TALIWORKS CORPORATION
LGB Group

ANNUAL REPORT
2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Executive Director
- Mr. Lim Yew Boon

Independent Non-Executive Directors
- Mr. Soong Chee Keong
- Dato' Sri Amrin Bin Awaluddin
  (appointed on 15 September 2014)

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

AUDIT AND RISK MANAGEMENT COMMITTEE
(name change effective from 15 February 2015)

Chairman
- Mr. Soong Chee Keong
  (re-designated on 15 September 2014)

Members
- Mr. Lim Chin Sean
  (appointed on 15 September 2014)
- Dato' Sri Amrin Bin Awaluddin
  (appointed on 15 September 2014)

NOMINATING COMMITTEE

Chairman
Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting
(appointed on 18 June 2014)

Members
- Mr. Lim Chin Sean
- Mr. Soong Chee Keong
  (appointed on 18 June 2014)

REMUNERATION COMMITTEE

Chairman
Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting
(appointed on 18 June 2014)

Members
- Mr. Lim Chin Sean
- Mr. Vijay Vijendra Sethu
  (appointed on 18 June 2014)

COMPANY SECRETARIES

Ms. Tan Bee Hwee (MAICSA 7021024)
(appointed on 30 June 2014)
Ms. Queck Wai Fong (MAICSA 7023051)
(appointed on 30 June 2014)

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
T +60 3 2264 8888
F +60 3 2282 2733

REGISTERED OFFICE

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
T +60 3 2264 8888
F +60 3 2282 2733

PRINCIPAL OFFICE

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

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
T +60 3 7841 8000
F +60 3 7841 8008

MAIN AUDITORS

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

PRINCIPAL BANKERS

AmBank (M) Berhad
AmIslamic Bank Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Industrial and Commercial
Bank of China (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Name & Code : TALIWRK & 8524
Stock Sector : Trading / Services

AGM HELPDESK

Contact:
Ms. Teh Boon Yuan
Senior Manager - Corporate Communications
T +60 3 2788 9100
E boonyuan.teh@taliworks.com.my

CORPORATE PROFILE

TALIWORKS CORPORATION BERHAD ("TALIWORKS" OR THE "COMPANY") WAS INCORPORATEDINMALAYSIA ON 6 AUGUST 1965 AS A PRIVATE LIMITED COMPANY UNDER THE NAME OF THE CARPET MANUFACTURING COMPANY (MALAYSIA) LIMITED. ON 12 NOVEMBER 1968, ITS NAME WAS CHANGED TO F&T CARPETS (MALAYSIA) SDN BHD.

On 26 February 1974, it was renamed Carpets International Malaysia Sdn Bhd and on 23 December 1982, it was converted into a public company and assumed the name of Carpets International Malaysia Berhad ("Carpets"). It was subsequently listed on the then Second Board of the Kuala Lumpur Stock Exchange *(now known as Bursa Malaysia Securities Berhad ("Bursa Securities"))* on 27 July 1992. The principal activities of Carpets were the design, manufacture, distribution and laying of carpets and rugs. These operations ceased in 2002.

On 31 July 2000, Carpets completed the acquisition of the entire equity interest in Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd.These companies are involved in the management, operations and maintenance of water treatment, supply and distribution facilities.

On 27 October 2000, the Company was transferred to the Main Board of Bursa Securities (which has since been merged with the Second Board into a single board known as Main Market) and subsequently on 24 November 2000, Carpets was renamed Taliworks Corporation Berhad.

Taliworks together with its subsidiary companies employs about 700 employees in Malaysia and the People's Republic of China. The Company is currently listed on the Main Market of Bursa Securities under Trading/ Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation close to RM1.0 billion as at 26 March 2015.

BUSINESS BACKGROUND

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

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

Water Treatment, Supply And Distribution

- Taliworks' core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in January 2030) for the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") that supplies to large parts of Selangor and Kuala Lumpur and a concession (expiring in October 2020) for the water supply and distribution system in Langkawi, Kedah.
- The water treatment, supply and distribution business is undertaken by Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd, which are wholly-owned subsidiaries. These two companies manage a total of 6 water treatment plants with a combined capacity of 1,039.5 million litres per day.
- Taliworks (Langkawi) Sdn Bhd has been granted an authorisation under Section 192(5) of the Water Services Industry Act 2006 by the National Water Services Commission ("SPAN") to undertake and carry out the operation and activities under the Langkawi Water Supply Privatisation Agreement dated 7 October 1995 and the Supplemental Agreements dated 4 August 1999, 22 July 2001 and 1 August 2004 effective from 1 February 2013 to 31 October 2020.

CORPORATE PROFILE

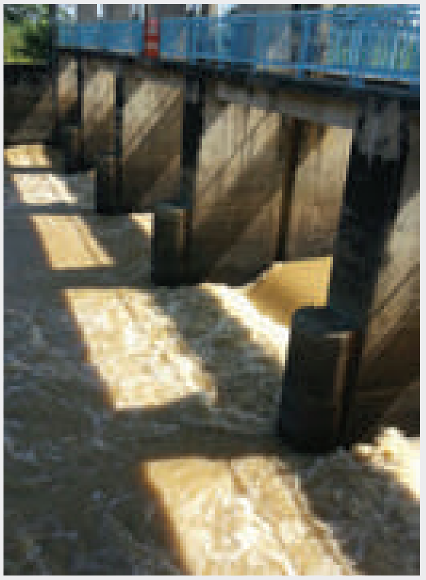
Waste management

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

  (a) a 90% owned subsidiary, Tianjin-SWM (M) Environment Ltd, Co, a company that holds a 21-year concession rights for the operation and management of the Tianjin Panlou Municipal Solid WasteTransfer Station and its related assets in the city of Tianjin until October 2025. Operations commenced in January 2005 with the concession granting rights to the company to transport household waste deposited at the transfer station to the municipal landfills and in return collect tipping fees from the local city council for services provided. The company has been nominated for its good track record on traffic safety from 2006-2008 and from 2010 to 2011;

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

  (c) a wholly-owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd to undertake the operation of four municipal waste water treatment plants ("WWTP") with recycled water facilities with a treatment capacity of



300 million litres and 52 million litres per day ("MLD") respectively in Yinchuan, province of Ningxia, on a takeover-operate-transfer basis for a period of 30 years until 2041. The take-over of the facilities was completed in December 2011.

In May 2014, the company entered into a Heads of Agreement with the Yinchuan City Construction Bureau to upgrade and expand all the four WWTPs from the existing capacity of 300 MLD to 480 MLD with effluent discharge complying to Standard 1A of the national standard on "Urban Sewage Treatment Plant Pollutant Discharge Standard" at an estimated cost of RMB900 million to be completed progressively by end of 2017. Upgrading and expansion works has since commenced in Plant No. 3 in July 2014 with completion targeted for mid 2015. The WWTPs have been nominated for several outstanding awards, amongst them, for its energy and water conservation efforts and have been named as one of the top ten companies in the city's wastewater treatment business.

Construction and Engineering

- Taliworks is currently one of the sub-contractors involved in the Mengkuang Dam expansion project in Penang, Malaysia. This project is a Federal Government project and involves earth-filled dam embankment, river diversion and draw-off tunnel activities. The sub-contract was awarded to Taliworks in 2011 at a contract value of RM339 million and the project is expected to be completed in 2016.
- On 25 June 2014, UPEN Selangor awarded Taliworks the SSP3 Package 3 Pipeline project at a contract value of RM30.6 million and the project is expected to be completed in 2015. This is a Federal Government funded State Government project and involves the supply and lay of 11km of 1,200 mm diameters of steel pipes.
- Prior to undertaking these projects, Taliworks had successfully completed several projects including the design and construction of the water supply systems for the Central Kedah Water Supply Scheme (in 2006) and the Padang Terap Water Supply Scheme (in 2011), both in Kedah at a total contract value of RM120 million and 149 million respectively.

Highway toll operations and Infrastructure

- In 2007, Taliworks acquired a 55% interest in the then joint-venture company, Cerah Sama Sdn Bhd ("Cerah Sama"). Cerah Sama is the holding company for Grand Saga Sdn Bhd *(http://www.grandsaga.com.my)*, a company that owns and operates the concession for the Cheras-Kajang Highway until 2045.

CORPORATE PROFILE

The highway is the first four-lane dual carriageway in Malaysia and it measures approximately 11.5km in length, stretching from the Connaught Interchange, Cheras to Saujana Impian, Kajang. Constructed at a cost of RM275 million, the highway serves to ease traffic congestion and minimise travel time for daily commuters within the Cheras-Kajang vicinity. The highway comprises two toll plazas i.e. the Batu 9 toll plaza and the Batu 11 toll plaza, one rest and service area and eight inter-changes.

- In January 2013, Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 Million in nominal value. The Sukuk Programme has been assigned an initial rating of AA-*is* by the Malaysian Rating Corporation Berhad.
- Between June to August 2014, Taliworks undertook a series of internal re-organisation to rationalise the group structure to enhance Taliworks' operational efficiency in undertaking any new project investments that may be identified by the Group. Arising from the internal re-organisation, Taliworks gained control over Cerah Sama and the company became a subsidiary of Taliworks.
- Subsequent to the internal re-organisation, the Employees Provident Fund Board ("EPF") acquired an effective 31.85% equity interest in Cerah Sama whilst Taliworks' effective equity interest in Cerah Sama reduced from 55% to 28.05%. The collaboration with EPF is to position TEI Sdn Bhd *(formerly known as Pinggiran Infrastructure Sdn Bhd)*, the immediate holding company of Cerah Sama, to be the flagship vehicle through which both parties will engage in the business of acquiring and operating mature infrastructure assets in Malaysia and in developed countries.
- In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu (NK) Sdn Bhd (formerly known as Jejak Melewar Sdn Bhd), executed a Novation Agreement and a Second Supplemental Concession Agreement ("SSCA") to take over the assets and concession rights of the New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn Bhd (In Liquidation) ("Shapadu") for a cash consideration of RM265 million. Shapadu had previously owned the concession rights of the NNKSB via a concession agreement dated 1August 1995 and a first supplemental concession agreement dated 7 May 1999 which were executed with the Government of Malaysia. Under the terms of the SSCA, the concession period will be extended for a further term of 18 years commencing from the date of the execution of the SSCA. NNKSB is a 17.5 km two-lane dual carriageway highway which links North Port to Bukit Raja, Klang. The NNKSB is parallel to the old tolled North Klang Straits Bypass (which became a non tolled road after NNKSB became operational) and is linked to Lebuh Raya Shah Alam ("KESAS Highway"), Federal Highway and the New Klang Valley Expressway. NNKSB commenced operations in 2001.
- In February 2015, Taliworks announced that it is buying out the minority stake of 15.38% in Pinggiran Muhibbah Sdn Bhd whereas TEI Sdn Bhd proposed to acquire a 35% stake in Cerah Sama from SEASAF Highway Sdn Bhd. Upon completion thereof, Taliworks will increase its effective equity interest in Cerah Sama to 51% whilst the balance 49% will be held by EPF.

Business Focus

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

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

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

ACCREDITATION AND AWARDS

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

Water treatment, supply and distribution

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

b. ISO 9001: 2008 Quality Management Systems Certification from SIRIM QAS International that is also recognised by IQNet and UKAS for Taliworks (Langkawi) Sdn Bhd. Scope of Certification is Management and Support Service for Operation and Maintenance of Water Treatment

CORPORATE PROFILE

Plants (Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru) including Maintenance of Existing Distribution Network and Consumer Services.

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

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

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

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

Highway toll operations and maintenance

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

Construction and Engineering

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

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

2002

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

2003

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

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

2004

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

2005

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

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

2006

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

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

2007

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

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

2008

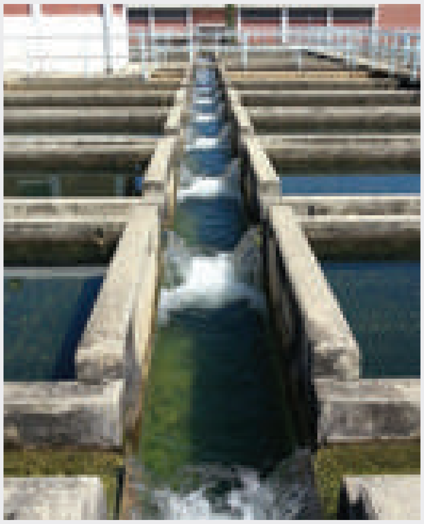
k. Corporate Governance Survey Report 2008, published jointly by Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus
   ** Ranked 45 out of 960 Public Listed Companies*

2009

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

2012

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



CORPORATE STRUCTURE
AS AT 26 MARCH 2015

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

- **84.6% Pinggiran Muhibbah Sdn Bhd**
  Incorporated in Malaysia
  - **75% Grand Sepadu (NK) Sdn Bhd**
    (formerly known as Jejak Melewar Sdn Bhd)
    Incorporated in Malaysia
    (A Joint Venture Company of Pinggiran Muhibbah Sdn Bhd)
  - **51% TEI Sdn Bhd**
    (formerly known as Pinggiran Infrastructure Sdn Bhd)
    Incorporated in Malaysia
    - **100% Trinitywin Sdn Bhd**
      Incorporated in Malaysia
      - **10% Cerah Sama Sdn Bhd**
    - **90% Cerah Sama Sdn Bhd**
      Incorporated in Malaysia
      - **100% Trupadu Sdn Bhd**
        Incorporated in Malaysia
      - **100% Europlex Consortium Sdn Bhd**
        Incorporated in Malaysia
      - **100% Peak Synergy Sdn Bhd**
        Incorporated in Malaysia
      - **100% Grand Saga Sdn Bhd**
        Incorporated in Malaysia
- **100% Sungai Harmoni Sdn Bhd**
  Incorporated in Malaysia
- **100% Taliworks (Langkawi) Sdn Bhd**
  Incorporated in Malaysia
- **100% Taliworks Technologies Sdn Bhd**
  Incorporated in Malaysia
- **100% Destinasi Teguh Sdn Bhd**
  Incorporated in Malaysia
- **100% SWM Technologies (Malaysia) Sdn Bhd**
  Incorporated in Malaysia
  - **90% Tianjin-SWM (M) Environment Ltd, Co.**
    Incorporated in China
- **100% Taliworks Construction Sdn Bhd**
  Incorporated in Malaysia
- **100% Taliworks International Limited**
  Incorporated in Hong Kong
- **80% Taliworks (Sichuan) Limited**
  Incorporated in Hong Kong
  - **70% Puresino (Guanghan) Water Co. Ltd**
    Incorporated in China
- **100% Air Kedah Sdn Bhd**
  Incorporated in Malaysia
- **100% Prolific Equity Sdn Bhd**
  Incorporated in Malaysia

Investment Holding Company/Others

Highway Toll Operations and Maintenance

Water Treatment, Supply and Distribution

Waste Management

Construction

100% **Taliworks Environment Limited**
Incorporated in Hong Kong

100% **Taliworks (Shanghai) Co. Ltd**
Incorporated in China

100% **Taliworks (Shanghai) Environmental Technologies Co. Ltd**
Incorporated in China

70% **Tilgea Consortium Sdn Bhd**
Incorporated in Malaysia

70% **Taliworks Eco Pte Ltd**
Incorporated in Singapore

100% **Ningxia Eco Wastewater Treatment Co. Ltd**
Incorporated in China

100% **Taliworks (Yinchuan) Wastewater Treatment Co. Ltd**
Incorporated in China

ASSOCIATE

40% **Hydrovest Sdn Bhd**
Incorporated in Malaysia

CORPORATE AND FINANCIAL EVENTS 2014

MAJOR CORPORATE ANNOUNCEMENTS / SIGNIFICANT EVENTS

02 JUNE

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, a wholly-owned indirect subsidiary, signed the Heads of Agreement with the Yinchuan City Construction Bureau for the Upgrading and Expansion on Yinchuan Waste Water Treatment Plants (Plant no. 1, 2, 3 and 4) in Ningxia Hui Autonomous Region, People's Republic of China, for a further investment of RMB900 million.

18 JUNE

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

27 JUNE

A consortium of LGB-Taliworks JV accepted the letter of award from the Unit Perancang Ekonomi Negeri Selangor in relation to a project known as "Pengagihan Semula Kapasiti Reka Bentuk Air Terawat Dari Loji Rawatan Air Sungai Selangor Fasa 3 (SSP3) – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3 : Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor) for RM30,639,779 to be completed within twelve months.

11 AUGUST

Taliworks and its subsidiary, Pinggiran Muhibbah Sdn. Bhd. ("PMSB") entered into a Share Sale and Purchase Agreement with the Employees Provident Fund Board ("EPF") to dispose PMSB's 100% equity interest in Pinggiran Ventures Sdn. Bhd. comprising 10,000 ordinary shares of RM1.00 each and 68,673,000 redeemable non-cumulative preference shares of RM0.001 each to EPF for a total consideration of RM68.683 million.

25 SEPTEMBER

The Board of Taliworks approved a dividend payout ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) for the financial year ending 31 December 2015 onwards as a Dividend Policy for the Company.

19 DECEMBER

Jejak Melewar Sdn Bhd (now known as Grand Sepadu (NK) Sdn Bhd) ("JMSB"), a joint venture company, received a letter of award by the Government of Malaysia for the take-over of the assets and concession rights to the New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn Bhd (In Liquidation) for a total purchase consideration of RM265 million.

CORPORATE AND FINANCIAL EVENTS 2014

22 DECEMBER

Following the receipt of the letter of award on 19 December, JMSB executed the Second Supplemental Concession Agreement with the Government of Malaysia and the Novation Agreement with the Government of Malaysia and Lebuhraya Shapadu Sdn Bhd (In Liquidation) to complete the take-over of the assets and concession rights to the NNKSB.

RELEASE OF FINANCIAL RESULTS

25 FEBRUARY

Unaudited interim results for the 4th Quarter ended 31 December 2013.

02 APRIL

Audited financial statements for the financial year ended 31 December 2013.

16 MAY

Unaudited interim results for the 1st Quarter ended 31 March 2014

05 AUGUST

Unaudited interim results for the 2nd Quarter ended 30 June 2014.

28 NOVEMBER

Unaudited interim results for the 3rd Quarter ended 30 September 2014.

DIVIDEND PAYMENT

25 JUNE

Final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2013.

12 NOVEMBER

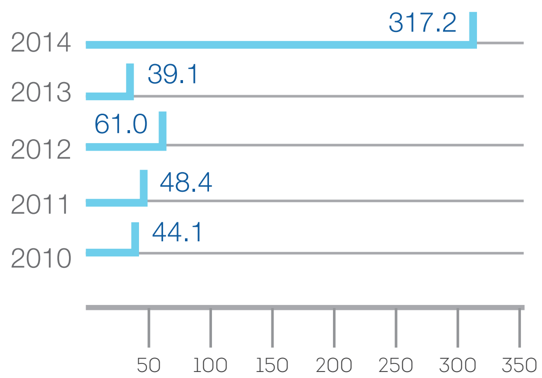
First interim single-tier dividend of 5.0 sen per ordinary share in respect of financial year ended 31 December 2014

5 YEARS FINANCIAL HIGHLIGHTS

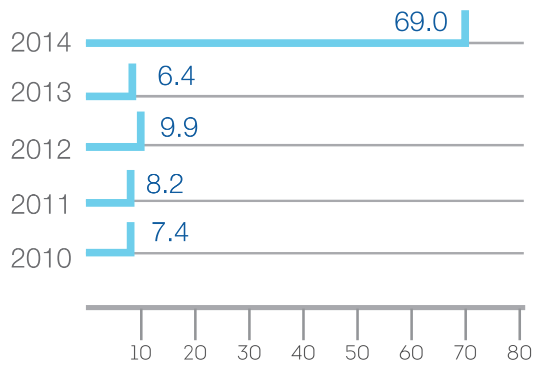
	2010 RM MIL (restated)	2011 RM MIL (restated)	2012 RM MIL	2013 RM MIL	2014 RM MIL
PROFITABILITY					
Revenue	169.3	168.1	253.3	281.8	353.9
EBITDA	49.5	35.7	87.8	71.1	373.0
Profit Before Taxation	44.1	48.4	61.0	39.1	317.2
Profit for the Financial Year	29.5	36.4	42.8	25.1	303.2
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	537.8	903.7	980.9	1,050.9	2,797.9
Total Borrowings	2.8	190.2	314.3	336.3	741.1
Total Shareholders' Equity	474.2	528.3	566.4	605.6	851.8
No of Shares in Issue	436.5	436.5	436.5	436.5	436.5
SEGMENTAL INFORMATION					
Revenue					
- water, treatment, supply and distribution	138.5	123.3	141.5	149.9	175.8
- construction	35.7	42.3	72.1	87.6	101.4
- waste management	14.4	14.6	48.3	47.7	55.6
- investment holding	8.0	26.6	20.1	24.3	34.3
- toll highway	-	-	-	-	23.2
- elimination	(27.3)	(38.7)	(28.7)	(27.7)	(36.3)
	169.3	168.1	253.3	281.8	353.9
Profit Before Taxation					
- water, treatment, supply and distribution	56.4	25.6	73.1	57.8	61.6
- construction	1.7	8.0	4.4	4.2	4.6
- waste management	0.9	(0.5)	(4.5)	(0.8)	4.5
- investment holding	(7.6)	20.7	7.5	28.0	368.7
- toll highway	-	-	-	-	6.5
	51.4	53.8	80.5	89.1	445.9
- elimination	(6.1)	(22.2)	(9.6)	(36.2)	(101.4)
	45.3	31.6	70.9	52.9	344.5
- finance cost	(15.2)	(2.4)	(20.5)	(23.1)	(32.2)
- share of results of joint venture	13.3	18.6	9.8	10.0	3.8
- share of results of associate	0.7	0.6	0.8	(0.8)	1.1
	44.1	48.4	61.0	39.1	317.2
KEY FINANCIAL RATIO					
Gross Dividend Per Share (sen)	1.5	0.5	1.5	1.0	5.00
Net Assets Per Share (sen)	108.6	121.02	129.77	138.73	195.14
Earnings Per Share (sen)					
- Basic	7.4	8.2	9.9	6.4	69.0
- Fully Diluted	7.3	8.2	9.9	6.4	69.0
Return on Equity (%)	6.9	7.3	7.8	4.3	41.6
Return on Assets Employed (%)	5.4	5.1	4.5	2.5	15.8
Dividend Payout Ratio (%)	16.6	4.5	11.5	17.4	7.2
Debt to Equity Ratio (%)	0.6	36.0	55.5	55.5	87.0

5 YEARS
FINANCIAL HIGHLIGHTS

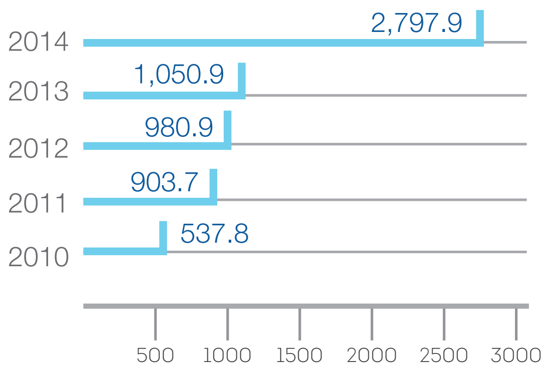
PROFIT BEFORE TAXATION (RM Million)



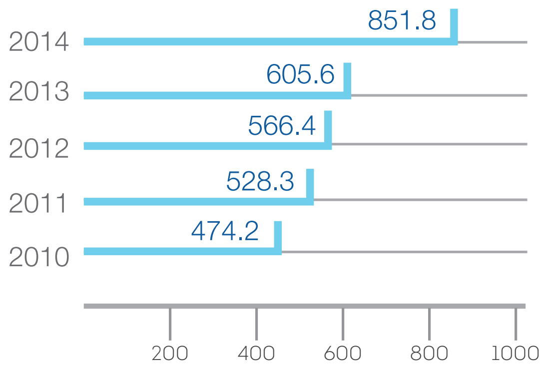
BASIC EARNINGS PER SHARE (Sen)



TOTAL ASSETS (RM Million)



SHAREHOLDERS' EQUITY (RM million)



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

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

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

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

DIRECTORS' PROFILE

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

Chairman/Senior Independent Non-Executive Director

Tan Sri Dato' Seri Ong Ka Ting, a Malaysian aged 58, was appointed to the Board of Taliworks on 16 April 2014 whereupon he was elected as an Independent Non-Executive Chairman of the Company. He was appointed as the Chairman of the Nominating Committee and Remuneration Committee and as the Senior Independent Non-Executive Director on 18 June 2014.

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

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

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

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

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

Mr. Lim Yew Boon

Executive Director

Mr. Lim Yew Boon, a Malaysian aged 56, was appointed to the Board on 1 March 2010 as an Executive Director. He also serves as a member of the ESOS and EXCO committees of the Company.

Mr. Lim holds a diploma in Civil Engineering and he started his career in the field of construction with consultant engineers. With over 25 years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

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

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

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

DIRECTORS' PROFILE

Mr. Lim Chin Sean

Non-Independent Non-Executive Director

Mr. Lim Chin Sean, a Malaysian aged 33, was appointed to the Board on 23 May 2011. He also serves as member of the Nominating and Remuneration committees of the Company. Subsequently, he was appointed as a member of the Audit Committee on 15 September 2014.

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

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

He has attended seven (7) out of the eight (8) Board meetings held during the financial year of the Company.

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

Mr. Soong Chee Keong

Independent Non-Executive Director

Mr. Soong Chee Keong, a Malaysian aged 45, was appointed to the Board on 25 April 2013 and as a member of the Audit Committee on 27 May 2013. Subsequently, he was appointed as a member of the Nominating Committee and re-designated as the Chairman of the Audit Committee on 18 June 2014 and 15 September 2014 respectively.

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

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

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

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

DIRECTORS' PROFILE

Mr. Vijay Vijendra Sethu

Non-Independent Non-Executive Director

Mr. Vijay Vijendra Sethu, an Australian aged 51, was appointed to the Board of Taliworks on 16 April 2014 as a Non-Independent Non-Executive Director of the Company. On 18 June 2014, he was appointed as a member of the Remuneration Committee.

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

Mr. Sethu has over 30 years experience in investment banking industry across Asia, Australia, United Kingdom and the Americas. Currently, Mr. Sethu is an independent Chairman/director of International Medical University and non independent non executive Chairman/Director of the 4 Fingers Group of Companies headquartered in Singapore.

He was formerly a board member of Malakoff Berhad, Cerah Sama Sdn. Bhd., Don Muang Tollway and Infraco Asia. He was also formerly the founding CEO of CSSAA, an emerging markets focused infrastructure fund manager, an Executive Director and Head of Project and Structured Finance for Asia for ANZ Investment Bank, Singapore, the Vice President and Head of Mergers and Acquisitions for Enron Asia Pacific, Singapore. 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 has attended all the Board meetings held during the financial year of the Company since his appointment to the Board.

Mr. Sethu is a major shareholder of the Company.

Dato' Sri Amrin Bin Awaluddin

Independent Non-Executive Director

Dato' Sri Amrin Bin Awaluddin, a Malaysian aged 48, was appointed to the Board and as a member of the Audit Committee on 15 September 2014.

