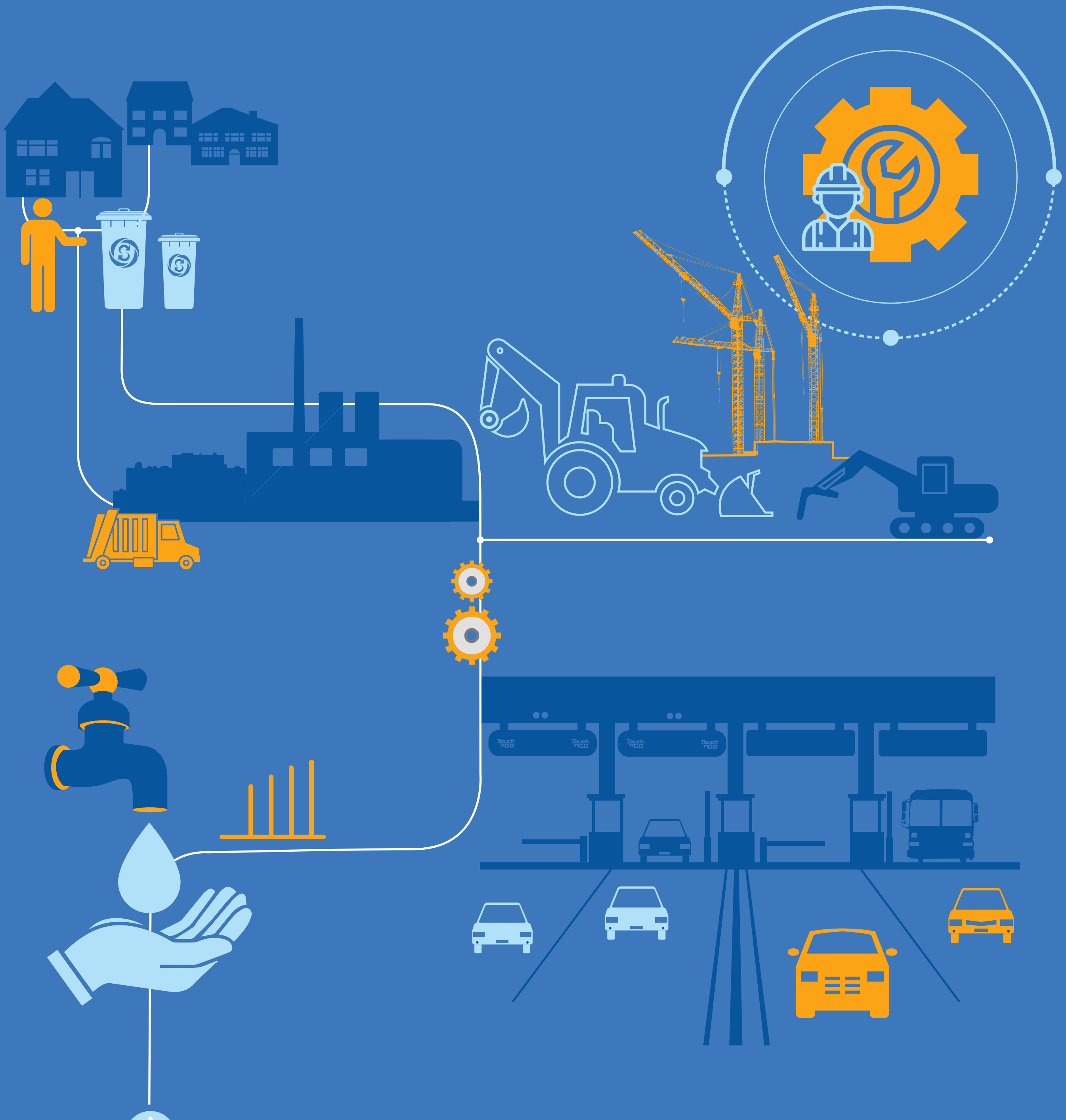
TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT 2018



Nurturing Sustainable Growth

COVER RATIONALE

The cover design is inspired by the tagline, ***Nurturing Sustainable Growth***. Various icons are used to represent the diverse fields that Taliworks is involved in - Water Treatment, Supply and Distribution, Highway Toll Concessionaire, Operations and Maintenance Operator, Engineering and Construction, and Waste Management. The icons are connected to emphasise the synergy that exists between the four businesses. Overall, a blue colour scheme dominates the design to highlight the company's continued commitment to creating long-term value for our stakeholders at large.

FACTS AT A GLANCE

REVENUE

374.2M

CONTENTS

CORPORATE INFORMATION

PERFORMANCE REVIEW

THE MANAGEMENT

TOTAL SHAREHOLDERS' EQUITY

1,056.8M

MARKET CAPITALISATION
as at 31 March 2019

1.8B

PROFIT FOR THE FINANCIAL YEAR

109.3M

GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

Corporate Information

BOARD OF DIRECTORS

Senior Independent Non-Executive Chairman

Tan Sri Ong Ka Ting

Executive Director

Dato' Lim Yew Boon

Independent Non-Executive Directors

Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Ahmad Jauhari Bin Yahya

Non-Independent Non-Executive Directors

Lim Chin Sean
Vijay Vijendra Sethu

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Soong Chee Keong

Members
Lim Chin Sean
Dato' Sri Amrin Bin Awaluddin

NOMINATING COMMITTEE

Chairman
Tan Sri Ong Ka Ting

Members
Vijay Vijendra Sethu
Ahmad Jauhari Bin Yahya

REMUNERATION COMMITTEE

Chairman
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Members
Soong Chee Keong
Lim Chin Sean

COMPANY SECRETARIES

Tan Bee Hwee
(MAICSA 7021024)
Wong Wai Foong
(MAICSA 7001358)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
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PRINCIPAL OFFICE

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W www.taliworks.com.my

SHARE REGISTRARS

Boardroom Share Registrars Sdn. Bhd.
(Company No.: 378993-D)
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
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Selangor Darul Ehsan
Malaysia
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F + 60 3 7841 8151 / 8152 / 8100
E BSR.Helpdesk@boardroomlimited.com

AUDITORS

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Chartered Accountants (AF 0080)
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Malaysia
T + 60 3 7610 8888
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PRINCIPAL BANKERS

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 (Utilities)

AGM HELPDESK

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Corporate Profile

BACKGROUND HISTORY

Taliworks Corporation Berhad ("Taliworks" or the "Company") is listed on the Main Market of Bursa Malaysia Securities Berhad under the Utilities Sector (Name & Code: TALIWRK & 8524). Taliworks is a pure-play infrastructure company and is involved in four core businesses as follows:-

CORE BUSINESS ACTIVITIES

WATER TREATMENT, SUPPLY AND DISTRIBUTION

HIGHWAY TOLL CONCESSIONAIRE, OPERATIONS AND MAINTENANCE OPERATOR

ENGINEERING AND CONSTRUCTION

WASTE MANAGEMENT

LGB Group, being one of the pioneers in the privatisation of potable water treatment and supply in Malaysia since 1987, undertook a reverse takeover exercise in 2000 by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") into Carpets International Malaysia Berhad, which was then listed on the Second Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad). Subsequently on 27 October 2000, it was transferred to the Main Board of Bursa Securities and was renamed as Taliworks Corporation Berhad on 24 November 2000. The water treatment, supply and distribution leads as the main core business of Taliworks.

In 2004, Taliworks diversified its business interests to include waste management in the People's Republic of China. Thereafter, it expanded into the highway toll concessionaire, operations and maintenance business in 2007.

In 2016, Taliworks completed the realignment of its strategic business focus towards mature operational cash-generating utilities / infrastructure businesses to support its general dividend policy by disposing its businesses in the People's Republic of China and acquiring a 35% equity interest in SWM Environment Holdings Sdn. Bhd. ("SWMEH") in Malaysia. SWMEH 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 under a 22-year concession agreement with the Federal Government.

WATER TREATMENT, SUPPLY AND DISTRIBUTION

One of Taliworks' core businesses is in the water supply sector. The business entails (i) an operation and maintenance ("O&M") contract for the Sungai Selangor Phase 1 Water Treatment Plant ("SSP1") that supplies treated potable water to large parts of Selangor and Kuala Lumpur, and (ii) the water treatment, supply and distribution system for the entire island of Pulau Langkawi, Kedah.

Sungai Harmoni is the O&M operator of SSP1. The SSP1 O&M Contract, which expires in January 2030, has been proposed to be extended for another seven years to expire in December 2036, under a new bulk water supply agreement with Pengurusan Air Selangor Sdn. Bhd. pursuant to the Selangor Water Restructuring Exercise.

The water treatment, supply and distribution system in Pulau Langkawi is managed by Taliworks Langkawi under a 25-year concession ending in 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 operation and maintenance 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 design operating capacity of 1,047 million litres per day (Sungai Harmoni: 950 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 of Grand Saga Sdn. Bhd. ("Grand Saga"), a company that owns and operates the concession for the Grand Saga Highway until September 2045. The highway is one of the first four-lane dual carriageways in Malaysia and it measures approximately 11.5 km in length, stretching from the Connaught Interchange, Cheras to Saujana Impian, Kajang. Whilst plying the densely populated and fast growing Cheras-Kajang vicinity, it eases traffic congestion and minimises travel time for daily commuters. The highway concession comprises two toll plazas (with toll collection at one bound) i.e. the Batu 9 toll plaza (Kajang bound) and the Batu 11 toll plaza (Kuala Lumpur bound), one rest and service area and nine interchanges.

In 2014, Taliworks completed its first collaboration with Employees Provident Fund Board via TEI Sdn. Bhd. ("TEI") which Taliworks and EPF has 51% and 49% equity interest respectively. TEI is the immediate holding company of Cerah Sama and is set up as 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 ("Grand Sepadu Highway") from Lebuhraya Shapadu Sdn. Bhd. (In Liquidation) for a cash consideration of RM265 million with an 18-year concession ending in December 2032.

Corporate Profile

The Grand Sepadu Highway, which commenced tolling operations in 2002, is a 17.5 km two-lane dual and three lane carriageway highway which links North Port to Bukit Raja, Klang. The Grand Sepadu Highway is partly parallel to the old tolled North Klang Straits Bypass (which became a non-tolled road after the Grand Sepadu Highway became operational) and is linked to the Federal Highway, the New Klang Valley Expressway ("NKVE") and the upcoming West Coast Expressway, which will connect Banting in Selangor to Taiping in Perak.

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. This partnership resulted in EPF effectively owning 37.5% equity interest in Grand Sepadu and 45% economic interest in the Grand Sepadu Highway and this officially marks the second partnership between Taliworks and EPF.

ENGINEERING AND CONSTRUCTION

Taliworks' engineering and construction activities are mainly undertaken by a wholly owned subsidiary, Taliworks Construction Sdn. Bhd. ("Taliworks Construction"). Taliworks secured its first project in 2002 and has undertaken several other projects in the infrastructure sector. Some of the more notable projects include the RM120 million Projek Bekalan Air Kedah Tengah that was implemented 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 comprised site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Taliworks is ISO9001 certified and is registered with the Construction Industry Development Board of Malaysia ("CIDB") and holds the highest grade, Grade G7, issued by the CIDB.

WASTE MANAGEMENT

In May 2016, Taliworks acquired a 35% equity interest in SWMEH. SWMEH is an integrated waste management and public cleansing service provider in the southern region of Peninsular Malaysia, namely Johor, Negeri Sembilan and Melaka, established in line with the National Privatisation of Solid Waste Management. SWMEH's wholly owned subsidiary, SWM Environment Sdn. Bhd. ("SWME"), 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 approximately 27,600 sq km and serves a population of over 5.1 million. It services 27 local authorities with over 8,000 staff and 500 sub-contractors who collectively manage approximately 4,000 to 5,000 tonnes of waste per day.

As an integrated waste management and public cleansing service provider, SWMEH, through SWME, services municipal authorities, as well as commercial and industrial sectors in the southern region of Peninsular Malaysia. The collection and transportation of domestic waste, garden waste, bulky waste and recyclables form the crux of the company's business. Currently, the company manages a fleet of over 1,000 collection vehicles and a workforce of 5,000 dedicated employees to provide scheduled and timely collection services. SWME averages a collection of 120,000 tonnes of waste a month with an approximate total of 1.4 million tonnes of waste collected for the year 2018.

The public cleansing service, which includes grass cutting, drain cleaning, street sweeping, wet/dry market cleaning and beach cleansing is an important part of the company's scope of work and plays a critical role for the benefit of the general public. A fleet of over 500 cleansing vehicles, machines and a workforce of over 3,000 employees are deployed for the cleaning services.

Earlier in 2015, EPF had acquired a 35% equity interest in SWMEH. The acquisition by Taliworks into SWMEH would be the third partnership between Taliworks and EPF.

FOCUS ON MATURE OPERATIONAL CASH-GENERATING UTILITIES / INFRASTUCTURE BUSINESSES

BUSINESS FOCUS AND STRATEGIES

The water treatment, supply and distribution business in Malaysia accounts for the bulk of Taliworks' revenue and profitability. Taliworks remains focused on its core businesses to support its 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, supply and distribution; and toll highway operations, which provide stable income and cashflow to Taliworks.

Taliworks has a knowledgeable management team with more than twenty-five 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 of growing and expanding into mature operational cash-generating utilities / infrastructure businesses both domestically and in foreign developed markets and in the process of re-positioning itself as a leading pure-play infrastructure project company in the region.

Corporate Milestones

2000

- LGB Group undertook a reverse takeover exercise by injecting 100% equity interest in Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi") into Carpets International Malaysia Berhad ("Carpets"), which was then listed on the Second Board of the KLSE (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 the Main Market) (October).
- Carpets was renamed to Taliworks Corporation Berhad ("Taliworks") (November).

2002

- Taliworks was named Forbes magazine's 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 named Forbes magazine's 100 Best Smaller-Sized Enterprises in the Asia Pacific and KPMG/The Edge Shareholders Value Awards (ranked no. 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 ranked no. 85 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.

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 ranked no. 78 for The Edge Top 100 Best Companies in terms of return (3 years).
- Taliworks was ranked no. 40 out of the top 100 companies for the KPMG/The Edge Shareholders Value Awards.
- 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 (September).
- 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 no. 124 out of 200 public listed companies based on 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 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") for the Cheras-Kajang Highway.

2007

- Taliworks acquired a 56% stake in Puresino (Guanghan) Water Co. Ltd. (April) and subsequently commenced commercial operations of the Guanghan San Xin Dui wastewater treatment plant in September.

- Taliworks was ranked no. 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 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 5-year convertible bonds with a nominal value of RM225 million.

2008

- Taliworks was ranked no. 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' entered into a joint-venture with LGB Engineering Sdn. Bhd. to undertake 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 (March).

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) 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).

- Taliworks was listed among the Top 100 Malaysian Public Listed Companies ("PLC") by the Minority Shareholder Watchdog Group as per the ASEAN CG Scorecard methodology on 862 PLC companies.

2014

- Taliworks gained control over Cerah Sama which subsequently became Taliworks' subsidiary as a result of an internal re-organisation exercise (June to August).

- EPF acquired 31.85% 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).

Corporate Milestones

2014

- 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 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).

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 to increase from 28.05% to 51%.

- LGB Taliworks Consortium Sdn. Bhd., being Taliworks 20% associate company was awarded the SSP7 Project contract by Pengurusan Aset Air Berhad with a contract sum of RM75.9 million (September).

2015

- 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.

- 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.

- Taliworks was ranked no. 91 out of the Top 100 Overall CG Companies – Disclosures with ROE Performance by the Minority Shareholder Watchdog Group.

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 its entire waste management operations in the People's Republic of China and acquired 35% equity interest in SWMH. This marks Taliworks' 3rd partnership with EPF, where EPF also 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).

- SWM Environmmeent Sdn. Bhd. ("SWME"), a 100% owned subsidiary of SWMH, 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.

- Taliworks was ranked no. 44 out of the Top Malaysian 100 PLCs with Good Disclosures by the Minority Shareholder Watchdog Group.

- Taliworks was ranked no. 29 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

2017

- Taliworks was ranked no. 45 out of the Top Malaysian 100 PLCs with Disclosures by the Minority Shareholder Watchdog Group.

- Taliworks was ranked no. 26 out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance by the Minority Shareholder Watchdog Group.

- SWME was awarded the Best Employer Branding Awards (3rd Edition) by Employer Branding Institute (India) in Malaysia.

- SWME was awarded Gold Award (Private Sector) for the HR Award – Employer of Choice category by the Malaysian Institution of Human Resource Management.

- SWME was awarded Gold Award (Head of Department) for the HR Leader category by the Malaysian Institution of Human Resource Management.

2018

- Sungai Harmoni accepted the Letter of Offer from Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") relating to the settlement of past receivables owing from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") and the new Operations and Maintenance Agreement to be entered into (August).

- Taliworks issued 806,325,239 new ordinary shares on the basis of two (2) bonus shares for every three (3) existing ordinary shares in Taliworks (October).

- Taliworks Construction Sdn. Bhd. accepted the Letter of Award for the proposed construction and completion including handing over to the authority of 76ML R.C. reservoir R4 and related ancillary works at Cyberjaya Flagship Zone at a contract sum of RM42.4 million (October).

- The balance of the Warrants 2015/2018 remained unexercised lapsed and were subsequently delisted (November).

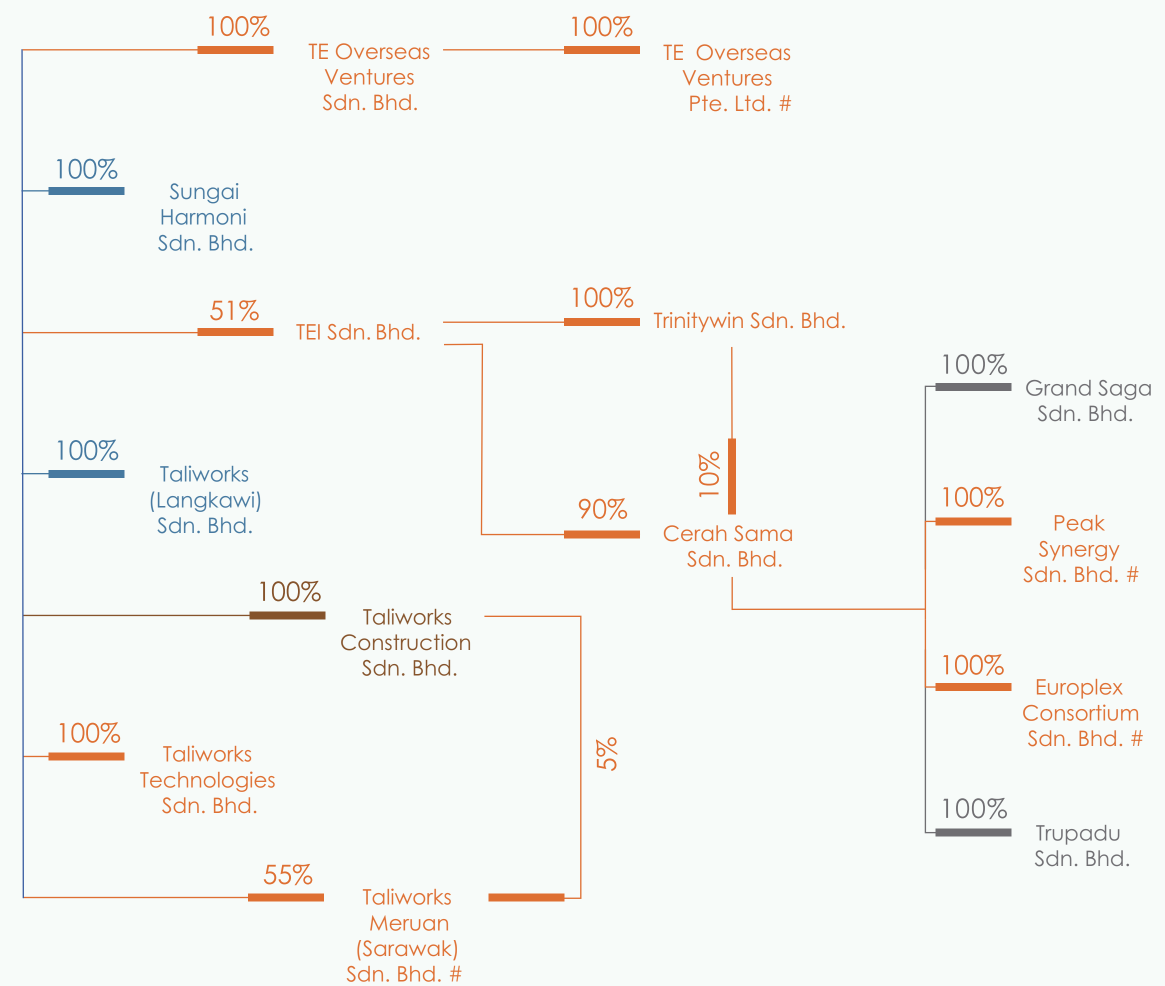
- SWME was awarded two silver medals by Perbadanan Teknologi Hijau Melaka for the category of Green Corporate Social Responsibility and Green Practices.

Corporate Structure

As at 31 March 2019

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES



JOINT VENTURE

50% Pinggiran Muhibbah Sdn. Bhd.

75% Grand Sepadu (NK) Sdn. Bhd.

ASSOCIATES

49% LGB & TCB JV Sdn. Bhd. #

35% SWM Environment Holdings Sdn. Bhd.

20% LGB Taliworks Consortium Sdn. Bhd.

24% Aqua Flo Sdn. Bhd.

Investment Holding Company/others

Engineering and Construction

Waste Management

Highway Toll Concessionaire, Operations and Maintenance Operator

Water Treatment, Supply and Distribution

Companies in the process of members' voluntary winding-up and/or striking off

Corporate and Financial Events 2018

15 MAY

The Twenty-Seventh Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.

EVENTS

27 AUG

Sungai Harmoni Sdn. Bhd. accepted terms of the letter of offer from Pengurusan Air Selangor Sdn. Bhd. relating to the settlement of pass receivables owing from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. and the new Operations and Maintenance Agreement to be entered into.

01 OCT

The proposed issuance of up to 967,591,160 new ordinary shares on the basis of two (2) bonus shares for every three (3) existing ordinary shares was approved at an Extraordinary General Meeting ("Bonus Issue")

18 OCT

Issuance of bonus shares pursuant to the Bonus Issue. The enlarged share capital post Bonus Issue comprised of 2,015,814,239 ordinary Shares .

31 OCT

Accepted letter of letter of award for the proposed construction and completion including handing over to the authority of 76ML R.C. reservoir R4 and related ancillary works at Cyberjaya Flagship Zone at a contract sum of RM42.4 million.

09 NOV

Expiry of Warrants B 2015/2018

RELEASE OF FINANCIAL RESULTS

28 FEB

Unaudited interim results for the 4th Quarter ended 31 December 2017.

16 APR

Audited financial statements for the financial year ended 31 December 2017.

22 MAY

Unaudited interim results for the 1st Quarter ended 31 March 2018.

27 AUG

Unaudited interim results for the 2nd Quarter ended 30 June 2018.

26 NOV

Unaudited interim results for the 3rd Quarter ended 30 September 2018.

DECLARATION OF DIVIDEND PAYMENT

28 FEB

Fourth interim single-tier dividend of 1.2 sen per ordinary share, amounting to RM24.2 million in total in respect of the financial year ended 31 December 2016, paid 13 April 2018.

22 MAY

First interim single-tier dividend of 1.2 sen per ordinary share, amounting to RM24.2 million in total in respect of the financial year ended 31 December 2017, paid on 13 July 2018.

27 AUG

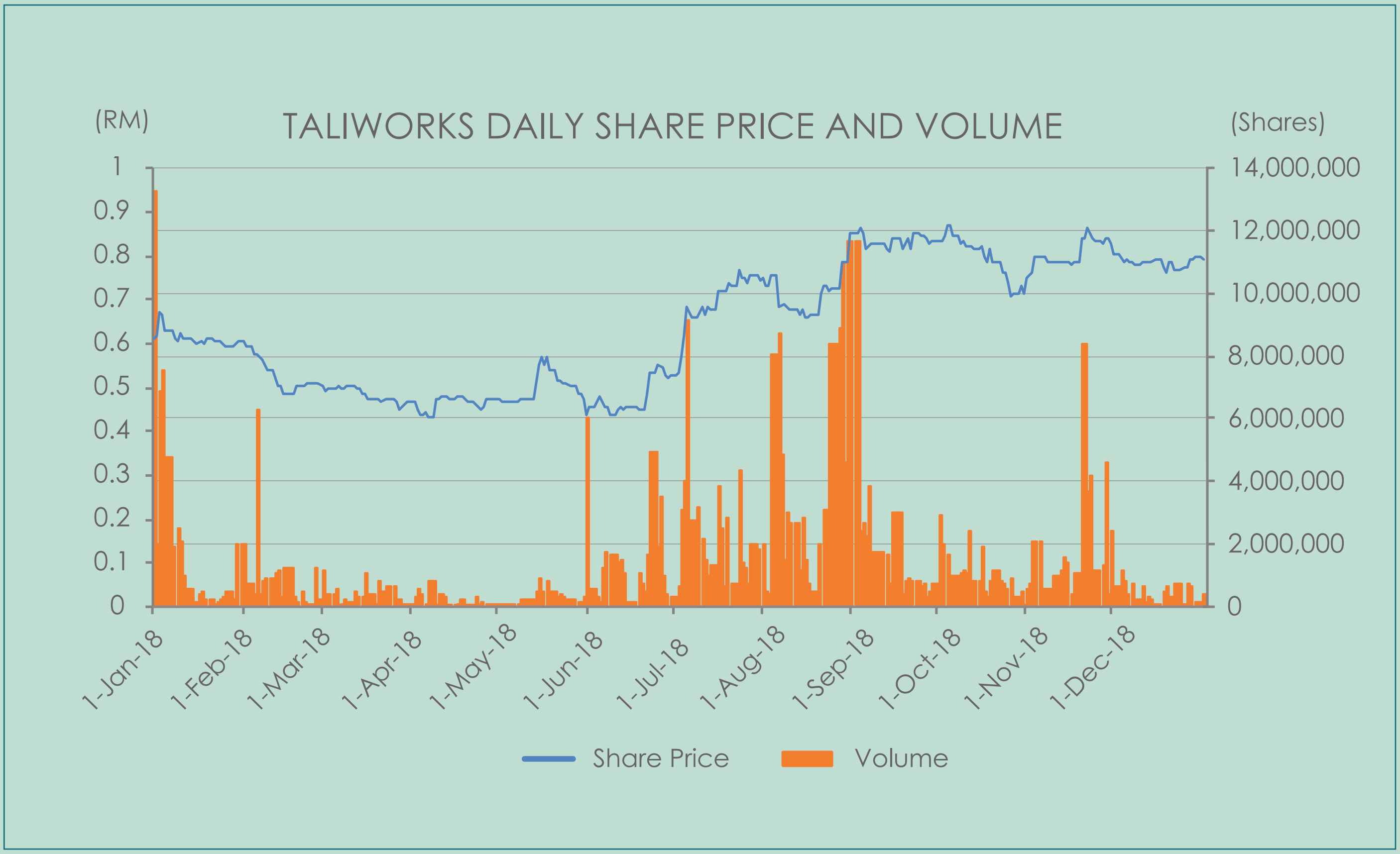
Second interim single-tier dividend of 1.2 sen per ordinary share, amounting to RM24.2 million in total in respect of the financial year ended 31 December 2018, paid on 26 October 2018.

26 NOV

Third interim single-tier dividend of 1.2 sen per ordinary share amounting to RM24.2 million in total in respect of the financial year ended 31 December 2018, paid on 31 January 2019.

Note: The above dividend per share has been adjusted for the Bonus Issue

Share Performance Highlights



* *Information sourced from Bloomberg*

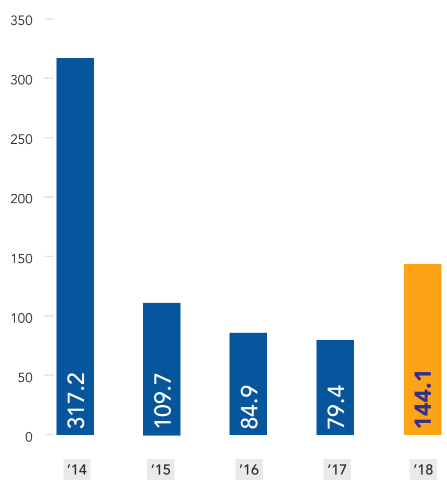
5-Year Financial Highlights

	2014 RM MIL	2015 RM MIL	2016# RM MIL	2017 RM MIL Restated	2018 RM MIL
PROFITABILITY					
Revenue	353.9	410.9	304.9	374.1	374.2
EBITDA[i]	373.0	196.0	130.9	131.2	213.5
Profit Before Taxation	317.2	109.7	84.9	79.4	144.1
Profit for the Financial Year	303.2	91.6	93.3	64.5	109.3
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	2,797.9	2,914.5	2,456.0	2,371.9	2,443.9
Total Borrowings	741.1	827.0	486.4	416.7	447.1
Total Shareholders' Equity	851.8	1,146.6	1,121.0	1,053.7	1,056.8
No of Shares in issue	1,818.7*&	2,015.8&	2,015.8&	2,015.8&	2,015.8
BREAKDOWN OF REVENUE AND PROFIT BEFORE TAXATION					
Revenue					
- water treatment, supply and distribution	175.8	175.5	169.5	231.5	239.5
- waste management@	55.0	70.7	-	-	-
- construction	99.3	101.9	39.6	51.7	42.5
- toll highway	23.2	62.8	92.7	85.6	86.9
- others	0.6	0.0	3.0	5.3	5.3
	353.9	410.9	304.9	374.1	374.2
Profit Before Taxation					
- water treatment, supply and distribution	63.9	71.1	44.8	65.5	152.1
- waste management@	(9.9)	(18.2)	-	-	-
- construction	5.5	5.6	2.6	2.6	0.2
- toll highway	(1.7)	12.2	24.2	28.2	20.4
- others	254.5	38.9	0.7	(20.3)	(13.7)
	312.3	109.6	72.3	76.0	158.8
- share of results of joint venture	3.8	(0.9)	0.3	2.8	1.0
- share of results of associates	1.1	1.0	12.2	0.6	(15.7)
	317.2	109.7	84.9	79.4	144.1
KEY FINANCIAL RATIO					
Gross dividend per share (sen)	1.20*&	4.80&	4.80&	4.80&	4.80
Net Assets per share (sen)	46.83*&	56.88&	55.61&	52.27&	52.43
Earnings per share (sen)					
- basic	16.56*&	4.50&	6.32+&	2.54&	4.96
- fully diluted	16.56*&	4.50&	6.32+&	2.54&	4.96
Return on Equity (%)[ii]	41.60	9.16	13.07++	5.94	10.35
Return on Assets Employed (%)[iii]	15.75	3.21	5.52++	2.67	4.54
Dividend payout ratio (%)[iv]	7.20	100.62	65.32++	149.92	88.56
Net Debt to Equity ratio (%)	44.88	33.43	13.89	19.22	25.41

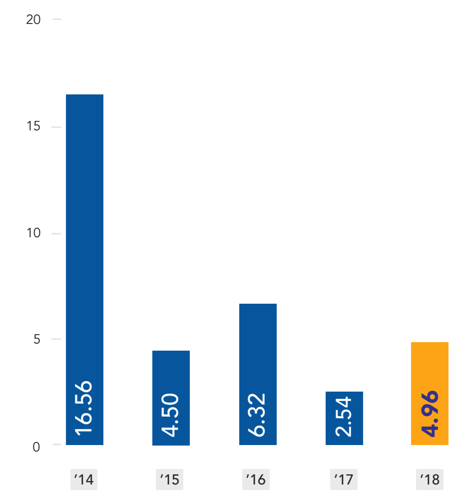
Only the financial results in FY2017 have been restated from the adoption of MFRS 9 and MFRS 15 in FY2018.

- & *adjusted for the effects of bonus shares issued*
- + *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.*
- @ *represents the contribution from the waste management segment which has been disposed in FY16.*
- # *except for the Key Financial Ratio, the financial information of FY16 exclude the results from discontinued operations.*
- * *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)*

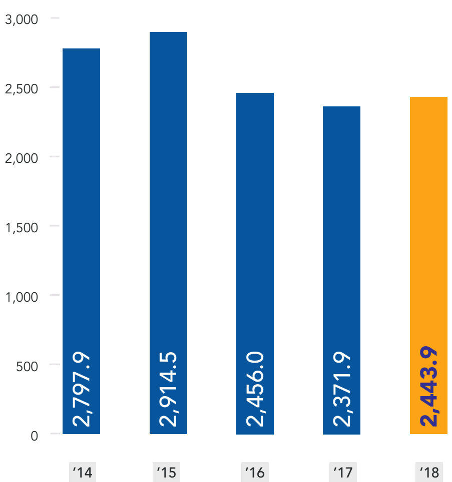
PROFIT BEFORE TAXATION
(RM'million)



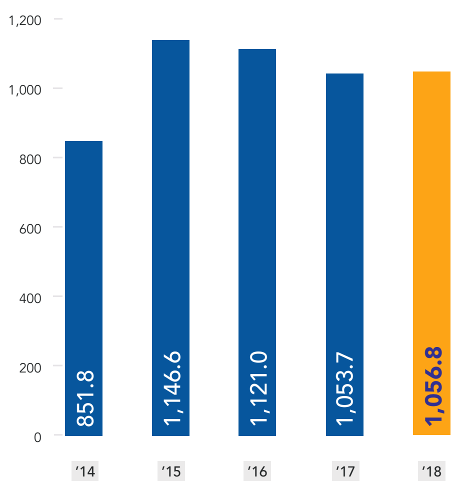
BASIC EARNINGS PER SHARE
(Sen)



TOTAL ASSETS
(RM'million)



SHAREHOLDERS' EQUITY
(RM'million)



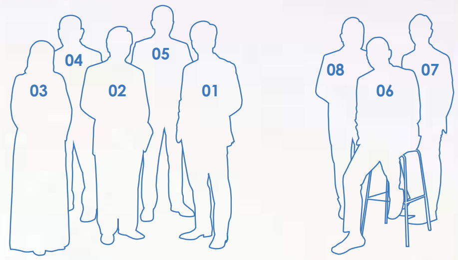
(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).

(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.

Board of Directors



01 Tan Sri Ong Ka Ting

02 Dato' Lim Yew Boon

03 Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

04 Ahmad Jauhari Bin Yahya

05 Dato' Sri Amrin Bin Awaluddin

06 Vijay Vijendra Sethu

07 Lim Chin Sean

08 Soong Chee Keong

Directors' Profile

Tan Sri Ong Ka Ting

Chairman/
Senior Independent
Non-Executive Director

Nationality / Age / Gender
Malaysian / 62 / Male

Date of appointment
16 April 2014

Tan Sri Ong Ka Ting serves as a Chairman of the Nominating Committee.

Tan Sri Ong holds a Bachelor of Science (Honours) Degree and a Diploma in Education from University of Malaya, Malaysia.

He relinquished the Chairmanship of the Malaysia-China Business Council at the end of its AGM on 23 August 2018. He has held various senior appointments in the Malaysian Government Administration from October 1990 until his retirement in March 2008 including the positions of Parliamentary Secretary for the Ministry of Health, Parliamentary Secretary for the Ministry of Home Affairs, Deputy Minister for the Ministry of Home Affairs and Minister for the Ministry of Housing and Local Government. He was the Chairman of Tunku Abdul Rahman College Council from June 2004 to September 2011 and Member of Parliament for Pontian, Tanjong Piai and Kulai constituencies in Johor since October 1990 to April 2013.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Dato' Lim Yew Boon

Executive Director

Nationality / Age / Gender
Malaysian / 60 / Male

Date of appointment
1 March 2010

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

Apart from Taliworks, Dato' Lim also sits on the board of several private limited companies, namely Grand Saga Sdn. Bhd., SWM Environment Sdn. Bhd. and a few others. Prior to his appointment to the Board, he served as the Group Chief Operating Officer in the LGB Group of Companies.

Dato' Lim sits on the board of Amalgamated Industrial Steel Berhad (appointed since 2003).

Dato' Lim is the cousin to both Lim Chin Sean, a director and major shareholder of the Company and Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the listed issuer and has not been convicted for any offences within the past 5 years other than traffic offences. He has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Lim Chin Sean

Non-Independent
Non-Executive Director

Nationality / Age / Gender
Malaysian / 37 / Male

Date of appointment
23 May 2011

Lim Chin Sean serves as a member of the Audit and Risk Management as well as the Remuneration Committee of the Company.

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

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

He presently sits on the boards of Amalgamated Industrial Steel Berhad (appointed since 2007).

He is a major shareholder of the Company and cousin to Dato' Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Dato' Lim Chee Meng, a major shareholder of the Company. He has a conflict of interest with the Company as he is a director and major shareholder of LGB Engineering Sdn. Bhd. ("LGBE"), which is involved in the construction industry. LGBE has a 0.06% in the Company.

He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Soong Chee Keong

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 49 / Male

Date of appointment
25 April 2013

Soong Chee Keong serves as a Chairman of the Audit and Risk Management Committee and as a member of the Remuneration Committee of the Company.

He is the member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

He started his career in financial audit in 1993 at BDO Binder. In 1995, he joined the Corporate Finance Department of Bumiputra Merchant Bankers Berhad and was involved in advising on mergers and acquisitions, initial public offers, equity restructuring and project feasibility studies.

He then joined Abric Berhad in February 1999 as the General Manager of Corporate Finance and was subsequently appointed to the Board of Abric Berhad on 16 February 2000 as an Executive Director. He resigned from the said company on 31 May 2017.

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Directors' Profile

Vijay Vijendra Sethu

Non-Independent
Non-Executive Director

Nationality / Age / Gender
Australian / 55 / Male

Date of appointment
16 April 2014

Vijay Vijendra Sethu serves as a member of the Nominating Committee.

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

He has over 30 years' experience in investment banking industry across Asia, Australia, United Kingdom and the Americas. Currently, he is a non-independent non-executive Chairman/Director of the 4 Fingers Group of Companies headquartered in Singapore.

He was formerly an independent Chairman/Director of International Medical University, a board member of Malakoff Berhad, Cerah Sama Sdn. Bhd., Don Muang Tollway and Infraco Asia. He was also formerly the founding CEO of CSSAA, an emerging markets focused infrastructure fund manager, an Executive Director and Head of Project and Structured Finance for Asia for ANZ Investment Bank, Singapore, the Vice President and Head of Mergers and Acquisitions for Enron Asia Pacific, Singapore. He was also formerly an employee of ANZ Investment Bank in (Melbourne, London and New York focusing on infrastructure and resource project financing), KPMG in New Zealand, Exxon in Malaysia and lectured on accountancy and finance in a Malaysian college.

He is a substantial shareholder of the Company. He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Dato' Sri Amrin Bin Awaluddin

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 52 / Male

Date of appointment
15 September 2014

Dato' Sri Amrin Bin Awaluddin serves as a member of the Audit and Risk Management Committee of the Company.

Dato' Sri Amrin holds a Bachelor of Business Administration (Honours) from Acadia University, Canada and Master of Business Administration (Finance) with Distinction from University of Hull, England. He is a member of the Chartered Institute of Management Accountants, United Kingdom as well as a member of the Malaysia Institute of Accountants.

He is the Group Managing Director of Sime Darby Property Berhad since 1 September 2017.

Prior to joining Sime Darby Property Berhad, he was the Group Managing Director of Media Prima Berhad. Throughout his working career he holds several key positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

He is the Deputy President of Kuala Lumpur Business Club (KLBC).

Dato' Sri Amrin sits on the board of Sime Darby Property Berhad (appointed since 2017). He is also a member of the board of CIMB Bank Berhad (appointed since 2014).

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 70 / Female

Date of appointment
2 July 2015

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin serves as a Chairman of the Remuneration Committee.

Raja Datuk Zaharaton holds a Bachelor Degree in Economics from University of Malaya and a Masters in Economics in 1979 from the University of Leuven, Belgium.

She has served the Government of Malaysia in various capacities for 34 years from 1971 to 2005. Principally her main task has been policy analyses and financial evaluation. Her last post in Government was Director General of the Economic Planning Unit (EPU), Prime Minister's Department.

Upon retirement, the Government of Malaysia appointed her as Chairman of Technology Park Malaysia Corporation Sdn. Bhd. from January 2006 to December 2008. Subsequent to that, the Government appointed her as Chairman of Ninebio Sdn. Bhd. from January 2009 for a two year period. Beginning 24 June 2014, she was appointed as Chairman of Global Maritime Ventures Berhad, a subsidiary of Bank Pembangunan Malaysia Berhad. She was appointed as the director of Yinson Holdings Berhad on 11 August 2016.

She also currently sits on the board of Media Prima Berhad (appointed since 2015) and its subsidiaries namely, Big Tree Outdoor Sdn. Bhd. and Primeworks Studios Sdn. Bhd.. She is also a Director of her family owned company Kumpulan RZA Sdn. Bhd. and its subsidiary Raza Sdn. Bhd..

She continues to serve as Associate Fellow at the Centre for South East Asia Disaster Prevention Initiative (SEADPRI) Universiti Kebangsaan Malaysia and participate in the research undertaken on climate change and sustainable development.

She has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. She has not been convicted for any offences within the past 5 years and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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

Ahmad Jauhari Bin Yahya

Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 64 / Male

Date of appointment
2 July 2015

Ahmad Jauhari Bin Yahya serves as a member of the Nominating Committee of the Company.

He holds a Bachelor of Science (Hons) Degree in Electrical and Electronic Engineering from University of Nottingham, United Kingdom.

He started his career with ESSO Malaysia Berhad (1977-1979) and worked in The New Straits Times Press (M) Berhad (1979-1991), Time Engineering Berhad (1992) and Malaysian Resources Corporation Berhad (1993). In 1994, he joined Malakoff Berhad to lead its growth to become Malaysia's leading independent power producer. He retired from Malakoff in 2010.

He was appointed Group Chief Executive Officer of Malaysia Airlines on 19 September 2011 and was a member of the Board Tender Committee and sat on the boards of several subsidiaries within the Malaysia Airlines group of companies. He resigned as the Group Chief Executive Officer and directors of subsidiaries of Malaysia Airlines in April 2015 but remains as a director in Malaysia Airlines until 31 December 2015. He became a Director of Malaysia Airport Holdings Berhad ("MAHB") and Chairman of Destination Resorts and Hotel Sdn. Bhd. prior to his appointment at Malaysia Airlines. He resigned from MAHB in 2011.

He sits on the board of Sapura Resources Berhad (appointed since 2016).

He has no family relationship with any directors and/or major shareholders of the listed issuer and has no conflict of interests with the listed issuer. He has not been convicted for any offences within the past 5 years other than traffic offences and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has attended four (4) out of five (5) Board meetings held during the financial year of the Company.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Taliworks Corporation Berhad ("Taliworks" or "the Company"), I am pleased to present our Annual Report and the Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2018 ("FYE2018").

The Malaysian economic landscape for 2018, as measured by its gross domestic product ("GDP") has seen a slower growth of 4.7% in 2018, compared with a 5.9% growth in the previous financial year. The recent publication released by the World Bank reported that the economic activities in Malaysia are still expected to expand, albeit at a slower forecasted growth of 4.7% and 4.6% in 2019 and 2020 respectively whereas Bank Negara Malaysia had projected a GDP growth to be in the region of between 4.3% to 4.8% mainly supported by the gradual recovery from the unanticipated commodity disruptions the year before.

Despite the continuing challenges and uncertainties that prevailed in the environment within which we operate, I am very much delighted to report that Taliworks has achieved another commendable year.

As a whole, our financial performance in FYE2018 reflects the continued success of our business operations and strategies. Our revenue increased marginally from RM374.07 million in FYE2017 to RM374.24 million in FYE2018. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 63% to RM 213.55 million from RM131.21 million last year. Correspondingly, Profit After Tax ("PAT") was registered at RM109.26 million; higher by 69%, compared to previous year's PAT of RM64.54 million. The significant increase in the EBITDA and PAT were mainly attributed to the re-measurement of the expected credit loss rate on the amount due from Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH"). The Group's balance sheet remained healthy with total assets of RM2.44 billion and shareholders' equity at RM1.06 billion.

THE GROUP HAS AGAIN SUCCESSFULLY DELIVERED A SATISFACTORY OPERATIONAL PERFORMANCE, MAINLY ATTRIBUTABLE TO OUR POSITION AS THE LONG-TERM CONCESSIONAIRE IN OUR CONCESSION ASSETS.

More significantly, I am pleased that the Group, through our subsidiary, Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") has accepted the letter of offer by Air Selangor Sdn. Bhd. ("Air Selangor") ("the Offer") on 27 August 2018 pertaining to the operations and maintenance ("O&M") of the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1"). The Offer spelt out the key terms of settlement between Air Selangor, SPLASH and Sungai Harmoni relating to Sungai Harmoni's long-standing receivables from SPLASH, at which point Air Selangor had offered to settle the receivables due from SPLASH at an amount equal to 90% of the outstanding receivables as at the date to be determined under the Termination and Settlement Agreement to be executed with Air Selangor and SPLASH. The Offer also sets out the new bulk water supply agreement ("BWSA") for the continued O&M period for an additional seven (7) years until 2036. Accordingly, upon the execution of the Termination and Settlement Agreement and the BWSA, it will symbolise the final chapter of resolving the long-standing issue of receivables from SPLASH.

While we continue to drive earnings and shareholders' value, we also believe in contributing to our community. We strive to play our role as a responsible corporate citizen by having balanced approach between our commercial success and our responsibilities to all our stakeholders, including our shareholders, employees, consumers, suppliers, associate and/or business partners and the society. As such, the Group has continuously made a conscious effort by engaging with various sustainable initiatives guided by the three core pillars, namely Environmental, Social and Governance ("ESG").

Further information on our ESG activities are reported under our Sustainability Statement included in this Annual Report.

Chairman's Statement

ENHANCING LIQUIDITY AND SHAREHOLDERS' VALUE

Taliworks has undertaken a bonus issue of shares in October 2018, involving the issuance of 806,325,239 new ordinary shares on the basis of two (2) bonus shares for every three (3) existing ordinary shares in Taliworks, resulting in an increase in its enlarged issued share capital from 1.209 billion to 2.016 billion number of shares. The bonus issue aims to allow Taliworks' shareholders a greater equity participation through greater number of shares in the Company. The increase in its issued share capital should lead to an improvement in Taliworks' share trading liquidity and marketability on the Main Market of Bursa Securities Malaysia Berhad, hence enabling a wider spread of public shareholders/investors to participate in the growth of Taliworks.

We are committed to continue to reward our shareholders with stable dividend payments throughout the year. With this, I am proud of our recent track record where Taliworks has been sustaining its dividend payout of 8 sen per ordinary share, or 4.8 sen after adjustment for the bonus issue, amounting to RM96.76 million for FYE2018 (FYE2017: RM96.76 million). This translates to a historical dividend yield of 6% based on the closing market price of RM0.79 as at 31 December 2018 to our shareholders.

FORGING A SUSTAINABLE FUTURE

Taliworks' growth strategies are focused on mature operational cash-generating utilities/ infrastructure businesses in Malaysia and in developed markets overseas. The Group has again successfully delivered a satisfactory operational performance, mainly attributable to our position as a long-term concessionaire in our concession assets.

