01 each in PMSB, from a minority shareholder of PMSB, for a cash consideration of RM22,851,538. Upon the completion of the acquisition on 21 April 2015, PMSB became a wholly-owned subsidiary of the Company;

(ii) TEI, the then 51% owned subsidiary of PMSB, accepted an offer to acquire 208,250 ordinary shares of RM1.00 each, representing 35% of the ordinary share capital in CSSB, from a minority shareholder of CSSB for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI;

The financial effects of the acquisition of non-controlling interests of PMSB and CSSB are as follows:

		The Group	
	PMSB RM'000	CSSB RM'000	Total RM'000
Proportionate share of the carrying amount of the net assets at date of acquisition	72,410	198,086	270,496
Less: Consideration paid	(22,851)	(80,000)	(102,851)
Positive movement in equity	49,559	118,086	167,645
Positive movement in equity attributable to:			
Owners of the Company	49,559	50,962	100,521
Non-controlling interests	-	67,124	67,124
	49,559	118,086	167,645

(b) On 26 November 2015, the Group carried out an internal re-organisation exercise ("Re-organisation") as follows:

(i) the transfer by the Company to PMSB of 48,000,000 irredeemable preference shares ("IPS") of RM1.00 each in GSNK, representing 62.9% of the total IPS in issue, for a consideration of RM48,000,000;

(ii) the transfer by PMSB to the Company, of 5,100 ordinary shares of RM1.00 each in TEI, representing 51% of the total ordinary shares in issue and 238,011,902 redeemable preference shares of RM0.001 each in TEI ("TEI RPS"), representing 51% of the total TEI RPS in issue, at a premium of RM0.999 for a consideration of RM5,100 and RM238,011,902 respectively; and

46. SIGNIFICANT EVENTS (cont'd)

2015 (cont'd)

(b) On 26 November 2015, the Group carried out an internal re-organisation exercise ("Re-organisation") as follows: (cont'd)

(iii) the subscription by the Company of 45,932,920 new redeemable preference shares of RM0.01 each in PMSB ("PMSB RPS") at a premium of RM0.99 each, for a consideration of RM45,932,920 which was satisfied by capitalising an equivalent amount owing by PMSB to the Company (after taking into consideration the existing net amount owing by PMSB to the Company as well as item (i) and (ii) above).

Following the Re-organisation, TEI ceased to be subsidiary of PMSB and became a 51% owned subsidiary of the Company. No gain or loss on disposal was recognised in the Group's financial statements.

(c) On 30 November 2015, the Company entered into a Share Sale and Purchase Agreement ("SSPA") with PVSB, and EPF to dispose 50% of its equity interest in PMSB comprising 5,000 ordinary shares of RM1.00 each and 36,424,569 redeemable cumulative preference shares of RM0.01 each at a premium of RM0.99 each, to PVSB for an aggregate cash consideration of RM66,750,000 ("Disposal of PMSB Shares").

Pursuant to the SSPA, a shareholders' agreement is entered into on 30 November 2015 between the Company, PMSB, EPF, PVSB and TEI which governs their mutually agreed rights, duties, liabilities and obligations to each other and in respect of PMSB, whereby they contractually agreed under the shareholders' agreement to jointly share the control to direct the activities that will significantly affect the returns of PMSB.

Upon the completion of the SSPA on 11 December 2015, PMSB ceased to be subsidiary of the Company and became a 50% joint venture of the Company in accordance with MFRS 11 Joint Arrangements.

The Group's previously held interest in PMSB was re-measured to fair value at the disposal date which resulted in a gain on disposal to the Group and the Company amounting to RM59,547,000 and RM65,130,000 respectively.

