



ANNUAL REPORT  
**2008**

providing a  
**better environment**



**TALIWORKS  
CORPORATION**

LGB Group

*Water, Waste & Infrastructure  
Management Specialist*

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# corporate information

## BOARD OF DIRECTORS

Y. Bhg. Dato' Hj Abd Karim bin Munisar  
*Chairman*

Tuan Haji Abdul Rahman bin Haji Siraj  
*Chief Executive Officer*

Y. Bhg. Dato' Lim Chee Meng  
*Executive Director*

### Directors

- Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir
- YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
- Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman
- Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
- Encik Sulaiman bin Salleh
- Mr. Wong Yien Kim

## AUDIT COMMITTEE

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

### Members

- Encik Sulaiman bin Salleh
- YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
- Mr. Wong Yien Kim

## NOMINATION COMMITTEE

Encik Sulaiman bin Salleh  
*Chairman*

### Members

- YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj
- Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman

## REMUNERATION COMMITTEE

Y. Bhg. Dato' Hj Abd Karim bin Munisar  
*Chairman*

### Members

- Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman
- Y. Bhg. Dato' Lim Chee Meng

## COMPANY SECRETARY

Mr. Ng Yim Kong (LS 0009297)

## REGISTERED OFFICE

Unit 07-02, Level 7, Menara Luxor  
6B Persiaran Tropicana  
47410 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603 7804 5929  
Fax : 603 7805 2559

## PRINCIPAL OFFICE

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

## SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 603 2721 2222  
Fax : 603 2721 2530

## RATING AGENCY

RAM Rating Services Berhad  
Suite 20.01, Level 20  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 603 7628 1000  
Fax : 603 7620 8251

## MAIN AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
50706 Kuala Lumpur  
Tel : 603 2173 1188  
Fax : 603 2173 1288

## MAIN BANKERS

AmBank (M) Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK

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

## WARRANTS

Main Board,  
Bursa Malaysia Securities Berhad  
Name & Code : TALIWRK-WA & 8524WA  
Sector : Warrants / Loans

## corporate **profile**



Taliworks Corporation Berhad (“Taliworks”) incorporated in Malaysia, employs under its group of companies about 450 staff and contract workers in Malaysia and the People’s Republic of China. The company is listed on the Main Board of the Bursa Malaysia Securities Berhad (“Bursa Securities”) under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation of approximately RM734 million as at 31 December 2008.

In 2005, Taliworks issued 70,440,000 warrants 2005/10 pursuant to a renounceable rights issue which entitles the holders to subscribe for new shares in Taliworks. The warrants are listed on Bursa Securities (Name & Code: TALIWRK-WA & 8524WA).

In 2007, the company issued RM225,000,000 nominal amount of 2.25% unsecured convertible bonds 2007/12 for business expansion and general working capital purposes. The bonds, rated AA3 by RAM Rating Services Berhad, are not listed on any stock exchange.

### **BUSINESS BACKGROUND**

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

Taliworks’ core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in 2030) for the Sungai Selangor Water Treatment Works Phase 1 (“SSP1”) that supplies to large parts of Selangor and Kuala Lumpur and a concession (expiring in 2020) for the water supply and distribution system in Langkawi, Kedah. The Group currently manages a total of 6 water treatment plants with a combined capacity of 1,039.5 million litres per day.

In the waste management business sector, the Group holds a 21-year concession rights for the operation and management of the Tianjin Panlou Life Waste Transfer Station and its related assets in the city of Tianjin, China. The concession, held through a 90% owned subsidiary, Tianjin-SWM (M) Environment Ltd, Co and expiring in 2025, grants rights to this 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.

Other than being involved in solid waste management, the Group is also engaged in the wastewater sector through its indirect holding of 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 Sichuan, China for a 30-year concession expiring in 2033.

## corporate profile

In 2007, Taliworks acquired a 55% stake in a jointly controlled entity, Cerah Sama Sdn. Bhd. ("Cerah Sama"). Cerah Sama is the holding company for Grand Saga Sdn. Bhd. that owns and operates the Cheras - Kajang Highway concession until 2027. The acquisition was made in collaboration with the South East Asian Strategic Assets Fund ("SEASAF") where Cerah Sama is positioned to be the flagship vehicle through which both parties will engage in the business of developing and operating toll roads in Malaysia and the ASEAN region.

Other than the above-mentioned businesses, the Group is also undertaking the construction of the Padang Terap Water Supply Scheme in Kedah and the Klang Valley Flood Mitigation-Package Sungai Damansara project in Selangor. Both of these projects

with a contract value of about RM170 million are expected to be completed by 2009.

Currently, the water business in Malaysia accounts for the bulk of revenue and profitability of the Group. Taliworks intends to increase its revenue contribution significantly from overseas ventures to diversify its earnings base and geographical risk. The Group remain focus on its core business activities whilst seeking to acquire further strategic investments both domestically and in the foreign markets so as to re-position itself as a comprehensive water, waste and infrastructure service provider in the region.

Today, the Group has business presence in Selangor, Kedah, Tianjin, Sichuan, Xiamen and Shanghai.

### ACCREDITATION

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

**MS ISO 9001: 2000 Quality Management Systems – Requirements** for the Operation and Maintenance of Water Treatment Plant for Sungai Selangor Water Treatment Works Phase 1, since 2003.

**MS ISO/IEC 17025: 2005** under Malaysia Laboratory Accreditation Scheme for Sungai Selangor Water Treatment Works Phase 1 Laboratory, since 2004.

**ISO 9001: 2000** under Provision of Highway Maintenance and Toll Collection, for Grand Saga Sdn. Bhd., since 2007.

**MS ISO/IEC 17025: 2005** under Malaysia Laboratory Accreditation Scheme for Padang Saga Laboratory and Sungai Baru Laboratory in Langkawi water operations, since 2008.

**ISO 9001: 2000** under SGS United Kingdom and Malaysia for Project Management of Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Turnkey and Conventional Contract, for the Engineering and Construction Division of Taliworks, since 2008.

### AWARDS

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

#### 2002

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

#### 2003

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

KPMG/The Edge Shareholder Value Awards

\* Ranked 21 out of Top 100 Companies

\* Ranked 2nd within the Infrastructure Grouping

#### 2004

KPMG/The Edge Shareholder Value Awards

\* Ranked 85 out of Top 100 Companies

#### 2005

The Edge 100 Top Best Companies in Terms of Returns (3 years)

\* Ranked 78 out of Top 100 Companies

KPMG/The Edge Shareholder Value Awards

\* Ranked 40 out of Top 100 Companies

#### 2007

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

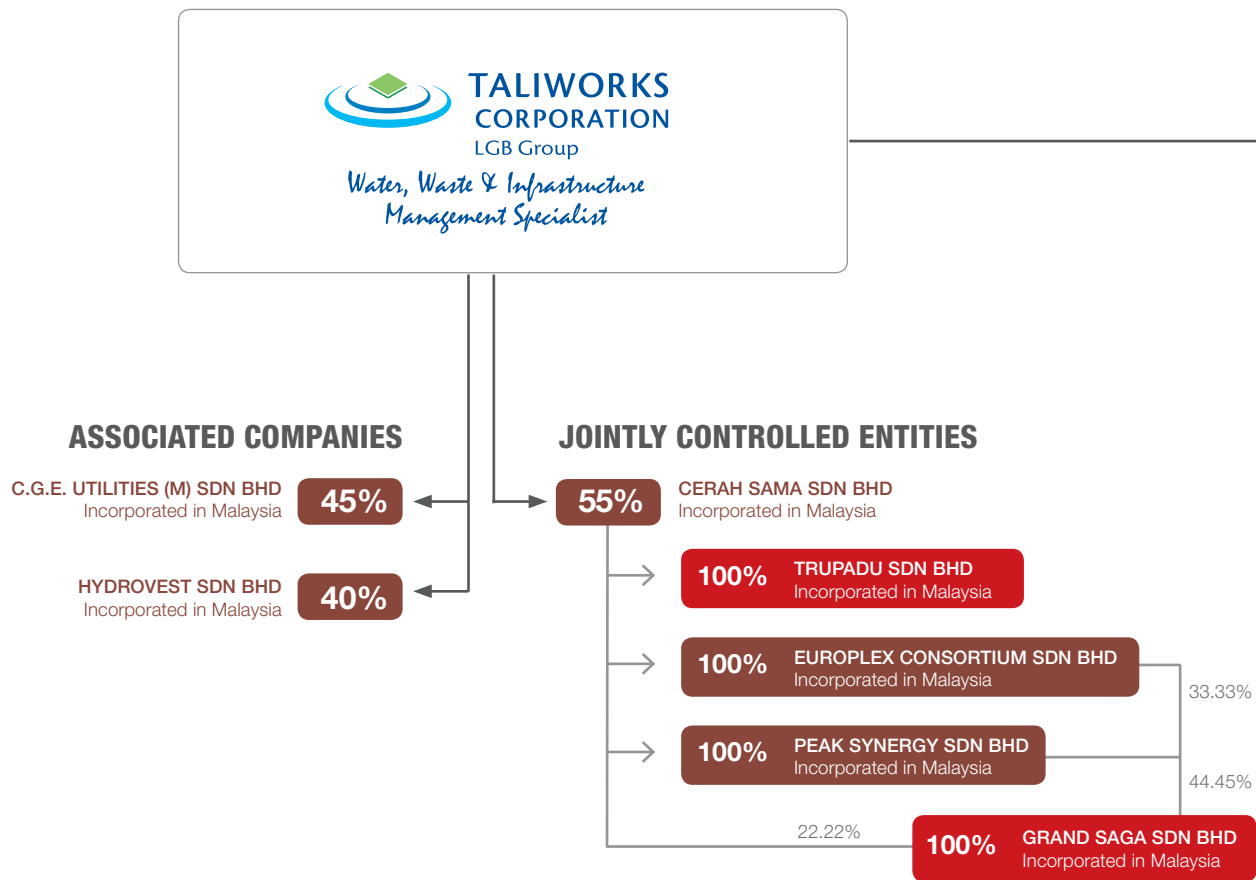
#### 2008

Corporate Governance Survey Report 2008, published jointly by Minority Shareholder Watchdog Group and The University of Nottingham – Malaysia Campus

\* Ranked 45 out of 960 Companies

# corporate structure

as at 30 april 2009

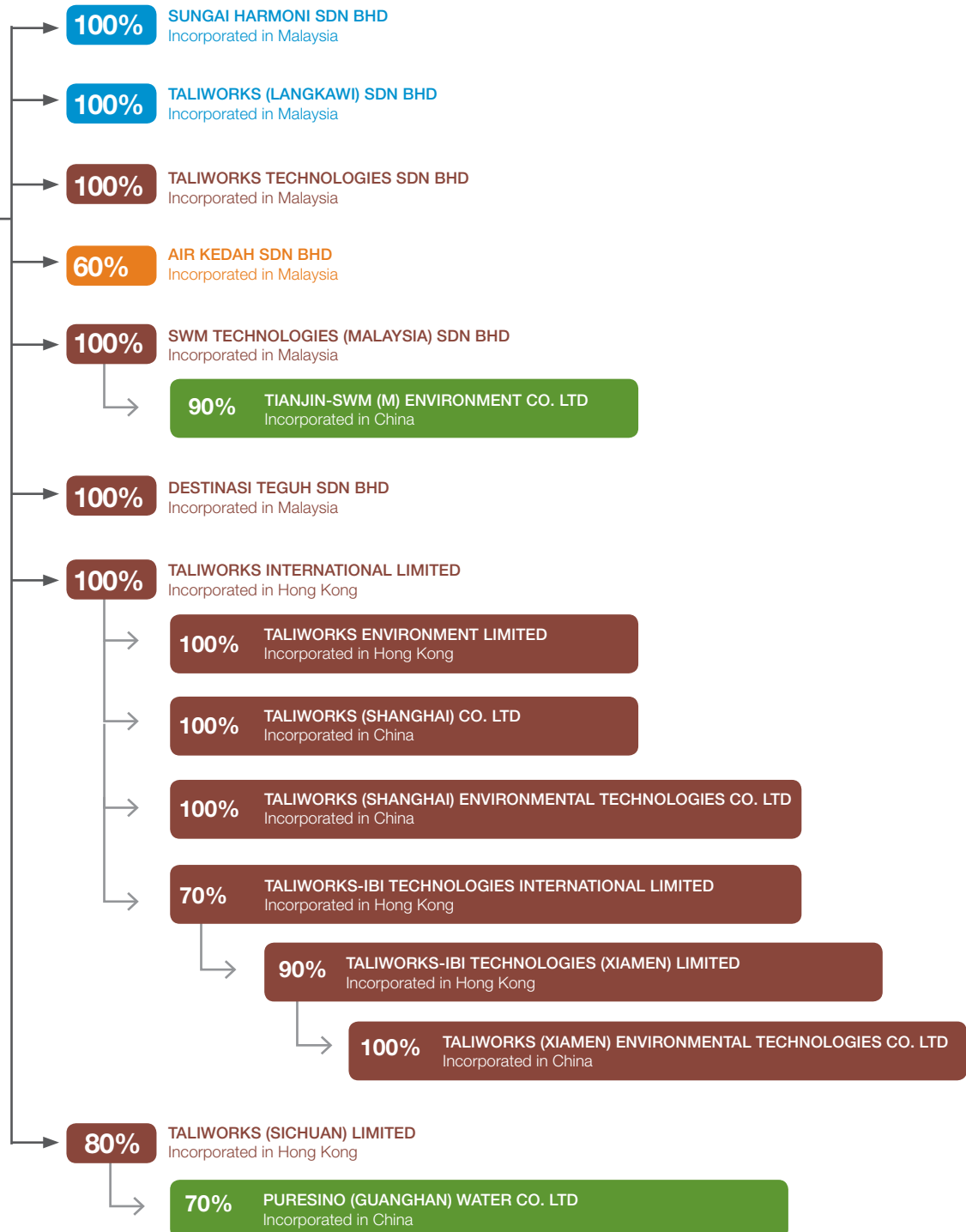


## Legends

- Water treatment and supply
- Waste management
- Construction
- Highway management
- Holding Company/Others

corporate structure  
as at 30 april 2009

**SUBSIDIARY COMPANIES**



## corporate and **financial events 2008**



### CORPORATE ANNOUNCEMENTS / EVENTS

#### 24 APRIL

Taliworks executed a Cooperation Agreement with Shenzhen Hanyang Investment Holding Co., Ltd, for the exclusive cooperation and collaboration in project(s) related to clinical waste, water supply, treatment of waste water and/or municipal solid waste and any other businesses in the People's Republic of China.

#### 3 JUNE

Taliworks acquired a RM2 investment holding company, Destinasi Teguh Sdn. Bhd.

#### 5 JUNE

The Seventeenth Annual General Meeting ("AGM") of Taliworks was held at One World Hotel, Petaling Jaya, Selangor Darul Ehsan.

#### 25 JUNE

Taliworks entered into a Business Cooperation Agreement with Odense Water Ltd. of Denmark to collaborate and explore business opportunities in projects relating to the non-revenue water reduction ("NRW") and energy savings programs particularly for Taliworks Langkawi's operations.

#### 11 NOVEMBER

Taliworks (Shanghai) Environmental Technologies Co. Ltd., was established as a wholly-owned subsidiary of Taliworks International Limited, in the People's Republic of China, following the Cooperation Agreement entered into on 24 April 2008 between Taliworks and Shenzhen Hanyang Investment Holding Co., Ltd.

#### 17 DECEMBER

Taliworks Environment Limited, was established as a wholly-owned subsidiary of Taliworks International Limited, in Hong Kong, as an investment holding company.



## corporate and financial events 2008

### RELEASE OF FINANCIAL RESULTS

#### 28 FEBRUARY

Unaudited consolidated results for the 4th quarter ended 31 December 2007.

#### 28 APRIL

Audited financial statements for the financial year ended 31 December 2007.

#### 28 MAY

Unaudited consolidated results for the 1st quarter ended 31 December 2008.

#### 28 AUGUST

Unaudited consolidated results for the 2nd quarter ended 31 December 2008.

#### 25 NOVEMBER

Unaudited consolidated results for the 3rd quarter ended 31 December 2008.

### DIVIDEND ENTITLEMENTS

#### 28 FEBRUARY

Declaration of 2nd interim dividend of 4.0 sen per share less income tax at 26% for the financial year ended 31 December 2007.