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 the Group Managing Director of Media Prima Berhad. He was appointed to the Board of Media Prima Berhad on 1 September 2009. He held various positions within the Group prior to assuming his current position on 1 September 2009. He joined Media Prima Group as the Chief Financial Officer of Sistem Televisyen Malaysia Berhad ("TV3") in November 2001 with responsibilities, amongst others, to implement the restructuring and turnaround of TV3 and The New Straits Times Press (Malaysia) Berhad ("NSTP"). Completion of the restructuring of these former media assets of Malaysian Resources Corporation Berhad ("MRCB") in September 2003 led to the incorporation of Media Prima Berhad and his appointment as its Group Chief Financial Officer.

Dato' Sri Amrin played a pivotal role in transforming Media Prima Berhad into an integrated media group. He was involved in the acquisitions and restructurings of 8TV in 2003, ntv7, TV9, Hot FM and Fly FM in 2005 which contributed to the consolidation of the domestic TV industry and Media Prima Berhad's maiden expansion into radio. He led in the successful acquisition of Big Tree Outdoor Sdn Bhd and the eventual acquisitions of UPD Sdn Bhd and The Right Channel Sdn Bhd in 2006 and the delisting on NSTP in 2010.

DIRECTORS' PROFILE

Dato' Sri Amrin Bin Awaluddin

Independent Non-Executive Director (cont'd)

During his tenure as the Chief Executive Officer of ntv7 (January 2006 - March 2008), Dato' Sri Amrin led a team which formulated and implemented the financial and operational turnaround of the network and the repositioning of the ntv7 brand. Dato' Sri Amrin sits on the Board of Media Prima Berhad's subsidiaries amongst them NSTP, STMB, Synchrosound Studio, BTO, Primeworks Studios and Alt Media Sdn Bhd.

He is the Deputy President of Kuala Lumpur Business Club (KLBC), a Member of the Asian Television Awards Advisory Board, a Board Advisor of Pusat Sains Negara, Board Members of Yayasan Kelana Ehsan and Enactus Education Foundation. Prior to joining the Group, Dato' Sri Amrin was with Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

Dato' Sri Amrin was appointed as a director of CIMB Bank Berhad in November 2014.

He has attended one (1) out of two (2) Board meetings held during the financial year of the Company since his appointment to the Board.

Notes to Directors' Profile

1. Family Relationship with Director and/or major shareholders

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

2. Conflict of interest

   None of the Directors has any conflict of interest with the Company, except for Mr. Lim Chin Sean who has interests in companies that are also involved in the construction industry.

3. Conviction of Offences

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

CHAIRMAN'S STATEMENT

Tan Sri Dato' Seri Ong Ka Ting,
Chairman

2014 HAS BEEN A YEAR FULL OF CHANGES FOR THE TALIWORKS GROUP SINCE I WAS GIVEN THE HONOUR TO BE THE CHAIRMAN OF THE BOARD OF DIRECTORS IN APRIL OF THAT YEAR. ASIDE FROM THE CORPORATE RESTRUCTURING OF SOME OF OUR GROUP OF COMPANIES, WE HAVE PURSUED A STRATEGY OF STREAMLINING OUR ASSETS AND OPERATIONS TO ENHANCE OUR PROFITABILITY AS WELL AS ENSURE OUR FINANCIAL VIABILITY MOVING FORWARD.

While continuing our focus on key assets like our waste water management business in China, we have expanded our infrastructure assets locally with the acquisition of a new toll highway concession for the New North Klang Straits Bypass Expressway as well as making improvement and engaging in the upgrading of the Cheras-Kajang Highway.

Globally, although falling oil prices have had an adverse effect on certain industries, it has in fact bode well for our business as it has resulted in the lowering of costs in specific areas of our operations. Economic conditions continue to improve. However, there has been a slowdown in development efforts in many countries including China. Domestically, we had been insulated by these effects as our interests remain in maturing and establishing infrastructure projects within the country. Locally, there is some trepidation as the nation comes to terms with the newly implemented GST. However, we do not foresee that we will be adversely affected as other than the operations of the toll highway, our other local businesses are mostly standard-rated. We are optimistic that our business strategies and long term goals will remain intact and viable.

FINANCIAL PERFORMANCE

It is my pleasure to report that for the financial year ended 31 December 2014, Taliworks posted an increase in revenue of RM353.9 million, up from RM281.8 million previously. This was in large part due to higher income from the water treatment, supply and distribution division of our business as well as recognised revenue from our toll operations and construction division. Concurrently, due to the gain from the restructuring of the Group's composition, we posted a significant jump in Profit After Tax ("PAT"), achieving RM303.21 million from RM25.10 million in the previous year.

The water treatment, supply and distribution business continues to be the largest contributor to our total revenue year on year. The continued uncertainty towards the outcome of the position of Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH") in the restructuring of the Selangor water sector however, has impacted the performance in this division, given the fair value adjustments are required on deferred consideration from continued delays in receiving payments if the matter is not resolved. Further elaboration of the effects of this can be found in the accompanying Executive Director's Review of Operations.

DIVIDENDS

We continue to believe that our business model is one that is not only viable, but is one that will allow us to create long term shareholders' value. Despite the various challenges we continue to face, we are committed to making sure that we reward those stakeholders who have placed their trust in us and continue to provide us with the mandate to lead. Accordingly, we are indeed pleased to have announced a new dividend policy for the Group in September 2014, with our Board approving a dividend payout ratio of not less than 75% of the Group's consolidated PAT from 2015 onwards subject to specific requirements set out in the aforementioned policy.

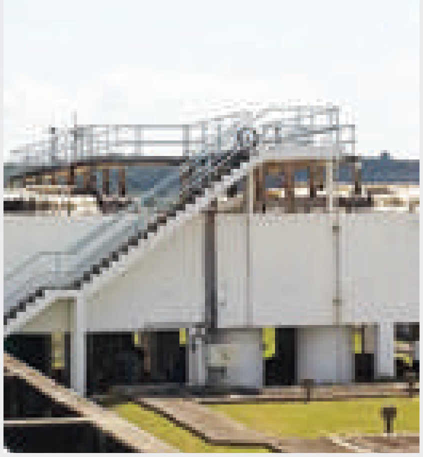
CHAIRMAN'S STATEMENT

In 2014, the Company had declared gross dividends of 5.0 sen per share, comparatively higher than the 1.0 sen per share in the preceding year. Although we are not recommending any final dividend at our forthcoming Annual General Meeting, we will continue to reward our shareholders for their continued loyalty and support. Thus we have announced a first interim dividend of 5.0 sen per share in February 2015 in respect of the current financial year 2015 to be paid before the convening of the Annual General Meeting for this year.

FUTURE OUTLOOK AND PROSPECTS

The Group has made great strides this year towards not only streamlining our operations, but also increasing our profitability to ensure that we have dependable revenue streams moving forward. Recognising the progress we have made thus far however, the year ahead still presents challenges that we are excited about to meet. A key priority would be continuing efforts to strengthen our presence and business investments within China, specifically the successful completion of the substantial upgrading works of our wastewater treatment plants in Yinchuan which will result ultimately in better tariff rates and the stabilisation of the Group's income streams from our investments in that business segment.

We are well aware that our prospects for the future are still securely tied to our ability to continue to not only innovate and evolve with he times and changes in the economic climate but also our ability to ensure our financial viability. It is a primary driver behind our current business strategy of strict fiscal responsibility, combined with prudent risk management and a dynamic internal control framework. Combined with clear goals like the pursuit of mature infrastructure assets, we believe that we are well-equipped to face any obstacles that may arise, ensuring that we continue to create value for all our stakeholders.



ACKNOWLEDGEMENT

I would like to extend my heartfelt thanks to all the members of our Board, including those who have joined the team last year, bringing their eminent expertise and experience to bear in guiding Taliworks through this past year.

Concurrently, on behalf of the Board, I would like to commend the management team and employees of the Group for their dedication, commitment, loyalty and hard work which have been an integral part of the successes we have enjoyed in our operations and business.

To all our shareholders, customers, business associates and bankers, I extend my gratitude for your continued contribution to, support of, and confidence in the Group and its activities. In closing, I would like to extend my sincere appreciation and thanks to all relevant regulatory authorities for all assistance and support provided over the last year.

Thank you.

TAN SRI DATO' SERI ONG KA TING
Chairman

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

Lim Yew Boon,
Executive Director

IT WAS INDEED AN EXCITING YEAR FOR TALIWORKS AS WE EMBARKED ON A FEW CORPORATE EXERCISES WITH THE AIM OF CONTINUOUSLY ENHANCING OUR SHAREHOLDERS' VALUE IN THE LONG TERM. WHILST KEEPING A CLOSE TAB ON OUR SIZEABLE INVESTMENTS IN CHINA, THE GROUP IS EXECUTING ITS STRATEGIES TO GROW ITS INFRASTRUCTURE BUSINESS SO AS TO POSITION THIS SEGMENT AS AN IMPORTANT PILLAR OF GROWTH FOR THE GROUP GOING FORWARD.

In the recent tie-up with the Employee Provident Fund Board to jointly explore potential mature and operating infrastructure projects with predictable cash flows in the developed markets, the Group hopes to forge a strategic alliance with a reputable partner to further develop the prospects and potential of good and viable infrastructure projects and businesses as we envisage that this segment can offer the type of growth and returns that we seek for our shareholders.

Having relentlessly pursued over a period of more than two years, we have finally succeeded in acquiring the concession rights and assets of the New North Klang Straits Bypass Expressway, which is a 17.5 km two-lane dual carriageway linking North Port to the New Klang Valley Expressway and the Federal Highway at Bukit Raja, Klang; thus increasing the profile of the Group in managing and operating toll highway concessions. As the Expressway is a highway that links to Port Klang, where two of the country's largest ports are located, and with the various initiatives being implemented to boost the volume of traffic in the Expressway, the acquisition should contribute positively to the business and provide future recurring income to the Group.

The intention of the Group to further establish a firmer footprint in the waste management sector in China became a reality when the Group made further investment to upgrade one of the existing waste water treatment facilities in Yinchuan, province of Ningxia, whilst committing to invest additional funds over the next 2-3 years to establish our presence as one of the largest foreign investor in that province, having earlier invested close to RMB810 million to acquire the waste water treatment facilities. This marks a significant milestone for the Group in terms of our exposure to foreign business and contribution as one of our strategy is to achieve diversification in the earnings base to minimise geographical risk and in turn, to attract potential institutional and foreign investors to the Company. We have taken a view that the investment proposition will provide a recurring income stream and sustainable cash flow over the longer term. We envisage that our commitment to further invest will strengthen our profile and credentials in the vast waste management sector in China.

As in the previous years, the high level of trade receivables in the water treatment, supply and distribution sector in Selangor especially the amount owing by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), continues to be a key issue faced by the Group. The outstanding due and owing to the Group has been increasing over the years as repayments are not made in full. As at the end of the financial year, the amount due from SPLASH is almost RM337 million, up from RM260 million a year ago. This has put considerable strain on our cash flow pending the resolution of the restructuring of all the water concessionaires in Selangor.

The consolidation of the Selangor State water supply system through restructuring of the four water concessions by the Selangor State Government remains unresolved at year end. In September 2014, the state and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn Bhd, a special purpose vehicle created by the Selangor State Government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya by acquiring all the concessionaires. However, the proposed take-over of SPLASH did not proceed then due to pricing disagreements. It remains to be seen whether 2015 will bring the long awaited outcome as the State government had in March 2015 indicated that the master agreement on the Selangor water restructuring between the state government and the central government has ended.

Despite the lackluster global economy experienced in 2014, the Malaysian economy has managed to maintain a positive growth of 5.9% in 2014 (2013: 4.7%) but the growth is expected to be lower and expanding only by 4.5% to 5.5% in 2015 due to the combined effects of the falling export prices

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

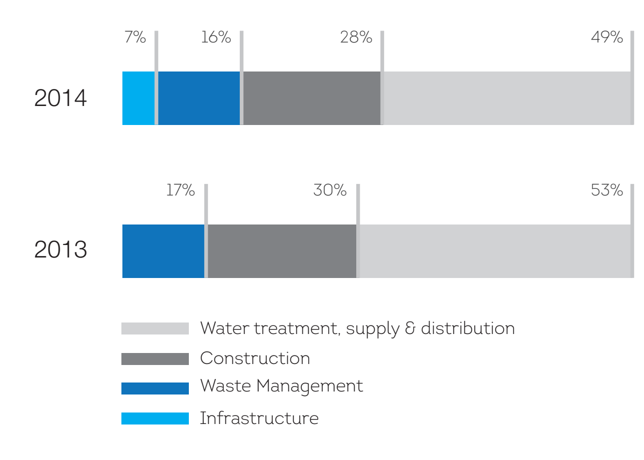
of commodities, especially crude oil and the depreciating ringgit exchange notably against the US dollar and other main currencies but supported by a few strategies as announced by the government which are proactive initiatives to make the necessary adjustments following the challenging external developments.

REVIEW OF FINANCIAL PERFORMANCE

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

	2013	2014
Financial Results *(in RM'000)*		
Revenue	281,812	353,914
Operating Profit	52,936	344,487
Profit before tax	39,123	317,194
Profit for the year	25,092	303,158
Financial Position *(in RM'000)*		
Total assets employed	1,051,901	2,797,870
Shareholders' Equity	605,557	851,761
Key Financial Ratio		
Basic EPS (sen)	6.4	69.0
Net asset per share (sen)	138.73	195.14
Return on Equity (%)	4.3	41.6
Return on Assets Employed (%)	2.5	15.8
Debt-to-equity (%)	55.5	87.0

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



For 2014, Taliworks posted revenue of RM353.9 million as compared to RM281.8 million in the previous year while profit for the year came in at RM303.2 million, which is a huge jump from RM25.1 million recorded a year ago. Revenue for the year was disclosed as a net amount after taking into account an amount of RM42.6 million (2012: RM22.9 million), provision for discounting on a deferred payment consideration arising from the expected delay in collections from SPLASH.

The increase in revenue was primarily achieved from higher contributions from the water treatment, supply and distribution segment as well as the recognition of revenue from the toll operations and construction revenue recognised pursuant to the construction of a public service infrastructure (pursuant to IC Interpretation 12 – Service Concession Arrangements). As in the prior years, the water treatment, supply and distribution business continues to be the largest contributor to the revenue of the Group, accounting close to 49% of the Group's revenue. At the operating level, the water treatment, supply and distribution business registered an increase in revenue from RM150.0 million to RM175.8 million attributable to the increases in both the tariff rates and production. Revenue from the construction business recorded an improvement from RM84.0 million to RM99.3 million. However, a significant portion of it was attributable to the revenue recognised from the construction of a public service infrastructure other than from the on-going Mengkuang Dam Expansion project.

As for the Group's waste management operations in China, the biggest contributor was from the Yinchuan Wastewater and Recycle Water Treatment Plants which represents our largest foreign investment to-date. Out of the total RM55.0 million (2012: RM47.1 million) in revenue recorded from this segment, RM41.6 million (2012: RM35.2 million) was directly contributed by this project, mainly through increases in tariff rate.

Whilst the Group recorded a 25% increase in revenue, the higher profit achieved for the year was primarily due to an exceptional and one-off gain on restructuring of RM272.7 million whereby the Group undertook an internal re-organisation exercise during the year which resulted in the Group gaining control of the then jointly controlled entity, Cerah Sama Sdn Bhd. The internal re-organisation was intended to rationalise the structure of the Group to enhance the operational efficiency in undertaking any new project investments that may be identified by the Group. You may refer to Note 47 to the Notes to the Financial Statements – Significant Events and Subsequent Events that discloses the details of the re-organisation exercise undertaken by the Group and the financial impact thereto.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

Other than this gain, the profit for the year was also impacted by the provision for discounting on a deferred payment consideration, net of reversal amounting to RM26.8 million (2013: RM8.6 million). This provision is required to take into consideration the timing of expected repayments mainly from SPLASH of all amounts outstanding due to the Group.

WATER AND ENGINEERING DIVISION

The underlying fundamentals of the Malaysian economy remains resilient, underpinned by robust domestic demand in the services, construction and hospitality sectors. Of importance, employment remains strong and inflation is kept under control. As a result, water demand growth in support of these economic activities continued apace and appeared poised for further growth in the coming year. The Visit Malaysia Year 2015 is set for higher tourist arrivals, partially boosted by the effect of falling oil prices on airline tickets and the weaker ringgit which makes inbound travel a feasible and attractive option. Increased consumption of related activities including retail trade, and accommodation and restaurants will be supported, especially in the tourist island of Langkawi.

In the concession areas served by Sungai Harmoni and Taliworks (Langkawi), water supply demand remains fairly robust and on an uptrend amidst thriving economic activities although the growth rate was somewhat uneven and subject to the influence of population and commercial demographics. While SSP1 operations posted a 3.4% increase in production output, Taliworks (Langkawi) managed to increase its metered consumption output by a respectable 5.0%, compared to the growth of 6.6% experienced in 2013. The growth in water demand in the Klang Valley, to which SSP1 supplies almost 20% of the total current demand, is expected to continue to increase in the coming years as the population expands and with commercial and business activities projected to experience further growth. The ability of SSP1 to meet such demand growth in the long term has been enhanced by the completion in early of 2013, of the project initiated by the Selangor State Government to upgrade SSP1's pumping installations to its original nominal design capacity of 950 million litres per day ("MLD"). This will be one of the key factors that will drive higher production output in SSP1 to meet increasing demand for treated water. On the other hand, metered consumption growth in Langkawi has risen and indicates a continued recovery from the stagnant demand during the period of 2011-2012 and may presage further gains in the coming year.

As in the previous years, both of our operations continue to face challenges brought about by external factors such as those caused by climatic, uncertainty in the Selangor water consolidation exercise and stringent regulatory requirements. Nevertheless, we have readied ourselves to meet these challenges head on and continually adapt and respond in a manner that will fulfill the ultimate objective of ensuring uninterrupted water supply of the required quantity and quality and at optimum service level. Optimisation of production cost especially electricity and chemicals which take up between 45%-65% of total operating costs continues to be emphasised and controlled. This is done through a computer aided comprehensive servicing and maintenance program coupled with a progressive rehabilitation and improvement program to ensure uninterrupted operations while at the same time, a responsive operations regime and effective standard operating procedures have been put in place to respond to the major environmental risks such as unpredictable weather conditions, variation in raw water quality and pollutant spikes in a timely manner.

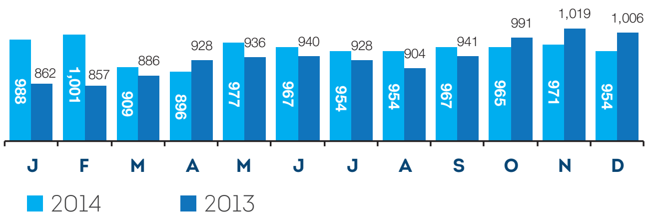
Operating cash flows at Sungai Harmoni and to a lesser extent Taliworks (Langkawi) continue to be bogged down by the increases in the quantum of trade receivables which have not been entirely resolved as yet. Arising from the on-going restructuring of the water supply industry in Selangor, Kuala Lumpur and Putrajaya which has yet to be fully implemented, managing the finances for Sungai Harmoni, remains a continuous challenge as payments have not been made in full. Recognising that the operations must not be severely impacted, we have been fortunate that our employer, SPLASH, has continued to grant financial assistance to us so that payments can be made for essential goods and services. As a result of the continued impasse, Sungai Harmoni's trade receivables escalated further to RM337 million by year end and this puts a damper on the company's cash flow and ability to manage its operational activities efficiently. However, with continued assistance from SPLASH since April 2012, Sungai Harmoni has been able to carry out its operational and maintenance obligations adequately whilst awaiting the final resolution of the Selangor water re-structuring exercise. The assistance from SPLASH was temporarily halted in August 2014 but has since resumed in January 2015.

As part of the conditions for written authorisation from the National Water Services Commission ("SPAN") to enable it to carry out its obligations under the concession agreement for the initial term of the agreement on 1 February 2013 to 31 October 2020, Taliworks (Langkawi) was required to negotiate with the employer, Syarikat Darul Aman Sdn Bhd ("SADA") and the relevant agencies to revise the bulk sales rate ("BSR"). Finally, in February 2015, all the parties hammered out an agreement to revise downwards the BSR to RM2.15/m3 from RM2.21/m3 for 2014-2017 and from RM2.31/m3 to RM2.24/m3 from 2018 to the end of the Langkawi Water Supply Privatisation Agreement in October 2020. It is hope that with the resolution, the payments to Taliworks (Langkawi) will improve considerably.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

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

AVERAGE METERED PRODUCTION IN MLD

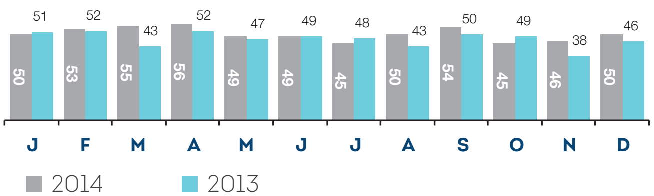


The robust water demand faced by SSP1 over the last quarter of 2013 carried over into early 2014 but production went on a downturn in March and April when shortages of raw water in the Sungai Selangor catchment and the low dam levels forced the state government to impose water rationing and this was only lifted in the following month. The production went on an uptrend after that due to adequate rainfall, to finish the year with an average output of 958 MLD i.e. 2.6% higher than the previous year's average output of 934 MLD. This reflects the continuing water demand growth in the Klang Valley area as population growth and industrial and commercial activities accelerate in tandem with the country's improving economic growth prospects. Barring unforeseen circumstances such as the possibility of a prolonged drought in 2015 that can reduce the availability of raw water, it is projected that output for SSP1 for the coming year should grow slightly as the economy improves further and the maximum capacity of Sungai Selangor Water Treatment Works Phase 2 ("SSP2") being reached.

In previous years, river flows were generally adequate to sustain abstraction operations of Sungai Selangor Water Treatment Works Phases 1, 2 and 3 ("SSP1/SSP2/SSP3"), adequately supported by regulatory releases from the Sungai Selangor and Sungai Tinggi dams during the usual dry spells. In 2014, these regulating dams did not manage to recover to their full service levels by year end (65.8% and 69.8% respectively) but appear to have adequate storage reserves to meet the regulating needs of SSP1/SSP2/SSP3 for at least the first few months of the coming year. If 2015 turns out to be an El-Nino year, it is likely to put a damper on SSP1 production as the state would be forced to cut back on dam releases. The recent major floods in the East Coast States in late December 2014 to early 2015 is an indication of the impact from the changes in climatic conditions and a severe flood at the SSP1 Intake will have a serious an effect on our operations. Nevertheless, we have emergency response plan in place to mitigate such risk.

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

AVERAGE METERED SALES IN MLD



Over half of the metered consumption in Langkawi is attributed to the hotel and tourism industry. As such, the monthly metered consumption is greatly influenced by the seasonal arrivals of tourists, both foreign and local and which has shown an uptrend in 2014, averaging 50.2 MLD or an increase of 5.0% over the previous year. The increased metered consumption trend compared to the previous year is an indication that the prevailing economic conditions which normally spurred increased water demand has started to pick up. The resilience of the Malaysian economy in general and healthy domestic consumption in particular has also contributed to the increase in sales in 2014 and is expected to boost water consumption demand in the coming year.

Unit operation costs were higher compared to the previous year. There was a rise in unit electrical and unit chemical costs on account of higher pumping costs to improve dam levels (in addition to the increased TNB tariff in January 2014) while heavy rains in the catchment led to higher treatment costs to overcome higher pollutant levels in the raw water quality. Despite these challenges, unit operation costs were kept under control through efficient pumping operations and comprehensive operations and maintenance program underpinned by a progressive refurbishment program.

Taliworks (Langkawi)'s cash flow continued to improve during the year as payments were received for outstanding receivables for the previous year as well as part payment of some long overdue receivables, although there was no payment on 2014 receivables partly due to the delay in renegotiation of BSR alluded to above. The payments has enabled Taliworks (Langkawi) to carry out its operational and maintenance obligations in a more systematic and efficient manner.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

ENGINEERING & CONSTRUCTION DIVISION

Whilst the Group is pre-occupied to complete the on-going projects, it is also actively participating in the tendering of infrastructure projects throughout the year to boost the construction order book. The overall business environment for the current construction industry remains competitive as the Government's policy to contract out projects by open tender process draws fierce competition in the bidding process. Higher expectation from the clients, stricter quality control and site safety and health and environmental issues remain the paramount considerations when implementing a project. Presently, all the projects undertaken by the Group achieved a decent profit margin mainly attributed to the prudent project management by key team members. Cash flows generated from all on-going projects remain at a healthy state with all projects having positive cash flows.

The main challenges faced in construction industry are price fluctuation in construction materials that are not categorised as basic materials like cement, aggregates, steel reinforcement and diesel fuel which has provision for variation of price. Shortage of foreign construction workers in the market arising from the difficulties in the recruitment process and the cumbersome process of obtaining or renewing of work permits adds on to the slow progress of works and inevitably, contribute to rising costs which can adversely affect the profit margin, especially where contract rates are fixed for the entire duration of the construction period.

Towards the end of 2014, the State Government of Selangor, as the employer, issued the Certificate of Making Good Defect and released the final retention sum, signifying the completion of the RM20.3 million Projek Menaik Taraf Skim Sungai Selangor Fasa 1 Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya – Package 2: Construction and Completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir ("SSP1 Project"). The project was completed and handed over in January 2013 and it was an opportunity for the Group to have engaged in the construction of the biggest inter-connection pipe works in the country with a reclined position using the hot tapping method.

Following the successful completion of the SSP1 Project, the Group managed to secure another project from the Selangor State Government i.e. Projek Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 (SSP3) – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Package 3: Supply and laying of 1,200 mm diameter steel pipes and associated works from Bukit Jelutong, Shah Alam to Bukit Raja, Klang, Selangor) ("SSP3 Project") for a contract sum of approximately RM30.6 million. Work commenced in the early second half of the year and is expected to be completed within a year. As at the end of 2014, physical completion is about 33% against the scheduled completion of about 44% due to the delay in obtaining permit for pipe laying works from the relevant parties. The delay in issuance of permit is mainly caused by approval of pipeline alignment by the consultants for which we may apply for the extension of time ("EOT") to complete the project.

Other than the SSP3 Project, the Group is kept busy with the RM339 million Mengkuang Dam Expansion Project ("MKGD") in Penang. The project comprises broadly of site clearance, earthworks, construction of reinforced concrete structures and pipe laying works. Construction work had commenced in August 2011 and is scheduled to be completed in the third quarter of 2016. Initially, the project was delayed mainly arising from the late commencement of foundation works by another sub-contractor, and to a certain extent, due to inclement weather. With concerted effort and implementation of recovery work programme, physical progress was brought up to speed and we managed to catch up with the scheduled progress by May 2014. Nevertheless, as anticipated, the physical progress subsequently slipped into delay again due to commencement of the Stage 2 Works (Dam 1) of which design had been changed and resulted in change of construction method that would require longer duration. Application for EOT had been submitted in accordance to provision in the contract but has yet to be approved by the client. The current physical progress of the project is tracked at 61% completed against 67% scheduled based on the baseline program.