The analysis of the Disposal of PMSB Shares is as follows:

(i) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents	66,750

Notes to the Financial Statements

for the year ended 31 December 2016

46. SIGNIFICANT EVENTS (cont'd)

2015 (cont'd)

(ii) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current asset	
Investment in joint venture	73,530
Current asset	
Deposits, cash and bank balances	928
Total assets	74,458
Current liability	
Other payables and accruals	82
Total liability	82
Net assets disposed of	74,376

(iii) Analysis of gain or loss in profit or loss for the year:

	The Group RM'000	The Company RM'000
Consideration received	66,750	66,750
Net assets disposed of	(74,376)	(68,793)
Fair value of retained interest (Note 20)	67,173	67,173
Gain on disposal of a subsidiary (Note 8)	59,547	65,130

(iv) Net cash inflow on Disposal of PMSB Shares:

	The Group RM'000
Consideration received in cash	66,750
Less: Cash and cash equivalents disposed of	(928)
	65,822

46. SIGNIFICANT EVENTS (cont'd)

2015 (cont'd)

(d) On 29 December 2015, PMSB executed a Deed of Revocation with Trinitywin Ventures Sdn. Bhd., the other shareholder of GSNK to revoke the existing shareholders' agreement dated 23 June 2014 which stipulated that the parties contractually agree to jointly share the control to direct the activities that will significantly affect the returns of GSNK.

Arising from the termination of the shareholders' agreement, the rights over the board reserved matters and shareholder reserved matters have been removed and the composition of the board of directors has been changed. Consequently, PMSB gained control over GSNK, and therefore, it has been accounted for using the acquisition method in accordance with MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements. GSNK is consolidated in PMSB's consolidated financial statements ("PMSB Group") while the Group accounts for its investment in PMSB Group under the equity method.

2016

(a) **Disposal of Foreign Operations**

On 25 February 2016, the Company entered into a Disposals SSA with LGB HK for an aggregate cash consideration of United States Dollars 54.6 million for the Disposal of Foreign Operations, as disclosed in Note 14.

Upon completion of the Disposals SSA on 17 May 2016, TIL, TSL, SWMT and their subsidiaries ("Disposed Companies") ceased to be subsidiaries of the Company.

The disposal of foreign operations has resulted in a gain on disposal to the Group amounting to approximately RM65,786,000, which includes the cumulative exchange gain in respect of the net assets of the Disposed Companies prior to the disposal date that was reclassified from equity, and a loss on disposal to the Company amounting to approximately RM72,841,000 as disclosed in Notes 14 and 9 respectively.

The analysis of the Disposals of Foreign Operations is as follows:-

(i) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents	**218,774***

* USD54.6 million translated based on the exchange rate prevailing at the disposal date, as quoted by Bank Negara Malaysia

Notes to the Financial Statements

for the year ended 31 December 2016

46. SIGNIFICANT EVENTS (cont'd)

2016 (cont'd)

(a) Disposal of Foreign Operations (cont'd)

(ii) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current assets	
Property, plant and equipment (Note 16)	5,284
Long-term trade receivables	11,470
Long-term other receivables	774
Intangibles assets (Note 18)	556,408
Goodwill on consolidation (Note 23)	2,504
Deferred tax asset (Note 24)	550
Deposits, cash and bank balances	2,464
Total non-current assets	579,454
Current assets	
Inventories	658
Trade receivables	12,583
Other receivables, deposits and prepayments	3,568
Deposits, cash and bank balances	64,081
Total current assets	80,890
Total assets	660,344
Current liabilities	
Trade payables	4,556
Other payables and accruals	39,407
Tax liabilities	433
Borrowings	22,258
Deferred income (Note 41)	428
Total current liabilities	67,082
Non-current liabilities	
Trade payables	1,765
Borrowings	365,786
Deferred tax liability (Note 24)	297
Deferred income (Note 41)	18,827
Total non-current liabilities	386,675
Total liabilities	453,757
Net assets disposed of	206,587
Equity attributable to owners of the Company	199,164
Non-controlling interests	7,423

46. SIGNIFICANT EVENTS (cont'd)

2016 (cont'd)

(a) Disposal of Foreign Operations (cont'd)

(iii) Analysis of gain or loss in profit or loss for the year:

	The Group RM'000	The Company RM'000
Consideration received	218,774	218,774
Net assets disposed of	(199,164)	(291,615)
Cumulative exchange gain in respect of the net assets of the Disposed Companies reclassified to profit or loss on the date of disposal	46,176	-
Gain/(Loss) on disposal (Note 14/Note 9)	65,786	(72,841)

The gain/(loss) on disposal is included in the profit for the year from discontinued operations, as disclosed in Note 14 and Note 9 respectively.