We foresee that we will still be facing another challenging year. We will be resilient to the uncertainties in domestic market sentiments and business challenges. Therefore, any decisions made pertaining to any investments will be made in a prudent manner. In line with our growth strategies, firm efforts will be made to further explore potential value-accretive opportunities that will continue to strengthen and enhance our shareholders' value.

Taliworks' water treatment, supply and distribution business will continue to be the growth drivers for the Group, supported by our three (3) other core businesses, namely highway and toll concessions, waste management and engineering and construction. With the completion of the Selangor water restructuring exercise, Sungai Harmoni has a resolution to its long-standing receivables and a platform to strengthen the Group's cashflow position.

Looking ahead, we are awaiting the government's decision on its plans for the remaining toll concessionaires in Malaysia as well as on the tariff adjustment for the waste division. Nonetheless, we believe to be able to deliver another satisfactory performance for this current year.

SUCCESS IS ONLY POSSIBLE WITH THE COMMITMENT, HARD WORK AND DEDICATION OF ALL OUR STAFF, SUPPORTED BY STRONG AND RESPECTFUL LEADERSHIP DEMONSTRATED AT EVERY LEVEL.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my heartfelt appreciation to my fellow Board Members for providing strategic insights, invaluable guidance and leadership support to the Group. I would also like to extend my sincere gratitude and acknowledgment to the management team who has been working hard to ensure that business strategies remain sound and are backed by solid execution plans. Success is only possible with the commitment, hard work and dedication of all our staff, supported by strong and respectful leadership demonstrated at every level. Without their effort and unwavering commitment, the Group would not have achieved such a performance for the year.

Last but not least, to our shareholders, customers, suppliers, business partners, regulatory authorities and financiers, thank you for the confidence and trust you have placed in us, and for your valued, tremendous support and cooperation throughout the year. We will continue to execute our business strategies with agility and do our best to continue nurturing sustainable growth for the Group.

Thank you.

Tan Sri Ong Ka Ting
Senior Independent Non-Executive Chairman

Management Discussion and Analysis

REVIEW OF FINANCIAL PERFORMANCE

The following is a snapshot of the Group's financial performance for the year ended 31 December 2018 as compared to the previous financial year.

	2017 (Restated)	2018
Financial Results (in RM'000)		
Revenue	374,072	**374,243**
Operating Profit	98,627	**180,145**
Profit before Tax	79,369	**144,079**
Profit after Tax	64,536	**109,261**
Total Assets Employed	2,371,921	**2,443,859**
Shareholders' Equity	1,053,735	**1,056,849**
Key Financial Ratio		
Basic and diluted EPS (sen)	2.54	**4.96**
Net Asset per share (sen)	52.27	**52.43**
Return on Equity (%) (a)	5.9	**10.4**
Return on Assets Employed (%) (b)	2.7	**4.5**
Net Debt-to-Equity (%)	19.2	**25.4**

(a) The Return on Equity is calculated by dividing the Profit for the year with the average of the opening and closing balance of Shareholders' Equity.

(b) The Return on Assets Employed is calculated by dividing the Profit for the year with the average of the opening and closing balance of Total Assets Employed.

(c) The comparatives have been restated following the adoption of MFRS 9 Financial Instruments, MFRS 15 Revenue from Contract with Customers and arising from a bonus issue implemented during the year.

For the current financial year, the Group posted revenue of RM374.24 million, a marginal increase from RM374.07 million in the previous year while profit for the year was recorded at RM109.26 million.

Overall Summary of Financial Results

For the current financial year, the Group posted revenue of RM374.24 million, a marginal increase from RM374.07 million in the previous year while profit for the year was recorded at RM109.26 million. This was a significant increase compared to RM64.54 million achieved a year ago primarily due to the re-measurement of the expected credit loss rate for the amount due from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"). Nevertheless, the higher profit achieved for the year was affected by a higher share of losses from an associate.

As a result of the higher profit, the basic and diluted earnings per share jumped from 2.54 sen to 4.96 sen. The comparative EPS has been restated after adjusting for a bonus issue of 2 new shares for every 3 existing shares held ("Bonus Issue"). The Bonus Issue was completed in October 2018 with the issuance of an additional 806.33 million new shares, bringing the total number of Taliworks shares in issue close to 2.016 billion.

Commentary on the Performance of Revenue of the Group

Segmental Information	2017 RM'000 (Restated)	2018 RM'000
Water treatment, supply and distribution	231,421	**239,454**
Engineering and construction	51,740	**42,538**
Highway toll concessionaire, operations and maintenance	85,647	**86,987**
Others	5,264	**5,264**
	374,072	**374,243**

Management Discussion and Analysis

The Group's revenue for the current financial year saw a marginal increase from previous year mainly attributable to higher contribution from the water treatment, supply and distribution segment. However, the increase in top line growth was negated by a lower contribution from engineering and construction activities during the year.

As in prior years, the water treatment, supply and distribution business remain the biggest contributor to the revenue of the Group, accounting close to 64% (2017: 62%) of the Group's total revenue. At the operating level, revenue from the water treatment, supply and distribution business recorded an increase from RM231.42 million in the previous year to RM239.45 million or by 3.5% principally due to scheduled increases in the Bulk Supply Rate ("BSR") which took effect from 1 January 2018. The increase in the BSR to account for inflationary factors saw the rates revised upwards from RM0.42/m^3 to RM0.44/m^3 for the operations at the Sungai Selangor Water Treatment Works Phase I ("SSP1") operated by Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") and from RM2.15/m^3 to RM2.24/m^3 for the operations in Langkawi managed by Taliworks (Langkawi) Sdn. Bhd. ("Taliworks Langkawi"). The higher revenue was also boosted by increases in electricity and chemical rebates which forms part of revenue.

For the SSP1 operations, metered sales were marginally lower at 362.35 million m^3 compared to previous year's 362.73 million m^3 whereas for the Langkawi operations, metered sales rose by 2.8% from 19.78 million m^3 to 20.33 million m^3 in the current year. Out of the total revenue from the water treatment, supply and distribution business, SSP1 contributed RM176.35 million (2017: RM172.42 million) and the balance RM63.11 million (2017: RM59.00 million) came from Taliworks Langkawi, each generating about 74% and 26% respectively of the total revenue from the water treatment, supply and distribution division.

For the engineering and construction segment, revenue was significantly lower by RM9.20 million from on-going projects. Compared to the previous year's revenue of RM51.74 million, this division only managed to chalk up revenue of RM42.54 million due to the upward revision in the estimated contract sum in the Mengkuang Dam Expansion Project to RM270.0 million from RM246.4 million the year before. This project which is the biggest undertaken by the division was completed in 2017. Overall, the division contributed close to 11% (2017: 14%) of the total revenue of the Group.

The revenue contribution from the toll highway division is derived solely from a 51% indirect subsidiary, Grand Saga Sdn. Bhd. ("Grand Saga"), which operates the Cheras-Kajang Highway. Revenue was slightly higher at RM86.99 million compared to RM85.65 million achieved in the previous year, primarily due to higher average daily traffic ("ADT"). The total revenue for the year comprised of revenue from toll operations at RM70.81 million (2017: RM68.97 million) and government compensation of RM16.18 million (2016: RM16.68 million).

Commentary on Performance of the Profit of the Group

	2017 RM'000 (Restated)	2018 RM'000
Income Statement		
Revenue	374,072	374,243
Cost of operations	(213,480)	(221,246)
Gross Profit	160,592	152,997
Other operating income	8,851	73,425
Administrative and other expenses	(70,816)	(46,277)
Operating Profit	98,627	180,145
Finance cost	(22,584)	(21,369)
Share of results of joint venture	2,748	1,031
Share of results of associates	578	(15,728)
Profit before tax	79,369	144,079
Segmental Information	**RM'000 (Restated)**	RM'000
Water treatment, supply and distribution	65,542	152,090
Engineering and construction	2,653	160
Highway toll concessionaire, operations and maintenance	49,197	41,435
Others	(18,765)	(13,540)
Operating profit	98,627	180,145

The Group reported a full year profit before tax ("PBT") of RM144.08 million, considerably higher than RM79.37 million achieved a year ago

Management Discussion and Analysis

The Group reported a full year profit before tax ("PBT") of RM144.08 million, considerably higher than RM79.37 million achieved a year ago. The profit performance for the year was mainly attributed to a reversal of a loss allowance of RM65.34 million included in other operating income (2017: loss allowance of RM21.76 million included in Administrative and other expenses). Administrative and other expenses for the year included late penalty charges from Tenaga Nasional Berhad ("TNB") of RM5.10 million (2017: RM1.44 million) arising from the delay in making payments to TNB by Sungai Harmoni due to the shortfall in cash flow experienced by the company as a result of the receipt of partial payments from SPLASH. As announced to the stock exchange last year, TNB has filed two writs of summons together with the corresponding statements of claim against Sungai Harmoni. The next hearing for the suits has been fixed for 27 May 2019.

As for the corresponding year, the administrative and other expenses was significantly higher as it included RM21.76 million of expected credit loss allowance on trade receivables and amount due from contract customers, from the adoption of MFRS 9 as well as losses incurred on foreign exchange (both realised and unrealised) amounting to RM7.73 million compared to RM0.73 million in the current year. With the substantial conversion of USD5.46 million held by the Group to Malaysian Ringgit in 2018 for payment of dividends and working capital requirements, the Group will not face any significant foreign currency fluctuations in 2019. The holding of the remaining US Dollars was from proceeds raised in 2016 of USD54.6 million from the disposal of the Group's entire waste management business in China.

The Group's share of results from joint venture is in respect of its investment in Pinggiran Muhibbah Sdn. Bhd., the parent company of Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu"), which operates the New North Klang Straits Bypass Expressway. For the current year, the Group's share of results from joint venture of RM1.03 million was lower than the RM2.75 million recorded in the previous year. This was mainly due to Grand Sepadu receiving a government compensation of RM8.125 million in 2017 for the non-increase in toll rate hike scheduled on 1 January 2016. The compensation was in respect of the balance of the compensation receivable for the year 2016 and a 50% advance compensation for 2017. In 2018, the company received RM4.13 million as the balance compensation for year 2017. Thus, the profit of the company for the year was comparatively lower than the year before.

The Group's share of losses from associates amounted to RM15.73 million, from a share of profit of RM0.58 million in the previous year. The Group's share of results from associates is primarily from its 35% equity investment in SWM Environment Holdings Sdn. Bhd. ("SWMEH"). The Group's share of losses is mainly attributable to lower profit after tax ("PAT") recorded by SWMEH from the recognition of expected credit loss allowance on its trade receivable balances, higher depreciation charges and payroll costs as well as arising from the change in the estimates made by the Group on the amortisation of SWMEH's concession assets. By adopting the amortisation of the concession rights on a straight-line basis, the additional amortisation charges came to approximately RM7.97 million.

In terms of the segmental performance, the water treatment, supply and distribution division contributed an operating profit of RM152.09 million (2017: RM65.54 million). The operating profit took into account a reversal of loss allowance of RM65.27 million which enhanced the profit greatly whilst the operating profit for 2017 was impacted by a RM21.55 million of loss allowance. Excluding these adjustments and a deduction to revenue in 2018 from the application of MFRS 15 of RM6.26 million, the operating profits for the year came in at RM93.08 million compared to RM87.09 million for the previous financial year, a positive variance of RM5.85 million. Although the revenue for the year was higher from the increases in BSR, the profitability of the division was impacted by TNB's late penalty charges and higher unit electricity costs from increase in TNB's Special Industrial Tariff and changes made to the Imbalance Cost Pass-Through mechanism.

In arriving at the reversal of the expected credit loss allowance, the Group took into consideration the terms and conditions spelt out in the letter of offer dated 21 August 2018 ("Offer") from Pengurusan Air Selangor Sdn. Bhd ("Air Selangor"). The Offer sets out the key terms of settlement between Air Selangor, SPLASH and Sungai Harmoni relating to Sungai Harmoni's outstanding receivables arising from the operations and maintenance of the SSP1 under the existing Operations and Maintenance Agreement for SSP1 ("Existing OMA") with SPLASH wherein Air Selangor had offered to settle the amounts due from SPLASH at an amount equal to 90% of the outstanding receivables as at the date to be determined under a termination and settlement agreement to be executed with Air Selangor and SPLASH in respect of the Existing OMA ("Termination and Settlement Agreement") and the key terms in respect of the new bulk water supply agreement for the continued operations and maintenance of SSP1 ("BWSA") between Air Selangor and Sungai Harmoni. Sungai Harmoni subsequently accepted the Offer on 27 August 2018. The execution of the Termination and Settlement Agreement and the Sungai Harmoni BWSA will bring to a close the decade long issue on the outstanding SPLASH receivables. Whilst the execution of the Termination and Settlement Agreement and BWSA are just the preliminary steps in resolving the issue of the SPLASH receivables, the Board is highly confident that they would be successfully concluded by the second half of 2019, if not earlier. As at the end of the previous financial year, the total accumulated discounting of receivables then provided under MFRS 139 Financial Instruments: Recognition and Measurement was approximately RM175.60 million representing almost 28% of the gross receivable from SPLASH. Pursuant to the terms of the Offer, the expected credit loss rate determined under MFRS 9 was clearly in excess of 10% deduction proposed to be made under the Offer; thus triggering the reversal of an expected credit loss allowance for the financial year. Prior to the receipt of the Offer and in the absence of any concrete developments, provision for discounting was made based on probability-weighted average approach on three possible scenarios on the timing of collections from SPLASH.

In the engineering and construction division, operating profit was recorded at RM0.16 million (2017: RM2.65 million) due to lower revenue and higher fixed overheads. As the division operates in a relatively competitive landscape, margins from projects tendered are relatively thin. At the end of the year, the division has three on-going projects, of which one of the projects commenced work in November. In one of the projects, 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 was granted an extension of time of fifteen months by the employer for the delay arising from changes in design. Arising from this, the Group recognised the entire foreseeable loss on this project due to additional costs to be incurred on staffing and overheads for maintaining site facilities.

As for the toll highway division, whilst revenue was comparatively higher than the year before, operating profit dropped significantly from RM49.20 million to RM41.44 million mainly from the higher repair and maintenance, increases in amortisation charges arising from the revision of the traffic volume growth projections made during the year and the over-provision for heavy repairs in the corresponding period. In the previous year, over-provision for heavy repairs arose from the deferment of the schedule of major heavy repairs from 2018 to 2021, based on the re-assessment of pavement conditions at the Cheras-Kajang Highway following the substantial pavement repair works undertaken by MRT Corporation, upon completion of the Klang Valley Mass Rapid Transit Line 1 in July 2017. The deferment resulted in a write back of RM6.15 million of provision for future rehabilitation works charged in the prior years.

Management Discussion and Analysis

Statement of Financial Position

As at the end of the financial year, the Group's net assets per share increased marginally from RM0.5227 to RM0.5243 principally from the significant profits recorded by the Group which was then used to declare dividends to shareholders. For the financial year, the Board has declared four interim dividends to be paid out to shareholders amounting to RM96.76 million, the same quantum as in the previous year. Due to the pay out, deposits, bank and cash balances and investments designated at fair value through profit or loss reduced from RM214.22 million to RM178.57 million. Other than payment of dividends, the lower cash reserves of the Group was also attributable to interest payments of RM21.31 million (2017: RM22.70 million) and dividends paid to non-controlling interest of RM17.89 million (2017: RM16.17 million). Out of the total deposits, cash and bank balances and investments designated at fair value through profit or loss, approximately RM26.83 million was held as securities for banking facilities secured by the Group and an amount set aside as part of the security arrangements of the Islamic Medium-Term Notes issued by a subsidiary, Cerah Sama Sdn. Bhd. ("Cerah Sama") whilst RM103.7 million was subjected to restrictions imposed under the Islamic Medium-Term Notes and RM24.2 million earmarked for the third interim dividends that were paid subsequent to the financial year end. Other than the intended purchase of assets for operational use of RM2.30 million, there is no foreseeable major capital expenditure expected to be incurred in the next twelve months. With the execution of the Termination and Settlement Agreement, the Group has the capability and flexibility to gear up to undertake any cash acquisitions in pursuance of its strategy to acquire infrastructure assets/businesses. The Group is also in a position to consider several other options to raise funds although at this juncture the Group does not have any plans in the absence of any viable investments.

Increased to

RM796.23 million

gross amount of trade receivables

from **RM676.89 million** both current and non-current

With SPLASH continuing to partially pay Sungai Harmoni at approximately 36% of the monthly billings, the trade receivables and trade payables have trended up concurrently. As at the end of the financial year, the gross amount of trade receivables, both current and non-current, increased from RM676.89 million to RM796.23 million with the accumulated loss allowance standing at RM68.69 million (2017: RM133.67 million). Consequential to the increase in trade receivables, trade payables have also increased from RM141.54 million to RM201.27 million. Net gearing of the Group has also escalated from 19.2% to 25.4% due to the drawdown of a RM30 million unsecured 3-year revolving credit facility.

The amount of shareholders' equity as at the end of the year was at RM1.057 billion, up from RM1.054 billion from the previous year. Total assets stood at RM2.444 billion (2017: RM2.372 billion), whereas total liabilities were recorded at RM1.122 billion (2017: RM1.044 billion).

Key Audit Matters ("KAM")

In the current financial year, the Auditors have included the assessment on the impairment of goodwill and intangible assets relating to Cerah Sama as a KAM. The assets of Cerah Sama are significant to the Group and the key bases and assumptions used in the estimation of the recoverable amount involved a significant degree of management judgement. As at 31 December 2018, the carrying amount of goodwill and intangible assets amounted to RM129.39 million (2017: RM129.39 million) and RM1.10 billion (2017: RM1.13 billion) respectively in comparison to the total assets employed by the Group.

Significant Corporate Developments

Other than the Bonus Issue that was completed during the year and other matters discussed under the Review of Business Divisions below, there are no other significant corporate developments to be reported. All the outstanding Warrants 2015/2018 remaining unexercised had expired on 11 November 2018 and were subsequently delisted.

Review of Business Divisions

The following is a review of the operating and financial performance of each of the operating business divisions of the Group.

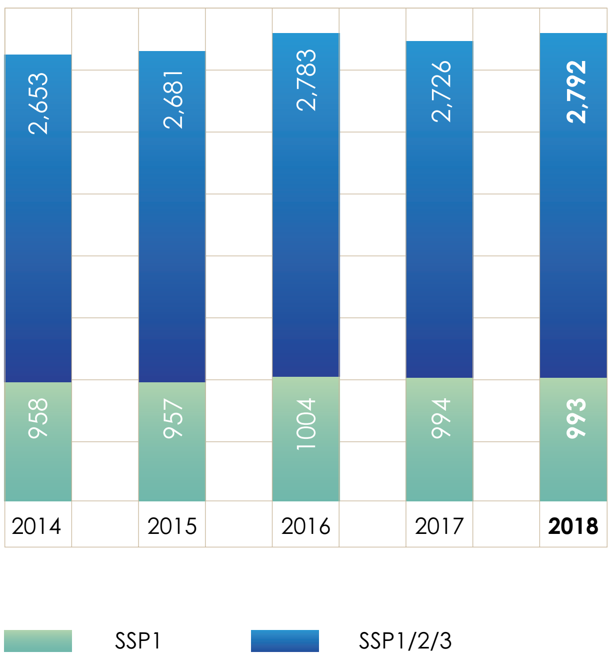
Water Treatment, Supply and Distribution

Sungai Harmoni Sdn. Bhd.

Average production from SSP1 for the year dropped marginally from 993.8 million litres per day ("MLD") to 992.8 MLD. In terms of metered output, SSP1 produced about 362.35 million m^3 compared to last year's 362.73 million m^3 over a period of 365 days. Based on the production record for the past five years, the amount of treated water produced from SSP1 has been quite consistent reflecting the sustained demand for treated water by consumers. At the current rate of production, SSP1 is operating in excess of its design capacity of 950 MLD by almost 4.5% to meet the overall demand for treated water. Besides the Sungai Selangor Water Treatment Works Phase 2 ("SSP2") and Sungai Selangor Water Treatment Works Phase 3 ("SSP3") operated by other parties, SSP1 is one of the three major water treatment plants operating along Sungai Selangor. There are in total nine water treatment plants operating within the Sungai Selangor basin. The combined production from SSP1, SSP2 and SSP3 for the year came to about 2,792 MLD, a slight increase over the 2,726 MLD the year before but still lower than 2,783 MLD recorded in 2016. Of the total combined production from the three water treatment plants, SSP1 supplied about 36% (2017: 37%) of treated water from the Sungai Selangor basin to Air Selangor, the entity designated by the Selangor State Government to take over the water supply and distribution services in the state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya under the restructuring of the water supply industry by the Federal Government and the Selangor State Government. Pending the full operation of the upcoming Langat 2 Water Supply project which is currently being constructed, the production of treated water from SSP1 is expected to remain at current levels, if not higher.

The following is the historical metered output from SSP1 and the combined production from SSP1, SSP2 and SSP3 for the past five years indicating that the demand for treated water in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya is still relatively intact.

Average production in MLD



Significant developments

- *2014 – increase in the BSR from RM0.35/ m^3 to RM0.42/ m^3*
- *2018 – increase in the BSR from RM0.42/ m^3 to RM0.44/ m^3.*

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

Management Discussion and Analysis

Sungai Harmoni places utmost importance to ensure that all treatment plant equipment is kept under good and optimal working conditions and all preventive maintenance are promptly attended to.

Towards the end of 2017, continued rainfalls over the catchment areas and the reduced regulated discharges of raw water to augment the river flow at Sungai Selangor have increased considerably the dam levels at both the Sungai Tinggi Dam and Sungai Selangor Dam to full capacity. Throughout the year, even though there were intermittent dry spells, 2018 was considerably a wet year with an unexpected good rainfall over the catchment areas. At the end of the year with both dams overflowing due to continued rains, shortage of raw water has not been a risk factor that was flagged out. The production needs of all water treatment plants abstracting raw water from Sungai Selangor for the first quarter of 2019 are unlikely to be affected as the water levels at both the regulating dams have substantially built up to provide the necessary buffer in times of drier periods. Nevertheless, as a precautionary measure, the Selangor State Government through its agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN") and Lembaga Urus Air Selangor ("LUAS") are continuously monitoring the river flows and water levels to ensure demand for raw water from water treatment plant operators are adequately met. Sungai Harmoni places utmost importance to ensure that all treatment plant equipment is kept under good and optimal working conditions and all preventive maintenance are promptly attended to. This is to minimise the incidence of any major breakdowns and disruptions to its operations. For the year under review, the company incurred a total expenditure of RM11.69 million (2017: RM11.22 million) in rehabilitation, upkeep and maintenance costs which contributed to approximately 11% of the total operating costs. Where equipment efficiency is likely to affect the overall production capacity, refurbishment to progressively return the installation to their original level of efficiency were undertaken. Among the comprehensive maintenance and rehabilitation programmes implemented to ensure that equipment and installations continue to operate at high levels of efficiency and reliability to produce water to the required quality and quantity at all times included 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 to ensure that the effluents leaving the lagoons comply with 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;

(v) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc; and

(vi) refurbishment of the support structures of the lamella modules for the Stream B Pulsators.

(b) refurbishment of the chemical dosing systems, which includes replacing aged dosing pumps, chemical preparation systems and pipe works.

Following the protracted issue on the water restructuring exercise in Selangor, Sungai Harmoni had received a letter of offer from Air Selangor setting out the key terms for the settlement for the long outstanding receivables from SPLASH as well as the new bulk water supply agreement for the continued operations and maintenance of SSP1. Amongst the salient terms of the Termination and Settlement Agreement and the BWSA are:-

(a) SPLASH will pay to Sungai Harmoni 90% of the outstanding amounts with an initial upfront payment of 10% and nine subsequent equal annual instalments. Interest will be payable on the remaining outstanding balance at the rate of 5.25% per annum; and

(b) subject to the approval of Suruhanjaya Perkhidmatan Air Negara ("SPAN"), the new bulk water supply rate will be a rate equal to a 5 sen/m^3 reduction to the existing bulk water supply rate up till 31 December 2029, being the expiry date of the Existing OMA and a final bulk water supply rate of 52.5 sen/m^3 for the 7-year extension from 1 January 2030 to 31 December 2036 in respect of the operations and maintenance of the SSP1.

Management Discussion and Analysis

Subject to the fulfilment of all conditions precedent and regulatory approvals for the whole water restructuring exercise, the Termination and Settlement Agreement and other related agreements will bring the curtains down to this long-drawn saga since 2008. Sungai Harmoni is eagerly looking forward to manage its cash flows and meet the payment obligations to its suppliers and service providers. Over the years, the amount of trade receivables has ballooned close to RM726.02 million (2017: RM616.30 million) whereas trade payables jumped from RM114.7 million to RM174.0 million over a span of one year. Out of the total trade payables, approximately RM92.7 million (2017: RM47.7 million) is owed for the supply of electricity and chemicals. During the year, TNB filed two writs of summons against the company for unpaid electricity billings and the case is now pending in the courts. In 2018, Sungai Harmoni received about RM71.98 million in payments from SPLASH, whereas its total operating expenditure came up to RM106.44 million. Of the total amount received, a significant portion of it went towards the payment to upkeep, rehabilitation and maintenance, essential supplies, staff costs and taxation.

With the expected improvement in cash flow, Sungai Harmoni will be in a much stronger position to incur expenditure for this purpose.

Under the BWSA, more obligations and stringent requirements will have to be complied with to ensure that SSP1 will be properly operated and managed to produce and supply the designated quantity and quality of treated water. These include amongst others maintaining the raw water monitoring systems at SSP1 and along Sungai Selangor to detect pollution and siltation, carrying out all rehabilitation and maintenance works as planned. A comprehensive maintenance and rehabilitation programme have been proposed to refurbish all major components of the water treatment plant to improve and to revert them to as close as possible to the original design efficiencies. With the expected improvement in cash flow, Sungai Harmoni will be in a much stronger position to incur expenditure for this purpose. Sungai Harmoni intends to construct a mechanical dewatering plant by 2024 to ensure the proper management, treatment and disposal of sludge. Currently, water treatment residuals produced at SSP1 are treated and deposited at the sludge lagoons within the vicinity of SSP1 before being transported to the nearby sludge depository area sanctioned by the Department of Environment ("DoE"). This method of handling and management of residuals has been approved by the DoE but over the longer term, a mechanical dewatering plant will provide a more sustainable and environmental friendlier method in managing these residuals. Under the existing licensing regime, Sungai Harmoni will operate SSP1 for an initial term of three years and thereafter subject to the renewal of the individual license by SPAN, for successive periods of three years until the expiry of the BWSA in year 2036.

For the year, Sungai Harmoni recorded a PAT of RM92.90 million (2017: RM30.49 million) on the back of gross revenue of RM176.35 million compared to RM172.42 million the year before. Despite having almost similar production levels over the past two years, gross revenue was much higher due to the increase in the BSR as well as higher electricity and chemicals rebates. The higher PAT was primarily attributable to the re-measurement of the expected credit loss rate arising from the Termination and Settlement Agreement. Despite no significant increases in production, the total operating expenditure increased to RM104.00 million from RM98.91 million during the same period due to higher electricity, chemical, rehabilitation and maintenance and payroll costs with increases in electricity costs accounted for the highest percentage of increase at 60%. Out of the total operating expenditure, electricity and chemicals costs accounted close to 53% and 16% respectively which were consistent with the previous year. Compounding the effects from the pump inefficiencies and the higher in-plant losses due to the continuous process overloading, the increase in the Special Industrial Tariff by TNB also contributed to the higher unit electrical costs by about 6% per m^3 of production. However, the increase in electricity cost was compensated by the higher electricity rebates passed on to SPLASH.

Unit chemical costs inched up by 6% despite no noticeable increases observed in the average prices of chemicals used in the water treatment process. The higher unit chemical costs could be boiled down to the overall deterioration in raw water quality caused by high turbidity from high intensity rainfalls throughout the year. As the quality of raw water deteriorates, the dosage of chemicals will need to be adjusted to ensure the quality of treated water meets with the water quality standards prescribed by the Ministry of Health. Sungai Harmoni makes it a point to continuously monitor raw water quality and inflow at regular intervals by having river surveillance programme in which it takes water samples from several locations within the catchment areas for analysis of pollution trends. Adjustments to chemical dosing rate are made if there are occurrences of quality changes to raw water to optimise chemical dosage and improve the water treatment regime. During the year, there were no serious untoward incidences of raw water pollution that resulted in major disruptions to the SSP1 operations. Sungai Harmoni has been working closely with LUAS, the DoE and other operators to minimise plant interruption due to river pollution. Raw water quality surveillance programmes will continue to be implemented at regular intervals. The use of Streaming Current Detectors in monitoring the coagulant dosages and the installation of lamella modules in Stream A Pulsators have 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 employed in the water treatment process has been found to be relatively effective.

End of

2016

SSP1 Water Treatment Plant

accredited by **Jabatan Pembangunan Kemahiran ("JPK") Malaysia** as a **National Dual Training System** in-house company and training centre

Over the years, Sungai Harmoni has carried out several research and development initiatives into technological improvement to its water supply operations. This included studies on the refurbishment of water treatment plants with alternative water treatment technologies such as membrane filtration and improvements in treatment process efficiencies and usage of alternative treatment chemicals especially in treatment of pollutant spikes that may occur from time to time. Sungai Harmoni is committed to a customer-focused service in providing high quality drinking water to the consumers. It also sets its sights to manage and preserve the environment in which it operates through relevant water industry research and development. In recognition of its operational and maintenance standards, the SSP1 Water Treatment Plant has been certified under MS.ISO 9001:2008 for Operation and Maintenance of Water Treatment since 2003 and in 2018, SSP1 was certified for MS.ISO 9001:2015 by the Standard and Industrial Research Institute of Malaysia ("SIRIM"). The SSP1 Laboratory, on the other hand, has continued to be accorded with ISO/IEC 17025:2005 under the Skim Akreditasi Makmal Malaysia ("SAMM") Accreditation Scheme and is now in the process of migrating to ISO 17025:2017. In addition, SSP1 has obtained certification under ISO/IEC 27001:2013 '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 to 21 February 2016. This has since been renewed till 2019. Furthermore, the SSP1 Water Treatment Plant has been accredited by Jabatan Pembangunan Kemahiran ("JPK") Malaysia as a National Dual Training System in-house company and training centre since end of 2016. This accreditation allows SSP1 to train internal staff to obtain the Malaysia Skills Certificate ("MSC") certified by JPK. Sungai Harmoni places great emphasis on training and developing its human resources to achieve their full potential and is one of the few water operations specialists in Malaysia to gain such certification.

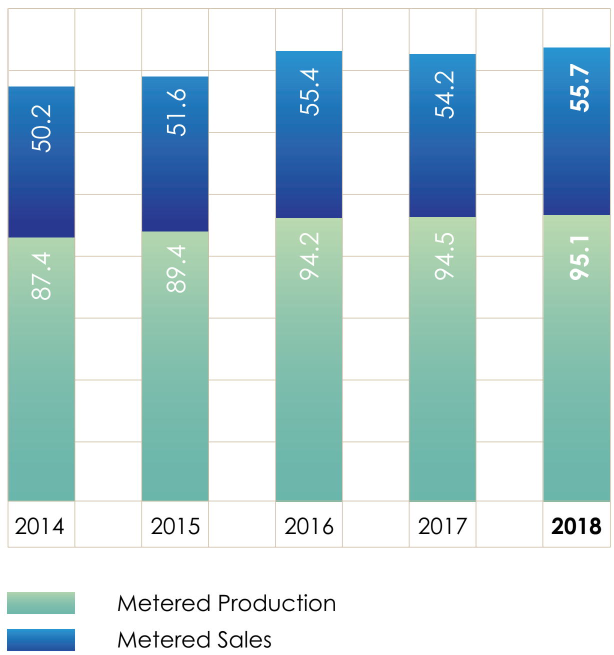
Being a major water treatment plant operator, Sungai Harmoni faces a magnitude of operational risks ranging from deterioration of quality of raw water to major breakdown of plant and equipment leading to major disruption in the treatment and supply of treated raw water. To combat these risks, Sungai Harmoni has in place a robust risk management framework to monitor, evaluate and escalate any potential risks to the attention of the board. Risks are evaluated on a bi-annually basis and the company is subjected to rigorous audits by regulators, external consultants and internal audit checks as part of its ISO accreditation.

Management Discussion and Analysis

Taliworks (Langkawi) Sdn. Bhd.

During the year, the Langkawi operations registered a growth of 2.8% in metered sales to 20.33 million m^3 compared to a decline of 2.4% in the previous year. This translates to metered sales of 55.69 MLD (2017: 54.20 MLD) over a period of 365 days. Demand for treated water in Langkawi is heavily dependent on the residential and commercial sectors as well as from tourism activities. According to the visitors' arrival statistics provided by the Langkawi Development Authority, the number of tourists arriving at the Langkawi island both from air and sea was approximately 3.629 million, a decline of 1.4% year-on-year. This compares to a growth of 1.2% seen in 2017. Domestic arrivals constitute about 86% (2017: 88%) of total arrivals. Demand for treated water has been relatively strong for the past few years and it can be seen from the sustained metered production and sales over the past five years.

Average production in MLD



In terms of production level, the total output from the five water treatment plants operated by Taliworks Langkawi stood at 95.05 MLD (2017: 94.46 MLD), representing a marginal increase of 0.6%. At this level, the combined production output exceeded the design capacity of the water treatment plants by almost 8.9%. The overloading of the water treatment plants has been an issue for Taliworks Langkawi for the past four years due to the rising demand for water but hindered by the lack of water treatment facilities, high rate of Non-Revenue Water ("NRW") and the scarcity of raw water sources in Langkawi. Whilst there have been plans by the state government to increase the supply of water, there are no concrete plans announced. The 6-month study entitled "Project Pembangunan Skim Bekalan Air Langkawi" commissioned by Syarikat Air Darul Aman Sdn. Bhd. ("SADA") in August 2016 to plan for the short-term and long-term needs of Langkawi island until the year 2040 has since been completed. 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 but so far, no projects have been implemented in this direction. SADA is an agency of the Kedah State Government entrusted to provide and distribute treated water in the state.

Other than raw water sourced from the island itself, close to 55%-60% of treated water in Langkawi comes from Sungai Baru, on the Perlis mainland area. Raw water treated at the Sungai Baru water treatment plant is transported via a 711 mm outer diameter submarine pipeline of approximately 35 kilometres in length to the Penarak booster pumping station on the island. At the beginning of the year, the water level at the Malut Dam had gradually increased to the 95.2% storage mark from a substantially wet year in 2017. Rainfall continued to be in abundance during the year which help to replenish the water stored at the Malut Dam. Whilst the water level at the Malut Dam was at the 98.6% level as at the end of the year, the persistent drier weather conditions experienced towards the end of February 2019 resulted in a drastic drop in the water level at the Malut Dam. This could lead to a potential threat of water shortage in the coming months if there are no notable changes in the weather pattern.

As the local population and economy of Langkawi expands, Taliworks Langkawi faces increasingly challenging tasks of managing an expanding water supply and distribution assets on the back of a progressively increasing consumer base. The consumer base has grown from 9,998 accounts back in 1995 to almost 5,262 commercial accounts and 23,620 domestic accounts. Domestic accounts grew slightly by 6.4% (2017: 1.6%) whilst commercial accounts grew by 4.4% (2017: 3.2%). One of the key issues impacting the Langkawi operations is the non-replacement of the aging piping network and the replacement of aged consumer meters which is under the purview of SADA. As a result of the non-replacement of the aging piping network and aged consumer meters by SADA, the NRW for Langkawi stood at 41.4% as at December 2018 (2017: 42.6%). Whereas for the whole of the state of Kedah, the 2017 statistics provided by SPAN revealed that the NRW of 47.5% is one of the highest in Malaysia and comparatively higher than the national average of 35.3%. A higher level of NRW contributes to the shortage of water and increases the cost of production as more treated water needs to be produced to compensate for wastages and losses. To manage the high level of NRW, various activities had been undertaken by Taliworks Langkawi and these included: -

(a) identification of pipelines with high leak frequencies through its GIS facility and recommending them to SADA for pipeline replacement;

(b) a total of 1,679 spoilt consumer meters has been replaced in 2018 (2017: 1,557 meters). This has already contributed positively in maintaining the quantity sold in 2018 and to slow down the natural increase in NRW due to meter ageing effect. This will maintain sales volumes in the succeeding years, however the remaining spoilt and aged meters are required to be changed;

Domestic accounts grew slightly by 6.4% (2017: 1.6%) whilst commercial accounts grew by 4.4% (2017: 3.2%)

(c) the Active Leakage Control ("ALC") programme was initiated in 2015, 2016 and 2017 and is currently monitored and implemented by internal NRW team. There have 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) engaging an external consultant to conduct Hydraulic Modelling for the Padang Saga, Changkuan, Kuah and Malut Reservoir distribution networks and at the same time to educate the staff with the latest methodologies as part of capacity building;

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

(f) continue to involve 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

(g) staged replacement of communication pipes with PN16 ratings instead of PN12 rating HDPE pipes, as substandard quality communication pipes were identified as a significant cause of pipeline leakages. A total of 20 kilometres of such communication pipes were replaced in 2018.

For the year, Taliworks Langkawi recorded higher revenue of RM63.11 million compared to RM59.01 million in the previous year. Even though metered sales only increased by 2.8%, revenue was higher by 6.9% primarily due to the increase in the BSR. Pursuant to an agreement executed with SADA in year 2015, the contracted BSR increased from RM2.15/m^3 to RM2.24/m^3 on 1 January 2018 and this rate will remain unchanged until the expiry of the Langkawi Water Supply Privatisation Agreement in October 2020. PAT for the year was recorded at RM17.82 million compared to RM13.97 million a year ago, arising from higher revenue earned and lower rehabilitation, upkeep and maintenance expenditure. As at the end of the year, the amount owing by SADA was RM46.94 million (2017: RM44.36 million) with total payments received amounted to RM60.44 million. Taliworks Langkawi had utilised the proceeds to meet its payment obligations and distributed approximately RM11.01 million in dividends. The outstanding payments from SADA are within the credit period and expected to be collected within a year.

Management Discussion and Analysis

In terms of operating costs incurred, electricity and chemicals took up almost 45% (2017: 42%) of the total operating expenditure of RM34.60 million (2017: RM34.82 million). The other major cost components comprised of rehabilitation, upkeep and maintenance costs which came up to RM6.00 million (2017: RM7.98 million) or 17% and operating staff costs at RM8.64 million (2017: RM8.09 million) or 25%. The unit cost of electricity per m^3 of production averaged out to be higher by 7.6% mainly due to the continued refill of Malut Dam as a result of the increased rainfall and the higher opportunities of pumping from the river intake to meet water demands of the water treatment plants on the island. During the year, electricity costs spiked up from a 2% increase under TNB Special Industrial tariff at the beginning of 2018 and a change in the Imbalance Cost Pass-Through from a reduction of RM0.0152 per kWHr to an addition of RM0.0135 per kWHr commencing July 2018, a situation similarly experienced by Sungai Harmoni. On the other hand, unit chemicals costs attained a positive variance of 4.6% mainly due to the improvement in raw water quality at Sungai Baru and from the island intakes. To keep the water treatment facilities in tip-top working condition, Taliworks Langkawi continues to improve the maintenance of pumps and to implement a wide -ran range of rehabilitation schedule which included the following:

(a) maintenance and upkeep activities are planned and performed, aided by C-Works – Computerised Maintenance Management System;

(b) rehabilitation of raw water and treated water pumps;

(c) undertaking residual management to regulate and to make sure that the effluents discharged from the treatment plants comply with environmental standards;

(d) refurbishment of pump motors that includes the replacement of bearings, cleaning and re-varnishing of stator and rotor coils, rotor balancing, etc;

(e) verification and calibration of online instrument as to ensure the data transmitted are reliable and accurate;

(f) refurbishment of the chemical dosing systems, which consist of replacing aged dosing pumps, and chemicals pipe works;

(g) repainting of buildings and pipelines at the treatment plants and distributions system; and

(h) regularly servicing the electrical starter panels.

Given the diverse raw water sources, Taliworks Langkawi has effectively managed the treatment process as water was treated to the required quality in excess of the compliance mark for most parameters based on a two-hourly treated water samples taken daily. There has been an improvement in compliance in almost all the parameters monitored. As a responsible water treatment plant operator, Taliworks Langkawi adheres to the highest standards in operating its facilities. As such, it continues to maintain its accreditation namely:

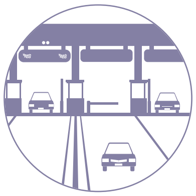
(a) ISO 9001:2015 for 'The Management and Support Services for the Operation of Four (4) Water Treatment Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including the Maintenance of the existing Distribution Network and Consumer Services;

(b) ISO/IEC 27001:2013 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;

(c) SAMM ISO/IEC 17025:2005 for the Padang Saga and Sungai Baru treatment plant laboratories and now is in the process of migrating to the ISO 17025:2017; and

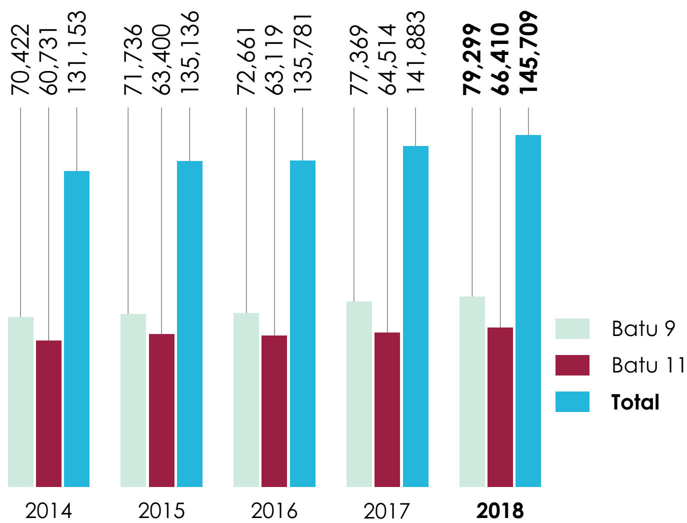
(d) Accredited as a National Dual Training System (NDTS) in-house company and training centre by Jabatan Pembangunan Kemahiran (JPK) Malaysia. In 2018, six water treatment apprentices and two distribution apprentices had received Malaysian Skills Certificate Level 2 from JPK.

Highway Toll Concessionaire, Operations and Maintenance Operator



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

2018 witnessed the full year operations of Phase 2 of the Klang Valley Mass Rapid Transit Line 1 ("KVMRT"), which commenced in July 2017 providing an alternative mode of transport for those living in the Cheras and Kajang vicinity. The KVMRT route is approximately 51 km in length, serving 31 stations from Kajang to Sungai Buloh and traverses the Cheras-Kajang Highway from the Taman Connaught station until the Stadium Kajang station. Save for the decline in the average daily traffic ("ADT") during the initial ram-up period of KVMRT in 2017, there wasn't much negative impact seen in 2018. With the KVMRT taking away some of the peak hour congestion along the Cheras-Kajang Highway, the ADT for 2018 improved by 2.7% (2017: 4.35%) year-on-year to 145,709 vehicles per day compared to 141,883 in 2017. With the improved traffic, monthly ADT analysis showed that traffic at the Batu 9 and Batu 11 toll plazas managed to recover back to the pre-KVMRT ADT (i.e. July 2017 levels) in March 2018 for Batu 9 and in July 2018 for Batu 11. Despite the lower growth rate compared to a year before, the ADT achieved was the highest since 2013 when the Federal Government announced the abolishment of toll collection at Plaza Batu 9 for the Kuala Lumpur bound and the Plaza Batu 11 for the Kajang bound which came into effect on 2 March 2012.



Significant developments

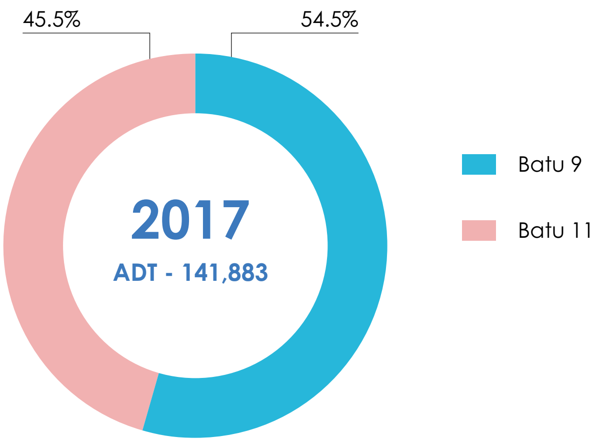
- *2015 - increase in toll rates on 15 October 2015*
- *2016 - substantial completion of the KVMRT project ground works along the affected stretches of the Highway around the third quarter of 2016*
- *2017 - commencement of KVMRT operations on 17 July 2017*

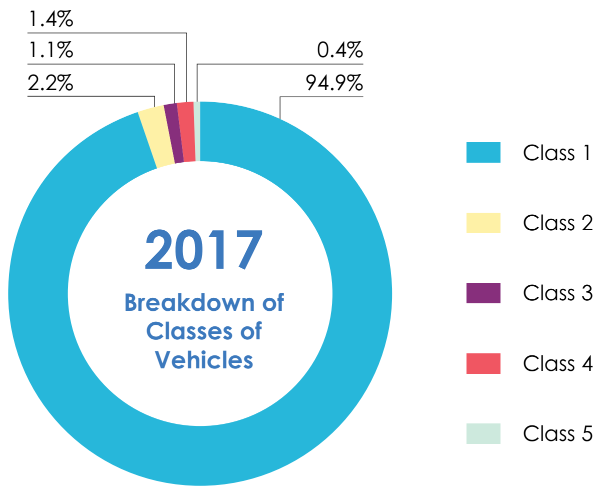
In the long term, the KVMRT service is expected to complement the Cheras-Kajang Highway's growth by providing connectivity and strong impetus for further development of new townships in its vicinity. The KVMRT stands to benefit from its close proximity to the townships such as Bandar Tun Hussein Onn, Bandar Mahkota Cheras and Cheras Perdana whose population is set to rise further. Nevertheless, the usage of the KVMRT would most probably appeal and cater to the existing commuters who use the public transport to travel into the city centre and beyond. However, given the maturity of the Cheras-Kajang Highway and continued population growth in townships and commercial centres in Cheras, it is highly unlikely that the Highway will be impacted by a severe traffic growth reduction.