TOLL HIGHWAY DIVISION

GRAND SAGA SDN BHD ("GRAND SAGA")

In 2014 the average daily traffic ("ADT") along the Cheras-Kajang Highway witnessed a regression as a result of the on-going construction works for the Mass Rapid Transit ("MRT") project, which traverses the entire stretch of the highway. The ADT reduced from 137,936 vehicles per day in 2013 to 131,152 vehicles per day in 2014, an overall reduction of 4.9%. This reduction in ADT was quite evenly spread out between both the toll plazas, at Batu 9 and at Batu 11. Whilst traffic at Plaza Batu 9 was affected by the narrowing of roads leading into the highway from the city, the closing of the entry for the city bound traffic at the Balakong Inter-change from May till October of last year severely disrupted traffic at Plaza Batu 11. Nevertheless, the ADT for the last quarter of 2014 grew by 1.8% compared to the previous quarter and the traffic is expected to return to normalcy after the first quarter of 2015 with the expected completion of the MRT works on the ground.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

As part of its service commitment to road users to ensure smooth and uninterrupted traffic flow, Grand Saga continues to implement "contra flow" operations to alleviate the traffic congestion for the Kuala Lumpur bound traffic congestion in the morning and Kajang bound traffic in the evening. The "contra flow" was conducted with the assistance of the Kuala Lumpur City Council and the Kuala Lumpur Traffic Police.

During 2014, Grand Saga commenced works to convert and re-configure the toll collection lanes salvaged from the one bound closure in 2012, converting the lanes by stages into electronic tolling to reduce congestion at the toll plazas and improve the overall level of service. These additional electronic toll lanes will cater to the increasing number of Electronic Toll Collection ("ETC") users and reduce transaction times during peak periods. By the end of 2014, one additional ETC lane at each toll plaza has been opened for operations. In line with the directive by Government for Klang Valley highways to fully implement ETC operations, the company plans to convert all its cash lanes to electronic tolling in stages by end September 2016. As part of its commitment to providing greater riding comfort, Grand Saga is also undertaking pavement rehabilitation works at the toll plaza areas at the Kuala Lumpur bound section at Batu 9 Toll Plaza and Kajang bound section at the Batu 11 Toll Plaza. These works are expected to be completed by second quarter of 2015.

GRAND SEPADU (NK) SDN BHD *(Formerly known as Jejak Melewar Sdn Bhd)("Grand Sepadu")*

In December 2014, Grand Sepadu executed the Second Supplemental Concession Agreement and the Novation Agreement and thereupon completed the acquisition of the concession rights and assets to the New North Klang Straits Bypass Expressway ("NNKSB"). NNKSB is the 17.5 km two-lane dual carriageway which links North Port to New Klang Valley Expressway and the Federal Highway at Bukit Raja, Klang. The NNKSB is parallel to the old tolled North Klang Straits Bypass (which became a non tolled road after NNKSB became operational) and is linked to Lebuh Raya Shah Alam ("KESAS Highway") via the Port Klang town.

Since the takeover, the company has replicated the management practices, controls and procedures currently being implemented in Grand Saga. Additionally, the management is currently focused on the following key initiatives:-

(i) initiating immediate repairs to pavements to provide an acceptable riding quality;

(ii) implementing marketing and promotion initiatives to create more awareness on the expressway and also to increase the patronage and traffic throughput; and

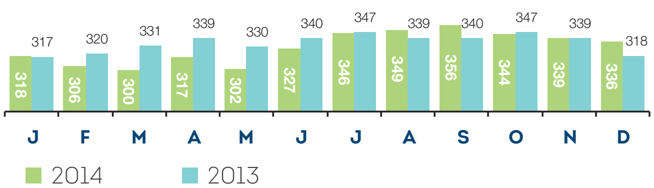
(iii) upgrading the toll system to facilitate greater usage of electronic tolling to reduce congestion at peak periods and to pave the way for greater throughput at the lanes.

WASTE MANAGEMENT DIVISION

Being the second largest economy in the world, China's economic growth rate is a closely watched event. Last year, China growth rate came in at 7.4%, a tad lower than the official 7.5% target growth rate. Although it was slightly off projections, the growth rate was the slowest ever experienced since 1990 and this raised concerns amongst many affected parties on the condition of the Chinese economy which was weighed down by a cooling property market, high debt levels and excess factory capacity. Recently in March 2015, China's central bank eased interest rates for the second time in a little over three months, just days before China lowered its economic growth target to about 7% for 2015. Fortunately for the Group, there is no profound impact from the slowing economy on our operations.

TALIWORKS (YINCHUAN) WASTEWATER TREATMENT CO. LTD

AVERAGE METERED PRODUCTION IN MLD



This is the third year running where the four waste water treatment facilities were operated by the Group. In 2014, the amount of treated waste water decreased slightly to 119.85 million litres, a marginal drop of 1.2%, compared to last year's production level of 121.26 million litres. Average treated volume stood at 328 MLD, lower than the 332 MLD recorded a year ago but nevertheless exceeding the design capacity of 300 MLD by well over 9%.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

The decline in the volume of treated waste water was mainly due to the closure of some of the nearby polluting factories due to environmental concerns. Operational costs are continuously being rationalised to bring the costs to a maximum operating level without compromising on the standard of effluent waste water. This is achieved through downsizing of excess manpower resources requirements, more efficient utilisation of electricity during non peak hours and stringent cost control over procurement. Likewise proper scheduled rehabilitation and maintenance are being planned to optimise the efficiencies of the waste water treatment plants.

During the year, the Group kicked start the upgrade and expansion program over a period of 2-3 years for the four existing waste water treatment plants by adding another 180 MLD to the existing capacity; thus bringing the total capacity of the facilities to 480 MLD. The additional investments for the upgrade and expansion program is estimated to be in the region of RMB750 million up from 100 MLD at an investment size of RMB650 million reported last year. The upgrade and expansion of the Waste Water Treatment Plant No. 3 at a projected cost of RMB130 million has commenced in the first half of 2014 and is anticipated to take a year to complete whereas the upgrade and expansion of the Waste Water Treatment Plant No. 4 is currently in the planning stage and is expected to commence in the second half of 2015. The estimated costs for this plant would be around RMB240 million.

TIANJIN-SWM (M) ENVIRONMENT CO. LTD

The performance of the Tianjin operations was well below expectations. Compared to the previous year's production output of 337,436 tonnes, the current tonnage of waste processed stood at 299,608 tonnes, a major dip of 11% due the combination of a few factors but chiefly by the unilateral reduction in the production by both the company and the authorities. Negotiations are still continuing between both parties to revise both the minimum guaranteed tonnage of 800 tonnes per day, the tariff rates as well as partly to the continued use of the existing fleet of aging trucks whilst the truck replacement program is underway.

Over the years, operating costs have been escalating due to inflation and the repercussions of an aging fleet. As such, the revision in the tariff rates would be paramount to ensure that the company is able to keep up with the service level by leveraging on the efficiencies of new fleet of trucks. The increase in the service levels is also important to ensure that the company is able to fully comply with the relevant environmental laws as policy makers in China are placing greater emphasis on environmental issues.

As a result of the lower quantum of waste processed, operating cost per ton increased by 4.1% compared to 2013. During the year, two additional new trucks were replaced; bringing the total number of trucks replaced to eight. This has vastly improved the turnaround time and it is expected that operating costs would be better managed in the following year. The recent reduction in the global oil prices would be an added bonus as transportation costs are a significant component of operating costs.

PURESINO (GUANGHAN) WATER CO LTD.

During the year, the tonnage of waste effluent processed was recorded higher at 7.2 million litres, a huge improvement of 58% compared to 4.6 million litres achieved a year ago. This came about as production at the facility resumed to normal levels at the beginning of the year when the damaged incoming waste water pipeline was repaired. Nevertheless, production for the whole year was slightly below the 50% mark at 48.7% as the plant underwent a major rehabilitation works from August to December 2014. With the completion of the rehabilitation works, the Guanghan Government returned management control of the plant to the Group in February 2015. With the plant operations resuming normal production after the long shutdown in 2013, the operating cost per tonne, as expected, decreased by 28% compared to 2013. The operation costs are expected to further reduce in 2015 as the efficiency of the plant has vastly improved after the rehabilitation works.

The on-going dispute with the minority shareholder since 2011 has yet to be resolved amicably. The dispute had severely impacted the operations of the company previously resulting in operations being handed to a caretaker operator. Nevertheless, after a few rounds of discussions, both parties are determined to find a workable solution and work towards an amicable resolution. As such, we are hopeful of a resolution in the near term.

NINGXIA ECO WASTEWATER TREATMENT CO. LTD

The company was involved in the construction and management of a 20 MLD waste water treatment plant together with a recycle water treatment plant in Linhe Integrated Industrial Park (Zone A) in Yinchuan under a Build-Operate-Transfer ("BOT") concept.

EXECUTIVE DIRECTOR'S REVIEW OF OPERATIONS

The facilities are designed to offer recycle water to the power plants located nearby given the said industrial park's vicinity to the Ningdong Energy Chemical Base. Although construction on the first phase of the facility commenced in 2011, it has been delayed and halted since April 2013 as the authorities could not deliver sufficient off-take from the power plants and other industries in the park, thus making the project no longer viable to undertake. The company has been in discussions with the relevant authorities to sell back the plant to the government and have the concession agreement terminated. In this respect, the Group has made the required provision for impairment and is currently awaiting the outcome of a valuation audit to determine a reasonable take-over offer price.

KEY PRIORITIES AND CHALLENGES

Looking at the longer horizon, we would like to see that the Group expands and grows its businesses, both organically and through mergers and acquisitions and we see the latter as being a viable option that we can pursue to gain grounds at a much faster pace. It is a known fact that currently our water business is the main core business activity that has over the years provided the Group with a steady and recurring cash flow and income stream but we are confronted by the reality that the growth in this sector is not exponential whilst the growth in the construction business is very much dependent on the economic well-being of the country. Therefore, our near term strategy is to develop and deepen our participation in the infrastructure side of the business and a lot of it has to do with looking at the possibility of acquiring mature and operating projects, including those in the developed countries. Therefore, as we seek to transform ourselves to compete in a globalised environment, we have to raise the bar on our own internal governance structure and processes and take on a more outward perspective in doing business internationally.

Aside from that, we will have to continuously monitor our waste management business in China as we enlarge our presence there. Considerable time and resources would be deployed to ensure that our long term plans and ambitions remain intact. The top priority for us is to resolve several pressing issues including completing the upgrade and expansion of the four waste water treatment plants in Yinchuan without any major hitches. The upgrade and expansion will allow the Group to achieve a much higher rate of return through increases in rates and production volume and cost optimisation from economies of scale.

Finally, the impasse in the restructuring of the water concessionaires in Selangor will continue to be a considerable risk for us due to prolonged uncertainties surrounding the receipt of our payments. Despite the positive developments that had emerged compared to the situation a year ago, the latest developments concerning the continued disagreements by both the state and federal governments are indeed a damper to put an end to this state of affairs.

On a brighter note, the series of events that have taken place during the year have indeed been refreshing news to shareholders including our stated dividend policy. We hope to replicate our success for the year and seek ways to further enhance our shareholders' value.

Thank you.

LIM YEW BOON
Executive Director

CORPORATE SUSTAINABILITY STATEMENT

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

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

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

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

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

The key CSR initiatives that Taliworks promote, cover the following areas:-

- Employees' welfare and well-being
- Contribution to the community
- Protection and conservation of the environment
- Engagement with related stakeholders

EMPLOYEES' WELFARE AND WELL-BEING

We strive to maintain our standards in the development of our employees to ensure that the pool of human talent remains with us. We subscribe to the principle that our employees are one of the main pillars of our success and they remain our most valuable asset.

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

- Promoting a safe working environment that foster mutual respect where employees irrespective of status, position and gender are treated with dignity and free from sexual harassment;
- Ensuring continuous human resource development by making available training and career advancement opportunities;
- Providing suitable sporting and recreational amenities and activities to our employees to lead a balanced and healthy lifestyle;
- Adopting non-discriminatory hiring practices;
- Providing staff with medical, dental, hospitalisation and insurance benefits including certain benefits extended to family members;
- Making available opportunities to our employees to share ownership of the company through the implementation of an employees' share option scheme;

CORPORATE SUSTAINABILITY STATEMENT

- Providing a comfortable and smoke-free environment at the workplace;

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

CONTRIBUTION TO THE COMMUNITY

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

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

Some of the previous and current initiatives that we have taken that have benefitted the community include:-

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

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

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

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

- Visiting old folks' home and shelter home for children in conjunction with the festive seasons;

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

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

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

- Collaboration with Air Kelantan Sdn Bhd for post flood relief mission in the recent massive flooding in the East Coast region by re-commissioning the Setong/Dabong water treatment plant.

CORPORATE SUSTAINABILITY STATEMENT

PROTECTION AND CONSERVATION OF THE ENVIRONMENT

As an integrated water and waste management service provider, we are ever mindful of the need for the continuous preservation and conservation of the environment. We are conscious of the need to strike a balance between enhancing shareholders' value on one hand and our obligation to ensure that our operations are operated in such a manner that we are able to reduce environmental degradation by minimising our carbon footprint. In this respect, we support any low-carbon initiatives and green agenda that are being actively promoted by any non governmental organisations.

Among the initiatives that we had undertaken to protect and conserve the well-being of the environment and cultivate a green corporate culture include:-

- Continuing collection of raw water quality data in the catchment area(s) where some of our water treatment plants operate for study and research into long term pollution trends and sources so that the appropriate water treatment methodologies can be planned in advance;

- Securing appropriate accreditations for our treatment facilities to ensure high operational standards are maintained;

- Proper management of water treatment residuals and appropriate disposal methodologies in compliance with the relevant environmental quality standards;

- Dissemination of information to the public especially school children on water treatment processes, environmental conservation, and for them to be part of "water saving campaign" via the holding of a Water Treatment Open Day at our water treatment plants;

- Creating awareness amongst schools, universities and community groups by participating in testing the quality of streams, rivers, lakes within the water catchments and submitting the results to the International Water Association's online database;

- Participation in events organised by the relevant government/ state authorities on environmental, water conservation, recycling campaigns in our waste management operations in the People's Republic of China;

- Creating awareness amongst the employees on green issues and their contribution to global warming and encouraging the practice of the 3Rs within the organisation including water conservation in some of our operations;

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

ENGAGEMENT WITH THE RELATED STAKEHOLDERS

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

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

- Continued participation in the CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia with the aim of ensuring wider research coverage on our Company;

CORPORATE SUSTAINABILITY STATEMENT

- Granting request to investors, financiers and rating agencies to discuss the developments within the organisation through an investors' relation function;

- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time;

- Providing stakeholders with dedicated emails at info@taliworks.com.my for them to communicate with the Company on any matters.

We are proud to play our part as a responsible corporate citizen and in discharging our social responsibilities through active participation in the various CSR programs. Our efforts in promoting and undertaking CSR initiatives is part of our mission to maintain a sustainable business model to ensure that we are up to the challenge to meet consumers' demands for eco-friendly practices and the welfare of other key stakeholders are taken care of.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

A. BOARD OF DIRECTORS

1. Board Responsibilities

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

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

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

  (b) overseeing the conduct of the Group's business;

  (c) identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

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

  (e) overseeing the development and implementation of an shareholder communications policy for the Group; and

  (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.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

1. Board Responsibilities (cont'd)

- The Board has reserved for itself, decisions in respect of matters significant to the Group's business operations, that include the approval of key corporate plans, annual operating and capital expenditure budgets, major business transactions involving either the acquisitions or disposals of business, interests and/or assets, consideration of significant financial matters and announcements of financial results, changes to the composition of the Board and the Board Committees as well as control structure within the Group.

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

  (a) Audit Committee *(subsequently renamed as Audit and Risk Management Committee on 12 February 2015)*;
  (b) Nominating Committee; and
  (c) Remuneration Committee

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

2. Board Composition, Balance and Changes

- At the end of the financial year, the Board, led by Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting, a Senior Independent Non-Executive Chairman, is made up of six (6) members (including the Chairman) comprising one (1) Executive Director and five (5) other Non-Executive Directors, three (3) of whom are Independent 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.

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

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

2.1 Role of the Chairperson

The Chairperson, a Senior Independent Non-Executive Director, who is not related to any of the directors or major shareholders of the Company, presides over the meetings of the Board. His roles and functions are clearly separated and distinct from those of the Executive Director whom is specifically responsible for managing the strategic and operational agenda of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day-basis.

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

2.2 Role of the Executive Director

The Executive Director, is tasked to develop, in conjunction with the Board, the Group's strategic plans and is responsible for its implementation. Other than that, the Executive Director is responsible to carry out all the directions of the Board and ensuring that they are implemented and that adequate actions have been taken to follow up on significant outstanding matters on a timely basis.

In connection therewith, the Executive Director keeps the Board informed of the overall operations and major issues faced by the Group, together with bringing forward to the Board, significant matters for its consideration and approval, where required.

2.3 Role of the Non-Independent Non-Executive Directors

The Non-Independent Non-Executive 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.

2.4 Role of the Independent Non-Executive Directors

The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision making process of the Board.

Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretary in the Board minutes.

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

3. Board Diversity and Skill-set

	Gender	Age Profile			Skill-set		
	Male	30-40 years	41-50 years	51-60 years	Finance related	Engineering related	Others
Executive Director	1	-	-	1	-	1	-
Independent Non-Executive Directors	3	-	2	1	2	-	1
Non-Independent Non-Executive Directors	2	1	-	1	1	-	1
Total	6						

- As stated in the Board Charter, the Board shall promote diversity and gender mix in its composition and gives due recognition to the financial, technical and business experience of the Directors.
- The Board believes the presence of diverse nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities as well as assist the Board in its decision-making process in line with the challenging and evolving business environment.
- Under the Corporate Governance Blueprint 2011, it was advocated that the Board should ensure participation of women in the Board to reach 30% by year 2016 and that the Board should disclose in the annual report their gender diversity policies and targets, and the measures taken to meet those targets.
- The Board has not formalised the gender diversity policies and targets and the measures taken to meet those targets. It is the intention of the Board to provide equal opportunity to suitable candidates that have the necessary competency and experience to bring value to the Board. Nevertheless, the Board will give due consideration to the increasing importance attached to board gender diversity to bring about a more diverse perspective to issues faced by the Group.

4. Tenure of Directors

As at 31 December 2014	Less than 1 year	1-3 years	4-5 years
Executive Director	-	-	1
Independent Non-Executive Directors	2	1	-
Non-Independent Non-Executive Directors	1	-	1
Total	6		

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

4. Tenure of Directors (cont'd)

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

- Where appropriate, the Board will seek shareholders' approval to retain Independent Directors who have served on the Board for more than nine (9) years.

5. Directorship in Other Public Listed Companies

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

6. Board Charter

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

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

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

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

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

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

  (f) appointment of Board Committees;

- The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

- A copy of the Board Charter is published in the Company's website at http://www.taliworks.com.my/governance/board_charter.html

A. BOARD OF DIRECTORS (cont'd)

7. *Directors' Code of Business Conduct and Ethics*

- The Directors are expected to adhere to the Code of Business Conduct and Ethics for Directors which is based on principles of integrity, objectivity, accountability, commitment, transparency, honesty and corporate social responsibility in order to enhance the Group's standard of corporate governance and behaviour.
- This code sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company or when representing the Company and includes the expectation of professionalism and trustworthiness from the Directors.
- A copy of the Code of Business Conduct and Ethics for Directors is published in the Company's website at http://www.taliworks.com.my/governance/conduct_and_ethics.html

8. *Board Meetings*

- The Board meets on a quarterly basis, to amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the chairperson.
- Besides Board meetings, the Board also exercises control on matters that require its approval through circulation of resolutions.
- The Board would normally allocate its time at scheduled Board meeting during the year as follows:-

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

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

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

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

- Minutes of each Board meeting prepared by the Company Secretary are circulated to the Directors for their review prior to their confirmation at the subsequent Board meeting. The minutes will record the Board's deliberations in terms of issues discussed and the conclusions thereto to provide a historical record and insight into decisions made by the Board including contrary views expressed by any of the Directors.
- Minutes of each Board meeting would also indicate the number of Board meetings that had been attended by each of the Director and Board members are notified in advance the date and time of Board and Board Committee meetings that are to be held during the year.
- Minutes of proceedings and resolutions passed are kept in the statutory register at the registered office of the Company. A Director, who is, in any way, directly or indirectly interested in any proposed transaction to be entered into by the Company or the Group, will be required to make a declaration to that effect and the Director concerned will then abstain from any decision making process in which he/she has an interest in.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

8. Board Meetings (cont'd)

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

9. Supply and Access to Information

- Prior to each Board meeting, the Company Secretary will endeavour to circulate to members of the Board within seven days prior to meetings, an agenda and within three days prior to meetings, a set of board papers containing reports and other relevant information detailing various aspects of the Group's operations and performance to enable the members of the Board ample time to review the documents and subsequently to be able to make informed decisions. The Board papers may include financial, strategic and corporate proposals that require the Board's deliberation and approval.

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

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

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

10. Appointments to the Board

The 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.

11. Re-Election of Directors

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

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

- Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the conclusion of the next Annual General Meeting.

- In accordance with the Code, the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

12. Directors' Training

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

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

Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting	• Overview of ESG Index and Industry Classification Benchmark • APEC China 2014 for CEO Summit • Continuous Listing Obligations of Directors (Roles and Responsibilities of Directors Under the Listing Requirements)
Mr. Lim Yew Boon	• Overview of ESG Index and Industry Classification Benchmark • Continuous Listing Obligations of Directors (Roles and Responsibilities of Directors Under the Listing Requirements)
Mr. Lim Chin Sean	• Continuous Listing Obligations of Directors (Roles and Responsibilities of Directors Under the Listing Requirements) • Nominating Committee Programme 2: Effective Board Evaluation
Mr. Soong Chee Keong	• Continuous Listing Obligations of Directors (Roles and Responsibilities of Directors Under the Listing Requirements) • Deloitte Tax Seminar 2014 • Nominating Committee Programme 2: Effective Board Evaluation • Appreciation and Application of ASEAN Corporate Governance Scorecard
Mr. Vijay Vijendra Sethu	• Deloitte Tax Seminar 2014 • SC Workshop for New Directors
Dato' Sri Amrin Bin Awaluddin	• CFO Dialogue Session – The Cutting Edge CFO *(attended as Panelist)* • CPA Congress 2014 – The Evolving Media Landscape *(attended as Speaker)* • Directors' Workshop with PricewaterhouseCoopers and the Minority Shareholders Watchdog Group • MIA International Accountants Conference 2014 *(attended as Opening Speaker)* • 2015 Tax Budget Briefing • Khazanah Global Lectures with Boris Johnson (Mayor of London)

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

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

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13. Board Committees

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

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

13.1 Composition of Key Board Committee

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

	AC	NC	RC
Independent Non-Executive Directors			
Mr. Soong Chee Keong	C[1]	M[3]	
Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting *(appointed on 16 April 2014)*		C[3]	C[3]
Dato' Sri Amrin Bin Awaluddin (appointed on 15 September 2014)	M[2]		
Non-Independent Non-Executive Directors			
Mr. Lim Chin Sean	M[2]	M	M
Mr. Vijay Vijendra Sethu *(appointed on 16 April 2014)*			M[3]

Definition:-
C – Chairperson of Board Committee
M – Member of Board Committee

AC – Audit Committee
NC – Nominating Committee
RC – Remuneration Committee

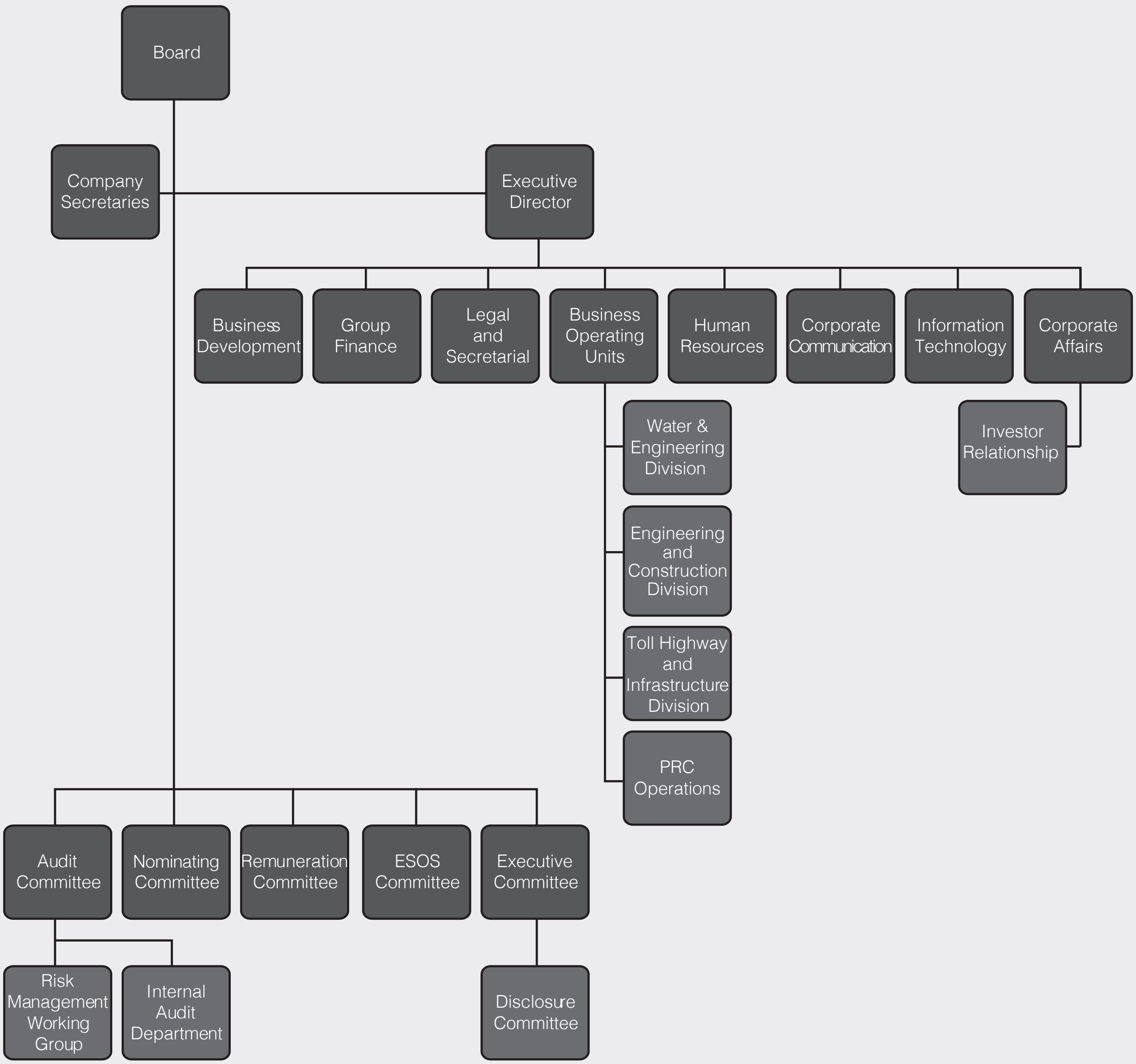
Note:-
1 – re-designated as Chairman on 15 September 2014
2 – appointed on 15 September 2014
3 – appointed on 18 June 2014

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.2 Governance Structure

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



CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.3 Audit Committee

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

13.4 Nominating Committee

- The Nominating Committee is made up entirely of Non-Executive Directors, the majority of whom are Independent Directors. The Committee was previously headed by Dato' Hj Mohd Sinon Bin Mudakir, a Senior Independent Non-Executive Director before he retired from the Board on 18 June 2014. The Nominating Committee is currently headed by another Senior Independent Non-Executive Director, Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting who was appointed on 18 June 2014.