#### 5 JUNE

Announcement of entitlements to the final dividend of 2.5 sen per share less income tax at 26% for the financial year ended 31 December 2007 following approval by shareholders at the AGM.

#### 28 AUGUST

Declaration of 1st interim dividend of 3.0 sen per share less income tax at 26% for the financial year ended 31 December 2008.

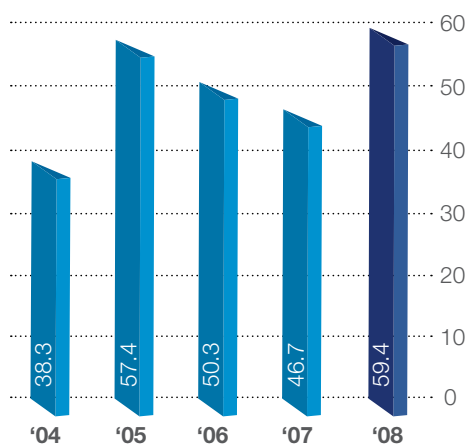


## 5 years financial highlights

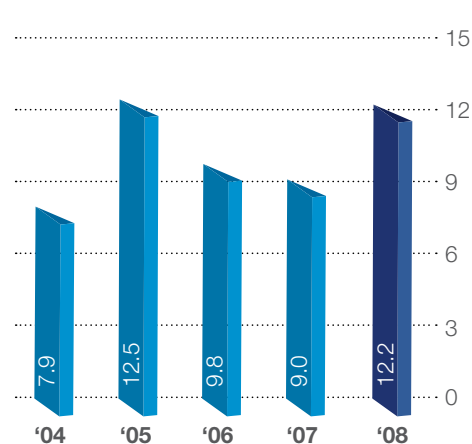
	2004 RM MIL	2005 RM MIL	2006 RM MIL	2007 RM MIL	2008 RM MIL
<b>Profitability</b>					
Revenue	171.5	196.1	142.9	191.0	226.4
EBITDA (i)	38.6	61.4	52.2	50.2	70.1
Profit Before Taxation (ii)	38.3	57.4	50.3	46.7	59.4
Profit for the Financial Year	27.8	44.1	35.6	33.1	46.3
<b>Key Balance Sheet Items</b>					
Total Assets	364.8	342.1	351.6	604.6	664.0
Total Borrowings	39.3	12.0	7.9	226.1	232.6
Shareholders' Equity	238.1	273.8	313.5	329.1	351.6
No of Shares in Issue	352.2	352.3	373.4	375.4	376.6
<b>Segmental Information</b>					
Revenue					
- Water	131.3	126.5	131.6	126.3	135.9
- Construction	76.0	122.3	9.0	108.9	137.9
- Waste Management	-	8.0	8.2	9.6	15.0
- Investment Holding	16.0	44.7	34.5	84.9	37.7
	223.3	301.5	183.3	329.7	326.5
- Elimination	(51.8)	(105.4)	(40.4)	(138.7)	(100.1)
	<b>171.5</b>	<b>196.1</b>	<b>142.9</b>	<b>191.0</b>	<b>226.4</b>
Profit Before Taxation					
- Water	36.6	49.2	49.8	47.2	50.9
- Construction	1.8	2.9	1.3	7.5	11.6
- Waste Management	(0.6)	2.0	0.1	(0.3)	4.0
- Investment Holding	13.2	35.9	28.2	75.9	34.1
	51.0	90.0	79.4	130.3	100.6
- Elimination	(13.9)	(31.0)	(29.4)	(83.0)	(33.0)
- Finance Cost	(0.5)	(0.8)	(0.6)	(1.5)	(14.5)
- Share of Results of Jointly Controlled Entity	-	-	-	0.3	5.7
- Share of Results of Associated Companies	1.7	(0.8)	0.9	0.6	0.6
	<b>38.3</b>	<b>57.4</b>	<b>50.3</b>	<b>46.7</b>	<b>59.4</b>
<b>Key Financial Ratio</b>					
Gross Dividend Per Share (sen) (iii)	5.3	8.0	10.0	9.5	6.3
Net Assets Per Share (sen)	67.6	77.7	84.0	87.7	93.4
Earnings Per Share (sen)					
- Basic	7.9	12.5	9.8	9.0	12.2
- Fully Diluted	n/a	12.3	9.4	8.4	11.1
Return On Equity (%) (iv)	12.2	17.2	12.1	10.3	13.6
Return On Assets (%) (v)	8.6	12.5	10.3	6.9	7.3
Dividend Payout (%) (vi)	47.9	46.9	76.2	79.4	37.9
Debt To Equity (%)	16.5	4.4	2.5	68.7	66.2

## 5 years financial highlights

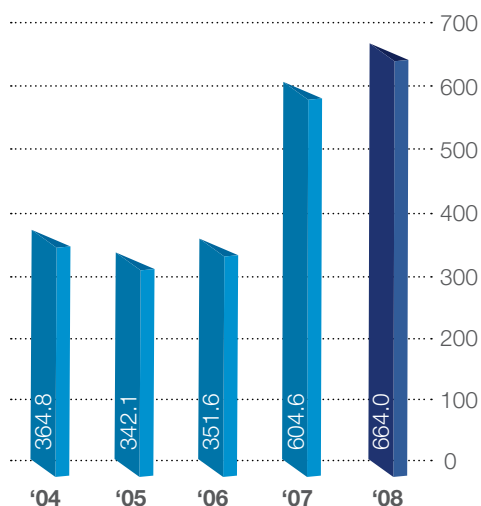
PROFIT BEFORE TAXATION (RM MILLION)



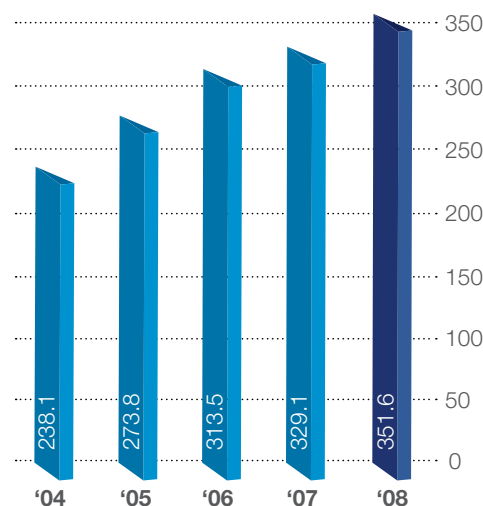
BASIC EARNINGS PER SHARE (SEN)



TOTAL ASSETS (RM MILLION)



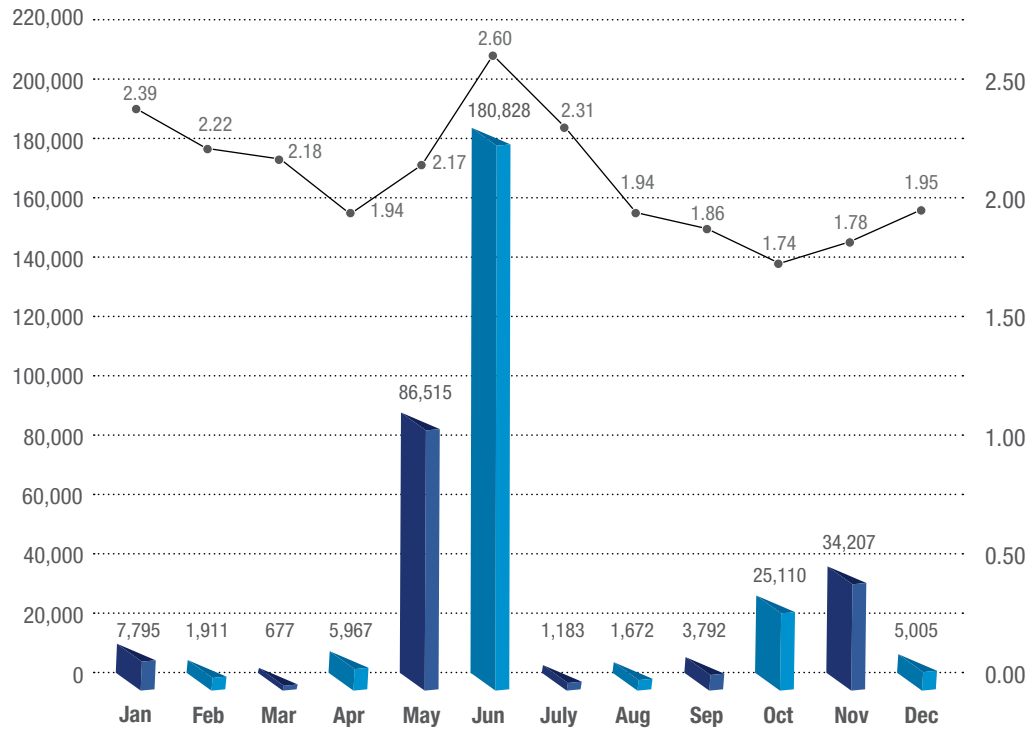
SHAREHOLDERS' EQUITY (RM MILLION)



- (i) EBITDA is defined as net profit before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associated companies and jointly controlled entities).
- (ii) Profit before taxation has been adjusted to comply with FRS 101 where the Group's share of results of associated companies and jointly controlled entities are now presented net of tax.
- (iii) The gross dividend, net assets and earnings per share have been adjusted for the share split of 1 ordinary share of RM1.00 each into two ordinary shares of RM0.50 each in 2005.
- (iv) Return on Equity is calculated by dividing the profit for the financial year with the average of the opening and closing shareholders' equity.
- (v) Return on Assets is calculated by dividing the profit for the financial year with the average of the opening and closing total assets employed.
- (vi) Dividend payout ratio is calculated by dividing the total net dividends for the particular financial year with the profit for the financial year.

# share and warrant performance 2008

## SHARE PERFORMANCE 2008



● Share Price\*

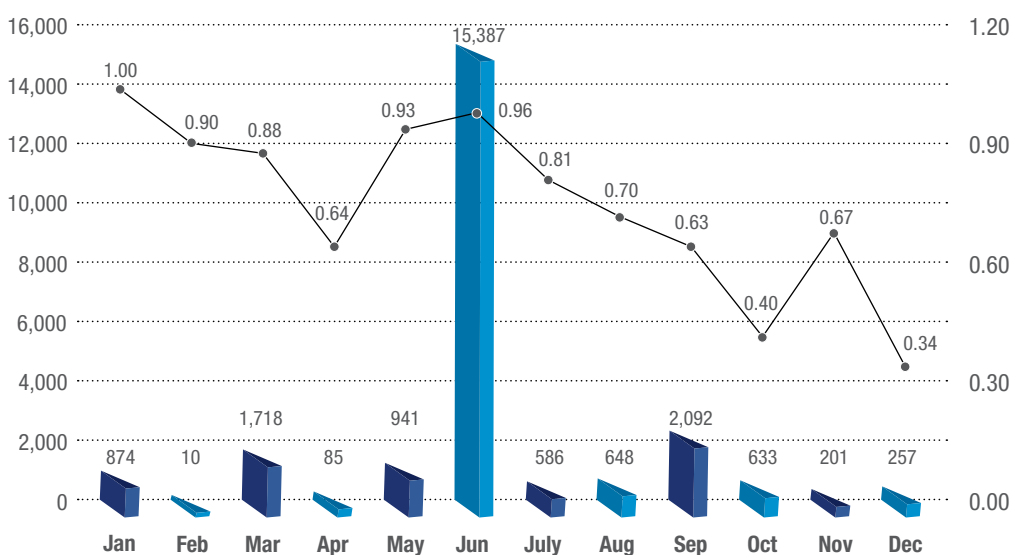
▒ Volume Traded

**Highest price** during this period is **RM2.60** on **4 June 2008**

**Lowest price** during this period is **RM1.22** on **28 October 2008**

**Highest volume** during this period is **99,562** on **4 June 2008**

## WARRANT PERFORMANCE 2008



● Warrant Price\*

▒ Volume Traded

**Highest price** during this period is **RM1.00** on **8 January 2008**

**Lowest price** during this period is **RM0.22** on **24 December 2008**

**Highest volume** during this period is **5,545** on **4 June 2008**

\* Based on the monthly Highest Price traded

## directors' profile

### **Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR**

CHAIRMAN, NON-EXECUTIVE NON-INDEPENDENT DIRECTOR

Y. Bhg. Dato' Hj Abd Karim bin Munisar, a Malaysian aged 58, was appointed to the Board on 10 November 2004 and elected as Chairman of the Board on 2 February 2005. He holds a Bachelor of Economics (Hons.) from University of Malaya, and Advanced Diploma in Economic Development (with Distinction) from University of Manchester, United Kingdom and a Masters in Business Administration from University of Edinburgh, Scotland. He also attended an Advance Course in Urban Planning JICA at Tokyo, Japan.

Dato' Hj Abd Karim began his career in 1974 as Assistant Director at the Ministry of Finance, Malaysia. Between 1975 to 1980, he held different positions in various districts in the State of Perak as Assistant District Officer, South Kinta; Chairman of South Kinta District Council, Assistant District Officer 1, Kampar, Chairman of Kampar/Gopeng Municipal Council and also Assistant State Secretary of Perak.

In 1980, Dato' Hj Abd Karim was appointed Chief Assistant State Secretary of Pahang (Housing Division) and Chief Assistant District Officer 1 (Land) of Kuantan District Office. He held the position of Deputy Director of Klang Valley Planning Secretariat, in the Prime Minister's Department in 1982 before being appointed as Chief Assistant State Secretary of Selangor (Local Authority Division) in 1987.

Dato' Hj Abd Karim also served as the President of Ampang Jaya Municipal Council from 1992 to 1996. In 1998, he was appointed District Officer cum Acting President of Sepang District Council. From 2003 to 2004, he served as the President of Petaling Jaya Municipal Council.

Dato' Hj Abd Karim currently sits on the Board of Kumpulan Darul Ehsan Berhad as President, a position held since 6 September 2004. He is also the Executive Chairman of Kumpulan Perangsang Selangor Berhad and Kumpulan Hartanah Selangor Berhad.

He is currently the Chairman of the Remuneration Committee of the Company.

Dato' Hj Abd Karim has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

## directors' profile

### **TUAN HAJI ABDUL RAHMAN BIN HAJI SIRAJ**

CHIEF EXECUTIVE OFFICER

Tuan Haji Abdul Rahman bin Haji Siraj, a Malaysian aged 50, was appointed to the Board on 2 October 2000. He graduated with a Bachelor of Accounting (Honours) degree from Universiti Kebangsaan Malaysia. He is also a Member of the Malaysian Institute of Accountants.

Tuan Haji Abdul Rahman has served Texaco Exploration Inc. ("Texaco") as Chief Accountant from 1983 to 1994 before joining Khazanah Nasional Bhd as its General Manager, Investment. While in Texaco, he served in various countries, both in Latin America and Asia, and was given the task to oversee the entire offshore and exploration accounting system. His last appointment in Texaco was in Tashkent, Uzbekistan.

Tuan Haji Abdul Rahman subsequently joined Khazanah Nasional Bhd in 1995 and was given the task of overseeing Khazanah's new investment program both locally and overseas. He served Khazanah for two (2) years, and later joined Intria Bhd as its Director, Business Development. In 1997, he was appointed as Chief Executive Officer of KBI (Malaysia) Bhd, a position he held for three (3) years until September 2000. Thereafter, he was appointed as the Chief Executive Officer of the Company, a position he has held since 2 October 2000.

Tuan Haji Abdul Rahman is a member of the Investment Committee of the Company.

He has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

### **Y. BHG. DATO' LIM CHEE MENG**

EXECUTIVE DIRECTOR

Y. Bhg. Dato' Lim Chee Meng, a Malaysian aged 36, was appointed to the Board on 31 July 2000. Dato' Lim graduated with a Bachelor of Civil Engineering (Hons) Degree from University of Wales, United Kingdom in 1994. Upon graduation, he began his career with Vivendi Water in Paris, France, specialising in water production and distribution.

Dato' Lim presently sits on the Board of Directors of various companies which are involved in inter-alia, manufacturing, business development, infrastructure and utility projects. He is also a Director of Central Industrial Corporation Berhad, a company listed on the Second Board of Bursa Securities.