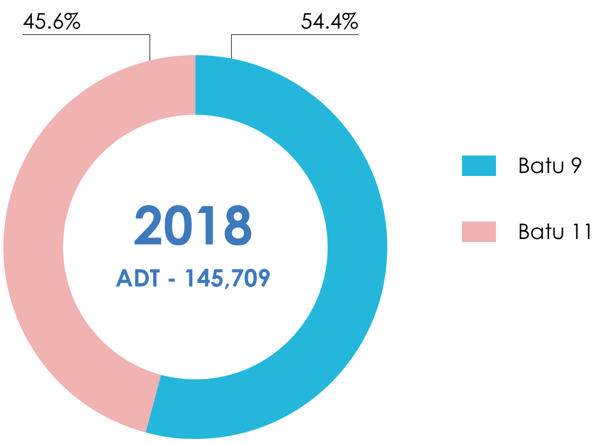
Management Discussion and Analysis

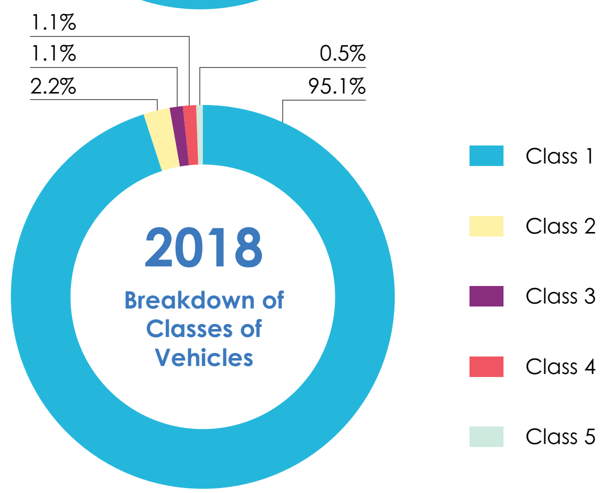
Unlike the previous year, where the overall traffic growth on the Cheras-Kajang Highway was more pronounced at Plaza Batu 9 which grew by 6.5% compared to 2.2% at Plaza Batu 11, the current year ADT growth was more evenly spread with 2.5% and 2.9% growth at Plaza Batu 9 and Plaza Batu 11 respectively. In 2018, there was a significant decline in Class 4 vehicles (taxis) by 20%. This was expected on the back of the increasing use of e-hailing services by the public with Class 4 vehicles constituting only approximately 1.1% of the total vehicles plying the Cheras-Kajang Highway. Meanwhile, the ADT for Class 5 vehicles (bus) grew by 19% mainly due to the increase in MRT feeder buses that ferry passengers to and from the MRT stations along the Highway. All other classes of vehicles also registered positive growth of 2.9%, 5.3% and 4.4% for Class 1, Class 2 and Class 3 respectively.

ADT & Traffic Mix by Classes: -

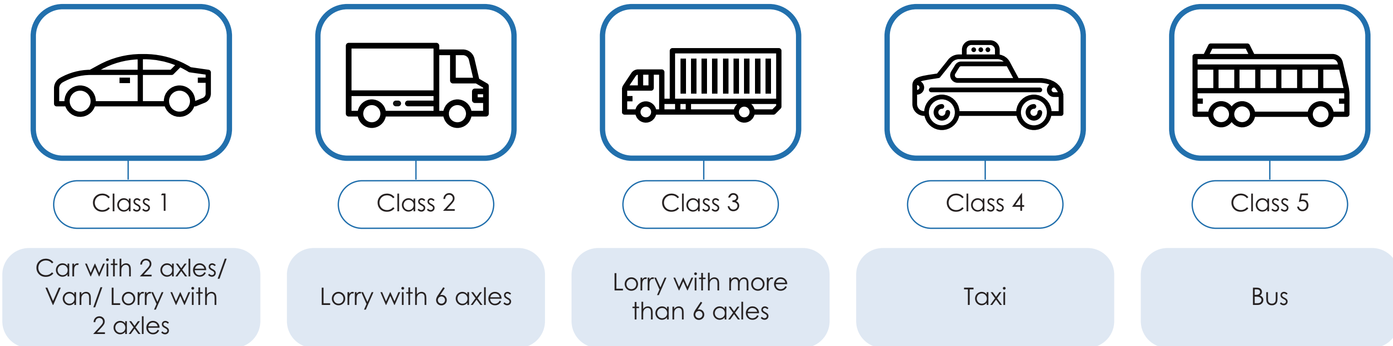








TYPE OF CLASSES OF VEHICLES



The following is the ADT recorded in each of the toll plazas over a period of two years: -

AVERAGE DAILY PAYING TRAFFIC

Given the Cheras-Kajang Highway's higher ADT over the years, it is inevitable that road users will encounter traffic congestions during peak hours. Nevertheless, Grand Saga with the collaboration of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police continue to implement the contra flow operations for the Kuala Lumpur bound traffic in the mornings and for the Kajang bound traffic in the evenings. This is the twelfth year running that the daily contra flow operations have been in place to ensure a smoother ride for road users as part of Grand Saga's service commitment. In addition to ensuring that the company maintains its highest level of service, Grand Saga is committed to provide regular patrolling and break down service along the highway including free towing assistance and emergency first aid care for commuters in need. Grand Saga also strives to maintain other quality related services to road users such as the Rest & Service stops at Bukit Dukong area, which have petrol stations, restaurants and post office. In line with the latest trends in social media, Grand Saga engages with the road users via Facebook: Lebuhraya Grand Saga; Twitter: GrandSagaTrafik, whereby Grand Saga would post information on traffic updates and other messaging pertinent to road users.

Management Discussion and Analysis

For those who are not able to follow the updates via social media, Grand Saga erected two Video Message gantries along the Highway at KM13.6 Kajang bound and KM14.0 Kuala Lumpur bound to disseminate traffic information from its control room.

One of the most important areas that Grand Saga is concern with is the safety of road users. Considerable efforts have been made to ensure road safety and comfort remain one of the top priorities of the highway operations. During the year, the company incurred a total repair and maintenance bill of RM2.89 million (2017: RM1.87 million) or RM251,478 per km of highway (2017: RM162,349 per km). A substantial portion of faded road markings were re-painted and rumble strips were installed at certain sections of the Highway, especially at accident prone areas. With these safety measures, the number of road accidents recorded reduced to 2.56 accidents per one million vehicles compared to 2.89 accidents per one million vehicles in 2017. This is lower than the limit of 3.15 accident per one million vehicles set by the Malaysian Highway Authority for highways operating in Peninsular Malaysia.

In line with the Federal Government's initiative to explore new Radio Frequency Identification Tag ("RFID") system as an alternative method of toll collection, Grand Saga had installed and tested RFID system at its toll plazas. This new system will facilitate seamless travelling within toll highways, particularly reducing traffic congestion at toll plazas, moving towards eventual implementation of the Multi Lane Free Flow system at all tolled highways in Malaysia in the near future.

With the higher ADT, toll revenue from the Cheras-Kajang Highway increased from RM68.97 million in 2017 to RM70.81 million in 2018, a growth of 2.7%. Plaza Batu 9 contributed about 54.4% of total ADT and toll revenue for the year, similar to the year before. Being a mature intra-urban highway, approximately 95% of traffic that passes through both the toll plazas constitute Class 1 motor vehicles. The toll rate for Class 1 vehicles is RM1.30 at each of the two toll plazas (which remained unchanged since the last toll hike on 15 October 2015). Subject to the approval of the Federal Government, the next toll hike is scheduled for 1 January 2020.

Total operating revenue was at RM86.99 million (2017: RM85.65 million) comprising toll revenue of RM70.81 million (2017: RM68.97 million) and recognition of prior and current year's government compensation of RM16.18 million (2017: RM16.68 million) arising from amongst others the closure of one-bound traffic in March 2012, opening of the access road to Bandar Mahkota Cheras in May 2008 and previous toll restructurings. Despite the higher operating revenue, the EBITDA of RM67.16 million was lower than the RM74.39 million recorded a year ago mainly due to the write-back of over-provision for heavy repairs in 2017 of RM6.15 million. The company sets aside provision for heavy repairs based on annual independent pavement condition assessment that estimates future requirements for pavement resurfacing, discounted to present value. Based on an assessment conducted in prior years, a major heavy repair work was anticipated in 2018. However, with a significant portion of the Highway handed over to KVMRT during construction, the Malaysian Highway Authority had amongst others imposed a condition that KVMRT was to make good the pavement condition before handing it back to Grand Saga. As part of the handover process in 2017, KVMRT conducted pavement rehabilitation works covering a significant portion of the Highway's pavement to standards set by the Malaysian Highway Authority. As such, based on the independent pavement condition assessment in the previous year, the company postponed the major heavy repairs scheduled in 2018 to 2021. This was positively reflected in the financial statements of 2017 by way of a write back in provision for future rehabilitation works charged in the prior years.

Significant expenses incurred for the year include finance cost for the outstanding RM420 million Islamic Medium-Term Notes (Sukuk) programme issued by Cerah Sama, the parent company of Grand Saga, amounted to RM21.07 million (2017: RM21.01 million) and depreciation and amortisation of RM15.32 million (2017: RM15.39 million) principally on the Highway Development Expenditure. For the year, Cerah Sama recorded a PAT of RM32.04 million, significantly lower compared to RM37.13 million a year ago primarily attributed to a write-back of provision for future heavy repairs in 2017 as described above.

Based on the continuing and projected growth in the ADT, the potential threat from the commencement of KVMRT operations to the highway's business model did not seem to materialise as initially anticipated. Nevertheless, Grand Saga constantly monitors all major ongoing projects which have the potential to adversely affect the traffic flow and safety of highway users especially with the on-going construction of the Sungai Besi – Ulu Kelang Elevated Expressway. The company maintains a close working relationship with the project owners, contractors and authorities to ensure traffic and safety issues are always adhered to. Given that Grand Saga is helmed by an experienced management team, the company is not expected to face significant operational risks.

However, one of the more notable developments confronting the toll industry is the 14th General Elections manifesto by the new Pakatan Harapan Federal Government. The Federal Government has since announced that it will appoint an independent consultant to study the future direction of the toll industry and initiatives to be taken to make tolls affordable. Grand Saga has been engaging with the Federal Government through the Malaysia Highway Authority to assist and provide the information required to undertake this exercise. It was announced that independent consultant has been given until June 2019 to make available its findings.

The company maintains a close working relationship with the project owners, contractors and authorities to ensure traffic and safety issues are always adhered to.

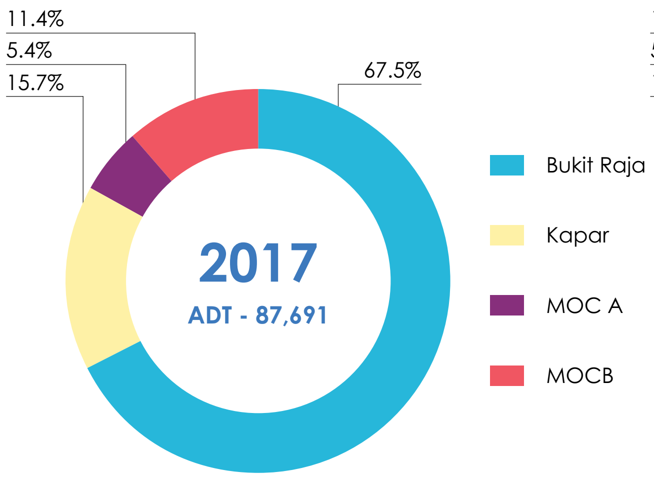
Management Discussion and Analysis

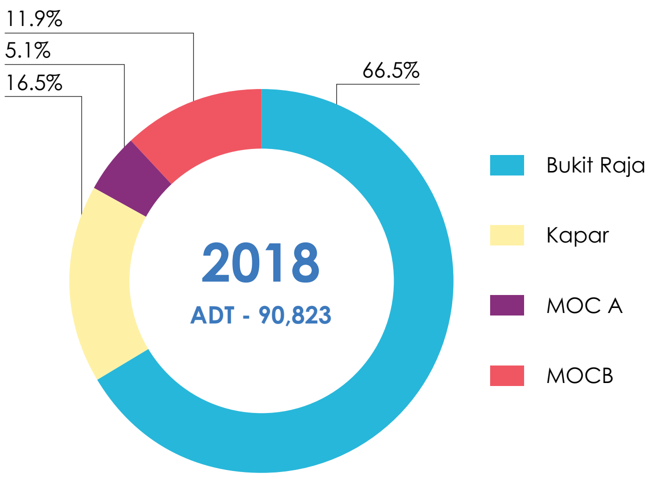
Grand Sepadu (NK) Sdn. Bhd. ("Grand Sepadu")

For 2018, the New North Klang Straits Bypass Expressway ("Grand Sepadu Highway") operated and managed by Grand Sepadu registered a commendable growth in traffic with the ADT up by almost 3.6% compared to a decline of 0.9% the year before. After experiencing diminishing ADT for the past three years, the Bukit Raja Toll Plaza eventually turned around and demonstrated growth for the first time since the Grand Sepadu Highway was acquired towards the end of 2014, with the ADT for 2018 boosted by approximately 2.0% (2017: a decline of 4.5%). The tapering of the construction activity for the West Coast Highway along the Bukit Raja stretch of the Grand Sepadu Highway and the closure of the Sungai Rasau and Batu Tiga Toll Plazas along the Federal Highway Route 1 operated by PLUS Berhad had aided traffic growth at the Bukit Raja Toll Plaza. In addition, improved road signages and traffic congestion mitigation measures such as police assistance in managing the movement of traffic flow during the morning and evening peak periods had also contributed to the traffic growth at the Bukit Raja Toll Plaza.

Other than the ADT growth seen in the Bukit Raja Toll Plaza, the Kapar and MOC B Toll Plazas continued to witness robust traffic growth in 2018 at 9.3% (2017: 5.7%) and 8.2% (2017: 6.8%) respectively. However, MOC A Toll Plaza which registered an ADT growth of over 13.2% in 2017 experienced a 3.4% decline in ADT partly due to a shift in port bound traffic from MOC A to the Kapar toll booths via the newly opened Jalan Hj Sirat Interchange in June 2018 that provides direct access for port bound traffic (rather than a longer route via the MOC A toll plaza). Overall the Grand Sepadu Highway recorded an ADT of 90,823 vehicles per day compared to 87,691 vehicles per day in 2017. This was the highest ADT achieved so far since the acquisition of the Grand Sepadu Highway which was then under liquidation. This demonstrated that the turnaround strategies adopted and implemented by Grand Sepadu were effectively executed.

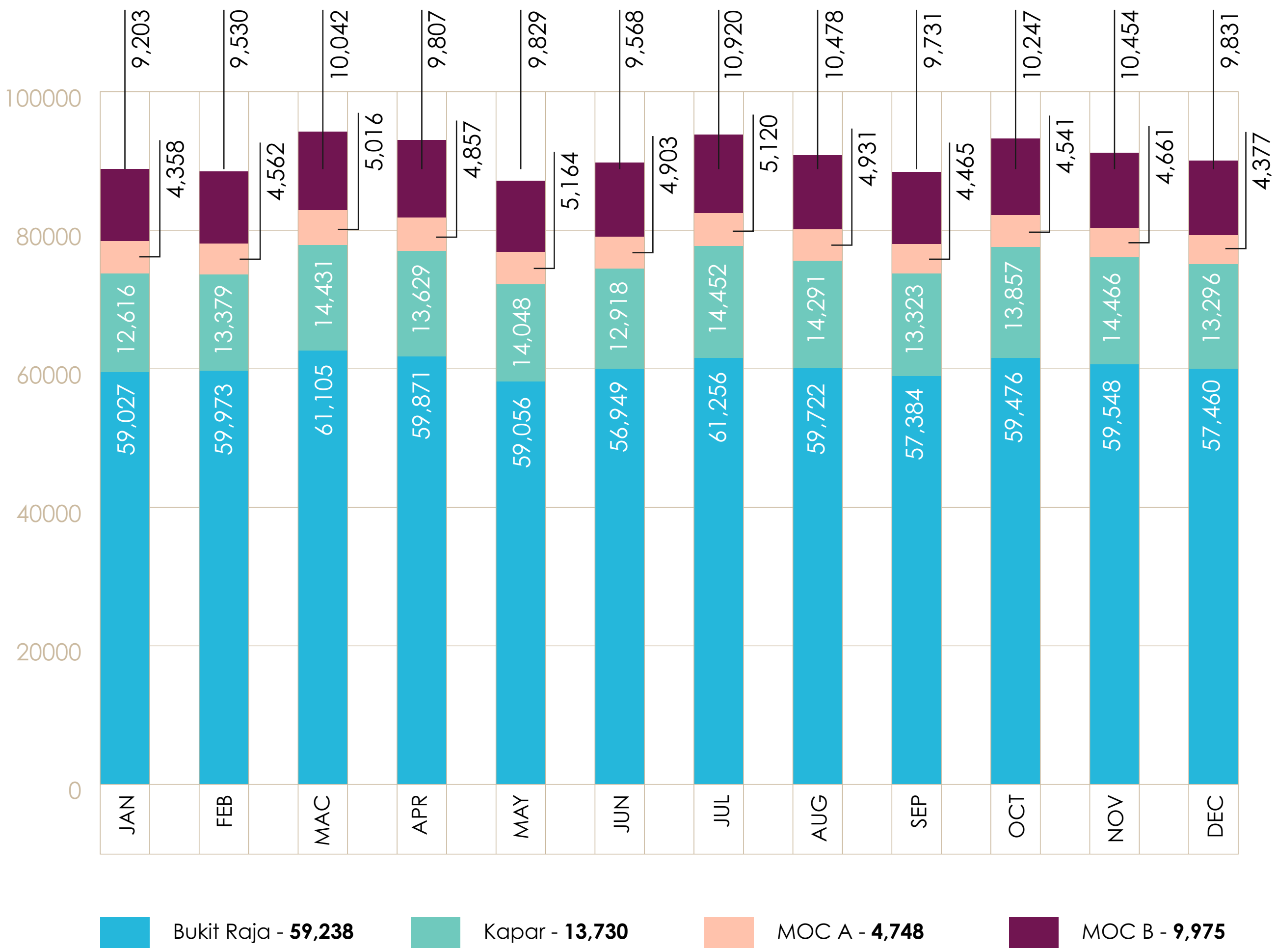
During the year, a total of 33.15 million (2017: 32.01 million) paying vehicles passed through the four toll plazas of which, close to 66.5% of these vehicles passed through the Bukit Raja Toll Plaza, compared to 67.5% in 2017.





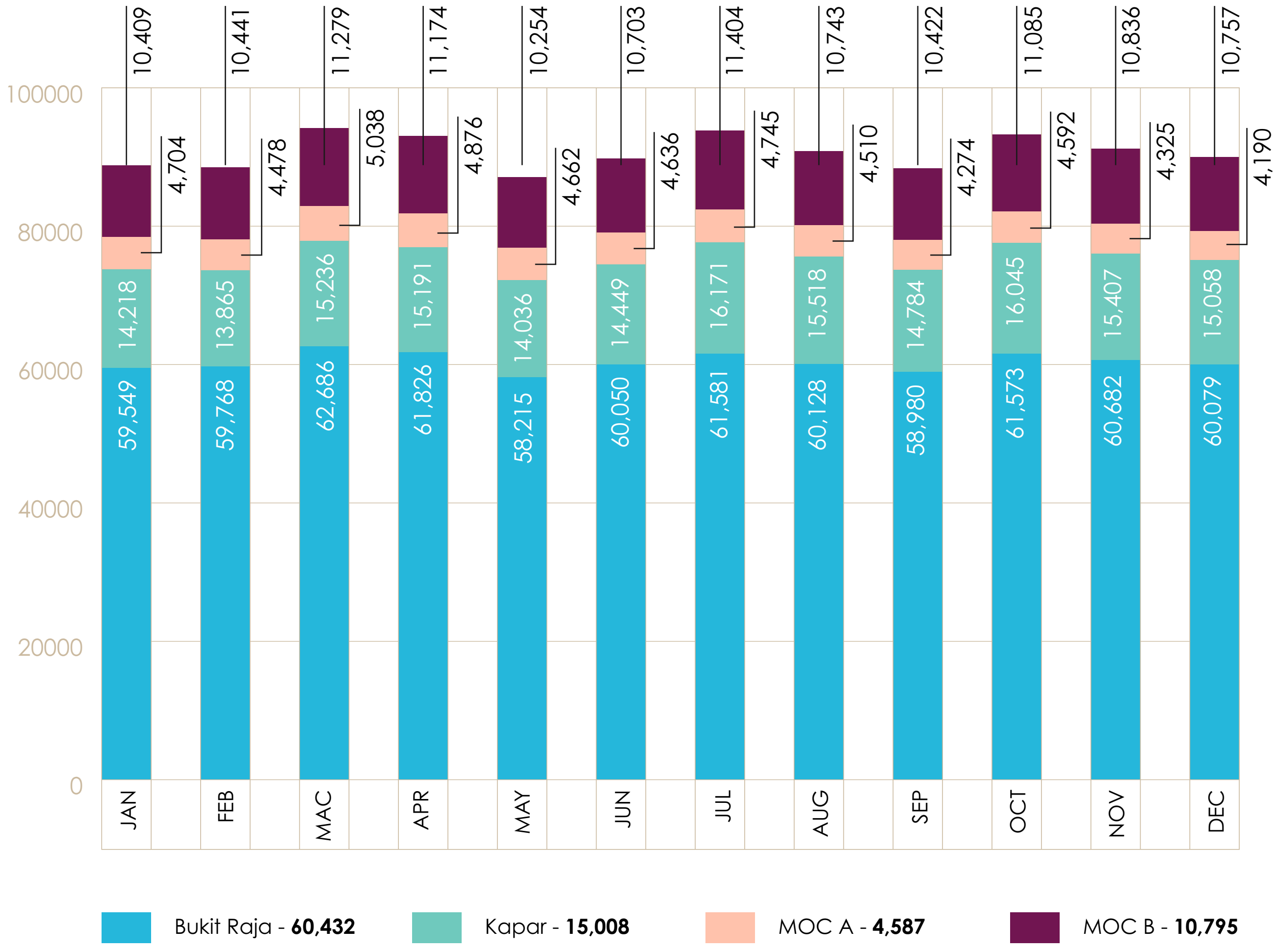
The following is the ADT recorded in each of the toll plazas over a period of two years: -

TOLL PLAZA - YEAR 2017



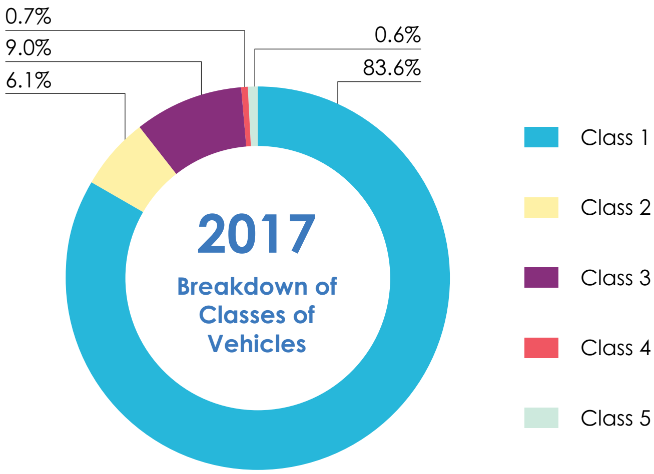
Management Discussion and Analysis

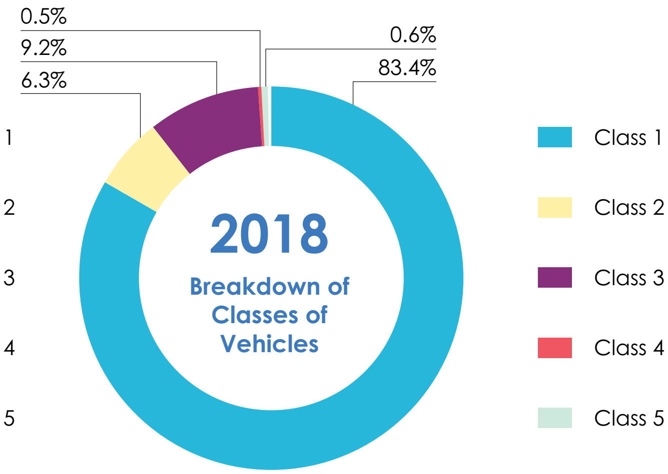
TOLL PLAZA - YEAR 2018



The Grand Sepadu Highway mainly services commuters from towns in Klang as well as commercial vehicles to the North Port and Westport terminals. The increasing in patronage by commercial vehicles namely Class 2 and Class 3 command a higher toll rate compared to other classes of vehicles, which bodes well for the company. During the year, Class 2 vehicles comprised almost 6.3% (2017: 6.1%) of the total vehicles that passed through the four toll plazas, whilst Class 3 vehicles was at 9.3% (2017: 9.0%). The port activities will have a direct impact on the number of commercial vehicles plying the Grand Sepadu Highway. It is envisaged that the economic outlook for the country would remain competitive and accommodative for trade and investments and going forward, the Malaysian economy is expected to remain in a steady growth path.

After experiencing diminishing ADT for the past three years, the Bukit Raja Toll Plaza eventually turned around and demonstrated growth for the first time since the Grand Sepadu Highway was acquired towards the end of 2014



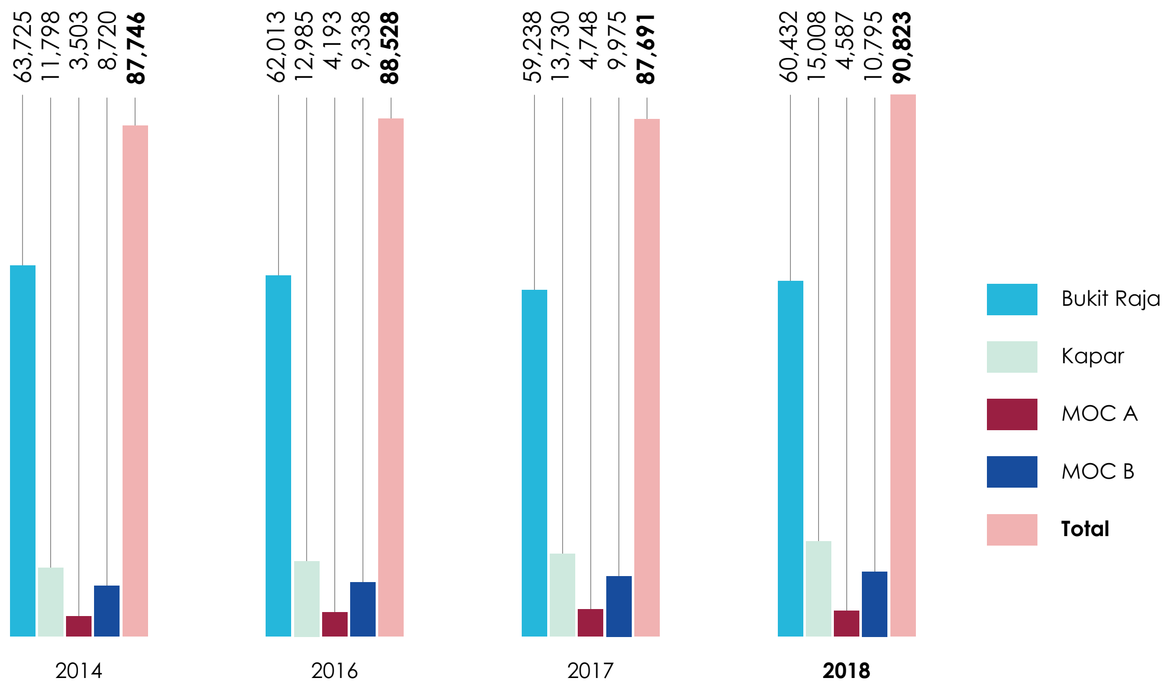


For the year, Grand Sepadu continued with the various initiatives including the installation of additional signages, buntings, Frequent Travellers Programme and highway awareness programmes through Facebook and Twitter to boost the traffic numbers. These programmes had proven to be effective as indicated by the growth in ADT. To provide for greater safety, convenience and driving comfort, the company incurred RM2.63 million (2017: RM2.71 million) on repairs and routine maintenance which included pavement rehabilitation and upgrading programmes. As a responsible highway operator, Grand Sepadu is committed to minimise the number of road fatalities. During the year under review, the number of road accidents reduced from 1.91 accidents per one million vehicles in 2017 to 0.90 accident per one million vehicles in 2018, well below the threshold of 3.15 per million set by the Malaysian Highway Authority.

Management Discussion and Analysis

Another milestone achieved in the year was the completion of the Hj. Sirat Interchange which was constructed at a cost of RM11.5 million. The interchange which was opened to the public on 6 June 2018, provides residents and business owners from the surrounding industrial areas a direct access into the Grand Sepadu Highway. Over the past four years, since the Grand Sepadu Highway was acquired, the total ADT passing through each of the four toll plazas are as follows: -

Average Daily Traffic (ADT) 2015 - 2018



As one of the initiatives to provide uninterrupted traffic flow at the Grand Sepadu Highway, Grand Sepadu is planning to upgrade the existing toll plaza at MOC East in the second half of 2019 subject to the approval by Malaysian Highway Authority to cater for the increasing traffic and alleviate peak hours traffic congestion at an estimated cost of RM4.0 million. The upgraded toll plaza will have additional three toll lanes to cater to additional traffic coming from the newly opened third Klang Bridge. This will potentially contribute positively to the traffic growth at the MOC A and MOC B Toll Plazas.

As part of the cost containment initiatives, Grand Sepadu successfully negotiated with the project owners of the upcoming Light Rail Transit 3 ("LRT3") and the West Coast Expressway ("WCE") to bear the cost to replace seven high mast lighting using LED technology, with savings to the company. Likewise, following the protracted negotiations, WCE has agreed to provide soft fit lightings under the elevated stretches of its expressway covering two kilometres of Grand Sepadu's Right-of-Way even though these were initially agreed by the Malaysian Highway Authority for Grand Sepadu to bear the cost. This ultimately resulted in savings to the company estimated at RM 3.81 million for the subsequent concession years.

For the financial year, Grand Sepadu recorded a total toll revenue of RM 47.99 million (2017: RM45.32 million) with Bukit Raja contributing RM14.19 million (2017: RM13.93 million), Kapar at RM23.49 million (2017: RM21.48 million), MOC A at RM4.24 million (2017: RM4.29 million) and MOC B at RM6.07 million (2017: RM5.62 million). During the year, RM4.15 million was received from the Federal Government as compensation for non-toll increase (2017: RM8.13 million). The company expects to receive the advance compensation for 2018 by the first half of 2019. Once received, the compensation will be recognised as income for the financial year 2019. Whilst the overall ADT growth was 3.6%, the increase in toll revenue by 5.9% was primarily attributed to the higher toll collections at the Kapar Toll Plaza. As a result of the delay in receiving payment for toll compensation, the total operating revenue achieved was RM52.14 million, lower than RM53.45 million a year ago.

Given the lower operating revenue, an EBITDA of RM37.97 million (2017: RM40.21 million) was achieved. During the year, the company incurred finance cost of RM10.13 million (2017: RM10.61 million) on the issuance of RM210 million of Sukuk Murabahah whilst depreciation and amortisation principally on the Highway Development Expenditure came in at RM16.49 million (2017: RM14.24 million), with RM1.74 million attributed to the new Jalan Hj Sirat Interchange. In terms of net profitability, the company achieved a lower PAT of RM5.25 million (2017: RM8.49 million) mainly due to the lower operating revenue, higher depreciation and amortisation charges as well as the higher provision for future resurfacing obligations required of RM2.50 million (2017: RM1.52 million) due to the revision in 2017 of the estimated future expenditure to be incurred.

The company is ever mindful of potential threats that it might face. As such, it places great emphasis to constantly monitor and appraise all risks affecting the operations of the Grand Sepadu Highway including general business environment, regulatory and safety issues. As the Grand Sepadu Highway serves the surrounding industrial areas and predominantly the small to medium enterprise business communities within the vicinity of the North Klang town, it will be adversely impacted by any general slowdown in the economic activities and port operations at the North Port and Westport terminals. In the meantime, like Grand Saga, the company await the findings of the independent consultant appointed by the Federal Government to review future direction of the tolling industry.

In terms of operational risks, the company is confident that all the risks are adequately taken care of and enough controls have been put in place and actions taken to manage these risks. To enhance its service and operational excellence, Grand Sepadu successfully obtained the ISO9001:2015 Quality Management System by SIRIM QAS International during the year. The scope of the certification is for the Provision of Highway Operations and Maintenance Works.

Management Discussion and Analysis

Engineering and Construction

The construction industry as a whole continues to be challenging for the division. As its first step, the new ruling Pakatan Harapan Government has initiated reviews on several mega infrastructure projects with the aim of reducing the price through re-negotiations or re-tendering certain major projects either by deferring or cancelling some of these projects. In few of the projects that we were involved in but were not awarded, it is an opportunity for us to participate in the re-tendering process. With the Government rolling out the backlog of water infrastructure capital expenditure, it would provide the necessary boost to revive the slowdown currently experienced in the domestic construction industry. For 2018, the growth in the industry was recorded at 4.5% compared to 6.7% a year ago. There are expectations that the Government's contract awards for government hospitals, schools, roads, railway and water supply/distribution will pick up in the second half of 2019 as the Government's financial position will be in a much better footing to further boost the domestic economic activities. In the Budget 2019, the Federal Government has announced the allocation of about RM690 million to improve water supply services. Another positive development would be with the potential review of the water tariff rates, there would be opportunities for capital expenditure in pipe replacement and non-revenue water programmes to be increased to ensure long-term sustainability of the water sector.

In the recent release of the Ministry of Finance's Economic Report 2018/19, titled Fiscal Outlook 2019, the construction sector is expected to improve in 2019 by 4.7% year-on-year following an increase in new planned supply in the affordable homes and industrial segments. Nevertheless, the review of several infrastructure projects as well as subdued activities in non-residential subsector are expected to weigh down the sector's performance. The civil engineering subsector is expected to continue to remain as the driver of the construction sector in 2019 largely supported by ongoing projects.

With the Government rolling out the backlog of water infrastructure capital expenditure, it would provide the necessary boost to revive the slowdown currently experienced in the domestic construction industry

The following are the progress of major projects undertaken by the Group.

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 the East Coast Economic Region Development Council (Package 3a – Main Distribution Pipeline, Main Buildings and Associated Works at Tanjung Agas with a contract sum of RM73.12 million

This project is undertaken by an unincorporated joint venture between Taliworks and a third party with approximately 49% of the works amounting to RM36.28 million allocated to Taliworks which in turn, sub-contracted the works to its wholly owned subsidiary, Taliworks Construction Sdn. Bhd. ("TCSB"). The project which entails the laying of main distribution pipeline, construction of pump station, suction and elevated tanks and associated works, commenced in September 2016 and contractually, it was to be completed by September 2018. However, the progress of the works within our scope, namely the Sungai Pahang Crossing, was delayed due to a structural change in the design by the employer to comply with the requirements of the local authorities. The change in design, however, did not result in any revision to the contract price. An extension of time ("EOT") of fifteen months was granted which pushed the date of completion of the project to December 2019.

Towards this end, margins were significantly eroded. Whilst additional resources and overheads were costed for the extended completion date, only a certain amount can be claimed as losses and expenses under the terms of the contract. This resulted in the entire foreseeable losses to be taken up in the financial year. Overall, the project is anticipated to make a gross loss of approximately RM1.0 million. Nevertheless, efforts are being implemented to limit the losses by progressively assigning the project staff to other new projects. As far for the project's progress, 76% (2017: 38%) of the scope of works undertaken by TCSB has been completed and the company is on track to complete this project by the scheduled date. At the end of the reporting period, PVD soil improvement, earthworks and pilling works for the Tanjung Agas site had been completed while filling of water for water tightness testing of suction tank, structural works for elevated tank and building services for booster station are currently on going. As for Sungai Pahang Crossing, the first half of the crossing has been completed except for casting of deck slabs and parapet wall and saddle are on-going. Works on the second half of the crossing commenced in February 2019. In terms of cash flow management, payments from the employer were forthcoming and the company did not face any cash flow constraints to service its own payment obligations.

Management Discussion and Analysis

Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7 for Pengurusan Aset Air Berhad ("PAAB") with a contract sum of RM75.89 million

This project undertaken by a 20% associate company, LGB Taliworks Consortium Sdn. Bhd.; commenced physical construction work in October 2016. Approximately 69% of the contract costs were sub-contracted to TCSB. The project entails the construction of a 92-million litre reinforced concrete balancing reservoir to be completed within twenty-seven months, by end of January 2019. This project 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.

Due to inclement weather and delays caused by contractors for the other packages for the Langat 2 Water Supply Project, progress on this project has been delayed. As at the end of the year, the actual progress of works undertaken by TCSB is 79% (2017: 33%) against the planned progress of 99% (2017: 44%). The huge gap between the actual and planned progress will be revised once the applications for EOT are granted. In July 2018, the employer issued an EOT to extend the date of completion for Sections 1 and 2 Works by about a month respectively. About the same time, another EOT to further extend the date of completion for Section 1 Works was made. If the EOTs are all granted, this project is expected to be completed by July 2019. To date, piling works, RC culverts and earthworks for compartments 1 and 2 and the access road have been completed. The main construction activities currently underway are steel bar cutting, bending and fixing and concreting for base slabs, walls, columns and roof slabs of reservoir compartments 1 and 2, brickwork for the switch house, inlet structure for detention pond construction and pipelaying works.

During the year, it became apparent that the quantities of steel bars used for the project have been grossly under-provided by the consultants. As such, adjustments to the contract sum was made at both LGB Taliworks Consortium Sdn. Bhd. as well as TCSB to take into account the additional quantities and the costs of purchasing the steel bars and pipes. As the actual price of steel bars purchased was lower than the provision made in the previous year for price fluctuation, the project gross profit has been adjusted upwards.

In November 2018, the division was awarded the proposed construction and completion of 76 Ml R.C. Reservoir R4 and related ancillary works at Cyberjaya Flagship Zone in Selangor for a contract sum of RM42.356 million to be completed by 14 November 2021.

In 2017, the Engineering and Construction Division was accorded the ISO 9001:2015 under SGS United Kingdom and Malaysia for Project Management and Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Conventional Contracts. This accreditation is valid from 2017 to 2020.

In terms of financial performance, the division recorded an operating profit of RM0.16 million (2017: RM2.65 million) on the back of a lower revenue of RM42.54 million (2017: RM51.74 million). The decrease in revenue was mainly attributable to the upward revision in the estimated contract sum in the Mengkuang Dam Expansion Project a year ago whereas the lower operating profit in the year was mainly due to recognition of the entire foreseeable losses from Ganchong Project arising from the deferment of the project.

Waste Management

SWM Environment Holdings Sdn. Bhd. ("SWMEH")

In 2018, SWMEH embarked on various technological initiatives with the aim of fostering the growth of the waste management industry in Malaysia towards a more sustainable model leveraging on the advancement of technology. Towards this end, SWMEH together with other concessionaires and the Malaysia Government set out on a courageous move which will see the establishment of a world class Command, Control, Communications, Computers and Intelligence (C4I) Centre in the hub of Cyberjaya. Cyberjaya houses a significant number of technology-based entities and is a key component of the Multimedia Super Corridor in Malaysia. Once completed, the C4I Centre will enable the monitoring of the concessionaires' entire operations conducted within the C4I Centre. In tandem with this modernisation of the industry is the centralisation of data inventory system that will facilitate billings and payments to be done online, the first of its kind in the country.

Management Discussion and Analysis

Besides adopting the above, there are other cutting-edge technologies being contemplated by SWMEH. Amongst them is the use of Unmanned Aerial Vehicle ("UAV") or more commonly known as "Drone". The drone will be deployed in the measurement of geographical landscape and data; replacing traditional handheld tools or measuring tapes. The pilot study was completed, and the results showed that this led to a more accurate data reading within a shorter span of time and at a much lower cost. This initiative provided much potential for future success in the operations by minimising human errors and disputes. In addition, the SWMEH also evaluated the Robotic Street Sweeping machines as part of mechanising the cleansing activities, thus moving away from human dependency where possible. This state-of-the-art machine was given the "thumbs up" by the Minister of Housing and Local Authority after a short test run. Automation will be the key strategy in SWMEH's future business operations as the world moves towards Industry Revolution 4.0 with higher dependency towards robotic and internet-of-things, also known as IoT.

Nevertheless, human capital will continue to remain critical in the SWMEH's current operations where judgement calls are required in so far as cleanliness is concern. Hence, investments in human capital to upskill the employees will continue to be enhanced. SWMEH focuses in training of key staffs in operations supervisors, general workers and drivers which come close to 90% of the total workforce of about 8,000 people. This includes the re-training of the Operations Sanitation workers and drivers using the in-house Staff Training and Rating System to achieve at least 80% certification SWMEH has introduced the Drivers' Trainers Programme to enhance the efficiency of the existing drivers' skills through personal coaching and assessment methodology. It has also implemented the Management Trainee Programme to create new recruitment pipeline for Operations Supervisors, Executives and Branch Administrators. As part of our unity drive, an employee relation campaign will be launched to enhance the working relationship among office employees especially between those in state offices with those stationed in head office. Ultimately, we hope it add value to employees' engagement and retention.

Being an organisation that serves the community extensively, our involvement in environment, social and governance ("ESG") activities play an integral part of our operations. In our efforts to improve recycling rates and diverting waste from landfills, we are proud to have launched the KITAR3cycle programme aimed at incentivising the various stakeholders to participate in recycling programmes by actively engaging them through the social media platforms such as Facebook, Instagram, Twitter and Facebook Messenger application. We are also collaborating with other third parties, Non-Governmental Organisations ("NGOs") and state authorities to reach out to as many as 600 schools in the Southern Region on recycling and climate change programmes by focusing our joint efforts on 3R education in schools. "SWM Kasih" - SWMEH's CSR arm, continues to help the communities whom we served by, amongst others, participating in festive CSR activities as well as natural disaster aid.

As a community-based service-oriented entity, quality service remains a top priority for SWMEH. It continuously upgrades its processes and improvement in the quality and environmental management system based on ISO 9001: 2015 and ISO 14001: 2015 through awareness programmes, close monitoring and proper implementation of corrective action. In 2018, SWMEH has achieved the following accreditation:

a ISO 14001: 2015
for collection and cleansing services;

b ISO 9001: 2015

To further promote continual improvement, 8D problem solving techniques and 5S awareness programmes were introduced during the year. SWMEH actively identifies relevant contingency situations which could affect its operations and services. Contingency plan for each situation was determined and documented. In 2019, SWMEH will continuously and actively utilize 8D problem solving approach to improve its processes and services. To facilitate risk management and 8D problem solving, Failure Mode and Effect Analysis will be introduced especially targeted at the operational level to identify what can possibly go wrong in the operational activities and identifying the appropriate control measures. SWMEH is also re-looking into the existing contingency plans and carrying out simulation to test the effectiveness of the contingency plans for improvement purposes. Moving forward, SWMEH will direct its focus more on lean management strategies for the purpose of waste reduction and continual improvement. In 2019, pilot project of 5S practice will be implemented at selected premises with the facilitation from external service provider and co-operation from all level of management.

With continuous effort in modernising and improvising work methods using human and technology, SWMEH aims to maintain its leadership in the industry as one of the most innovative augments with excellent quality of service operation. We look forward to work together with the government starting with the new mechanism through the C4I Centre to upgrade the industry making it more efficient and effective, including the possibility of the introduction of "Polluter Pay mechanism", "Waste Tax", "Extended Producer Responsibility", "Pre-paid bags system", increasing recycling rate through public participation using the KITAR3cycle incentives, etc. The Group believes that a high quality of cleanliness will contribute positively to both socially and economically, notably in the eradication of vector borne diseases, reduced incidences of dengue cases, increase tourism attraction, promoting a cleaner and safer environment and promoting green technologies.

For the year, the SWMEH Group achieved a revenue of RM880.7 million as compared to RM859.5 million registered in 2017, translating to an increase of 2.5%. This is a marked improvement considering that revenue for the preceding year's declined by 3.7%. Despite the higher revenue, PAT came in at RM139.5 million compared to RM146.3 million a year ago.

Gross profit margin reduced to 36.8% (2017:39.2%) driven by the increased in operational expenditure from RM522.6 million to RM556.2 million. The increase was mainly due to higher manpower costs, maintenance costs for motor vehicles and machineries and depreciation charged. Several measures have been taken to offset the increase in costs through lean management strategies, manpower optimisation and work efficiency during the year. Amongst the measures implemented include a review of the sub-contractors' performance and re-zoning exercises for better monitoring and operational efficiency. Sub-contractors and direct staff costs accounted for almost 68% (2017: 70%) of total operating expenditure.

During the year, the Group incurred substantial maintenance costs for motor vehicles and machineries as well as depreciation amounting to RM157.2 million (2017: RM138.7 million). This was due to aging of motor vehicles and machineries and reached their useful lifespan. Overall, SWMEH recorded a lower PAT mainly due to an impairment of RM6.8 million from the first-time adoption of MFRS 9, however, this was sheltered by lower financing costs incurred. Finance cost for the year saw a reduction from RM86.1 million to RM74.4 million mainly from the redemption of Sukuk.

Sustainability Statement

As part of our nation-building efforts, we are focused on ingraining a deeper sustainability culture at Taliworks. As a company on a growth trajectory, sustainability efforts entail institutionalising strong non-financial risk management. At the same time, we are cognisant of the prevailing opportunities that can arise from sustainability from a business perspective. Guided by our corporate vision, our aim is to leverage the long-term integration of sustainability into our business.

We are now transitioning our sustainability efforts towards being more strategic in focus. By clearly assessing our Economic, Environmental and Social ("EES") footprint, we are better able to understand and derive insights from the shared value that sustainability creates for Taliworks and the community.

The diversity of our business divisions means that we influence and are influenced by a wide range of EES aspects. With this Sustainability Statement, we aim to provide our stakeholders with an overview of our performance in embedding the notion of shared sustainable value across Taliworks and its subsidiaries ("the Group").

Taliworks' approach to delivering sustainable shared value

- Clear vision as a pure-play infrastructure company
- Board and Management team with extensive commercial, operational and regulatory experience
- Track record of regulatory outperformance
- Significant improvements in customer service and operational performance
- Externally recognised with responsible business credentials

ECONOMIC GROWTH

ENVIRONMENTAL MANAGEMENT

SOCIAL CONTRIBUTION

Our approach to sustainability focuses on the aspects of our business that we have identified as areas of opportunity for the creation of shared sustainable value between Taliworks and the community. This strategy is grounded within our five-part approach to delivering sustainable value, which forms the foundation from which we achieve our year-on-year sustainability progress.

In 2017, we focused on identifying the sustainability aspects that are material to Taliworks and establishing relevant performance indicators for the enhancement of our sustainability disclosure. This year, we built upon that progress by enhancing knowledge of sustainability across all divisions through a common but differentiated approach of shared value. We aim to develop a sense of ownership over sustainability within our divisions, ultimately strengthening our ability to create and deliver sustainable value.

In 2018, Taliworks Sustainability Steering Committee ("the Steering Committee") led a Group-wide initiative to assess sustainable value creation within Taliworks and its subsidiaries. As part of this initiative, the Steering Committee identified and evaluated how the Group's sustainable business strategies can drive growth and productivity, tying in the assessment of sustainability in a manner that is consistent with the direction of individual business divisions.

The strategy was comprised of a series of workshops undertaken over several months for each business division. Guided by the material matters identified in 2017, these workshops helped divisions identify high-impact stakeholders and relevant EES aspects. This allowed divisions to gain a better understanding of the nature and magnitude of the opportunities associated with sustainability.

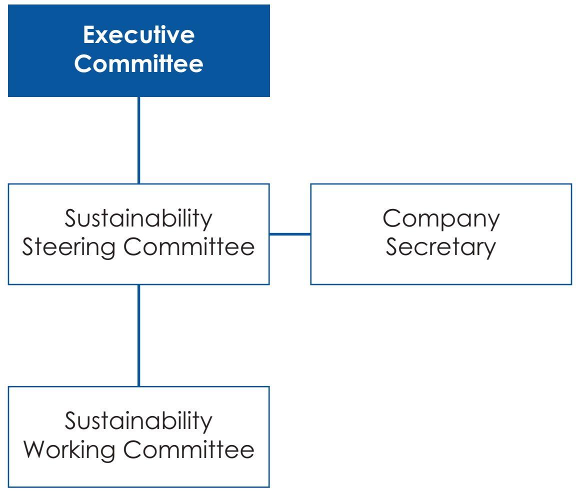
The Group is aware of the growing importance of sustainability and will continue to embed sustainability practices in our day-to-day business operations as we progress towards a more strategic integration of sustainability within our businesses and across our value chain. As part of this transition, our goal is to establish and nurture sustainability as a vehicle for value creation within the Group, moving beyond compliance and towards an integrated sustainability approach.