- The Nominating Committee is responsible for recommending suitable candidates to be appointed to the Board. Members of the Committee in making their recommendations, will be required to consider the candidates' skills, knowledge, expertise and experience, professionalism, integrity, time commitment; and in the case of candidates for the position of Independent Non-Executive Directors, they will also evaluate the candidates' ability to discharge such responsibilities and/or functions as expected from Independent Non-Executive Directors.

- When sourcing for suitable candidates, the Nomination Committee would accept recommendations made by other board members or shareholders.

- On an annual basis, the Nominating Committee would undertake and assess the following:-

  (a) required mix of skills and experience of the Directors;
  (b) effectiveness of the Board as a whole and the Committees of the Board;
  (c) independence of Directors;
  (d) contribution and performance of each individual Director where each of the Directors is to complete a self-assessment form.

  The assessment for (a) to (c) above is undertaken by the Nominating Committee through an evaluation form based on a set of pre-determined criteria.

- As an added responsibility to comply with the Recommendations of the Code, the Nominating Committee will also be looking into establishing a policy formalising the Board's approach to boardroom diversity.

- The Nominating Committee met two (2) times during the year in review.

13.5 Remuneration Committee

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

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.5 Remuneration Committee (cont'd)

- The Committee was previously headed by Encik Suhaimi Bin Kamaralzaman, an Independent Non-Executive Chairman and Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir, a Senior Independent Non-Executive Director, before they resigned from the Board on 31 March 2014 and 18 June 2014 respectively. The Committee is currently headed by a Senior Independent Non-Executive Chairman, Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting who took over from Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir on 18 June 2014.

- The Remuneration Committee met two (2) times during the year in review.

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

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

13.7 Executive Committee ("EXCO")

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

13.8 Company Secretaries

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

The profile of the Companies Secretaries is as follows:-

Tan Bee Hwee MAICSA 7021024	Ms. Tan has more than 20 years of working experience in company secretarial practice. She graduated from the Institute of Chartered Secretaries and Administrators and was admitted as an Associate in April 1996. She is currently employed as Director of Tricor Corporate Services Sdn Bhd, a corporate secretarial firm providing corporate services. Ms. Tan has been appointed as company secretary for a number of companies in the Bursa Securities Main Market and ACE Market.
Queck Wai Fong MAICSA 7023051	Ms. Queck is a qualified company secretary under Section 139A of the MAICSA Companies Act, 1965. She has been with company secretarial services for more than 15 years and she is currently employed as Manager of Tricor Corporate Services Sdn Bhd.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

13.9 Risk Management Working Group ("RMWG")

This Working Group is headed by the Executive Director, a Non-Independent Non-Executive Director and comprise of two (2) other senior management namely the Director of Business Development and the General Manager, Group Finance in ensuring that all risk classes particularly the Group strategic risks, risks related to the water, waste management and construction businesses, are considered at an appropriately senior level in a consistent manner and that the Board through the Audit Committee receives periodic reporting on the risk environment and management's actions to mitigate and manage significant risks in a manner consistent with the Group's risk appetite.

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

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

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

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

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

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

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

13.10 Internal Auditors

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

13.11 Disclosure Committee

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

(a) the chief executive officer of the Company;

(b) the chief financial officer of the Company;

(c) the chief regulatory officer of the Company; and

(d) such any other directors and officers of the Company as may be determined by the Board.

CORPORATE GOVERNANCE STATEMENT

A. BOARD OF DIRECTORS (cont'd)

14 Record of Attendance at Meetings

The record of attendance of each of the Directors of the Company (excluding directors who have resigned/retired during the year) during the financial year was as follows:-

	BOD	AC	NC	RC
Executive Director				
Mr. Lim Yew Boon	8/8			
Independent Non-Executive Directors				
Mr. Soong Chee Keong	8/8	4/4	1/1	
Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting *(appointed on 16 April 2014)*	6/6		1/1	1/1
Dato' Sri Amrin Bin Awaluddin *(appointed on 15 September 2014)*	1/2	1/1		
Non-Independent Non-Executive Directors				
Mr. Lim Chin Sean	7/8	1/1	1/2	2/2
Mr. Vijay Vijendra Sethu *(appointed on 16 April 2014)*	6/6			1/1

Definition
BOD – Board
AC – Audit Committee
NC – Nominating Committee
RC – Remuneration Committee

B. DIRECTORS' REMUNERATION

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

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

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

CORPORATE GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION (cont'd)

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

- The Directors' fees (which are not performance related) and meeting allowances for the year are as follows:-

	RM per Annum		RM per Meeting			
	Directors' Fees		BOD	AC	NC	RC
	Before 1 Oct	After 1 Oct				
Chairperson	40,000	100,000	1,600	1,600	1,600	1,600
Chairman of the Audit Committee	40,000	80,000				
Executive Director	25,000	60,000	1,000	n/a	n/a	n/a
Independent Non-Executive Directors	30,000	60,000	1,000	1,000	1,000	1,000
Non-Independent Non-Executive Directors	30,000	60,000	1,000	1,000	1,000	1,000

Definition
BOD – Board
AC – Audit Committee
NC – Nominating Committee
RC – Remuneration Committee

CORPORATE GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION (cont'd)

- The details of Directors' remuneration for the financial year (to the nearest RM) were as follows:-

		Fees (RM')	Salaries, bonus and defined contribution (RM)	Other emoluments (RM)	Total (RM)
Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting	• Senior Independent Non-Executive Chairman *(appointed on 16 April 2014)* • Chairman of Nominating Committee *(appointed on 18 June 2014)* • Chairman of Remuneration Committee *(appointed on 18 June 2014)*	43,600	-	12,800	56,400
Mr. Soong Chee Keong	• Independent Non-Executive Director • Chairman of Audit Committee *(re-designated on 15 September 2014)*	43,000	-	13,800	56,800
Mr. Lim Yew Boon	Executive Director	33,800	313,600	8,000	355,400
Mr. Lim Chin Sean	Non-Independent Non-Executive Director	37,600	-	11,000	48,600
Mr. Vijay Vijendra Sethu	Non-Independent Non-Executive Director *(appointed on 16 April 2014)*	29,000	-	7,000	36,000
Dato' Sri Amrin Bin Awaluddin	Independent Non-Executive Director *(appointed on 15 September 2014)*	16,400	-	2,000	18,400
Encik Suhaimi Bin Kamaralzaman	• Independent Non-Executive Chairman *(resigned on 31 March 2014)* • Chairman of Remuneration Committee *(resigned on 31 March 2014)*	9,800	-	3,200	13,000

CORPORATE GOVERNANCE STATEMENT

B. DIRECTORS' REMUNERATION (cont'd)

- The details of Directors' remuneration for the financial year (to the nearest RM) were as follows:-

		Fees (RM')	**Salaries, bonus and defined contribution (RM)**	**Other emoluments (RM)**	**Total (RM)**
Dato' Hj Mohd Sinon Bin Mudakir	• Senior Independent Non-Executive Director *(resigned on 18 June 2014)* • Chairman of Nominating Committee *(resigned on 18 June 2014)* • Chairman of Remuneration Committee *(appointed on 31 March 2014 and resigned on 18 June 2014)*	13,800	-	8,600	22,400
Encik Sulaiman Bin Salleh	• Independent Non-Executive Director *(resigned on 18 June 2014)* • Chairman of Audit Committee *(resigned on 18 June 2014)*	18,400	-	10,800	29,200
		245,400	313,600	77,200	636,200

C. RELATIONSHIP WITH SHAREHOLDERS

1. Investors' Relationship, Media and Shareholders Communication

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

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

- The Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on the Group by an independent research house, Netresearch-Asia Sdn. Bhd (+603-2163 3700); so as to provide shareholders and other stakeholders with further information to facilitate their investment decisions. For the results of the financial year 2014, four reports have been published as follows:-

Title of Report		Date of Publication
1QFY14 Results Update	:	19 May 2014
2QFY14 Results Update	:	6 August 2014
3QFY14 Results Update	:	1 December 2014
4QFY14 Results Report	:	13 February 2015

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

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

  The Board has identified Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting, the Senior Independent Non-Executive Chairman, to whom any queries, feedbacks and concerns with regards to the Group, may be conveyed. Letters stamped "Private & Confidential" can be addressed to him personally at the Company's registered address at:-

  Level 18, The Gardens North Tower,
  Mid Valley City,
  Lingkaran Syed Putra,
  59200 Kuala Lumpur

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

  (a) Communications with the Company, the Investor Relations unit and/or the Corporate Communications Unit at info@taliworks.com.my

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

2. Primary Contact for Investors Relation Matters

To ensure consistency in information being disseminated, the Group has identified the Executive Director of the Company Mr. Lim Yew Boon as the main channel of communication with the investment community.

Communication can also be channeled to the Investor Relations unit at info@taliworks.com.my.

CORPORATE GOVERNANCE STATEMENT

C. RELATIONSHIP WITH SHAREHOLDERS

3. Annual General Meeting ("AGM")

3.1 Shareholders

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

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

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

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

- Minutes of the Company's AGM are posted at the Company's website at http://www.taliworks.com.my/governance/minutes_shareholders.html

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

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

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

3.3 Members of the Media

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

CORPORATE GOVERNANCE STATEMENT

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

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

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

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

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

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

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

3. Risk Management and Internal Control

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

D. ACCOUNTABILITY AND AUDIT (cont'd)

4. Relationship with External Auditors

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

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

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

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

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

E. CORPORATE DISCLOSURE POLICIES AND PROCEDURES

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

F. DIVIDEND POLICY

On 25 September 2014, the Company announced a dividend policy whereby the Board approved a dividend payout ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) for the financial year ending 31 December 2015 onwards.

G. REPORTING OF LEGITIMATE CONCERNS

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

- The objectives of the Policy are:

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

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

G. REPORTING OF LEGITIMATE CONCERNS (cont'd)

- The objectives of the Policy are: (cont'd)

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

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

  (a) the Senior Independent Non-Executive Chairman, Y. Bhg. Tan Sri Dato' Seri Ong Ka Ting, at SID@taliworks.com.my

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

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

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

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

H. SUSTAINABILITY

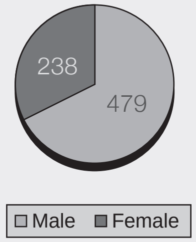
The details of the Group's sustainability activities including its corporate social responsibility activities are set out in the Corporate Sustainability Statement in this Annual Report.

I. WORKPLACE DIVERSITY

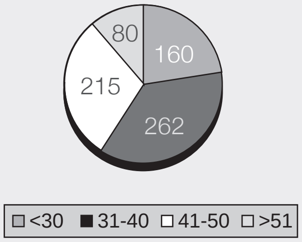
The Company currently does not have a policy on diversity of the work force in terms of of gender, ethnicity and age. However, the Company would priorities the selection and employment of staff who possesses the necessary skills and right personal attributes.

The profiles of the Group's work force are as follows:-

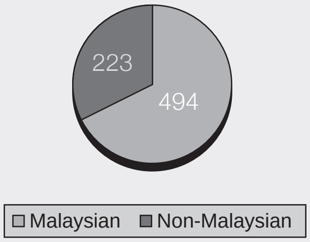
Gender Diversity



Age Diversity



Nationality Diversity



J. AUTHORISATION FOR ISSUANCE

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

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present the Audit Committee Report for the financial year ended 31 December 2014.

A. COMPOSITION

The Audit Committee consists of the following members:-

(a) Mr. Soong Chee Keong, Audit Committee Chairman
(Independent Non-Executive Director)

(b) Dato' Sri Amrin Bin Awaluddin, Audit Committee Member
(Independent Non-Executive Director)

(c) Mr. Lim Chin Sean, Audit Committee Member
(Non-Independent & Non-Executive Director)

Note:
(i) Mr. Soong Chee Keong was re-designated as Chairman with effect from 15 September 2014.
(ii) Dato' Sri Amrin Bin Awaluddin was appointed as member with effect from 15 September 2014.
(iii) Mr. Lim Chin Sean was appointed as member with effect from 15 September 2014.
(iv) Encik Sulaiman Bin Salleh had ceased to be a member with effect from 18 June 2014.
(v) Dato' Hj Mohd Sinon Bin Mudakir had ceased to be a member with effect from 18 June 2014.

B. APPROVED TERMS OF REFERENCE

Membership

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

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

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

Quorum

Majority of members present must be independent directors.

Circular Resolutions

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

Qualification

At least one (1) member of the Committee;

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

AUDIT
COMMITTEE REPORT

B. APPROVED TERMS OF REFERENCE (cont'd)

Qualification (cont'd)

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

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

In this respect, both Encik Sulaiman bin Salleh and Mr. Soong Chee Keong are members of the Malaysian Institute of Accountants.

Meeting and Minutes

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. The Chairman of the Audit Committee shall summarise and report on each meeting to the Board. Minutes of the Audit Committee shall subsequently be made available to the Board once they have been confirmed by the Chairman of the Audit Committee.

The presence of external and/or internal auditors would be requested, if required. Other members of the Board and/or senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and external auditors may also request a meeting if they consider that one is necessary. The Audit Committee shall meet with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group at least twice a year.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

Authority

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

Responsibilities and Duties

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

Risk Management

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

AUDIT
COMMITTEE REPORT

B. APPROVED TERMS OF REFERENCE (cont'd)

Responsibilities and Duties (cont'd)

Financial Reporting

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

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

External Audit

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

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

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

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

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

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

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

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

Internal Audit

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

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

(c) to review the adequacy of scope, functions, competency and resources of the internal audit function and whether it has the necessary authority to carry out its work;

(d) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(e) to review the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;

AUDIT COMMITTEE REPORT

B. APPROVED TERMS OF REFERENCE (cont'd)

Responsibilities and Duties (cont'd)

Internal Audit (cont'd)

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

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

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

Others

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

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

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

C. MEETINGS

The Audit Committee convened six (6) meetings during the year and the attendance of each of the members was as follows:-

	24 Feb	2 Apr	12 May	26 Nov	Total
Mr. Soong Chee Keong	•	•	•	•	4/4
Dato' Sri Amrin Bin Awaluddin	N/A	N/A	N/A	•	1/1
Mr. Lim Chin Sean	N/A	N/A	N/A	•	1/1
Encik Sulaiman bin Salleh	•	•	•	N/A	3/3
Dato' Hj Mohd Sinon bin Mudakir	•	•	•	N/A	3/3

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

D. TRAINING

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

AUDIT
COMMITTEE REPORT

E. SUMMARY OF ACTIVITIES

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

Financial Reporting

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

External Audit

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

(b) Reviewed and approved the external audit plan;

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

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

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

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

Internal Audit

(a) Reviewed and approved the Internal Audit Plan;

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

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

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

Risk Management

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

Related Party Transactions

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

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

AUDIT
COMMITTEE REPORT

E. SUMMARY OF ACTIVITIES (cont'd)

Related Party Transactions (cont'd)

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

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

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

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

Fraud

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

F. INTERNAL AUDIT FUNCTION

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

(a) in accordance with the Group's policies and direction;

(b) in compliance with prescribed laws and regulations; and

(c) achieving the desired results effectively and efficiently.

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

The internal audit function performed risk-based, ad-hoc and routine audits for the year 2014 in accordance with the approved audit plans. The audit results were discussed with the respective management and presented to Audit Committee for review. Where applicable, the internal audit function conducted follow-up audits to ensure that management's commitment on corrective actions were fulfilled timely and appropriately. In addition, the internal audit function played an advisory role in the course of performing its internal audit activities.

The internal audit function is supported by an in-house Internal Audit Department. The department provides internal audit services covering the Company, all its local and foreign subsidiaries and jointly-controlled entities. The total costs incurred for the internal audit function is RM886,236 for the year.

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

G. AUTHORISATION FOR ISSUANCE

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

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

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

Responsibility

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

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

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

Both the risk management and internal control process are undertaken by the Audit Committee *(renamed as Audit and Risk Management Committee on 12 February 2015)* which reports its findings to the Board. Whilst the Audit Committee has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review. In respect of the risk management function, this role is undertaken by the Risk Management Working Group, chaired by the Executive Director.

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

Risk Management Framework

The Board has established a risk management framework for the Group and has formally adopted the "Risk Management Policy and Guidelines Document" on 28 November 2014. This framework consists of an on-going process to identify, evaluate, monitor and manage principal risks that affect or will potentially affect the achievement of the Group's business objectives.

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

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

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

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Framework (cont'd)

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

(d) Quarterly risk assessment reports are submitted and briefed by the various heads of business units to the Risk Management Working Group;

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

Currently, risk management covers the three core businesses of the Group, namely its two key operating subsidiaries involved in the operation, treatment and maintenance of water treatment plants and distribution facilities, the construction and engineering division and two of its foreign operating subsidiaries involved in the waste management segment. One of the foreign operating subsidiaries involved in the waste management segment is currently exempted from this process due to an on-going shareholders' dispute. Nevertheless, it provides updates on strategic operational issues and critical risk areas in its monthly management reports to the management.

Internal Audit Function

The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies including that of a joint venture entity *(which subsequently became a subsidiary arising from a group internal re-organisation exercise)*.

The key role of the internal audit function is to assess the management's adherence to established policies and procedures as well as acting as an independent sounding board to the Audit Committee concerning areas of weaknesses or deficiencies in the risk management, governance and control processes for appropriate remedial measures to be carried out by the management.

Other Key Elements of Internal Controls

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

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Internal Controls (cont'd)

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

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

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

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

Management's Assurance

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

Review by the External Auditors

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 31 December 2014 to be disclosed in this Annual Report:-

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

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

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

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

5. **Non-Audit Fees**
   The non-audit fees incurred for services rendered to the Company and its subsidiaries by the auditors, Deloitte or a firm or company affiliated to it, amounted to RM372,000.

6. **Variation in Results**
   There were no variances of 10% or more between the results for the financial year ended 31 December 2014 and the unaudited results previously announced.

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

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

10. **Material Contracts**
    Save as disclosed in Note 49 of the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2014.

11. **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.

ADDITIONAL
COMPLIANCE INFORMATION

12. Share Issuance Scheme

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

(b) There is only one share issuance scheme in existence during the financial year, the details of which are disclosed in Note 31 to the financial statements. Other information pertaining to the share options are as follows:-

	Share options granted to eligible directors and employees		**Share options granted to eligible directors and chief executive officer**	
	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)
Number of options granted				
- @ RM1.31	0	5,460	0	650
- @ RM1.90	0	6,410	0	770
Number of options exercised				
- @ RM1.31	0	5,282	0	650
- @ RM1.90	0	1,741	0	160
Number of options lapsed				
- @ RM1.31	12	157	0	0
- @ RM1.90	501	1,186	140	405
Number of options remaining unexercised exercised				
- @ RM1.31	21	21	0	0
- @ RM1.90	3,504	3,504	60	*205

* *including a previous director who remains in the employment of the Company.*

ADDITIONAL COMPLIANCE INFORMATION

12. Share Issuance Scheme (cont'd)

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

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of TALIWORKS CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are as disclosed in Note 19 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for those arose from the Group's restructuring as disclosed in Note 47 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	317,194	363,407
Income tax (expense)/income	(14,036)	2,239
Profit for the financial year	303,158	365,646
Profit attributable to:		
Owners of the Company	301,249	365,646
Non-controlling interests	1,909	-
	303,158	365,646

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the gain on restructuring as disclosed in Note 8 to the Financial Statements.

DIRECTORS' REPORT

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2013 and dealt with in the previous year's Directors' report:	
Final single-tier dividend of 1.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, paid on 25 June 2014	4,365
In respect of the financial year ended 31 December 2014:	
First interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, paid on 12 November 2014	21,824
	26,189

The Directors do not recommend any final dividends in respect of the current financial year. However, on 26 February 2015, the Directors declared the payment of the first interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM21,824,000 in respect of the financial year ending 31 December 2015, which was paid on 1 April 2015.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

EMPLOYEES' SHARE OPTION SCHEME

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

The main features of the ESOS and the movements in the ESOS for the financial year ended 31 December 2014 are disclosed in Note 31 to the Financial Statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

DIRECTORS

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

Mr. Lim Yew Boon
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting (appointed on 16 April 2014)
Mr. Vijay Vijendra Sethu (appointed on 16 April 2014)
Dato' Sri Amrin bin Awaluddin (appointed on 15 September 2014)
Dato' Hj Mohd Sinon bin Mudakir (resigned on 18 June 2014)
Encik Sulaiman bin Salleh (resigned on 18 June 2014)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 each			
	As of 1.1.2014/ Date of appointment	**Bought**	**Sold**	**As of 31.12.2014**
Shares in the Company				
Direct interest				
Mr. Lim Yew Boon	150,000	-	-	150,000
Tan Sri Dato' Seri Ong Ka Ting	3,000,000	500,000	-	3,500,000
Mr. Vijay Vijendra Sethu	25,500,000	-	-	25,500,000
Indirect interest				
Mr. Lim Chin Sean	241,640,000#	-	-	241,640,000#
Mr. Vijay Vijendra Sethu	18,000,000*	-	-	18,000,000*

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS (cont'd)

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

* Indirect interest through a family trust.

Options granted pursuant to the ESOS of the Company:

		Number of options over Ordinary Shares of RM0.50 each		
	Exercise price (RM)	**As of 1.1.2014**	**Exercised**	**As of 31.12.2014**
Direct interest				
Mr. Lim Chin Sean	1.90	60,000	-	60,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefits (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the transactions as disclosed in Note 49 to the Financial Statements.

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

AUDITORS

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

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

LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur
1 April 2015

STATEMENT BY DIRECTORS

The Directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 50 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

LIM YEW BOON **LIM CHIN SEAN**

Kuala Lumpur
1 April 2015

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

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

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **KUALA LUMPUR** this 1st day of April 2015.

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2014, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 188.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

We draw attention to Note 25 to the Financial Statements which more fully explains the uncertainty over the collectability of amount owing by a customer; and to Note 18 which sets out the key bases and assumptions used by the Directors in estimating the recoverable amounts of the intangible assets of the subsidiaries in China. Our opinion is not qualified in respect of these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TALIWORKS CORPORATION BERHAD

Report on Other Legal and Regulatory Requirements

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

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

(b) we have considered the accounts and auditors' reports of all the subsidiaries, of which we have not acted as auditors, which are disclosed in Note 19 to the Financial Statements;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act other than as disclosed in Note 19 to the Financial Statements.

Other Matter

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

Other Reporting Responsibilities

The supplementary information set out in Note 50 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA" Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE
AF 0080
Chartered Accountants

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

Kuala Lumpur
1 April 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Revenue	6	353,914	281,812	34,601	26,021
Cost of operations	7	(269,710)	(218,231)	(4,695)	(6,726)
Gross profit		84,204	63,581	29,906	19,295
Other operating income	8	303,707	27,601	355,829	14,362
Administrative and other expenses	9	(43,424)	(38,246)	(20,476)	(7,181)
Finance costs	10	(32,192)	(23,052)	(1,852)	(1,745)
Share of results of joint venture	20	3,809	10,008	-	-
Share of results of associate	21	1,090	(769)	-	-
Profit before tax		317,194	39,123	363,407	24,731
Income tax (expense)/income	13	(14,036)	(14,031)	2,239	(7,501)
Profit for the financial year		303,158	25,092	365,646	17,230
Other comprehensive income:					
Items that may be reclassified subsequently to profit and loss:					
Currency translation differences for foreign operations		7,894	17,027	-	-
Net fair value gain on available-for-sale financial assets		34	63	-	-
Share of other comprehensive income of joint venture		-	162	-	-
Total other comprehensive income for the financial year		7,928	17,252	-	-
Total comprehensive income for the financial year		311,086	42,344	365,646	17,230

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		301,249	28,009	365,646	17,230
Non-controlling interests		1,909	(2,917)	-	-
		303,158	25,092	365,646	17,230
Total comprehensive income/(loss) attributable to:					
Owners of the Company		309,000	44,123	365,646	17,230
Non-controlling interests		2,086	(1,779)	-	-
		311,086	42,344	365,646	17,230
Earnings per share attributable to Owners of the Company (sen):					
- Basic and diluted (sen per share)	14	69.0	6.4		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	40,747	22,319	8,707	11,301
Investment properties	16	260	394	260	394
Intangible assets	18	1,689,672	456,160	-	-
Investment in subsidiaries	19	-	-	98,619	103,629
Investment in joint venture	20	74,621	122,245	48,000	55,538
Investment in associate	21	5,881	5,171	2,120	2,120
Other investment	22	240	-	-	-
Goodwill on consolidation	23	131,889	2,504	-	-
Deferred tax assets	24	16,048	8,730	-	-
Long-term trade receivables	25	199,754	157,502	-	-
Long-term other receivables	26	625	548	-	-
Deposits, cash and bank balances	27	32,877	20,572	5,803	10,308
Amount due from subsidiaries	28	-	-	443,604	194,421
Total Non-Current Assets		2,192,614	796,145	607,113	377,711
Current Assets					
Inventories	29	1,207	1,109	-	-
Amount due from contract customers	40	1,411	1,164	-	-
Trade receivables	25	179,632	192,841	2,234	1,008
Other receivables, deposits and prepayments	26	88,951	5,796	76,387	672
Amount due from subsidiaries	28	-	-	5,528	1,570
Tax recoverable		7,983	4,909	-	4,532
Available-for-sale financial assets	30	114,459	25,460	-	-
Deposits, cash and bank balances	27	211,488	23,477	1,212	2,156
		605,131	254,756	85,361	9,938
Asset held-for-sale	17	125	-	125	-
Total Current Assets		605,256	254,756	85,486	9,938
TOTAL ASSETS		2,797,870	1,050,901	692,599	387,649

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	31	218,246	218,246	218,246	218,246
Share premium	32	74,176	74,176	74,176	74,176
Share option reserve	33	1,591	2,111	1,591	2,111
Currency translation reserve		25,140	17,347	-	-
Available-for-sale reserve		(2)	40	-	-
Merger deficit	34	(71,500)	(71,500)	-	-
Retained earnings	35	604,110	365,137	380,491	40,514
Total Equity Attributable to Owners of the Company		851,761	605,557	674,504	335,047
Non-controlling interests		523,668	4,990	-	-
Total Equity		1,375,429	610,547	674,504	335,047
Deferred and Non-Current Liabilities					
Long-term borrowings	37	719,357	305,172	216	20,393
Deferred tax liabilities	24	254,514	2,246	-	2,239
Long-term trade payables	38	6,365	3,547	-	-
Deferred income	41	189,521	-	-	-
Provision for heavy repairs	42	9,099	-	-	-
Total Deferred and Non-Current Liabilities		1,178,856	310,965	216	22,632
Current Liabilities					
Amount due to contract customers	40	-	336	-	336
Trade payables	38	75,637	60,315	298	392
Other payables and accruals	39	129,193	34,346	15,183	14,160
Tax liabilities		5,017	3,240	-	-
Short-term borrowings	37	21,756	31,152	2,398	15,082
Deferred income	41	11,982	-	-	-
Total Current Liabilities		243,585	129,389	17,879	29,970
Total Liabilities		1,422,441	440,354	18,095	52,602
TOTAL EQUITY AND LIABILITIES		2,797,870	1,050,901	692,599	387,649