Currently, Dato' Lim is the Chairman of the ESOS Options Committee, a member of the Remuneration Committee and the Investment Committee of the Company. He has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

Dato' Lim is the brother to Mr. Lim Chin Sean, a major shareholder of the Company.

## directors' profile

### **Y. BHG. DATO' HJ MOHD SINON BIN MUDAKIR** SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, a Malaysian aged 58, was appointed to the Board on 1 November 1996. Dato' Hj Mohd Sinon graduated with a Bachelor of Economics (Hons) degree from University Malaya in 1974 and obtained a Masters of Business Administration from University of Dallas in 1991.

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

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

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

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

Dato' Hj Mohd Sinon is the Chairman of the Audit Committee and a member of the Investment Committee of the Company. He has attended all the six (6) Board of Directors' meetings held during the financial year of the Company.

### **YAM TENGGU PUTRI DATIN PADUKA ARAFIAH BTE AL-MARHUM SULTAN SALAHUDDIN ABD AZIZ SHAH AL-HAJ** INDEPENDENT NON-EXECUTIVE DIRECTOR

YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj, a Malaysian aged 54, was appointed to the Board on 31 July 2000. She presently sits on the Board of Directors of various companies which are involved in, inter-alia, construction and property development.

YAM Tengku Putri Datin Paduka Arafiah is a member of the Audit Committee and Nomination Committee of the Company. She has attended four (4) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

## directors' profile

### **Y. BHG. DATO' HJ ABDUL KARIM @ MOHD YUSOF B. ABDUL RAHMAN** INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman, a Malaysian aged 58, was appointed to the Board on 31 July 2000. He holds a Masters of Business Administration from Northwest London University, England.

Dato' Hj Abdul Karim presently sits on the Board of Directors of various companies which are involved in, inter-alia, the transportation and construction industries.

He has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

### **Y. BHG. DATO' WAN PUTEH BIN WAN MOHD SAMAN** NON-EXECUTIVE NON-INDEPENDENT DIRECTOR

Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, a Malaysian aged 78, was appointed to the Board on 31 July 2000. He holds a Higher School Certificate from the Malay College Kuala Kangsar, State of Perak and a Certificate in Community & Regional Planning from University of British Columbia, Vancouver, Canada.

Dato' Wan Puteh has served various Government offices for thirty-two (32) years, including the Ministry of Finance as Senior Assistant Director of Budget, and was the Selangor State Financial Officer from March 1979 to April 1986. He has held leadership positions in numerous sports and recreational organizations and is the Chairman of various committees for Kelab Golf Sultan Abdul Aziz Shah, Malaysia. Dato' Wan Puteh was involved in Malaysian Scouts for more than sixty (60) years and his last position was the National Chief Commissioner for Malaysia.

Dato' Wan Puteh is a member of the Nomination Committee and Remuneration Committee of the Company.

He has attended all the six (6) Board of Directors' meetings held during the financial year of the Company.



## directors' profile

### **ENCIK SULAIMAN BIN SALLEH**

INDEPENDENT NON-EXECUTIVE DIRECTOR

Encik Sulaiman bin Salleh, a Malaysian aged 64, was appointed to the Board on 25 February 2002. He is a Member of the Malaysian Institute of Accountants.

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

Encik Sulaiman is also acting as a Director in Mayban General Assurance Berhad, Mayban Life Assurance Berhad, PTB Unit Trust Berhad, Mayban Life International (Labuan) Ltd, and an Independent Director and Audit Committee Chairman of Amalgamated Industrial Steel Berhad.

Currently, he is the Chairman of the Nomination Committee and the Investment Committee, a member of the Audit Committee and ESOS Options Committee of the Company.

He has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

### **MR. WONG YIEN KIM**

NON-EXECUTIVE NON-INDEPENDENT DIRECTOR

Mr. Wong Yien Kim, a Malaysian aged 55, was appointed to the Board on 1 October 2007. He is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants, England and Wales.

Mr. Wong joined Kumpulan Perangsang Selangor Berhad ("KPS") in 1983 as an Accountant and was appointed Chief Accountant for several subsidiaries of KPS. Prior to joining KPS, he was attached to SAP Holdings Berhad for seven (7) years and held the position of Head of Division, Finance. Mr. Wong is currently the Executive Director of KPS as well as the Vice President, Finance of Kumpulan Darul Ehsan Berhad.

Mr. Wong also holds Directorship in Kumpulan Hartanah Selangor Berhad.

Mr. Wong is a member of the Audit Committee and the Investment Committee of the Company.

He has attended five (5) out of the six (6) Board of Directors' meetings held during the financial year of the Company.

Save as disclosed, none of the Directors have

- (i) any family relationship with any Director and/or major shareholder of the Company;
- (ii) any conflict of interest with the Company; and
- (iii) any conviction for offences within the past 10 years.

## chairman's **statement**



Y. Bhg. Dato' Hj Abd Karim bin Munisar

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements of Taliworks Corporation Berhad for the financial year ended 31 December 2008.

Overall, I am pleased to report that despite the economic difficulties that we are currently facing, the Group is not severely affected and has managed to record improvements in both revenue and profits.

### **FINANCIAL AND BUSINESS PERFORMANCE**

Today, the global economic climate has taken a severe beating. The economy is languishing and Malaysia is not spared from being drawn into the turmoil. Financial markets are experiencing significant volatility, which are adversely affecting the broader economy. Despite the negative sentiments, the Group strives to provide excellent service in its core business activities of water, waste and infrastructure.

For 2008, notwithstanding the grave economic landscape, the Group achieved a profit after taxation of RM46.3 million, a marked improvement from RM33.1 million recorded in the previous year. This translates into earnings of 12.2 sen a share (2007: 9.0 sen a share) for the year. The Group's revenue was also higher at RM226.4 million compared to RM191.0 million a year ago.

Not surprisingly, the main contributor to the Group continues to be the water business with a 60% share of revenue. This sector generated total revenue of RM135.9 million, up from RM126.3 million previously. Although the contribution from

## chairman's statement

the Group's waste management business in China at RM13.5 million is a small fraction of the total Group revenue, the investments in China have shown promising results and this bode well for the Group's intention to increase its exposure to one of the largest and fastest growing economies in the world. Towards this end, the Group has entered into an agreement with Shenzhen Hanyang Investment Holding Co., Ltd, to cooperate in sourcing for water and waste related projects in China.

Back in 2007, the Company issued RM225 million nominal amount of unsecured 5-year convertible bonds primarily for business expansion. The economic downturn has provided the Group an opportune time to invest into viable projects at attractive valuations, thus placing the Group closer to its next phase of growth.

Based on the above, we believe that the core fundamentals of the Group's business and its long term prospects remain positive.

### DIVIDENDS

Whilst we are inclined to conserve cash during an economic slowdown, the Board is also committed to providing decent returns to shareholders. After much deliberation, the Board is pleased to be recommending a final gross dividend of 1.25 sen per share at the forthcoming annual general meeting on top of a second interim gross dividend of 2.0 sen per share declared in February 2009. If approved by shareholders, the total gross dividends for the year 2008 will be 6.25 sen per share.

In 2005, the Board has adopted a general dividend policy of distributing not less than 50% of the net earnings of the Group as gross dividends for the three financial years from 2006 to 2008. Unfortunately, the current economic condition is expected to persist for the foreseeable future and having considered all factors, the Board has come to a decision to declare dividends based on the affordability of the Group from 2009 onwards. Nevertheless, the Board is committed to return cash which are surplus to the Group's requirements.

### FUTURE OUTLOOK AND PROSPECTS

What is fairly clear is the expectation of a deteriorating economy and we anticipate more difficult conditions over the next year. Nevertheless, the Group will pull its resources

and capabilities in securing and expanding its businesses in the field of water, waste and infrastructure both locally and abroad.

Overall, the nature of the Group's core businesses is relatively dynamic with huge business potential. There are abundant possibilities and opportunities in the sectors that we are currently involved in.

Needless to say, the Group's mainly concession-based business is a long term value proposition. To date, we have laid a solid foundation for the Group to have stable recurring revenue that offer a steady stream of cash flow throughout the concession period.

### ACKNOWLEDGEMENT

The accomplishment in bringing the Group to its present state of affairs largely revolves around the people that have been with us over the years. It is only fitting that I extend my gratitude to the management and staff, who exemplified excellence with their dedication, effort and contribution to the Group and to my fellow board members, for their guidance and commitment.

On the same token, my sincere appreciation also goes out to all the stakeholders including our valued customers, business associates, government authorities, financiers, media and the financial community for their continued confidence and backing to the Group.

Last but not least, I wish to thank you for your unwavering support. We look forward to your continuing vote of confidence as we navigate the Group forward in these difficult moments. The year ahead will be challenging but I believe with perseverance and adherence to the sound principles of prudent and proactive management will enable the Group to overcome the challenges.

Thank you.



**DATO' HAJI ABD KARIM BIN MUNISAR**  
Chairman

## penyata **pengerusi**

### **PARA PEMEGANG SAHAM YANG DIHORMATI,**

Bagi pihak ahli – ahli Lembaga Pengarah, saya dengan sukacitanya membentangkan kepada anda Laporan Tahunan dan Penyata Kewangan yang telah diaudit Taliworks Corporation Berhad bagi tahun kewangan yang berakhir pada 31 Disember 2008.

Secara keseluruhannya, saya dengan sukacita melaporkan bahawa walaupun wujud krisis ekonomi yang sedang kita hadapi buat masa ini, Kumpulan tidak terjejas dengan teruk dan telah berjaya meningkatkan lagi perolehan dan keuntungannya.

### **PRESTASI KEWANGAN DAN PERNIAGAAN**

Hari ini, suasana ekonomi global telah terjejas dengan begitu teruk sekali. Ekonomi sedang merosot dan Malaysia tidak terkecuali daripada menerima kesannya. Pasaran kewangan pula sedang mengalami kecelaruan ketara, yang telah memberi kesan buruk kepada ekonomi pada amnya. Walaupun wujudnya sentimen – sentimen negatif, Kumpulan akan terus berusaha bagi memberikan perkhidmatan cemerlang dalam aktiviti terasnya iaitu pengurusan air, sisa buangan dan infrastruktur.

Bagi tahun 2008, walaupun dalam landskap ekonomi yang menjunam, Kumpulan mencatatkan keuntungan selepas cukai sebanyak RM46.3 juta. Ini merupakan peningkatan ketara berbanding tahun sebelumnya iaitu sebanyak RM33.1 juta. Ini menghasilkan pendapatan sebanyak 12.2 sen setiap saham (2007: 9.0 sen setiap saham) pada tahun tersebut. Perolehan Kumpulan juga meningkat kepada RM226.4 juta berbanding dengan RM191.0 juta tahun lepas.

Sebenarnya tidaklah mengejutkan bahawa, penyumbang utama kepada Kumpulan secara berterusan ialah sektor perniagaan air yang mencatatkan 60% sumbangan perolehan. Sektor ini menyumbangkan perolehan sebanyak RM135.9 juta berbanding RM126.3 juta sebelumnya. Walaupun sumbangan daripada perniagaan pengurusan sisa buangan di China sebanyak RM13.5 juta adalah kecil berbanding jumlah keseluruhan perolehan Kumpulan, tetapi pelaburan di China telah menunjukkan keputusan yang membanggakan. Ianya amat bertepatan sekali dengan niat Kumpulan untuk meningkatkan lagi pendedahannya di dalam salah satu ekonomi yang terbesar dan terpantas

pertumbuhannya di dunia. Berlanjutan daripada itu, Kumpulan telah memeterai perjanjian dengan Shenzhen Hanyang Investment Holding Co., Ltd, bagi bekerjasama mengenal pasti projek – projek berkaitan air dan sisa buangan di China.

Pada tahun 2007, Syarikat telah menerbitkan RM225 juta nilai nominal bon boleh tukar 5 tahun tidak bercagar bagi tujuan pengembangan perniagaan. Dalam suasana ekonomi yang tidak menentu kini, telah memberikan Kumpulan masa yang berharga untuk membuat pelaburan dalam projek – projek yang berdaya maju pada nilai yang lebih menarik. Ini akan membawa Kumpulan ke arah fasa pertumbuhan yang seterusnya.

Dengan ini, kami yakin bahawa asas – asas teras perniagaan Kumpulan dan prospek jangka panjangnya akan terus positif.

### **DIVIDEN**

Walaupun wujudnya keperluan untuk menyimpan kecairan tunai terutamanya ketika pergerakan ekonomi yang lembab, Lembaga tetap komited untuk memberikan pulangan yang berpadanan kepada para pemegang saham. Setelah dipertimbangkan dengan sewajarnya, Lembaga berbesar hati mencadangkan dividen kasar akhir sebanyak 1.25 sen setiap saham pada mesyuarat agung tahunan yang akan datang, selain daripada dividen interim kedua sebanyak 2.0 sen setiap saham yang telah diisytiharkan pada Februari 2009. Jika dipersetujui oleh para pemegang saham, jumlah keseluruhan dividen kasar sepanjang tahun 2008 adalah sebanyak 6.25 sen setiap saham.

Pada 2005, Lembaga telah menerima pakai polisi dividen umum yang mengagihkan tidak kurang daripada 50% pendapatan bersih Kumpulan sebagai dividen kasar untuk tempoh tiga tahun kewangan daripada tahun 2006 ke 2008. Malangnya, dalam keadaan persekitaran ekonomi semasa yang akan terus berlanjutan untuk suatu tempoh mendatang dan setelah mempertimbangkan semua faktor – faktor, Lembaga telah memutuskan bahawa mulai tahun 2009 ke hadapan, pengisytiharan dividen adalah berdasarkan kemampuan Kumpulan. Namun begitu, Lembaga komited untuk memberikan pulangan tunai jika ada lebih daripada keperluan Kumpulan.

## penyata pengerusi

### PANDANGAN MASA HADAPAN DAN PROSPEK

Yang nyata pada masa ini ada kemungkinan bahawa keadaan ekonomi yang akan terus merudum dan kita menjangkakan keadaan yang lebih sukar pada tahun yang akan datang. Walaupun begitu, Kumpulan akan menumpukan sumber – sumber dan keupayaannya dalam usaha memuktamadkan dan mengembangkan perniagaannya dalam bidang air, sisa buangan dan infrastruktur baik di dalam mahupun di luar negara.

Secara keseluruhannya, perniagaan teras Kumpulan secara relatifnya adalah dinamik dengan mempunyai pontesi perniagaan yang luas. Terdapat banyak peluang dan kemungkinan - kemungkinan dalam sektor – sektor yang Syarikat ceburi pada masa kini.

Ditegaskan juga, perniagaan utama Kumpulan yang berasaskan konsesi mempunyai nilai kukuh bagi jangka masa panjang. Pada hari ini, kami telah meletakkan asas yang kukuh bagi Kumpulan melalui perolehan berulang yang stabil dan memberikan aliran tunai yang kukuh sepanjang tempoh konsesi.

### PENGHARGAAN

Pencapaian Kumpulan pada tahapnya kini adalah bersandarkan kepada modal insan yang telah bersama – sama dengan kita sejak beberapa tahun yang lalu. Adalah perlu untuk saya menzahirkan penghargaan kepada pengurusan dan kakitangan yang telah mempamerkan

kecemerlangan dengan menunjukkan sifat dedikasi, usaha dan sumbangan yang berterusan kepada Kumpulan, dan kepada ahli – ahli Lembaga Pengarah, di atas tunjuk ajar dan komitmen mereka.

Dalam nada yang sama juga, saya menyampaikan penghargaan ikhlas kepada semua pihak – pihak berkepentingan termasuk para pelanggan kami, rakan perniagaan, pihak berkuasa kerajaan, pembiaya kewangan, media dan komuniti kewangan di atas keyakinan dan sokongan berterusan kepada Kumpulan.

Akhirnya, saya ingin mengucapkan terima kasih kepada sokongan teguh anda sekalian. Kami yakin terhadap keyakinan berterusan anda dalam usaha memacu Kumpulan dalam keadaan yang serba sukar ini. Tahun – tahun yang mendatang penuh dengan cabaran, tetapi saya percaya dengan ketetapan dan kepatuhan kepada prinsip – prinsip berjimat cermat dan pengurusan proaktif akan membolehkan Kumpulan menanganinya.

Terima kasih.