Sustainability Statement

REPORTING SCOPE AND BOUNDARIES

Our commitment to sustainability includes tracking of our progress through responsible and transparent reporting. We remain dedicated to measuring our performance through continuous tracking of key progress indicators so as to create a strong foundation to set future targets and goals. This Sustainability Statement covers our sustainability progress for the reporting period from 1 January 2018 to 31 December 2018. It encompasses Taliworks' operations, including those of its subsidiaries, major joint ventures and associate companies. It has been guided by Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to sustainability reporting.

Sustainability Governance Structure



GOVERNANCE

Sustainable business practices can only be built upon a foundation of sound corporate governance. At Taliworks, our company structure and governance standards are established in such a way that each business division can address its own specific EES risks in a manner that is consistent with the Group's overarching corporate vision. For more information on our corporate governance framework, refer to the Corporate Governance Overview Statement included in this Annual Report.

In 2017, the Steering Committee was established to manage sustainability initiatives across the Group. The Steering Committee, which is supported by a Sustainability Working Committee ("the Working Committee"), is responsible for guiding and driving implementation of the Group's sustainability agenda. This includes integrating the Group's sustainability and business priorities, and establishing appropriate frameworks and policies. Implementation of these policies and strategies at the business division level is overseen by the Working Committee, who ensure that activities are carried out in accordance with applicable policies. The Steering Committee provides progress updates to the Group's Executive Committee ("EXCO").

RISK MANAGEMENT

Due consideration and management of EES risks is vital in ensuring that the Group and its stakeholders' interests are protected as we develop and execute our business strategies. We have in place an Enterprise Risk Management Framework, outlined in our Risk Management Policy and Guidelines Document, which establishes an ongoing process to identify, evaluate, monitor and manage principle risks, including EES risks, that affect or will potentially affect the Group's business.

Under the Risk Management Framework, risk owners are responsible for evaluating their respective risks by updating the risk registers and profiles to reflect any new risks, risk management controls and risk mitigation actions that have been or should be taken. This is done on a bi-annual basis and the updated risk registers and profiles are submitted to the Risk Management Working Group for deliberation. The Risk Management Working Group then reports its findings to the Audit and Risk Management Committee. The latter in turn will report to the Board. Details of the Groups' risk management practices are elaborated in the Statement of Risk Management and Internal Controls included in this Annual Report.

STAKEHOLDER ENGAGEMENT

At Taliworks, we recognise a wide range of stakeholders to whom we are accountable. In keeping with our commitment to responsible business practices, we seek to engage in meaningful discourse with these stakeholders through a multi-channel engagement process. Through this engagement, we hope to understand the impacts of our businesses on stakeholders, determine their needs and expectations and, where appropriate, incorporate their feedback into our strategies.

To ensure that feedback is collected in the most effective manner, stakeholder engagement is conducted at the business division level.

STAKEHOLDER ENGAGEMENT METHODS

BOARD OF DIRECTORS

- Annual general meetings
- Board of Directors meetings
- Company reports
- Newsletters

EMPLOYEES

- Internal communication
- Interviews
- Face-to-face meetings
- Performance reviews
- Training
- Code of ethics
- Community programmes
- Conferences
- Newsletters
- Peer reviews
- Surveys

CUSTOMERS

- Meetings
- Letters/memos/emails
- Surveys
- Site visits
- Social media
- Suggestion box
- Public complaint system

REGULATORS

- Annual and monthly reports
- Announcements
- Conferences
- Face-to-face meetings
- Reply to queries

GOVERNMENT

- Exhibition/conferences/talks
- Annual and monthly reports
- Face-to-face meetings
- Press releases
- Community programmes
- Surveys

LOCAL COMMUNITY

- Community programmes
- Press releases
- Surveys
- Town hall meetings

Sustainability Statement

ACADEMICS

- Conferences
- Expert opinions
- Meetings
- Surveys

SHAREHOLDERS AND INVESTORS

- Analysts/fund managers' briefing, roadshows, research reports
- Conferences
- Face-to-face meetings
- Press releases
- Site visits

SUPPLIERS

- Letters/memos/emails
- Surveys
- Face-to-face meetings
- Procurement
- Conferences
- Audits

CIVIL SOCIETY

- Community programmes
- Meetings
- Press releases
- Surveys
- Social media

MEDIA

- Advertising
- Community programmes
- Face-to-face meetings
- Interviews
- Press releases
- Social media

INDUSTRY

- Conferences
- Face-to-face meetings
- Press releases
- Site visits

MATERIALITY

We place at the heart of our sustainability strategy the material sustainability matters that we have determined to be most significant across our value chain. These material issues were identified through a detailed materiality assessment conducted in 2017, which involved senior management and department heads across all divisions. Guided by analysis of industry and media trends and benchmarks of leading local and global companies, the assessment produced a list of 11 material matters for Taliworks to focus its efforts on. In our next materiality assessment, we hope to review and refine our material issues with the inclusion of more stakeholders in the process.

Progress related to these material matters is reported in this Sustainability Statement, which includes cross-references to other reports and information publicly available.

Material Issues

ECONOMIC GROWTH

- Managing Regulatory Standards
- Product Stewardship
- Customer Management
- Supply Chain Practices

ENVIRONMENTAL MANAGEMENT

- Noise
- Energy
- Greenhouse Gas Emissions
- Waste Management
- Effluent

SOCIAL CONTRIBUTION

- Workplace
- Contribution to the Community

Sustainability Statement

UN SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals ("SDGs") are a series of economic, environmental and social goals that serve as a global framework for a sustainable future. Together, the 17 goals form a roadmap and also a call to action for stakeholders around the world to work together to address the most salient barriers to global sustainability.

At Taliworks, we recognise our responsibility to contribute to our country's progress towards achieving the SDGs. In 2018, we moved to align our material issues with the SDGs, demonstrating our commitment to global corporate citizenship while also ensuring that our EES initiatives are consistent with the international sustainability movement.

Reporting Framework	Materiality	SDGs
ECONOMIC GROWTH	• Managing Regulatory Standards • Product Stewardship • Customer Management • Supply Chain Practices	3, 8, 9, 11
ENVIRONMENTAL MANAGEMENT	• Noise • Energy • Greenhouse Gas Emissions • Waste Management • Effluent	12, 13
SOCIAL CONTRIBUTION	• Workplace • Contribution to the Community	3, 4, 8

ECONOMIC GROWTH

We are focused on responsible practices across all levels of our business operations. Strict policies and procedures safeguard accountability throughout our operations and ensure that we address and meet our stakeholders' needs.

Managing Regulatory Standards

As a provider of essential public services and infrastructure, it is crucial that we demonstrate strict adherence to relevant regulatory standards, not only to continue to protect our reputation as reliable and trustworthy, but also for the safety of those we serve. By upholding local regulations and operating in accordance with globally-recognised systems, we protect our customers from risk while establishing ourselves as a reputable business partner that stakeholders can trust.

Regulations and systems adhered to across our business divisions and the relevant authorities we report to include:

Systems	Standards and Regulations	Relevant Authorities
Water and Engineering		
• ISO 9001:2015 • MS ISO/IEC 17025:2005 • ISO/IEC 27001: 2013 • National Dual Training System (NDTS): CM-060-2:2014 and CM-021-2:2014	• Water Services Industry Act 2006 • Water Services Industry Licensing Regulations 2007 • Abstraction of Water Source Regulations 2012 • Water Services Industry (Bulk Water Supply Agreement) Rules 2015 • National Drinking Water Quality Standards for Malaysia • Environmental Quality Act 1974 (Act 127) • Occupational Safety and Health Act (Act 1994) • National Skills Development Act (Act 2006) • Energy Commission Act (Amendment) 2010 • Peraturan–peraturan Kawalan Bekalan (1974) – Diesel Storage	• Suruhanjaya Perkhidmatan Air Negara ("SPAN") • Department of Environment ("DOE") • Ministry of Health ("MOH") • Department of Safety and Health ("DOSH") • Department of Skills Development Malaysia • Suruhanjaya Tenaga • Ministry of Domestic Trade and Consumer Affairs • Ministry of Energy, Science, Technology, Environment and Climate Change

Sustainability Statement

Systems	Standards and Regulations	Relevant Authorities
Toll Highway		
• ISO 9001:2015	• The Concession Agreements and Standards & Guidelines set by MHA and the Ministry of Works • MHA Guidelines for Monitoring on Operation and Maintenance, including the Assessment of Operation Control and Maintenance for the Environmental Aspect for Highway Currently Operating and Under Construction • Standard Operating Procedures Guidelines, including among others: - Procedure Maintenance For Toll Collection System - MHA & Concessionaire - Procedure on Toll Collection System - Procedure on Compensation, Revenue Sharing And Research Contribution, Highway Training and Development - Procedure of Traffic Management Plan - Guidelines For Malaysian Toll Highways Systems – Maintenance (Highway Lighting Systems) - Guidelines For Malaysian Toll Highways Systems – Maintenance (Mechanical & Electric) - Guidelines For Maintenance & Operation of Rest & Service Area and Layby	• Malaysian Highway Authority ("MHA") • Ministry of Works

Systems	Standards and Regulations	Relevant Authorities
Engineering and Construction		
• ISO 9001:2015	• Qualified Safety Personnel and project-specific Safety Manuals • Environmental Management Plan that outlines the planned environmental controls, monitoring and reporting at our construction sites.	• Construction Industry Development Board Malaysia • DOSH • DOE
Waste Management		
• ISO 9001:2015 • ISO 14001:2015	• Environmental Quality Act 1974 (Act 127) • Solid Waste Management and Public Cleansing Act 2007 (Act 672)	• National Solid Waste Management Department

Product Stewardship

At Taliworks, product stewardship means providing safe and high-quality products and services in a responsible manner. We are committed to ensuring the quality of our products throughout their life cycle and seek to create value for our customers and clients at all stages of our business operations.

Our divisions demonstrate product stewardship across all stages of their respective value chains. This includes pre-emptive initiatives during the inbound phase of a product or service, ongoing stewardship during the operational phase and extended responsibility to stakeholders throughout and following the completion of our scope of work.

Product stewardship along the project phases of our divisions

Sustainability Statement

Water and Engineering Stewardship – Provision of Quality Water

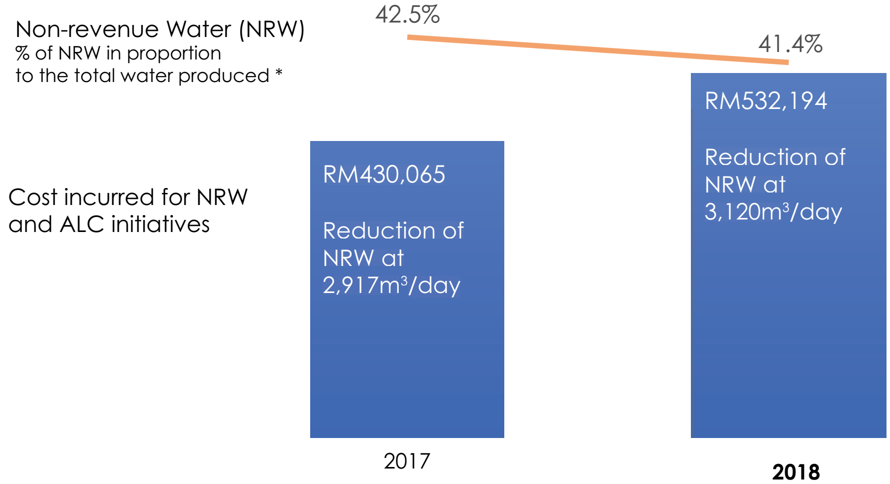
The Group's water services division sources and treats water in Langkawi, Selangor and parts of Kuala Lumpur. The division also distributes potable water across the entirety of Langkawi Island. Our commitment to water stewardship recognises that potable water is an essential yet exhaustible resource that can be threatened by a number of factors, including political circumstances and sudden changes in demand. We are therefore committed to minimise disruptions to our services that might arise due to these factors, or others, and to protect and maintain Malaysia's water bodies.

Non-Revenue Water

Our water stewardship approach includes efforts to increase our operational efficiency by reducing the amount of treated water that is lost throughout our treatment and distribution process. Termed Non-Revenue Water ("NRW"), this is water that is lost before reaching our customers, either through physical losses, such as pipe leaks or bursts, or commercial losses, including faulty meters, incorrect billing and water theft. By reducing NRW, we can minimise the loss of water while helping to build a sustainable water system that offers increased climate resilience and reduced energy consumption. As a responsible service provider, Taliworks seeks to address and resolve water wastage within our existing network, rather than focusing on the development of newer treatment facilities.

In order to ensure sufficient and continuous water supply along our value chain, in 2018 we undertook a Hydraulic Modelling study to determine the cause of water supply issues identified at two of our storage reservoirs. The study, which began in September 2018, involved a four-month engagement with a Hydraulic Modelling specialist to determine hydraulic issues within our water supply and recommend improvements to the existing system. The study also served to build in-house capacity for enhancing the design and effectiveness of the inlet-outlet efficiency of our treatment plants. Through initiatives such as this study, we aim to continuously improve our ability to manage our water supply and deliver greater value to our customers.

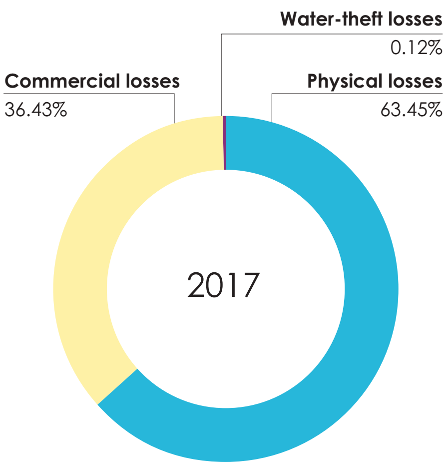
In 2018, our expenditure on Active Leakage Control ("ALC") initiatives to reduce NRW amounted to over half a million ringgit yielding a corresponding reduction of NRW from 42.5% in 2017 to 41.4% this year. These efforts are relative to our average production of the year, which stands at 95.05 MLD compared to 94.46 MLD in 2017.

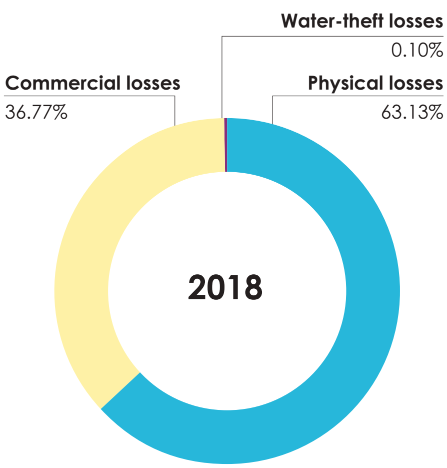


**The national target by 2025 is to reduce national average of NRW to 25%.*

The 1.1% reduction in NRW that we achieved in 2018 can primarily be attributed to the effectiveness of our ALC programmes. These have resulted in an improved Infrastructure Leakage Index score and a corresponding decrease in physical losses from 921 litres per connection daily in 2017 to 859 litres per connection daily in 2018. In terms of commercial losses, ageing and defective meters continue to serve as a major contributor to NRW in Langkawi. To alleviate these losses, in 2018 Taliworks Langkawi replaced a total of 1,679 defective water meters.

Changes in breakdown of NRW in 2017 and 2018





Ensuring High-Quality Water

While the management of our water resources is beyond our control, we are committed to proactively monitor the water quality in our reservoir and catchment areas through surveillance conducted in partnership with the MOH and other stakeholders. These annual water quality checks allow us to fine-tune our treatment methodologies to ensure continued delivery of safe potable water to consumers. Determining water quality at the source also serves to minimise our operational costs and risks, as the early detection of deteriorated raw water allows for optimal chemical treatment and reduces the likelihood of non-compliance in treated water quality.

In order to ensure that we are delivering water of the highest quality for the safety of our customers, we undertake regular maintenance of our treatment plant equipment in accordance with regulatory standards. Our treated water is also tested every two hours for compliance with selected water quality parameters based on the MOH's National Drinking Water Quality Standards. In 2018, the results of this sampling were:

Water Treatment Plant Sampling	Compliance (%)
Sungai Selangor Phase 1 Water Treatment Plant (SSP 1)	99.2
Langkawi Operations	99.9

We are committed to proactively monitor the water quality in our reservoir and catchment areas through surveillance conducted in partnership with the MOH and other stakeholders.

Sustainability Statement

Toll Highway Stewardship – Ensuring Road Safety

Our toll highway division aims to provide road users with a safe, seamless and satisfactory experience on the highways we operate, namely Grand Saga Highway and Grand Sepadu Highway. Our stewardship as a highway operator and concessionaire focuses on delivering the best possible customer experience on both of these highways, with particular attention to road safety.

Highway Maintenance

We take pride in the quality of our highways and are committed to monitoring, maintaining and repairing our highways to guarantee their structural integrity, while ensuring the best possible user experience. This includes routine highway maintenance conducted in accordance with Malaysian Highway Authority ("MHA") guidelines as well as other initiatives to ensure excellence in driver comfort. Our compliance to MHA guidelines includes good road marking and signage, and regular maintenance of drains, culverts, bridges, slopes and other infrastructure. Additionally, in order to improve highway aesthetics and harmony with nature, increasing attention is given to improving the landscape along the highway.

Public Safety

At Grand Saga and Grand Sepadu, our approach to public safety means operating roads that are not only structurally safe, but also governed by robust safety systems to facilitate safe and seamless journeys on our highways.

In order to promote safety on our roads, we regularly update users on current traffic conditions using our Traffic Control Surveillance System (“TCSS”), which consists of 15 cameras installed along our highways and monitored 24 hours a day. The TCSS allows the conveyance of real-time updates on road conditions and potential hazards to commuters via our electronic message boards and social media. This reduces the likelihood of accidents. To minimise the impacts of our operations on road users’ safety, we have set Standard Operating Procedures (“SOPs”) requiring contractors and suppliers to provide temporary traffic management service throughout the duration of their works. Our proactive approach to public safety also includes road safety campaigns conducted in conjunction with major festive seasons in order to target increased road traffic during these seasons. For the year 2018, five safety campaigns were carried out benefiting over 20,000 road users at a cost exceeding RM41,000.

At Grand Saga and Grand Sepadu, our approach to public safety means operating roads that are not only structurally safe, but also governed by robust safety systems to facilitate safe and seamless journeys on our highways.

In the event that an accident does occur, our 24-hour highway patrol teams, Saga Ronda and Sepadu Ronda services, are available to respond to incidents on our highways. These teams provide traffic management, first aid and coordination of emergency services and are responsible for relaying information back to the highway command centre for immediate action. For both highways, a ten-minute response time for all incidents was established as a Key Performance Indicator ("KPI") for patrol teams. To ensure their preparedness for any eventuality, the teams participate in quarterly training exercises, including training for responding to hazardous spillages. Additionally, in 2018 a total of 16 members of the Ronda teams for our highways were trained as first aid responders.

Number of Accident Cases per Million Vehicles	2017	2018
Grand Sepadu	1.91	0.90
Grand Saga	2.89	2.56

Mitigating Traffic Congestion

Congestion increases the likelihood of accidents and frustrates our road users, making its mitigation a priority for Grand Saga and Grand Sepadu. In order to improve traffic flows, traffic patrolling staff operate 24 hours a day on both highways to provide traffic management and report incidents. Our initiatives to streamline toll transactions, described in the following section, also serve to reduce traffic build-up caused by the toll collection process.

As part of its service commitment to road users to ensure a smooth and uninterrupted traffic flow, in 2018 Grand Saga continued to implement 'contraflow' operations to alleviate congestion for Kuala Lumpur-bound traffic in the morning and Kajang-bound traffic in the evening. Contraflow is conducted with the assistance of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police. In order to further mitigate congestion on the Grand Sepadu Highway, Grand Sepadu also oversaw the construction of a new interchange at the Kapar Toll to disperse road users from Northport to Kapar, Kuala Selangor and Haji Sirat Industrial Area.

Efficient Toll Collection

We strive for our toll collection to be as efficient and hassle-free as possible and support the use of portable readers for electronic toll collection during system downtime and congestion periods. Toll Plaza Operations also ensures that a system technician is on standby 24 hours a day to attend to issues with the toll collection system. In addition to service technicians, employees are stationed at electronic toll collection lanes to render assistance where necessary.

To further improve the toll collection process, we commenced testing for a new Radio-Frequency Identification ("RFID") toll payment system. RFID allows toll payments to be collected electronically from free-flowing traffic, thereby improving the user experience by minimising fuel wastage, emissions and waiting time. Testing of the system, which included registering pilot users to evaluate the system's effectiveness, was still ongoing at 2018 year-end.

Sustainability Statement

Road User Facilities

Our highway stewardship involves providing the necessary amenities for a safe and comfortable driving experience. This includes a shelter for motorcyclists, petrol and service stations, pedestrian overpasses and a rest and service area. In order to further cater to highway users' needs, we established Touch n' Go reload facilities at both our highways, including at two toll plazas on the Grand Saga Highway, five toll plazas on the Grand Sepadu Highway, both Grand Saga and Grand Sepadu's Customer Service Centres, and petrol stations along both highways. We are optimistic that these new amenities will further improve road users' experience and inspire customer loyalty.

Engineering and Construction – Ensuring High Quality Projects

For our engineering and construction division, product stewardship means catering to client needs at all project stages, from designing and delivering high-quality projects in a timely manner to providing maximum support to clients during the handover phase. The large-scale nature of the contracts that we fulfil makes it vital that our workmanship is sound and that our customers are able to safely take on and operate our finished projects. We have in place a rigorous handover procedure under which clients participate in a site inspection prior to accepting completed works in order to ensure that the project meets their specifications. This handover procedure is then followed by the commencement of a Defects Liability Period ("DLP"). Prior to the end of the DLP, Taliworks invites clients to undertake another joint inspection to identify any additional defects that may exist. Only after these final repairs have been completed will Taliworks pursue a certificate of completion indicating the beginning of the post-handover phase.

Our comprehensive handover procedure serves to connect the engineering and construction division to the clients we engage with and ensures that our products are operated in a manner that is consistent with how they have been designed and constructed. The care and attention we exercise during this process is reflective of Taliworks' understanding that our responsibility extends beyond construction to the long-term satisfaction of our clients. This commitment to product stewardship, paired with the high-quality end products that we deliver, enhances our client satisfaction and drives our ability to secure future projects for our portfolio.

The large-scale nature of the contracts that we fulfil makes it vital that our workmanship is sound and that our customers are able to safely take on and operate our finished projects.

Waste Management Division – Responsibility in Waste Collection

Our product stewardship approach within our waste management division seeks to build a more effective and sustainable waste management system. This not only includes continuous improvement to our services and operations but also the delivery of education upstream from our operations at the source of waste generation.

3R Troopers

At SWM Environment Sdn. Bhd. ("SWME"), we understand that responsible waste management is one of the most important things we can do to help the environment. It is only by increasing public understanding of waste disposal practices and waste reduction initiatives that we can build efficient and environmentally friendly recycling systems. Improved source separation of waste and recyclables increases our ability to effectively recycle materials, creating value for both SWME and our community through improved recycling revenues and reduced environmental impacts.

In order to promote greater understanding of recycling and waste reduction, we established the 3R Troopers, a public educational programme that delivers talks, exhibitions and workshops on recycling in schools, malls and other public areas. In collaboration with the Local Government Authority and Ministry of Education, 3R Troopers helps the public and schoolchildren to better understand recycling. In 2018, 3R troopers attended 1,548 events and collected 127,026 kg of recyclable material.

In order to promote greater understanding of recycling and waste reduction, we established the 3R Troopers, a public educational programme that delivers talks, exhibitions and workshops on recycling in schools, malls and other public areas.

Sustainability Statement

Innovation in Waste Collection

We are continuously seeking new ways to improve the quality of our waste collection service through innovation and the latest industry developments. In 2018, we therefore piloted a Robot Street Sweeper for road sweeping and cleansing works in city and town areas. The machine, which uses artificial intelligence technology, is capable of cleaning an area of 3,000 square meters within an hour and will allow road sweeping work to be completed more efficiently and effectively. The street sweeper is battery-operated and lasts up to six hours per deployment, releasing zero emissions and producing minimal operational noise.

By implementing the Robot Street Sweeper and embracing innovation under Industry 4.0, we aim to provide improved service for our customers and greater assistance to our workers. In 2018, the waste management division focused on mapping out appropriate work schedules and locations for the machine's future use and provided training for employees on its operation.

- The machine can accommodate a total of **100 litres of waste** at any one time
- The sweeper only requires **one worker** to operate
- With a sweeping brush measuring 1 meter in length and a speed of 2-3km per hour, the machine is capable of covering an area **of 3,000 square meters within an hour**
- The **beacon light uses environmentally friendly solar energy** that protects the safety of workers and the public around the cleansing site when cleansing works are being carried out

Customer Management

While each of our business divisions serves its own distinct group of customers, all divisions share the Group's commitment to deliver the best possible customer experience. We prioritise our customers' needs in all that we do and listen carefully to their feedback. By doing so, we ensure that we are providing maximum value to society while strengthening our reputation as a responsible business.

Water and Engineering

Our water and engineering division's customers are the consumers of our water in Taliworks Langkawi. We collect feedback from our Taliworks Langkawi customers on their water service via hard-copy survey forms that are delivered to customers' houses, assessing their satisfaction with our water supply services. In 2018, the survey showed an increase in customer satisfaction, with results indicating 100% satisfaction from all 954 customers surveyed, as compared to 2017 where the satisfaction rate was 94% from 732 customers reached.

Toll Highway

The customers of our toll highway division are all those who travel on our roads. Their feedback is important to us. We operate a number of channels through which to receive this feedback, including 24-hour customer service hotlines, email and our social media platforms. We have in place a dedicated team to receive and manage road user complaints. In 2018, all complaints received were resolved within 15 working days.

In order to recognise and reward our loyal customers, Grand Saga and Grand Sepadu introduced new incentive programmes for the frequent users of our highways. The Grand Saga Incentive for Frequent Traveller ("GIFT") programme offers a RM40 Touch 'n Go top-up to frequent Grand Saga users driving Class 1 vehicles with a minimum of 120 transactions per month at the Grand Saga toll plazas. The Grand Sepadu "Pengguna Setia" programme offers RM20 cash vouchers to users driving Class 1 vehicles with a minimum of 100 transactions per month at Bukit Raja Toll Plaza.

GRAND SEPADU FREQUENT TRAVELER PROGRAMME 2018

F.T.P

Began **January 2018**

1. 100 toll transactions per month at Toll Plaza Bukit Raja
2. Applicable for Class 1 vehicle
3. RM20 cash voucher reward to be redeemed on a monthly basis

GRAND SAGA INCENTIVE FREQUENT TRAVELER PROGRAMME 2018

G.I.F.T.

Began **February 2018**

1. 120 toll transactions per month at the Grand Saga toll plazas
2. Applicable for Class 1 vehicle
3. RM40 Touch 'n Go reload to be redeemed on a monthly basis

Sustainability Statement

We prioritise our customers' needs in all that we do and listen carefully to their feedback.

Engineering and Construction

Our engineering and construction division's customers are the owners of the infrastructure projects that we complete. Within the division, we seek to achieve customers' satisfaction through the delivery of high-quality results that meet the deadlines and budgetary restrictions of our customers. To evaluate our progress in meeting this goal, the division distributes a Customer Satisfaction Survey ("CSS") form inviting feedback from customers on product quality, delivery aspect and other relevant issues. The CSS is delivered via face-to-face interview, post, fax, email or phone with the objective of achieving a minimum 60% satisfaction rating. Our achieved satisfaction rating for active projects in 2018 has increased to 77% client satisfaction compared to 76% in 2017.

Waste Management

SWME serves a number of customers in communities across Negeri Sembilan, Melaka and Johor. Feedback from these customers is welcomed on all aspects of our services, including waste collection, street sweeping, drain cleansing and grass cutting. We connect with customers through email, our hotline call centre, the media and the national forum for waste-specific complaints. Feedback is managed by our customer care portal, SWM Responz, which serves as a platform for receiving, managing and responding to customer complaints.

In 2018, we received 1,366 public complaints through SWM Responz. Complaints received are subject to immediate monitoring and follow-up, with the goal of resolving all complaints within two working days from the initial receipt. In cases where a complaint cannot be resolved within the target timeframe, complainants are notified and provided with a date by which they can expect a reply or resolution. In 2018, approximately 80% of complaints were addressed and resolved within two working days.

In order to prevent service disruptions, procedures are in place to manage major incidents that may compromise our operations. In the event that such an incident occurs, remedial meetings are held with relevant operational teams and an action plan is developed for immediate mitigation.

Supply Chain Practices

Our corporate supply chain practices are guided by our Sustainability Procurement Policy which promotes the responsible purchasing and disposal of corporate equipment. As part of our commitment to responsible business practices, we prioritise partnerships with local suppliers among all our business divisions. In doing so, we not only support local economic development and promote nation-building, but also increase predictability and transparency within our supply chain. Across all of our divisions, spending on local suppliers amounted to approximately 97% of total spending on suppliers in 2018. On average, local suppliers made up 95% of all suppliers contracted during the year.

Engineering and Construction

External providers for our engineering and construction division are subjected to high levels of scrutiny in order to ensure that the quality of our work remains uncompromised by our partnerships with suppliers and contractors. The resultant uninterrupted supply of high-calibre goods and services helps the Group to maintain our operational efficiency and business reputation while ensuring that the public infrastructure that we deliver is of the highest quality.

We maintain a list of approved sub-contractors and suppliers with whom we work exclusively. Admission to the list is based on a set of criteria including profile of past jobs, company and financial background, technical competency and experience of key staff, relevant licenses and the contractor's Quality Management System, among others. In order to maintain quality, external providers who are currently undertaking or have completed works are subject to performance assessments against a broad range of criteria which they must continue to meet. Our performance assessments of suppliers maintain the quality of suppliers and services we procure, in turn leading to the excellence of our products upon completion.

Water and Engineering

In order to avoid disruption and non-compliance in the supply of treated water to our customers, the selection of reputable and reliable suppliers is crucial. In evaluating suppliers' regulatory compliance, our water and engineering division upholds section 129 of the Water Services Industry Act 2006, requiring any supplier that provides equipment, devices and materials for use in water supply and sewerage services to list and register its products with SPAN. The division also requires that suppliers comply with all regulatory standards and provide a certificate of analysis. These measures ensure consistency in water quality and quantity by reducing chemical usage, water treatment residuals and costs, leading to improved service for our customers and improved returns for Taliworks.

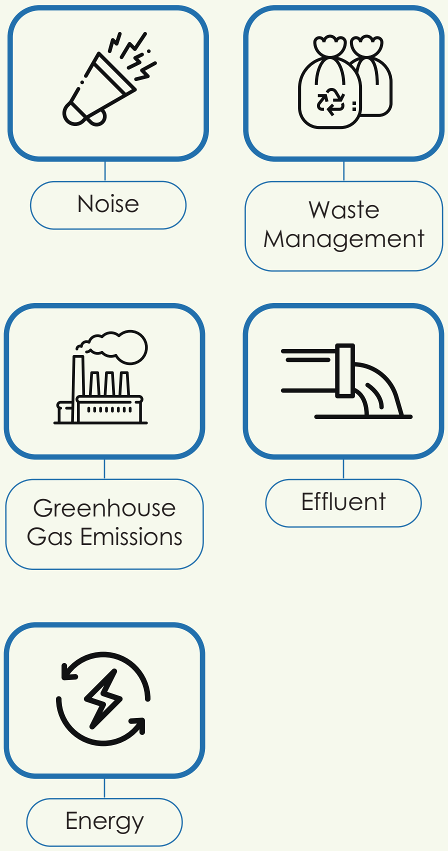
Toll Highways

Maintaining a list of competent, competitive, local contractors and suppliers in various fields of work is important to ensure high quality service can be provided to road users. Our toll highway division evaluates suppliers based on the speed of their response to request for quotation and their timely completion of repair and maintenance works, with purchases and contracts awarded to the most competitive local suppliers. This approach promotes cost efficiency and offers financial savings for the Group, while delivering value to customers in the form of well-maintained roads. Our supply chain strategy is in line with our authorities' supply chain practices on contributing to the local economy through empowering and choosing local suppliers.

Sustainability Statement

ENVIRONMENTAL MANAGEMENT

We recognise the influence of our business operations on our surrounding environment and are committed to monitor and mitigate our impacts. Our environmental accountability is shared across the Group, with each of our business divisions playing its own unique role in managing Taliworks' material environmental impacts. These include minimising noise, conserving energy, reducing greenhouse gas emissions, responsibly managing our waste and effectively treating effluent.



Water And Engineering

Energy

Our water treatment plants are by nature energy-intensive, as providing an uninterrupted supply of potable water requires that plants remain in operation. To manage the energy required for this process, the treatment plants at SSP1 and SSP3 have appointed an Energy Manager to monitor energy consumption and identify opportunities for savings. The energy audit grant via Registered Energy Service Company ("ESCO"), which was received in 2017, has since enabled us to enlist an external consultant to conduct audit activities with energy saving recommendations which was completed in 2018. Moving forward, Sungai Harmoni and Taliworks Langkawi are committed to implement the initiatives suggested by the auditor and complying with the terms and conditions of the audit grant.

Description	2017	2018
Total electricity consumption for Taliworks Langkawi (kWh)	34,580,879	36,017,189
Total electricity consumption for Sungai Harmoni (kWh)	160,505,096	160,016,165
Overall specific energy consumption at the Intake and Treatment plant (kWh/m^3) of **Sungai Harmoni** 2015: 0.4166 kWh/m^3 2016: 0.4212 kWh/m^3	0.4332	0.4246
Overall specific energy consumption at the Intakes, Treatment Plants, Bunded Storages and Dam (kWh/m^3) of **Taliworks Langkawi**	1.003	1.039

Effluent

Our water and engineering division is committed to the proper management of our effluent, so as to protect local water bodies from harm and to maintain the trust of the surrounding communities. This includes the use of appropriate disposal methodologies and monitoring of the quantity of sludge generated in compliance with local regulations. In 2018, all of the sludge generated by our water and engineering division was sent to approved sites for disposal. We are constantly seeking new water treatment methods to reduce the quantity of sludge generated by the division.

Description	2017	2018
Sludge Generated (MT)		
Taliworks Langkawi	969	1,253
Sungai Harmoni	20,925	25,366
Sludge sent to Landfill or approved sites (%)	89.8	100.0

In addition to correctly disposing of the sludge generated by our operations, our effluent management practices include minimising the impact of our disposal on landfills by treating sludge using Geotube Bags to convert the material into a compact solid. As part of our commitment to meet the highest quality standards, we have also provided training and certification for appointed staff involved in the effluent management process.

Toll Highway

Noise

We are committed to managing the negative impact of noise emissions at our highways on our neighbouring communities. We regularly monitor noise emissions along our highways and have installed concrete noise barriers along a 900-metre span of the Grand Saga Highway to reduce noise transmission to adjacent residential and commercial areas.

Energy

Our toll highway division also undertook energy-saving measures, including the use of LED lights for new high mast lighting installations. The division also began watering landscapes using natural water resources, as opposed to potable water which has been treated through an energy-intensive process so as to be suitable for human consumption.

Sustainability Statement

Greenhouse Gas Emissions

Our fleet of road sweepers, water tankers and patrolling vehicles is constantly on the move to ensure road safety and maintain road conditions on our highways. In order to reduce GHG emissions arising from these operations, vehicles are regularly maintained to manufacturers' standards by our toll highway division. Doing so not only reduces emissions by ensuring that vehicles are operating at the highest efficiency, but also protects the safety of our crews and the public during vehicles' deployment. The division also conducts a yearly air emission analysis of its generator sets in accordance with the standards and guidelines set by MHA.

Effluent

The toll highway division is committed to responsible practices regarding the management of effluent along its highways which falls under flood prevention and effluent management of the maintenance works conducted on the highways. The division conducts yearly water sampling analysis at all sewerage treatment plants within our highways to regularly check the quality of effluent discharge.

Engineering And Construction

Effluent

Our engineering and construction division manages the impact of their operations on local water bodies by ensuring that discharge from construction sites is filtered to an acceptable level of quality in accordance with the limits set by the DOE. Initiatives are implemented based on specific site conditions and can include covering exposed slopes with geotextiles, installing silt fences and following additional best management practices to minimise surface runoff to nearby water bodies.

Waste Management

Across our Group, the most significant volume of waste is generated by our engineering and construction division. In order to minimise this waste and maximise our efficient use of resources, the division has established KPIs for material wastage within our operations. These KPIs encourage responsible construction practices and the stewardship of our natural resources, delivering value to both Taliworks and the environment. Our 2018 target was to not exceed 5% material wastage of steel reinforcement bars, ready-mix concrete and large-diameter pipes used in our projects. As both Langat 2 Package 7 and Ganchong Package 3A projects are still ongoing, our reported performance will be disclosed in the next reporting cycle.

Waste Management

Waste Management

Our waste management division also endeavours to reduce the waste generated by their operations and in 2018 introduced the use of more durable longer-lasting road tyres and higher-quality lubricant oil. Due to the change, vehicles will now be able to travel a greater distance on the same set of tyres, meaning fewer tyre changes and fewer tyres to be disposed of. The use of higher-quality lubricant oil will also mean an extended oil drain interval for vehicle motors, leading to less frequent oil changes. While old tyres and used lubricant oil are not considered hazardous waste with proper disposal, they can be threats to safety, health and the environment if not properly handled.

SOCIAL CONTRIBUTION

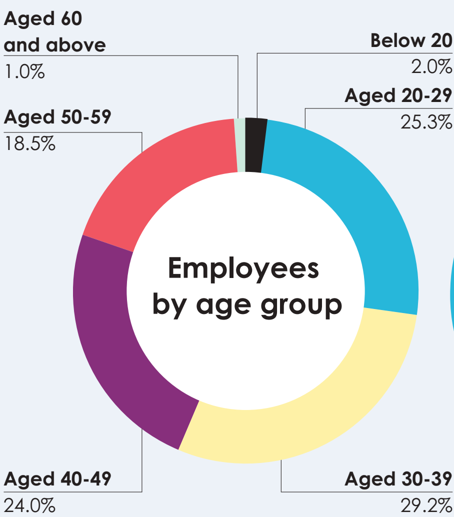
We value the health and welfare of our workforce and our communities. Our commitment is to promote everyone's safety, health and wellbeing.

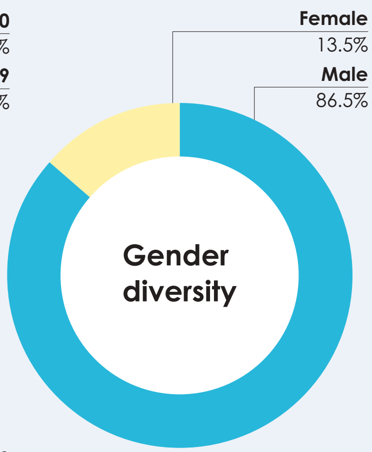
Workplace

Across all our divisions, we promote safe, inclusive and conducive workplaces that allow for personal and professional development. This includes providing opportunities for our employees' development and emphasising strong practices for workplace safety. We understand that the strength of our businesses depends on our ability to work together to achieve our goals and we encourage collaboration and teamwork throughout all our operations. Furthermore, we believe individuals from all different backgrounds have valuable contributions to make to our business development and endorse merit-based and equal opportunity hiring practices.

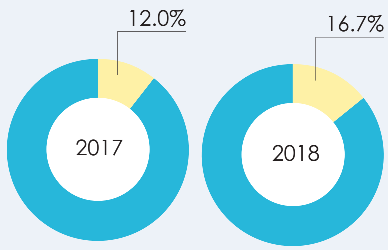
8,954

Total number of employees





Women in Senior Management (General Manager and above)



Sustainability Statement

As a diverse infrastructure conglomerate operating across highly technical industries, we are well-positioned to support the development of the nation's skilled workforce. Our water and engineering division offers such support through their participation in the National Dual Training System ("NDTS"). This industry-oriented training scheme helps to build the technical capacity and industry preparedness of students in higher education through work placements in an industry of their choosing. In 2018, Sungai Harmoni and Taliworks Langkawi trained a total of 23 NDTS participants.

Health And Safety

At Taliworks, the health and safety of our employees, contractors and local communities are our priority. Maintaining safe working conditions and well-trained staff not only safeguards the comfort and wellbeing of all stakeholders but also ensures our reputation as a trusted employer and company. Our waste management, water and engineering and engineering and construction divisions have in place their own specific occupational health and safety policies, and provide regular training to their employees on health and safety practices.

In 2018, we also undertook an exercise to retrain all General Workers and Drivers on basic health and safety elements.

Waste Management

In 2018, our waste management division carried out 11 types of training activities, involving 313 training classes conducted to train a total of 3,982 employees in areas related to health and safety, including scheduled waste management, first aid, fire awareness and occupational safety and health. Employees who participated in the training became better equipped to manage workplace hazards to prevent the likelihood of accidents and are more prepared to respond in the case of accidents. In 2018, we also undertook an exercise to retrain all General Workers and Drivers on basic health and safety elements.

	2017	2018
Training classes conducted	49	313
Total participants trained	1,240	3,982

Toll Highway

Within our toll highway division, all traffic personnel and toll tellers are provided with adequate safety equipment and uniforms to protect their well-being while working. In 2018, the division purchased new equipment and uniforms with enhanced safety features and established a Safety and Health Committee to review safety and health procedures and hold regular discussions with management. The division also began a study of the use of shadow vehicles during live traffic activities, such as tapering cones during contraflow traffic, in order to determine the required resources, vehicle type and safety accessories for a shadow vehicle.

Training related to occupational safety and health, safety awareness and basic occupational first aid, was attended by a total of 24 staff in 2018, in order to improve their understanding of safety at work and ability to administer care. Additionally, Grand Sepadu and Grand Saga each trained one Traffic Management office to improve the highways' safety standards, including procedures for cone tapering and safety distance, hazardous material spillages and fire and emergency trapping evacuation.

Water and Engineering

This year, Sungai Harmoni carried out health and safety training for all employees in compliance with the Occupational Health and Safety Act 1994. The training, which was delivered at a cost of RM11,000, placed particular emphasis on the safe handling of hazardous chemicals that are used during operations in order to prevent serious accident. Taliworks Langkawi also conducted a safety programme of a similar nature, with a focus on the safe use of chlorine in everyday operations. The programme covered the correct and safe ways in which the chemical should be handled by employees during operations to protect their own individual personal safety, their colleagues' safety and the safety conditions of the plant should a chlorine leakage occur. This training was delivered to 50 staff members of Taliworks Langkawi.

Engineering and Construction

Our engineering and construction division ensures the safety of all present at our operational sites through strict supervision and adherence to firm policies. Our goal is to prevent any accident or loss of life among any of our subcontractors or employees. To achieve this, each construction site has a designated Safety Supervisor who prepares a project-specific safety manual and monitors the workplace environment and activities to ensure that the manual is complied with. Typical features of a site's safety manual include:

- Regular toolbox meetings
- Safety induction training for new workers
- Regular production of safety reports
- Identification of hazards
- Promotion of safe practices
- Enforcement of the use of appropriate personal safety equipment
- Emergency procedures

Our comprehensive approach to safety at our construction sites was reflected in the results of our Safety and Health Audits and our safety performance for active construction projects in 2018.

Description	2017	2018
Cumulative man-hours without lost time injury		
Langat 2 Package 7 (62 employees)	137,608	360,744
Ganchong Package 3A (72 employees)	152,912	381,136
Number of injuries	0	0
Number of fatalities	0	0

Sustainability Statement

In 2018, our employees at the Ganchong Package 3A site also participated in a training rescue drill at the Sungai Pahang Overcrossing in partnership with the Malaysia Civil Defence Force. The objective of the training was to evaluate and promote preparedness for emergency situations.

The Malaysia Book of Record: The Largest Simultaneous Safety Briefing

Taliworks was proud to participate in the record-breaking Mega OSH Toolbox 2018 on 2nd May this year. Our involvement in this event, which saw simultaneous safety briefings or Toolbox Talks held at 800 premises across Malaysia, demonstrates our commitment to fostering a workplace safety culture in Malaysia.

Employee Welfare And Wellbeing

As a responsible employer, we are actively engaged in promoting our employees' welfare and wellbeing. Doing so strengthens our relationship with our employees, promotes workplace cohesion and ensures that we are able to retain qualified and competent individuals. In order to promote employees' satisfaction, we provide a variety of competitive benefits, including a child welfare and school transportation scheme in our water and engineering division and toll reimbursements for our toll division staff.

To facilitate open communication with our employees, we operate numerous channels for feedback, including townhall meetings, knowledge sharing sessions and managers forums. We also administer an annual survey to gauge employees' engagement and satisfaction in the areas of basic needs, individual needs, supervisory skills, teamwork, growth and development, management style and contentment.

For our 2018 Employee Engagement Survey Results we received an engagement score of 74% with an overall satisfaction of 75%.

As a responsible employer, we are actively engaged in promoting our employees' welfare and wellbeing.

Our efforts to support wellbeing in the workplace include initiatives that encourage our employees to adopt healthy and balanced lifestyles. This includes Zumba Classes, music lessons, a Sports and Recreation Club, Employee Sports Day 2018, and an educational health campaign consisting of a blood donation drive and a heart wellness campaign. Participation by our employees in these activities promotes workplace camaraderie and team spirit, helping to create a cohesive workplace. In 2018, our Sports and Recreation Club demonstrated their teamwork skills by representing Taliworks at the 2018 Works Ministry Sports Carnival, where they competed against teams from 25 other organisations.

Training And Development

We offer a wide range of training opportunities that serve to promote employees' development, while bolstering the capabilities of our workforce across our business divisions. This includes training to develop industry-related skills as well as manager capacity-building to promote sound internal leadership capabilities. We also deliver regular training to ensure employees are up to date with the relevant ISO standards in order to guarantee our regulatory compliance. Within the group, we facilitate internally-driven learning and development by encouraging training and knowledge transfer within and between the four divisions. In 2018, a total participation rate of 9,592 employees was recorded for all our training sessions.

Description	2016	2017	2018
Percentage of employees receiving performance career development review	>80%	>85%	>90%
Employee training and development expenses (RM)	471,584.22	703,604.55	541,315.38

Contribution To The Community

At Taliworks, we recognise our capacity to effect positive change in the communities in which we operate and therefore our community engagement initiatives reflect our commitment to doing so. We adopt a collaborative approach when it comes to engaging with local communities to develop meaningful relationships and create lasting mutual benefits. Within the Group, our community engagement activities are directed by each division's unique areas of influence and capacity to deliver value in line with our overarching Group values.

Festive Celebrations

Our community engagement during the festive season aims to help orphans, the elderly and those who are less fortunate to celebrate these special festivals. Our involvement includes monetary and in-kind charitable contributions, as well as employee volunteerism through activities such as presenting 'duit raya' and breaking fast together, and distributing food to mosques.