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

The Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves					→	Distributable reserve-	Attributable		
As of 1 January 2013		218,246	74,176	2,205	1,458	(23)	(71,500)	341,877	566,439	6,769	573,208
Available-for-sale financial assets		-	-	-	-	63	-	-	63	-	63
Share of other comprehensive income of joint venture		-	-	-	-	-	-	162	162	-	162
Currency translation differences		-	-	-	15,889	-	-	-	15,889	1,138	17,027
Total other comprehensive income for the financial year		-	-	-	15,889	63	-	162	16,114	1,138	17,252
Profit/(Loss) for the financial year		-	-	-	-	-	-	28,009	28,009	(2,917)	25,092
Total comprehensive income/(loss) for the financial year		-	-	-	15,889	63	-	28,171	44,123	(1,779)	42,344
Transactions with Owners of the Company:											
Transfer from reserve upon ESOS options lapsed	33	-	-	(94)	-	-	-	-	(94)	-	(94)
Dividends paid	36	-	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)
Total transactions with Owners of the Company		-	-	(94)	-	-	-	(4,911)	(5,005)	-	(5,005)
As of 31 December 2013		218,246	74,176	2,111	17,347	40	(71,500)	365,137	605,557	4,990	610,547

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

The Group	Note	Share capital RM'000	Share Share premium RM'000	Currency option reserve RM'000	Available- translation reserve RM'000	for-sale reserve RM'000	reserve- Merger deficit RM'000	Distributable to Owners Retained earnings RM'000	Attributable Non- of the Company RM'000	controlling interests RM'000	Total equity RM'000
			← Non-distributable reserves →								
As of 1 January 2014		218,246	74,176	2,111	17,347	40	(71,500)	365,137	605,557	4,990	610,547
Available-for-sale financial assets		-	-	-	-	(42)	-	-	(42)	76	34
Currency translation differences		-	-	-	7,793	-	-	-	7,793	101	7,894
Total other comprehensive income for the financial year		-	-	-	7,793	(42)	-	-	7,751	177	7,928
Profit for the financial year		-	-	-	-	-	-	301,249	301,249	1,909	303,158
Total comprehensive income/(loss) for the financial year		-	-	-	7,793	(42)	-	301,249	309,000	2,086	311,086
Transactions with Owners of the Company:											
Transfer from reserve upon ESOS options lapsed	33	-	-	(520)	-	-	-	520	-	-	-
Dividends paid	36	-	-	-	-	-	-	(26,189)	(26,189)	-	(26,189)
Changes in ownership interests in a subsidiary		-	-	-	-	-	-	(36,607)	(36,607)	36,607	-
Non-controlling interest arising from business combination		-	-	-	-	-	-	-	-	479,985	479,985
Total transactions with Owners of the Company		-	-	(520)	-	-	-	(62,276)	(62,796)	516,592	453,796
As of 31 December 2014		218,246	74,176	1,591	25,140	(2)	(71,500)	604,110	851,761	523,668	1,375,429

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

The Company	Note	Share capital RM'000	← Non-distributable reserves → Share premium RM'000	Share option reserve RM'000	Distributable Reserve - Retained earnings RM'000	Total equity RM'000
As of 1 January 2013		218,246	74,176	2,205	28,195	322,822
Total other comprehensive income for the financial year						
Profit for the financial year		-	-	-	17,230	17,230
Total comprehensive income for the financial year		-	-	-	17,230	17,230
Transactions with Owners of the Company:						
Transfer from reserve upon ESOS options lapsed	33	-	-	(94)	-	(94)
Dividends	36	-	-	-	(4,911)	(4,911)
Total transactions with Owners of the Company		-	-	(94)	(4,911)	(5,005)
As of 31 December 2013		218,246	74,176	2,111	40,514	335,047
As of 1 January 2014		218,246	74,176	2,111	40,514	335,047
Total other comprehensive income for the financial year						
Profit for the financial year		-	-	-	365,646	365,646
Total comprehensive income for the financial year		-	-	-	365,646	365,646
Transactions with Owners of the Company:						
Transfer from reserve upon ESOS options lapsed	33	-	-	(520)	520	-
Dividends	36	-	-	-	(26,189)	(26,189)
Total transactions with Owners of the Company		-	-	(520)	(25,669)	(26,189)
As of 31 December 2014		218,246	74,176	1,591	380,491	674,504

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	317,194	39,123	363,407	24,731
Adjustments for:				
Amortisation of intangible assets	20,937	15,741	-	-
Finance costs	32,192	23,052	1,852	1,745
Depreciation:				
- Property, plant and equipment	7,531	2,438	3,067	611
- Investment properties	9	10	9	10
(Gain)/Loss on disposal of property, plant and equipment	(233)	179	(85)	(50)
Unrealised foreign exchange gain - net	(217)	(902)	(14,668)	(12,820)
Impairment/(Reversal of impairment):				
- Investment in subsidiaries	-	-	4,101	(818)
- Amount due from subsidiaries	-	-	1,050	-
- Other receivables	15	21	-	-
- Intangible assets	1,982	10,144	-	-
Provision for discounting of receivables - net	26,753	8,656	-	-
Provision for heavy repairs	1,182	-	-	-
Deferred income	(4,516)	-	-	-
Amortisation of rental and maintenance fee	(72)	-	-	-
Gain on restructuring	(272,666)	-	(339,362)	-
Unwinding of discount on receivables	(527)	(977)	-	-
Share option expenses	-	(94)	-	(94)
Available-for-sale financial assets:				
- Dividend income	(2,231)	(512)	(46)	-
- Gain on redemption	(444)	(89)	(104)	-
Interest income	(3,856)	(859)	(859)	(655)
Construction profit recognised pursuant to IC 12	(3,027)	(220)	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Share of results:				
- Joint venture	(3,809)	(10,008)	-	-
- Associate	(1,090)	769	-	-
Property, plant and equipment written off	602	162	1	19
Value-added tax exempted by tax authority	(5,402)	(4,926)	-	-
Dividend income	-	-	(29,570)	(19,980)
Other receivables written off:				
- Third parties	-	8	-	8
- Subsidiaries	-	-	41	-
Interest income imputed in retention sums	(295)	(1,083)	-	-
Over-accrual of litigation claims	-	(1,961)	-	-
Interest expense imputed in borrowing	219	-	-	-
Accrual of litigation fee	-	248	-	-
Operating Profit/(Loss) Before Working Capital Changes	110,231	78,920	(11,166)	(7,293)
Decrease/(Increase) in:				
Inventories	41	144	-	-
Amount due from contract customers	(247)	(1,071)	-	67
Trade and other receivables	29,990	(10,695)	(75,697)	2,625
(Decrease)/Increase in:				
Amount due to contract customers	(180)	(9,622)	(336)	336
Trade and other payables	40,009	18,391	4,233	72
Cash Generated From/(Used In) Operations	179,844	76,067	(82,966)	(4,193)
Income tax paid	(21,561)	(18,984)	-	(4,995)
Income tax refunded	9,235	1,115	4,532	-
Net Cash From/(Used In) Operating Activities	167,518	58,198	(78,434)	(9,188)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	3,884	859	913	601
Decrease in amount due from subsidiaries	-	-	155,336	6,548
Decrease in other payables and accruals	(3,131)	-	(3,131)	-
Property, plant and equipment:				
- Proceeds from disposal	286	192	103	57
- Purchase *	(4,278)	(4,680)	(492)	(684)
Purchase of intangible assets	(35,812)	(5,879)	-	-
Net cash inflow on acquisition of subsidiary (Note 47)	140,170	-	-	-
Investment in joint venture	(75,015)	-	(48,000)	-
Investment in subsidiary	-	-	(9)	-
Dividend received from subsidiaries	-	-	23,690	19,980
Dividend from joint venture	5,500	-	5,500	-
Available-for-sale financial assets:				
- Purchase	(168,535)	(36,316)	(33,491)	-
- Proceeds from redemption	173,622	32,466	33,641	-
Decrease in cash restricted	-	3	-	-
(Placement)/Withdrawals of deposits pledged as security	(12,305)	(3,672)	4,505	(37)
(Increase)/Decrease in proceeds deposited in the designated bank accounts	(8,660)	1,608	-	-
Proceeds from redemption of preference share from associate	-	400	-	400
Proceeds from the disposal of shares (Note 47)	68,683	-	-	-
Net Cash From/(Used In) Investing Activities	84,409	(15,019)	138,565	26,865
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Interest paid	(25,085)	(28,554)	(2,025)	(1,745)
Dividends paid	(26,189)	(4,911)	(26,189)	(4,911)
Repayments of borrowings	(93,116)	(99,011)	(80,000)	(10,000)
Drawdowns of borrowings	73,099	93,610	50,000	-
Repayment of finance lease payables	(332)	(219)	(169)	(146)
Net Cash Used In Financing Activities	(71,623)	(39,085)	(58,383)	(16,802)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	The Group		The Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		180,304	4,094	1,748	875
Effects of foreign exchange rate changes		1,739	(937)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		15,045	11,888	(2,757)	(3,632)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	27	197,088	15,045	(1,009)	(2,757)

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Payment by cash	4,278	4,680	492	684
Other payables and accruals	-	10,118	-	10,118
Financed by finance lease	565	174	-	-
Total (Note 15)	4,843	14,972	492	10,802

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiaries are as disclosed in Note 19.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year except for those arose from the Group's restructuring as disclosed in Note 47.

The registered office of the Company is located at Level 18, The Garden North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 1 April 2015.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2014 as follows:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements (Amendments relating to Investment Entities)
Amendments to MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)
Amendments to MFRS 136	Impairment of Assets (Amendments relating to Recoverable Amount Disclosures for Non-Financial Assets)
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)
IC Interpretation 21	Levies

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Standards and IC Interpretations in issue but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[5]
MFRS 15	Revenue from Contracts with Customers[4]
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to MFRS 101	Disclosure Initiative[3]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to MFRS 116 and 141	Agriculture: Bearer Plants[3]
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions[1]
Amendments to MFRS 127	Equity Method in Separate Financial Statements[3]
Annual Improvements to MFRSs 2010 - 2012 cycle[2]	
Annual Improvements to MFRSs 2011 - 2013 cycle[1]	
Annual Improvements to MFRSs 2012 - 2014 cycle[3]	

[1] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that the abovementioned Standards 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

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

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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

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.

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

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

Investments in Associate and Joint Venture

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with MFRS 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue Recognition

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

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

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Income

Deferred income comprises the following:

(i) Fees received from third parties for the use of ancillary facilities along the 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.

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.

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date of each statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as 'currency translation reserve', a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currency (cont'd)

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

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

(iii) Share-based compensation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing Costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment

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

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

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

Depreciation of other property, plant and equipment is computed on the straight line method to allocate the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5-10 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 so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 of 50 years.

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

Intangible Assets

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

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

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

Amortisation of intangible assets relating to the waste management concession is computed using the straight line method over the period of the concession.

Amortisation of intangible assets relating to the highway concession for each financial year is computed based on the following formula:

$$\frac{\text{Cumulative toll revenue up to date}}{\text{Projected toll revenue till end of concession}} \times \text{Cost, less: Accumulated amortisation brought forward}$$

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Tangible and Intangible Assets Other Than Goodwill (cont'd)

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.

Construction Contracts

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

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

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

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

AFS financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

<u>AFS financial assets (cont'd)</u>

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

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

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

<u>Loans and receivables</u>

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

<u>Impairment of financial assets</u>

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

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

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

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

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

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

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

De-recognition 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 collateral borrowing for the proceeds received.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

Other financial liabilities

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

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

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

De-recognition of financial liabilities

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

Statements of Cash Flows

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

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

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

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

Segment Reporting

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

Contingent Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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. Note 18 provides information about the key bases and assumptions used by the Directors in the estimation of the recoverable amounts.

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

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amount of goodwill on consolidation annually by comparing to the recoverable amount of the cash generating unit to determine whether there is impairment. The recoverable amount is determined based on the estimation of the present value of future cash flows expected to be generated. The key bases and assumptions used in the estimation of the recoverable amount are disclosed in Note 23.

(c) Amortisation of Highway Development Expenditure

The cost of highway development expenditure is amortised over the concession period by applying the formula as disclosed in Note 3. The denominator of the formula includes projected total toll revenue 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, multiplied by the current applicable toll rates. The assumptions to arrive at the traffic volume projections take into consideration the growth rates based on current market and economical conditions. Changes in the expected traffic volume could impact future amortisation charges.

(d) Recognition of Government Compensation

Government compensation relating to losses in future income are deferred and recognised in profit or loss on a systematic basis over the period necessary to match them with the losses that are intended to compensate, based on the original toll submission (traffic volume) made to the Government. As the amount of government compensation to be recognised in the profit or loss for each year over the remaining Concession Period had been determined at the point of receipt of the compensation, changes in the expected traffic volume are not expected to have a subsequent impact.

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

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

(e) 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.

(f) 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.

(g) Taxation

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

(h) Deferred Tax Assets

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

(i) Construction Contracts

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

(j) Revenue and Cost Recognition for Intangible Asset model

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

(k) Trade Receivables and Revenue Recognition

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

Of the total amount of the Group's trade receivables amounting to RM379,386,000 (2013: RM350,343,000), RM345,115,000 (2013: RM311,344,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 25.

(l) Litigations

The Group, having considered the legal advice from the external solicitors, has assessed and determined its obligation that could arise from the legal claims as disclosed in Note 45.

5. SEGMENT REPORTING

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

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

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

5. SEGMENT REPORTING (cont'd)

Segment analysis:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue												
Total revenue	218,392	172,757	55,627	47,711	101,369*	87,649*	23,150	-	34,294^	24,287^	432,832	332,404
Inter-segment revenue	-	-	(610)	(569)	(2,063)	(3,660)	-	-	(33,669)	(23,499)	(36,342)	(27,728)
External revenue	218,392	172,757	55,017	47,142	99,306	83,989	23,150	-	625	788	396,490	304,676
Reconciliation: Difference in accounting policy (see note below)	(42,576)	(22,864)	-	-	-	-	-	-	-	-	(42,576)	(22,864)
Revenue as per statement of comprehensive income	175,816	149,893	55,017	47,142	99,306	83,989	23,150	-	625	788	353,914	281,812

* Including RM33,296,000 (2013: RM2,418,000) construction revenue recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

^ Included in Others is dividend income of RM29,570,000 received from subsidiaries, former joint venture and an associate company (2013: RM19,980,000 received from a subsidiary).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5. SEGMENT REPORTING (cont'd)

Segment analysis: (cont'd)

	Water		Waste management		Construction		Toll highway		Others		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Earnings before finance costs, depreciation and amortisation and income tax	62,181	58,294	22,325	15,403	5,046	4,451	17,041	10,008	371,554	28,435	478,147	116,591
Depreciation and amortisation	(602)	(459)	(17,806)	(17,057)	(456)	(260)	(6,740)	-	(2,873)	(413)	(28,477)	(18,189)
	61,579	57,835	4,519	(1,654)	4,590	4,191	10,301	10,008	368,681	28,022	449,670	98,402
Finance costs	-	-	(21,401)	(21,306)	(28)	(45)	(8,404)	-	(2,359)	(1,701)	(32,192)	(23,052)
Inter-segment results	2,286	2,040	6,994	-	941	-	239	-	(111,834)	(37,498)	(101,374)	(35,458)
Segment results	63,865	59,875	(9,888)	(22,960)	5,503	4,146	2,136	10,008	254,488	(11,177)	316,104	39,892
Share of results of associate											1,090	(769)
Profit before tax											317,194	39,123
Income tax expense											(14,036)	(14,031)
Profit for the financial year as per statement of profit or loss and comprehensive income											303,158	25,092

5. SEGMENT REPORTING (cont'd)

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

	Water		Waste management		Construction		Toll highway		Others		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Segment assets	404,920	360,030	560,269	497,174	39,265	34,836	1,687,478	122,245	105,938	36,616	2,797,870	1,050,901
Segment liabilities	(67,235)	(47,616)	(351,695)	(315,725)	(28,998)	(25,243)	(895,510)	-	(79,003)	(51,770)	(1,422,441)	(440,354)
Net segment assets /(liabilities)	337,685	312,414	208,574	181,449	10,267	9,593	791,968	122,245	26,935	(15,154)	1,375,429	610,547
Other financial information:												
Capital additions (including business combination):												
Intangible assets	-	-	35,812	5,879	-	-	1,198,828	-	-	-	1,234,640	5,879
Property, plant and equipment	1,209	1,011	1,230	2,024	815	1,136	22,790	-	492	10,801	26,536	14,972
Depreciation:												
Property, plant and equipment	603	459	1,467	1,316	455	323	2,142	-	2,864	402	7,531	2,500
Investment properties	-	-	-	-	-	-	-	-	9	10	9	10
Amortisation of intangible assets	-	-	16,339	15,741	-	-	4,598	-	-	-	20,937	15,741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5. SEGMENT REPORTING (cont'd)

Revenue from the two major customers of Water Segment contributed approximately RM175,816,000 (2013: RM149,893,000) of the Group's total revenue.

Revenue from the three major customers of Waste Management Segment contributed approximately RM55,017,000 (2013: RM47,142,000) of the Group's total revenue.

Revenue from the two major customers of Construction Segment contributed approximately RM97,262,000 (2013: RM77,923,000) of the Group's total revenue.

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

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

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

* The Company's home country.

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

	Revenue	
	2014	**2013**
	RM'000	**RM'000**
Malaysia	265,602	232,252
China	88,312	49,560
	353,914	281,812

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

			Capital additions			
	Total assets		Intangible assets		Property, plant and equipment	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	2,233,416	553,151	1,198,828	-	25,306	12,948
China	564,260	497,519	35,812	5,879	1,230	2,024
Singapore	194	231	-	-	-	-
	2,797,870	1,050,901	1,234,640	5,879	26,536	14,972

6. REVENUE

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Management, operation and maintenance of water treatment plants ^	175,816	149,893	-	-
Revenue from construction contracts *	99,306	83,989	2,151	3,401
Waste management	55,017	47,142	-	-
Management fees (Note 49)	361	600	2,880	2,640
Toll revenue and operator fee	18,634	-	-	-
Deferred income (Note 41)	4,516	-	-	-
Dividend from subsidiaries and associate (Note 49)	-	-	29,570	19,980
Others	264	188	-	-
	353,914	281,812	34,601	26,021

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of repayment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM42,576,000 (2013: RM22,864,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plants.

* Revenue from construction contracts of the Group includes RM33,296,000 (2013: RM2,418,000) construction revenue recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

7. COST OF OPERATIONS

Included in cost of operations are:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amortisation of intangible assets (Note 18)	20,937	15,741	-	-
Employee related expenses	89	54	-	-
Hire of plant and machinery	37	98	-	-
Lease rental of waterwork assets	150	150	-	-
Depreciation of property, plant and equipment (Note 15)	3,178	1,078	-	3
Provision for heavy repairs (Note 42)	1,182	-	-	-
Rental of tools and equipment	-	5	-	-
Staff costs	19,280	16,993	2,519	2,177
Contract costs recognised *	91,232	77,824	2,176	4,546

* Contract costs recognised of the Group includes RM30,269,000 (2013: RM2,198,000) construction costs recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. OTHER OPERATING INCOME

Included in other operating income are:

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Gain on restructuring (Note 47)	272,666	-	339,362	-
Reversal of discounting of receivables (Note 25)	15,823	14,288	-	-
Loans and receivables:				
Interest income on fixed deposits with licensed banks	3,856	859	859	655
Available-for-sale financial assets:				
- Dividend income	2,231	512	46	-
- Gain on redemption	444	89	104	-
Rental income	131	20	683	19
Gain on disposal of property, plant and equipment (Note 15)	233	75	85	50
Realised foreign exchange gain	-	163	-	-
Unrealised foreign exchange gain	1,369	1,605	14,668	12,820
Unwinding of discount on:				
- trade receivables (Note 25)	495	947	-	-
- other receivables (Note 26)	32	30	-	-
Value-added tax exempted by tax authority	5,402	4,926	-	-
Amortisation of rental and maintenance fee (Note 41)	72	-	-	-
Reversal of impairment of investment in subsidiaries (Note 19)	-	-	-	818
Interest income imputed in retention sums (Note 38)	295	1,083	-	-
Over-accrual of litigation claims	-	1,961	-	-

9. ADMINISTRATIVE AND OTHER EXPENSES

Included in administrative and other expenses are:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Depreciation of investment properties (Note 16)	9	10	9	10
Employee related expenses	1,518	811	387	100
Auditors' remuneration:				
Auditors of the Company:				
- Statutory audit	303	149	83	65
- Audit related services	48	48	48	48
- Other services	50	5	50	5
Other auditors - statutory audit	149	147	-	-
Depreciation of property, plant and equipment (Note 15)	4,353	1,360	3,067	608
Impairment:				
- Investment in subsidiaries (Note 19)	-	-	4,101	-
- Other receivables (Note 26)	15	21	-	-
- Amount due from subsidiaries	-	-	1,050	-
- Intangible assets (Note 18)	1,982	10,144	-	-
Provision for discounting of receivables	-	80	-	-
Rental of premises	3,019	709	2,852	424
Rental - others	390	378	22	17
Staff costs	16,283	14,324	5,841	4,222
Other receivables written off:				
- Third parties	-	8	-	8
- Subsidiaries	-	-	41	-
Property, plant and equipment written off (Note 15)	602	162	1	19
Interest expense imputed in borrowing (Note 37)	219	-	-	-
Loss on disposal of property, plant and equipment (Note 15)	-	254	-	-
Unrealised foreign exchange loss	1,152	703	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. FINANCE COSTS

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- Borrowings	32,164	23,007	1,830	1,701
- Finance lease	28	45	22	44
	32,192	23,052	1,852	1,745

11. STAFF COSTS

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonus	32,186	28,429	7,541	5,668
Defined contribution - Employees Provident Fund	2,542	2,084	713	616
Other employee benefits	835	804	106	115
	35,563	31,317	8,360	6,399

Included in staff costs of the Group and of the Company are Directors' remuneration of RM636,000 (2013: RM873,000) and RM636,000 (2013: RM577,000) 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 RM202,000 (2013: RM251,000) and RM153,000 (2013: RM169,000) respectively.

12. DIRECTORS' REMUNERATION

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

Non-executive Directors
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting (appointed on 16 April 2014)
Mr. Vijay Vijendra Sethu (appointed on 16 April 2014)
Dato' Sri Amrin bin Awaluddin (appointed on 15 September 2014)
Dato' Hj Mohd Sinon bin Mudakir (resigned on 18 June 2014)
Encik Sulaiman bin Salleh (resigned on 18 June 2014)
Encik Suhaimi bin Kamaralzaman (resigned on 31 March 2014)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

12. DIRECTORS' REMUNERATION (cont'd)

Executive Director
Mr. Lim Yew Boon

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-executive Directors:				
- Fees	211	185	211	185
- Other emoluments	69	72	69	72
Executive Director:				
- Fees	34	25	34	25
- Salaries and bonus	280	257	280	257
- Defined contribution plan	34	31	34	31
- Other emoluments	8	303	8	7
	636	873	636	577

13. INCOME TAX EXPENSE/(INCOME)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysian income tax:				
Current year	23,248	14,173	-	6,082
Under/(Over)provision in prior years	47	(2,196)	-	(820)
	23,295	11,977	-	5,262
Foreign income tax	-	3	-	-
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(9,259)	2,051	(2,239)	2,239
	14,036	14,031	(2,239)	7,501

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. INCOME TAX EXPENSE/(INCOME) (cont'd)

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 is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	317,194	39,123	363,407	24,731
Taxation at statutory tax rates	79,299	13,473	90,852	6,183
Tax effects of:				
Non-deductible expenses	4,473	4,933	2,478	3,656
Non-taxable income	(75,525)	(5,431)	(101,322)	(109)
Deferred tax assets not recognised/(Realisation of deferred tax assets previously not recognised)	5,742	3,252	5,753	(1,409)
Under/(Over)provision of income tax expense in prior years	47	(2,196)	-	(820)
Income tax expense/(income) recognised in profit or loss	14,036	14,031	(2,239)	7,501

14. EARNINGS PER SHARE

(a) Basic

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

	The Group	
	2014 RM'000	2013 RM'000
Profit for the financial year attributable to owners of the Company	301,249	28,009
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Basic EPS (sen)	69.0	6.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14. EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share

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

	The Group	
	2014 RM'000	**2013 RM'000**
Profit for the financial year attributable to owners of the Company	301,249	28,009
Weighted average number of ordinary shares in issue ('000)	436,492	436,492
Effects of dilution from ESOS Options ('000)	96	-
Adjusted weighted average number of ordinary shares in issue ('000)	436,588	436,492
Diluted EPS (sen)	69.0	6.4

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2014	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2014	280	700	13,275	2,055	12,455	9,343	6,673	-	-	44,781
Arising from business combination (Note 47)	-	-	-	-	272	862	215	20,327	17	21,693
Additions	-	-	266	13	910	3,243	73	338	-	4,843
Disposals	-	-	(50)	-	(3)	(959)	-	-	-	(1,012)
Write offs	-	-	(2,685)	-	(513)	(8)	(575)	-	-	(3,781)
At 31 December 2014	280	700	10,806	2,068	13,121	12,481	6,386	20,665	17	66,524
Accumulated depreciation										
At 1 January 2014	-	146	10,863	34	4,400	4,662	1,158	-	-	21,263
Charge for the financial year	-	42	1,102	436	1,748	1,230	1,196	1,911	3	7,668
Disposals	-	-	(50)	-	(1)	(908)	-	-	-	(959)
Write offs	-	-	(2,085)	-	(513)	(8)	(573)	-	-	(3,179)
At 31 December 2014	-	188	9,830	470	5,634	4,976	1,781	1,911	3	24,793
Accumulated currency translation differences										
At 1 January 2014	-	-	1,646	-	(3,125)	233	47	-	-	(1,199)
Currency translation differences	-	-	326	-	(146)	56	(21)	-	-	215
At 31 December 2014	-	-	1,972	-	(3,271)	289	26	-	-	(984)

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

The Group 2013	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2013	280	700	12,571	-	8,216	8,407	1,204	-	-	31,378
Additions	-	-	704	2,055	4,451	2,098	5,664	-	-	14,972
Disposals	-	-	-	-	(26)	(1,162)	-	-	-	(1,188)
Write offs	-	-	-	-	(186)	-	(195)	-	-	(381)
At 31 December 2013	280	700	13,275	2,055	12,455	9,343	6,673	-	-	44,781
Accumulated depreciation										
At 1 January 2013	-	132	9,656	-	4,115	4,804	1,066	-	-	19,773
Charge for the financial year	-	14	1,207	34	454	655	136	-	-	2,500
Disposals	-	-	-	-	(7)	(797)	-	-	-	(804)
Write offs	-	-	-	-	(162)	-	(44)	-	-	(206)
At 31 December 2013	-	146	10,863	34	4,400	4,662	1,158	-	-	21,263
Accumulated currency translation differences										
At 1 January 2013	-	-	1,195	-	(3,169)	67	18	-	-	(1,889)
Currency translation differences	-	-	451	-	44	166	29	-	-	690
At 31 December 2013	-	-	1,646	-	(3,125)	233	47	-	-	(1,199)
Net book value										
At 31 December 2014	280	512	2,948	1,598	4,216	7,794	4,631	18,754	14	40,747
At 31 December 2013	280	554	4,058	2,021	4,930	4,914	5,562	-	-	22,319

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

The Company	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
At 1 January 2013	106	-	1,112	2,439	306	3,963
Additions	-	1,855	3,815	-	5,132	10,802
Disposals	-	-	-	(498)	-	(498)
Write offs	-	-	(167)	-	(6)	(173)
At 31 December 2013	106	1,855	4,760	1,941	5,432	14,094
At 1 January 2014	106	1,855	4,760	1,941	5,432	14,094
Additions	-	10	458	-	24	492
Disposals	-	-	(3)	(267)	-	(270)
Write offs	(38)	-	(248)	-	(305)	(591)
At 31 December 2014	68	1,865	4,967	1,674	5,151	13,725
Accumulated depreciation						
At 1 January 2013	105	-	985	1,455	282	2,827
Charge for the financial year	-	31	213	258	109	611
Disposals	-	-	-	(491)	-	(491)
Write offs	-	-	(152)	-	(2)	(154)
At 31 December 2013	105	31	1,046	1,222	389	2,793
At 1 January 2014	105	31	1,046	1,222	389	2,793
Charge for the financial year	-	372	1,423	244	1,028	3,067
Disposals	-	-	(2)	(250)	-	(252)
Write offs	(38)	-	(247)	-	(305)	(590)
At 31 December 2014	67	403	2,220	1,216	1,112	5,018
Net book value						
At 31 December 2014	1	1,462	2,747	458	4,039	8,707
At 31 December 2013	1	1,824	3,714	719	5,043	11,301

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM1,233,000 (2013: RM960,000) and RM411,000 (2013: RM601,000) respectively.