**DATO' HAJI ABD KARIM BIN MUNISAR**  
Pengerusi

Secara keseluruhannya, perniagaan teras Kumpulan secara relatifnya adalah dinamik dengan mempunyai pontesi perniagaan yang luas. Terdapat **banyak peluang dan kemungkinan - kemungkinan** dalam sektor – sektor yang Syarikat ceburi pada masa kini.

## chief executive officer's review of operations



**Tuan Haji Abdul Rahman bin Haji Siraj**

2008 can be described as a year of unprecedented chaos and upheavals in the global financial markets. The financial crisis which first emerged in late 2007, gained momentum by the third quarter of the year and had spread to Europe and then Asia, triggering frozen credit, unprecedented job losses, shrinking consumer spending and ultimately leading to reduce industrial production activities and truncated export and services output in many export and service oriented countries including Malaysia. Today, most countries both developed and developing are already facing recession in their economies and governments have been kept busy introducing various programmes to revive their fledging economies.

Whilst the looming recession has eased pricing pressures and inflation somewhat, it inadvertently created a different kind of risk to the Group. We are now confronted with a different landscape of slower economy and changes to the regulatory framework which may pose challenges to our core business activities.

Nevertheless, the Group has taken cognizance and instituted several pro-active measures to mitigate these potential threats by:-

- (a) making efficient cash flow and credit management a heightened priority to bolster the cash position through various measures including, amongst others:-
- minimising discretionary expenditure including deferring major capital expenditure without compromising health and safety;

- instituting cost control measures and closer scrutiny of expenditure;
  - closer monitoring and follow-up of trade receivables to minimise the risk of delinquencies; and
  - reviewing adequacy of existing banking facilities.
- (b) stepping up efforts to seek viable investments in the water, waste management and infrastructure sectors to diversify the earnings base. The current economic turmoil which has resulted in lower asset prices and reduced competition provides a window of opportunity to hasten the process of closing deals, and
- (c) reviewing the legal, financial and commercial position of the Group due to the on-going developments in the water industry arising from the implementation of the Water Services Industry Act 2006 and its subsidiary legislations as well as the proposed water consolidation exercise by the Selangor state government.

## chief executive officer's review of operations

Despite the turbulent economic conditions, Taliworks will forge ahead to expand the Group's footprint abroad as a long term strategic move to further diversify our portfolio of businesses, which is predominantly situated in the country. Given the slower domestic growth opportunities amidst the economic slowdown, the Group strives to remain resilient and cost effective in making further inroads into China and hopefully, breaking new grounds into the region. As such, moving forward, we will diligently build on our strength and core competencies to grow the portfolio of concession-based assets and businesses that can offer recurring income and stable growth.

### FINANCIAL PERFORMANCE

#### Summary of the Group's Financial Performance At a Glance

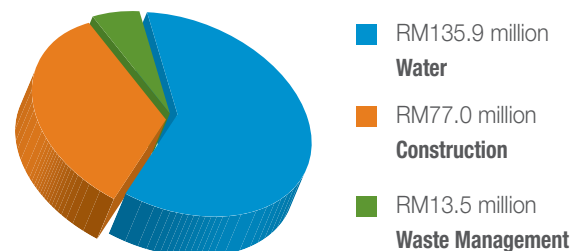
	2008 RM MIL	2007 RM MIL
Revenue	226.4	191.0
Profit before tax	59.4	46.7
Profit after tax	46.3	33.1
Total Assets employed	664.0	604.6
Shareholders' equity	351.6	329.1
Basic EPS (sen)	12.2	9.0
Return on Equity (%)	13.6	10.3

For the year in review, the Group recorded higher revenue of RM226.4 million compared to RM191.0 million a year ago. The increased in revenue of about 19% y-o-y was on account of the higher percentage of completion from the two construction projects that the Group is currently undertaking in Malaysia, the increase in the bulk sales rate for Taliworks (Langkawi) Sdn. Bhd. as well as the greater tonnage of production from our China operations coupled with the favourable strength of the Chinese renminbi.

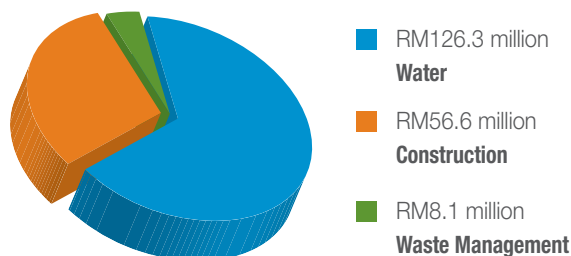
As with the previous years, the Group's water business remained the key revenue contributor – making up 60% of total turnover or RM135.9 million (2007: RM126.3 million). Construction chalked up a hefty 34% share of revenue, amounting to RM77.0 million (2007: RM56.6 million) whereas waste management operations accounted for the balance 6.0% of total revenue. The waste management operations contributed RM13.5 million (2007: RM8.1 million) to the Group's overall revenue.

Profit after tax increased by a larger quantum to RM46.3 million from RM33.1 million in 2007. Whilst this was achieved due to higher contributions from the three core operations in water, construction and waste management, profits for the year was also boosted by the capital gains and tax-free dividends arising from investments in surplus cash of the Group, foreign exchange gain and the absence of exceptional charges incurred in the previous year relating to share option and corporate expenses.

In terms of profit before tax which rose 27% y-o-y, the water division is still the biggest earning generator with the business unit channelling a profit before tax of RM50.9 million (2007: RM47.2 million). Construction activities chalked up a profit before tax of RM11.6 million (2007: RM7.5 million) whilst the waste management sector recorded RM4.0 million compared to a RM0.3 million loss in the previous year. However, share of after tax profits of RM5.7 million from the highway toll division held through a jointly controlled entity felt short of expectations due to the lower volume of average daily traffic and correspondingly resulted in higher amortisation charges being made to the concession assets.



Revenue Performance 2008



Revenue Performance 2007

## chief executive officer's review of operations



### BUSINESS SECTOR REVIEW

#### WATER & ENGINEERING DIVISION

Despite the promise of a new beginning for the Malaysian water services industry, the year started and ended in uncertainty as the global financial crisis unfolded and spread its negative effects around the world. Over the first seven months of the year, as world commodity prices, especially crude oil skyrocketed, there was an increase in the cost of operations of all related products and services, including water treatment operations. In tandem with the downtrend, particularly in Selangor and Langkawi in which Sungai Harmoni Sdn. Bhd. ("SHSB") and Taliworks (Langkawi) Sdn. Bhd. ("TLSB") respectively operate, the hitherto promising uptrend in water demand growth which was apparent over the first half of the year had begun to show signs of slowing down and declining by the end of the year. The prospect of a deepening economic slowdown in 2009 may see further curtailment of water supply demand in Malaysia in general and in Selangor and Langkawi in particular if there is further decline in industrial and services activities and it remains to be seen whether the massive economic stimulus packages announced by the government and the actions by the central bank to cut interest rates thus far can stimulate sufficient economic activities and generate domestic demand to cushion the economy from shrinking further.

With the enforcement of the Water Services Industry Act 2006 ("WSIA") on 1 January 2008, the water supply industry in Peninsular Malaysia and Labuan has now entered into the regulatory phase under which the water supply and distribution agencies and companies would be licensed and regulated by the Federal Government through compliance with key performance indicators ("KPIs"). The raw water resources remain under the purview of the respective State governments.

The provisions of WSIA have a direct impact on TLSB as one of the named persons in the said Act and an indirect impact on SHSB as the O&M operator to Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH"). The impact, the extent of which has yet

to be determined, will arise from the decision on migration to the licensing regime and from the aspect of re-negotiation on national interest issues with the Federal Government and other counter-interest parties. Under the WSIA, the existing water operators are given the option to either continue to be authorised to carry out the water supply services in accordance with their respective current concession agreements but subject to such conditions as maybe imposed by the Suruhanjaya Perkhidmatan Air Negara ("SPAN") or to migrate to a licensing regime whereby relevant licences will be granted by SPAN. Under the licensing regime, all existing concession agreements will cease to be effective and the operators will be given a license to operate for 3 years subject to renewal. While TLSB has written to the SPAN for a written authorisation, SHSB is awaiting the decision of SPLASH, which has been given an extension until June of 2009, to decide whether it wishes to migrate to the new licensing regime or continued to be authorised until the end of its concession.

Other than the ramifications under the WSIA, the State Government of Selangor is also working towards restructuring the water sector by proposing to acquire all the privatised water assets and operations from various private owners and emerging as the sole operator. The Federal Government on the other hand is also proposing to acquire the water related assets but leasing them back to the operators. Negotiations are presently ongoing between the interested parties and SHSB will be monitoring and assessing the events closely.

The Malaysian economy posted a real GDP growth of 4.6% in 2008, down from 6.3% y-o-y, as growth over the last two quarters declined in tandem with the economic slowdown. This economic downtrend over the year was mirrored to some extent by the water demand growth which expanded modestly over the first half of the year only to fall back by the second half. Overall, both SHSB output and TLSB metered consumption remained almost unchanged compared to the previous year. On the basis of this developing trend, the water demand growth outlook for the next year will depend on the country weathering the effects of the slowing economy whether through the economic stimulus packages announced and domestic consumption being boosted.

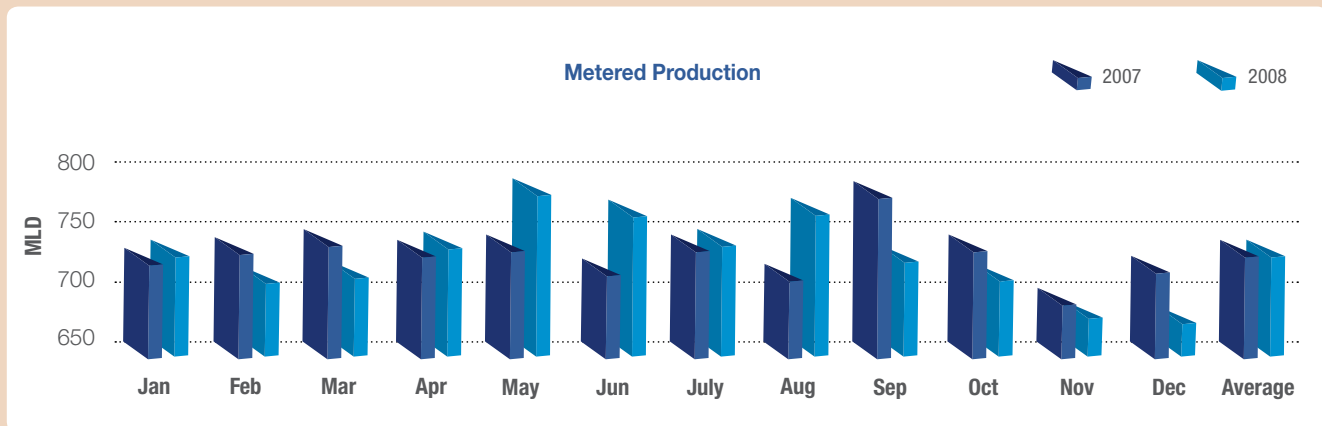


## chief executive officer's review of operations

Throughout the year in review, there was adequate rainfall and this helped to fill up the dams and maintain adequate river flows for abstraction by the water treatment plants managed by SHSB and TLSB. Under steady operating conditions, unit electrical and unit chemical costs were kept at a manageable level despite the increase in the cost of chemicals and electricity tariff from July. Comprehensive maintenance and servicing programmes backed by a rolling refurbishment programme for the major mechanical, electrical and chemical installations helped not only to ensure that these installations are kept in good running condition but at optimal operating efficiency as well.

In an effort to keep abreast of the environmental changes in the catchment areas in which SHSB and TLSB operates, these companies have initiated a surveillance programme to separately monitor the raw water quality and pollution trends taking place in the catchment areas concerned. This will enable SHSB and TLSB to respond speedily and make the necessary adjustments to the operations and treatment regimes as and when necessary.

### Sungai Harmoni Sdn. Bhd.



SHSB recorded an output of 268.72 million cubic meter ("m<sup>3</sup>") (or an average of 730.23 million litres per day ("MLD")) of treated water over the year in review, almost unchanged from 266.55 million m<sup>3</sup> (or an average of 730.27 MLD) for 2007. The flat output trend from the water treatment plant at the Sungai Selangor Phase 1 ("SSP1") was attributed to a general decline in consumer demand and to the continuing efforts by Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS") to rationalise the Klang Valley water supply and distribution system. Although output was above the year average over the first nine months of the year, this had stalled and fallen back by the fourth quarter. The water demand outlook for 2009 is uncertain as the economic crunch appears to have gathered pace, thus the demand for water in Selangor may be crimped if industrial activity and consumer demand decline further.

With rainfall keeping the dams full and river flows adequate the year round, the steady operating conditions enabled unit production costs to be kept well under control, after factoring in the increase in the prices of chemicals and electricity tariff in July, brought about by the surge in prices of commodities, especially crude oil over the first half of the year. This was underpinned by a comprehensive

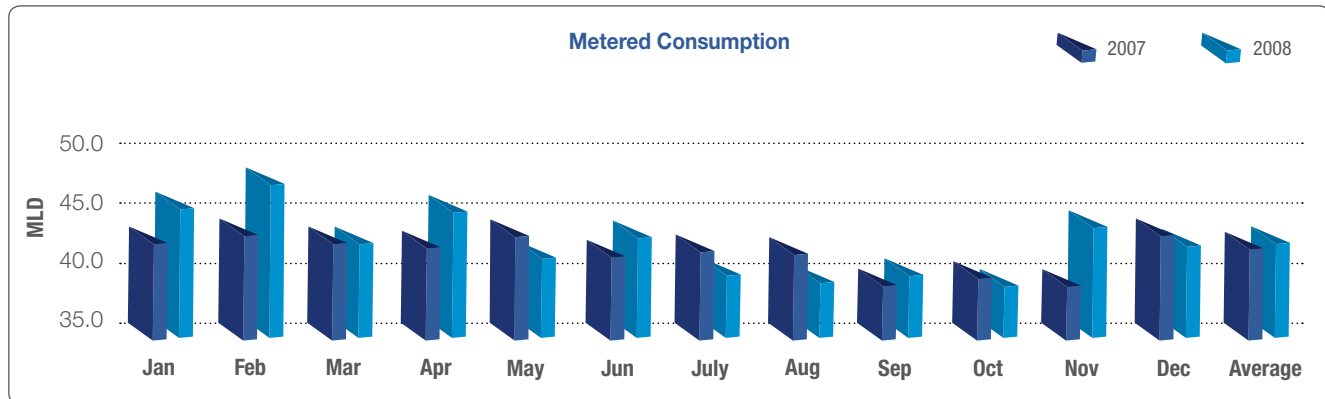
maintenance and refurbishment programmes which were designed to keep the installations uninterrupted operating condition as well as at optimal efficiency. With the regulating dams at full service level by year end and the forecast of wet conditions over the first half of 2009, there is confidence of adequate raw water reserves to meet abstraction requirements for next year subject to water demand growth. Nevertheless, in recognition of the fact that environmental and operating conditions do change suddenly, vigilance will continue to be exercised to respond speedily to the challenges ahead.

SHSB continues to ensure that SSP1 Water Treatment Plant's status as a centre of operational excellence is maintained through the following accreditation schemes:

- MS ISO 9001:2000 'Quality Management System for the Operation and Maintenance of Water Treatment Plant'; and
- Skim Akreditasi Makmal Malaysia (SAMM) to ISO/IEC 17025 standard for the SSP1 laboratory.

## chief executive officer's review of operations

### Taliworks (Langkawi) Sdn. Bhd.



Despite a robust start, TLSB only managed to post a small increase of 2.1% in metered consumption to 15.54 million m<sup>3</sup> (or an average of 42.44 MLD) for the year in review compared to the previous year. Although metered consumption increased by a significant 5.5% over the first half of the year compared to the 2007 average of 41.72 MLD, this pace was not sustained over the second half as consumer demand declined in the face of the economic slowdown. With Langkawi's economy dependent to a large extent on tourism activities, it would appear that metered consumption growth may remain flat or post a small decline in 2009 if the economic downturn persists. Nevertheless, in view that the government has launched two stimulus packages to shield the Malaysian economy from the adverse effects of the global financial turmoil as well as efforts to generate more domestic tourism activities, there is hope that Langkawi's economy may be cushioned somewhat and the water consumption demand may not be badly impaired.