(iv) Net cash inflow on Disposal of Foreign Operations:

	The Group RM'000	The Company RM'000
Consideration received in cash	218,774	218,774
Less: Cash and cash equivalents disposed of	(66,545)	-
	152,229	218,774

(b) Acquisition of shares

On 25 February 2016, the Company entered into a conditional share purchase agreement with Conseec Gali Sdn. Bhd. and Esys Montenay (Malaysia) Sdn. Bhd., related parties of the Company as disclosed in Note 48, to acquire an aggregate of 3,501 ordinary shares of RM1.00 each in SWMH, a related party of the Company as disclosed in Note 48, representing 35% of the total issued and paid-up ordinary shares in SWMH, for an aggregate cash consideration of RM245,000,000 ("SWMH Acquisition"). The SWMH Acquisition was completed on 17 May 2016 and thereafter, SWMH became a 35% associate of the Company.

Notes to the Financial Statements

for the year ended 31 December 2016

47. SUBSEQUENT EVENT

In relation to the SWMH Acquisition as disclosed in Note 46, LGB Holdings Sdn. Bhd. ("LGB Holdings"), a substantial shareholder of the Company, via a letter dated 17 May 2016, represented and warranted to the Company, amongst others, that at least RM49.6 million ("Collectable Amount") of the trade receivables of SWM Environment Sdn. Bhd. ("SWME"), a wholly owned subsidiary of SWMH, up to 30 June 2015 will be collected by 31 December 2016. In the event that the amount of receivables collected is below the Collectable Amount as at 31 December 2016 ("Shortfall"), LGB Holdings would undertake to pay to the Company an amount equivalent to 35% of the Shortfall. Nevertheless, if the amount of the Shortfall is collected after 31 December 2016 and provided such Shortfall has been paid to the Company, such an amount up to the amount of Shortfall shall be paid by SWMH to Kembangan Restu Sdn. Bhd. ("KRSB"), a related party of LGB Holdings and an existing shareholder of SWMH, by way of dividends ("KRSB Dividends"). KRSB Dividends shall be subordinated to the declaration and payment of dividends by SWMH to its ordinary shareholders.

On 6 February 2017, LGB Holdings notified the Company of a Shortfall and subsequently on 28 February 2017, the Company was notified that the Shortfall to be approximately RM17,087,000 ("Compensation"). The Compensation received on the same day has been recognised as a reduction to the carrying amount of investment in associate in the financial statements for the year ending 31 December 2017.

48. 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
Perangsang Water Management Sdn. Bhd.	Common major shareholder
Exitra Sdn. Bhd.	Common director and major shareholder
Aqua-Flo Sdn. Bhd.	Subsidiary of an associate/Associate (effective 30 June 2016)
LGB Realty Sdn. Bhd.	Common director and major shareholders
GSL Realty Sdn. Bhd.	Common director and major shareholders
Edaran SWM Sdn. Bhd.	Subsidiary of an associate (effective 17 May 2016)
LGB Engineering Sdn. Bhd.	Common director and major shareholders
LGB Group (HK) Limited	Common major shareholders
Conseec Gali Sdn. Bhd.	Common director and major shareholders
Esys Montenay (Malaysia) Sdn. Bhd.	Common major shareholder
Sungai Harmoni Sdn. Bhd.	Subsidiary
Taliworks (Langkawi) Sdn. Bhd.	Subsidiary
Taliworks Construction Sdn. Bhd.	Subsidiary
Cerah Sama Sdn. Bhd.	Subsidiary
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Pinggiran Muhibbah Sdn. Bhd.	Subsidiary/Joint venture (effective 11 December 2015)
Hydrovest Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate