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

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capitalised in amount due to contract customers	40	137	62	-	-
Statements of profit or loss and other comprehensive income:					
Cost of operations	7	3,178	1,078	-	3
Administrative and other expenses	9	4,353	1,360	3,067	608
		7,531	2,438	3,067	611
		7,668	2,500	3,067	611

(c) Write offs for the financial year consist of:

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capitalised in amount due from contract customers	40	-	13	-	-
Administrative and other expenses	9	602	162	1	19
		602	175	1	19

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

		The Group		The Company	
		2014	**2013**	**2014**	**2013**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capitalised in amount due from contract customers	40	-	(13)	-	-
Other operating income	8	233	75	85	50
Administrative and other expenses	9	-	(254)	-	-
		233	(192)	85	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

16. INVESTMENT PROPERTIES

	The Group and The Company 2014 RM'000	2013 RM'000
Cost		
At 1 January	529	529
Transfer to asset held-for-sale	(160)	-
At 31 December	369	529
Accumulated depreciation		
At 1 January	109	99
Transfer to asset held-for-sale	(35)	-
Charge for the financial year (Note 9)	9	10
At 31 December	83	109
Accumulated impairment loss		
At 1 January/At 31 December	26	26
Net book value		
At 31 December	260	394
Representing:		
Freehold building	125	128
Leasehold buildings	135	266
	260	394

Fair value of the investment properties of the Group and of the Company as of 31 December 2014 is estimated at RM716,000 (2013: RM1,007,000) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity. No independent external valuation was performed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

16. INVESTMENT PROPERTIES (cont'd)

Details of the Group's and of the Company's investment properties and information about the fair value hierarchy as of 31 December 2014 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2014				
Freehold building located in Malaysia	-	513	-	513
Leasehold buildings located in Malaysia	-	203	-	203
2013				
Freehold building located in Malaysia	-	513	-	513
Leasehold buildings located in Malaysia	-	494	-	494

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

The unexpired lease period of the leasehold buildings of the Group and of the Company ranges from 21 to 79 years (2013: 22 to 80 years).

17. ASSET HELD-FOR-SALE

	The Group and The Company	
	2014 RM'000	2013 RM'000
Leasehold building	125	-

On 12 January 2015, the Company entered into a sale and purchase agreement with an independent third party to dispose the leasehold building for a consideration of RM245,000.

As of 31 December 2014, pending completion of the disposal of leasehold building, the leasehold building has been classified as asset held-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. INTANGIBLE ASSETS

	The Group	
	2014	2013
	RM'000	RM'000
Cost		
At 1 January	470,086	463,987
Arising from business combination (Note 47)	1,198,828	-
Additions	35,812	5,879
Profits from the construction of a public service infrastructure	3,027	220
At 31 December	1,707,753	470,086
Accumulated amortisation		
At 1 January	38,614	22,873
Charged for the financial year (Note 7)	20,937	15,741
At 31 December	59,551	38,614
Accumulated impairment loss:		
At 1 January	10,144	-
Impairment loss for the financial year (Note 9)	1,982	10,144
At 31 December	12,126	10,144
Accumulated currency translation differences		
At 1 January	34,832	(8,478)
Currency translation differences	18,764	43,310
At 31 December	53,596	34,832
Carrying amount	1,689,672	456,160
Representing:		
Intangible asset of a subsidiary in Malaysia	1,194,231	-
Intangible assets of subsidiaries in China	495,441	456,160
	1,689,672	456,160

18. INTANGIBLE ASSETS (cont'd)

The intangible assets of the Group consist of the following:

(A) Intangible asset of a subsidiary in Malaysia:

A concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn Bhd, for fifty years to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur Seremban-Road, which is expiring in September 2045, described as the Cheras-Kajang Expressway ("Expressway"). The ownership of the Expressway will be transferred to the Government of Malaysia at the end of the concession period.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

(B) Intangible assets of subsidiaries in China

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

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

(c) an industrial wastewater and recycled water treatment facilities proposed to be constructed by a subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, whereby the subsidiary undertakes the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Base in Yinchuan, People's Republic of China under build-operate-transfer basis ("the Facility"). The subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the Facility.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. INTANGIBLE ASSETS (cont'd)

(B) Intangible assets of subsidiaries in China (cont'd)

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

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

(a) Tianjin Panlou Domestic Waste Transfer Station

(i) Tonnage is estimated to increase from 957 tonnes/day in 2015 to 1050 tonnes/day in 2016 until the end of the concession period expiring in October 2025;

(ii) The tipping fee for basic tonnage is estimated to be RMB58.51/tonne in 2015 and increases by 2% per annum in accordance with the concession agreement; whereas the tipping fee for extra tonnage is estimated to be RMB26/tonne in 2015 and increases by RMB1/tonne per annum;

(iii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iv) Truck replacements to be incurred over a 7-year cycle; and

(v) Pre-tax discount rate of 12.5%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital, plus a reasonable risk premium specific to the company.

(b) Guanghan Wastewater Treatment Plant

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

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

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

In 2013, in the absence of a final negotiated termination value, the Group assessed the impairment on the intangible asset by comparing the carrying value of the intangible asset against the termination value offered by the Grantor and recorded an impairment loss of intangible asset of approximately RMB19,652,000 (RM10,144,000).

During the current financial year, a further impairment loss amounted to RMB3,727,000 (RM1,982,000) was recognised, as disclosed in Note 9.

18. INTANGIBLE ASSETS (cont'd)

(B) Intangible assets of the subsidiaries in China (cont'd)

(d) Yinchuan Wastewater and Recycled Water Treatment Plant

(i) Quantity of wastewater treated is estimated at 342 million liters per day ("MLD") in 2015, 369 MLD in 2016, 427 MLD in 2017, 451 MLD in 2018, 465 MLD in 2019 and 480 MLD from 2020 until the end of the concession period expiring in September 2041; whereas quantity of sales of recycled water is estimated to be 16 MLD in 2015 and thereafter, increase by 1 MLD/ 2 MLD a year until the end of the concession period;

(ii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iii) Estimated additional capital expenditure of RMB695,000,000 (RM391,563,000) for the expansion and upgrading of plant facilities required to be incurred in 2015 to 2017. The expansion and upgrading is required to be undertaken by the Group to comply with the terms of the concession agreement;

(iv) The tariff rate for wastewater treated is estimated to be RMB0.80/m3 in 2015 and increases to RMB2.11/m3 for Plant 3 from 2015 after the completion of expansion and upgrading works estimated at RMB130,000,000 (RM73,242,000), with a subsequent tariff revision every two years based on an annual increment of 3%. The new rate will be applied to Plant 4 in 2017; Plants 1 and 2 in 2018, after completion of expansion and upgrading works in 2015 to 2017; and

(v) Pre-tax discount rate of 12.5%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital, plus a reasonable risk premium specific to the company.

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

In respect of (a) and (d) above, if the estimated pre-tax discount rate applied to the discounted cash flows had been increased by an additional 1% as of 31 December 2014, the intangible assets would not be impaired.

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FOR THE YEAR ENDED 31 DECEMBER 2014

19. INVESTMENT IN SUBSIDIARIES

	The Company 2014 RM'000	2013 RM'000
Unquoted shares - at cost		
At 1 January	107,374	107,374
Additions	9	-
Recognised to profit and loss upon ESOS options lapsed	(918)	-
At 31 December	106,465	107,374
Accumulated impairment loss		
At 1 January	3,745	4,563
Impairment loss for the financial year (Note 9)	4,101	-
Reversal of impairment loss for the financial year (Note 8)	-	(818)
At 31 December	7,846	3,745
Carrying amount	98,619	103,629

The carrying amount of the investment in subsidiaries is assessed for impairment during the financial year and the recoverable amount of the investment in subsidiaries is determined based on the value in use of the subsidiaries. An impairment loss is recognised immediately in profit or loss if the recoverable amount is less than the carrying amount. As a result, the Company recognised an impairment loss of RM4,101,000 (2013: reversal of impairment loss of RM818,000) during the financial year.

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 2014 %	2013 %	Principal Activities
Held directly by the Company:				
Sungai Harmoni Sdn Bhd &	Malaysia	100	100	Management, operation and maintenance of water treatment plants for a period of 30 years expiring in January 2030.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Held directly by the Company:				
Taliworks (Langkawi) Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd^	Malaysia	60	60	Development, construction management, operation and maintenance and privatisation of water supply schemes and related business.
Taliworks Technologies Sdn Bhd^	Malaysia	100	100	Provision of project consultancy and technical services and sales of products related to water and waste treatment.
Taliworks International Limited*^	Hong Kong SAR	100	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd ("SWMT")^	Malaysia	100	100	Investment holding and waste management business activities.
Taliworks (Sichuan) Ltd*	Hong Kong SAR	80	80	Investment holding.
Destinasi Teguh Sdn Bhd	Malaysia	100	100	Application to strike off made on 30 December 2014.
Taliworks Construction Sdn Bhd	Malaysia	100	100	General construction.

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FOR THE YEAR ENDED 31 DECEMBER 2014

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Held directly by the Company:				
Prolific Equity Sdn Bhd	Malaysia	100	100	Application to strike off made on 30 December 2014.
Pinggiran Muhibbah Sdn Bhd ("PMSB")$	Malaysia	84.62	-	Incorporated on 7 March 2013 with intended principal activity as an investment holding company.
Jemari Infiniti Sdn Bhd ("JISB")$	Malaysia	100	-	Incorporated on 23 August 2013. Application to strike off made on 30 December 2014.
Held through PMSB:				
TEI Sdn Bhd ("TEI") (formerly known as Pinggiran Infrastructure Sdn Bhd)$	Malaysia	43.16	-	Investment holding.
Pinggiran Ventures Sdn Bhd ("PVSB")$	Malaysia	-	-	Incorporated on 5 August 2014. Subsequently disposed off on 11 August 2014 as disclosed in Note 47.
Held through TEI:				
Trinitywin Sdn Bhd$	Malaysia	43.16	-	Investment holding.
Cerah Sama Sdn Bhd ("CSSB")$	Malaysia	28.05	-	Investment holding.
Held through CSSB:				
Trupadu Sdn Bhd#$	Malaysia	28.05	-	Toll operator and general contractor of Cheras-Kajang Expressway.
Peak Synergy Sdn Bhd#$	Malaysia	28.05	-	Investment holding.
Europlex Consortium Sdn Bhd#$	Malaysia	28.05	-	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Held through CSSB:				
Grand Saga Sdn Bhd#$	Malaysia	28.05	-	Design, planning and construction of Cheras-Kajang Expressway.
Held through SWMT:				
Tianjin-SWM (M) Environment Co Ltd*	People's Republic of China	90	90	Provision of management, operation and maintenance of a waste transfer station and its related assets for a concession period of 21 years expiring in October 2025.
Held through Taliworks International Limited:				
Taliworks (Shanghai) Co Ltd*^	People's Republic of China	100	100	Trading in equipment for environment protection and water environment equipment and provision of related services.
Taliworks (Shanghai) Environment Technologies Co Ltd*	People's Republic of China	100	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste in the People's Republic of China.
Taliworks Environment Limited*^	Hong Kong SAR	100	100	Investment holding.
Taliworks ECO Pte Ltd*^	Singapore	70	70	Investment holding.
TILGEA Consortium Sdn Bhd^	Malaysia	70	70	General construction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of Incorporation	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Held through Taliworks International Limited:				
Taliworks (Yinchuan) Wastewater Treatment Co Ltd*	People's Republic of China	100	100	Operation and maintenance of Yinchuan City's 1st to 4th waste water treatment plants for a concession period of 30 years expiring September 2041.
Held through Taliworks Eco Pte Ltd:				
Ningxia ECO Wastewater Treatment Co Ltd*^	People's Republic of China	70	70	The subsidiary ceased the construction of the Facility and the negotiations are on-going for the Grantor to take-over the Facility as disclosed in Note 18.
Held through Taliworks (Sichuan) Ltd:				
Puresino (Guanghan) Water Co Ltd*@	People's Republic of China	56	56	Management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Audited by a firm other than Deloitte.

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

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

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

The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium Term Notes borrowings as disclosed in Note 37.

$ The acquisition and/or disposal of these subsidiaries formed part of the restructuring exercise as disclosed in Note 47.

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19. 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 2014	2013
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1
Provision of management and technical services relating to waste management	People's Republic of China	1	1
General construction	Malaysia	1	1
General trading company	Malaysia	1	1
Investment holding	Malaysia	-	2
Investment holding	Hong Kong SAR	2	2
Investment holding	People's Republic of China	2	2
		10	12

Principal activities	Place of incorporation and operation	Number of none-wholly-owned subsidiaries 2014	2013
Provision of management and technical services relating to waste management	People's Republic of China	3	3
Construction of water treatment works	Malaysia	1	1
Investment holding	Hong Kong SAR	1	1
General construction	Malaysia	1	1
Investment holding	Singapore	1	1
Investment holding	Malaysia	1	-
Toll highway	Malaysia	7	-
		15	7

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Details for non-wholly-owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interest	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cerah Sama Sdn Bhd ("CSSB")	71.95%	-	917	-	517,518	-
Other individually immaterial subsidiaries	-*	-*	992	(2,917)	6,150	4,990
			1,909	(2,917)	523,668	4,990

* Note: Various proportion of ownership interests and voting rights held by non-controlling interests.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup elimination.

CSSB:

	The Group 2014 RM'000
Non-current assets	1,360,419
Current assets	244,327
Current liabilities	(2,571)
Non-current liabilities	(882,901)
Net assets	719,274
Equity attributable to owners of the Company	201,756
Non-controlling interests	517,518
Revenue	23,150
Expenses	(21,876)
Profit for the financial year	1,274
Profit attributable to owners of the Company	357
Profit attributable to non-controlling interest	917
Net cash generated from:	
- Operating activities	17,261
- Investing activities	2,007
Net change in cash and cash equivalents	19,268

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FOR THE YEAR ENDED 31 DECEMBER 2014

20. INVESTMENT IN JOINT VENTURE

	2014 RM'000	2013 RM'000
The Group		
Unquoted investment, at cost		
Ordinary shares	-*	-
Irredeemable cumulative preference shares ("ICPS")	76,300	-
Share of post-acquisition (loss)/profit	(1,679)	122,245
	74,621	122,245

* Inclusive of subsidiary's investment in joint venture of RM150.

	2014 RM'000	2013 RM'000
The Company		
Unquoted investment, at cost		
Ordinary shares	-	55,538
Irredeemable cumulative preference shares ("ICPS")	48,000	-
	48,000	55,538

The salient terms of the ICPS are as follows:

(i) entitled to a preferential dividend at a fixed rate of 5% per annum, cumulative for 5 years. Upon expiry of 5 years, the payment of dividend shall be at the discretion of the Board of Directors and in priority to any payment of dividend to any other classes of shares;

(ii) repayment of capital in the event of a winding-up of the issuer in priority to the ordinary shareholders;

(iii) no further rights to participate in the surplus assets of the issuer after repayment of capital in the event of a winding-up of the issuer; and

(iv) entitled to one (1) vote for each RM1.00 of the ICPS held at general meeting of the issuer including in respect of proposed winding up of the issuer and variation or amendment of the rights attached to the preference shares.

20. INVESTMENT IN JOINT VENTURE (cont'd)

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

	The Group	
	2014 RM'000	2013 RM'000
Revenue	19,892	33,289
Earnings before finance costs, depreciation and amortisation and income tax	14,390	29,031
Profit for the financial year	3,809	10,008
Other comprehensive income for the financial year	-	162
Total comprehensive income for the financial year	3,809	10,170

The above profit for the financial year includes the following:

	The Group	
	2014 RM'000	2013 RM'000
Interest income	2,318	3,354
Depreciation of property, plant and equipment	(3,249)	(6,102)
Interest expense	(7,178)	(11,617)
Income tax expense	(154)	(1,304)

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amount shown in the joint venture's financial statements prepared in accordance with MFRS.

Cerah Sama Sdn Bhd ("CSSB"):

	The Group	
	2014 RM'000	2013 RM'000
Non-current assets	-	393,336
Current assets	-	165,395
Current liabilities	-	(14,089)
Non-current liabilities	-	(422,397)
Net assets	-	122,245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

20. INVESTMENT IN JOINT VENTURE (cont'd)

Share of revenue and profit of CSSB are as follows:

	The Group	
	2014	2013
	RM'000	RM'000
Revenue	19,158	33,289
Earnings before finance costs, depreciation and amortisation and income tax	15,597	29,031
Profit for the financial year	5,488	10,008
Other comprehensive income for the financial year	-	162
Total comprehensive income for the financial year	5,488	10,170

The above profit for the financial year includes the following:

	The Group	
	2014	2013
	RM'000	RM'000
Interest income	2,318	3,354
Depreciation of property, plant and equipment	(3,107)	(6,102)
Interest expense	(6,933)	(11,617)
Income tax expense	(69)	(1,304)

Grand Sepadu (NK) Sdn Bhd (formerly known as Jejak Melewar Sdn Bhd) ("JMSB"):

	The Group	
	2014	2013
	RM'000	RM'000
Non-current assets	264,811	-
Current assets	84,820	-
Current liabilities	(75,010)	-
Non-current liabilities	(200,000)	-
Net assets	74,621	-

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FOR THE YEAR ENDED 31 DECEMBER 2014

20. INVESTMENT IN JOINT VENTURE (cont'd)

Share of revenue and loss of JMSB are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000
Revenue	734	-
Loss before finance costs, depreciation and amortisation and income tax	(1,207)	-
Loss for the financial year	(1,679)	-
Other comprehensive income for the financial year	-	-
Total comprehensive loss for the financial year	(1,679)	-

The above loss for the financial year includes the following:

	The Group 2014 RM'000	The Group 2013 RM'000
Depreciation of property, plant and equipment	(142)	-
Interest expense	(245)	-
Income tax expense	(85)	-

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Grand Sepadu (NK) Sdn Bhd (formerly known as Jejak Melewar Sdn Bhd)@	63.47	-	Operation and maintenance of the New North Klang Straits Bypass highway.
Cerah Sama Sdn Bhd*	-	55	Investment holding in a company principally engaged in activities of design, planning and construction of the Cheras-Kajang Expressway, and a company principally engaged in the business as toll operator, general contractor of Cheras-Kajang Expressway.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

20. INVESTMENT IN JOINT VENTURE (cont'd)

@ On 23 June 2014, the Company via its subsidiary, Pinggiran Muhibbah Sdn Bhd ("PMSB") acquired 75 ordinary shares of RM1.00 each, representing 75% of the total issued and paid-up share capital of Grand Sepadu (NK) Sdn Bhd (formerly known as Jejak Melewar Sdn Bhd) ("JMSB"), a company incorporated in Malaysia, for a cash consideration of RM75. Pursuant to the Shareholders' Agreement, PMSB and the other shareholder of JMSB have contractually agreed to jointly share the control to direct the activities of JMSB that will significantly affect the returns of JMSB. Consequently, JMSB became a joint venture of PMSB.

On 18 September 2014, JMSB increased its issued and paid-up share capital from RM100 to RM200 by way of issuance of new 100 ordinary shares of RM1.00 each and PMSB acquired an additional 75 ordinary shares of RM1.00 each of JMSB, for a cash consideration of RM75.

* On 7 August 2014, the Group obtained control over its former joint venture company, Cerah Sama Sdn Bhd ("CSSB") arising from the restructuring exercise as disclosed in Note 47. Consequently, CSSB became an indirect subsidiary of the Company.

21. INVESTMENT IN ASSOCIATE

	2014 RM'000	2013 RM'000
The Group		
Share net assets of associate	5,881	5,171
The Company		
Unquoted investments, at cost		
Ordinary shares	2,000	2,000
Preference shares	120	120
	2,120	2,120

The Group's share of revenue and profit/(loss) of the associate are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000
Revenue	22,007	20,407
Profit/(Loss) for the financial year	1,090	(769)

The Group's share of assets and liabilities of the associate are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000
Non-current assets	408	421
Current assets	15,897	13,177
Current liabilities	(6,584)	(4,952)
Non-current liabilities	(84)	(72)
Non-controlling interests	(3,756)	(3,403)
Net assets	5,881	5,171

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

21. INVESTMENT IN ASSOCIATE (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of interest in the associate recognised in the consolidated financial statements:

	The Group	
	2014 RM'000	2013 RM'000
Net assets of the associate	14,701	12,928
Proportion of the Group's ownership interest in the associate	40%	40%
Carrying amount of the Group's interest in the associate	5,881	5,171

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

Name	Proportion of ownership interest held by the Group 2014 %	2013 %	Principal Activities
Hydrovest Sdn Bhd*	40	40	Provision of water management and project services.

* Audited by a firm other than Deloitte.

22. OTHER INVESTMENT

	The Group	
	2014 RM'000	2013 RM'000
Available for sale:		
At cost,		
Golf membership	240	-

23. GOODWILL ON CONSOLIDATION

	The Group	
	2014 RM'000	2013 RM'000
At 1 January	2,504	2,504
Arising from business combination (Note 47)	129,385	-
At 31 December	131,889	2,504

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FOR THE YEAR ENDED 31 DECEMBER 2014

23. GOODWILL ON CONSOLIDATION (cont'd)

Goodwill on consolidation arose from:

(i) the acquisition of Cerah Sama Sdn. Bhd arising from the restructuring exercise as disclosed in Note 47; and

(ii) the acquisition of Puresino (Guanghan) Water Co Ltd by Taliworks (Sichuan) Ltd, an 80% owned subsidiary of the Company in May 2007.

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

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

(a) Cerah Sama Sdn. Bhd.

(i) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.80% and 2.30% respectively;

(ii) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3% annually;

(iii) Toll collections by Touch & Go and Smart Tag is estimated at 58% of total revenue. Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 1.9% of total toll revenue collected; and

(iv) Pre-tax discount rate of 7%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital, plus a reasonable risk premium specific to the company.

(b) Puresino (Guanghan) Water Co Ltd

(i) Quantity of wastewater treated to increase from 41,286 tonnes/day in 2015 to 48,000 tonnes/day in 2016 until the end of the concession period expiring in July 2033;

(ii) The tariff rate is estimated to be RMB1.15/m3 with a subsequent tariff revision every two years based on an annual increment of 3%;

(iii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iv) Capital expenditure to be incurred over a 1 - 5 year cycle to replace the machinery equipment; and

(v) Pre-tax discount rate of 12.5%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital, plus a reasonable risk premium specific to the company.

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

If the estimated pre-tax discount rates applied to the discounted cash flows had been increased by an additional 1% as of 31 December 2014, the goodwill would not be impacted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

24. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liability and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	16,048	8,730	-	-
Deferred tax liabilities	(254,514)	(2,246)	-	(2,239)
At end of financial year	(238,466)	6,484	-	(2,239)

The movements during the financial year are as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	6,484	8,512	(2,239)	-
Arising from business combination (Note 47)	(254,240)	-	-	-
Transfer from/(to) profit or loss (Note 13):				
Property, plant and equipment	278	(355)	320	(320)
Intangible assets	(273)	-	-	-
Amount due from subsidiaries	-	-	3,217	(3,217)
Other receivables, deposits and prepayments	14	(124)	-	-
Trade receivables	6,903	1,550	-	-
Other payables and accruals	3,239	(4,024)	(396)	396
Unused tax losses	(423)	423	(423)	423
Unabsorbed capital allowances	(479)	479	(479)	479
	9,259	(2,051)	2,239	(2,239)
Currency translation differences	31	-	-	-
Credit to statements of changes in equity:				
Available-for-sale financial assets	-	23	-	-
At 31 December	(238,466)	6,484	-	(2,239)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

24. 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		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets (before offsetting)				
Tax effects of deductible temporary differences arising from:				
Trade receivables	15,452	8,518	-	-
Other payables and accruals	873	998	-	396
Unused tax losses	-	423	-	423
Unabsorbed capital allowances	-	479	-	479
	16,325	10,418	-	1,298
Offsetting	(277)	(1,688)	-	(1,298)
Deferred tax assets (after offsetting)	16,048	8,730	-	-
Deferred tax liabilities				
Tax effects of taxable temporary differences arising from:				
Property, plant and equipment	191	469	-	320
Intangible assets	273	-	-	-
Amount due from subsidiaries	-	-	-	3,217
Other receivables, deposits and prepayments	13	27	-	
Other payables and accruals	74	3,438	-	-
	551	3,934	-	3,537
Offsetting	(277)	(1,688)	-	(1,298)
Arising from business combination	254,240	-	-	-
Deferred tax liabilities (after offsetting)	254,514	2,246	-	2,239

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

24. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2014, the estimated amount of deductible temporary differences, unused tax losses, unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Temporary differences arising from:				
Other payables and accruals	1,910	-	1,643	-
Unused tax losses	20,913	2,766	18,461	-
Unabsorbed capital allowances	3,075	164	2,909	-
	25,898	2,930	23,013	-

25. TRADE RECEIVABLES

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Current				
Trade receivables	258,519	189,984	-	-
Less: Provision for discounting	(58,765)	(32,482)	-	-
Net	199,754	157,502	-	-
Current				
Trade receivables	179,632	192,841	2,234	1,008
Total	379,386	350,343	2,234	1,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

25. TRADE RECEIVABLES (cont'd)

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2014 RM'000	2013 RM'000
Non-Current		
At 1 January	32,482	24,773
Provision for discounting	42,576	22,944
Reversal of discounting (Note 8)	(15,823)	(14,288)
Unwinding of discount (Note 8)	(495)	(947)
Currency translation differences	25	-
At 31 December	58,765	32,482
Current		
At 1 January	-	1,656
Written-off	-	(1,656)
At 31 December	-	-

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	362,598	331,150	2,234	1,008
Chinese Renminbi	16,788	19,193	-	-
Total	379,386	350,343	2,234	1,008

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

Of the total trade receivables of the Group of RM379,386,000 (2013: RM350,343,000), RM345,115,000 (2013: RM311,344,000) is concentrated in two customers. These customers are the Kedah State Government together with Syarikat Air Darul Aman Sdn Bhd ("SADA"), a corporatised body under the Kedah State Government, and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1.

25. TRADE RECEIVABLES (cont'd)

(a) Kedah State Government and SADA

The gross invoiced amount due from the Kedah State Government together with SADA as of 31 December 2014 is RM54,758,000 (2013: RM51,670,000), out of which RM54,758,000 (2013: RM50,323,000) was deemed by Group to be current, based on its assessment of past collection trends.