Despite patches of dry weather over the second and third quarters, there was adequate rainfall over the remaining months and coupled with some pumping, helped to substantially fill up Malut Dam by the end of the year, giving some assurance of adequate dam reserves for the next year. Although there were some dry spells which required adjustments to the treatment regime, the operating conditions were generally steady, resulting in unit operation costs being kept well under control after factoring in the increase in the prices of water treatment chemicals and electricity tariff in July. Whilst wet conditions are forecast for the first half of the year, the likelihood of weather anomalies taking place will still require vigilance to be exercised to respond speedily to environmental changes that may occur.

The control and reduction of non revenue water ("NRW") losses continue to be given priority and towards this end, district metering, active and passive leakage detection, pressure control and meter replacement programmes will be intensified. At the same time, TLSB will continue to provide the state water supply

agency with data on frequent pipe burst sections for it to carry out its pipe replacement programme as this will assist greatly in further reduction of the NRW ratio. In the meantime, the partnership programme with Odense Vadselskab AS of Denmark under the Danida Partnership Programme has begun to yield much data on more effective and efficient methodologies of water operations, including NRW control and the results will be studied on how they can be adapted for local application after the programme ends in the third quarter of 2009.

Towards placing its water quality testing facilities and programmes on an industry level of quality and consistency, TLSB received the accreditation to ISO/IEC 17025 standard under the prestigious Skim Akreditasi Makmal Malaysia (SAMM) for the Padang Saga Water Treatment Plant Laboratory and the Sungai Baru Water Treatment Plant Laboratory in March. This places the TLSB laboratories at the same level of testing capability and standard as the SSP1 laboratory and other commercial laboratories and TLSB will do its utmost to ensure that the accreditation is maintained in the years to come.

### ENGINEERING & CONSTRUCTION DIVISION

The Group embarked on two projects since the previous year:

- the design and construction of the water supply system for the Padang Terap Water Supply Scheme, in Kedah, and
- the Subang South Pond Project – a flood migration pond project to avert flash floods caused by storm water from Sungai Damansara to its low lying river banks at Shah Alam, Selangor.

with a combined contract value of approximately RM170 million.

## chief executive officer's review of operations

The year saw the world crude oil price escalating to an all-time high of USD148 per barrel in the middle of the year. This triggered prices of construction materials to spike upwards in the range of 25% to 40%. However, with the onset of the financial crisis, crude oil price retreated by end 2008 but on the other hand, prices of most major construction materials, with the exception of steel, remain at their high levels which resulted in the construction and property sectors to experience squeezed margins. Fortunately, the price hike did not affect the Group drastically as most the construction costs had been capped by sub-contracting out to suppliers and sub-contractors at the initial stage of the projects.

As reported in the previous year, the delay in land acquisition by the government continued to hamper the speedy completion of the Padang Terap project resulting in the project having to be rescheduled for completion by end 2009. As at the end of 2008, the physical progress of this project was assessed at about 86% completed. As for the Subang South Pond Project, the overall progress achieved was assessed at 90% completed with the inlet structure being the only outstanding works pending the government's approval on the design of the structure.

Arising from the scarcity of viable infrastructure projects amidst the economic gloom and the higher perceived risk affecting the industry, the Group has not secured any projects during the year. However, as the government has recently unveiled a sizeable stimulus package to jumpstart the economy, it is left to be seen whether the industry will be able to bring itself out of the doldrums. Bank Negara has in its recent report indicated that the construction sector is one of the two sectors that is expected to remain supportive of growth. Thus, the Group has positioned itself to seize any opportunities that may arise to build up its order book.

### WASTE MANAGEMENT DIVISION

The Group's maiden venture into China via a 90% stake in Tianjin-SWM (M) Environment Co. Ltd, ("Tianjin-SWM") back in 2004 has put the Group in good stead to further expand its presence in the

vast waste management sector. Other than being involved in solid waste management, the Group is also engaged in the wastewater sector through its 56% stake in Puresino (Guanghan) Water Co. Ltd which manages and operates the 50 MLD Guanghan San Xin Dui wastewater treatment plant in the province of Sichuan.

The successful acquisition of these companies has paved the way for the Group to step forward confidently to ink a deal with Shenzhen Hanyang Investment Holding Co., Ltd in April 2008 to facilitate the exclusive cooperation and collaboration, within the period of two years, in projects related to clinical waste, water supply, treatment of waste water and/or municipal solid waste and any other businesses in China.

### Tianjin-SWM (M) Environment Co. Ltd

Tianjin-SWM holds the concession rights to manage, operate and maintain the Tianjin Panlou Life Waste Transfer Station and its related assets for a duration of 21 years ending 2025. The city of Tianjin is one of the locations chosen to host the recently concluded 2008 Olympics in China.

The throughput at the Tianjin Panlou Transfer Station has been encouraging and on the uptrend and for 2008, the company managed to process 353,000 tonnes (or 966 tonnes per day) of household waste compared to 324,000 tonnes (or 899 tonnes per day) a year ago. The increase of 9% y-o-y may have resulted in the higher revenue achieved, however, the operations have also been affected by the rising fuel prices and an aging fleet which hampered the efficiency of operations and increase the average cost of processing each ton of waste. Due to the nature of business, truck related costs remain a key component of operating costs and considerable efforts and resources are deployed to manage the associated costs through several key pre-emptive measures.



## chief executive officer's review of operations

### Puresino (Guanghan) Water Co. Ltd

Last year was the full year in which Puresino (Guanghan) Water Co. Ltd ("Puresino Guanghan") operated the Guanghan San Xin Dui wastewater treatment plant since the commercial operations started in September 2007. The company has a concession to manage and operate the treatment plant until 2033.

The plant treated 9.88 million m<sup>3</sup> (or an average of 27 MLD) of wastewater. This works out to be 54% of the designed capacity and the company expects to raise the production to 10.7 million m<sup>3</sup> (or an average of 29 MLD) in 2009. Subsequent to the year, the company managed to secure an increase in the tariff rates from RMB0.80 per m<sup>3</sup> to RMB1.15 per m<sup>3</sup> and this bodes well to increase the operational margins.

Following the catastrophic earthquake in Sichuan, the treatment plant operated under difficult conditions but it did manage to produce effluent complying with design standards whilst ensuring the safety of discharge downstream to the river. The performance was highly rated by the Environmental Protection Bureau of Sichuan Province, Deyang Municipal Government and other government department of Guanghan City and this has created a good image for the company. To further broaden the earnings base, the Group is looking into the possibility of undertaking other wastewater projects in the province.

Controlling costs for both the Tianjin and Sichuan operations remain a considerable challenge especially due to the runaway inflation that was experienced in the first half of the year but continuous efforts are made to optimise productivity and minimise cost leakage. Maintaining efficiency and sufficiency of service during this trying times would remain the key driver to cement the Group's reputation as a market-driven service provider.

### HIGHWAY DIVISION

The toll highway sector became part of the business activities of Taliworks when the Company acquired a 55% strategic stake in Cerah Sama Sdn. Bhd. ("Cerah Sama") in late 2007 in collaboration with the South East Asian Strategic Assets Fund ("SEASAF"), which holds 35%. During the year, Cerah Sama acquired a 14% stake in SILK Holdings Berhad, the owner of the concession for the Kajang Traffic Dispersal Ring Road, which lies adjacent to the Cheras-Kajang Highway.

The Bandar Mahkota Cheras ("BMC") issue in which Grand Saga Sdn. Bhd. ("Grand Saga") was embroiled in was prominently reported in the press when the concrete barricade at the access road from BMC leading to the Cheras-Kajang Highway was unilaterally removed in April 2008. The concrete barrier was erected by Grand Saga in mid 2005 to prevent unlawful access to the Cheras-Kajang Highway via the access road. In view of the public disorder and tense situation at the site and upon the Federal Government's request, Grand Saga mutually agreed with the Federal Government in May 2008, strictly without prejudicing its rights, not to re-erect the barricade at the access road temporarily until an amicable long term solution has been found.

For the year under review, the average daily traffic achieved was 192,451, a drop of 3.6% from 199,528 achieved in the previous year. The deterioration in the overall traffic volume in 2008 can be attributed to the following factors:-

- (a) the opening of the access road at the Bandar Tun Hussein Onn interchange and the corresponding loss of traffic at the Batu 11 toll plaza,
- (b) the substantial increase in prices of petrol prices in June 2008, and



## chief executive officer's review of operations

- (c) the ongoing upgrading works at KM10.2 near the Plaza Phoenix and Taman Len Seng interchange which is creating serious traffic bottleneck during peak periods, especially for Kuala Lumpur's bound traffic.

Notwithstanding the drop in ADT for the year, the Group is confident that the ADT would continue to improve with the general reduction in prices of petrol, the completion of the upgrading works expected in mid 2009 and with the partial opening of Kajang-Seremban Highway in December. In the meantime, Grand Saga has been in discussions with the relevant authorities to resolve the BMC issue taking into account the interest of various stakeholders.

### CORPORATE DEVELOPMENTS

The proceeds raised from the RM225 million nominal amount of 2.25% convertible bonds due 2007/12 in late 2007 remain largely intact. The proceeds are meant to be used for business expansion. However, in this risk-adverse environment where there is a limited appetite for excessive risk taking activities, investments have to be carefully evaluated to ensure all grounds have been sufficiently covered. Nevertheless, the economic woe does throw up opportunities for more deal flow to be consummated in a less saturated and crowded market as not all competitors will have sufficient cash resources and the reluctance of financiers to bankroll some of the deals add to further complications.

Compared to Taliworks which is sitting on a sizeable pile of cash, the Group is in a better position to clinch the pockets of assets which have diminished and impaired valuation. Great strides have been made to secure sufficient funding before the start of the financial crisis and the Group has set its priorities right to capitalise on the opportunities.

The current financial crisis has brought into the limelight weaknesses in certain aspects of risk management practices and transparency issues. In this respect, the Group is determined to improve and

enhance both the areas to bolster investor protection. Continuous efforts will be directed towards enhancing the areas of financial reporting, corporate governance and investors' relationship.

### PROSPECTS

During the year, Taliworks partnered Shenzhen Hanyang Investment Holding Co., Ltd, to look into water and waste related projects in China whilst in Malaysia, the Group is collaborating with Odense Water of Denmark to explore business opportunities in projects relating to the NRW reduction and energy savings programs particularly for Taliworks Langkawi's operations.

These on-going efforts are a continuing and conscious endeavour by the Group to maximise returns and build its long term survivability and sustainability driven by long term profit generation and expansion given the dynamic and challenging operating environment.

At least for the next 1-2 years, it is envisaged that the global economy will remain weak and it will be both a challenge and opportunity for the Group to forge ahead. As previously emphasised and consistently advocated, the Group will continue to identify synergistic businesses to grow its established and core businesses as well as re-positioning the Group to be comprehensive water, waste and infrastructure service provider in the region.

Thank you.



**Haji Abdul Rahman Bin Haji Siraj**  
Chief Executive Officer



## tinjauan operasi oleh ketua pegawai eksekutif

Tahun 2008 boleh digambarkan sebagai tahun yang kucar kacir dan penuh pergolakan bagi pasaran kewangan global. Krisis kewangan ini muncul pada akhir 2007, momentumnya meningkat pada suku ketiga tahun tersebut, dan berkembang ke Eropah dan kemudiannya Asia. Krisis ini telah mencetuskan pembekuan kredit, kehilangan perkerjaan yang tidak pernah terjadi sebelum ini, pengucupan perbelanjaan pengguna dan akhirnya mengurangkan aktiviti pengeluaran industri dan membantutkan eksport dan output perkhidmatan di banyak negara yang berorientasikan eksport dan perkhidmatan termasuk Malaysia. Hari ini, kebanyakan negara – negara maju dan membangun sedang berhadapan dengan kemelesetan ekonomi. Kerajaan negara – negara tersebut sedang memperkenalkan beberapa program pemulihan ekonomi untuk merancakkan semula rentak ekonomi yang perlahan.

Walaupun nampaknya dengan ancaman kemelesetan ini menyebabkan kurangnya tekanan harga dan inflasi, tetapi ia secara tidak sengaja telah mencipta beberapa bentuk risiko baru yang dihadapi oleh Kumpulan. Kita sedang berhadapan dengan persekitaran pertumbuhan ekonomi yang perlahan dan perubahan kepada rangka kerja perundangan yang mungkin memberikan cabaran kepada aktiviti – aktiviti perniagaan teras.

Namun begitu, Kumpulan telah mengambil langkah – langkah perlu dan menginstitusikan beberapa tindakan proaktif bagi mengurangkan potensi impak ancaman – ancaman tersebut, iaitu dengan:-

- (a) meletakkan keutamaan agar aliran tunai dan pengurusan kredit yang efisien untuk menyokong kedudukan kewangan melalui beberapa langkah termasuk, antara lain:-
  - meminimalkan perbelanjaan berdasarkan pertimbangan termasuk penundaan perbelanjaan modal utama tanpa berkompromi dalam aspek kesihatan dan keselamatan;
  - memperkenankan amalan kukuh dalam pengawalan kos dan penelitian terperinci perbelanjaan;
  - pemerhatian rapi dan pemantauan berkala hutang tertunggak bagi meminimalkan risiko pemiutang tegar; dan
  - penilaian semula kecukupan kemudahan – kemudahan perbankan sedia ada.
- b. mempertingkatkan usaha mengenal pasti pelaburan baru yang berpotensi dalam sektor air, pengurusan sisa buangan dan infrastruktur dalam mempelbagaikan pendapatan asas. Keadaan ekonomi semasa yang hura-hara menyebabkan harga aset – aset menjadi rendah dan mengurangkan persaingan telah memberikan peluang terbuka untuk mempercepatkan lagi proses memuktamadkan perjanjian, dan
- c. menyemak semula aturan posisi perundangan, kewangan dan komersial Kumpulan kerana perkembangan berterusan industri air akibat daripada penguatkuasaan Akta Industri Air 2006 dan perundangan berkait, serta juga cadangan penstrukturan semula air oleh kerajaan negeri Selangor.

Walaupun dalam suasana pergolakan ekonomi, Taliworks akan terus bergerak ke hadapan bagi mengembangkan tapak perniagaan Kumpulan di luar negara yang merupakan langkah strategik jangka panjang untuk mempertingkatkan lagi portfolio perniagaan yang pada ketika ini sebahagian besarnya terletak di dalam negara. Memandangkan

pertumbuhan peluang – peluang domestik akan perlahan disebabkan pergerakan ekonomi yang lembap, Kumpulan akan terus bertahan dan kos efektif dalam membuka peluang – peluang baru di China, dan jika diberi ruang, memperolehi peluang – peluang baru di rantau ini. Jelasnya, kami akan bergerak ke hadapan sambil dengan tekun membina kekuatan dan teras kecekapan sedia ada bagi pertumbuhan portfolio – portfolio perniagaan dan aset – aset berasaskan konsesi yang dapat memberikan pendapatan berulang dan pertumbuhan stabil.