Sustainability Statement

Our toll highway division also contributes to our communities by offering discounted toll fares during major festive events. In 2018, the total value of the toll discount granted during festive celebrations was over three times the value of the discount which we provided in 2017.

Description	2017	2018
Total value of festive tolls discount (RM)	96,713	345,444
Number of vehicles benefitted	668,108	829,880

Fostering Learning

At Taliworks, we recognise the power of education and seek to promote learning within the community. We do so by sharing our knowledge and funding learning for those in need.

Knowledge Sharing

By sharing our expertise and experience with the public, we can bring about positive changes in society while building a community that is more knowledgeable about our services. Our knowledge-sharing programmes are delivered by individual divisions in collaboration with schools and district authorities. One such programme is our toll highway division's outreach programme, which aims to reduce vehicular accidents by educating youth and children on road safety. We brought this programme to five schools in 2018, reaching up to 1,000 students. Our waste management division also contributed to the Malaysia Waste Management Association's Eco Youth Challenge 2018 by sharing their waste reduction and recycling expertise. Initiatives delivered by our water and engineering division include educational site tours and a school visit to promote awareness of environmental cleanliness.

By sharing our expertise and experience with the public, we can bring about positive changes in society while building a community that is more knowledgeable about our services.

Promoting Employee Involvement in Community Programmes

We encourage our employees to participate in our community programmes to foster team spirit, strengthen Taliworks' connection with local communities and promote employees' satisfaction. Highlights of our employees' participation and volunteering efforts in 2018 include the annual blood donation drive and Bursa Malaysia Berhad's Bursa Bull Charge 2018 Charitable Run, as well as a fundraising event – Charity for Children.

Supporting Education

We also promote learning within the community through financial contributions to those who are less fortunate. This includes our toll highway division's school assistance programme, which provided assistance to 250 schoolchildren in 2018, and our Group's sponsorship of a visit to the Petrosains Discovery Centre for 35 underprivileged children from Good Samaritan Home in Klang.

Supporting those in Need

Our community engagement initiatives include regular charitable contributions to the less fortunate members of our communities, such as fundraising activities and monetary donations to promote local wellbeing. In line with this commitment, in 2018 our toll highway division donated over RM53,000 worth of cattle to selected mosques who oversaw the distribution of the cattle to those in need. SWM Kasih, the Corporate Social Responsibility entity of SWME, also executed approximately RM74,000 worth of community enhancement activities in 2018, reaching over 2,000 beneficiaries.

Statement on Risk Management and Internal Control

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

To enable the Group to achieve its objectives; the Group has progressively over the years established written and formal processes, policies and structures in governance, risk management and internal control. Risk management and internal control are embedded within the governance framework.

1.0 Responsibility

- The Board is responsible for identifying and managing principal risks (both current and emerging) 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 the Group Internal Audit, an in-house internal audit function which provides an independent assessment and 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. Other members of the Risk Management Working Group comprise of a non-Executive Director, the Chief Investment Officer and the General Manager, Group Finance.

- The Board reviews the appropriateness of the system of internal control in joint ventures which contribute significantly to the Group through the Group Internal Audit. The Risk Management Working Group is also tasked to evaluate the risk management policies and processes adopted and risk management reports submitted by the joint ventures.

- 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 their system of internal control or to provide their assurance thereto in the submission of their management reports to the Group. Presently, risk management reports by associates are submitted at the request of the Risk Management Working Group for deliberation and review.

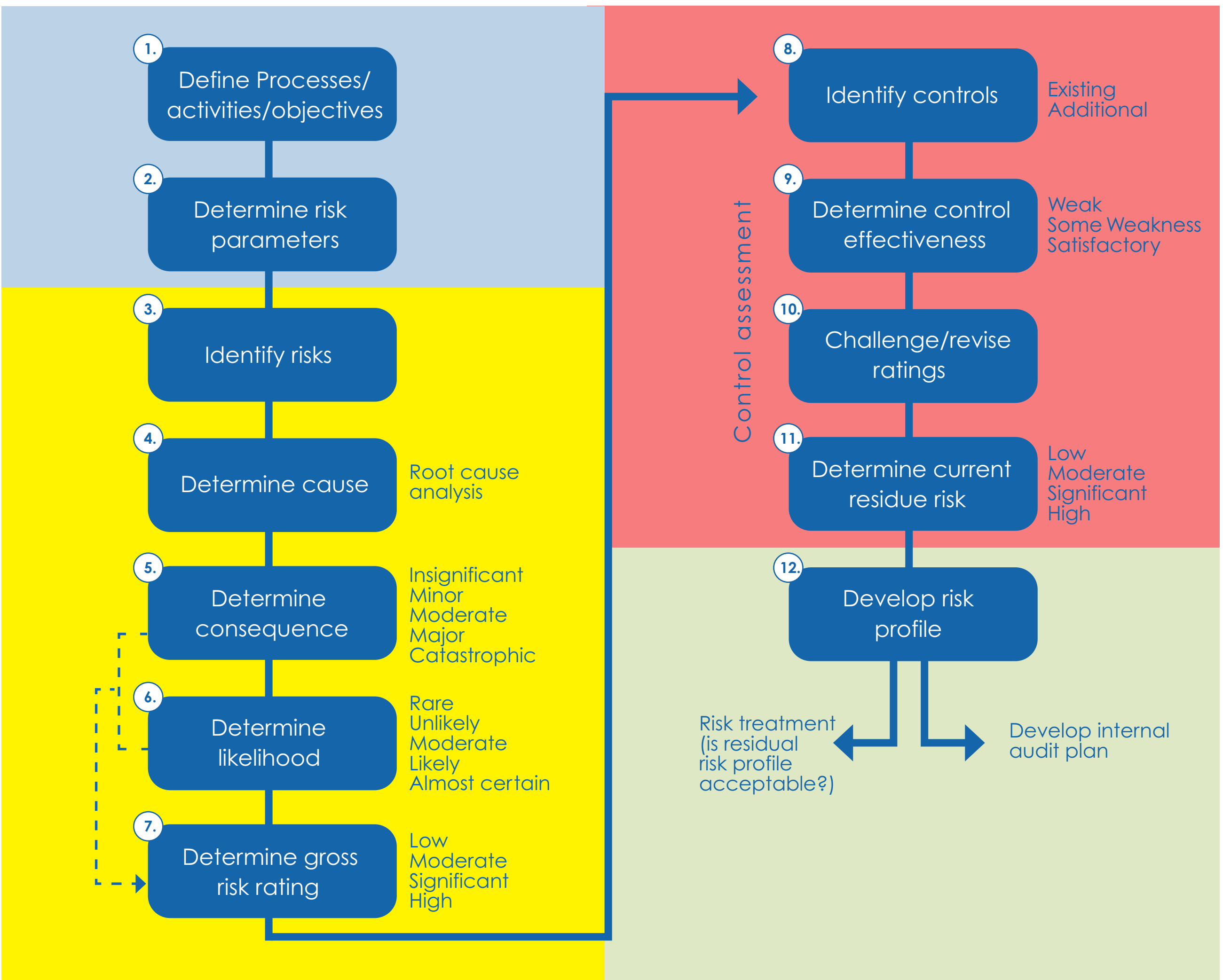
2.0 Risk Management Framework

(a) 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 undermine the achievement of the Group's business objectives both now and into the future.

(b) 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: -



Statement on Risk Management and Internal Control

2.0 Risk Management Framework (Cont'd)

- Risk Profile and Risk Register were prepared for the purposes of monitoring and reporting of risks. In this respect, the Group had initiated several workshops attended by the management and risk owners in each of the business divisions to determine the risk parameters, identify the risks, determine the causes, consequences and likelihood of occurrence, identify controls, determine the risk tolerance levels before a comprehensive Risk Profile and Risk Register with action plans were developed together with the management and risk owners.

- The Risk Profile and Risk Register are reviewed by the risk owners twice in a year to ensure that the risk management process remain robust and the Risk Profiles and Risk Registers remain relevant. Risk owners will update in the Risk Register the action plans taken or to be taken to mitigate the risks.

- The risk owners, who are normally at the operational level, will report the status of risks 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.

- This risk management process is an on-going process undertaken by the Group and such process has been in place for the year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

(c) Main Features of the Risk Management Framework

- The main features of the Group's risk management framework involve the following key processes: -

  (i) The Management develops, operates and monitors the system of internal controls to address the various risks faced by the Group;

  (ii) 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 were identified and scored for likelihood of the risks occurring and the magnitude of the impact;

  (iii) 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 in a meeting where the following are reported: -

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

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

    (c) any new or additional controls that have been put in place to mitigate the risks; and

    (d) the status of action plans to address each of the risks by the risk owners. Specific action plans and the timeline for the action plans to be implemented are documented in the Risk Registers by the risk owners.

  The head of the Group Internal Audit attends such briefings.

2.0 Risk Management Framework (Cont'd)

(c) Main Features of the Risk Management Framework (Cont'd)

(iv) The meetings of the Risk Management Working Group are held few days prior to the Audit and Risk Management Committee meetings. Risk Management Working Group reports its findings to the Audit and Risk Management Committee which then reports to the Board;

(v) All updated Risk Profiles and Risk Registers are tabled to the Audit and Risk Management Committee after they had been considered and deliberated by the Risk Management Working Group;

(vi) Annual re-assessment of risks is conducted selectively in all operational sites by a member of the Risk Management Working Group together with the risk owners where existing controls are verified to ensure their validity and evaluations are 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 engineering and construction division and the toll management division (including a joint venture company).

- The risk assessment of the waste management business as at 30 September 2018 undertaken by a major associate was submitted to the Risk Management Working Group for deliberation and notation.

(d) Risk Matrix

To enable the risk management assessment to be applied consistently across all the three core businesses, the Group has adopted the following risk matrix: -

Risk Rating

Impact / Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Significant	Significant	High	High	High
Likely	Moderate	Significant	Significant	High	High
Moderate	Low	Moderate	Significant	High	High
Unlikely	Low	Low	Moderate	Significant	High
Rare	Low	Low	Moderate	Significant	Significant

Likelihood of Occurrence

Description	Risk Likelihood Description
Almost Certain	Happens frequently
Likely	Likely to occur
Moderate	Might occur. Happened before but very rare
Unlikely	Unlikely to occur. Happened before but extremely rare
Rare	Has never occur before and is not expected to occur

Statement on Risk Management and Internal Control

2.0 Risk Management Framework (Cont'd)

(d) Risk Matrix (Cont'd)

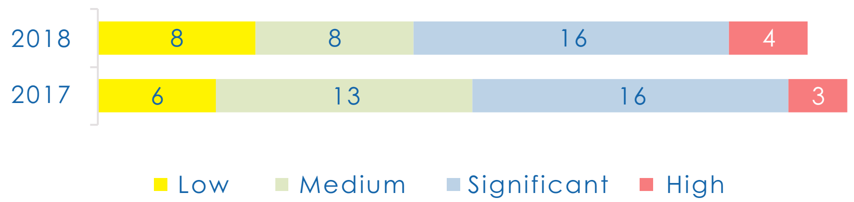
Magnitude of Impact

Description	Financial Considerations	Non-Financial Considerations
	% of Budgeted EBITDA	
Catastrophic Major Moderate Minor Insignificant	> 75% 50-75% 25-50% 5-25% < 5%	• Reputation/Image • Service/operations disruption • Business continuity • Project delay • Damage to life, property, environment • Management involvement

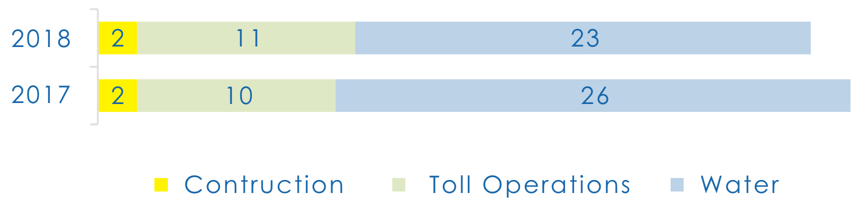
(e) Specific Risks Identified

- As at 30 September, being the latest date for a risk assessment to be undertaken by the Group, the combined risk profile of individual operating companies is summarised below based on the application of the above Risk Matrix: -

Breakdown by Risk Ratings



Breakdown by Business Divisions



- At the Group level, the individual risks at the business divisions are re-assessed to determine the Group Corporate Risks. The Group Corporate Risks which are strategic in nature provide the Board with visibility on the criteria risk areas across the Group. These risks are most likely to have a significant impact to the financials and prospects of the Group. As at 30 September 2018, being the latest date for a risk assessment to be undertaken by the Group, the Group has identified five (5) risk areas with two (2) flagged as high risks and the remaining three (3) as significant risks.

3.0 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. To ensure the governance, risk management and internal control processes are effective within the company, the internal audit function conducts regular reviews and appraisals on the business operations of the Group according to the Internal Audit Plan as approved by the Audit and Risk Management Committee.
- The key role of the Group Internal Audit 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.
- Further details on the functions of the Group Internal Audit is found in the Audit and Risk Management Committee Report included in this Annual Report.

4.0 Other Key Elements of Governance, Risk Management and Controls

Other key elements of governance, risk management and control established by the Group, amongst others, are as follows: -

(a) clearly defined governance structure with the respective terms of reference, duties and responsibilities as described in the Corporate Governance Overview Statement;

(b) 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 and the Management in discharging their duties;

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

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

(e) review of operational and financial performance by the operating unit's management at a monthly management meeting attended by the Executive Committee, heads of department and business units. At these meetings, relevant operational, financial and strategic issues are discussed and followed up by management;

Statement on Risk Management and Internal Control

4.0 Other Key Elements of Governance, Risk Management and Controls (Cont'd)

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

(g) 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;

(h) a yearly assessment undertaken by the External Auditors to identify any significant risks affecting the preparation of the financial statements;

(i) briefing by the head of Group Internal Audit to the Audit and Risk Management Committee on a quarterly basis on the internal audit findings together with any follow up actions taken or to be taken to remedy any significant failings or weaknesses identified from the internal audit findings;

(j) 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 Group Internal Audit, the Senior Independent Non-Executive Chairman and/or to the Chairman of the Audit and Risk Management Committee;

(k) 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 other stakeholders to communicate with them on matters relating to the Group;

(l) 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;

(m) a Board Charter that constitutes, and forms, an integral part of each Director's duties and responsibilities;

(n) 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 discharging their duties and responsibilities.

5.0 Management's Assurance

In accordance with Paragraph 42 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, are of the view that the Group's risk management process and internal control systems are operating adequately and effectively in all material aspects primarily based on: -

(a) the risk management model adopted by the Group;

(b) similar written assurance given by the respective heads of operations;

(c) formal feedback on the adequacy of risk management and internal control from the head of Group Internal Audit which is based primarily on the scope and coverage of internal audit's remit for the year under review.

6.0 Review by the External Auditors

- As required by paragraph 15.23 of the Main Market Listing Requirements, the External Auditors have reviewed this Statement. 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.

7.0 Authorisation for Issuance

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

Corporate Governance Overview Statement

THIS CORPORATE GOVERNANCE OVERVIEW STATEMENT TOGETHER WITH THE CORPORATE GOVERNANCE REPORT PROVIDE AN OVERVIEW OF THE BOARD'S UNWAVERING COMMITMENT TOWARDS A HIGH STANDARD OF CORPORATE GOVERNANCE PRACTICES, VALUES AND ETHICAL BUSINESS CONDUCTS BY DISCLOSING THE APPLICATIONS OF EACH PRACTICE SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017") PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD. THE CORPORATE GOVERNANCE OVERVIEW STATEMENT SHOULD BE READ IN TANDEM WITH THE CORPORATE GOVERNANCE REPORT WHICH HAS BEEN UPLOADED ON THE COMPANY'S WEBSITE.

- In today's dynamic business landscape and heightened stakeholders' expectations, demand for greater accountability and transparency are expected from the Board in discharging its fiduciary duties in delivering long term value proposition to shareholders as well as upholding the rights of other stakeholders. As a direct consequence thereof, greater internalisation of enterprise-wide culture of good corporate governance practices, maintenance of a sound system of internal control, embedding risk management practices and policies 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 applying the Principles and Practices stipulated in the MCCG 2017 published by the Securities Commission of Malaysia in April 2017 and is committed in ensuring that good corporate governance is observed, practised and enhanced throughout the Company and its subsidiaries ("Group") to safeguard the interest of shareholders and that of the other stakeholders such as its employees, customers, suppliers, society and the communities in which the Group conducts its businesses.

- 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. The Board recognises that good ethical conduct and a high level of accountability are important criteria to support sustainable development and growth trajectory of the Group's businesses. 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.

- Pursuant to paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements") , the Group has disclosed in a prescribed format the extent on how it has applied and complied with the Principles and Practices specified in the MCCG 2017 to achieve the Intended Outcome. The detailed application for each of the Practices is disclosed in the Corporate Governance Report 2018 ("CG Report") which is available on the Company's website at http://taliworks.com.my/corporate-governance/ under the caption "Corporate Governance Report".

- Intended Outcomes are designed to provide a line of sight on what companies will achieve through implementing the Practices. On the other hand, Practices are actions, procedures, or processes which a company is expected to adopt to achieve the Intended Outcome.

- The Group is currently categorised as a Non-Large Company under the MCCG 2017. Large Companies are defined as companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above; at the start of the companies' financial year.

- During the year, the Group has applied all the Practices except as follows: -

  (a) Practice 4.5 – The board discloses in its annual report the policies on gender diversity, its targets and measures to meet those targets;

  (b) Practice 7.2 - The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000; and

(c) Practice Note 11.2 - Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

(d) Practice 12.3 - Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

- In a continuous effort to enhance the corporate governance practices, the Board has during the year adopted Practice 4.3 - Step Up expounded in the MCCG 2017 by incorporating in the Board Charter a policy that limits the tenure of its Independent Directors to nine years.

- For the Practices where the Group has not complied, explanation for the departures are provided and supplemented with a commentary on the alternative measures to achieve the Intended Outcome, and where appropriate, measures that the Group has taken or intends to take as well as the intended timeframe for adoption to achieve application of the prescribed Practice.

- Over the years, Taliworks has been placed in the Malaysian Corporate Governance reports and surveys undertaken by the Minority Shareholder Watchdog Group with the latest being ranked 45th out of the Top 100 Malaysian PLCs with Disclosures and 26th out of the Top 100 Malaysian PLCs for Overall Corporate Governance and Performance in 2017.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1.0 Board Responsibilities

1.1 Clear Roles and Responsibilities

- 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 allocate resources and set the strategic direction of the Group, inculcate healthy corporate governance practices within the Group by aligning the governance practices to meet expectations of stakeholders while exercising oversight on the management's performance.

- 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 that supports long term value creation jointly 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 including strategies on economic, environmental and social considerations underpinning sustainability. 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 that 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 regard, the Board meets quarterly 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. The important agenda that would be deliberated are the reports from the various Board Committees together with 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;

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Clear Roles and Responsibilities (cont'd)

- 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: - (cont'd)

  (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. Detailed descriptions of these functions are elaborated in the Statement of Risk Management and Internal Controls and in the Audit and Risk Management Committee's Report included in this Annual Report;

  (d) succession planning to provide for a clear and orderly succession and ensure that all candidates appointed for a particular position are of calibre. To assist the Board in discharging these 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 a shareholder communications policy for the Group to enable effective communication with the shareholders and other stakeholders. In this respect, the Group has established an investors' relationship function helmed by the Chief Investment Officer and several channels and communication platforms (including a Company website) where shareholders and other stakeholders will be able to communicate with the Company and vice versa;

  (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 Group Legal Advisor and the external Company Secretaries to advise the Board on matters relating to regulatory and statutory issues that concern the Group.

- 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 are important issues that require the Board's immediate attention e.g. major corporate exercises, the Board may convene a special Board meeting.

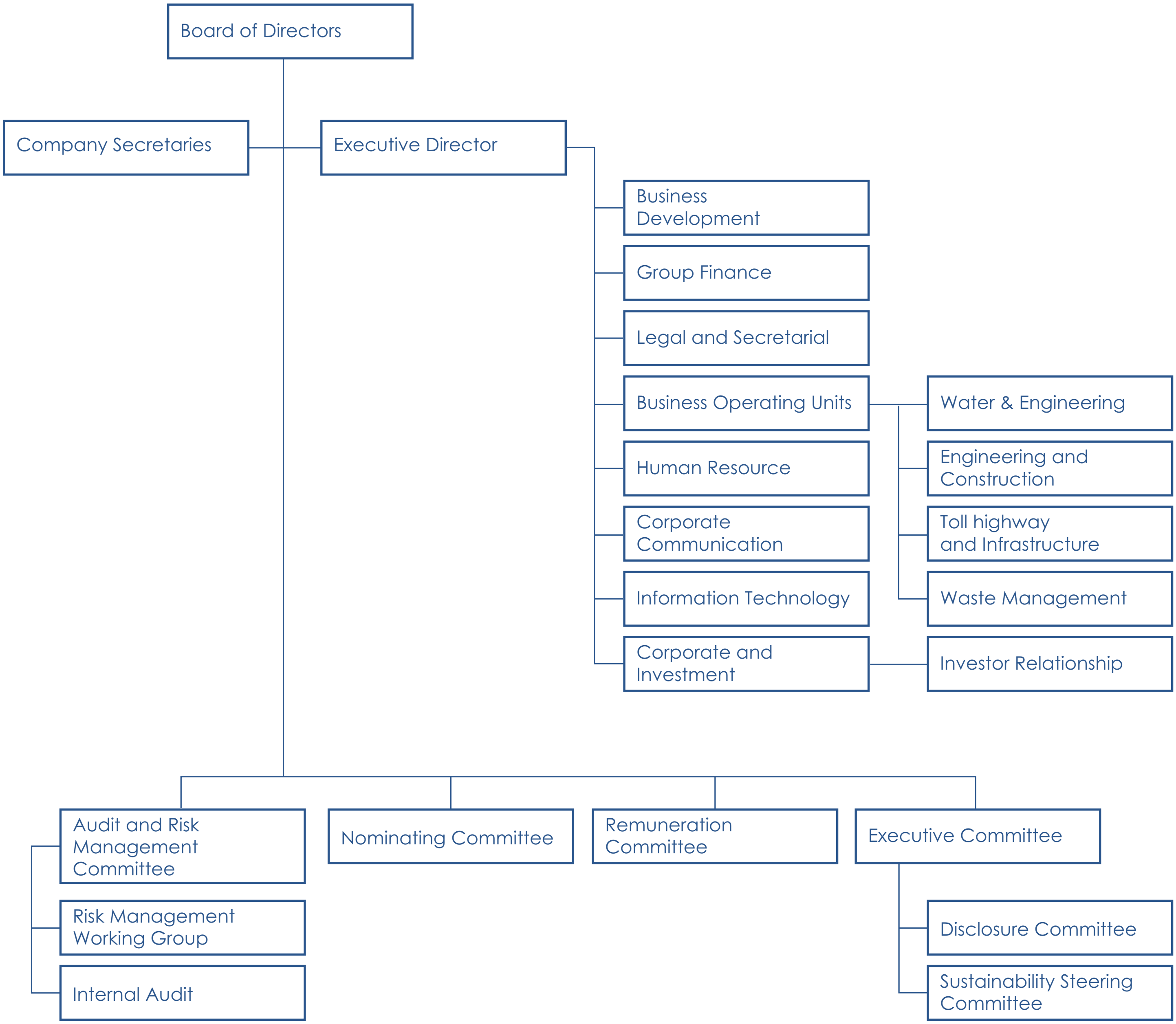
- The Company and its subsidiaries have established their respective Limits of Authority that defines the authority given to management to act on specific matters and any matters that require the approval of the Board or Executive Committee of the Company or the board of the subsidiaries, as the case maybe. The Limits of Authority of the Company was last reviewed in March 2017.

- To further assist the Board in its oversight role, the Board, through the Nominating Committee, has established the Key Performance Indicators ("KPI") for the Executive Director that are linked to the Group's financial performance, employee engagement and compliance with terms and conditions of concession agreements and requirements of government and statutory bodies. In the Remuneration Committee meeting held in January 2019, it was concluded that all the KPIs have been met by the Executive Director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Governance Structure

The current governance structure of the Group is as follows:



Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 Executive Committee

- To assist the Executive Director in executing the mandates from the Board, an Executive Committee has been established to speed up the decision-making process in issues which are routine and administrative in nature or on matters that do not require the immediate attention of the Board.

- Members of the Executive Committee together with other senior management and business divisional heads meet monthly to review the operational issues of the Group, financial performance, business prospects and other matters requiring their attention. Collectively, they are responsible to oversee the day-to-day management of the Group's business affairs.

1.4 Board Composition

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

  (a) one Executive Director;

  (b) two Non-Independent Non-Executive Directors; and

  (c) five 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.

  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.

- The Board, through the Nominating Committee, having reviewed the size and complexity of the Group's operations, 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 can function more effectively including the nomination of more female directors to the Board.

1.5 Board to comprise a Majority of Independent Directors

- 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 Ong Ka Ting, is a Senior Independent Non-Executive Chairman whilst more than half of the composition of Board members comprises of Independent Directors.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.6 Role of the Chairman

- The role of the Chairman is clearly spelt out in Practice 1.2 of the CG Report.

1.7 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.

- The Executive Director is accountable to the Board and he oversees all the business and corporate divisions within the Group.

1.8 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.

1.9 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 Secretaries in the Board minutes.

1.10 Independent Directors

- 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. Currently, the Nominating Committee comprises of two independent directors and one non- independent director.

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.10 Independent Directors (cont'd)

- Other than fully complying with the definition of an "independent director" set out in the criteria listed in Section 1.1 (a) to (g) of Practice Note 13 - Requirements for Directors and Signatory of Statutory Declaration for Accounts by the stock exchange, the Independent Directors have themselves self-assessed in the Independent Directors' Self-Assessment Checklist including application of subjective assessments pursuant to the definition of independent directors in the Listing Requirements which is then submitted to the Nominating Committee.

1.11 Tenure of Independent Directors

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

As at 31 December 2018	>3-4 years	>4-5 years	>5-6 years
Independent Non-Executive Directors	2	2	1

- Under the MCCG 2017, 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.

- Under the Company's Board Charter, the tenure of an Independent Director shall not exceed a cumulative term limit of nine years.

- 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.

- In the event where an Independent Director has served the Board for a cumulative term of twelve 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 twelve-year tenure. Under these circumstances, the Board will seek shareholders' approval under a two-tier voting process.

- 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.

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.12 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.

1.13 Re-Election of Directors

- Pursuant to Clause 77 of the Company's Constitution, one-third of the directors 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 from office (who have been longest in office since their last election) shall retire by rotation. In addition, the Listing Requirement requires that all directors of listed companies shall retire once at least in every three years. The directors retiring by rotation shall be eligible for re-election.

- The Nominating Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election. Pursuant to Clause 77 and 78 of the Company's Constitution, the Directors who are due to retire by rotation at the forthcoming Annual General Meeting are Tan Sri Ong Ka Ting, Ahmad Jauhari Bin Yahya and Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin. The Board, with the exception of the retiring Directors, has approved the recommendation of the Nominating Committee that the names of the retiring directors 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.

1.14 Board Diversity, Age Profile and Skill-set

	Gender		Age Profile			Skill-set		
	Male	Female	30-40 years	41-50 years	51-70 years	Finance related	Engineering related	Others
Executive Director	1		-	-	1	-	1	-
Independent Non-Executive Directors	4	1	-	1	4	3	1	1
Non-Independent Non-Executive Directors	2		1	-	1	1	-	1
Total	**8**							

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.14 Board Diversity, Age Profile and Skill-set (cont'd)

- The Board does not have a policy on board composition having regard to the age and mix of skills required to meet the needs of the Group. Under the Board Diversity Policy, the Group sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and in maintaining a competitive advantage. A truly diverse Board should be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. 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. All Board appointments will be based on meritocracy.

- The Board strongly advocates the promotion of diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors and 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. Whilst the Board Diversity Policy embraces the benefits of having a diverse Board to enhance the quality of its performance, no gender diversity target for the Board is established.

1.15 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 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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.15 Time Commitment (cont'd)

- Under the Board Charter: - (cont'd)

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

  (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.

- 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.

1.16 Access to Trainings

- The Board recognised the importance of training and development for the Directors to enhance their skills and knowledge to meet the challenges of the Board. The role to review the training and development needs of the Directors has been delegated to the Nominating Committee which then reports its findings to the Board.

- During the year, all the Directors had attended various training programmes, seminars and workshops externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

- There are no restrictions as to the type of training programmes, courses, seminars, conferences, talks, briefings to be attended by the Directors and these could inter alia, be on areas relating to corporate leadership and governance, finance, economic trends, risk management, latest technologies, sustainable development and implementation of new regulations by the regulators.

- Directors are also kept informed of the latest statutory and 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 to keep themselves updated on developments that are current and relevant.

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.16 Access to Trainings (cont'd)

- The following were the trainings attended by the Directors during the year: -

Name of Director	Course Title/Organiser
Tan Sri Ong Ka Ting	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ Budget 2019 Tax briefing by Deloitte Tax Services Sdn. Bhd.
Dato' Lim Yew Boon	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ Budget 2019 Tax briefing by Deloitte Tax Services Sdn. Bhd.
Lim Chin Sean	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd.
Soong Chee Keong	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ Companies for future: The roles for Board
Vijay Vijendra Sethu	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ Market and macro-economic outlook by DBS Bank ▪ Market and macro-economic outlook by Credit Suisse
Dato' Sri Amrin Bin Awaluddin	▪ CIMB 10th Annual Corporate Day ▪ Credit Suisse Asean Conference ▪ Invest Malaysia Kuala Lumpur 2018 ▪ Sime Darby Property Berhad Retreat ▪ Presentation on Integrated Reporting for Bursa Malaysia ▪ Construction and Industrial Development Board ("CIDB") Green Card Programme ▪ Sime Darby Property Berhad Effectiveness Evaluation Programme ▪ Wild Digital South East Asia Seminar ▪ Financial Institutions Directors Education – Module A ▪ KLB Fireside Chat with Minister of Finance ▪ Kongress Bumiputra Kebangsaan ▪ Khazanah Mega Trend Forum ▪ Malaysia: A New Dawn 2018 Conference ▪ Financial Institutions Directors Education – Module B ▪ Dinner Talk with Dr Marshall Goldsmith in conjunction with the launch of FIDE Forum's "DNA of a Board Leader" ▪ KLBC Post Budget Dialogue with YB Tony Pua, Political Secretary to the Minister of Finance ▪ Bridging Session between Board of Sime Darby Property Berhad and YB Zuraida Kamaruddin (Minister of Housing and Local Government) - Affordable Housing, Housing Master Plan

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.16 Access to Trainings (cont'd)

- The following were the trainings attended by the Directors during the year: - (cont'd)

Name of Director	Course Title/Organiser
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	▪ Invest Malaysia 2018 – The Capital Market Conversation – Connecting Strengths, Advancing Performance ▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ Directors' training pertaining to Charter Contract ▪ In house Directors' training on credit risk, revenue risk, other forms of liability risk and dispute resolutions ▪ Malaysia a New Dawn ▪ Anti-Money Laundering (AML), Anti-Terrorism Financing (ATF) Proliferation financing ▪ Budget 2019 Tax briefing by Deloitte Tax Services Sdn. Bhd. ▪ Board of Directors' workshop – Winning formula for a better tomorrow
Ahmad Jauhari Bin Yahya	▪ Key amendments to Listing Requirements arising from Companies Act 2016 by CKM Advisory Sdn. Bhd. ▪ CEPSI Conference ▪ Breakfast Series "Non-Financials-Does it Matter?"

- The list of training programmes attended by the Directors for the year was presented to the Nominating Committee whereby the committee had opined that the current training attended by the Directors, though adequate, could be further enhanced to up-skill their knowledge and add value to the Board and the Board Committees. The Nominating Committee had proposed that a refresher session on the MCCG 2017 and the updates on the latest Listing Requirements be organised.

1.17 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.

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.0 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.

- 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 meeting, 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 regards 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.

2.1 Composition of Key Board Committees

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

Name of Director	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Independent Non-Executive Directors			
Tan Sri Ong Ka Ting (Note 1)	-	Chairman	-
Soong Chee Keong	Chairman	-	Member
Dato' Sri Amrin Bin Awaluddin	Member	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin (Note 2)	-	-	Chairman
Ahmad Jauhari Bin Yahya	-	Member	-

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.1 Composition of Key Board Committees (cont'd)

- The composition of the key Board Committees as at the end of the year was as follows: - (cont'd)

Name of Director	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Non-Independent Non-Executive Directors			
Lim Chin Sean (Note 3)	Member	-	Member
Vijay Vijendra Sethu	-	Member	-

Note: -

1. *Resigned as Chairman of the Remuneration Committee on 13 February 2018*
2. *Re-designated as Chairman of the Remuneration Committee on 13 February 2018*
3. *Appointed as a member of the Remuneration Committee on 13 February 2018*

2.2 Functions, Duties and Responsibilities of the Board Committees

(a) Audit and Risk Management Committee

- The Audit and Risk Management Committee comprises at least three members, a majority of whom are Independent Directors. All members of the Audit and Risk Management Committee are Non-Executive Directors.
- 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.
- The terms of reference of the Audit and Risk Management Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Audit and Risk Management Committee".
- The Terms of Reference were last revised in February 2018.

(b) Nominating Committee

- The Nominating Committee comprises no less than three members made up exclusively of Non-Executive Directors, a majority of whom are Independent Directors.
- The terms of reference of the Nominating Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Nominating Committee". The Terms of Reference were last revised in February 2018.
- The functions and activities undertaken by the Nominating Committee are elaborated in Practice 4.6 and 5.1 of the CG Report.

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2.2 Functions, Duties and Responsibilities of the Board Committees (cont'd)

(c) Remuneration Committee

- The Remuneration Committee comprises no less than three members made up exclusively of Non-Executive Directors, a majority of whom are Independent Directors.
- The terms of reference of the Remuneration Committee is available on the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Terms of Reference of the Remuneration Committee". The Terms of Reference were last revised in February 2018.
- The functions and activities undertaken by the Remuneration Committee are in Section 3.2 below.

2.3 Record of Attendance at Board and Board Committee Meetings

- 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 year. In this respect, the Board is satisfied with the level of time commitment given by all the Board members towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board Meetings by attending most of the Board meetings held during the year. Their meeting attendance at Board and Board Committee's meetings is evidenced by the attendance record set out in the table below.

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Dates of meetings held during the year	13 Feb 29 Mar 22 May 27 Aug 26 Nov	13 Feb 29 Mar 22 May 27 Aug 26 Nov	18 Jan	18 Jan
Total meetings held during the year	5	5	1	1
EXECUTIVE DIRECTOR				
Dato' Lim Yew Boon	5/5	N/A	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Tan Sri Ong Ka Ting	5/5	N/A	1/1	1/1
Soong Chee Keong	5/5	5/5	N/A	1/1
Dato' Sri Amrin Bin Awaluddin	5/5	5/5	N/A	N/A
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	5/5	N/A	N/A	1/1
Ahmad Jauhari Bin Yahya	4/5	N/A	1/1	N/A

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

Name of Director	Board Meeting	Audit and Risk Management Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
NON-INDEPENDENT NON-EXECUTIVE DIRECTORS				
Lim Chin Sean	5/5	5/5	N/A	N/A
Vijay Vijendra Sethu	5/5	N/A	1/1	N/A

- Board meetings are normally held at the corporate office. Occasionally, Board meetings are held off-site at the operational sites to enable the Board to be familiar with the Group's operations.

3.0 Remuneration

3.1 Remuneration Committee

- The Remuneration Committee, comprise of Non-Executive Directors, is headed by an Independent Non-Executive Director, Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin.

3.2 Meeting Proceedings

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees for the previous financial year are to be approved by shareholders at the Annual General Meeting before any payment of fees are made to the Directors. Directors who are shareholders will abstain from voting at general meetings to approve their fees.

- The Remuneration Committee met once during the year in January 2018. In January 2019, the Remuneration Committee convened a meeting and the following matters were considered and deliberated: -

  (a) to recommend the remuneration packages for the Company's Executive Director and senior management for 2019 to the Board for approval;

  (b) to recommend the Directors' Fees for 2018 to the Board for recommendation of the same to the shareholders for approval at the Annual General Meeting; and

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors for 2019 to the Board for approval. This was based on the number of scheduled Board and Board Committee meetings for the year.

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.3 Directors' Remuneration

- The Group recognises that in order to attract and retain Directors is to have a fair and comprehensive remuneration package that commensurate with their experience, skills and responsibilities as well as benchmarking against industry's standards. In view of this, the remuneration package for Executive Director and directors' fees for Non-Executive Directors were determined by benchmarking against remuneration packages of relevant position with similar industry and business size.

- The remuneration of the Executive Director is based on the terms of his employment contract and his remuneration package is structured to link rewards to corporate and individual performance. The performance and remuneration package of the Executive Director is subject to evaluation of the Remuneration Committee. 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.

- The Board, through the Nominating Committee, has established the Key Performance Indicators for the Executive Director.

- 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 or Board Committee 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 Board is also covered under a Directors' and Officers' Liability Insurance Policy up to an amount of RM10 million against any liability incurred by them in discharging their duties while holding office as directors of the Company.

- The tables below are the Directors' fees (which are not performance related) and meeting allowances in respect of the financial year ended 31 December 2018, subject to the approval of shareholders at the forthcoming Annual General Meeting. The fees and allowances were effective since January 2016.

	Directors' Fees RM per Annum
Chairman	200,000
Chairman of the Audit and Risk Management Committee	160,000
Executive Director	120,000
Independent Non-Executive Directors	120,000
Non-Independent Non-Executive Directors	120,000

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.3 Directors' Remuneration (cont'd)

	Meeting allowances (RM per Meeting)			
	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Chairman	1,600	1,600	1,600	1,600
Members	1,000	1,000	1,000	1,000

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

NAME OF DIRECTORS	Fees (RM)	Salaries, Bonus, Defined Contribution, Benefit In Kind and Allowances (RM)	Meeting Allowances (RM)	Total for 2018 (RM)	Total for 2017 (RM)
Dato' Lim Yew Boon Executive Director	144,000 (Note 1)	457,509 (Note 2)	5,000	606,509	554,130
Tan Sri Ong Ka Ting • *Senior Independent Non-Executive Chairman* • *Chairman of the Nominating Committee* • *Chairman of the Remuneration Committee (Resigned on 13 February 2018)*	200,000	-	11,200	211,200	212,800
Soong Chee Keong • *Independent Non-Executive Director* • *Chairman of Audit and Risk Management Committee* • *Member of Remuneration Committee*	160,000	-	14,000	174,000	175,000
Lim Chin Sean • *Non-Independent Non-Executive Director* • *Member of Audit and Risk Management Committee* • *Member of Remuneration Committee (Appointed on 13 February 2018)*	120,000	-	10,000	130,000	131,000

Corporate Governance Overview Statement

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.3 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: - (cont'd)

NAME OF DIRECTORS	Fees (RM)	Salaries, Bonus, Defined Contribution, Benefit In Kind and Allowances (RM)	Meeting Allowances (RM)	Total for 2018 (RM)	Total for 2017 (RM)
Vijay Vijendra Sethu • *Non-Independent Non-Executive Director* • *Member of Nominating Committee*	120,000	-	6,000	126,000	127,000
Dato' Sri Amrin Bin Awaluddin • *Independent Non-Executive Director* • *Member of Audit and Risk Management Committee*	120,000	-	10,000	130,000	130,000
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin • *Independent Non-Executive Director* • *Chairman of the Remuneration Committee (Re-designated on 13 February 2018)*	120,000	-	6,000	126,000	125,000
Ahmad Jauhari Bin Yahya • *Independent Non-Executive Director* • *Member of Nominating Committee*	120,000	-	5,000	125,000	127,000
Total Non-Executive Directors	960,000	-	62,200	1,022,200	1,027,800
TOTAL	1,104,000	457,509	67,200	1,628,709	1,581,930

Note: -

1– include directors' fees received from the Company of RM120,000 (2017: RM120,000) and RM24,000 (2017: RM24,000) from a subsidiary in which he is a director.

2– Include bonus allowance received of RM4,000 (2017: RM4,000) from a subsidiary in which he is a director.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3.4 Remuneration of Key Senior Management

- At the end of the year, there were six key senior management personnel disclosed in the Company's website at http://www.taliworks.com.my/corporate-information/ under the caption "Key Senior Management".

- Key senior management staff are those primarily responsible for managing the business operations and corporate divisions of the Group.

- The Board, through the Remuneration Committee, has established a remuneration policy for the key senior management as disclosed in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Remuneration Policy".

- The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 is as follows: -

Range of Remuneration	Total
RM400,001 to RM450,000	3
RM500,001 to RM550,000	1
RM550,001 to RM600,000	1

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

4.0 Audit and Risk Management Committee

- The Audit and Risk Management Committee of the Company comprises of three members, two of whom are members of professional accounting bodies.

- The Audit and Risk Management Committee is headed by Soong Chee Keong, who is an Independent Non-Executive Director. The duties, functions and responsibilities of the Audit and Risk Management Committee is spelt out in its Terms of Reference.

- The performance of the Audit and Risk Management Committee and each of its members are assessed annually by the Nominating Committee, none of whom are members of the Audit and Risk Management Committee. The Nominating Committee also assesses on an annual basis the effectiveness of the Audit and Risk Management Committee in carrying out its responsibilities.

5.0 Risk Management and Internal Control Framework

- The Board acknowledges its responsibility in maintaining a robust risk management framework and a sound system of internal controls.

- The Statement on Risk Management and Internal Controls included in this Annual Report provides a detailed description of the state of risk management and internal controls as implemented by the Group.

Corporate Governance Overview Statement

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6.0 Communication with Stakeholders

6.1 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 to enhance transparency and accountability, the Group has formulated the Corporate Disclosure Policies and Procedures 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 were last revised in March 2017 and a copy of the document is published in the Company's website at http://www.taliworks.com.my/corporate-governance/ under the caption "Corporate Disclosure Policies and Procedures".

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

  (a) the chief executive officer of the Company;

  (b) the chief financial officer of the Company;

  (c) the chief regulatory officer of the Company;

  (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 Executive Committee.

6.2 Maintenance of Company Website

- 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 Company's 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, CG Report, Remuneration Policy, minutes of shareholders' meetings, Constitution of the Company.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

6.3 Integrity in Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Management Discussion and Analysis 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 and four 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.

- The Directors of the Company are responsible for the preparation of the financial statements 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 of 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.

7.0 Conduct of General Meetings

7.1 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 to the Chairman of the Company or to the chairman of the Board Committees. Management personnel are also present to answer questions raised at these meetings.

- The External Auditors of the Company will be invited to attend the AGM and are available to answer questions from the shareholders on the conduct of the statutory audit and the preparation and content of the audited financial statements.

Corporate Governance Overview Statement

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

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

- 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.

- 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/corporate-governance/ under the caption "Minutes of Shareholders' Meeting".

7.2 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 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 via an electronic polling 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.

AUTHORISATION FOR ISSUANCE

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

Audit and Risk Management Committee Report

1.0 Composition

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

Chairman	- Soong Chee Keong (Independent Non-Executive Director)
Members	- Dato' Sri Amrin Bin Awaluddin (Independent Non-Executive Director) - Lim Chin Sean (Non-Independent Non-Executive Director)

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

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

2.0 Terms of Reference

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

- The Terms of Reference were last revised on 13 February 2018.

3.0 Meetings

- The ARMC convened five (5) 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: -

13 February 2018	a) to review, approve and recommend for Board's approval (where applicable) the following: - (i) unaudited quarterly financial results for the fourth quarter ended 31 December 2017; (ii) ARMC Report for inclusion in the 2017 Annual Report; (iii) Internal Audit Charter; (iv) Internal Audit reports; (v) recurrent related party transactions ("RRPTs") of a revenue or trading nature; (vi) provision of non-audit services; (vii) revisions to the Terms of Reference of the ARMC.
	b) to review the performance of the internal audit function including evaluating the performance and approving the remuneration of the Head of the internal audit function.

Audit and Risk Management Committee Report

3.0 Meetings (Cont'd)

29 March 2018	a) to review, approve and recommend for Board's approval (where applicable) the following: - (i) audited financial statements for the financial year ended 31 December 2017; (ii) management service agreement with related parties; (iii) Statement of Risk Management and Internal Controls for inclusion in the 2017 Annual Report; (iv) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature.
	b) to note the "Review Procedures and Guidelines in relation to RRPT" as outlined in section 2.6 of the RRPT circular and to approve the "Statement by the Company's Audit and Risk Management Committee" as outlined in section 2.7 of the RRPT circular.
	c) to review the performance of the External Auditors, and if thought fit, to recommend to the Board to seek shareholders' approval on the re-appointment of External Auditors at the forthcoming Annual General Meeting.
22 May 2018	a) to review, approve and recommend for Board's approval (where applicable) the following: - (i) unaudited quarterly financial results for the first quarter ended 31 March 2018; (ii) Risk Management Working Group report; (iii) Internal Audit reports; (iv) RRPTs of a revenue or trading nature.
27 August 2018	a) to review, approve and recommend for Board's approval (where applicable) the following: - (i) unaudited quarterly financial results for the second quarter ended 30 June 2018; (ii) External Auditors' Professional Services Planning Memorandum 2018; (iii) Internal Audit reports; (iv) revisions to the terms of reference of the Risk Management Working Group; (v) RRPTs of a revenue or trading nature; (vi) provision of non-audit services; (vii) revisions to the Policies and Procedures for Provision of Non-Audit Services.
26 November 2018	a) to review, approve and recommend for Board's approval (where applicable) the following: - (i) unaudited quarterly financial results for the third quarter ended 30 September 2018; (ii) Internal Audit Plan 2018/2019; (iii) Internal Audit Budget and Resource Plan for 2019; (iv) Internal Audit reports; (v) Risk Management Working Group report; (vi) RRPTs of a revenue or trading nature; (vii) new and renewal of contractual agreements which are recurrent transactions of a revenue or trading nature; (viii) provision of non-audit services and the provision of Planned Non-Audit Services for 2019.

3.0 Meetings (Cont'd)

- 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 was invited to all ARMC meetings to facilitate and provide clarification on financial issues and risk management. The Head of the Group Internal Audit ("GIA") attended four (4) ARMC meetings to table the respective Internal Audit reports.

- To ensure that the audited financial statements complied with applicable Malaysian Financial Reporting Standards ("MFRS"), External Auditors were engaged to audit the Company's and Group's financial statements before they were presented to the ARMC for review and approval. They were 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 both the External Auditors and GIA on 13 February 2018 and 26 November 2018 separately without presence of the Management to discuss any issues that were of concern to the External Auditors and GIA respectively.

- 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 by the Company Secretaries and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation.

4.0 Training

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

5.0 Summary of Activities

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

5.1 Financial Reporting

- 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 2017, first quarter ended 31 March 2018, second quarter ended 30 June 2018 and third quarter ended 30 September 2018 at the respective ARMC meetings. In reviewing the quarterly financial statements, the ARMC would focus particularly on the following matters: -

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

  (b) significant and unusual events; and

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

- On 29 March 2018, the ARMC reviewed the annual audited financial statements for the financial year ended 31 December 2017 with the External Auditors in attendance.