48. 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		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 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.	**16,970**	17,499	**-**	-
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn. Bhd. (a)	**6,133**	5,722	**-**	-
- Perangsang Water Management Sdn. Bhd. (a)	**3,066**	2,861	**-**	-
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn. Bhd. (a)	**2,978**	2,721	**-**	-
Service rendered in relation to information technology services and maintenance fee paid to:				
- Exitra Sdn. Bhd. (b)	**1,580**	937	**452**	145
Rental of premises paid to:				
- LGB Realty Sdn. Bhd. (b)	**-**	-	**-**	228
- GSB Realty Sdn. Bhd. (b)	**2,775**	2,775	**2,775**	2,775
Progress billings				
- LGB Engineering Sdn. Bhd. (b)	**766**	-	**-**	-
Staff secondment fees paid to:				
- LGB Engineering Sdn. Bhd. (b)	**116**	-	**-**	-
Rental income from:				
- Sungai Harmoni Sdn. Bhd.	**-**	-	**246**	246
- Taliworks Construction Sdn. Bhd.	**-**	-	**411**	411
Maintenance fee from:				
Subsidiaries:				
- Sungai Harmoni Sdn. Bhd.	**-**	-	**3,034**	1,080
- Taliworks (Langkawi) Sdn. Bhd.	**-**	-	**1,494**	960
- Taliworks Construction Sdn. Bhd.	**-**	-	**786**	240
- Cerah Sama Sdn. Bhd. (with effect from 7 August 2015)	**-**	-	**-**	600
- Grand Saga Sdn. Bhd.	**-**	-	**2,969**	-
Joint venture:				
- Grand Sepadu (NK) Sdn. Bhd.	**1,464**	-	**1,464**	-
Associate:				
- Edaran SWM Sdn. Bhd. (b)	**1,583**	-	**1,583**	-
Total (Note 6)	**3,047**	-	**11,330**	2,880

Notes to the Financial Statements

for the year ended 31 December 2016

48. 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: (cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend income from:				
Subsidiaries:				
- Taliworks (Langkawi) Sdn. Bhd.	**-**	-	**14,730**	37,500
- Pinggiran Muhibbah Sdn. Bhd. (prior to 11 December 2016)	**-**	-	**-**	8,436
- Sungai Harmoni Sdn. Bhd.	**-**	-	**10,000**	-
- TEI Sdn. Bhd.	**-**	-	**20,196**	-
Associate:				
- SWM Environment Holdings Sdn. Bhd.	**-**	-	**14,700**	-
- Hydrovest Sdn. Bhd.	**-**	-	**408**	-
Total (Note 6)	**-**	-	**60,034**	45,936

(a) 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.

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 Water Supply Scheme 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 and major shareholder of the Company. He is also a director of Alam Ria and a major shareholder in Alam Ria and PWM.

(b) Mr. Lim Chin Sean is a Director of Exitra Sdn. Bhd., GSL Realty Sdn. Bhd., LGB Engineering Sdn. Bhd. and LGB Realty Sdn. Bhd.. He is a major shareholder in these companies as well as Edaran SWM Sdn. Bhd..

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.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel (cont'd)

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fees	**144**	84	**120**	60
Wages, salaries and bonus	**6,711**	6,973	**4,107**	4,503
Defined contribution - Employees Provident Fund	**804**	834	**492**	540
Other emoluments	**191**	502	**114**	104
	7,850	8,393	**4,833**	5,207

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 RM543,000 (2015: RM469,000) and RM515,000 (2015: RM441,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM180,000 (2015: RM486,000) and RM107,000 (2015: RM92,000) respectively.

Notes to the Financial Statements

for the year ended 31 December 2016

49. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
Realised profits	**658,854**	665,112	**347,656**	408,366
Unrealised gains/(losses)	**77,231**	52,860	**(3,055)**	54,272
	736,085	717,972	**344,601**	462,638
Total share of retained earnings from associate:				
Realised profits	**17,410**	5,172	**-**	-
Total share of reatined earnings from joint venture:				
Realised profits	**482**	164	**-**	-
Total Group's and Company's retained earnings	**753,977**	723,308	**344,601**	462,638

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 have 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 31 March 2017

Shareholdings Structure

Share Capital	:	RM241,897,800.00 comprising 1,209,489,000 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	77	3.82	1,558	0.00
100 – 1,000	152	7.55	94,485	0.01
1,001 – 10,000	983	48.81	5,886,253	0.49
10,001 – 100,000	579	28.75	19,544,000	1.61
100,001 to less than 5% of issued shares	218	10.82	562,807,404	46.53
5% and above of issued shares	5	0.25	621,155,300	51.36
Total	**2,014**	**100.00**	**1,209,489,000**	**100.00**