### PRESTASI KEWANGAN

#### Ringkasan Prestasi Kewangan Kumpulan Sepintas Lalu

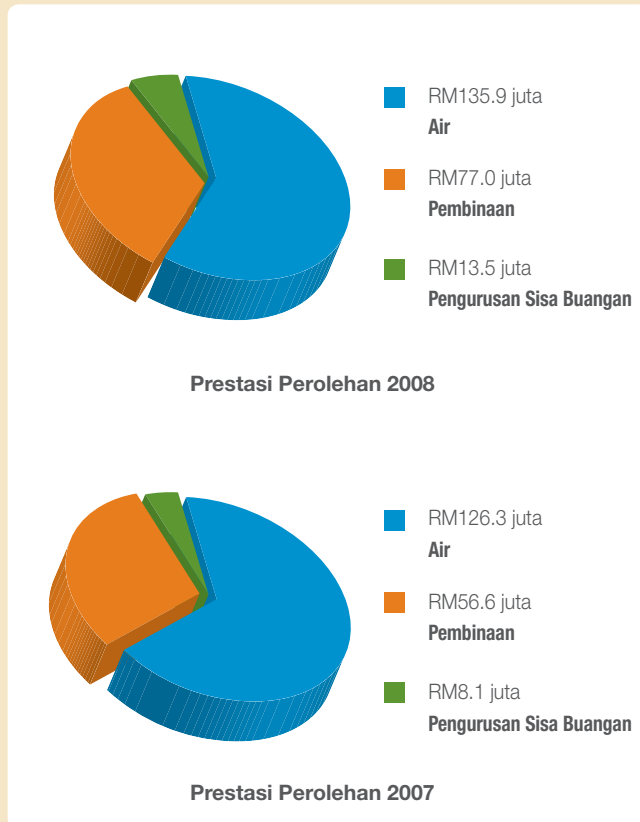
	2008 RM JUTA	2007 RM JUTA
Perolehan	226.4	191.0
Keuntungan sebelum cukai	59.4	46.7
Keuntungan selepas cukai	46.3	33.1
Jumlah Aset digunakan	664.0	604.6
Ekuiti pemegang saham	351.6	329.1
EPS asas (sen)	12.2	9.0
Pulangan ke atas Ekuiti (%)	13.6	10.3

Dalam tahun yang ditinjau, Kumpulan mencatatkan peningkatan perolehan sebanyak RM226.4 juta berbanding sebanyak RM191.0 juta tahun lalu. Peningkatan perolehan sebanyak 19% daripada tahun ke tahun ini adalah kerana peratusan lebih tinggi siapnya dua projek pembinaan Kumpulan yang dilaksanakan di Malaysia, peningkatan kadar jualan pukal Taliworks (Langkawi) Sdn. Bhd. serta pertambahan output yang lebih besar daripada operasi kita di China, termasuklah pengukuhan nilai matawang renminbi China.

Seperti pada tahun sebelumnya, perniagaan air Kumpulan terus menjadi penyumbang utama – berjumlah 60% daripada perolehan keseluruhan atau RM135.9 juta (2007: RM126.3 juta). Pembinaan meningkat serta memberikan sumbangan besar sebanyak 34%, berjumlah RM77.0 juta (2007: RM56.6 juta), sementara operasi pengurusan sisa buangan memberikan baki sebanyak 6.0% daripada jumlah keseluruhan perolehan. Operasi sisa buangan menyumbang RM13.5 juta (2007: RM8.1 juta) kepada perolehan keseluruhan Kumpulan.

Keuntungan selepas cukai meningkat dalam kuantum yang besar kepada RM46.3 juta daripada RM33.1 juta dalam 2007. Walaupun peningkatan sumbangan yang telah dicapai ini datangnya daripada tiga operasi teras dalam air, pembinaan dan pengurusan sisa buangan, keuntungan dalam tahun ini turut mendapat rangsangan melalui keuntungan modal dan dividen bebas cukai hasil daripada pelaburan tunai berlebihan Kumpulan, keuntungan pertukaran mata wang asing dan tiadanya caj – caj luar jangka yang dikenakan pada tahun lepas bersangkutan dengan opsyen saham dan perbelanjaan korporat.

## tinjauan operasi oleh ketua pegawai eksekutif



Berkenaan keuntungan sebelum cukai yang meningkat sebanyak 27% daripada tahun ke tahun, bahagian air masih merupakan penyumbang utama dengan unit – unit perniagaannya menyalurkan keuntungan sebelum cukai sebanyak RM50.9 juta (2007: RM47.2 juta). Aktiviti pembinaan menambah keuntungan sebelum cukai sebanyak RM11.6 juta (2007: RM7.5 juta), sementara sektor pengurusan sisa buangan merekodkan RM4.0 juta berbanding kerugian sebanyak RM0.3 juta dalam tahun sebelumnya. Namun begitu, sumbangan keuntungan selepas cukai sebanyak RM5.7 juta daripada bahagian lebuhraya bertol yang dipegang melalui entiti kawalan bersama berkurangan sedikit daripada jangkaan, akibat daripada jumlah purata trafik harian yang rendah dan disebabkan oleh caj perlunasan yang tinggi yang dikenakan kepada aset – aset konsesi.

### TINJAUAN SEKTOR PERNIAGAAN

#### BAHAGIAN AIR & KEJURUTERAAN

Biarpun ada janji akan sinar harapan baru bagi industri perkhidmatan air Malaysia, tahun ini bermula dan tamat dengan ketidakpastian akibat krisis kewangan global yang terus terbentang luas dan menyebarkan kesan – kesan negatifnya ke seluruh dunia. Dalam tempoh tujuh bulan pertama tahun ini, harga komoditi terutamanya harga minyak mentah melonjak tinggi, telah meningkatkan kos operasi produk – produk dan perkhidmatan berkaitan termasuklah operasi rawatan air.

Bersesuaian dengan trend penurunan, terutama di Selangor dan Langkawi di tempat Sungai Harmoni Sdn. Bhd. (“SHSB”) and Taliworks (Langkawi) Sdn. Bhd. (“TLSB”) beroperasi, pertumbuhan penggunaan air yang menunjukkan peningkatan pada separuh pertama tahun ini, mula menunjukkan tanda – tanda penurunan dan terus merosot pada akhir tahun. Dengan prospek pertumbuhan perlahan ekonomi yang lebih teruk dalam 2009, akan memperlihatkan penurunan ketara permintaan pembekalan air di Malaysia secara amnya, dan di Selangor dan Langkawi khususnya, jika adanya penurunan permintaan bagi aktiviti – aktiviti perindustrian dan perkhidmatan. Adalah terlalu awal untuk menjangka kesan langsung pakej rangsangan ekonomi yang diumumkan oleh Kerajaan dan tindakan Bank Negara memotong kadar faedah untuk merangsang aktiviti – aktiviti ekonomi yang mencukupi dan menjana permintaan domestik daripada menguncup secara berterusan.

Melalui penguatkuasaan Akta Industri Perkhidmatan Air 2006 (“WSIA”) pada 1 Januari 2008, industri pembekalan air di Semenanjung Malaysia dan Labuan telah memasuki fasa kuatkuasa yang mana syarikat dan agensi pembekalan air dan pengagihan akan dilesenkan dan dikuatkuasakan oleh Kerajaan Persekutuan melalui pematuhan kepada petunjuk prestasi utama (“KPI”). Sumber – sumber air mentah terus berada dibawah kawalan kerajaan – kerajaan Negeri berkaitan.

Peruntukan dalam WSIA mempunyai impak secara langsung kepada TLSB sebagai salah sebuah syarikat yang dinamakan di dalam Akta berkenaan, dan impak secara tidak langsung kepada SHSB sebagai operator O & M kepada Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. (“SPLASH”). Impaknya, yang sedang dikenalpasti jangkauannya, akan bergantung kepada keputusan samada untuk bermigrasi ke regim perlesenan dan daripada aspek – aspek rundingan semula berkenaan isu – isu kepentingan nasional dengan Kerajaan Persekutuan, dan dengan pihak – pihak berkepentingan yang lain. Di bawah WSIA, operator – operator air sedia ada diberi pilihan samada untuk terus dibenarkan menjalankan perkhidmatan pembekalan air sejajar dengan perjanjian – perjanjian konsesi sedia ada, tetapi tertakluk kepada peraturan – peraturan yang mungkin dikenakan oleh Suruhanjaya Perkhidmatan Air Negara (“SPAN”) atau bermigrasi ke regim perlesenan yang mana lesen – lesen relevan akan diberikan oleh SPAN. Di bawah regim perlesenan, semua perjanjian – perjanjian konsesi sedia ada akan dibatalkan dan operator – operator berkenaan akan diberikan lesen untuk beroperasi selama 3 tahun tertakluk kepada penyambungan. Sementara TLSB telah memaklumkan kepada SPAN bagi mendapatkan kebenaran bertulis, SHSB pula sedang menanti maklum balas SPLASH, yang telah diberi penangguhan sehingga Jun 2009, untuk membuat keputusan samada berniat untuk bermigrasi ke regim perlesenan atau terus diberi kebenaran sehingga berakhirnya konsesi.

Selain daripada keadaan yang kompleks dibawah WSIA, Kerajaan Negeri Selangor juga sedang berusaha ke arah menstruktur semula sektor airnya dengan cadangan untuk mengambil alih semua operasi dan aset – aset air yang telah diwastakan daripada beberapa pemilik persendirian dan bakal muncul sebagai operator tunggal. Di sebelah pihak yang lain pula, iaitu Kerajaan Persekutuan, juga telah membuat cadangan untuk mengambil alih aset – aset air berkaitan tetapi akan memajaknya semula kepada operator – operator. Buat masa ini, perundingan sedang giat dilaksanakan di antara pihak – pihak yang berkepentingan dan SHSB akan memantau dan menilai peristiwa – peristiwa yang berlaku dengan rapi.

## tinjauan operasi oleh ketua pegawai eksekutif

Ekonomi Malaysia mencatatkan pertumbuhan GDP benar sebanyak 4.6% dalam 2008, penurunan sebanyak 6.3% tahun demi tahun. Ini kerana pertumbuhan pada dua suku tahun ini jatuh selari dengan rentak ekonomi yang perlahan. Trend penurunan ekonomi sepanjang tahun seolah – olah dapat dilihat melalui pertumbuhan permintaan air yang meningkat secara sederhana pada separuh pertama tahunan serta penurunan semula pada separuh kedua. Secara keseluruhannya, output SHSB dan penggunaan bermeter TLSB kekal hampir tidak berubah berbanding tahun sebelumnya. Berasaskan kepada trend pembangunan ini, tinjauan pertumbuhan permintaan air tahun hadapan akan bergantung sejauh mana negara dapat menangani kesan – kesan pergerakan ekonomi perlahan samada melalui pakej rangsangan ekonomi yang telah diumumkan dan meningkatnya penggunaan domestik.

Sepanjang tahun kajian, kecukupan taburan hujan telah membantu untuk memenuhi empangan – empangan dan mengekalkan aliran sungai mencukupi bagi kegunaan loji – loji rawatan air yang diurus oleh SHSB dan TLSB. Di bawah keadaan operasi yang mantap, unit elektrik dan unit kos kimia berada ditahap yang mampu diuruskan walaupun berlakunya peningkatan kos kimia dan tarif elektrik mulai Julai. Program – program penyelenggaraan dan servis komprehensif yang disokong oleh program – program pembaharuan bagi pemasangan – pemasangan mekanikal, elektrik dan kimia utama telah membantu bukan hanya memastikan kesemua pemasangan – pemasangan ini berada pada keadaan berfungsi dengan baik tetapi juga berada ditahap kecekapan operasi yang optimal.

Dalam usaha untuk terus ke hadapan dalam menghadapi perubahan persekitaran di kawasan – kawasan tadahan di lokasi SHSB dan TLSB beroperasi, kedua – dua syarikat tadi telah menggerakkan inisiatif program pemantauan bagi secara berasingan memantau kualiti air mentah dan trend pencemaran yang berlaku dikawasan – kawasan tadahan berkaitan. Ini membolehkan SHSB dan TLSB memberi respons segera dan melaksanakan penyesuaian terhadap operasi dan regim – regim rawatan bilamana diperlukan.

### Sungai Harmoni Sdn. Bhd.

Sepanjang tahun yang ditinjau, SHSB merekodkan output sebanyak 268.72 juta meter padu (“m<sup>3</sup>”) (atau secara puratanya sebanyak 730.23 juta liter sehari (“MLD”)) air yang dirawat, hampir tidak berubah

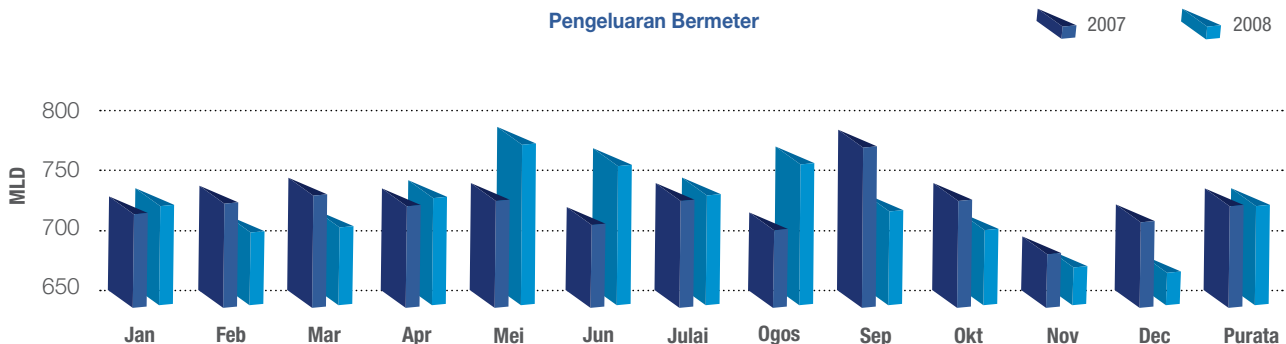
daripada 266.55 juta m<sup>3</sup> (atau secara puratanya sebanyak 730.27 MLD) bagi tahun 2007. Trend output yang mendatar daripada loji rawatan air Sungai Selangor Fasa 1 (“SSP1”) adalah disebabkan oleh penurunan secara umum permintaan pengguna dan usaha berterusan Syarikat Bekalan Air Selangor Sdn. Bhd. (“SYABAS”) untuk merasionalisasikan pembekalan air dan sistem pengagihan Lembah Klang. Walaupun output berada pada tahap di atas purata tahunan bagi sembilan bulan tahun ini tetapi ianya telah terhenti dan menurun pada suku ke empat. Tinjauan permintaan air bagi 2009 adalah tidak jelas memandangkan kelembapan ekonomi yang telah mula menunjukkan impak. Ini bakal menyebabkan permintaan air di Selangor akan terus menurun jika aktiviti industri dan permintaan pengguna jatuh berterusan.

Dengan keadaan berhujan telah menyebabkan simpanan empangan – empangan dan aliran sungai mencukupi sepanjang tahun, keadaan operasi diimbangi dengan baik membolehkan kos unit pengeluaran terkawal, selepas mengambil kira faktor peningkatan harga bahan – bahan kimia dan tarif elektrik, disebabkan oleh kenaikan harga komoditi, terutamanya minyak mentah pada separuh pertama tahun ini. Ini telah diperkukuhkan lagi dengan penyelenggaraan komprehensif dan program – program pembaharuan yang telah direka bentuk untuk memastikan pemasangan – pemasangan berada dalam keadaan kendalian yang baik serta pada kecekapan optimum. Dengan tahap simpanan empangan berada ditahap kapasiti penuhnya pada akhir tahun, dan ramalan cuaca hujan pada separuh pertama 2009, terdapatnya keyakinan akan kecukupan simpanan air mentah bagi keperluan penggunaan tahun hadapan bergantung kepada pertumbuhan permintaan air. Namun begitu, memandangkan keadaan – keadaan persekitaran dan operasi boleh berubah dengan pantas, sikap berhati – hati akan terus dilaksanakan untuk memberi respons segera kepada cabaran – cabaran mendatang.

SHSB terus menerus memastikan status Loji Rawatan Air SSP1 sebagai pusat kecemerlangan operasi dikekalkan melalui beberapa skim – skim akreditasi:-

- MS ISO 9001:2000 ‘Sistem Pengurusan Kualiti bagi Operasi dan Penyelenggaraan Loji Rawatan Air’; dan
- Skim Akreditasi Makmal Malaysia (SAMM) bagi standard ISO/IEC 17025 untuk makmal SSP1.