(i) Amount due from the Kedah State Government

As of the end of previous financial year, the balance owing by the Kedah State Government amounted to RM10,995,000 (2013: RM21,473,000). The Kedah State Government had offered to settle RM9,648,000 via various scheduled payments, commencing from May 2014 to November 2014. Accordingly, these amounts were classified as current and the remaining gross invoiced amount of RM1,347,000 had been classified as non-current.

During the current financial year, the Kedah State Government has honoured all the scheduled payment totaling RM9,648,000 and the Group assumed that the remaining gross invoiced amount of RM1,347,000 will be received within the next 12 months and accordingly, has been classified as current.

In 2013, a provision for impairment of RM80,000 was made in the financial statements, which has been reversed out during the financial year.

(ii) Amount due from SADA

As the payments from SADA have been regular, it is assumed that all outstanding amounts due from SADA will be repaid within the next 12 months and as such, classified as current.

The Group believes that the credit risk relating to the amounts owing by the Kedah State Government and SADA to be minimal as the amounts are due from government and the related entities.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the receivable due from Kedah State Government would be further discounted by approximately RM2,147,000 (2013: RM2,105,000).

(b) SPLASH

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

(i) Debt Settlement Agreement ("DSA")

Arising from the DSA with SPLASH in 2005, a total of RM64,827,000 was agreed to be settled via 10 instalments, commencing from 31 December 2006 and ending on 31 December 2015.

As of 31 December 2014, the amount due from SPLASH under the DSA is RM11,473,000 (2013: RM31,378,000). The amount outstanding representing the final instalment under the DSA and as such, has been classified as current. If the instalment is delayed by a year, an additional provision for discounting of RM1,550,000 (2013: RM1,340,000) will be required.

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FOR THE YEAR ENDED 31 DECEMBER 2014

25. TRADE RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

(ii) Invoiced amounts

In September 2014, the Selangor State and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn Bhd, a special purpose vehicle created by the Selangor State Government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya by acquiring all the concessionaires. However, the proposed take-over of SPLASH did not proceed then due to pricing disagreements.

Subsequent to the financial year end, the State government had in March 2015 indicated that the master agreement on the Selangor water restructuring between the State and the Federal governments has ended, thus the consolidation of the Selangor State water supply system through restructuring of the water concessionaires is unlikely to be fully implemented in the near term.

Due to the uncertainty relating to the future outcome of the impasse, SPLASH's receipts from Syarikat Bekalan Air Selangor Sdn Bhd, the concessionaire for the supply of treated water in Selangor is expected to continue to be delayed, thus affecting its ability to make timely payments to the Group.

As such, the gross invoiced amounts due from SPLASH as of 31 December 2014 amounting to RM337,606,000 (2013: RM260,230,000) is not expected to be fully received within the next 12 months. Based on the past repayment pattern, the Group estimates that approximately RM88,800,000 (2013: RM88,800,000) of collection from SPLASH will be received within the next 12 months which will reduce the sales amount outstanding. The remaining amount outstanding of RM248,806,000 (2013: RM171,430,000) is expected to be received progressively between 2016 to 2019 and accordingly, has been classified as non-current.

Arising from the above estimation, a net impact of RM26,868,000 (2013: RM8,934,000) has been made in the current financial year, comprising:

(i) an additional provision for discounting on a deferred payment consideration of RM42,576,000 (2013: RM22,864,000) which was set-off against revenue, as disclosed in Note 7; and

(ii) a reversal of discounting of receivables amounting to RM15,708,000 (2013: RM13,930,000) recognised as other income.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the invoiced amounts due from SPLASH would require an additional provision for discounting of RM35,546,000 (2013: RM26,032,000).

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FOR THE YEAR ENDED 31 DECEMBER 2014

25. TRADE RECEIVABLES (cont'd)

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

The Group	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2014				
Past due up to 3 months	15,447	41,429	15	56,891
Past due 3 to 9 months	27,007	31,866	60	58,933
Past due 9 months and above	5,847	178,019	12,108	195,974
	48,301	251,314	12,183	311,798
2013				
Past due up to 3 months	5,475	22,513	13,639	41,627
Past due 3 to 9 months	22,731	20,528	2,175	45,434
Past due 9 months and above	11,254	99,262	9,982	120,498
	39,460	142,303	25,796	207,559

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Current				
Other receivables	1,127	1,027	-	-
Less: Currency translation differences	45	100	-	-
Less: Provision for discounting	(547)	(579)	-	-
Net	625	548	-	-
Current				
Other receivables and prepayments	87,336	4,965	75,567	290
Deposits	1,657	852	820	382
Less: Provision for impairment	(42)	(21)	-	-
	88,951	5,796	76,387	672
Total	89,576	6,344	76,387	672

Included in other receivables, deposits and prepayments of the Group and of the Company is an advance of RM75,000,000 (2013: RMNil) granted to a joint venture. The advance is for the purpose of the Company's subscription of irredeemable cumulative preference shares in the joint venture subsequent to the financial year end.

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26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2014	2013
	RM'000	RM'000
Non-Current		
At 1 January	579	609
Unwinding of discount (Note 8)	(32)	(30)
At 31 December	547	579
Current		
At 1 January	21	-
Provision for impairment (Note 9)	15	21
Currency translation differences	6	-
At 31 December	42	21

27. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-Current				
Deposits with licensed banks	32,877	20,572	5,803	10,308
Current				
Deposits with licensed banks	160,188	10,160	-	-
Cash and bank balances	51,300	13,317	1,212	2,156
Total	211,488	23,477	1,212	2,156
Total:				
Deposits with licensed banks	193,065	30,732	5,803	10,308
Cash and bank balances	51,300	13,317	1,212	2,156
	244,365	44,049	7,015	12,464

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27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less:				
Deposits pledged as security	(32,877)	(20,572)	(5,803)	(10,308)
Proceeds deposited into the designated bank accounts	(12,179)	(3,519)	-	-
Overdraft (Note 37)	(2,221)	(4,913)	(2,221)	(4,913)
	(47,277)	(29,004)	(8,024)	(15,221)
Cash and cash equivalents	197,088	15,045	(1,009)	(2,757)

The currency profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	211,760	34,793	7,015	12,464
Chinese Renminbi	19,843	9,174	-	-
US Dollar	12,721	4	-	-
Other currencies	41	78	-	-
Total	244,365	44,049	7,015	12,464

(a) Included in deposits with licensed banks of the Group are long-term deposits amounting to RM32,877,000 (2013: RM20,572,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding for projects by the Group, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

(b) At the end of the reporting period, RM19,843,000 (2013: RM9,174,000) held by subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

(c) Included in deposits with licensed banks of the Company are long-term deposits amounting to RM5,803,000 (2013: RM10,308,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding for projects by the Group.

(d) The average interest rates of deposits of the Group and Company at the end of the reporting period range from 2.10% to 3.55% (2013: 2.30% to 3.30%) per annum and 2.85% to 3.30% (2013: 2.55% to 3.30%) per annum, respectively.

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27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

(e) Deposits of the Group and Company have an average maturity ranging from 1 day to 1,119 days (2013: 8 to 973 days) and 365 to 1,119 days (2013: 90 to 973 days) respectively. Bank balances are deposits held at call with licensed banks.

(f) Included in the Group's deposits with licensed financial institutions as of 31 December 2014 is an amount of RM10,861,000 (2013: RMNil) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium Term Notes as disclosed in Note 37.

28. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2014	2013
	RM'000	RM'000
Non-current		
Amount due from subsidiaries	451,785	202,152
Less: Provision for impairment	(8,181)	(7,731)
	443,604	194,421
Current		
Amount due from subsidiaries	5,828	1,570
Less: Provision for impairment	(300)	-
	5,528	1,570
	449,132	195,991

The movement in provision for impairment during the financial year is as follows:

	The Company	
	2014	2013
	RM'000	RM'000
Non-current		
At 1 January	7,731	7,731
Provision for impairment	750	-
Written-off	(300)	-
At 31 December	8,181	7,731
Current		
At 1 January	-	-
Provision for impairment	300	-
At 31 December	300	-

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28. AMOUNT DUE FROM SUBSIDIARIES (cont'd)

The currency profile of amount due from subsidiaries is as follows:

	The Company	
	2014 RM'000	2013 RM'000
US Dollar	224,422	179,852
Ringgit Malaysia	216,357	8,982
Hong Kong Dollar	5,754	5,155
Singapore Dollar	2,081	2,002
Chinese Renminbi	518	-
Total	449,132	195,991

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

29. INVENTORIES

	The Group	
	2014 RM'000	2013 RM'000
Consumable spares	1,207	1,109

All of the Group's inventories are expected to be used within the next 12 months.

30. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise investment in quoted unit trusts in Money Market Securities instruments that are not held for trading.

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30. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

The movement in available-for-sale financial assets during the financial year is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	25,460	20,946	-	-
Additions arising from business combination (Note 47)	91,366	-	-	-
Additions	170,778	36,828	33,537	-
Disposals	(173,179)	(32,377)	(33,537)	-
Fair value changes transferred to equity	415	123	83	-
Fair value changes transferred from equity	(381)	(60)	(83)	-
	34	63	-	-
At 31 December	114,459	25,460	-	-

31. SHARE CAPITAL

	The Group and The Company	
	2014 RM'000	2013 RM'000
Authorised:		
1,000,000,000 ordinary shares of RM0.50 each	500,000	500,000
Issued and fully paid:		
436,491,580 ordinary shares of RM0.50 each	218,246	218,246

Employees' Share Option Scheme ("ESOS")

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

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws.

31. SHARE CAPITAL (cont'd)

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

The options are exercisable from the effective date and expire on 29 September 2015. Any options not exercised by that date shall thereafter lapse and cease to be valid.

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

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

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

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

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

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

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

(vii) subject to the provisions of the ESOS By-laws, an option holder may deal with the new shares allotted and issued to him without any retention period or restriction of transfer. However, option holders who are non-executive Directors must not sell, transfer or assign the new shares allotted and issued to them pursuant to the exercise of their options within 1 year from the date of offer; and

(viii) in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, bonus issues, capital reduction, subdivisions or consolidation of shares or otherwise howsoever taking place:

(a) the Subscription Price; and/or
(b) the number of shares comprised in the options so far as unexercised; and/or
(c) the maximum number of shares and/or percentage of the total shares comprised in the options that may be exercised in a particular year.

shall be adjusted in accordance with the provisions in the ESOS By-laws.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

31. SHARE CAPITAL (cont'd)

Set out below are details of options over ordinary shares of the Company granted under ESOS:

		Number of ESOS options over ordinary shares of RM0.50 each			
Date of Grant	Exercise price per share RM	At 1 January '000	Exercised '000	Lapsed '000	At 31 December '000
2014					
3.10.2005	1.31	33	-	(12)	21
5.9.2007	1.90	3,984	-	(501)	3,483
		4,017	-	(513)	3,504
Weighted average exercise price (RM)		1.89	-	1.89	1.89
2013					
3.10.2005	1.31	43	-	(10)	33
5.9.2007	1.90	4,161	-	(177)	3,984
		4,204	-	(187)	4,017
Weighted average exercise price (RM)		1.89	-	1.89	1.89

All outstanding share options as of 31 December 2014 and 31 December 2013 were exercisable. There were no options exercised in the current and previous financial year. The options lapsed as a result of resignation of Directors and employees.

32. SHARE PREMIUM

	The Group and The Company	
	2014 RM'000	2013 RM'000
At 1 January/31 December	74,176	74,176

NOTES TO THE FINANCIAL STATEMENTS

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33 SHARE OPTION RESERVE

	The Group and The Company	
	2014 RM'000	2013 RM'000
At 1 January	2,111	2,205
Transfer from share option reserve upon ESOS lapsed	(520)	(94)
At 31 December	1,591	2,111

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

34. MERGER DEFICIT

	The Group	
	2014 RM'000	2013 RM'000
Merger deficit	71,500	71,500

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in financial year ended 31 December 2000			
Sungai Harmoni Sdn Bhd	47,000	5,000	42,000
Taliworks (Langkawi) Sdn Bhd	32,500	3,000	29,500
	79,500	8,000	71,500

35. RETAINED EARNINGS

In accordance with the Finance Act 2007, the entire retained earnings of the Company as of 31 December 2014 is available for the distribution of single-tier dividend.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

36. DIVIDENDS

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

	The Group and The Company			
	2014		2013	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Final dividend in respect of the financial year ended 31 December 2012, less 25% tax, on 436,491,580 ordinary shares paid on 31 July 2013	-	-	1.5	4,911
Final single-tier dividend in respect of the financial year ended 31 December 2013 on 436,491,580 ordinary shares paid on 25 June 2014	1.0	4,365	-	-
Interim single-tier dividend in respect of the financial year ended 31 December 2014 on 436,491,580 ordinary shares paid on 12 November 2014	5.0	21,824	-	-
	6.0	26,189	1.5	4,911

The Directors do not recommend any final dividends in respect of the current financial year. However, on 26 February 2015, the Directors declared the payment of a first interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM21,824,000 in respect of the financial year ending 31 December 2015, which was paid on 1 April 2015.

37. BORROWINGS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Current				
Finance lease liabilities	733	553	216	393
Term loans	303,754	284,619	-	-
Islamic Medium Term Notes ("IMTN")	414,870	-	-	-
Revolving credit	-	20,000	-	20,000
	719,357	305,172	216	20,393

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

37. BORROWINGS (cont'd)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Government loan	3,380	3,247	-	-
Finance lease liabilities	336	276	177	169
Term loans	15,819	12,716	-	-
Overdraft	2,221	4,913	2,221	4,913
Revolving credit	-	10,000	-	10,000
	21,756	31,152	2,398	15,082
Total				
Government loan (a)	3,380	3,247	-	-
Finance lease liabilities (b)	1,069	829	393	562
Term loans (c)	319,573	297,335	-	-
Revolving credit (c)	-	30,000	-	30,000
IMTN (d)	414,870	-	-	-
Overdraft	2,221	4,913	2,221	4,913
	741,113	336,324	2,614	35,475

The currency profile of borrowings is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Chinese Renminbi	322,953	300,582	-	-
Ringgit Malaysia	418,160	35,742	2,614	35,475
Total	741,113	336,324	2,614	35,475

The Group and the Company have a total of RM1,273,934,000 and RM89,516,000 (2013: RM482,990,000 and RM118,516,000) of borrowing limits, respectively comprising government loan secured from local government, term loans, overdrafts, revolving credit and other trade financing facilities granted by financial institutions and a RM750,000,000 in nominal value IMTN programme issued by investment bank.

Facilities of the Group amounting to RM1,255,053,000 (2013: RM474,743,000) 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 RM74,016,000 (2013: RM113,516,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or dividends payable by a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

37. BORROWINGS (cont'd)

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM48,281,400 (2013 : RM47,895,000) issued to financial institutions for banking facilities secured by a subsidiary, Taliworks Construction Sdn Bhd.

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Government loan	6.15	6.9	-	-
Finance lease liabilities	2.40-2.50	2.40-4.86	2.40-2.50	2.40-2.50
Term loans	6.36 - 7.205	6.36 - 7.60	-	-
IMTN	4.48-5.39	-	-	-
Overdraft	7.85	7.60	7.85	7.60
Revolving credit	-	2.40-3.40	-	2.40-3.40

(a) Government loan

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

(b) Finance lease liabilities

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The minimum lease payments at the end of the reporting period are as follows:				
Not later than 1 year	378	309	191	191
Later than 1 year	781	586	222	413
	1,159	895	413	604
Future finance charges	(90)	(66)	(20)	(42)
Present value	1,069	829	393	562

37. BORROWINGS (cont'd)

(b) Finance lease liabilities

The maturity profile of the present value of the finance lease liabilities is as follows:				
Not later than 1 year	336	276	177	169
Later than 1 year	733	553	216	393
	1,069	829	393	562

(c) Term loans and revolving credit

In 2012, the Company drawdown its revolving credit facility of RM40,000,000. The revolving credit was repayable over 4 equal instalments of RM10,000,000 a year over a duration of 4 years and was secured by a deed of assignment over all dividends payable a joint venture and a fixed deposit placement of RM250,000. The facility has been fully settled in the current financial year.

In 2013, a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co Ltd, refinanced the borrowing of RMB150,000,000 and subsequent to the re-financing of the borrowing, the subsidiary secured a long-term loan of RMB526,500,000 (RM284,889,000). The long-term loan is repayable over thirteen years (2013: fourteen years) and is secured by fees receivable from the management, operation and maintenance of the wastewater treatment plants.

(d) Islamic Medium Term Notes ("IMTN")

	The Group	
	2014 RM'000	2013 RM'000
Arising from business combination (Note 47)	414,651	-
Add: Interest imputed in borrowing (Note 9)	219	-
	414,870	-

The Ringgit Malaysia denominated IMTN of Cerah Sama Sdn Bhd, a subsidiary, was issued under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

* Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account; and

* The company's equity interest in ordinary shares of all of its subsidiaries.

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38. TRADE PAYABLES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Current				
Retention sums	7,752	4,630	-	-
Less: Interest income imputed in retention sum	(1,378)	(1,083)	-	-
Currency translation differences	(9)	-	-	-
Net	6,365	3,547	-	-
Current				
Trade payables	73,180	59,373	298	171
Retention sums	2,457	942	-	221
	75,637	60,315	298	392
Total	82,002	63,862	298	392

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM10,209,000 (2013: RM5,572,000). Out of this amount, the Group anticipated that RM2,457,000 (2013: RM942,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM7,752,000 (2013: RM4,630,000) has been classified as long-term payables, and it is expected to be released to contractors between 2016 to 2018. As a result, an interest income imputed in retention sum amounting to RM1,378,000 (2013: RM1,083,000) has been recognised in the current financial year.

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

The currency profile of trade payables is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	72,539	63,200	298	392
Chinese Renminbi	9,463	662	-	-
	82,002	63,862	298	392

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39. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables and accruals	117,949	32,075	15,183	13,987
Interest payables	11,244	2,271	-	173
	129,193	34,346	15,183	14,160

Included in other payables and accruals of the Group and of the Company are the following:

	The Group and The Company	
	2014 RM'000	2013 RM'000
(a) an amount owing to a company in which a Director and major shareholders have an interest	1,519	1,109
(b) an amount owing to an unincorporated joint venture company of the Company in which a Director and major shareholder have an interest	3,414	-
(c) amounts owing to a Director and a major shareholder	-	24

	The Group	
	2014 RM'000	2013 RM'000
(d) an amount owing to vendor representing the balance of the consideration payable to them arising from the acquisition of its equity interest in Cerah Sama Sdn Bhd, as disclosed in Note 47	64,018	-

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

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40. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Aggregate costs incurred to-date and recognised profits	341,454	425,257	159,931	157,779
Progress billings	(340,043)	(424,429)	(159,931)	(158,115)
Net amount due from/(to) contract customers	1,411	828	-	(336)
Represented by:				
Amount due from contract customers	1,411	1,164	-	-
Amount due to contract customers	-	(336)	-	(336)
	1,411	828	-	(336)

Included in amount due from/(to) contract customers are:

	The Group	
	2014 RM'000	2013 RM'000
Depreciation of property, plant and equipment (Note 15)	137	62
Rental of site office	18	17
Property, plant and equipment written off (Note 15)	-	13
Loss on disposal of property, plant and equipment (Note 15)	-	13
Interest expense on borrowings	4	492
Interest expense on finance lease	18	9

41. DEFERRED INCOME

	The Group	
	2014 RM'000	2013 RM'000
Rental and maintenance fee		
At 1 January	-	-
Arising from business combination	958	-
Recognised in profit or loss (Note 8)	(72)	-
At 31 December	886	-
Government compensation		
At 1 January	-	-
Arising from business combination	205,133	-
Recognised in profit or loss (Note 6)	(4,516)	-
At 31 December	200,617	-
Current	11,982	-
Non-current	189,521	-
Total deferred income	201,503	-

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42. PROVISION FOR HEAVY REPAIRS

	The Group 2014 RM'000	The Group 2013 RM'000
At 1 January	-	-
Arising from business combination (Note 47)	7,917	-
Provision for the year (Note 7)	1,182	-
At 31 December	9,099	-

43. FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

During the financial year, the Group's strategy, which was unchanged from the previous year, was to maintain the gearing ratio of less than 100%.

The gearing ratios at the end of each reporting period are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Total borrowings (Note 37)	741,113	336,324	2,614	35,475
Less: Deposits, cash and bank balances (Note 27)	(244,365)	(44,049)	(7,015)	(12,464)
Less: Available for sale financial assets (Note 30)	(114,459)	(25,460)	-	-
Net debt	382,289	266,815	N/A	23,011
Total capital	851,761	605,557	674,504	335,047
Net gearing ratio	45%	44%	N/A	7%

* N/A-not applicable

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43. 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, financial liability are disclosed in Note 3.

Categories of financial instruments

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets				
Loan and receivables:				
Trade receivables	379,386	350,343	2,234	1,008
Other receivables and deposits	79,876	4,994	75,948	640
Deposits, cash and bank balances	244,365	44,049	7,015	12,464
Amount due from subsidiaries	-	-	449,132	195,991
Available-for-sale financial assets:				
Investment in quoted unit trusts	114,459	25,460	-	-
Other investments	240	-	-	-
Financial liabilities				
Other financial liabilities:				
At amortised costs:				
Trade payables	82,002	63,862	298	392
Other payables and accruals	129,193	34,346	15,183	14,160
Borrowings	741,113	336,324	2,614	35,475

Financial Risk Management Objectives

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk as a result of foreign currency transactions is significant as a sizeable of the Group's financial assets and liabilities are denominated in foreign currency due to certain subsidiaries operating in foreign jurisdictions.

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

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of Chinese Renminbi.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. If Chinese Renminbi strengthens/weakens against RM by 5%, with all other variables held constant, the Group's pre-tax profit for the financial year would have been RM14,973,000 (2013: RM14,022,000) higher/lower.

In the Director's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest Rate Risk

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit/loss for the financial year would have been RM7,465,000 and RM28,000 (2013: RM3,362,000 and RM355,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis prepared by management excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated in a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 25.

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43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations as of 31 December 2014.

Investment in available-for-sale financial assets is only allowed in liquid securities and only with financial institutions that has a sound credit rating. Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia.

The Group does not hold any collateral or credit enhancements to cover its credit risks associated with its receivables.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deposits, bank and cash balances (Note 27)				
External credit rating (as rated by a rating agency in Malaysia):				
- AAA	187,644	33,792	4,080	11,445
- AA1	4,026	25	-	-
- AA2	22,598	-	1,914	-
Without external credit rating	30,097	10,232	1,021	1,019
	244,365	44,049	7,015	12,464

Liquidity Risk

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

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

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43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (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						
2014						
Non-interest bearing:						
Trade payables		73,180	-	-	-	73,180
Other payables and accruals		129,193	-	-	-	129,193
Interest bearing:						
Trade payables	6.2 - 8.0	2,457	550	7,202	-	10,209
Borrowings	2.4 - 7.6	64,880	49,856	168,654	873,196	1,156,586
		269,710	50,406	175,856	873,196	1,369,168
2013						
Non-interest bearing:						
Trade payables	-	59,373	-	-	-	59,373
Other payables and accruals	-	34,346	-	-	-	34,346
Interest bearing:						
Trade payables	8	942	737	3,893	-	5,572
Borrowings	2.4 - 7.6	31,153	31,319	89,964	346,376	498,812
		125,814	32,056	93,857	346,376	598,103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years RM'000	Total RM'000
The Company						
2014						
Non-interest bearing:						
Trade payables	-	298	-	-	-	298
Other payables and accruals	-	15,183	-	-	-	15,183
Interest bearing:						
Borrowings	2.4 - 7.6	2,412	191	31	-	2,634
		17,893	191	31	-	18,115
2013						
Non-interest bearing:						
Trade payables	-	392	-	-	-	392
Other payables and accruals	-	14,160	-	-	-	14,160
Interest bearing:						
Borrowings	2.4 - 7.6	15,083	11,151	10,716	-	36,950
		29,635	11,151	10,716	-	51,502

44. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. FAIR VALUE MEASUREMENT (cont'd)

(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				
2014				
Available-for-sale - investment in quoted unit trusts	-	114,459	-	114,459
2013				
Available-for-sale - investment in quoted unit trusts	-	25,460	-	25,460

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

(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 statement approximate their fair values.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2014				
Long-term trade receivables	-	-	199,639	199,639
2013				
Long-term trade receivables	-	-	146,127	146,127

(c) **Description of key inputs to valuation on the financial assets measured at Level 3**

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
Long-term trade receivables			
Discounted cash flows method	Discount rate	10.16 to 11.17	A slight increase in the discount rate used would result in a significant decrease in the fair value.

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FOR THE YEAR ENDED 31 DECEMBER 2014

45. CONTINGENT LIABILITIES

Litigations

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

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

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

(a) construction deposit amounted to RMB3,160,000 (RM1,551,000);

(b) unpaid contract price of RMB6,533,000 (RM3,206,000); and

(c) penalty breach in performing the equipment procurement contract in the sum of RMB3,648,000 (RM1,790,000).

After few arbitral hearings held in the current financial year, Ningxia Eco had on 12 July 2012 received the decision in respect of the arbitration from CIETAC dated 10 July 2012. The main decisions of the arbitration award are as follows:

(a) Ningxia Eco shall pay the construction deposit of RMB1,550,000 (RM761,000) to Hua Sheng upon receipt of a bank performance bond;

(b) Ningxia Eco shall pay the contract sum amounting to RMB3,654,000 (RM1,794,000) to Hua Sheng;

(c) Ningxia Eco shall pay a late payment penalty on the principal sum of RMB1,610,000 (RM790,000), at the corresponding base lending rate ("BLR") as quoted by the People's Bank China from 13 June 2011 to 21 July 2011 to Hua Sheng, amounting to RMB10,321 (RM5,000);

(d) Ningxia Eco shall pay a late payment penalty on a construction deposit of RMB1,550,000 (RM761,000) at the corresponding BLR as quoted by the People's Bank of China from 13 June 2011 to 1 April 2012 to Hua Sheng, amounting to RMB74,909 (RM37,000);

(e) Ningxia Eco is required to partially bear Hua Sheng's legal fee for arbitration amounting to RMB742,000 (RM365,000); and

(f) The arbitration cost of RMB516,126 (RM253,000) shall be borne by Ningxia Eco and Hua Sheng in the proportion of 70% (RMB361,288 or RM177,000) and 30% (RMB154,378 or RM76,000) respectively.

Ningxia Eco had not received the bank performance bond as construction deposits from Hua Sheng and therefore, Ningxia Eco has no obligation to pay the said deposits to Hua Sheng. The contract sum and other associated costs totaling RMB4,845,000 (RM2,378,000) have been adequately accrued for in the financial statements for the year ended 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

45. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

In 2013, Hua Sheng had applied for a further arbitration from CIETAC and Ningxia Eco had on 15 October 2013 received a new arbitration notice. The details of the arbitration application are as follows:

(a) The penalty for breach of contract to be borne by Ningxia Eco shall be raised from the rate stated in the contract i.e., 8% to 20% of the total contract value;

(b) The penalty amount to be paid by Ningxia Eco would be equivalent to RMB11,298,900, being the total contract value of RMB63,200,000 x 89.39% x 20% (work done before termination of contract was 10.61%); and

(c) Ningxia Eco shall bear the arbitration cost, Hua Sheng's legal cost and property preservation fee.

The first arbitral hearing was held on 17 January 2014, whereby, Ningxia Eco has filed a counter-claim on Hua Sheng for breach of contract based on the ground that Hua Sheng has stopped project work without the consent of Ningxia Eco. The second and final arbitral hearing was held on 5 June 2014 and CIETAC has deferred the delivery of judgment to not later than 12 April 2015.