List of Thirty Largest Shareholders

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn. Bhd.	230,031,000	19.02
2.	Water Clinic Sdn. Bhd.	162,000,000	13.39
3.	Lembaga Tabung Haji	80,487,300	6.65
4.	Malar Terang Sdn. Bhd.	74,783,000	6.18
5.	Century General Water (M) Sdn. Bhd.	73,854,000	6.11
6.	Mal Monte Sdn. Bhd.	57,510,000	4.75
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt AN for AIA Bhd*	55,333,300	4.57
8.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	45,025,500	3.72
9.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for UBS AG Hong Kong (Foreign)*	45,000,000	3.72
10.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt AN for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	31,287,200	2.59
11.	Hong Leong Investment Bank Berhad *IVT*	28,550,000	2.36

Analysis of Shareholdings

as at 31 March 2017

List of Thirty Largest Shareholders (cont'd)

No.	Name	No. of Shares Held	%
12.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	25,601,750	2.12
13.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Chee Meng (PB)*	25,000,000	2.07
14.	Kenanga Investment Bank Berhad *IVT-(EDSP-OTC/ESH)*	21,489,600	1.78
15.	CIMB Group Nominees (Asing) Sdn. Bhd. *Pledged securities account - DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)*	18,750,000	1.55
16.	Ng Yim Hoo	10,838,000	0.90
17.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB Prin)*	10,229,100	0.85
18.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund*	9,097,100	0.75
19.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Ong Ka Ting (E-SS2)*	8,750,000	0.72
20.	Minhat Bin Mion	8,000,000	0.66
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund*	7,399,900	0.61
22.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PAMB for Participating Fund*	6,470,650	0.53
23.	Maybank Securities Nominees (Asing) Sdn. Bhd. *Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	6,390,000	0.53
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHB Islamic)*	5,425,000	0.45
25.	Century General Water (M) Sdn. Bhd.	5,247,000	0.43
26.	Maybank Nominees (Tempatan) Sdn. Bhd. *National Trust Fund (IFM Maybank)*	5,000,000	0.41
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Universal Trustee (Malaysia) Berhad for CIMB Islamic Dali Equity Fund*	4,666,400	0.39
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)*	4,335,800	0.36
29.	AMSec Nominees (Tempatan) Sdn. Bhd. *MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)*	3,526,150	0.29
30.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)*	3,500,850	0.29
	TOTAL	**1,073,578,600**	**88.75**

List of Substantial Shareholders

as at 31 March 2017

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.	230,031,000	19.02	-	-	-
Water Clinic Sdn. Bhd.	162,000,000	13.39	-	-	-
Lembaga Tabung Haji	81,898,000	6.77	-	-	-
Century General Water (M) Sdn. Bhd.	79,101,000	6.54	-	-	-
Malar Terang Sdn. Bhd.	74,783,000	6.18	-	-	-
Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Anekawal Sdn. Bhd.	-	-	230,031,000	(b)	19.02
LGB Holdings Sdn. Bhd.	-	-	603,425,000	(c)	49.89
Adil Cita Sdn. Bhd.	-	-	309,132,000	(d)	25.56
Dato' Lim Chee Meng	26,827,250	2.22	604,100,000	(e)	49.95
Lim Chin Sean	150,004	0.01	604,100,000	(e)	49.95
GSL Development Sdn. Bhd.	-	-	79,101,000	(f)	6.54

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.

Analysis of Warrant Holdings

as at 31 March 2017

No. of warrants issued : 241,897,740

Analysis of Warrant Holdings

Size of holdings	No. of holders	%	No. of Warrants Held	%
1 – 99	79	5.77	2,402	0.00
100 – 1,000	221	16.13	150,134	0.06
1,001 – 10,000	704	51.39	2,296,800	0.95
10,001 – 100,000	279	20.36	10,393,454	4.30
100,001 to less than 5% of issued warrants	80	5.84	72,846,000	30.11
5% and above of issued warrants	7	0.51	156,208,950	64.58
Total	**1,370**	**100.00**	**241,897,740**	**100.00**