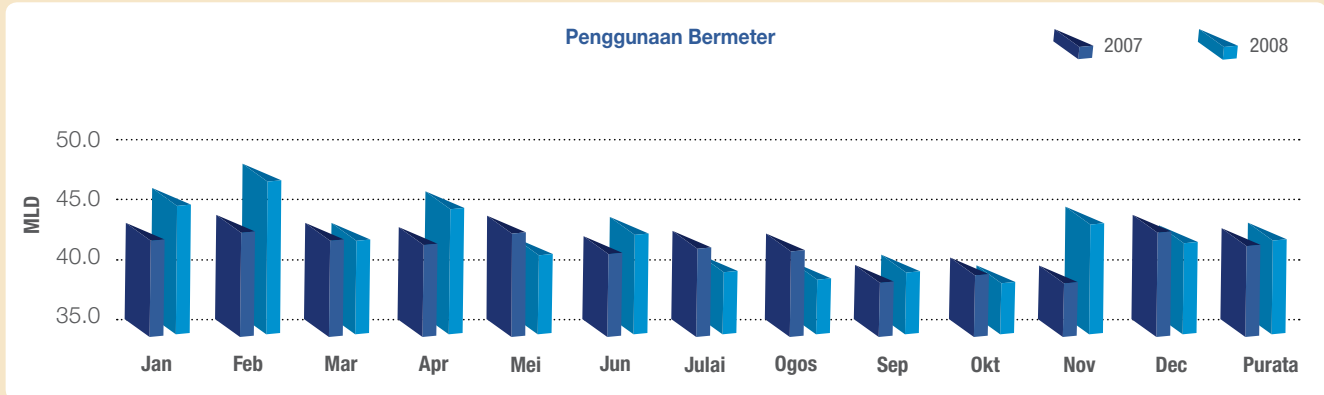
Pengeluaran Bermeter





## tinjauan operasi oleh ketua pegawai eksekutif

### Taliworks (Langkawi) Sdn. Bhd.



Walaupun bermula dengan amat menggalakkan, TLSB hanya mampu mencatatkan peningkatan yang kecil iaitu sebanyak 2.1% dalam penggunaan bermeter kepada 15.54 juta m<sup>3</sup> (atau pada kadar purata 42.44 MLD) dalam tahun kajian berbanding tahun sebelumnya. Walaupun berlaku peningkatan signifikan dalam penggunaan bermeter sebanyak 5.5% sepanjang separuh pertama tahun ini berbanding dengan purata 2007 sebanyak 41.72 MLD, namun begitu ia tidak dapat dipertahankan pada separuh kedua kerana permintaan pengguna menurun akibat berhadapan dengan keadaan ekonomi yang lembap. Dengan kebergantungan besar ekonomi Langkawi pada aktiviti pelancongan, adalah dijangkakan pertumbuhan penggunaan bermeter akan kekal mendatar atau mencatatkan penurunan kecil dalam 2009 jika kelembapan ekonomi berpanjangan. Namun begitu, memandangkan kerajaan telah melancarkan dua pakej rangsangan bagi melindungi ekonomi Malaysia daripada kesan – kesan negatif kegawatan kewangan global, disamping untuk menggalakkan banyak lagi aktiviti pelancongan domestik, jelas menunjukkan adanya harapan yang ekonomi Langkawi akan dapat bertahan dan permintaan penggunaan air tidak akan jatuh merudum.

Walaupun berlakunya beberapa keadaan cuaca kering pada suku kedua dan ketiga, kecukupan taburan hujan pada bulan – bulan berikutnya dan ditambah dengan beberapa siri pengepaman, telah membantu menambahkan simpanan Empangan Malut menjelang akhir tahun. Ini menjamin akan simpanan yang mencukupi bagi tahun depan. Walaupun kadang kala berlakunya kemarau yang memerlukan penyesuaian kepada regim rawatan, keadaan pengoperasian secara umumnya kukuh, menyebabkan unit kos operasi berada ditahap kawalan selepas mengambil kira kenaikan harga bahan – bahan kimia rawatan air dan dan tarif elektrik pada Julai. Buat masa ini, keadaan cuaca lembap diramalkan bagi separuh pertama tahun ini, namun kemungkinan berlakunya perubahan cuaca yang tidak menentu, memerlukan penjagaan rapi untuk memberikan respons yang pantas bagi perubahan persekitaran yang mungkin berlaku.

Kawalan dan pengurangan kerugian air tidak berhasil (“NRW”) akan terus diberi keutamaan dan bagi tujuan tersebut, permeteran daerah, pengesanan kebocoran aktif dan pasif, kawalan tekanan dan program penggantian meter akan diperhebatkan. Pada masa yang sama, TLSB akan terus memberikan data berkenaan bahagian – bahagian paip yang pecah kepada agensi bekalan air negeri dalam pengurangan seterusnya nisbah NRW. Dalam masa yang sama, program perkongsian dengan Odense Vadselskab AS Denmark di bawah Program

Perkongsian Danida telah mula menghasilkan banyak data – data akan kaedah-kaedah yang lebih berkesan dan cekap operasi – operasi air, termasuk kawalan NRW, dan keputusan-keputusan itu akan dikaji pula bagaimana ia disesuaikan untuk diaplikasi selepas program ini tamat pada suku ketiga 2009.

Bagi memastikan program – program dan kemudahan – kemudahan pengujian kualiti air berada ditahap industri berkaitan kualiti dan ketekalan, pada Mac yang lalu, TLSB telah menerima akreditasi standard ISO / IEC 17025 dibawah Skim Akreditasi Makmal Malaysia (SAMM) yang berprestij untuk Makmal Loji Rawatan Air Padang Saga dan Makmal Loji Rawatan Air Sungai Baru. Ini meletakkan makmal – makmal TLSB setara dengan standard dan keupayaan pengujian dengan makmal SSP1 dan lain – lain makmal komersial, dan TLSB akan melakukan sedaya upayanya bagi memastikan pengkelan akreditasi dalam tahun – tahun yang mendatang.

### BAHAGIAN KEJURUTERAAN & PEMBINAAN

Kumpulan sedang melaksanakan dua projek sejak tahun lepas:

- mereka bentuk dan membina sistem pembekalan air untuk Skim Bekalan Air Padang Terap di Kedah, dan
- Projek Kolam Takungan Selatan Subang – satu projek kolam takungan banjir bagi menghalang banjir kilat yang disebabkan oleh pengaliran air longkang dari Sungai Damansara ke kawasan – kawasan bertebing rendah di Shah Alam, Selangor.

dengan kombinasi kontrak berjumlah kira – kira RM170 juta.

Tahun ini menyaksikan harga minyak mentah meningkat dengan mendadak dengan harga tertingginya iaitu USD148 setong pada pertengahan tahun. Ini menyebabkan harga bahan – bahan pembinaan mengalami kenaikan ketara di dalam lingkungan 25% ke 40%. Walau bagaimanapun, akibat berlakunya krisis kewangan, harga minyak mentah telah jatuh pada hujung 2008, tetapi pada masa yang sama, harga bahan – bahan pembinaan utama kecuali besi, masih kekal tinggi yang menyebabkan sektor – sektor pembinaan dan hartanah mengalami kehangatan keuntungan. Kerana bernasib baik, kenaikan harga tidaklah menjejaskan Kumpulan secara drastik kerana kebanyakan kos – kos pembinaan telah dipersetujui terlebih dahulu melalui subkontrak kepada pembekal – pembekal dan subkontraktor pada peringkat awal pelaksanaan projek.

## tinjauan operasi oleh ketua pegawai eksekutif

Seperti yang telah dilaporkan pada tahun lepas, kelewatan dalam pengambil alihan tanah oleh kerajaan telah mengakibatkan kelewatan penyempurnaan projek Padang Terap, ini menyebabkan projek tersebut dijadualkan semula penyempurnaan menjelang akhir 2009. Di akhir 2008, kemajuan fizikal projek ini ditaksir pada kira – kira 86% siap. Bagi Projek Kolam Takungan Subang Selatan, kemajuan keseluruhan ditaksir pada 90% siap dengan struktur serokan merupakan kerja yang belum diselesaikan dan ianya bergantung kepada kelulusan kerajaan berkaitan reka bentuk struktur terbabit.

Bertitik tolak daripada kurangnya projek – projek infrastruktur yang berdaya maju dikala kegawatan ekonomi ini dan anggapan risiko tinggi yang sedang dihadapi oleh industri, Kumpulan tidak berjaya memuktamadkan sebarang projek baru dalam tahun kajian. Walau bagaimanapun, Kerajaan baru – baru ini telah melancarkan pakej rangsangan yang besar bagi memulihkan semula ekonomi. Adalah terlalu awal untuk dilihat jika industri pembinaan dapat keluar daripada keadaan kelembapan ini. Laporan Bank Negara baru – baru ini memberi indikasi bahawa sektor pembinaan merupakan salah satu sektor yang akan terus menyokong pertumbuhan. Oleh itu, Kumpulan telah menempatkan dirinya di posisi bersesuaian untuk mendapatkan peluang – peluang menambahkan buku pesannya.

### BAHAGIAN PENGURUSAN SISA BUANGAN

Pelaburan pertama Kumpulan di China melalui kepentingan 90% di dalam Tianjin-SWM (M) Environment Co. Ltd (“Tianjin-SWM”) sejak 2004 telah meletakkan Kumpulan pada keadaan yang baik untuk mengembangkan kehadirannya di sektor pengurusan sisa buangan yang luas. Selain daripada terlibat dalam pengurusan sisa pepejal, Kumpulan turut terlibat dalam sektor rawatan air sisa melalui pegangan 56% di dalam Puresino (Guanghan) Water Co. Ltd yang mengurus dan mengoperasikan loji rawatan air sisa 50 MLD Guanghan San Xin Dui di provinsi Sichuan.

Kejayaan mengambil alih syarikat – syarikat tersebut telah membuka laluan kepada Kumpulan untuk bergerak ke hadapan dengan keyakinan bagi memeterai perjanjian dengan Shenzhen Hanyang Investment Holding Co. Ltd pada April 2008 untuk memberikan ruang kepada kerjasama eksklusif dan usaha sama selama dua tahun dalam projek – projek berkaitan sisa klinikal, pembekalan air, rawatan air sisa dan/atau sisa pepejal munisipal dan sebarang peluang – peluang perniagaan lain di China.

#### Tianjin-SWM (M) Environment Co. Ltd

Tianjin – SWM memegang hak konsesi untuk mengurus, mengoperasikan dan menyelenggara Stesen Pemindahan Sisa Hidupan Tianjin Panlou dan aset – aset berkaitan selama 21 tahun yang akan berakhir pada 2025. Bandaraya Tianjin merupakan salah satu lokasi yang dipilih sebagai tuan rumah Olimpik 2008 di China yang telah berakhir baru – baru ini.

Output yang diproses melalui Stesen Perpindahan Tianjin Panlou adalah amat menggalakkan dan sedang menunjukkan peningkatan. Syarikat telah berjaya memproses sebanyak 353,000 tan (atau 966 tan sehari) sisa buangan isi rumah berbanding dengan 324,000 tan (atau 899 tan sehari) setahun yang lalu. Peningkatan sebanyak 9% tahun ke tahun mungkin mencatatkan peningkatan perolehan yang lebih baik,

namun begitu, operasi telah digugat oleh kenaikan harga bahan api dan flet kenderaan yang sudah usang yang menghalang kecekapan pengendalian dan meningkatkan kos purata memproses setiap tan sisa buangan. Berdasarkan konsep perniagaan tersebut, kos – kos berkaitan trak kekal sebagai komponen utama kos operasi dan usaha-usaha sedang dilaksanakan dan diatur semula bagi menguruskan kos – kos bersekutu melalui beberapa langkah – langkah yang telah dikenal pasti terlebih dahulu.

#### Puresino (Guanghan) Water Co. Ltd

Tahun lepas merupakan tahun lengkap bagi Puresino (Guanghan) Water Co. Ltd (“Puresino Guanghan”) melaksanakan operasi loji rawatan air sisa Guanghan San Xin Dui sejak memulakan operasi komersialnya pada September 2007. Syarikat mempunyai konsesi untuk mengurus dan mengoperasikan loji rawatan sehingga 2033.

Loji telah merawat 9.88 juta m<sup>3</sup> (atau secara puratanya 27 MLD) air sisa. Ini merupakan 54% daripada kapasiti reka bentuknya dan syarikat menjangkakan akan meningkatkan pengeluaran kepada 10.7 juta m<sup>3</sup> (atau secara puratanya 29 MLD) pada 2009. Dalam tahun yang sama, Syarikat telah berjaya mendapatkan kenaikan tarif daripada RMB0.80 setiap m<sup>3</sup> kepada RMB1.15 setiap m<sup>3</sup> dan ini merupakan satu petanda yang baik bagi meningkatkan margin operasi.

Ekoran kejadian bencana gempa bumi di Sichuan, loji rawatan beroperasi di bawah keadaan yang sukar tetapi ia berjaya menguruskan pengaliran keluar efluen yang mematuhi kepada piawaian-piawaian reka bentuk serta pada masa yang sama memastikan keselamatan bahan buangan hiliran ke sungai. Biro Pengawasan Alam Sekitar Provinsi Sichuan, Kerajaan Munisipal Deyang dan beberapa jabatan kerajaan di Bandar Guanghan telah memberikan rating prestasi yang tinggi dan ini telah mencipta satu imej yang baik kepada syarikat. Bagi meluaskan lagi skop pendapatan, Kumpulan sedang menilai potensi untuk memikul tanggungjawab mengambil alih lain-lain projek air sisa di provinsi.

Pengawasan kos bagi operasi di Tianjin dan Sichuan merupakan cabaran, terutamanya akibat inflasi yang berubah – ubah yang dialami pada separuh pertama tahun ini, tetapi, usaha berterusan sedang dilaksanakan untuk mengoptimumkan produktiviti dan meminimalkan kebocoran kos. Pengekalan kecekapan dan keupayaan perkhidmatan di dalam waktu yang mencabar ini merupakan pemacu utama bagi mempertingkatkan reputasi Kumpulan sebagai penyedia perkhidmatan berasaskan pasaran.

### BAHAGIAN LEBUHRAYA

Sektor lebuhraya bertol telah menjadi sebahagian daripada aktiviti perniagaan Taliworks bila mana Syarikat mengambil alih 55% kepentingan strategik di dalam Cerah Sama Sdn. Bhd. (“Cerah Sama”) di akhir 2007 dengan kerjasama South East Asian Strategic Assets Fund (“SEASAF”), yang memegang 35%. Dalam tahun yang ditinjau, Cerah Sama telah mengambil alih 14% kepentingan di dalam SILK Holdings Berhad, pemegang konsesi Jalan Lingkaran Penyuraian Trafik Kajang, yang terletak bersebelahan dengan Lebuhraya Cheras – Kajang.

## tinjauan operasi oleh ketua pegawai eksekutif

Isu Bandar Mahkota Cheras ("BMC") yang melibatkan Grand Saga Sdn. Bhd. ("Grand Saga") dengan prominen seperti yang dilaporkan oleh media bila tembok penghadang konkrit di jalan masuk dari BMC ke Lebuhraya Cheras – Kajang telah dialihkan secara tidak sah pada April 2008. Tembok penghadang konkrit tersebut dibina oleh Grand Saga pada pertengahan 2005 bagi mengelakkan laluan tidak sah ke Lebuhraya Cheras – Kajang melalui jalan masuk tersebut. Memandangkan wujudnya situasi tegang dan mengganggu gugat ketenteraman awam di lokasi berkenaan dan atas permintaan Kerajaan Persekutuan, Grand Saga telah mencapai persetujuan bersama dengan Kerajaan Persekutuan pada Mei 2008, tanpa prejudis akan hak – haknya, tidak akan membina semula tembok penghadang dilaluan masuk buat sementara sehingga penyelesaian jangka panjang yang diterima pakai dapat dicapai.

Dalam tahun yang ditinjau, purata trafik harian ("ADT") yang dicapai berjumlah 192,451 jatuh sebanyak 3.6% daripada 199,528 yang dicapai pada tahun sebelumnya. Kemerosotan dalam jumlah trafik keseluruhan dalam 2008 adalah disebabkan oleh faktor – faktor yang berikut: -

- (a) pembukaan jalan masuk ke persimpangan Bandar Tun Hussein Onn dan membawa kepada kehilangan trafik di plaza tol Batu 11,
- (b) kenaikan tinggi dalam harga petrol dalam Jun 2008, dan
- (c) kerja – kerja naik taraf berterusan di KM10.2 berdekatan Plaza Phoenix dan persimpangan Taman Len Seng yang menyebabkan aliran lalulintas hampir tidak bergerak pada waktu puncak, terutamanya bagi trafik yang menghala ke Kuala Lumpur.

Walaupun berlaku penurunan ADT dalam tahun ini, Kumpulan yakin bahawa ADT akan menjadi lebih baik dengan penurunan umum harga petrol, penyiapan kerja – kerja naik taraf yang dijangka pada pertengahan 2009 dan dengan pembukaan sebahagian Lebuhraya Kajang – Seremban dalam Disember. Pada masa yang sama, Grand Saga akan terus berunding dengan pihak – pihak berkuasa yang relevan untuk menyelesaikan isu BMC dengan mengambil kira kepentingan beberapa pihak – pihak yang berkepentingan.