Audit and Risk Management Committee Report

5.0 Summary of Activities (Cont'd)

- The ARMC's activities during the year comprised the following: - (Cont'd)

5.1 Financial Reporting (Cont'd)

- All the quarterly financial statements were prepared in compliance with MFRS134: Interim Financial Reporting, issued by the Malaysian Accounting Standards Board, Paragraph 9.22 of the Main Market Listing Requirements and the guidance and recommendations set out in Issues Communication - Guidance on Disclosures in Notes to Quarterly Report ("ICN 1/2017") issued by Bursa Malaysia Securities Berhad.

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

5.2 External Audit

5.2.1 Overseeing the work of the External Auditors

- On 13 February 2018, the External Auditors presented their progress report on the unaudited results for the financial year ended 31 December 2017 to the ARMC, reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum 2017 (which was presented earlier to the ARMC on 16 August 2017). The ARMC noted that the External Auditors did not encounter any material disagreement or significant difficulties while performing its work, and they had received full cooperation from Management with unrestricted access to information. The ARMC noted the non-audit fees incurred in 2017 amounted to RM129,000 constituting approximately 25% of the total remuneration of RM513,000 to the External Auditors.

- On 29 March 2018, the ARMC deliberated on the audited financial statements for the financial year ended 31 December 2017 prepared by Management with the External Auditors in attendance. The audited financial statements were thereafter recommended to the Board for approval. Besides, the ARMC recommended to the Board to seek shareholders' approval for the re-appointment of the External Auditors at the forthcoming Annual General Meeting after having assessed the performance of the External Auditors.

- On 27 August 2018, the ARMC evaluated and discussed with the External Auditors the Professional Services Planning Memorandum 2018 which encompasses the following salient points: -

  (a) Auditor's responsibilities;

  (b) Client service team;

  (c) Materiality;

  (d) Significant risks and areas of audit focus;
  a total of four (4) significant risks and four (4) areas of audit focus were identified

  (e) Internal control plan;

5.0 Summary of Activities (Cont'd)

5.2 External Audit (Cont'd)

5.2.1 Overseeing the work of the External Auditors (Cont'd)

(f) Involvement of internal auditors, internal specialists and audit data analytics;

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

(g) Timing of audit;

(h) Financial reporting and prior year audit adjustments;

(i) Fraud responsibilities and representations; and

(j) Engagement quality control, independence policies and procedures.

- Having considered the above and after having further discussion with the External Auditors, the ARMC approved the External Auditors' Professional Services Planning Memorandum 2018. In addition, the ARMC noted there was no significant provision for non-audit services as at 30 June 2018.

- On 26 November 2018, the ARMC noted there was no significant provision for non-audit services as at 30 September 2018.

5.2.2 Assessing the Independence and Suitability of the External Auditors

- Under the Independence policies and procedures set out in the External Auditors' Professional Services Planning Memorandum 2018, the ARMC noted the following: -

(a) that the External Auditors complied 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.

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

(i) 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;
(ii) partners and managers are required to declare their financial interests in the partnership's Independence Monitoring System;
(iii) the audit engagement partner will be consulted and will approve all non-audit services to be provided to audit clients; and
(iv) 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

5.0 Summary of Activities (Cont'd)

5.2 External Audit (Cont'd)

5.2.2 Assessing the Independence and Suitability of the External Auditors (Cont'd)

- 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.

- 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 External Auditors' Professional Services Planning Memorandum 2018 as well as a written assurance by the External Auditors on their independence, the ARMC determined that the External Auditors were suitable to be engaged to undertake the statutory audit and are satisfied that their independence had not been compromised.

5.3 Internal Audit

- The GIA team conducted the audit activities as per two risk-based annual Internal Audit Plans i.e. 2017-2018 and 2018-2019 approved by the ARMC on 22 May 2017 and 26 November 2018 respectively. The Head of GIA presented the internal audit reports in four (4) ARMC meetings during the year. These reports contain: -

  (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.

5.0 Summary of Activities (Cont'd)

5.3 Internal Audit (Cont'd)

- The risk-based Internal Audit Plans are 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 nineteen (19) full internal audits and nineteen (19) follow-up internal audits were completed during the year focusing on the following fourteen (14) key areas: -

(i) Administration
(ii) Business Development & Corporate Affairs
(iii) Contract Management
(iv) Credit Control & Collection
(v) Finance
(vi) Fixed Asset Management
(vii) Human Resource Management
(viii) Information Technology
(ix) Inventory Management
(x) Maintenance
(xi) Operation
(xii) Personal Data Protection Act 2010 Compliance
(xiii) Purchasing
(xiv) Sales & Customer Relationship Management

- On 26 November 2018, the ARMC reviewed and approved: -

(a) the annual Internal Audit Plan 2018/2019 that covers all core operations including water treatment, highway management, construction and waste management; and

(b) the Internal Audit Budget and Resource Plan 2019 with the view that GIA is competently staffed and has adequate resources to carry out the internal audit function in the coming year.

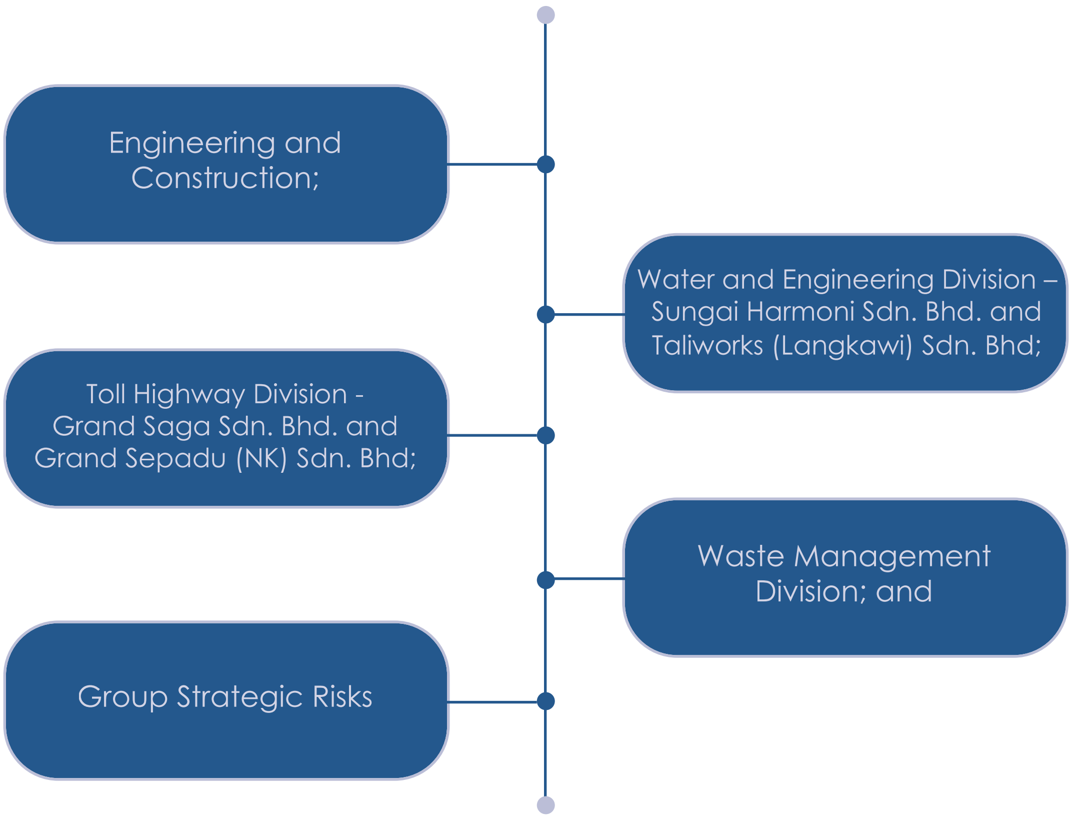
In addition, ARMC noted the annual Declaration of Independence from GIA for the financial year then ending 31 December 2018.

Audit and Risk Management Committee Report

5.0 Summary of Activities (Cont'd)

5.4 Risk Management

- The ARMC reviewed the report of the Risk Management Working Group presented bi-annually by the General Manager of Group Finance on 22 May 2018 and 26 November 2018 that covered risk profiles of the following divisions: -



- The Risk Profile indicated the impact, likelihood and residual risk rating of every risks 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 Risk Management Working Group reports at the subsequent Board meetings for notation.

5.0 Summary of Activities (Cont'd)

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

- In accordance with the Main Market Listing Requirements, the ARMC contemplated and reviewed the RRPTs tabled at the every ARMC meetings to ensure that they are: -

  (a) at arm's length;

  (b) on normal commercial terms;

  (c) on terms not more favourable to the 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 Company.

- The ARMC (except for interested director(s)) thereafter recommended the RRPTs for approval at the subsequent Board meetings.

5.6 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.

6.0 Internal Audit Function

- The internal audit functions by assisting a company in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The internal audit function provides assessments as to whether risks, which may hinder the company from achieving its objectives, are being adequately evaluated, managed and controlled. It further evaluates the effectiveness of the governance, risk management and internal control framework and facilitates enhancement, where appropriate.

- In this respect, the ARMC is supported by an in-house GIA in the discharge of its duties and responsibilities. The ARMC is guided by the Guidelines on Internal Audit Function issued by the Internal Auditors Malaysia and the Internal Audit Charter that provides the framework for the efficient and effective functioning of the internal audit function.

- The GIA reports directly to the ARMC and carries out its role in accordance with the Institute of Internal Auditors International Professional Practices Framework. The GIA is responsible to independently review, appraise and recommend improvements to the governance, risk management and internal control systems established by the Management. The GIA 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.

Audit and Risk Management Committee Report

6.0 Internal Audit Function (Cont'd)

- On a quarterly basis, the GIA submits audit reports to the ARMC for review and action.

- The GIA performs a risk-based*, ad-hoc and routine audits in accordance with the Internal Audit Plans as approved by the ARMC. The audit results were discussed with the respective Management and action plans were put in place to complete the necessary preventive and corrective actions before presenting to ARMC for review. Where applicable, the GIA conducts follow up audits to ensure that Management's commitment on corrective actions were fulfilled timely and appropriately. Internal audit engagements carried out by the GIA include operational, financial and compliance reviews.

  ** high priority risk areas based on risk evaluations including risk management profile.*

- In addition, the GIA plays an advisory role to the Management in the course of performing its internal audit activities. In turn, the Management supports the internal audit function by: -

  (a) inviting the Head of GIA as an observer to the monthly management meetings and meetings of the Risk Management Working Group to keep abreast of any important developments on business, operations, strategies, risks, controls etc;

  (b) providing unrestricted access to information, records and to the Management and making available adequate resources including personnel which are relevant to the internal audit function;

  (c) ensuring that the auditees implement all the internal audit recommendations to improve the effectiveness of governance, risk management, and internal control processes;

  (d) requiring all the heads of department in the Group to indicate in their annual appraisal form the status of all outstanding internal audit findings; and

  (e) not placing any restrictions on the scope of the internal audit undertaken by the GIA.

- The GIA provides internal audit services covering the Company, its operating subsidiaries and major associated companies. The total costs for the year incurred by the GIA were approximately RM870,000 (2017: RM881,000).

- The GIA is headed by a Senior Manager (Lee Chee Leong, Henry) who is a fellow member of the Association of Chartered Certified Accountants with double degrees in Applied Accounting and Applied Science with Computing. He was appointed as the Head of GIA since December 2011. He is well qualified to provide the necessary assurances to the ARMC and Management; having 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.

- As at January 2019, the Head of GIA is supported by a team of seven (7) members, in which three (3) are employed under the Company and four (4) are employed under an associate company (Edaran SWM Sdn. Bhd.).

6.0 Internal Audit Function (Cont'd)

- There is adequate mix of of knowledge, skills and other competencies needed to perform the internal audit function. The qualification of the GIA team members and their working experience can be categorised respectively as follows: -

Highest Qualification	No of internal auditors	%
Professional	2	25
Post Graduate	1	13
Degree	4	50
Diploma	1	12
Total	**8**	**100**

Years of working experience**	No of internal auditors	%
0 – 5	3	37
> 5 – 10	2	25
> 10 – 15	nil	0
> 15	3	38
Total	**8**	**100**

*** Total of all functions including internal audit, external audit, compliance, finance etc.*

- To enhance the competency of the GIA, team members are provided with internal and external trainings throughout the year.

- Internal reviews are performed by the GIA on a routine basis to appraise the quality of work performed. Independent external reviews may be conducted on a five-year interval at the discretion of ARMC.

- As required by the International Standards for the Professional Practice of Internal Auditing ("Standards"), periodic self-assessments are to be conducted to evaluate conformance with the Code of Ethics and the Standards. Periodic self-assessments form part of the quality assurance and improvement program. In this respect, the GIA conducted a self-assessment during the year by applying the methodology and tools as prescribed by the Institute of Internal Auditors. The self-assessment was performed based on detailed review of the Internal Audit charter, policies, procedural manual, plans and work practices. It included detailed examination a sample of five Internal Audit engagements to assess conformance with the Standards relating to individual engagements from the planning stage through to reporting, quality assurance and recommendation monitoring.

7.0 Audit and Risk Management Committee's Report

- The ARMC had approved this Audit and Risk Management Committee Report for inclusion in this Annual Report.

Additional Compliance Information

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

1.0 Profile of Directors, Chief Executive and Key Senior Management

(a) The profile of the Directors and Chief Executive of the Company are stated under the Directors' Profile in this Annual Report.

(b) The profile of key senior management of the Group is disclosed in the Company's website at http://taliworks.com.my/corporate-information/ under the caption "Key Senior Management". Key Senior Management include those who are primarily responsible for the business operations of the Company's core business and principal subsidiaries.

2.0 Audit and Non-Audit Fees

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

(i) Company – RM105,400 (2017: RM95,000)
(ii) Group – RM333,000 (2017: RM312,600)

(b) The non-audit fees paid or payable for services rendered to the Company and its subsidiaries by the External Auditors, Deloitte PLT, or a firm or corporation affiliated to it, are as follows: -

(iii) Company – RM18,700 (2017: RM89,000)
(i) Group – RM54,700 (2017: RM125,200)

The non-audit fees are mainly in relation to the provision of taxation services.

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

3.0 Status of Utilisation of Proceeds

As at the end of the previous financial year, the status of utilisation of proceeds raised from the Disposal of Foreign Operations referred to in Note 46(a) to the Financial Statements for the financial year ended 31 December 2017 was as follows: -

	Gross proceeds raised		Actual utilisation RM'000	Intended timeframe for utilisation RM'000
	USD'000	RM'000 Equivalent		
(i) to part finance the acquisition of SWM Environment Holdings Sdn. Bhd. / future investments / working capital purposes / payment of dividends / repayment of borrowings	53,432	216,266#	203,998	Within 24 months from the completion of the Disposal of Foreign Operations in May 2016
(ii) estimated expenses for the corporate proposals	1,168	5,000	5,000	Immediate
	54,600	221,266	208,998	

 # based on the exchange rate of approximately USD1/RM4.05 as at the end of the financial year 31 December 2017.

As at the end of the current financial year, the balance of the proceeds had been fully utilised for working capital and payment of dividends.

4.0 Material Contracts

Save as disclosed in Note 43 of the Financial Statements 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.

Additional Compliance Information

5.0 Recurrent Related Party Transactions

Pursuant to Paragrapgh 3.1.15 of Practice Note 12, the Recurrent Related Party Transactions entered into by the Company and its subsidiaries with related parties pursuant to a shareholders' mandate were as follows:

Related Parties	Type of the Recurrent Related Party Transactions	Aggregate value of Recurrent Related Party Transactions made during the financial year (RM'000)
Exitra Sdn. Bhd. and Exitra Solutions Sdn. Bhd.;	Services rendered to the Company and Group by the related parties in relation to the provision of information technology services, broadband and maintenance, sales of hardware and software either as vendor or re-seller	1,912
SWM Environment Holdings Sdn. Bhd.	Management services rendered by the Company to the related party.	3,800

6.0 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.

7.0 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 2018.

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 18 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 before tax	144,079	24,616
Income tax (expense)/credit	(34,818)	205
Profit for the financial year	109,261	24,821
Profit attributable to:		
Owners of the Company	100,081	24,821
Non-controlling interests	9,180	-
	109,261	24,821

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.

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 2017 and dealt with in the previous year's Directors' Report:	
Fourth interim single-tier dividend of 1.2 sen per share paid on 13 April 2018	24,190
In respect of the financial year ended 31 December 2018:	
First interim single-tier dividend of 1.2 sen per share paid on 13 July 2018;	24,190
Second interim single-tier dividend of 1.2 sen per share paid on 26 October 2018; and	24,190
Third interim single-tier dividend of 1.2 sen per share paid on 31 January 2019	24,190
	96,760

Subsequent to the end of the financial year, on 28 February 2019, the directors declared the payment of a fourth interim single-tier dividend of 1.2 sen per share on 2,015,817,574 ordinary shares, amounting to approximately RM24,190,000 in respect of the current financial year to be paid on 27 May 2019. This dividend has not been included as a liability in the statements of financial position as of 31 December 2018.

The directors do not recommend any final dividend in respect of the current financial year.

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 increased from RM438,561,133 comprising 1,209,489,000 ordinary shares to RM438,353,656 (after deduction of share issue cost) comprising 2,015,817,574 ordinary shares by way of:

(a) Issuance of 806,325,239 new ordinary shares on the basis of two (2) new ordinary shares for every three (3) existing ordinary shares in the Company ("Bonus Issue") by utilising RM161,265,048 from the share premium account at RM0.20 per bonus share; and

(b) Issuance of 3,335 new ordinary shares pursuant to the exercise of Warrants 2015/2018 ("Warrants") of the Company.

Directors' Report

ISSUE OF SHARES AND DEBENTURES (CONT'D)

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 issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

WARRANTS

On 12 November 2015, the Company issued 241,897,790 Warrants on the basis of one (1) Warrant for every five (5) ordinary shares held after a share split involving the subdivision of every two (2) then existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each which was completed on 9 November 2015. Arising from the Bonus Issue, an additional 161,264,870 Warrants were issued in accordance with the provisions of the Deed Poll governing the Warrants. The holders of the Warrants were entitled to subscribe for one (1) new ordinary share for every one (1) Warrant held within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018. The Warrants not exercised by 11 November 2018 had expired and were subsequently delisted.

The main features of the Warrants and the movements in the Warrants for the financial year ended 31 December 2018 are disclosed in Note 31 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company except as disclosed in Note 31. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

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

OTHER STATUTORY INFORMATION (CONT'D)

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 of the Group and of the Company which would render any amount stated in the financial statements 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 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 in 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
Lim Chin Sean
Soong Chee Keong
Tan Sri Ong Ka Ting
Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
Ahmad Jauhari Bin Yahya

Directors' Report

DIRECTORS (CONT'D)

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

Abdul Razak Bin Hashim
Chee Lean Thong
Chew Hoong Cheong
Chin Soong Jin
Datin Lee Li-May
Dato' Lim Chee Meng
Dato' Lim Yew Boon
Kalpana G A/P Gnanachandran (alternate director to Mohamad Hafiz Bin Kassim)
Lim Horng Ling
Lim Siew Ling
Mohamad Hafiz Bin Kassim
Norsam @ Norsamsida Binti Hassan
Phang Kwai Sang
Teh Siok Wah
Vijay Vijendra Sethu
Wang Kwee Luan
Wong Voon Leong
Wong Wai Meng
Zulfikri Bin Suboh
Wong Mean (resigned on 8 May 2018)

DIRECTORS' INTERESTS

The interest in shares and options over shares in the Company and in the related corporation of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	Number of Ordinary Shares				
	Balance as at 1.1.2018	Bought	Bonus Issue	Sold	Balance as at 31.12.2018
Shares in the Company					
Direct interest					
Dato' Lim Yew Boon	375,000	-	250,000	-	625,000
Lim Chin Sean	150,004	-	100,002	-	250,006
Tan Sri Ong Ka Ting	8,750,000	-	5,833,333	-	14,583,333
Vijay Vijendra Sethu	63,750,000	-	42,500,000	-	106,250,000
Indirect interest					
Lim Chin Sean#	604,100,000	-	402,733,333	-	1,006,833,333
Vijay Vijendra Sethu*	45,000,000	-	30,000,000	-	75,000,000

DIRECTORS' INTERESTS (CONT'D)

	Number of Warrants 2015/2018				
	Balance as at 1.1.2018	Bought	Additional Warrants arising from Bonus Issue	Lapsed	Balance upon expiry of the Warrants
Warrants in the Company					
Direct interest					
Dato' Lim Yew Boon	75,000	-	50,000	(125,000)	-
Lim Chin Sean	30,004	-	20,002	(50,006)	-
Tan Sri Ong Ka Ting	1,750,000	-	1,166,666	(2,916,666)	-
Vijay Vijendra Sethu	12,750,000	-	8,500,000	(21,250,000)	-
Indirect interest					
Lim Chin Sean#	137,620,000	-	91,746,666	(229,366,666)	-
Vijay Vijendra Sethu*	9,000,000	-	6,000,000	(15,000,000)	-

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

By virtue of his interest in the Company, he is also deemed to have an interest in the shares of all the Company's subsidiaries to the extent the Company has an interest pursuant to Section 8(4) of the Companies Act, 2016.

* Indirect interest through a family trust.

Other than disclosed above, none of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares and options over shares in the Company or its related corporation during or at the beginning and end of 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 a benefit (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 he is a member, or with a company in which he has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions between the Company and companies in which certain directors of the Company and/or its subsidiaries or persons connected with such directors have an interest as disclosed in Note 43 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the Warrants as disclosed in Note 31 to the financial statements.

Directors' Report

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 indemnity coverage 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 Goods and Service Tax and stamp duty).

There were no indemnities given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

AUDITORS

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

AUDITORS' REMUNERATION

The amount payable as remuneration to the auditors for the financial year ended 31 December 2018 is disclosed in Note 9 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,
2 April 2019

Statements 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, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

DATO' LIM YEW BOON **LIM CHIN SEAN**

Kuala Lumpur,
2 April 2019

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 2nd day of April, 2019.

Before me,

PESURUHJAYA SUMPAH
No :B185
Nama: NG SAY HUNG
1/1/2019 - 31/12/2021
MALAYSIA

COMMISSIONER FOR OATHS

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

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 as of 31 December 2018 of the Group and of the Company, 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 149 to 276.

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 of 31 December 2018, 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, 2016 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.

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 are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. 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.

Key audit matters	How the matter was addressed in the audit
<u>Impairment assessment of goodwill and intangible asset</u> The Group has goodwill and intangible asset of RM129,385,000 and RM1,100,762,000 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 22.	Our audit procedures, amongst others, included the following: • Involved our internal valuation specialist in reviewing the appropriateness of the valuation model; • Involved our internal valuation specialist in reviewing the discount rate determined by management on the computation of recoverable amount; • Evaluated the work of our internal valuation specialist which includes the relevance and reasonableness of that specialist's findings or conclusions; • 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; • Performed sensitivity analysis on management's assumptions to assess if any reasonably possible changes in these assumptions can lead to impairment loss; and • Assessed the impairment by comparing the recoverable amount determined from the discounted cash flows generated from the Cash Generating Unit of the Group to its carrying amount.

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

Key Audit Matters (cont'd)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 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.

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 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.

If, based on the work we have performed 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.

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, 2016 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.

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

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:

- 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.

- 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.

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

- 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.

- 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.

- 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.

Independent Auditors' Report

To the Members of Taliworks Corporation Berhad (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

Other Matter

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

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

KHONG SIEW CHIN
Partner - 03049/03/2021 J
Chartered Accountant

2 April 2019

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000 (Restated)
Revenue	6	374,243	374,072	57,003	58,690
Cost of operations	7	(221,246)	(213,480)	(26,222)	(27,398)
Gross profit		152,997	160,592	30,781	31,292
Other operating income	8	73,425	8,851	1,216	1,785
Administrative and other expenses	9	(46,277)	(70,816)	(7,085)	(12,185)
Finance costs	10	(21,369)	(22,584)	(296)	(1,492)
Share of results of joint venture		1,031	2,748	-	-
Share of results of associates		(15,728)	578	-	-
Profit before tax		144,079	79,369	24,616	19,400
Income tax (expense)/credit	13	(34,818)	(14,833)	205	-
Profit for the year/Total comprehensive income		109,261	64,536	24,821	19,400
Profit for the year/Total comprehensive income for the year attributable to:					
Owners of the Company		100,081	51,300	24,821	19,400
Non-controlling interests		9,180	13,236	-	-
		109,261	64,536	24,821	19,400

	Note	The Group 2018	The Group 2017
Earnings per share attributable to owners of the Company (sen)			
Basic and diluted	14	4.96	2.54

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

Statements of Financial Position

As at 31 December 2018

	Note	31.12.2018 RM'000	The Group 31.12.2017 RM'000 (Restated)*	1.1.2017 RM'000 (Restated)*
ASSETS				
Non-Current Assets				
Property, plant and equipment	15	12,030	16,050	21,050
Investment properties	16	233	240	247
Intangible assets	17	1,100,762	1,129,152	1,155,333
Investment in joint venture	19	71,434	70,403	67,655
Investment in associates	20	182,431	200,355	220,844
Other investment	21	240	240	240
Goodwill on consolidation	22	129,385	129,385	129,385
Deferred tax assets	23	17,172	32,450	28,989
Long-term trade receivables	24	599,631	407,148	321,009
Deposits, cash and bank balances	25	26,828	32,957	154,123
Total Non-Current Assets		2,140,146	2,018,380	2,098,875
Current Assets				
Inventories	26	1,258	1,276	1,488
Amount due from contract customers	27	9,104	17,187	13,097
Trade receivables	24	127,902	136,071	121,398
Other receivables, deposits and prepayments	28	12,432	16,024	21,342
Tax recoverable		1,277	1,723	1,466
Investment designated at fair value through profit or loss	30	61,905	69,770	63,020
Deposits, cash and bank balances	25	89,835	111,490	113,576
Total Current Assets		303,713	353,541	335,387
TOTAL ASSETS		2,443,859	2,371,921	2,434,262

	Note	31.12.2018 RM'000	The Group 31.12.2017 RM'000 (Restated)*	1.1.2017 RM'000 (Restated)*
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	31	438,354	438,561	241,898
Share premium	32	-	-	196,663
Merger deficit	33	(71,500)	(71,500)	(71,500)
Retained earnings	34	689,995	686,674	732,134
Total Equity Attributable to Owners of the Company		1,056,849	1,053,735	1,099,195
Non-controlling interests		265,443	274,336	277,270
Total Equity		1,322,292	1,328,071	1,376,465
Deferred and Non-Current Liabilities				
Long-term borrowings	35	437,064	416,573	416,185
Long-term trade payables	36	1,534	8,671	7,250
Provision for heavy repairs	37	17,170	13,617	16,720
Deferred income	38	124,217	141,512	156,294
Deferred tax liabilities	23	235,260	236,162	238,866
Total Deferred and Non-Current Liabilities		815,245	816,535	835,315
Current Liabilities				
Amount due to contract customers	27	-	786	184
Trade payables	36	199,737	132,873	88,003
Other payables and accruals	39	53,926	51,176	45,361
Dividend payable	40	24,190	24,190	-
Short-term borrowings	35	10,058	157	70,213
Deferred income	38	17,273	16,065	16,640
Tax liabilities		1,138	2,068	2,081
Total Current Liabilities		306,322	227,315	222,482
Total Liabilities		1,121,567	1,043,850	1,057,797
TOTAL EQUITY AND LIABILITIES		2,443,859	2,371,921	2,434,262

* The comparative information has been restated as a result of the initial application of MFRS 9 & 15 as discussed in Note 2.

Statements of Financial Position
As at 31 December 2018

	Note	31.12.2018 RM'000	The Company 31.12.2017 RM'000 (Restated)*	1.1.2017 RM'000 (Restated)*
ASSETS				
Non-Current Assets				
Property, plant and equipment	15	870	2,155	4,100
Investment properties	16	233	240	247
Investment in subsidiaries	18	319,523	319,782	319,782
Investment in joint venture	19	67,173	67,173	67,173
Investment in associates	20	230,724	232,844	249,931
Long-term trade receivables	24	1,868	974	-
Deposits, cash and bank balances	25	4,538	3,721	125,807
Total Non-Current Assets		624,929	626,889	767,040
Current Assets				
Amount due from contract customers	27	2,326	3,850	-
Trade receivables	24	9	629	4,210
Other receivables, deposits and prepayments	28	3,077	10,209	17,790
Amount due from subsidiaries	29	54,171	57,903	39,246
Tax recoverable		272	-	-
Investment designated at fair value through profit or loss	30	4,465	2,075	4,052
Deposits, cash and bank balances	25	13,643	49,908	43,390
Total Current Assets		77,963	124,574	108,688
TOTAL ASSETS		702,892	751,463	875,728

	Note	31.12.2018 RM'000	The Company 31.12.2017 RM'000 (Restated)*	1.1.2017 RM'000 (Restated)*
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	31	438,354	438,561	241,898
Share premium	32	-	-	196,663
Retained earnings	34	195,280	267,219	344,579
Total Equity		633,634	705,780	783,140
Non-Current Liability				
Long-term borrowings	35	20,000	-	-
Total Non-Current Liability		20,000	-	-
Current Liabilities				
Amount due to contract customers	27	-	-	184
Other payables and accruals	39	15,068	21,493	22,373
Dividend payable	40	24,190	24,190	-
Short-term borrowings	35	10,000	-	70,031
Total Current Liabilities		49,258	45,683	92,588
Total Liabilities		69,258	45,683	92,588
TOTAL EQUITY AND LIABILITIES		702,892	751,463	875,728

* The comparative information has been restated as a result of the initial application of MFRS 9 & 15 as discussed in Note 2.

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

Statements of Changes in Equity

For the Year Ended 31 December 2018

The Group	Note	Share capital RM'000	← Non-distributable reserves → Share premium 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
As of 1 January 2017, as previously stated		241,898	196,663	(66)	(71,500)	753,977	1,120,972	277,270	1,398,242
Effects of adoption of MFRS 9	46	-	-	66	-	(21,843)	(21,777)	-	(21,777)
As of 1 January 2017, as restated		241,898	196,663	-	(71,500)	732,134	1,099,195	277,270	1,376,465
Available-for-sale financial assets		-	-	239	-	-	239	239	478
Total other comprehensive income for the year, as previously stated		-	-	239	-	-	239	239	478
Effects of adoption of MFRS 9	46	-	-	(239)	-	-	(239)	(239)	(478)
Total other comprehensive income for the year, as restated		-	-	-	-	-	-	-	-
Profit for the year, as previously stated		-	-	-	-	29,083	29,083	12,997	42,080
Effects of adoption of MFRS 9	46	-	-	-	-	22,217	22,217	239	22,456
Profit for the year, as restated		-	-	-	-	51,300	51,300	13,236	64,536
Total comprehensive income for the year, as restated		-	-	-	-	51,300	51,300	13,236	64,536
Transactions with Owners of the Company:									
Dividend payable	40	-	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	40	-	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	(16,170)	(16,170)
Total transactions with Owners of the Company		-	-	-	-	(96,760)	(96,760)	(16,170)	(112,930)
Transfer arising from no-par value regime	31, 32	196,663	(196,663)	-	-	-	-	-	-
As of 31 December 2017		438,561	-	--	(71,500)	686,674	1,053,735	274,336	1,328,071

The Group	Note	← Non-distributable reserves → Share capital RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Distributable reserves 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 2018, as previously restated		438,561	173	(71,500)	686,300	1,053,534	274,336	1,327,870
Effects of adoption of MFRS 9	46	-	(173)	-	374	201	-	201
As of 1 January 2018, as restated		438,561	-	(71,500)	686,674	1,053,735	274,336	1,328,071
Profit for the year		-	-	-	100,081	100,081	9,180	109,261
Total comprehensive income for the year		-	-	-	100,081	100,081	9,180	109,261
Transactions with Owners of the Company:								
Dividend payable	40	-	-	-	(24,190)	(24,190)	-	(24,190)
Dividends paid	40	-	-	-	(72,570)	(72,570)	-	(72,570)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	(17,885)	(17,885)
Bonus issue expenses	31	(210)	-	-	-	(210)	-	(211)
Proceeds from exercise of Warrants	31	3	-	-	-	3	-	4
Capital distribution from liquidation of a subsidiary	18	-	-	-	-	-	(188)	(188)
Total transactions with Owners of the Company		(207)	-	-	(96,760)	(96,967)	(18,073)	(115,040)
As of 31 December 2018		438,354	-	(71,500)	689,995	1,056,849	265,443	1,322,292

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

Statements of Changes in Equity
For the Year Ended 31 December 2018

The Company	Note	Non-distributable reserves Share capital RM'000	 Share premium RM'000	 Available-for-sale reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
As of 1 January 2017, as previously stated		241,898	196,663	(21)	344,601	783,141
Effects of adoption of MFRS 9	46	-	-	21	(22)	(1)
As of 1 January 2017, as restated		241,898	196,663	-	344,579	783,140
Available-for-sale financial assets		-	-	21	-	21
Total other comprehensive income for the year		-	-	21	-	21
Effects of adoption of MFRS 9	46	-	-	(21)	-	(21)
Total other comprehensive income for the year, as restated		-	-	-	-	-
Profit for the year, as previously stated		-	-	-	19,492	19,492
Effects of adoption of MFRS 9	46	-	-	-	(92)	(92)
Profit for the year, as restated		-	-	-	19,400	19,400
Total comprehensive income for the year, as restated		-	-	-	19,400	19,400
Transactions with owners of the Company:						
Dividend payable	40	-	-	-	(24,190)	(24,190)
Dividends paid	40	-	-	-	(72,570)	(72,570)
Total transactions with owners of the Company		-	-	-	(96,760)	(96,760)
Transfer arising from no par value regime	31, 32	196,663	(196,663)	-	-	-
As of 31 December 2017, as restated		438,561	-	-	267,219	705,780

The Company	Note	Share capital RM'000	Distributable reserve- Retained earnings RM'000	Total equity RM'000
As of 1 January 2018, as previously stated		438,561	267,333	705,894
Effects of adoption of MFRS 9	46	-	(114)	(114)
As of 1 January 2018, as restated		438,561	267,219	705,780
Profit for the year/Total comprehensive income for the year		-	24,821	24,821
Total comprehensive income for the year		-	24,821	24,821
Transactions with owners of the Company:				
Dividend payable	40	-	(24,190)	(24,190)
Dividends paid	40	-	(72,570)	(72,570)
Proceeds from exercise of Warrants	31	3	-	3
Bonus issue expenses	31	(210)	-	(210)
Total transactions with owners of the Company		(207)	(96,760)	(96,967)
As of 31 December 2018		438,354	195,280	633,634

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

Statements of Cash Flows

For the Year Ended 31 December 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	144,079	79,369	24,616	19,400
Adjustments for:				
Net gain arising on financial assets measured at fair value through profit or loss	(210)	(478)	(5)	(21)
Net loss allowance on receivables and amount due from contract customers	(64,985)	21,715	102	113
Amortisation of intangible assets	28,390	26,181	-	-
Finance costs	21,369	22,584	296	1,492
Depreciation of:				
Property, plant and equipment	5,190	6,615	1,711	1,842
Investment properties	7	7	7	7
Provision for heavy repairs:				
Current year	3,553	3,049	-	-
Overprovision in prior year	-	(6,152)	-	-
Write off of:				
Property, plant and equipment	3	56	-	-
Amount owing from a former subsidiary	5	-	5	3
Inventories	16	-	-	-
Unrealised foreign exchange (gain)/loss - net	(3)	2,365	(4)	2,365
Interest expense imputed in borrowings	548	548	-	-
Reversal of interest income imputed in retention sums	589	460	-	-
Deferred income recognised:				
Government compensation	(16,065)	(16,640)	-	-
Rental and maintenance fee	(118)	(67)	-	-
Interest income	(3,555)	(4,146)	(303)	(813)
Share of results of:				
Joint venture	(1,031)	(2,748)	-	-
Associates	15,728	(578)	-	-

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Provision for foreseeable losses from a construction contract (Note 27)	244	-	-	-
Investment designated at fair value through profit or loss:				
Dividend income	(2,101)	(1,925)	(85)	(168)
Gain on redemption	(24)	(43)	-	(29)
(Gain)/Loss on disposal of:				
Property, plant and equipment	(105)	(231)	(2)	(17)
Associate	13	-	631	-
Dividend income	-	-	(30,319)	(30,810)
Operating Profit/(Loss) Before Working Capital Changes	131,537	129,941	(3,350)	(6,636)
Decrease/(Increase) in:				
Inventories	2	212	-	-
Amount due from contract customers	7,839	(4,093)	1,526	(3,852)
Trade and other receivables	(119,245)	(129,610)	7,030	(11,975)
Increase/(Decrease) in:				
Amount due to contract customers	(786)	602	-	(184)
Trade and other payables	57,997	51,612	(5,385)	(1,035)
Deferred income	96	1,350	-	-
Cash Generated From/(Used In) Operations	77,440	50,014	(179)	(23,682)
Income tax paid	(16,629)	(21,556)	(66)	-
Income tax refunded	635	288	-	-
Net Cash From/(Used In) Operating Activities	61,446	28,746	(245)	(23,682)

Statements of Cash Flows
For the Year Ended 31 December 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	3,555	4,333	303	813
Net increase in amount due from subsidiaries	-	-	-	(7,900)
Property, plant and equipment:				
Proceeds from disposal β	115	294	2	25
Purchases*	(1,149)	(1,883)	(426)	(54)
Compensation received from an associate	-	17,087	-	17,087
Proceeds from disposal of an associate	358	-	358	-
Capital distribution from liquidation of a subsidiary	-	-	259	-
Dividend received from subsidiaries	-	-	29,625	26,830
Dividend received from associates	4,194	15,180	4,194	15,180
Investment designated at fair value through profit or loss:				
Purchase	(13,800)	(63,500)	(2,300)	(48,000)
Proceeds from redemption	24,000	59,196	-	50,196
Withdrawals/(Placement) of deposits pledged as security	6,129	117,252	(772)	117,252
Decrease in deposits pledged as security	-	5,229	-	5,229
Net Cash From Investing Activities	23,402	153,188	31,243	176,658

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(21,311)	(22,699)	(296)	(1,492)
Dividends paid		(96,760)	(72,570)	(96,760)	(72,570)
Dividends paid by a subsidiary to non-controlling interests		(17,885)	(16,170)	-	-
Repayments of borrowings		-	(70,000)	-	(70,000)
Drawdowns of borrowings		30,000	-	30,000	-
Capital distribution paid by a subsidiary to non-controlling interest		(188)	-	-	-
Proceeds from exercise of Warrants		3	-	3	-
Share issuance costs		(210)	-	(210)	-
Repayment of finance lease payables		(156)	(216)	-	(31)
Net Cash Used In Financing Activities		(106,507)	(181,655)	(67,263)	(144,093)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(21,659)	279	(36,265)	8,883
Effects of foreign exchange rate changes		4	(2,365)	-	(2,365)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		111,490	113,576	49,908	43,390
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	25	89,835	111,490	13,643	49,908

Statements of Cash Flows
For the Year Ended 31 December 2018

* During the financial year, the Group and the Company purchased property, plant and equipment through the following arrangement:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Payment by cash	1,149	1,883	426	54
Consideration recorded in other payables	34	158	-	158
Total (Note 15)	1,183	2,041	426	212

β During the financial year, the Group and Company disposed property, plant and equipment through the following arrangements:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Consideration received by cash	115	294	2	25
Consideration recorded in other receivables	-	302	-	302
Total	115	596	2	327

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

Notes to the Financial Statements

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 18.

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, Malaysia.

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, Malaysia.

The financial statements of the Group and of the Company are presented in their functional currency which is Ringgit Malaysia ("RM").

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on 2 April 2019.

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 ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of new and revised MFRSs

In the current financial year, the Group and the Company adopted all the revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2018 as follows:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contract with Customers (and the related Clarifications)
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRSs 2014 - 2016 Cycle

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

The adoption of these revised MFRSs and amendments to MFRSs and IC Interpretations 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 for the below:

MFRS 9 Financial Instruments

In the current financial year, the Group has applied MFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other MFRS Standards that are effective for the annual period that begins on or after 1 January 2018. The transition provisions of MFRS 9 allow an entity not to restate comparatives. However, the Group has elected to restate comparatives in respect of the classification and measurement of financial instruments.

MFRS 9 introduced new requirements for:

(i) The classification and measurement of financial assets and financial liabilities;

(ii) Impairment of financial assets; and

(iii) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below. The Group has adopted the full retrospective method in accordance with the transition provisions set out in MFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of MFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of MFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been de-recognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income ("FVTOCI");

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current financial year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is de-recognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is de-recognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's trade receivables, other receivables, deposits, cash and bank balances classified as loans and receivables under MFRS 139 Financial Instruments: Recognition and Measurement that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;

- the Group's investment in quoted unit trust and other investments that were classified as available for sale financial assets under MFRS 139 have been classified as financial assets at FVTPL because they are held within a business model whose objective is both to collect cash flows and to sell the unit trust and other investment but it does not give rise to a contractual payments of principal and interest on the amount invested;

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

- the Group's unquoted investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) were previously classified as available–for–sale financial assets and measured at fair value at each reporting date under MFRS 139. Under MFRS 9, the Group has irrevocably elected to classify these equity instruments as FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the revaluation reserve.

The change in classification of the investment in quoted unit trust has resulted in the fair value loss on available for sale financial assets accumulated in the available-for-sale reserve of the Group and of the Company of RM66,000 and RM21,000 respectively being recycled to the retained earnings on 1 January 2017. Similarly, the subsequent changes in the fair value of the Group and of the Company amounting to RM478,000 and RM21,000 respectively that were recognised in other comprehensive income during 2017 were reclassified to profit or loss. The adjustments arising from such classifications are disclosed in Note 46.

None of the other reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

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 the Group to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

MFRS 9 requires the Group to recognise a loss allowance for ECL on trade receivables, amount due from contract customers, lease receivables, other receivables and refundable deposits as well as deposits, cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument.

MFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12–months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, amount due from contract customers and lease receivables in certain circumstances.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets (cont'd)

Because the Group has elected to restate comparatives, the Group and the Company have updated the credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of MFRS 9. The directors have then compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017. The result of the assessment is as follows:

Items existing as at 1.1.2018 that are subject to the impairment provision of MFRS 9	Note	Credit risks attributed at 1.1.2017 and 1.1.2018	The Group 1.1.2018 RM'000	The Group 1.1.2017 RM'000	The Company 1.1.2018 RM'000	The Company 1.1.2017 RM'000
Cumulative loss allowances recognised on:						
Trade receivables	24	The Group applies the simplified approach and recognises lifetime ECL for these assets.				
Non-current			132,467	110,713	111	-
Current			1,207	1,249	1	1
			133,674	111,962	112	1
Amount due from contract customers	27	The Group applies the simplified approach and recognises lifetime ECL for these assets.	7	4	2	-
Other receivables and refundable deposits	28	These balances are assessed to have low credit risk at each reporting date. There has been no significant increase in risk of default since initial recognition up to 1.1.2018. The Group therefore recognises 12-months ECL for these items.	-	-	-	-
Deposits, cash and bank balances	25	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions.	-	-	-	-
			133,681	111,966	114	1

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets (cont'd)

The ECL recognised against the Group's retained earnings as at 1 January 2018 and as at 1 January 2017 are RM133,681,000 and RM111,966,000 respectively. On the other hand, the Group has made a reversal of provision for discounting previously made under MFRS 139 of RM175,604,000 as at 1 January 2018 and RM124,116,000 as at 1 January 2017 respectively. This has resulted in a net increase in retained earnings, net of deferred tax effects of RM31,818,000 and RM9,233,000 as at 1 January 2018 and 2017 respectively.

The additional credit loss allowance recognised against the Company's retained earnings as at 1 January 2018 and as at 1 January 2017 are RM114,000 and RM1,000 respectively as disclosed in Note 46.

An associate of the Company recognised lifetime ECL for its outstanding trade receivables which resulted in the decrease in the Group's retained earnings, net of deferred tax effects of RM31,617,000 and RM31,010,000 as at 1 January 2018 and 2017 respectively.

(c) Classification and measurement of financial liabilities

A significant change introduced by MFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, MFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be 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 but are instead transferred to retained earnings when the financial liability is de-recognised. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of MFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 Financial Instruments (cont'd)

(d) General hedge accounting (cont'd)

The application of the MFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years.

The impact on the application of MFRS 9 on basic and diluted earnings per share is disclosed in Note 14.

MFRS 15 Revenue from Contract with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 has superseded the existing revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it became 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:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
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. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied MFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in MFRS 15 Para C5(a) and (b) or for modified contracts in MFRS 15 Para C5(c) but using the expedient in MFRS 15 Para C5(d) under which, for all reporting periods presented before the date of initial application, the Group does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

Notwithstanding MFRS 15 uses the terminology "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", the Group continues to use terms "Amount due from/to contract customers" in the statement of financial position. The term "deferred revenue" is used in respect of government compensation balances and rental and maintenance contracts, as disclosed in Note 38.

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 15 Revenue from Contract with Customers (cont'd)

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of MFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. The amount of adjustment for each financial statement line item affected by the application of MFRS 15 is illustrated below.

Impact on profit for the year:

	The Group 31.12.2017 RM'000
Revenue:	
Decrease due to offset against consideration payable against customers	(800)
Cost of sales:	
Decrease due to reclassification of consideration payable against customers	800
Increase in profit for the year	-

No impact of the application of MFRS 15 on basic and diluted earnings per share.

MFRSs, Amendments to MFRSs and IC Interpretations in issue but not yet effective

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

MFRS 16	Leases[1]
MFRS 17	Insurance Contracts[3]
Amendments to MFRS 3	Definition of a Business[2]
Amendments to MFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[2]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement[1]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures[1]

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRSs, Amendments to MFRSs and IC Interpretations in issue but not yet effective (cont'd)

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IC Interpretation 23	Uncertainty over Income Tax Treatment[1]
Annual Improvements to MFRSs 2015-2017 Cycle[1]	
Amendments to References to the Conceptual Framework in MFRS Standards[2]	

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced by MASB.

The directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretation 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 16 Leases

General impact of application of MFRS 16 Leases

MFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of MFRS 16 for the Group will be 1 January 2019.

The Group has chosen the cumulative catch-up approach of MFRS 16 in accordance with MFRS 16:C5(b). Consequently, the Group will recognise the cumulative effect of retrospective application at the date of initial application.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 16 Leases (cont'd)

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

(a) Leases in which the Group is a lessee

Operating leases

On initial application of MFRS 16, for all leases, the Group will:

(a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 16 Leases (cont'd)

(a) Leases in which the Group is a lessee (cont'd)

Under MFRS 16, right–of–use assets will be tested for impairment in accordance with MFRS 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short–term leases (lease term of 12 months or less) and leases of low–value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight–line basis as permitted by MFRS 16.

As at 31 December 2018, the Group and the Company have non–cancellable operating lease commitments of RM3,339,000 and RM3,039,000 respectively.

The Group and the Company are currently still in the process of assessing the impact at date of initial application on 1 January 2019. The directors do not anticipate that the application of the amendment to have a material impact on the amount reported and disclosures made in these financial statements.