The Directors of the Company, supported by legal advice, are of the opinion that the success of the claim against the Company is remote and, accordingly, no provision for the loss has been made in the financial statements.

(ii) **Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd. ("2nd Defendant") 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental") 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")**

On 27 March 2013, Puresino Guanghan received a Civil Judgement dated 16 January 2013 from the Sichuan Province High Court. Accordingly, the Directors assessed the financial impact on the previous year's financial statements and a reversal of over-accrual of litigation claims amounted to RM1,961,000 was recognised in the previous financial statements.

On 4 November 2014, Puresino Guanghan received a civil suit claim dated 30 October 2014 from the Sichuan Deyang Intermediate People's Court. The details of the claims are as follows:

(a) Puresino Guanghan and 2nd Defendant shall jointly fulfill the obligation of settling the claims on the subrogation civil suit, paying to the Plaintiff an outstanding amount of RMB4,296,047; and

(b) Puresino Guanghan and 2nd Defendant shall jointly pay the liquidated damages of RMB4,704,171 to the Plaintiff.

The Sichuan Province High Court in its civil judgment dated 26 January 2013 overruled the Sichuan Deyang Intermediate People's Court Civil Judgment (2010) No.61 by dismissing the Plaintiff's claim exercised through its subrogation rights against Puresino Guanghan and 2nd Defendant. The reason given in the judgment was that the Plaintiff's debtor, Watson Environmental did not comply with the Beijing Arbitration Award No.340 (2011) which requires Watson Environmental, a creditor of Puresino Guanghan, to issue equipment invoices totaling RMB11,810,000 to Puresino Guanghan and that formed a condition precedent to the Plaintiff's subrogation right to sue as a creditor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

45. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

On 28 May 2014, Watson Environmental has submitted the equipment invoices to Puresino Guanghan and therefore fulfilled the condition precedent. Arising thereof, the Plaintiff is exercising its rights of subrogation to claim the aforesaid amount from Puresino Guanghan and 2nd Defendant.

The hearing date has not been fixed as of the end of current financial year.

46. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Authorised but not contracted for:				
Property, plant and equipment	6,418	9,302	-	7
Intangible assets	4,346	84,815	756	-
	10,764	94,117	756	7
Authorised and contracted for:				
Intangible assets	34,656	-	-	-
	45,420	94,117	756	7

In accordance with a concession agreement executed by a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, the subsidiary shall be liable to upgrade and expand its existing wastewater treatment plants facilities. The upgrading and expansion is to fulfill the overall water demand in Yinchuan city, and to meet the effluent water quality standard in accordance with the said concession agreement. At the end of the financial year, the cost for upgrading and expansion has not been finalised by the subsidiary and therefore, it has yet to be authorised by the Directors of the Company except for the cost of upgrading and expansion of Plant 3 amounting to RMB130,000,000 (RM73,242,000). However, for the purpose of estimating the recoverable amounts of intangible assets for impairment review, the Group has estimated an additional capital expenditure of RMB695,000,000 (RM391,563,000) as disclosed in Note 18.

46. CAPITAL COMMITMENTS (cont'd)

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2014	2013
	RM'000	RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	600	600
Later than 5 years	150	300
	900	1,050

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

(ii) Rental of premises:

	The Group		The Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
No later than 1 year	2,726	2,726	2,069	2,028
Later than 1 year but not later than 5 years	2,726	5,451	2,069	4,056
	5,452	8,177	4,138	6,084

47. SIGNIFICANT EVENTS

(A) **Group's restructuring**

During the financial year, the Group undertook an internal restructuring exercise which involved the acquisition and disposal of the Company's subsidiaries and joint venture as detailed below:

(a) On 20 June 2014, the Company acquired the entire issued and paid-up capital of Pinggiran Muhibbah Sdn Bhd ("PMSB") for a cash consideration of RM2. PMSB was incorporated with an authorised share capital of RM100,000, comprising 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2, comprising 2 ordinary shares of RM1.00 each. Consequently, PMSB became a wholly-owned subsidiary of the Company.

Subsequently, on 6 August 2014 and 7 August 2014, PMSB increased its issued and paid-up share capital from RM2 to RM10,000 by way of issuance of 9,998 ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of the company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(A) **Group's restructuring (cont'd)**

(b) On 20 June 2014, the Company acquired the entire issued and paid-up capital of Jemari Infiniti Sdn Bhd ("JISB") comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. Consequently, JISB became a wholly-owned subsidiary of the Company. JISB has not commenced operations since its incorporation. On 30 December 2014, an application to strike-off the company was submitted to the Companies Commission of Malaysia.

(c) On 23 June 2014, PMSB acquired 75 ordinary shares of RM1.00 each, representing 75% of the total issued and paid-up share capital of Grand Sepadu (NK) Sdn Bhd (formerly known as Jejak Melewar Sdn Bhd) ("JMSB"), a company incorporated in Malaysia, for a cash consideration of RM75. PMSB executed a Shareholders' Agreement with the other shareholder of JMSB whereby they contractually agreed under the Shareholders' Agreement to jointly share the control to direct the activities that will significantly affect the returns of JMSB. Consequently, JMSB became a joint venture of PMSB.

(d) On 5 August 2014, PMSB acquired the entire issued and paid-up share capital comprising 2 ordinary shares of RM1.00 each of the following companies for a cash consideration of RM2 each:

(i) TEI Sdn Bhd (formerly known as Pinggiran Infrastructure Sdn Bhd) ("TEI"), a company incorporated in Malaysia; and

(ii) Pinggiran Ventures Sdn Bhd ("PVSB"), a company incorporated in Malaysia.

(e) On 6 August 2014, the Company disposed its entire equity interest in a joint venture, Cerah Sama Sdn Bhd, ("CSSB") comprising 327,750 ordinary shares of RM1.00 each, representing 55% of the share capital of CSSB to TEI for a total consideration of RM394,900,000 satisfied by the issuance of 8,459 ordinary shares of RM1.00 each and 394,891,541 redeemable non-cumulative preference shares of RM0.001 each to PMSB.

In turn, PMSB issued 8,460 ordinary shares of RM1.00 each in PMSB to the Company with remaining balance by cash. Following the subscription, PMSB became a 100% owned subsidiary of the Company.

(f) On 7 August 2014, PMSB renounced 4,900 ordinary shares of RM1.00 each and 228,678,100 redeemable non-cumulative preference shares of RM0.001 each, representing 57.93% shareholding in TEI to PVSB for a total consideration of RM228,683,000. The consideration was satisfied by issuance of 9,998 ordinary shares of RM1.00 each and 68,673,000 redeemable non-cumulative preference shares of RM0.001 each in PVSB to PMSB and the balance from bank borrowings.

(g) On 7 August 2014, TEI acquired the entire issued and paid-up share capital of Trinitywin Sdn Bhd, a company incorporated in Malaysia from a third party ("Vendor") for a consideration of RM71,800,000 and the consideration was satisfied by the issuance of 1,538 ordinary shares of RM1.00 each in PMSB to the Vendor and balance as an amount owing to the Vendor. Following the issuance of new shares, PMSB became a 84.62% owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(A) **Group's restructuring (cont'd)**

Subsequently on 9 September 2014, PMSB paid RM7,780,000, which reduced the amount the amount owing to the Vendor to RM64,018,000.

Arising from the restructuring, the Company gained control over CSSB, previously a joint venture and therefore, it has been accounted for using the acquisition method in accordance with MFRS 3 - Business Combinations and MFRS 10 - Consolidated Financial Statements.

The Group's previously held interest in CSSB was re-measured to fair value at the acquisition date which resulted in a gain on restructuring to the Group and the Company amounting to RM272,666,000 and RM339,362,000 respectively and this was recognised in profit or loss, as disclosed in Note 8. Amount arising from interest in CSSB prior to the acquisition date that has previously been recognised in other comprehensive income was reclassified to profit or loss.

The analysis of acquisition of CSSB is as follows:

(a) Identifiable assets acquired and liabilities recognised at the date of acquisition:

	The Group Fair value recognised at the date of acquisition RM'000
Non-current assets	
Property, plant and equipment (Note 15)	21,693
Intangible assets (Note 18)	1,198,828
Other investment	1,525
Goodwill on consolidation (Note 23)	129,385
Deposits, bank and cash balances	13,053
Total non-current assets	1,364,484
Current assets	
Inventories	128
Other receivables, deposits and prepayments	331
Tax recoverable	12,266
Available-for-sale financial assets (Note 30)	91,366
Deposits, bank and cash balances	134,897
Total current assets	238,988
Total assets	1,603,472

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FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(A) Group's restructuring (cont'd)

(a) Identifiable assets acquired and liabilities recognised at the date of acquisition (cont'd):

	The Group Fair value recognised at the date of acquisition RM'000
Current liabilities	
Trade payables	261
Other payables and accruals	2,312
Total current liabilities	2,573
Deferred and non-current liabilities	
Deferred income	206,091
Borrowings (Note 37)	414,651
Deferred tax liabilities (Note 24)	254,240
Provision for heavy repairs (Note 42)	7,917
Total deferred and non-current liabilities	882,899
Total liabilities	885,472
Total net identifiable assets	718,000

Goodwill recognised as a result of the acquisition is as follows:

	The Group 2014 RM'000
The fair value of Group's previously held interest	394,900
Add: the non-controlling interest measured at its acquisition-date at fair value	251,300
Add: the fair value of the consideration transferred	71,800
Less: value of net identifiable assets	(588,615)
Goodwill arising on acquisition	129,385

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(A) **Group's restructuring (cont'd)**

(b) Consideration transferred:

	The Group 2014 RM'000
Consideration paid in cash	7,780
Issuance of equity shares in PMSB to the Vendor	2
Consideration to be settled by cash (Note 39)	64,018
	71,800

The issuance of equity shares has resulted in the proportion of ownership interest held by the Group in CSSB decreasing from 65% to 55% and the effect of the changes in ownership interest in a subsidiary of RM71,800,000 has been debited to retained earnings.

(c) Net cash inflow on acquisition of a subsidiary:

	The Group 2014 RM'000
Consideration paid in cash	7,780
Less: cash and cash equivalents acquired	(147,950)
	(140,170)

(d) If the acquisition of CSSB had occurred at the beginning of the year, the Group's revenue and profit for the year would have been as follows:

	The Group 2014 RM'000
Revenue	388,747
Profit for the year	322,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(B) Disposal of shares

On 11 August 2014, the Company and PMSB entered into a Share Sale and Purchase Agreement ("SSPA") with Employees Provident Fund Board ("EPF") to dispose the latter's wholly owned subsidiary, PVSB, comprising 10,000 ordinary shares of RM1.00 each and 68,673,000 redeemable non-cumulative preference shares of RM0.001 each, for a total cash consideration of RM68,683,000.

Pursuant to the SSPA, the Company entered into a Shareholders' Agreement with PVSB, PMSB, EPF and TEI for the purpose of setting out the shareholders' mutually agreed rights, duties, liabilities and obligations to each other as shareholders of TEI. The SSPA was completed on 5 September 2014.

Following the disposal, the Group's non-controlling interest in CSSB reduced by 4.9015% and the effect of the changes in ownership interest in a subsidiary of RM35,193,000 has been credited to retained earnings.

The analysis of the disposal of shares is as follows:

(a) Consideration received:

	The Group 2014 RM'000
Consideration received in cash and cash equivalents	68,683

(b) Analysis of assets and liabilities over which control was lost:

	The Group 2014 RM'000
Non-current asset	
Other investment	228,683
Current liability	
Other payable	(160,000)
Net assets disposed of	68,683

(c) Analysis of gain or loss in profit or loss for the year:

	The Group 2014 RM'000
Consideration received	68,683
Net assets disposed of	(68,683)
No gain or loss	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SIGNIFICANT EVENTS (cont'd)

(C) **Other significant events**

(a) On 16 and 17 December 2014, the Company and PMSB subscribed for 48,000,000 irredeemable cumulative preference shares ("ICPS") of RM1.00 each and 28,300,000 of ICPS RM1.00 each respectively in JMSB for a total cash consideration of RM76,300,000;

(b) On 19 December 2014, the Company received a letter of award from Government of Malaysia ("GOM") to take over the assets and concession rights of New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn Bhd (in liquidation) for a total consideration of RM265,000,000; and

(c) On 22 December 2014, JMSB executed the Second Supplemental Concession Agreement and the Novation Agreement with GOM and Lebuhraya Shapadu Sdn Bhd (in liquidation) to complete the acquisition of the concession rights to the NNKSB.

48. SUBSEQUENT EVENTS

(i) On 19 January 2015, the Company proposed the placement of new ordinary shares of RM0.50 each in the Company, representing up to 10% of the existing issued and paid-up share capital of the Company. The listing of and quotation for the new placement shares was approved by Bursa Malaysia Securities Berhad on 18 March 2015;

(ii) On 26 February 2015, the Company accepted an offer to acquire 1,538 ordinary shares of RM1.00 each representing 15.38% of the ordinary share capital in PMSB and 26,916,218 redeemable preference shares of RM0.01 each in PMSB from a minority shareholder of PMSB for a cash consideration of RM22,851,538. PMSB is currently 84.62% owned subsidiary of the Company and upon the completion of the acquisition, PMSB will become a wholly-owned subsidiary of the Company; and

(iii) On 26 February 2015, TEI accepted an offer to acquire 208,250 ordinary shares of RM1.00 each, representing 35% ordinary share capital in CSSB from SEASAF Highway Sdn Bhd for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI.

49. 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
Syarikat Pengeluar Air Sungai Selangor Sdn Bhd	Common shareholder

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49. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Related party	Relationship
Aqua-Flo Sdn Bhd	Common major shareholder and subsidiary of an associate
LGB Realty Sdn Bhd	Common director and major shareholders
GSL Realty Sdn Bhd	Common director and major shareholders
Taliworks Consortium Sdn Bhd	Common major shareholder
Edaran SWM Sdn Bhd	Common major shareholder
Air Kedah Sdn Bhd	Subsidiary
Sungai Harmoni Sdn Bhd	Subsidiary
Taliworks (Langkawi) Sdn Bhd	Subsidiary
Taliworks Construction Sdn Bhd	Subsidiary
Cerah Sama Sdn Bhd	Joint venture/ subsidiary *(effective 7 August 2014)*

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 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 (d)	16,691	14,004	-	-
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd (a)	5,738	4,792	-	-
- Perangsang Water Management Sdn Bhd (a)	2,869	2,396	-	-
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd (a)	2,672	2,235	-	-
Service rendered in relation to information technology services and maintenance fee paid to:				
- Exitra Sdn Bhd (b)	727	765	141	318
Fees charged for management, operation and maintenance of water treatment plants to:				
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (c)	164,217	127,383	-	-

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Rental of premises from:				
- LGB Realty Sdn Bhd (b)	5	228	5	228
- GSL Realty Sdn Bhd (b)	2,774	-	2,774	-
- Taliworks Consortium Sdn Bhd (b)	-	78	-	-
- Edaran SWM Sdn Bhd (b)	4	-	4	-
Contract revenue from/(Contract revenue over- recognised):				
- Air Kedah Sdn Bhd	-	-	108	(686)
Rental income from:				
- Sungai Harmoni Sdn Bhd	-	-	246	-
- Taliworks Construction Sdn Bhd	-	-	411	-
Management fee from:				
Subsidiaries:				
- Sungai Harmoni Sdn Bhd	-	-	1,080	1,080
- Taliworks (Langkawi) Sdn Bhd	-	-	960	960
- Taliworks Construction Sdn Bhd	-	-	240	-
- Cerah Sama Sdn Bhd (with effective from 7 August 2014)	-	-	239	-
Joint venture:				
- Cerah Sama Sdn Bhd (prior to 7 August 2014)	361	600	361	600
Total (Note 6)	361	600	2,880	2,640
Dividend income from:				
Subsidiaries:				
- Taliworks (Langkawi) Sdn Bhd	-	-	9,990	19,980
- Sungai Harmoni Sdn Bhd	-	-	13,700	-
Joint venture:				
- Cerah Sama Sdn Bhd (prior to 7 August 2014)	-	-	5,500	-
Associate:				
- Hydrovest Sdn Bhd	-	-	380	-
Total (Note 6)	-	-	29,570	19,980

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

Mr. Lim Chin Sean is a Director and major shareholder of the Company. He is also a director of Alam Ria and a major shareholder in Alam Ria and PWM.

(b) Mr. Lim Chin Sean is a Director of Exitra Sdn Bhd, GSL Realty Sdn Bhd and LGB Realty Sdn Bhd. He is a major shareholder in these companies as well as Taliworks Consortium Sdn Bhd and Edaran SWM Sdn Bhd.

(c) Syarikat Pengeluaran Air Sungai Selangor Sdn Bhd ("SPLASH") is 30% owned by Kumpulan Perangsang Selangor Berhad ("KPSB"). KPSB had ceased to be a substantial shareholder of the Company with effect from 4 October 2013.

(d) Aqua-Flo Sdn Bhd is a 60% owned subsidiary of Hydrovest Sdn Bhd ("Hydrovest") whilst Hydrovest is a 60% subsidiary of KPSB and a 40% associate of the Company. KPSB had ceased to be a substantial shareholder of the Company with effect from 4 October 2013. Encik Suhaimi bin Kamaralzaman was a Director of the Company before he resigned on 31 March 2014. He is the Group Chief Executive Officer/Managing Director of KPSB.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fees	34	25	34	25
Wages, salaries and bonus	6,375	4,570	4,079	3,200
Defined contribution - Employees Provident Fund	772	564	483	400
Other emoluments	8	303	8	7
	7,189	5,462	4,604	3,632

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 RM356,000 and RM356,000 (2013: RM616,000 and RM320,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM202,000 (2013: RM251,000) and RM153,000 (2013: RM169,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

50. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries:				
Realised profits	585,384	285,748	365,823	27,694
Unrealised gains	16,265	9,632	14,668	12,820
	601,649	295,380	380,491	40,514
Total share of retained earnings from associate:				
Realised profits	4,140	3,050	-	-
Total share of retained earnings from joint venture:				
Realised (losses)/profits	(1,679)	79,043	-	-
Unrealised losses	-	(12,336)	-	-
	(1,679)	66,707	-	-
Total Group's and Company's retained earnings	604,110	365,137	380,491	40,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

50. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES) (cont'd)

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The supplementary information have been made solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

ANALYSIS OF SHAREHOLDINGS

AS AT 27 FEBRUARY 2015

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

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	30	2.14	681	0.00
100 – 1,000	157	11.18	107,770	0.02
1,001 – 10,000	874	62.25	3,951,401	0.91
10,001 – 100,000	253	18.02	8,423,000	1.93
100,001 to less than 5% of issued shares	83	5.91	104,828,228	24.02
5% and above of issued shares	7	0.50	319,180,500	73.12
Total	**1,404**	**100.00**	**436,491,580**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	92,012,400	21.08
2.	Water Clinic Sdn Bhd	64,800,000	14.85
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (SG BR-TST-Asing)*	43,909,300	10.06
4.	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for UBS AG Hong Kong (Foreign)*	36,000,000	8.25
5.	Malar Terang Sdn Bhd	29,913,200	6.85
6.	Century General Water (M) Sdn Bhd	29,541,600	6.77
7.	Mal Monte Sdn Bhd	23,004,000	5.27
8.	Cartaban Nominees (Asing) Sdn Bhd *Exempt an for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	18,280,700	4.19
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for the HongKong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	15,523,000	3.56
10.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	12,311,100	2.82
11.	HSBC Nominees (Tempatan) Sdn Bhd *Exempt an for Bank of New York Mellon SA/NV (UBPSG-MSIA))*	11,100,928	2.54

ANALYSIS OF SHAREHOLDINGS
AS AT 27 FEBRUARY 2015

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
12.	Maybank Nominees (Asing) Sdn Bhd *DBS Bank for Vijay Vijendra Sethu (521266)*	7,500,000	1.72
13.	Ng Yim Hoo	4,735,200	1.08
14.	Maybank Securities Nominees (Asing) Sdn Bhd - *Exempt an for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	3,920,000	0.90
15.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Ka Ting (E-SS2)*	3,500,000	0.80
16.	Malar Teguh Sdn Bhd	2,657,400	0.61
17.	Century General Water (M) Sdn Bhd	2,098,800	0.48
18.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Low Keng Siong*	2,030,000	0.47
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat (8055176)*	1,657,000	0.38
20.	Ter Leong Yap	1,559,000	0.36
21.	Phang Wai Hoong	1,134,800	0.26
22.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Lian Huat*	960,600	0.22
23.	Ertidaya Sdn Bhd	838,000	0.19
24.	Infortech Software Sdn Bhd	595,900	0.14
25.	Wan Puteh Bin Wan Mohd Saman	580,000	0.13
26.	Mestika Pertiwi Sdn Bhd	573,000	0.13
27.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Oh Kim Sun (CEB)*	554,100	0.13
28.	Lee Ker Thai @ Lee Ah Kaw	530,400	0.12
29.	Tan Kim Meng	525,000	0.12
30.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Liew Yoon Peck*	509,100	0.12
	TOTAL	**412,854,528**	**94.6**

LIST OF SUBSTANTIAL SHAREHOLDERS

AS AT 27 FEBRUARY 2015

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

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	92,012,400	21.08	-		-
Water Clinic Sdn Bhd	64,800,000	14.85	-		-
Malar Terang Sdn Bhd	29,913,200	6.85	-		-
Century General Water (M) Sdn Bhd	31,640,400	7.25	-		-
Mr. Vijay Vijendra Sethu	25,500,000	5.84	18,000,000	(a)	4.12
Mal Monte Sdn Bhd	23,004,000	5.27	-		-
Anekawal Sdn Bhd	-	-	92,012,400	(b)	21.08
LGB Holdings Sdn Bhd	-	-	241,370,000	(c)	55.30
Adil Cita Sdn Bhd	-	-	123,652,800	(d)	28.33
Y.Bhg. Dato' Lim Chee Meng	585,900	0.13	241,640,000	(e)	55.36
Mr. Lim Chin Sean	-	-	241,640,000	(e)	55.36
GSL Development Sdn Bhd	-	-	31,640,400	(f)	7.25

Notes:-

(a) Indirect interest through a family trust.
(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.
(c) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.
(d) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.
(e) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.
(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

AS AT 27 FEBRUARY 2015

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

A. Number of Ordinary Shares of RM0.50 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Y.Bhg. Tan Sri Dato' Seri Ong Ka Ting	3,500,000	0.80	-	-	-
Mr. Lim Yew Boon	150,000	0.03	-	-	-
Mr. Vijay Vijendra Sethu	25,500,000	5.84	18,000,000	(a)	4.12
Mr. Lim Chin Sean	-	-	241,640,000	(b)	55.36
Mr. Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-

(a) Indirect interest through a family trust.

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

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

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

Name	Exercise Price (RM)	As at 1 January 2013	Granted	Exercised	Balance
Mr. Lim Chin Sean	1.90	60,000	-	-	60,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Fourth Annual General Meeting ("24th AGM") of the Company will be held at Ballroom 2, Lower Ground Level, Eastin Hotel, No. 13, Jalan 16/11, Pusat Dagangan Seksyen 16, 46350 Petaling Jaya, Selangor on Thursday, 30 April 2015 at 11.00 a.m. for the following purposes:-

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AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2014. **(Resolution 1)**

3. To re-elect the following Director who is retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election:-

   (a) Mr. Lim Yew Boon **(Resolution 2)**

4. To re-elect the following Director who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election:-

   (a) Dato' Sri Amrin Bin Awaluddin **(Resolution 3)**

5. To re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 4)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Ordinary Resolutions:-

6. **ORDINARY RESOLUTION 1**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "**THAT** subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **(Resolution 5)**

   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."

NOTICE OF
ANNUAL GENERAL MEETING

7. **ORDINARY RESOLUTION 2**
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject to the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), approval be and is hereby given to the Company and its subsidiary(ies) to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("**Recurrent Related Party Transactions**") as set out in Section 2.5 of the Circular to the Shareholders dated 8 April 2015 ("**the Circular**"), subject to the following: **(Resolution 6)**

(i) the Recurrent Related Party Transactions are entered into the ordinary course of business on terms not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arms' length basis and are not to the detriment of the minority shareholders of the Company;

(ii) the disclosure is made in the annual report of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:

(a) the type of Recurrent Related Party Transactions made; and

(b) the names of the related parties involved in each type of Recurrent Related Party Transaction made their relationship with the Company;

(iii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following this AGM, at which this shareholders' mandate will lapse, unless by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution;

AND THAT, the estimates given of the Recurrent Related Party Transactions specified in Section 2.5 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular."

NOTICE OF ANNUAL GENERAL MEETING

8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

TAN BEE HWEE (MAICSA 7021024)
QUECK WAI FONG (MAICSA 7023051)
Company Secretaries

Kuala Lumpur
Dated this 8th day of April 2015

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 2014

   This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 6 of the Agenda**

   Authority to Issue Shares

   The Ordinary Resolution 5 is intended to renew the authority granted to the Directors of the Company at the Twenty Third Annual General Meeting of the Company held on 18 June 2014 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "**General Mandate**").

   The General Mandate granted by the shareholders at the Twenty Third Annual General Meeting of the Company held on 18 June 2014 had not been utilised and hence, no proceed was raised therefrom.

   The new General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

NOTICE OF
ANNUAL GENERAL MEETING

3. **Item 7 of the Agenda**

Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The Ordinary Resolution 6 is proposed and if passed, will enable the Company and/or its subsidiary Company(ies) to enter into recurrent transactions involving the interest of Related Parties, which are necessary for the Group day-to-day operations and undertaken at arm's length, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Please refer to the Circular to Shareholders dated 8 April 2015 for further information.

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 24 April 2015 shall be eligible to attend the Meeting.

2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Sections 149 (1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

CDS Account No.

Number of ordinary shares held

TALIWORKS CORPORATION
LGB Group

FORM OF PROXY

*I/We (full name), ____________________

bearing *NRIC No./Passport No./Company No. ____________________

of (full address) ____________________

being a *shareholder/shareholders of Taliworks Corporation Berhad ("the Company") hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			
			100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held at Ballroom 2, Lower Ground Level, Eastin Hotel, No. 13, Jalan 16/11, Pusat Dagangan Seksyen 16, 46350 Petaling Jaya, Selangor on Thursday, 30 April 2015 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 2014 together with the Reports of the Directors and the Auditors thereon.			
		Resolution	For	Against
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2014.	1		
3.	To re-elect Mr. Lim Yew Boon, who is retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	2		
4.	To re-elect Dato' Sri Amrin Bin Awaluddin, who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election.	3		
5.	To re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	4		
Special Business				
6.	**Ordinary Resolution 1** Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.	5		
7.	**Ordinary Resolution 2** Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	6		

As witness my/our hand(s) this day __________ of ____________________, 2015.

** Strike out whichever not applicable*

____
*Signature/Common Seal of Shareholder

Notes :-

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 24 April 2015 shall be eligible to attend the Meeting.

2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Section 149 (1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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Stamp

The Company Secretary
TALIWORKS CORPORATION BERHAD (6052-V)

Level 18, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
T +60 3 2264 8888
F +60 3 2282 2733

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Taliworks Corporation Berhad (6052-V)
Level 19, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia
T +60 3 2788 9100 **F** +60 3 2788 9101 **E** info@taliworks.com.my **W** www.taliworks.com.my