List of Thirty Largest Warrant Holders

No.	Name	No. of Warrants Held	%
1.	Tali-Eaux Sdn. Bhd.	46,006,200	19.02
2.	Water Clinic Sdn. Bhd.	32,400,000	13.39
3.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for UBS AG Hong Kong (Foreign)*	18,000,000	7.44
4.	LGB Engineering Sdn. Bhd.	16,935,000	7.00
5.	Malar Terang Sdn. Bhd.	14,956,600	6.18
6.	Century General Water (M) Sdn. Bhd.	14,770,800	6.11
7.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	13,140,350	5.43
8.	Mal Monte Sdn. Bhd.	11,502,000	4.75
9.	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Chee Meng (PB)*	10,740,000	4.44
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB Prin)*	6,345,600	2.62
11.	CIMB Group Nominees (Asing) Sdn. Bhd. *Pledged securities account - DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)*	3,750,000	1.55
12.	Maybank Securities Nominees (Asing) Sdn. Bhd. *Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	3,340,900	1.38
13.	Ng Oi Han	3,105,500	1.28
14.	Kenanga Nominees (Asing) Sdn. Bhd. *Pledged securities account for Ra Wha Hyun (009)*	2,967,300	1.23
15.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt AN for AIA Bhd*	2,930,500	1.21
16.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt AN for the HongKong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	2,734,300	1.13
17.	Ng Yim Hoo	2,367,600	0.98
18.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Ong Ka Ting (E-SS2)*	1,750,000	0.72

List of Thirty Largest Warrant Holders (cont'd)

No.	Name	No. of Warrants Held	%
19.	JAG Capital Equity Sdn. Bhd.	1,668,900	0.69
20.	Century General Water (M) Sdn. Bhd.	1,049,400	0.43
21.	Khaw Ai Leng	910,000	0.38
22.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Lau Lian Huat (8055176)*	828,500	0.34
23.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Ng Chai Go*	790,000	0.33
24.	HLIB Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Liew Yoon Peck*	751,000	0.31
25.	Ng Kong Chen @ Ng Ting Miew	704,500	0.29
26.	Phang Wai Hoong	560,000	0.23
27.	Goh Chye Keat	500,000	0.21
28.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Lee Wai Chong (MR0650)*	500,000	0.21
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Tan Kok Pin @ Kok Khong*	500,000	0.21
30.	Ter Leong Yap	500,000	0.21
	TOTAL	**217,004,950**	**89.70**

List of Directors' Holdings in

Shares & Warrant as at 31 March 2017

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

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	8,750,000	0.72	-	-	-
Dato' Lim Yew Boon	375,000	0.03	-	-	-
Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Lim Chin Sean	150,004	0.01	604,100,000	(b)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-

The Directors' warrant holdings as per the Register of Directors' Warrant holdings:-

Name	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	1,750,000	0.72	-	-	-
Dato' Lim Yew Boon	75,000	0.03	-	-	-
Vijay Vijendra Sethu	12,750,000	5.27	9,000,000	(a)	3.72
Lim Chin Sean	30,004	0.01	120,820,000	(b)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-

(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 8 of the Companies Act 2016, Mr. Lim Chin Sean is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting ("26th AGM") of Taliworks Corporation Berhad (6052-V) ("the Company") will be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 22 May 2017 at 11.30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees of RM1.080 million in respect of the financial year ended 31 December 2016. **(Resolution 1)**

3. To approve the payment of meeting allowance to the Chairman and members of Board/ Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 31 January 2017 until the conclusion of the next Annual General Meeting of the Company. **(Resolution 2)**

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

   (a) Tan Sri Dato' Seri Ong Ka Ting **(Resolution 3)**

   (b) Dato' Lim Yew Boon **(Resolution 4)**

   (c) Mr. Vijay Vijendra Sethu **(Resolution 5)**

5. To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 6)**

   <u>As Special Business</u>

   To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

6. **ORDINARY RESOLUTION 1**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

   "THAT subject to Sections 75 and 76 of the Companies Act 2016 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 total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **(Resolution 7)**

   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, or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier."