Finance leases

The main differences between MFRS 16 and MFRS 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. MFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by MFRS 117. On initial application, the Group will present equipment previously included in property, plant and equipment within the line item for right–of–use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

(b) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

Notes to the Financial Statements
For the Year Ended 31 December 2018

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 Impairment of Assets.

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.

Basis of Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (cont'd)

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.

When the Group losses 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 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

Notes to the Financial Statements

For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

When 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

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.

When 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 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.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Associates and Joint Venture (cont'd)

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 136 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Notes to the Financial Statements

For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Performance obligations by segment are as follows:

Construction segments

The Group constructs water infrastructure facilities under a specific/individual contract with customers. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Revenue from construction contracts is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under MFRS 15.

The Group becomes entitled to invoice customers for construction claims at the end of every calendar month. The customer is sent a statement showing the amount of work executed and supporting documents and an invoice for the related progress billing. The Group will previously have recognised an "amount due from contract customer" for any work performed, of which it will be reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billings exceed the revenue recognised to date under the cost-to-cost method, then the Group recognises an "amount due to contract customer" for the difference. This is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the progress billing is always less than one year.

The directors have performed assessment on the following projects and related findings as disclosed below:

(a) The proposed development of Langat 2 water treatment plant and water reticulation system in Selangor and Wilayah Persekutuan Kuala Lumpur

The Group has performed assessment that sectional completion is indicated in the contract. Thus, a separate performance obligation has been identified due to separate defects liability periods for each section and the customer may benefit from them on each distinct section. Each section's transaction price has been allocated from the overall contract price for this contract by first determining the relative revenue attributable for the respective sections of the construction work, and thereafter assign the proportionate percentage of revenue to the total estimated construction costs to derive the estimated contract costs for each section. The Group has a process in place in capturing and tracking the actual costs incurred for each distinct section in relation to revenue recognition. Revenue is recognised for each of these performance obligations when control over the corresponding services is transferred to the customer.

Based on the assessment of the above, the Group estimates that the impact of the revenue allocation to each section and timing of recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

(b) *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*

The Group received an upfront payment from the customer. To determine whether there is a significant financing component in the contract, the directors consider the nature of the service being offered and the purpose of the payment terms. The Group received a single upfront amount, not with the primary purpose of obtaining financing from the customer but, instead, to manage the risks associated with providing the service. Arising thereof, the transaction price of this project would not be adjusted.

<u>Toll segment</u>

The revenue from toll segment is derived from toll collection and Government compensation.

The Group recognises revenue from toll collection at the point in time as and when toll is chargeable for the usage of its highways.

<u>Water treatment, supply and distribution segment</u>

The revenue from water treatment, supply and distribution segment operated by subsidiaries is derived from operation and maintenance contract for the Sungai Selangor Phase 1 Water Treatment Plant 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 in Kedah.

The Group recognises revenue from water treatment, supply and distribution segment at the point in time as and when each cubic meter of treated water is sold to the customers.

<u>Other revenue</u>

Revenue from other sources are recognised as follows:

(i) interest income is recognised on an accrual basis using the effective interest method;

(ii) dividend income is recognised when the right to receive payment is established;

(iii) management fee income is recognised on an accrual basis, by reference to the agreements entered into; and

(iv) rental income is recognised on a straight-line basis over the tenure of the lease.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

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 a statutory pension scheme, the Employees Provident Fund.

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.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

(ii) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and 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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

(ii) Deferred tax (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

(iii) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (cont'd)

Depreciation of other property, plant and equipment is computed based on a 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.

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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Following the adoption of Amendments of MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation on 1 January 2016, the Group has adopted prospectively the traffic volume method for amortisation of its intangible assets, comprising the cost of its highway development expenditure based on the following formula:

$$\frac{\text{Cumulative traffic volume from 1.1.2016}}{\text{Cumulative traffic volume from 1.1.2016 plus projected traffic volume till end of concession}} \times \text{Opening Net Book Value as of 1.1.2016 plus Additions to-date}$$

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

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

Inventories

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

Costs of consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group and the Company have 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 and the Company 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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Classification of financial assets (cont'd)

Financial assets that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the 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.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a financial asset that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Classification of financial assets (cont'd)

(i) Amortised cost and effective interest method (cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is 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 evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Classification of financial assets (cont'd)

(ii) Equity instruments designated as at FVTOCI (cont'd)

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has designated investment in redeemable preference shares of an equity instruments in a joint venture and a subsidiary that are not held for trading as at FVTOCI on initial application of MFRS 9 (see Notes 18 and 19).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated investment in quoted unit trust and other investment as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "administrative and other expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables, amount due from contract customers, other receivables and deposits as well as refundable deposits, cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and amount due from contract customers. The ECL on these financial assets are estimated using a credit loss rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date that is available without undue cost or effort, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12–month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12–month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward–looking information that is available without undue cost or effort. Forward–looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think–tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,
(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Credit–impaired financial assets

A financial asset is credit–impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit–impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty,
- having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward–looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12–month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

Derecognition of financial assets

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 collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a financial assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements
For the Year Ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity (cont'd)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair Value Measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

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 and the Company'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 financial assets at amortised costs.

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 2018

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 22.

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 22.

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

(c) Amortisation of Intangible Assets

The intangible assets are 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.

In 2017, a subsidiary deferred the major heavy repairs on the Cheras-Kajang Highway scheduled in year 2018 to year 2021. The deferment was on the basis that MRT Corporation, the developer of the Klang Valley Mass Rapid Transit Line 1, had undertaken substantial pavement repair works covering a material portion of the highway mainline, including road marking works as part of its contractual commitments. As such, the Group deferred the major heavy repairs which resulted in the recognition of an overprovision of heavy repairs of approximately RM6,152,000 as disclosed in Note 7.

(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.

(g) 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 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(h) Construction Contracts

The Group recognises contract revenue and cost over time based on percentage of completion method. The stage of completion is referred to as the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Significant judgement 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 judgements, the Group relies on past experience.

(i) Impairment of Trade Receivables and Amount Due From Contract Customers

Significant estimate is required in determining the impairment of trade receivables and amount due from contract customers. The Group uses simplified approach in calculating loss allowances for trade receivables and amount due from contract customers by applying an ECL rate. The measurement of the ECL rate is based on the Group's historical time value loss rate and historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. At each reporting date, the ECL rate is re-measured. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually.

The loss allowances of ECL are sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amount due from contract customers are disclosed in Notes 24 and 27.

(j) Equity accounting in associate

Under MFRS 128 Investment in Associates and Joint Ventures, the results of an associate, which is involved in solid waste collection services and public cleansing management services in the residential and commercial premises and public infrastructure in the southern region of Peninsular Malaysia, are incorporated in the consolidated financial statements of the Group using the equity method of accounting. In arriving at the Group's share of the results in the associate, appropriate adjustments are required to be made to reflect the fair value of the identifiable assets and liabilities recognised at the acquisition date and subsequent recognition of income and expenses in respect of these assets and liabilities. These adjustments involve significant estimates by the associate, especially the amortisation of intangible asset arising from concession rights.

Since the date of the acquisition, the carrying amount of intangible asset of the associate is amortised over the concession period using a volume method, by applying the following formula:

$$\frac{\text{Actual inventory volume for the year}}{\text{Actual inventory volume for the year plus projected inventory volume till end of concession}} \times \text{Carrying amount of intangible asset, net off impairment losses, if any}$$

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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

(j) Equity accounting in associate (cont'd)

The denominator of the formula includes projected inventory volume for subsequent financial years to the end of the concession in year 2033 and is based on the initial base actual inventory volume adopted in the billings of the associate to its customer in 2015, which is updated by the associate annually. The assumptions to arrive at the inventory volume projections take into consideration the growth rates adopted by the associate. The inventory growth rates which apply to both solid waste collection services and public cleansing management services is derived upon consideration of the projected growth as well as historical growth rate of the inventory volume. Changes in the expected inventory volume could impact future amortisation charges.

During the financial year, the Group changed the method of amortisation of intangible asset arising from the concession rights from volume method to straight-line method over the concession period. The volume-based amortisation method became inappropriate in the current financial year due to the increased uncertainty in estimating the inventory volume by the associate arising from the volatility of tariff elements including frequency. The change is accounted for as a change in estimates and accounted for prospectively with effect from 1 January 2018 and resulted in a decrease in share of results of associate by RM7,969,000 in the current financial year.

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 entrusted to make 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.

Notes to the Financial Statements
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5. SEGMENT REPORTING (CONT'D)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Amount as per statement of comprehensive income	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Revenue	240,272	232,221	47,714	55,038	63,916	63,722	308,259	300,820	5,282	5,315	665,443	657,116	(291,200)	(283,044)	374,243	374,072
EBITDA(i)	93,969	88,040	1,033	3,225	51,267	55,551	94,446	92,623	(12,401)	(16,956)	228,314	222,483	(14,769)	(91,274)	213,545	131,209
Depreciation and amortisation	(887)	(954)	(516)	(377)	(23,423)	(22,003)	(42,056)	(37,016)	(1,716)	(1,815)	(68,598)	(62,165)	35,198	29,583	(33,400)	(32,582)
Operating profit/(loss)	93,082	87,086	517	2,848	27,844	33,548	52,390	55,607	(14,117)	(18,771)	159,716	160,318	20,429	(61,691)	180,145	98,627
Finance costs	-	(69)	(6)	(14)	(14,543)	(14,693)	(26,029)	(30,195)	(296)	(1,492)	(40,874)	(46,463)	19,505	23,879	(21,369)	(22,584)
Share of results of joint venture	-	-	-	-	-	-	-	-	-	-	-	-	1,031	2,748	1,031	2,748
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(15,728)	578	(15,728)	578
Profit/(Loss) before tax	93,082	87,017	511	2,834	13,301	18,855	26,361	25,412	(14,413)	(20,263)	118,842	113,855	25,237	(34,486)	144,079	79,369
Income tax (expense)/ income	(22,386)	(9,023)	208	(412)	(1,199)	(814)	(16,095)	(17,794)	206	-	(39,266)	(28,043)	4,448	13,210	(34,818)	(14,833)
Profit/(Loss) for the year	70,696	77,994	719	2,422	12,102	18,041	10,266	7,618	(14,207)	(20,263)	79,576	85,812	29,685	(21,276)	109,261	64,536
EBDA(ii)	71,583	78,948	1,235	2,799	35,525	40,044	52,322	44,634	(12,491)	(18,448)	148,174	147,977	(5,513)	(50,859)	142,661	97,118

5. SEGMENT REPORTING (CONT'D)

Segment revenues and results (cont'd)

The following is an analysis of the Group's revenue and results by reportable segment: (cont'd)

	Water		Construction		Toll highway		Waste management		Others		Total		Reconciliation		Addition of property, plant and equipment (Note 15)	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Capex(iii)	348	525	16	56	387	999	8,102	10,124	426	212	9,279	11,916	(8,096)	(9,875)	1,183	2,041

(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, construction and other divisions excluded the effects of the expected credit losses adjustments made. This is to better assess the operational performance of these divisions.
3. The segmental information on the waste management division excluded the fair value measurement adjustments made at the Group level. This is to better assess the operational performance of the division. The segmental results (including the calculation of the EBITDA and EBDA), are solely from the concession business, before proportionate deduction of the dividend on the cumulative preferences shares held by parties other than the Group.

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5. SEGMENT REPORTING (CONT'D)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

As of 31 December	Water 2018 RM'000	Water 2017 RM'000 Restated	Construction 2018 RM'000	Construction 2017 RM'000 Restated	Toll highway 2018 RM'000	Toll highway 2017 RM'000 Restated	Waste management 2018 RM'000	Waste management 2017 RM'000 Restated	Others 2018 RM'000	Others 2017 RM'000 Restated	Total 2018 RM'000	Total 2017 RM'000 Restated
Segment assets	758,745	588,057	43,795	51,408	1,435,239	1,465,801	172,388	189,875	33,692	76,780	2,443,859	2,371,921
Segment liabilities	(204,695)	(136,896)	(28,225)	(34,096)	(823,151)	(836,466)	-	-	(65,496)	(36,392)	(1,121,567)	(1,043,850)
Net segment assets	554,050	451,161	15,570	17,312	612,088	629,335	172,388	189,875	(31,804)	40,388	1,322,292	1,328,071

Geographical segments

No geographical segment information is presented as the Group's revenue is all derived from Malaysia based on the location of services delivered.

Information about major customers

Included in revenue arising from Water segment are revenue of RM176 million and RM 63 million (2017: RM172 million and RM59 million) from SPLASH and SADA respectively as described in Note 24 which arose from sales to the Group's two largest customers. No other single customers contributed 10% or more to the Group's revenue in either 2018 or 2017.

6. REVENUE

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Revenue from contracts with customers	358,069	357,392	26,684	27,880
Revenue from other sources:				
Deferred income (Note 38)	16,065	16,640	-	-
Government compensation	109	40	-	-
Dividend from subsidiaries and associates (Note 43)	-	-	30,319	30,810
	374,243	374,072	57,003	58,690

The Group recognised its revenue from contracts with customers from the following reportable segments:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Management, operation and maintenance of water treatment plants	239,454	231,421	-	-
Toll revenue and operator fee	70,813	68,967	-	-
Revenue from construction contracts	42,538	51,740	13,137	14,333
Management fees (Note 43)	5,264	5,264	13,547	13,547
	358,069	357,392	26,684	27,880
Timing of revenue recognition				
At a point in time	310,267	300,388	-	-
Over time	47,802	57,004	26,684	27,880
	358,069	357,392	26,684	27,880

Included in revenue for the management, operation and maintenance of water treatment plants segment is a deduction of RM6,259,000 pertaining to current year's invoices to a customer which is deemed uncollectible and therefore excluded from revenue in accordance with MFRS 15.

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For the Year Ended 31 December 2018

6. REVENUE (CONT'D)

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period. As permitted under the transitional provisions in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	The Group 2018 RM'000	The Company 2018 RM'000
Revenue from construction contracts	72,518	8,380

The Group and the Company expect revenue from unsatisfied performance obligations to recognise in the following years as follows:

	The Group 2018 RM'000	The Company 2018 RM'000
Year 2019	47,528	8,380
Year 2020	21,178	-
Year 2021	3,812	-
	72,518	8,380

7. COST OF OPERATIONS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contract costs recognised	38,857	45,333	13,006	14,181
Amortisation of intangible assets (Note 17)	28,390	26,181	-	-
Provision for heavy repairs (Note 37):				
Current year	3,553	3,049	-	-
Overprovision in prior year	-	(6,152)	-	-
Depreciation of property, plant and equipment (Note 15)	1,506	2,626	-	-
Provision for foreseeable losses (Note 27)	244	-	-	-
Inventory written off	16	-	-	-
Hire of plant and machinery	33	70	-	-

8. OTHER OPERATING INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
Interest income on fixed deposits with licensed banks	3,555	4,146	303	813
Investment designated at FVTPL:				
Dividend income	2,101	1,925	85	168
Gain on redemption	24	43	-	29
Rental income	566	553	723	737
Gain on disposal of property, plant and equipment	105	231	2	17
Fair value gain arising on financial assets measured at FVTPL (Note 30)	212	510	5	21
Recognition of rental and maintenance fee (Note 38)	118	67	-	-
Unrealised gain on foreign exchange	4	-	4	-
Reversal of loss allowances on trade receivables and amount due from contract customers (Notes 24 and 27)	65,341	45	2	-

9. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
Loss allowance on trade receivables and amount due from contract customers (Notes 24 and 27)	356	21,760	104	113
Fair value loss arising on financial assets measured at FVTPL (Note 30)	2	32	-	-
Realised loss on foreign exchange	730	5,364	730	5,364
Depreciation of property, plant and equipment (Note 15)	3,497	3,768	1,711	1,842
Rental of:				
Premises	3,047	3,067	1,325	1,348
Others	166	120	104	58
Unrealised loss on foreign exchange	1	2,365	-	2,365
Auditors' remuneration of:				
Statutory audit	333	313	105	95
Other services β	102	125	19	89

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9. ADMINISTRATIVE AND OTHER EXPENSES (CONT'D)

	The Group		The Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
Interest expense imputed in borrowing (Note 35)	548	548	-	-
Write off of:				
Property, plant and equipment	3	56	-	-
Amount owing from a former subsidiary	5	-	5	3
Depreciation of investment properties (Note 16)	7	7	7	7
Loss on disposal of an associate (Note 20)	13	-	631	-
Reversal of interest income imputed in retention sums (Note 36)	589	460	-	-

β Other services included tax-related services rendered to the Group and the Company amounting to RM39,000 and RM19,000 (2017: RM55,000 and RM19,000) respectively which were paid or payable to a firm affiliated to the Group's auditors.

10. FINANCE COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense:				
Borrowings	21,363	22,569	296	1,492
Finance lease	6	15	-	-
	21,369	22,584	296	1,492

11. STAFF COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonus	33,699	32,521	9,295	8,346
Defined contribution plan	3,604	3,603	959	869
Other employee benefits	902	697	120	129
	38,205	36,821	10,374	9,344

11. STAFF COSTS (CONT'D)

Included in staff costs of the Group and of the Company are directors' remuneration of RM1,629,000 (2017: RM1,582,000) and RM1,601,000 (2017: RM1,554,000) 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 RM505,000 (2017: RM205,000) and RM280,000 (2017: RM116,000) respectively.

12. DIRECTORS' REMUNERATION

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

<u>Non-executive Directors</u>

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

<u>Executive Director</u>

Dato' Lim Yew Boon

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-executive Directors:				
Fees	960	960	960	960
Other emoluments	62	68	62	68
Executive Director:				
Fees	144	144	120	120
Salaries and bonus	370	339	370	339
Defined contribution plan	45	40	45	40
Other emoluments	48	31	44	27
	1,629	1,582	1,601	1,554

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13. INCOME TAX EXPENSE/(INCOME)

	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000
Continuing operations				
Malaysian income tax:				
Current year	21,291	20,697	-	-
(Over)/Underprovision in prior years	(849)	301	(205)	-
	20,442	20,998	(205)	-
Deferred tax (Note 23):				
Current year	14,376	(4,703)	-	-
Underprovision in prior years	-	(1,462)	-	-
	14,376	(6,165)	-	-
	34,818	14,833	(205)	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense/(income) 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 are as follows:

	The Group 2018 RM'000	The Group 2017 RM'000 (Restated)	The Company 2018 RM'000	The Company 2017 RM'000 (Restated)
Profit before tax from operations	144,079	79,369	24,616	19,400
Taxation at statutory tax rate	34,579	19,049	5,908	4,656
Tax effects of:				
Non-deductible expenses	10,721	13,602	1,645	2,128
Non-taxable income	(458)	(4,788)	(7,277)	(7,022)
Tax waiver on statutory income of a subsidiary @	(8,899)	(12,107)	-	-
Deferred tax assets not recognised	-	238	-	238
Utilisation of deferred tax assets previously not recognised	(276)	-	(276)	-
(Over)/Underprovision of income tax expense in prior years	(849)	301	(205)	-
Underprovision of deferred tax asset in prior years	-	(1,462)	-	-
Income tax expense/(income) recognised in profit or loss	34,818	14,833	(205)	-

@ The subsidiary has been granted tax waiver on its statutory income from 2012 to 2021 in consideration of it agreeing to the cessation of toll collection and the discontinuance of operations of two toll plazas at the Cheras-Kajang Highway.

14. EARNINGS PER SHARE

(a) Basic earnings per share ("EPS")

Basic 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	
	2018 RM'000	2017 RM'000 (Restated)
Profit for the year attributable to owners of the Company	100,081	51,300
Weighted average number of ordinary shares in issue ('000)	2,015,817	2,015,814
Basic EPS (sen)	4.96	2.54

The weighted average number of ordinary shares in issue and basic earnings per share have been restated to reflect the retrospective adjustment arising from the Bonus Issue (Note 31).

(b) Diluted EPS

Diluted 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 adjusted for potential dilutive ordinary shares from the exercise of Warrants.

The diluted EPS in 2018 is the same as basic EPS calculated above as the unexercised Warrants had expired during the current financial year. The unexercised Warrants were excluded from the calculation of the diluted EPS in 2017 as they were anti-dilutive.

Impact on adoption of MFRS 9

The application of MFRS 9 as described in Note 2 has resulted in the profit for the year attributable to owners of the Company for the year 2017 to increase by RM22.217 million, which is equivalent to 1.10 sen on basic and diluted earnings per share.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group 31.12.2018	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										
As of 1 January 2018	280	700	2,755	2,058	9,466	8,291	6,798	21,638	26	52,012
Additions	-	-	138	-	163	863	12	7	-	1,183
Disposals	-	-	(771)	-	(209)	(340)	-	-	-	(1,320)
Write offs	-	-	-	-	(6)	-	-	-	-	(6)
As of 31 December 2018	280	700	2,122	2,058	9,414	8,814	6,810	21,645	26	51,869
Accumulated depreciation										
As of 1 January 2018	-	230	2,417	1,673	8,019	5,595	5,112	12,900	16	35,962
Charge for the year	-	14	147	384	659	1,242	1,235	1,506	3	5,190
Disposals	-	-	(770)	-	(209)	(331)	-	-	-	(1,310)
Write offs	-	-	-	-	(3)	-	-	-	-	(3)
As of 31 December 2018	-	244	1,794	2,057	8,466	6,506	6,347	14,406	19	39,839

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 31.12.2017	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										
As of 1 January 2017	280	700	2,633	2,058	9,343	9,345	6,350	21,431	23	52,163
Additions	-	-	122	-	557	704	448	207	3	2,041
Disposals	-	-	-	-	(412)	(1,595)	-	-	-	(2,007)
Write offs	-	-	-	-	(17)	(163)	-	-	-	(180)
Adjustments	-	-	-	-	(5)	-	-	-	-	(5)
As of 31 December 2017	280	700	2,755	2,058	9,466	8,291	6,798	21,638	26	52,012
Accumulated depreciation										
As of 1 January 2017	-	216	2,291	1,257	7,577	5,569	3,916	10,275	12	31,113
Charge for the year	-	14	126	416	869	1,365	1,196	2,625	4	6,615
Disposals	-	-	-	-	(412)	(1,230)	-	-	-	(1,642)
Write offs	-	-	-	-	(15)	(109)	-	-	-	(124)
As of 31 December 2017	-	230	2,417	1,673	8,019	5,595	5,112	12,900	16	35,962
Net book value										
As of 31 December 2018	280	456	328	1	948	2,308	463	7,239	7	12,030
As of 31 December 2017	280	470	338	385	1,447	2,696	1,686	8,738	10	16,050
As of 1 January 2017	280	484	342	801	1,766	3,776	2,434	11,156	11	21,050

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15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
31.12.2018						
Cost						
As of 1 January 2018	33	1,773	5,023	1,205	5,426	13,460
Additions	-	-	74	352	-	426
Disposals	(16)	-	(39)	(63)	-	(118)
As of 31 December 2018	17	1,773	5,058	1,494	5,426	13,768
Accumulated depreciation						
As of 1 January 2018	33	1,444	4,443	1,205	4,180	11,305
Charge for the year	-	325	313	70	1,003	1,711
Disposals	(16)	-	(39)	(63)	-	(118)
As of 31 December 2018	17	1,769	4,717	1,212	5,183	12,898
31.12.2017						
Cost						
As of 1 January 2017	33	1,773	4,974	1,797	5,268	13,845
Additions	-	-	54	-	158	212
Disposals	-	-	(5)	(592)	-	(597)
As of 31 December 2017	33	1,773	5,023	1,205	5,426	13,460
Accumulated depreciation						
As of 1 January 2017	33	1,090	4,114	1,384	3,124	9,745
Charge for the year	-	354	329	103	1,056	1,842
Disposals	-	-	-	(282)	-	(282)
As of 31 December 2017	33	1,444	4,443	1,205	4,180	11,305
Net book value						
As of 31 December 2018	-	4	341	282	243	870
As of 31 December 2017	-	329	580	-	1,246	2,155
As of 1 January 2017	-	683	860	413	2,144	4,100

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The net book value of assets held under finance lease agreements of the Group amounted to RM50,000 (2017: RM211,000).

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

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Capitalised in amount due from contract customers	27	187	221	-	-
Statements of profit or loss and other comprehensive income:					
Cost of operations	7	1,506	2,626	-	-
Administrative and other expenses	9	3,497	3,768	1,711	1,842
		5,003	6,394	1,711	1,842
		5,190	6,615	1,711	1,842

16. INVESTMENT PROPERTIES

	The Group and The Company 2018 RM'000	The Group and The Company 2017 RM'000
Cost:		
As of 1 January/As of 31 December	369	369
Accumulated depreciation:		
As of 1 January	103	96
Charge for the year (Note 9)	7	7
As of 31 December	110	103
Accumulated impairment loss:		
As of 1 January/As of 31 December	26	26

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16. INVESTMENT PROPERTIES (CONT'D)

	The Group and The Company 2018 RM'000	2017 RM'000
Net book value:		
As of 31 December	233	240
Representing:		
Freehold building	112	115
Leasehold building	121	125
	233	240

Fair value of the investment properties of the Group and of the Company as of 31 December 2018 is estimated at RM614,000 (31.12.2017: RM724,000; 1.1.2017: RM740,000) 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 at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
31.12.2018				
Freehold building	-	-	320	320
Leasehold building	-	-	294	294
31.12.2017				
Freehold building	-	-	340	340
Leasehold building	-	-	384	384
1.1.2017				
Freehold building	-	-	335	335
Leasehold building	-	-	405	405

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 of the Company is 75 years (31.12.2017: 76 years; 1.1.2017: 77 years).

17. INTANGIBLE ASSETS

	The Group 2018 RM'000	The Group 2017 RM'000
Cost:		
As of 1 January/As of 31 December	1,262,903	1,262,903
Accumulated amortisation:		
As of 1 January	133,751	107,570
Charged for the year (Note 7)	28,390	26,181
As of 31 December	162,141	133,751
Carrying amount	1,100,762	1,129,152

The intangible assets of the Group at the end of the reporting period consist of a concession awarded by the Government of Malaysia to a subsidiary to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway. The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 22.

18. INVESTMENT IN SUBSIDIARIES

	The Company 2018 RM'000	The Company 2017 RM'000
Unquoted investment in preference shares - at FVTOCI	238,012	238,012
Unquoted investment in ordinary shares - at cost:		
As of 1 January	82,231	82,231
Capital distribution from winding up of a subsidiary	(259)	-
De-recognised from struck-off of a subsidiary	(461)	-
As of 31 December	81,511	82,231
Accumulated impairment loss:		
As of 1 January	461	461
De-recognised from struck-off of a subsidiary	(461)	-
As of 31 December	-	461
Carrying amount	319,523	319,782

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18. INVESTMENT IN SUBSIDIARIES (CONT'D)

There are no measurement impacts to the carrying amount of investment in preference shares upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the carrying amounts approximate its fair value.

These investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Held directly by the Company:					
Sungai Harmoni Sdn. Bhd.	Malaysia	100	100	100	Management, operation and maintenance of water treatment plants for a period expiring in January 2030.
Taliworks (Langkawi) Sdn. Bhd.	Malaysia	100	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period expiring in October 2020.
Air Kedah Sdn. Bhd.	Malaysia	-	60	60	The company has been struck off from the register of companies on 2 March 2018 under Section 308(4) of the Companies Act, 1965.

18. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Proportion of ownership interest held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Held directly by the Company:					
Taliworks Technologies Sdn. Bhd.	Malaysia	100	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks Meruan (Sarawak) Sdn. Bhd. €	Malaysia	60	60	60	Provision of construction, development, management, operation and maintenance of water supply schemes, solid waste disposal facilities. The company has been placed under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016 with effect from 26 February 2018.
Taliworks Construction Sdn. Bhd.	Malaysia	100	100	100	General construction.
TEI Sdn. Bhd.	Malaysia	51	51	51	Investment holding.
TE Overseas Ventures Sdn. Bhd. $	Malaysia	100	100	-	Investment holding company.

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18. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Proportion of ownership interest held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Held through TE Overseas Ventures Sdn. Bhd.					
TE Overseas Ventures Pte. Ltd. $	Singapore	100	100	-	Investment holding company. Application to strike off was made under Section 344A of the Companies Act, Cap 50 on 26 February 2019.
Held through TEI Sdn. Bhd.:					
Trinitywin Sdn. Bhd.	Malaysia	51	51	51	Investment holding.
Cerah Sama Sdn. Bhd.	Malaysia	51	51	51	Investment holding.
Held through Cerah Sama Sdn. Bhd.:					
Trupadu Sdn. Bhd.#	Malaysia	51	51	51	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn. Bhd.#	Malaysia	51	51	51	Investment holding. The company is placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 with effect from 4 November 2016.

18. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Proportion of ownership interest held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Held through Cerah Sama Sdn. Bhd.: (cont'd)					
Europlex Consortium Sdn. Bhd.#	Malaysia	51	51	51	Investment holding. The company is placed 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	51	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession period expiring in September 2045.

\# The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium-Term Notes borrowings as disclosed in Note 35.

$ TE Overseas Ventures Sdn. Bhd was incorporated on 2 October 2017 under the Companies Act, 2016, with an issued share capital of RM2 comprising 2 ordinary shares. On the same date, it incorporated TE Overseas Ventures Pte. Ltd. as a wholly-owned subsidiary under the Companies Act (Chapter 50) of Singapore with an issued share capital of SGD2 comprising 2 ordinary shares.

€ During the current year, the liquidator of this subsidiary returned the issued capital of the company equivalent to RM0.94 per ordinary share to the Group and non-controlling interest amounting to RM282,000 and RM188,000 respectively.

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18. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		31.12.2018	31.12.2017	1.1.2017
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1	1
General construction	Malaysia	1	1	1
Investment holding	Malaysia	1	1	-
Investment holding	Singapore	1	1	-
		6	6	4

Principal activities	Place of incorporation and operation	Number of non-wholly-owned subsidiaries		
		31.12.2018	31.12.2017	1.1.2017
Construction of water treatment works	Malaysia	1	1	1
General construction	Malaysia	-	1	1
Toll highway	Malaysia	7	7	7
		8	9	9

18. INVESTMENT IN SUBSIDIARIES (CONT'D)

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 allocated to non-controlling interests			Accumulated non-controlling interest		
	31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
TEI Sdn. Bhd.	49%	49%	49%	9,180	13,236	17,925	265,430	274,135	277,070
Other individually immaterial subsidiaries	-*	-*	-*	-	-	2,782	13	201	200
				9,180	13,236	20,707	265,443	274,336	277,270

* Various proportion of ownership interests and voting rights held by non-controlling interests.

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18. 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 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Non-current assets	1,217,945	1,262,693	1,276,275
Current assets	123,466	110,285	122,430
Current liabilities	(31,825)	(29,632)	(30,036)
Non-current liabilities	(767,894)	(783,887)	(803,220)
Net assets	541,692	559,459	565,449
Equity attributable to owners of the Company	276,262	285,324	288,379
Non-controlling interest	265,430	274,135	277,070

	2018 RM'000	2017 RM'000 (Restated)
Revenue	86,987	85,648
Expenses	(68,253)	(58,637)
Profit for the year	18,734	27,011
Profit attributable to owners of the Company	9,554	13,775
Profit attributable to non-controlling interest	9,180	12,997
Net cash generated from/(used in):		
Operating activities	51,424	52,843
Investing activities	12,679	1,115
Financing activities	(57,509)	(53,633)
Net change in cash and cash equivalents	6,594	325

19. INVESTMENT IN JOINT VENTURE

	The Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted ordinary shares, at cost	30,749	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424	36,424
Group's share of post-acquisition reserve, net of dividend	4,261	3,230	482
	71,434	70,403	67,655

	The Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted ordinary shares, at cost	30,749	30,749	30,749
Redeemable preference shares, at FVTOCI	36,424	36,424	36,424
	67,173	67,173	67,173

There are no measurement impacts to the carrying amount of investment in redeemable preference shares upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the carrying amounts approximate its fair value.

These investments in preference shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Pinggiran Muhibbah Sdn. Bhd.	50	50	50	Investment holding in Grand Sepadu (NK) Sdn. Bhd. which is engaged in the operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period ending in December 2032.

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19. INVESTMENT IN JOINT VENTURE (CONT'D)

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.

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Pinggiran Muhibbah Sdn. Bhd.			
Summarised statement of financial position			
Non-current assets	369,678	385,004	368,439
Current assets	29,972	34,563	42,158
Current liabilities	(2,679)	(5,196)	(1,558)
Non-current liabilities	(214,267)	(234,425)	(236,429)
Non-controlling interests	(39,836)	(39,141)	(37,301)
Net assets	142,868	140,805	135,309

	2018 RM'000	2017 RM'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	52,140	53,447
Profit for the year	2,062	5,496

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:

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Net assets			
Proportion of the Group's ownership interest in the joint venture	142,868	140,805	135,309
Carrying amount of the investment in joint venture	50%	50%	50%
	71,434	70,403	67,655

20. INVESTMENT IN ASSOCIATES

	The Group 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Unquoted shares, at cost	247,811	249,931	249,931
Compensation (Note 45)	(17,087)	(17,087)	-
Share of post-acquisition reserve, net of dividend	(48,293)	(32,489)	(29,087)
	182,431	200,355	220,844

	The Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Unquoted shares, at cost	247,811	249,931	249,931
Compensation (Note 45)	(17,087)	(17,087)	-
	230,724	232,844	249,931

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

Name	Proportion of ownership interest held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %	Principal activities
Hydrovest Sdn. Bhd. β	-	40	40	Provision of water management and project services.
LGB Taliworks Consortium Sdn. Bhd.	20	20	20	General construction.
LGB & TCB JV Sdn. Bhd.	49	49	49	General construction. Application to strike off was made under Section 550 of the Companies Act, 2016 on 17 December 2018.
Aqua Flo Sdn. Bhd.	24	24	24	Trading in chemical products
SWM Environment Holdings Sdn. Bhd.	35	35	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.

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20. INVESTMENT IN ASSOCIATES (CONT'D)

All the associates are audited by a firm other than Deloitte PLT.

β On 12 July 2018, the company was dissolved pursuant to Section 459(5) of the Companies Act, 2016. The difference between the disposal consideration of RM358,000 and the proportionate share of the net assets in the company at the date of disposal resulted in a loss on disposal to the Group and the Company of RM13,000 and RM631,000 respectively (Note 9).

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	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Summarised statement of financial position			
Non-current assets	3,139,780	3,444,392	3,695,947
Current assets	536,292	627,890	740,119
Current liabilities	(117,153)	(428,302)	(330,207)
Non-current liabilities	(1,721,013)	(1,673,306)	(2,013,710)
Non-controlling interest	(1,298,641)	(1,381,448)	(1,490,571)
Net assets	539,265	589,226	601,578

	2018 RM'000	2017 RM'000 (Restated)
Summarised statement of profit or loss and other comprehensive income		
Revenue	880,753	859,497
Profit for the year	140,882	146,694
Less:		
Deduction of the dividend on the cumulative preferences shares held by parties other than the Group	(110,148)	(126,660)
Group consolidation adjustments	(80,684)	(22,387)
Loss for the year	(49,950)	(2,353)

20. INVESTMENT IN ASSOCIATES (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the financial statements of the Group is as follows:

	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Net assets	539,265	589,226	601,578
Proportion of the Group's ownership interest in the associate	35%	35%	35%
	188,740	206,226	210,549
Compensation (Note 45)	(17,087)	(17,087)	-
Adjustment for stamp duties paid	735	735	735
Carrying amount of the investment in the associate	172,388	189,874	211,284

The summarised financial information of other individually immaterial associates is set out below.

The Group	31.12.2018 RM'000	Others 31.12.2017 RM'000	1.1.2017 RM'000
Summarised statements of financial position			
Non-current assets	10,032	3,263	2,954
Current assets	76,357	73,201	61,059
Current liabilities	(41,002)	(33,482)	(26,026)
Non-current liabilities	(2,860)	(1,189)	(65)
Net assets	42,527	41,793	37,922
Summarised statements of profit or loss and other comprehensive income			
Revenue	137,040	118,081	83,864
Profit for the year	7,380	5,871	3,233

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21. OTHER INVESTMENT

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial assets carried at FVTPL:			
Golf membership	240	240	240

There are no measurement impacts to the carrying amount of this financial asset upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the carrying amounts approximate its fair value.

22. GOODWILL ON CONSOLIDATION

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
As of 1 January/As of 31 December	129,385	129,385	129,385

Goodwill on consolidation arose from the acquisition of a subsidiary, Cerah Sama Sdn. Bhd. arising from a restructuring exercise in 2014.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the directors by comparing 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 1.63% and 2.36% (2017: 1.70% and 2.40%) respectively;

(b) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3.0% (2017: 3.0%) annually;

(c) Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 1.3% (2017: 1.3%) of total toll revenue collected; and

(d) Pre-tax discount rate of 11.47% (2017: 10.64%) applied to the cash flow projections is derived from a subsidiary, Grand Saga Sdn. Bhd.'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.

22. GOODWILL ON CONSOLIDATION (CONT'D)

If the estimated pre-tax discount rate applied to the discounted cash flows had been increased by an additional 1.0% and all other variables remain constant, there will be an impairment to the carrying value of the goodwill at the end of the reporting period of RM90 million.

If the traffic volume yearly growth rate of Toll Plaza Batu 9 and Batu 11 had been decreased by 20% and all other variables remain constant, there will be an impairment to the carrying value of the goodwill at the end of the reporting period of RM42 million.

23. 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	
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets	17,172	32,450	28,989
Deferred tax liabilities	(235,260)	(236,162)	(238,866)
	(218,088)	(203,712)	(209,877)

The movements during the financial year are as follows:

	The Group	
	2018 RM'000	2017 RM'000 (Restated)
As of 1 January	(203,712)	(209,877)
Transfer from/(to) profit or loss (Note 13):		
Property, plant and equipment	120	20
Intangible assets	131	764
Other receivables, deposits and prepayments	4	-
Trade receivables	(15,606)	3,592
Provision for heavy repairs	770	1,873
Other payables and accruals	205	(84)
Currency translation differences	(14,376)	6,165
As of 31 December	(218,088)	(203,712)

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23. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Deferred tax assets (before offsetting)			
Tax effects of deductible temporary differences arising from:			
Trade receivables	16,436	32,042	28,450
Other payables and accruals	860	655	749
Deferred income	95	95	95
Provision for heavy repairs	3,714	2,944	1,071
	21,105	35,736	30,365
Offsetting	(3,933)	(3,286)	(1,376)
Deferred tax assets (after offsetting)	17,172	32,450	28,989
Deferred tax liabilities (before offsetting)			
Tax effects of taxable temporary differences arising from:			
Property, plant and equipment	736	856	876
Intangible assets	238,454	238,585	239,349
Other receivables, deposits and prepayments	3	7	7
Other payables and accruals	-	-	10
	239,193	239,448	240,242
Offsetting	(3,933)	(3,286)	(1,376)
Deferred tax liabilities (after offsetting)	235,260	236,162	238,866

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.

23. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As of the end of the reporting period, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Temporary differences arising from:			
Property, plant and equipment	1,138	1,558	1,394
Other payables and accruals	3,314	4,031	3,626
Unused tax losses	16,777	17,520	17,788
Unabsorbed capital allowances	6,848	6,119	5,427
	28,077	29,228	28,235

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Temporary differences arising from:			
Property, plant and equipment	1,138	1,558	1,394
Other payables and accruals	3,314	4,031	3,626
Unused tax losses	14,919	15,662	15,930
Unabsorbed capital allowances	6,741	6,011	5,320
	26,112	27,262	26,270

Deferred tax assets have not been recognised on the unutilised tax losses as the realisation of the tax benefits accruing to these tax losses is uncertain.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's and the Company's unutilised tax losses with no expiry period amounting to RM16,777,000 and RM14,919,000 as at 31 December 2018 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025). These unutilised tax losses were classified as 'no expiry period' in previous financial years.

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24. TRADE RECEIVABLES

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

	The Group 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Non-Current:			
Trade receivables	667,045	539,615	431,722
Less: Loss allowance	(67,414)	(132,467)	(110,713)
Net	599,631	407,148	321,009
Current:			
Trade receivables	129,181	137,278	122,647
Less: Loss allowance	(1,279)	(1,207)	(1,249)
Net	127,902	136,071	121,398
Total	727,533	543,219	442,407

	The Company 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Non-Current:			
Trade receivables	2,083	1,085	-
Less: Loss allowance	(215)	(111)	-
Net	1,868	974	-
Current:			
Trade receivables	10	630	4,211
Less: Loss allowance	(1)	(1)	(1)
Net	9	629	4,210
Total	1,877	1,603	4,210

24. TRADE RECEIVABLES (CONT'D)

The Group and the Company apply a simplified approach in calculating loss allowances for trade receivables at an amount equal to lifetime ECL. The Group and the Company estimate the loss allowance on trade receivables by applying an ECL rate at each reporting date. The ECL rate reflects the historical time value loss rate which is computed based on the actual and projected amounts and timing of repayment from the trade receivables on current year billings and the historical loss rate from past collection records, adjusted by forward-looking information that is available without undue cost or effort. The Group and the Company review the ECL rate at each reporting date to re-measure the loss allowance amount. Changes in the above variables could impact future ECL charges. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9:

The Group	**Collectively assessed RM'000**	**Individually assessed RM'000**	**Total RM'000**
As at 1 January 2017 under MFRS 139	-	124,116	124,116
Adjustment upon application of MFRS 9	2	(12,156)	(12,154)
As at 1 January 2017 - As restated	2	111,960	111,962
Net re-measurement of loss allowances	165	21,547	21,712
As at 31 December 2017 - As restated	167	133,507	133,674
Net re-measurement of loss allowances	286	(65,267)	(64,981)
As at 31 December 2018	453	68,240	68,693
Non-current	446	66,968	67,414
Current	7	1,272	1,279
	453	68,240	68,693

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24. TRADE RECEIVABLES (CONT'D)

The Company	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
As at 1 January 2017	1	-	1
Net re-measurement of loss allowances	111	-	111
As at 31 December 2017	112	-	112
Net re-measurement of loss allowances	104	-	104
As at 31 December 2018	216	-	216
Current	1	-	1
Non-current	215	-	215
	216	-	216

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.

Out of the total Group's trade receivables, RM704,712,000 (31.12.2017: RM527,147,000; 1.1.2017: RM434,918,000) 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 and 3.

(a) SADA

The gross invoiced amount due from SADA to Taliworks (Langkawi) Sdn. Bhd. as of 31 December 2018 is RM46,936,000 (31.12.2017: RM44,358,000; 1.1.2017: RM44,691,000) 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.

Upon adoption of MFRS 9 during the year, the Group recognised a loss allowance of RM70,000 on trade receivables due from SADA as disclosed in Note 9 (2017: a reversal of loss allowance amounting to RM45,000 recognised as disclosed in Note 8).

24. TRADE RECEIVABLES (CONT'D)

(b) SPLASH

The gross invoiced amount due from SPLASH to Sungai Harmoni Sdn. Bhd. as of 31 December 2018 is RM726,016,000 (31.12.2017: RM616,299,000; 1.1.2017: RM502,186,000).

In 2014, the Selangor state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor"), an entity identified 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 ("Water Restructuring Exercise") namely, SPLASH, the concessionaire for the Sungai Selangor Water Supply Scheme Phase 1 and 3, 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 subsequent extensions were granted. As part of the Water Restructuring Exercise, all concession agreements related to the water supply and distribution in the Supply Area are to be terminated effective from the date to be determined by Air Selangor.

On 3 August 2018, Syarikat Pengeluar Air Selangor Holdings Berhad ("SPLASH Holdings"), the holding company of SPLASH, received a letter of offer from Air Selangor in respect of Air Selangor's proposed purchase of 100% equity interest held by SPLASH Holdings in SPLASH for a sum of RM2.55 billion. SPLASH Holdings had on 9 August 2018 accepted in principle the offer from Air Selangor. The conditional share purchase agreement was signed on 28 September 2018. Subsequently, both parties have mutually agreed to extend the cut-off date to fulfil the conditions precedent in the sale purchase agreement from 27 December 2018 to 28 February 2019. On 27 February 2019, the parties mutually agreed to further extend the cut-off date to 15 April 2019.

On 21 August 2018, Sungai Harmoni Sdn. Bhd. ("Sungai Harmoni") received a letter of offer from Air Selangor setting out the (i) key terms of settlement between Air Selangor, SPLASH and Sungai Harmoni relating to Sungai Harmoni's outstanding receivables arising from the operations and maintenance of the Sungai Selangor Water Treatment Plant Phase 1 ("SSP1") under its existing Operations and Maintenance Agreement for SSP1 with SPLASH; and the (ii) key terms in respect of the new bulk water supply agreement for the continued operations and maintenance of SSP1 between Air Selangor and Sungai Harmoni. On 27 August 2018, Sungai Harmoni accepted the offer and upon acceptance of the offer, the directors re-measured the ECL rate at 10% on the basis that SPLASH will settle the outstanding receivables at an amount equal to 90% of the outstanding receivables as at a date to be mutually agreed by the parties. Out of these 90% of the outstanding receivables, an upfront payment of 10% will be paid not later than 14 days from the date to be mutually agreed ("First Payment Date"); and subsequently, the remaining will be paid in 9 equal annual instalment commencing the first anniversary of the First Payment Date, with an interest of 5.25% per annum on the outstanding balance. The re-measurement has resulted in a reversal of loss allowance amounting to RM65,337,000 as disclosed in Note 8 (2017: loss allowance of RM21,592,000 as disclosed in Note 9).

The above-said agreements have not been signed as of the end of the reporting period and as of to-date.

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24. TRADE RECEIVABLES (CONT'D)

(c) Others

Other than (a) and (b) above, the ECL allowance recognised on the remaining trade receivables of the Group and of the Company amounted to RM286,000 and RM104,000 (2017: RM165,000 and RM111,000) respectively.

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

The Group	SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
31.12.2018				
Past due up to 3 months	15,262	41,989	44	57,294
Past due 3 to 9 months	20,227	61,075	1,438	83,972
Past due 9 months and above	-	527,616	-	527,616
	35,488	630,680	1,482	667,650
31.12.2017				
Past due up to 3 months	14,859	44,692	-	59,551
Past due 3 to 9 months	19,747	60,310	9,854	89,911
Past due 9 months and above	-	305,900	-	305,900
	34,606	410,902	9,854	455,362
1.1.2017				
Past due up to 3 months	14,733	31,754	2,490	48,977
Past due 3 to 9 months	20,330	22,672	2,130	45,132
Past due 9 months and above	-	294,506	-	294,506
	35,063	348,932	4,620	388,615

The Company	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Past due up to 3 months	-	-	571

24. TRADE RECEIVABLES (CONT'D)

Included in trade receivables of the Group are the following:

	The Group 31.12.2018 RM'000	31.12. 2017 RM'000	1.1.2 2017 RM'000
(a) an amount owing from a subsidiary of joint venture	1,552	2,128	-
(b) an amount owing from an associate	4,605	2,542	-

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

25. DEPOSITS, CASH AND BANK BALANCES

	The Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current:			
Deposits with licensed banks	26,828	32,957	154,123
Current:			
Deposits with licensed banks	59,397	75,338	100,996
Cash and bank balances	30,438	36,152	12,580
	89,835	111,490	113,576
Total	116,663	144,447	267,699
Less: Deposits pledged as security	(26,828)	(32,957)	(154,123)
Cash and cash equivalents	89,835	111,490	113,576

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25. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current:			
Deposits with licensed banks	4,538	3,721	125,807
Current:			
Deposits with licensed banks	-	22,080	39,245
Cash and bank balances	13,643	27,828	4,145
	13,643	49,908	43,390
Total	18,181	53,629	169,197
Less: Deposits pledged as security	(4,538)	(3,721)	(125,807)
Cash and cash equivalents	13,643	49,908	43,390

The currency profile of deposits, cash and bank balances is as follows:

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Ringgit Malaysia	116,593	122,362	120,907
United States Dollar	70	22,085	146,792
Total	116,663	144,447	267,699

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Ringgit Malaysia	18,111	31,544	22,405
United States Dolla	70	22,085	146,792
Total	18,181	53,629	169,197

25. DEPOSITS, CASH AND BANK BALANCES (CONT'D)

Included in long-term deposits with licensed banks of the Group are the following:

(i) amounts totalling RM14,135,000 (31.12.2017: RM20,720,000; 1.1.2017: RM142,328,000) that are pledged as security for banking facilities to facilitate the 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 35; and

(ii) an amount of RM12,693,000 (31.12.2017: RM12,237,000; 1.1.2017: RM11,795,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium-Term Notes as disclosed in Note 35.

Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,538,000 (31.12.2017: RM3,721,000; 1.1.2017: RM125,807,000) 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 35.

The average interest rates of deposits of the Group and of the Company at the end of the reporting period ranging from 2.35% to 3.60% (31.12.2017: 0.50% to 3.85%; 1.1.2017: 0.48% to 4.00%) per annum and 3.15% (31.12.2017: 0.50% to 3.85%; 1.1.2017: 0.48% to 3.30%) per annum, respectively.

Deposits of the Group and of the Company have an average maturity ranging from 14 days to 365 days (31.12.2017: 7 days to 558 days; 1.1.2017: 7 days to 1,007 days) and 365 days (31.12.2017: 7 days to 365 days; 1.1.2017: 7 days to 1,007 days) respectively. Bank balances are deposits held at call with licensed banks.

26. INVENTORIES

		The Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Consumable spares	1,258	1,276	1,488

All of the Group's inventories are expected to be used within the next 12 months.

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27. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Construction contracts			
Contract assets	9,107	17,194	13,101
Less: Loss allowance	(3)	(7)	(4)
	9,104	17,187	13,097
Contract liabilities	-	(786)	(184)
	9,104	16,401	12,913
Current	9,104	16,401	12,913
Non-current	-	-	-
	9,104	16,401	12,913

	The Company 31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000
Construction contracts			
Contract assets	2,326	3,852	-
Less: Loss allowance	-	(2)	-
	2,326	3,850	-
Contract liabilities	-	-	(184)
	2,326	3,850	(184)
Current	2,326	3,850	(184)
Non-current	-	-	-
	2,326	3,850	(184)

27. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS (CONT'D)

Amount relating to construction contracts are balances due from customers under construction contracts that arise when the Group and the Company receives payments from customers via progress billings. The Group or the Company will previously have recognised amount due from contract customers for any work performed. Any amount previously recognised as an amount due from contract customers is reclassified to trade receivables at the point at which it is invoiced to the customer. During the year, a provision for foreseeable losses from a construction contract of RM244,000 (31.12.2017: Nil; 1.1.2017: Nil) was recognised and net-off against the amount due from contract with customers of the Group.

The Group and the Company apply an ECL rate, which is computed based on the historical time value loss rate from the timing of repayment of trade receivables, adjusted by forward-looking information that is available without undue cost or effort, to calculate the loss allowances for amount due from contract customers. At each reporting date, the Group and the Company review the ECL rate and re-measure the loss allowance amount.

Included in amount due from/(to) contract customers are:

		The Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Depreciation of property, plant and equipment (Note 15)	187	221	120
Rental of site office	65	44	23
Letter of credit charges	49	-	-
Interest expense on borrowings	-	23	123
Interest expense on finance lease	-	-	6

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		The Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	7,961	4,285	1,536
Interest receivables	30	182	369
Prepayments	859	1,191	1,505
Deposits	1,569	1,835	1,501
Amount due from an associate	2,013	8,531	16,431
	12,432	16,024	21,342

Notes to the Financial Statements
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28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	12	387	429
Prepayments	157	394	109
Deposits	895	897	821
Amount due from an associate	2,013	8,531	16,431
	3,077	10,209	17,790

Included in amount due from an associate is a dividend receivable amounting to RM3,499,950 and RM14,700,000 as of 31 December 2017 and 1 January 2017 respectively.

There are no measurement impacts to the carrying amount of other receivables, deposits and amount due from an associate upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the ECL amount is immaterial.

29. AMOUNT DUE FROM SUBSIDIARIES

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current:			
Amount due from subsidiaries	3,415	3,415	3,415
Less: Loss allowance	(3,415)	(3,415)	(3,415)
	-	-	-
Current:			
Amount due from subsidiaries	54,171	57,903	39,246
	54,171	57,903	39,246

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.

There is no impairment to the carrying amount of amount due from subsidiaries to upon the adoption of MFRS 9 at the date of initial application as the directors are of the opinion that the ECL amount is immaterial.

30. INVESTMENT DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments designated at FVTPL comprise investment in quoted unit trusts in money market securities instruments that are not held for trading.

The movement in the investments designated at FVTPL during the financial year is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
As of 1 January	69,770	63,020	2,075	4,052
Additions	15,901	65,425	2,385	48,168
Disposals	(23,976)	(59,153)	-	(50,166)
Fair value changes recognised in profit or loss (Note 8 and 9)	210	478	5	21
As of 31 December	61,905	69,770	4,465	2,075

31. SHARE CAPITAL

	The Group and the Company			
	2018		2017	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
Authorised:				
Ordinary shares	-	-	-^	-^
Issued and fully paid:				
As of 1 January	1,209,489	438,561	1,209,489	241,898
Transfer from share premium (Note 32)	-	-	-	196,663^
Issued during the financial year:				
Bonus Issue	806,325	-	-	-
Exercise of Warrants	3	3	-	-
Share issue costs	-	(210)	-	-
As of 31 December	2,015,817	438,354	1,209,489	438,561

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31. SHARE CAPITAL (CONT'D)

^ Prior to 31 January 2017, the Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.20 each. The new Companies Act, 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished as of 31 January 2017.

In accordance with the transitional provisions of the Companies Act, 2016, the credit balance of the Company's share premium account of RM196,663,333 has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders. The Company has a period of 24 months from the effective date of the Companies Act, 2016 to use the existing balances credited in the share premium account in a manner as specified by the Companies Act, 2016.

(a) In 2017, pursuant to the transitional provisions of the Companies Act, 2016, the credit balance of the Company's share premium account of RM196,663,333 has become part of the Company's share capital. As a result, the issued and paid-up share capital of the Company increased from RM241,897,800 to RM438,561,133 with the number of shares in issue of 1,209,489,000 remaining unchanged.

During the financial year, the Company issued 806,325,239 new ordinary shares pursuant to the Bonus Issue by utilising RM161,265,048 from the share premium account at RM0.20 per bonus share and the issuance of 3,335 new ordinary shares pursuant to the exercise of Warrants. As a result, the issued and paid-up share capital of the Company increased from RM438,561,133 comprising 1,209,489,000 ordinary shares to RM438,353,656 (after deduction of share issue cost) comprising 2,015,817,574 ordinary shares.

(b) Warrants

On 12 November 2015, the Company issued 241,897,790 Warrants on the basis of one (1) Warrant for every five (5) ordinary shares held after a share split involving the subdivision of every two (2) then existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each. The Warrants entitle the holders to subscribe for one (1) new ordinary share for every one (1) Warrant held within three years from the date of issuance of the Warrants to the expiry date on 11 November 2018 ("Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants were:

(i) the Warrants were issued in registered form and were 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 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;

31. SHARE CAPITAL (CONT'D)

(b) Warrants (cont'd)

(v) the exercise price of the Warrant 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.

Arising from the Bonus Issue, the exercise price of RM1.70 per share was adjusted to RM1.02 and additional Warrants of 161,264,870 were issued pursuant to the Deed Poll governing the Warrants. With the expiry of the Warrants on 11 November 2018, a total of 403,159,275 Warrants which remained unexercised at the expiry date has lapsed and ceased to be valid.

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

Date of issue	Exercise price per share RM	Number of Warrants over ordinary shares As of 1 January '000	Addition '000	Exercised '000	Lapsed '000	As of 31 December '000
31.12.2018						
12.11.2015	1.02 -1.70	241,898	161,265	(3)	(403,160)	-
Weighted average exercise price (RM)		1.70	0.20	1.02	1.02	-
31.12.2017						
12.11.2015	1.70	241,898	-	-	-	241,898
Weighted average exercise price (RM)		1.70	-	-	-	1.70

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32. SHARE PREMIUM

	The Group and The Company 2018 RM'000	2017 RM'000
As of 1 January	-	196,663
Transfer to share capital (Note 31)	-	(196,663)
As of 31 December	-	-

33. MERGER DEFICIT

	31.12.2018 RM'000	The Group 31.12.2017 RM'000	1.1.2017 RM'000
Merger deficit	71,500	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 the 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

34. RETAINED EARNINGS

The Company is currently under the single-tier income tax system.

The entire retained earnings of the Company as of the end of the reporting period are available for distribution as single-tier dividends under the single-tier income tax system. Under this system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax.

35. BORROWINGS

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current:			
Finance lease liabilities	-	57	217
Islamic Medium-Term Notes ("IMTN")	417,064	416,516	415,968
Revolving credit	20,000	-	-
	437,064	416,573	416,185
Current:			
Finance lease liabilities	58	157	213
Revolving credit	10,000	-	70,000
	10,058	157	70,213
Total:			
Finance lease liabilities (a)	58	214	430
IMTN (b)	417,064	416,516	415,968
Revolving credit (c)	30,000	-	70,000
	447,122	416,730	486,398

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current:			
Revolving credit	20,000	-	-
Current:			
Finance lease liabilities	-	-	31
Revolving credit	10,000	-	70,000
	10,000	-	70,031
Total:			
Finance lease liabilities (a)	-	-	31
Revolving credit (c)	30,000	-	70,000
	30,000	-	70,031

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35. BORROWINGS (CONT'D)

The Group and the Company have a total of RM842,500,000 and RM65,000,000 (31.12.2017: RM909,500,000 and RM135,000,000; 1.1.2017: RM967,315,000 and RM156,000,000) of credit facilities, respectively comprising revolving credit and other trade financing facilities granted by financial institutions and RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM834,500,000 (31.12.2017: RM901,500,000; 1.1.2017: RM959,315,000) 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 RM57,000,000 (31.12.2017: RM127,000,000; 1.1.2017: RM148,000,000) 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 RM67,701,000 (31.12.2017 and 1.1.2017: RM67,701,000) issued to financial institutions for banking facilities secured by certain subsidiaries.

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

		The Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	%	**%**	**%**
Finance lease liabilities	2.48 to 2.50	2.48 to 2.50	2.40 to 3.20
IMTN	4.27 to 4.87	4.40 to 5.14	4.63 to 5.20
Revolving credit	5.30	-	4.32

		The Company	
	31.12.2018	**31.12.2017**	**1.1.2017**
	%	**%**	**%**
Revolving credit	5.30	-	4.32
Finance lease liabilities	-	-	2.40 to 2.47

35. BORROWINGS (CONT'D)

(a) 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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
The minimum lease payments at the end of the reporting period are as follows:			
Not later than 1 year	59	163	228
Later than 1 year	-	58	224
	59	221	452
Future finance charges	(1)	(7)	(22)
Present value	58	214	430
The maturity profile of the present value of the finance lease liabilities are as follows:			
Not later than 1 year	58	157	213
Later than 1 year	-	57	217
	58	214	430

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
The minimum lease payments at the end of the reporting period are as follows:			
Not later than 1 year	-	-	32
Later than 1 year	-	-	-
	-	-	32
Future finance charges	-	-	(1)
Present value	-	-	31

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35. BORROWINGS (CONT'D)

(a) Finance lease liabilities (cont'd)

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
The maturity profile of the present value of the finance lease liabilities are as follows:			
Not later than 1 year	-	-	31
Later than 1 year	-	-	-
	-	-	31

(b) IMTN

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
As of 1 January	416,516	415,968	415,418
Interest imputed in borrowing (Note 9)	548	548	550
As of 31 December	417,064	416,516	415,968

The Ringgit Malaysia denominated IMTN was issued by a subsidiary 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) the subsidiary's equity interest in ordinary shares of all of its subsidiaries.

(c) Revolving credit

In 2016, the Company drawn down RM80,000,000 from a revolving credit facility of RM100,000,000 to finance the acquisition of SWM Environment Holdings Sdn. Bhd. The revolving credit was secured by an assignment and charge over 110% marginal deposits placed in USD Escrow account with the lender. In 2017, the outstanding balance of the revolving credit amounting to RM70,000,000 was fully settled and the facility was fully discharged during the previous financial year.

During the current year, the Company obtained a separate revolving credit facility of RM30,000,000 from a financial institution to finance the general investment and working capital requirements of the Group. The revolving credit facility is unsecured and repayable over 3 equal instalments of RM10,000,000 per year over a duration of 3 years commencing from the date of drawdown.

35. BORROWINGS (CONT'D)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	As of 1 January RM'000	Drawdown/ (Repayments) RM'000	Interest expense RM'000	As of 31 December RM'000
The Group				
2018				
Revolving credit	-	30,000	-	30,000
Finance lease liabilities	214	(156)	-	58
IMTN	416,516	-	548	417,064
	416,730	29,844	548	447,122
2017				
Revolving Credit	70,000	(70,000)	-	-
Finance lease liabilities	430	(216)	-	214
IMTN	415,968	-	548	416,516
	486,398	(70,216)	548	416,730
The Company				
2018				
Revolving credit	-	30,000	-	30,000
2017				
Revolving credit	70,000	(70,000)	-	-
Finance lease liabilities	31	(31)	-	-
	70,031	(70,031)	-	-

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36. TRADE PAYABLES

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current:			
Retention sums	1,657	9,383	8,422
Less: Interest income imputed in retention sum	(123)	(712)	(1,172)
Net	1,534	8,671	7,250
Current:			
Trade payables	190,074	132,186	86,052
Retention sums	9,663	687	1,951
	199,737	132,873	88,003
Total	201,271	141,544	95,253

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM11,320,000 (31.12.2017: RM10,070,000; 1.1.2017: RM10,373,000). Out of this amount, the Group anticipated that RM9,663,000 (31.12.2017: RM687,000; 1.1.2017: RM1,951,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM1,657,000 (31.12.2017: RM9,383,000; 1.1.2017: RM8,422,000) has been classified as long-term payables, and it is expected to be released to contractors in 2020 (31.12.2017: 2019; 1.1.2017: between 2018 to 2019).

The directors consider that the carrying amount of trade payables approximate to their fair value.

The movement in interest income imputed in retention sum during the financial year is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Non-Current:		
As of 1 January	712	1,172
Recognised in profit or loss (Note 9)	(589)	(460)
As of 31 December	123	712

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

36. TRADE PAYABLES (CONT'D)

Included in trade payables of the Group are the following:

	The Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
(a) an amount owing to a company in which a director and major shareholders have an interest	40,364	32,834	27,528
(b) an amount owing to a company in which major shareholders have an interest	18,213	15,105	12,579
(c) an amount owing to an associate	16,192	10,620	6,274

The above amounts owing mainly arose from trade transactions which are unsecured, interest free and repayable on demand.

37. PROVISION FOR HEAVY REPAIRS

	The Group	
	2018 RM'000	**2017 RM'000**
As of 1 January	13,617	16,720
Provision for the year (Note 7)	3,553	3,049
Overprovision in prior year (Note 7)	-	(6,152)
As of 31 December	17,170	13,617

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38. DEFERRED INCOME

	The Group 2018 RM'000	The Group 2017 RM'000
Rental and maintenance fee:		
As of 1 January	1,985	702
Received	96	1,350
Recognised in profit or loss (Note 8)	(118)	(67)
As of 31 December	1,963	1,985
Government compensation:		
As of 1 January	155,592	172,232
Recognised in profit or loss (Note 6)	(16,065)	(16,640)
As of 31 December	139,527	155,592
Current	17,273	16,065
Non-current	124,217	141,512
Total deferred income	141,490	157,577

The description of deferred income has been disclosed in Note 3.

39. OTHER PAYABLES AND ACCRUALS

	The Group 31.12.2018 RM'000	The Group 31.12.2017 RM'000	The Group 1.1.2017 RM'000
Other payables and accruals	45,062	42,369	36,439
Interest payables	8,864	8,807	8,922
	53,926	51,176	45,361

	The Company 31.12.2018 RM'000	The Company 31.12.2017 RM'000	The Company 1.1.2017 RM'000
Other payables and accruals	15,068	21,493	22,373

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		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
(a) an amount owing to a company in which a director and major hareholders have an interest	7,354	7,709	316
(b) an amount owing arising from the acquisition of an associate	-	1,130	1,130
(c) an amount owing to an associate by a subsidiary	-	105	-

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
(a) an amount owing to a company in which a director and major shareholders have an interest	7,301	7,278	156
(b) an amount owing arising from the acquisition of an associate	-	1,130	1,130

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

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40. DIVIDENDS

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

2018	The Group and The Company Gross dividend per share Sen	 Amount of dividend, net of tax RM'000
Dividends paid:		
In respect of the financial year ended 31 December 2017:		
Fourth interim single-tier dividend paid on 13 April 2018	1.2	24,190
In respect of the financial year ended 31 December 2018:		
First interim single-tier dividend paid on 13 July 2018	1.2	24,190
Second interim single-tier dividend paid on 26 October 2018	1.2	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2018:		
Third interim single-tier dividend paid on 31 January 2019	1.2	24,190
		96,760

On 28 February 2019, the directors declared a fourth interim single-tier dividend of 1.2 sen per share amounting to approximately RM24,190,000 in respect of the current financial year, to be paid on 27 May 2019. This dividend has not been included as a liability in the statements of financial position as of 31 December 2018.

2017	The Group and The Company Gross dividend per share Sen	 Amount of dividend, net of tax RM'000
Dividends paid:		
In respect of the financial year ended 31 December 2016:		
Fourth interim single-tier dividend paid on 31 March 2017	1.2	24,190
In respect of the financial year ended 31 December 2017:		
First interim single-tier dividend paid on 14 July 2017	1.2	24,190
Second interim single-tier dividend paid on 21 September 2017	1.2	24,190
		72,570
Dividend payable:		
In respect of the financial year ended 31 December 2017:		
Third interim single-tier dividend paid on 10 January 2018	1.2	24,190
		96,760

40. DIVIDENDS (CONT'D)

The gross dividend per share have been adjusted retrospectively for the Bonus Issue in accordance with MFRS 133 Earnings Per Share.

41. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the 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 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 the 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 and the Company'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		
	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
Total borrowings (Note 35)	447,122	416,730	486,398	30,000	-	70,031
Less: Deposits, cash and bank balances (Note 25)	(116,663)	(144,447)	(267,699)	(18,181)	(53,629)	(169,197)
Less: Investments designated at FVTPL (Note 30)	(61,905)	(69,770)	(63,020)	(4,465)	(2,075)	(4,052)
Net debt	268,554	202,513	155,679	7,354	N/A	N/A
Total capital	1,056,849	1,053,735	1,099,195	633,634	705,780	783,140
Net gearing ratio	25%	19%	14%	1%	N/A	N/A

* N/A-not applicable

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41. FINANCIAL INSTRUMENTS (CONT'D)

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 and financial liability are disclosed in Note 3.

Categories of financial instruments

	The Group		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Financial assets			
Financial assets at amortised cost:			
Trade receivables	727,533	543,219	442,407
Other receivables and deposits (Note 28)	11,573	14,833	19,837
Deposits, cash and bank balances	116,663	144,447	267,699
Financial assets at FVTPL:			
Investment designated at FVTPL	61,905	69,770	63,020
Other investments	240	240	240
Financial assets at FVTOCI:			
Investment in redeemable preference shares of a joint venture (Note 19)	36,424	36,424	36,424
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	201,271	141,544	95,253
Other payables and accruals	53,926	51,176	45,361
Borrowings	447,122	416,730	486,398
Dividend payable	24,190	24,190	-

41. FINANCIAL INSTRUMENTS (CONT'D)

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Financial assets			
Financial assets at amortised cost:			
Trade receivables	1,877	1,603	4,210
Other receivables and deposits (Note 28)	2,920	9,815	17,681
Amount due from subsidiaries	54,171	57,903	39,246
Deposits, cash and bank balances	18,181	53,629	169,197
Financial assets at FVTPL:			
Investment designated at FVTPL	4,465	2,075	4,052
Financial assets at FVTOCI			
Investment in in redeemable preference shares of a subsidiary (Note 18)	238,012	238,012	238,012
Investment in redeemable preference shares of a joint venture (Note 19)	36,424	36,424	36,424

	The Company		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Financial liabilities			
Financial liabilities at amortised cost:			
Other payables and accruals	15,068	21,493	22,373
Borrowings	30,000	-	70,031
Dividend payable	24,190	24,190	-

Financial Risk Management Objectives

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

The Group and the Company do 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.

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41. FINANCIAL INSTRUMENTS (CONT'D)

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 and the Company are not exposed to foreign currency risk as there are no transactions undertaken denominated in currencies other than the functional currencies of the entities.

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

Sensitivity analysis for foreign currency risk

The Group and the Company's exposure to foreign currency risk is not material and hence, sensitivity analysis is not presented.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's and the Company's deposits and borrowings. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company closely monitor 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 RM3,608,000 and RM255,000 (2017: RM3,082,000 and RM258,000) 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 and the Company is concentrated in a few customers. The Group and the Company consider 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 and the Company's receivables. Further disclosure is made in Note 24.

41. FINANCIAL INSTRUMENTS (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 at the end of the reporting period.

Investments designated at FVTPL 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 carrying amount of investments designated at FVTPL disclosed in Note 30 best represents their maximum exposure to credit risk.

The Group and the Company do not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

As disclosed in Note 24, the concentration of credit risk is in the two largest customers. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits, cash and bank balances (Note 25):				
External credit rating (as rated by a rating agency in Malaysia):				
AAA	94,085	124,413	17,545	51,435
AA2	22,368	17,494	623	229
Without external credit rating	210	2,540	13	1,965
	116,663	144,447	18,181	53,629

Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their 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 and the Company seek to maintain flexibility in funding by keeping committed credit lines available. If required, the Group and the Company 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 to enable the subsidiaries to meet their liabilities as and when they fall due.

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41. FINANCIAL INSTRUMENTS (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						
31.12.2018						
Non-interest bearing:						
Trade payables	-	199,737	1,657	-	-	201,394
Other payables and accruals	-	53,926	-	-	-	53,926
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	2.4 to 5.3	31,067	60,396	152,743	359,852	604,058
		308,920	62,053	152,743	359,852	883,568
31.12.2017						
Non-interest bearing:						
Trade payables	-	132,873	9,383	-	-	142,256
Other payables and accruals	-	51,176	-	-	-	51,176
Dividend Payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	2.4 to 5.1	21,172	21,067	146,875	406,116	595,230
		229,411	30,450	146,875	406,116	812,852
1.1.2017						
Non-interest bearing:						
Trade payables	-	88,003	88,422	-	-	96,425
Other payables and accruals	-	45,361	-	-	-	45,361
Interest bearing:						
Borrowings	2.4 to 5.4	91,352	21,233	120,331	453,668	686,584
		224,716	29,655	120,331	453,668	828,370

41. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
31.12.2018						
Non-interest bearing:						
Other payables and accruals	-	15,068	-	-	-	15,068
Dividend payable	-	24,190	-	-	-	24,190
Interest bearing:						
Borrowings	5.3	10,000	10,000	10,000	-	30,000
		49,258	10,000	10,000	-	69,258
31.12.2017						
Non-interest bearing:						
Other payables and accruals	-	21,493	-	-	-	21,493
Dividend payable	-	24,190	-	-	-	24,190
	-	45,683	-	-	-	45,683
1.1.2017						
Non-interest bearing:						
Other payables and accruals	-	22,373	-	-	-	22,373
Interest bearing:						
Borrowings	2.4 to 2.5	71,782	-	-	-	71,782
		94,155	-	-	-	94,155

Financing Facilities

The Group and the Company have access to financing facilities as described in Note 35, of which RM349,292,000 and RM9,599,000 (2017: RM451,448,000 and RM113,355,000) were unused at the reporting date. The Group and the Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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42. 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				
31.12.2018				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in quoted unit trusts	-	61,905	-	61,905
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
31.12.2017 (Restated)				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in quoted unit trusts	-	69,770	-	69,770
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

42. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group (cont'd)				
1.1.2017 (Restated)				
Investment designated at FVTPL:				
Investment in golf membership	-	-	240	240
Investment in quoted unit trusts	-	63,020	-	63,020
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
The Company				
31.12.2018				
Investment designated at FVTPL:				
Investment in quoted unit trusts	-	4,465	-	4,465
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
31.12.2017				
Investment designated at FVTPL:				
Investment in quoted unit trusts	-	2,075	-	2,075
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a subsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424
1.1.2017				
Investment designated at FVTPL:				
Investment in quoted unit trusts	-	4,052	-	4,052
Investment designated at FVTOCI:				
Investment in redeemable preference shares of a ubsidiary	-	-	238,012	238,012
Investment in redeemable preference shares of a joint venture	-	-	36,424	36,424

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42. FAIR VALUE MEASUREMENT (CONT'D)

(a) Financial assets that are measured at fair value (cont'd)

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.

For investment in redeemable preference shares of a subsidiary and a joint venture, fair values have been estimated by discounting the projected cash flows of dividends to be distributed by the subsidiary and joint venture up to the expiry date of the concession agreements at cost of equity of the respective subsidiary and joint venture.

For investment in golf membership, the fair value is based on market comparison technique, comparing to quoted prices of other comparable golf club memberships.

(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				
2018				
IMTN	-	441,252	-	441,252
2017 (Restated)				
IMTN	-	437,392	-	437,392

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 4.3% to 4.9% (2017: 4.4% to 5.14%).

42. FAIR VALUE MEASUREMENT (CONT'D)

(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
2018			
Long-term trade receivables:			
Lifetime ECL method	ECL rate	0.04 to 10.0	An increase in the ECL rate used would result in a decrease in the fair value.
2017			
Long-term trade receivables:			
Lifetime ECL allowance method	ECL rate	0.04 to 21.47	An increase in the ECL rate used would result in a decrease in the fair value.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Related party	Relationship
Alam Ria Sdn. Bhd.	Common director and major shareholder
Perangsang Water Management Sdn. Bhd.	Common major shareholder
Exitra Sdn. Bhd.	Common director and major shareholder
Exitra Solutions Sdn. Bhd.	Common director and major shareholder
GSL Realty Sdn. Bhd.	Common director and major shareholders
Amalgamated Industrial Steel Berhad	Common director and major shareholder
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
Grand Saga Sdn. Bhd.	Subsidiary
TEI Sdn. Bhd.	Subsidiary
Grand Sepadu (NK) Sdn. Bhd.	Subsidiary of joint venture
Aqua-Flo Sdn. Bhd.	Associate
Hydrovest Sdn. Bhd.	Associate
SWM Environment Holdings Sdn. Bhd.	Associate
LGB Taliworks Consortium Sdn. Bhd.	Associate

Notes to the Financial Statements
For the Year Ended 31 December 2018

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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.	18,847	17,900	-	-
Contractual payments in respect of technical support and management services to:				
Alam Ria Sdn. Bhd. (a)	6,242	6,261	-	-
Perangsang Water Management Sdn. Bhd. (a)	3,121	3,130	-	-
Contractual payments in respect of royalty fees to:				
Alam Ria Sdn. Bhd. (a)	3,155	2,950	-	-
Purchase of hardware and software and service rendered in relation to information technology services and maintenance fee paid to:				
Exitra Sdn. Bhd. (b)	1,735	1,916	388	516
Exitra Solutions Sdn. Bhd. (b)	177	131	101	102
Rental of premises paid to:				
GSL Realty Sdn. Bhd. (b)	3,038	3,038	3,038	3,038
Progress billings:				
LGB Engineering Sdn. Bhd. (b)	-	5,002	-	-
LGB Taliworks Consortium Sdn. Bhd.	18,267	-	-	-
Grand Sepadu (NK) Sdn. Bhd.	4,663	4,605	-	-
Purchase of steel bar from:				
Amalgamated Industrial Steel Berhad (b)	2,162	703	-	-
Rental income from:				
Sungai Harmoni Sdn. Bhd.	-	-	269	269
Taliworks Construction Sdn. Bhd.	-	-	448	448

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Management fee from:				
Subsidiaries:				
Sungai Harmoni Sdn. Bhd.	-	-	3,034	3,034
Taliworks (Langkawi) Sdn. Bhd.	-	-	1,494	1,494
Taliworks Construction Sdn. Bhd.	-	-	786	786
Grand Saga Sdn. Bhd.	-	-	2,969	2,969
Joint venture:				
Grand Sepadu (NK) Sdn. Bhd.	1,464	1,464	1,464	1,464
Associates:				
SWM Environment Holdings Sdn. Bhd. (b)	3,800	3,800	3,800	3,800
Total (Note 6)	5,264	5,264	13,547	13,547
Dividend income from:				
Subsidiaries:				
Taliworks (Langkawi) Sdn. Bhd.	-	-	11,010	10,000
TEI Sdn. Bhd.	-	-	18,615	16,830
Associates:				
SWM Environment Holdings Sdn. Bhd.	-	-	-	3,500
Aqua Flo Sdn. Bhd.	-	-	694	480
Total (Note 6)	-	-	30,319	30,810

(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. and Perangsang Water Management Sdn. Bhd. with Sungai Harmoni and Taliworks (Langkawi) Sdn. Bhd.. The contractual agreement in respect of technical support and management services between Sungai Harmoni and Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd. was entered into in 2000. The contractual agreement in respect of royalty fees between Taliworks (Langkawi) Sdn. Bhd. and Alam Ria Sdn. Bhd. was originally entered into in 1996.

Lim Chin Sean is a director and major shareholder of the Company. He is also a director of Alam Ria Sdn. Bhd. and a major shareholder in Alam Ria Sdn. Bhd. and Perangsang Water Management Sdn. Bhd.

(b) Lim Chin Sean is a director of Exitra Sdn. Bhd., Exitra Solutions Sdn. Bhd., GSL Realty Sdn. Bhd., LGB Engineering Sdn. Bhd. and Amalgamated Industrial Steel Berhad. He is also a major shareholder in these companies as well as in SWM Environment Holdings Sdn. Bhd.

Notes to the Financial Statements
For the Year Ended 31 December 2018

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fees	144	144	120	120
Wages, salaries and bonus	6,104	6,752	3,836	4,139
Defined contribution plan	731	805	460	496
Other emoluments	521	218	285	125
	7,500	7,919	4,701	4,880

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 RM607,000 (2017: RM554,000) and RM579,000 (2017: RM526,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and of the Company are RM505,000 (2017: RM205,000) and RM280,000 (2017: RM116,000) respectively.

44. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Authorised but not contracted for:				
Property, plant and equipment	2,296	2,536	326	858

44. CAPITAL COMMITMENTS (CONT'D)

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2018 RM'000	2017 RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	150	300
	300	450

The above lease payments relate to a subsidiary's non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract.

(ii) Rental of premises:

In 2016, the Group renewed an operating lease for the rental of its office premises. 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-cancellable operating lease at the reporting date are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
No later than 1 year	3,039	3,038	3,039	3,038
Later than 1 year but not later than 5 years	-	3,039	-	3,039
	3,039	6,077	3,039	6,077

45. SIGNIFICANT EVENTS

2017

In relation to the Company's acquisition of SWM Environment Holdings Sdn. Bhd in 2016, LGB Holdings Sdn. Bhd. ("LGB Holdings"), a substantial shareholder of the Company, has 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., a wholly owned subsidiary of SWM Environment Holdings Sdn. Bhd, up to 30 June 2015 will be collected by 31 December 2016. In the event that the receivables collected is below the Collectable Amount ("Shortfall"), LGB Holdings would undertake to pay an amount equivalent to 35% of the Shortfall. In 2017, LGB Holdings notified the Company of a Shortfall and subsequently the Company was paid compensation of RM17,087,000. The compensation has been recognised as a reduction to the carrying amount of investment in associate in the statements of financial position of the Group as of 31 December 2017.

Notes to the Financial Statements
For the Year Ended 31 December 2018

45. SIGNIFICANT EVENTS (CONT'D)

2018

In March 2018, a subsidiary, Sungai Harmoni, received two writs of summons together with the corresponding statements of claim filed by Tenaga Nasional Berhad ("TNB") in relation to the outstanding payment of electricity bills to TNB.

TNB is claiming for the outstanding sums owed amounting to approximately RM8,015,000 ("Outstanding Sums 1") and RM27,693,000 ("Outstanding Sums 2") as of 31 January 2018, interest on Outstanding Sums 1 and 2 at the rate of 5% per annum calculated from 31 January 2018 until the date of full settlement, costs, and such other reliefs and/or order that the court deems fit and proper. The subsidiary is defending both suits and has engaged solicitors in connection therewith.

The subsidiary had on 29 March 2018 served two third party notices on each of TNB, SPLASH and the Shah Alam High Court for the purpose of making SPLASH a party to each respective suits.

The hearing for the suits has been fixed for 27 May 2019.

There is no material financial impact to the Group as the total amount claimed by TNB in respect of the suits have been fully taken up as trade payable in the statements of financial position of the Group.

46. COMPARATIVE FIGURES

The following tables summarise the impacts of adopting MFRS 9 and MFRS 15 on the financial statements of the Group and of the Company.

	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000	As reclassified RM'000
The Group				
Statements of financial position:				
As at 31 December 2017				
Non-Current Assets				
Investment in associates	231,972	(31,617)	-	200,355
Deferred tax assets	42,553	(10,103)	-	32,450
Long-term trade receivables	362,318	44,830	-	407,148
Current Assets				
Amount due from contract customers	17,194	(7)	-	17,187
Trade receivables	138,973	(2,902)	-	136,071
Available-for-sale financial assets	69,770	(69,770)	-	-
Investment designated at FVTPL	-	69,770	-	69,770

46. COMPARATIVE FIGURES (CONT'D)

	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000	As reclassified RM'000
Capital and Reserves				
Available-for-sale reserve	173	(173)	-	-
Retained earnings	686,300	374	-	686,674
As at 1 January 2017				
Non-Current Assets				
Investment in associates	251,854	(31,010)	-	220,844
Deferred tax assets	31,906	(2,917)	-	28,989
Long-term trade receivables	307,606	13,403	-	321,009
Current Assets				
Amount due from contract customers	13,101	(4)	-	13,097
Trade receivables	122,647	(1,249)	-	121,398
Available-for-sale financial assets	63,020	(63,020)	-	-
Investment designated at FVTPL	-	63,020	-	63,020
Capital and Reserves				
Available-for-sale reserve	(66)	66	-	-
Retained earnings	753,977	(21,843)	-	732,134

	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000*	As reclassified RM'000
The Group				
Statements of profit or loss and other comprehensive income:				
For the year ended 31 December 2017				
Revenue	368,640	6,232	(800)	374,072
Cost of operations	214,280	-	(800)	213,480
Other operating income	8,296	555	-	8,851
Administrative and other expenses	(94,278)	23,462	-	(70,816)
Share of results of associates	1,185	(607)	-	578
Income tax expense	(7,647)	(7,186)	-	(14,833)
Net fair value gain on available-for-sale financial assets	478	(478)	-	-

Notes to the Financial Statements
For the Year Ended 31 December 2018

46. COMPARATIVE FIGURES (CONT'D)

	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000	As reclassified RM'000
The Company				
Statements of financial position:				
As at 31 December 2017				
Non-Current Assets				
Long-term trade receivables	-	974	-	974
Current Assets				
Amount due from contract customers	3,852	(2)	-	3,850
Trade receivables	1,715	(1,086)	-	629
Available-for-sale financial assets	2,075	(2,075)	-	-
Investment designated at FVTPL	-	2,075	-	2,075
Capital and Reserves				
Retained earnings	267,333	(114)	-	267,219
As at 1 January 2017				
Current Assets				
Trade receivables	4,211	(1)	-	4,210
Available-for-sale financial assets	4,052	(4,052)	-	-
Investment designated at FVTPL	-	4,052	-	4,052
Capital and Reserves				
Available-for-sale reserve	(21)	21	-	-
Retained earnings	344,601	(22)	-	344,579

* In applying MFRS 15, considerations payable to customers which were accounted as costs of sales under MFRS 118 are required to be net-off against the transaction price. No impact to profit and loss due to the reclassification.

	As previously reported RM'000	MFRS 9 adjustments RM'000	MFRS 15 adjustments RM'000	As reclassified RM'000
The Company				
Statements of profit or loss and other comprehensive income:				
For the year ended 31 December 2017				
Other operating income	1,764	21	-	1,785
Administrative and other expenses	12,072	113	-	12,185
Net fair value gain on available-for-sale financial assets	21	(21)	-	-

Analysis of Shareholdings

As at 22 March 2019

SHAREHOLDINGS STRUCTURE

The total number of issued shares of the Company stands at 2,015,817,574 ordinary shares, with voting right of one vote per ordinary share.

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	222	7.32	8,037	0.00
100 – 1,000	201	6.62	92,423	0.00
1,001 – 10,000	1,016	33.49	5,502,012	0.28
10,001 – 100,000	1,219	40.18	36,901,498	1.83
100,001 to less than 5% of issued shares	371	12.23	925,250,271	45.90
5% and above of issued shares	5	0.16	1,048,063,333	51.99
Total	**3,034**	**100.00**	**2,015,817,574**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn. Bhd.	383,385,000	19.02
2.	Water Clinic Sdn. Bhd.	270,000,000	13.39
3.	Lembaga Tabung Haji	146,950,000	7.29
4.	Malar Terang Sdn. Bhd.	124,638,333	6.18
5.	Century General Water (M) Sdn. Bhd.	123,090,000	6.11
6.	Mal Monte Sdn. Bhd.	95,850,000	4.75
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt AN for AIA Bhd.*	90,955,966	4.51
8.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for UBS AG Hong Kong (Foreign)*	75,000,000	3.72
9.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	75,000,000	3.72
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	49,667,700	2.46
11.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for Morgan Stanley Smith Barney LLC (CLNT FUL PD SEG)*	42,669,583	2.12
12.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Lim Chee Meng (PB)*	41,666,666	2.07

Analysis of Shareholdings

As at 22 March 2019

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of Shares Held	%
13.	Lim Chee Meng	34,853,750	1.73
14.	CIMB Group Nominees (Asing) Sdn. Bhd. *Pledged Securities Account – DBS Bank Ltd* *for Vijay Vijendra Sethu (SG 1400407752)*	31,250,000	1.55
15.	Maybank Nominees (Tempatan) Sdn. Bhd. *National Trust Fund (IFM Maybank)*	21,119,100	1.05
16.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	21,038,500	1.04
17.	Ng Yim Hoo	18,063,333	0.90
18.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ong Ka Ting (E-SS2)*	14,583,333	0.72
19.	Hong Leong Investment Bank Berhad IVT	14,250,000	0.71
20.	Minhat Bin Mion	13,333,333	0.66
21.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (RHBIslamic)*	10,642,166	0.53
22.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt AN for Citibank New York (Norges Bank 14)*	10,356,600	0.51
23.	Century General Water (M) Sdn. Bhd.	8,745,000	0.43
24.	HSBC Nominees (Tempatan) Sdn. Bhd. *HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund*	8,702,500	0.43
25.	Maybank Securities Nominees (Asing) Sdn. Bhd. *Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	8,609,600	0.43
26.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. *CIMB-Principal Islamic Asset Management Sdn. Bhd.* *for Lembaga Tabung Haji*	5,298,633	0.26
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (AM INV)*	4,605,900	0.23
28.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Apex Dana Al-Sofi-I (Adas-I) (410325)*	4,517,666	0.22
29.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Ng Lee Ling (PBCL-0G0594)*	4,500,000	0.22
30.	Ertidaya Sdn. Bhd.	4,203,333	0.21
	TOTAL	**1,757,545,995**	**87.17**

List of Substantial Shareholders

As at 22 March 2019

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.	383,385,000	19.02	-	-	-
Water Clinic Sdn. Bhd.	270,000,000	13.39	-	-	-
Lembaga Tabung Haji	152,248,633	7.55	-	-	-
Malar Terang Sdn. Bhd.	124,638,333	6.18	-	-	-
Century General Water (M) Sdn. Bhd.	131,835,000	6.54	-	-	-
Vijay Vijendra Sethu	106,250,000	5.27	75,000,000	(a)	3.72
Anekawal Sdn. Bhd.	-	-	383,385,000	(b)	19.02
LGB Holdings Sdn. Bhd.	-	-	1,005,708,333	(c)	49.89
Adil Cita Sdn. Bhd.	-	-	515,220,000	(d)	25.56
Dato' Lim Chee Meng	78,045,416	3.87	1,006,833,333	(e)	49.95
Lim Chin Sean	250,006	0.01	1,006,833,333	(e)	49.95
GSL Development Sdn. Bhd.	-	-	131,835,000	(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 Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic Sdn. Bhd., Century General Water (M) Sdn. Bhd., Mal Monte Sdn. Bhd. and LGB Engineering Sdn. Bhd..
(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn. Bhd..

List of Directors' Holdings in Shares

As at 22 March 2019

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

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tan Sri Ong Ka Ting	14,583,333	0.72	-	-	-
Dato' Lim Yew Boon	625,000	0.03	-	-	-
Vijay Vijendra Sethu	106,250,000	5.27	75,000,000	(a)	3.72
Lim Chin Sean	250,006	0.01	1,006,833,333	(b)	49.95
Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
Ahmad Jauhari Bin Yahya	-	-	-	-	-

Notes:-

(a) Indirect interest through a family trust.
(b) Deemed interest by virtue of his substantial shareholdings in Tali-Eaux Sdn. Bhd., Malar Terang Sdn. Bhd., Water Clinic 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, 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-Eighth Annual General Meeting ("28th AGM") of the Company will be held at Topaz Ballroom, Level G, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Thursday, 30 May 2019 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 RM1,080,000 in respect of the financial year ended 31 December 2018. **(Resolution 1)**

3. To approve the payment of meeting allowance to the Chairman of the Board/Board Committees and members of the Board/Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 30 May 2019 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 Clause 77 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   (a) Ahmad Jauhari bin Yahya **(Resolution 3)**
   (b) Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin **(Resolution 4)**

5. Retirement of Tan Sri Ong Ka Ting as a Director of the Company. **(Please refer to Note 3)**

6. 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 5)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

7. **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 during the preceding 12 months 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 6)**

Notice of Annual General Meeting

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, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT subject to the 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 30 April 2019 ("the Circular") provided that such transactions are: **(Resolution 7)**

(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 of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said Annual General Meeting;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); 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."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
TAN BEE HWEE (MAICSA 7021024)
Company Secretaries

Kuala Lumpur
Dated this 30th day of April, 2019

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 2018

   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 Ahmad Jauhari bin Yahya and Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and recommended for their re-election at the forthcoming Annual General Meeting. The Board with the exception of interested Directors endorsed the NC's recommendation that Ahmad Jauhari bin Yahya and Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin be re-elected as Directors of the Company. Please refer to the Corporate Governance Overview Statement or Corporate Governance Report for further details on the assessment conducted by the NC and the Board.

3. **Item 5 of the Agenda**

   Tan Sri Ong Ka Ting who is due for retirement by rotation pursuant to Clause 77 of the Constitution of the Company had indicated to the Company that he will not seek re-appointment at the 28th AGM. Therefore, Tan Sri Ong Ka Ting shall cease to be a Director of the Company at the conclusion of the 28th AGM. This Agenda item is not put forward for voting.

4. **Item 6 of the Agenda**

   The Audit and Risk Management Committee ("ARMC") had conducted assessment on the performance of Deloitte PLT. Please refer to the Corporate Governance Report for further details on the assessment conducted by ARMC.

Notice of Annual General Meeting

5. **Item 7 of the Agenda**
Authority to Issue Shares

The proposed Ordinary Resolution 6 is intended to renew the authority granted to the Directors of the Company at the Twenty-Seventh Annual General Meeting of the Company held on 15 May 2018 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 during the preceding 12 months 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-Seventh Annual General Meeting of the Company held on 15 May 2018 had not been utilised and hence, no proceeds were raised therefrom.

The renewal of the 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.

6. **Item 8 of the Agenda**
Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 7 is intended to seek shareholders' mandate to renew the existing shareholders' mandate granted by the shareholders of the Company at the Twenty-Seventh Annual General Meeting held on 15 May 2018 for recurrent related party transactions. The Proposed 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 as and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

Further information on the proposed Ordinary Resolution 7 is set out in the Circular to Shareholders dated 30 April 2019.

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 17 May 2019 shall be eligible to attend the 28th AGM.

2. A member/shareholder of the Company entitled to attend and vote at the 28th AGM is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the 28th AGM, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 28th AGM shall have the same rights as the member of the Company to speak at the 28th AGM.

3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointer or 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.

5. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where the authorised nominee appoints two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited with the Share Registrars of the Company at Boardroom Share Registrars Sdn. Bhd. (formerly known as 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 (24) hours before the time for holding the 28th AGM, i.e. by 11.00 a.m. on Wednesday, 29 May 2019 or any adjournment thereof.

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TALIWORKS CORPORATION
LGB Group

Form Of Proxy

CDS Account No.	
No. of ordinary shares held	

*I/We (full name) ______________________________

bearing *NRIC No./Passport No./Company No. ______________________________

of (full address) ______________________________

being a shareholder of Taliworks Corporation Berhad ("the Company") (6052-V) hereby appoint:
First Proxy "A"

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings to be represented	
		No. of Shares	%
Full Address			

and /or failing *him/her,
Second Proxy "B"

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings to be represented	
		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-Eighth Annual General Meeting of the Company to be held at Topaz Ballroom, Level G, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on Thursday, 30 May 2019 at 11.00 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy ______________ (one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	**Agenda**			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon.			
Ordinary Resolutions		**Resolution No.**	**For**	**Against**
2.	To approve the payment of Directors' fees of RM1,080,000 in respect of the financial year ended 31 December 2018.	1		
3.	To approve the payment of meeting allowance to the Chairman of the Board/Board Committees and members of the Board/Board Committees of RM1,600 and RM1,000 respectively for their attendance at each meeting from 30 May 2019 until the conclusion of the next Annual General Meeting of the Company.	2		
4.	To re-elect Ahmad Jauhari bin Yahya who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered himself for re-election.	3		
5.	To re-elect Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin who is retiring pursuant to Clause 77 of the Constitution of the Company and being eligible, has offered herself for re-election.	4		
Item	**Agenda**			
6.	Retirement of Tan Sri Ong Ka Ting as a Director of the Company.			
Ordinary Resolutions		**Resolution No.**	**For**	**Against**
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.	5		
Special Business				
8.	**Ordinary Resolution:** Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	6		
9.	**Ordinary Resolution:** Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	7		

As witness my/our hand(s) this day ________ of ______________, 2019.

____
*Signature/Common Seal of Shareholder
Contact number:

* Strike out whichever not applicable.

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Affix Stamp

The Share Registrars
TALIWORKS CORPORATION BERHAD (6052 - V)
Level 6,Symphony House
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47301 Petaling Jaya
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Then fold here

Fold this flap for sealing

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