Notice of Annual General Meeting

7. **ORDINARY RESOLUTION 2**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 28 April 2017 ("the Circular") provided that such transactions are: **(Resolution 8)**

(a) necessary for the day-to-day operations;

(b) in the ordinary course of business and are on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public; and

(c) not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

TAN BEE HWEE (MAICSA 7021024)
QUECK WAI FONG (MAICSA 7023051)
Company Secretaries

Kuala Lumpur
Dated this 28th day of April, 2017

Explanatory Notes on Ordinary Business / Special Business:

1. **Item 1 of the Agenda**
To receive the Audited Financial Statements for the financial year ended 31 December 2016

This Agenda item is meant for discussion only as the provision of Sections 248(2) and 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 4 of the Agenda**

The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Tan Sri Dato' Seri Ong Ka Ting, Dato' Lim Yew Boon and Mr. Vijay Vijendra Sethu and recommended for their re-appointment. The Board endorsed the NC's recommendation that Tan Sri Dato' Seri Ong Ka Ting, Dato' Lim Yew Boon and Mr. Vijay Vijendra Sethu be re-appointed as Directors of the Company.

3. **Item 5 of the Agenda**

Our auditors, Deloitte has converted its status to limited liability partnership ("LLP") under the Limited Liability Partnerships Act 2012. Following the conversion, the LLP is known as "Deloitte PLT" effective 3 January 2017.

4. **Item 6 of the Agenda**
Authority to Issue Shares

The proposed Ordinary Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Twenty-Fifth Annual General Meeting of the Company held on 10 May 2016 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 total number of issued shares (excluding treasury shares) of the Company for the time being (hereinafter referred to as the "General Mandate").

The General Mandate granted by the shareholders at the Twenty-Fifth Annual General Meeting of the Company held on 10 May 2016 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

5. **Item 7 of the Agenda**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 8 is intended to renew the shareholders mandate granted by the shareholders of the Company at the Twenty-Fifth Annual General Meeting held on 10 May 2016. The proposed renewal of the shareholders' mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms and transaction prices which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approvals and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without comprising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 8 is set out in the Circular to Shareholders dated 28 April 2017.

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 17 May 2017 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 one or more proxies to attend and vote in his stead. Where a member/shareholder appoints more than one proxy 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. 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.

4. 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 proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. 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 with the Share Registrars of the Company at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four hours before 12.30 p.m. on Sunday, 21 May 2017.

TALIWORKS CORPORATION
LGB Group

CDS Account No.

No. of ordinary shares held

Form of Proxy

*I/We (full name), ______________________________

bearing *NRIC/Passport/Company No. ______________________________

of (full address) ______________________________

being a shareholder of Taliworks Corporation Berhad ("the Company") (6052-V) hereby appoint:

First Proxy "A"

Full Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or failing *him/her,

First 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-Sixth Annual General Meeting of the Company to be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Monday, 22 May 2017 at 11.30 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 2016 together with the Reports of the Directors and the Auditors thereon.			
2.	To approve the payment of Directors' fees of RM1.080 million in respect of the financial year ended 31 December 2016.	1		
3.	To approve the payment of meeting allowance to the Chairman and members of Board/ Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 31 January 2017 until the conclusion of the next Annual General Meeting of the Company.	2		
4.	To re-elect Tan Sri Dato' Seri Ong Ka Ting, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	3		
5.	To re-elect Dato' Lim Yew Boon, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	4		
6.	To re-elect Mr. Vijay Vijendra Sethu, who is retiring pursuant to Article 80 of the Constitution of the Company and being eligible, has offered himself for re-election.	5		
7.	To re-appoint Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	6		
Special Business				
8.	**Ordinary Resolution 1:** Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
9.	**Ordinary Resolution 2:** Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		

As witness my/our hand(s) this day _____ of ______________, 2017.

____
*Signature/Common Seal of Shareholder
Contact number:

** Strike out whichever not applicable*

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 17 May 2017 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 one or more proxies to attend and vote in his stead. Where a member/shareholder appoints more than one proxy 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. 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.

4. 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 proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. 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 with the Share Registrars of the Company at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four hours before 12.30 p.m. on Sunday, 21 May 2017.

fold here

Stamp

The Registrars
TALIWORKS CORPORATION BERHAD (6052-V)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +60 3 7849 0777
F +60 3 7841 8151/52

fold here

Taliworks Corporation Berhad (6052-V)
Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia
T +603 2788 9100 **F** +603 2788 9101 **E** info@taliworks.com.my **W** www.taliworks.com.my