### PEMBANGUNAN KORPORAT

Hasil yang diperolehi melalui penerbitan bon boleh tukar RM225 juta nilai nominal 2.25% yang akan tamat pada 2007/12 pada akhir 2007, masih berada dalam keadaan yang sempurna. Hasil yang dikumpulkan adalah untuk digunakan bagi pengembangan perniagaan. Walau bagaimanapun, dalam keadaan persekitaran yang berisiko tinggi yang mana berkurangnya kehendak untuk mengambil aktiviti – aktiviti risiko berlebihan, pelaburan akan dinilai dengan rapi bagi memastikan semua keadaan diambil kira sepenuhnya. Bagaimanapun, kegawatan ekonomi ini memberikan peluang – peluang baru untuk dimuktamadkan di pasaran yang kurang tepu dan sesak, kerana bukan semua pesaing mempunyai sumber tunai mencukupi dan keengganan pembiaya kewangan untuk menampung sebahagian projek – projek turut merumitkan keadaan.

Berbanding dengan Taliworks yang mempunyai jumlah tunai yang agak besar, Kumpulan mempunyai peluang yang lebih baik untuk mendapatkan aset – aset tertentu yang kini nilainya telah berkurangan dan terjejas. Langkah – langkah penting telah dilaksanakan bagi memastikan pembiayaan yang mencukupi sebelum bermulanya krisis kewangan dan Kumpulan telah meletakkan keutamaan untuk mengeksploitasi peluang – peluang yang ada.

Krisis kewangan semasa telah memperlihatkan beberapa kelemahan dalam aspek – aspek praktis pengurusan risiko dan isi – isu ketelusan. Dalam hal ini, Kumpulan beriltizam untuk mempertingkatkan dan memperbaiki kedua – dua aspek tersebut untuk menyokong perlindungan pelabur. Usaha padu berterusan akan ditumpukan kepada mempertingkatkan aspek – aspek pelaporan kewangan, tabdir urus korporat dan perhubungan pelabur.

### PROSPEK

Dalam tahun yang ditinjau, Taliworks telah bersepakat dengan Shenzhen Hanyang Investment Holding Co., Ltd untuk meninjau projek – projek berkaitan air dan sisa buangan di China. Sementara di Malaysia, Kumpulan berkerjasama dengan Odense Water Denmark bagi meneroka peluang – peluang perniagaan di dalam projek – projek berkaitan pengurangan NRW dan program – program penjimatan tenaga terutamanya di operasi Taliworks Langkawi.

Telah wujud usaha – usaha berterusan dan ikhtiar sedar oleh Kumpulan untuk memaksimumkan keuntungan dan membina kewujudan dan ketahanan jangka panjang yang didorong oleh pembinaan keuntungan secara jangka panjang bertitik tolak daripada persekitaran operasi yang mencabar dan dinamik.

Sekurang – kurangnya dalam jangka masa 1 – 2 tahun akan datang, adalah dibayangkan bahawa ekonomi global akan masih lemah dan ia merupakan cabaran dan peluang kepada Kumpulan untuk bergerak ke hadapan. Sebagaimana yang telah ditekankan dan perkukuhkan secara konsisten, Kumpulan akan terus mengenal pasti perniagaan – perniagaan yang sinergistik untuk dikembangkan dan mengatur semula perniagaan – perniagaan teras agar menjadi penyedia perkhidmatan air, sisa buangan dan infrastruktur yang komprehensif di rantau ini.

Terima Kasih.



**Haji Abdul Rahman Bin Haji Siraj**  
Ketua Pegawai Eksekutif

## corporate **social responsibility**

Taliworks is committed to promoting and undertaking good practices in Corporate Social Responsibilities ("CSR") programmes that have a positive and enduring impact on all our stakeholders.

To attain our vision to be a comprehensive 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 enhance shareholders value, but at the same time making conscious effort to make a positive contribution to each and every person that has an invested interest in ensuring that we achieve our vision in a socially accepted manner.

In undertaking CSR, we value the long term benefits that will accrue to our reputation and corporate standing and we have tailored our programmes towards the betterment of our employees, related stakeholders, the community and the environment.

The CSR initiatives that we have undertaken and intend to promote further cover the followings area:-

### **EMPLOYEES' WELFARE**

We strive to maintain our standards in the recruitment, development and retention of our employees to ensure that the pool of human talent remains with us. We subscribe to the principle that our employees are behind our success and they remain our valuable asset in ensuring our long term sustainability.

Among the related human resource initiatives to advance the welfare of our employees include:-

- Promoting a safe and healthy working environment that foster mutual respect where employees irrespective of status and position are treated with dignity and free from sexual harassment.
- Ensuring continuous human resource development by providing training and career advancement opportunities.
- Providing suitable sporting and recreational amenities to our employees to lead a balanced and healthier lifestyle.
- Placing importance on gender equality by non-discriminatory hiring practices.
- Providing opportunity to our employees to share in the success of the company through an employees' share option scheme.

### **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.

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

- Continued participation in the Capital Markets Development Fund and Bursa Malaysia Research Scheme with the aim of ensuring wider research coverage on our Company.

- Meeting request of investors and financiers to meet with us.
- Facilitating members of the media to interview our board of directors and management after the conclusion of our Company's general meetings and entertaining request for media interview with our management from time to time.

### **CONTRIBUTION TO THE COMMUNITY**

As a key player in the water industry in Malaysia, our business revolves around the communities that we serve. The single most important contribution to the community is our commitment to maintain our performance standards to produce high quality drinking water to consumers in the Klang Valley and Langkawi. This requires great effort on our part to ensure that all of our employees are focused, systems and controls are in place and the plant and equipment are in good working conditions.

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

Other initiatives to contribute to the community include:-

- Provision of industrial training to undergraduates and students of local vocational institutions and institutions of higher learning at our water treatment plants.
- Cooperative programmes with the State Governments of Selangor and Kedah to help the poor and orphanages during festive seasons particularly our Ramadan outreach in these states.
- Organising events to inculcate road safety awareness amongst road users and the younger generation.
- Providing job opportunities for those who are physically handicapped.
- Making yearly budget allocations for charitable causes.

### **PROTECTION AND CONSERVATION OF THE ENVIRONMENT**

As an integrated water and waste management service provider, we are ever mindful of the need for the 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 do not degrade the environment.

Among the initiatives that we undertake on an on-going basis to protect and conserve the environment include:-

- Continuing collection of raw water quality data in the catchment area(s) in which some of our treatment plants operate for study and research into long term pollution trends and sources so that the appropriate water treatment methodologies can be planned in advance.
- Securing appropriate accreditation to our facilities to ensure high operational standards are maintained.

## corporate social responsibility

- 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 operations in Selangor and Kedah every year.

Our efforts in promoting and undertaking CSR initiatives are part of our mission in managing our business responsibly towards ensuring that all stakeholders have benefitted in one way or another.

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

For 2008, the major CSR programmes undertaken include:-

- For the eighth year running, Taliworks conducted its annual Ramadan programme at Sungai Selangor Phase 1 Water Treatment Plant in Selangor whilst at the Taliworks (Langkawi) Sdn. Bhd. operations, the Ramadan programmes had entered its fourth year. The beneficiaries include orphanages, the poor family segment and the handicapped.
- At our Selangor operations, we had over the years initiated the Batang Berjuntai Sports Carnival to foster better working relationship among companies and government departments in that area. This is the biggest sports carnival ever held in the Batang Berjuntai area.
- Provided 10 placements for industrial training in the aspects of information technology and water treatment operations.
- Contributed a total sum of about RM282,000 to several worthy charitable causes and sporting activities. Amongst the recipients including Charity Musical in aid of Persatuan Kanak-kanak Istimewa Hulu Langat and the Guanghan Cishan Association set up by Guanghan Government in the People’s Republic of China to assist earthquake victims in the Sichuan Province.
- Securing the ISO/IEC 17025:2005 standard under Skim Akreditasi Makmal Malaysia (SAMM) for the Padang Saga Water Treatment Plant Laboratory and the Sungai Baru Water Treatment Plant Laboratory. This is to ensure the high standard and competency for testing and calibration laboratories.
- Securing the ISO 9001: 2000 under SGS United Kingdom and Malaysia for Project Management of Construction of Water Supply Schemes, Buildings, Civil Engineering, Mechanical and Electrical Works under Turnkey and Conventional Contracts.
- Holding of joint campaigns at the Cheras-Kajang Highway during the festive seasons to reduce road fatalities by way of distribution of safety brochures and goodies to road users and organising safety awareness talks and exhibitions at selected secondary schools within the vicinity of the Highway throughout the year.



## statement on **corporate governance**

### To the Shareholders of Taliworks Corporation Berhad,

Today's business demands high accountability and transparency from the board. As a result, good governance, sound risk management practices and full compliance have never been higher on a board's list of priorities and concerns.

Your Board recognises the importance in adopting the Principles and Best Practices stipulated in the Malaysian Code on Corporate Governance (revised 2007) ("Code") and is committed in ensuring that good corporate governance is observed and practiced throughout your Company and its subsidiaries ("Group") to safeguard your interest and the interest of other stakeholders.

Based on the recent Corporate Governance Survey Report published by the Minority Shareholder Watchdog Group and the University of Nottingham Malaysia Campus in September 2008, your Company was ranked 45 out of 960 public listed companies in Malaysia surveyed in terms of compliance with corporate governance principles and best practices. In the previous year, your Company was ranked 87 out of 350 Main Board companies surveyed.

The following statement outlines the manner in which your Company has applied the Principles as set out in Part 1 of the Code and the extent to which it has complied with the Best Practices set out in Part 2 of the Code:-

#### A. BOARD OF DIRECTORS

##### Board Responsibilities

A company headed by an effective board will lead and control the company.

Your Board has been entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of your Group, including amongst others, reviewing and adopting a strategic plan for your Group, proper management of business, establishing sound risk management policies and ensuring adequacy and integrity of the system of internal controls, having in place a proper succession planning and implementing an appropriate investor relationship programme.

It has reserved for itself decisions in respect of areas significant to your Group's business, which include the approval of corporate plans and annual budgets, announcements of financial results, material acquisitions/disposals of business and/or assets, approval of major capital expenditure projects, consideration of significant financial matters, appointments to the Board and control structure within your Group. Your Board has also delegated certain of its responsibilities to other board committees, which operates under approved terms of reference.

### Board Composition and Balance

Your present Board, led by a non-independent non-executive Chairman, is made up of nine (9) members comprising two (2) executive directors and seven (7) other non-executive directors, four (4) of whom are independent directors. The current composition of your Board is well balanced representing both the major and minority shareholders' interests and complies with:-

- (a) the Listing Requirements where at least 2 directors or one-third (1/3) of your Board, whichever is higher, must comprise of independent directors; and
- (b) the Best Practices where one-third (1/3) of your Board should comprise of independent non-executive directors, where your Company has significant shareholders who are able to exercise a majority of votes for the election of directors.

Your Board having reviewed the size and complexity of your Group's operations, is of the opinion that the number of members in the Board is appropriate. The Chairman (who is not previously a chief executive officer of your Company) presides over the meetings of your Board. His role and function are clearly separated and distinct from those of the executive directors whom are specifically responsible for managing the strategic and operational agenda of your Group and for the execution of the directives and policies of your Board, as well as directing the business operations of your Group on a day-to-day-basis. The executive directors are to develop, in conjunction with your Board, your Group's strategic plans and are responsible for its implementation. In connection therewith, the executive directors keep your Board informed of overall operations of your Group and the major issues faced by your Group, together with bringing forward to your Board, significant matters for its consideration and approval, where required.

The non-executive directors do not participate in the day-to-day dealings. However, they contribute in areas such as policy and strategy, performance monitoring, as well as improving governance and controls. The independent non-executive directors have declared themselves to be independent from management and free of any relationship which could materially interfere with the exercise of their independent judgment and objective participation and decision making process of your Board.

Each of the directors brings with them a wide range of business and financial experience relevant and necessary for the effective stewardship of your Group. The profile of each of the members of your Board is presented in this Annual Report under the Directors' Profile.

## statement on corporate governance

### Board Meetings

Your Board meets on a quarterly basis to review the business operations, financial performance, reports of the various board committees and other significant matters of your Group. In addition, your Board may also meet on an ad-hoc basis to deliberate on matters requiring its immediate attention.

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

During the financial year, your Board met six (6) times and the record of the attendance of each director is set out below:-

	28 Feb	18 Apr	28 May	23 June	28 Aug	25 Nov	Total
Y. Bhg. Dato' Hj Abd Karim bin Munisar (Chairman, Non-Independent Non-Executive Director)	✓	✓		✓	✓	✓	5/6
Tuan Haji Abdul Rahman bin Haji Siraj (Chief Executive Officer)	✓	✓		✓	✓	✓	5/6
Y. Bhg. Dato' Lim Chee Meng (Executive Director)	✓	✓	✓	✓		✓	5/6
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (Senior Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	6/6
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (Independent Non-Executive Director)		✓	✓	✓		✓	4/6
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman (Independent Non-Executive Director)	✓	✓	✓		✓	✓	5/6
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Non-Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	6/6
Encik Sulaiman bin Salleh (Independent Non-Executive Director)		✓	✓	✓	✓	✓	5/6
Mr. Wong Yien Kim (Non-Independent Non-Executive Director)	✓	✓		✓	✓	✓	5/6

All the directors have attended more than 50% of the total board meetings held throughout the year.

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

Minutes of proceedings and resolutions passed are kept in the statutory register at the registered office of your Company. A director which is, in any way, directly or indirectly interested in a contract entered into or proposed to be entered into by your Company, 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.

### Supply of Information

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

## statement on corporate governance

The directors in discharging their responsibilities, have full and unrestricted access to all information and to management relating to your Group's operations. They also have access to the advice and services of the Company Secretary and where necessary, in furtherance of their duties, seek independent professional advice at your Company's expense. The Company Secretary is responsible to inform the directors on the requirements that must be complied with under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and new statutory and regulatory requirements in relation to their duties and responsibilities.

### Appointments to the Board

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

### Re-Election of Directors

In accordance with your 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 your 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.

### Directors' Training

Directors are expected to keep themselves abreast with the developments in the business environment as well as with the new relevant regulatory and statutory requirements. Training programmes and seminars attended by the directors during the financial year are as follows:-

- Y. Bhg. Dato' Hj Abd Karim bin Munisar
  - *Understanding Financial Reporting for Directors and Senior Management*
- Tuan Haji Abdul Rahman bin Haji Siraj
  - *Identifying the Opportunities and Review the Corporate Strategy*
- Y. Bhg. Dato' Lim Chee Meng
  - *Asean 100 Leadership Forum 2008: The Challenge of Leadership in Turbulent Times*

YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj

- *Code of Corporate Compliance and Ethical Conduct*

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir

- *Identifying the Opportunities and Review the Corporate Strategy*

Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman

- *Identifying the Opportunities and Review the Corporate Strategy*

Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman

- *Identifying the Opportunities and Review the Corporate Strategy*

Encik Sulaiman bin Salleh

- *Identifying the Opportunities and Review the Corporate Strategy*

Mr. Wong Yien Kim

- *Mergers and Acquisitions Masterclass Workshop*

Your Company does not provide any in-house orientation or education programmes for new appointees to your Board as they are expected to have the required qualification and competence to be appointed by your Board. However, members of your Board are encouraged to participate in relevant training programmes on their own at your Company's expense to keep themselves updated on latest developments.

### Board Committees

Your Board has delegated certain of its duties and responsibilities to the various board committees. The terms of reference, function and authority delegated to the Board Committees are as follows:-

#### Audit Committee

The composition, terms of reference and duties and responsibilities of the Audit Committee is set out in the Audit Committee's Report included in this Annual Report.

#### Nomination Committee

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



## statement on corporate governance

The Nomination Committee would also carry out annual assessment of the effectiveness of your Board as a whole, the Committees of your Board and each individual director including the independent non-executive directors as well as the Chief Executive Officer. Your Board through this Committee reviews the required mix of skills and experience and other qualities your Board requires in order for it to discharge its duties effectively. The Committee met once during the year and the record of attendance of the committee is as follows:-

	Record of Attendance
Encik Sulaiman bin Salleh (Chairman of the Committee)	1/1
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (member)	1/1
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (member)	1/1

### Remuneration Committee

The Remuneration Committee, comprise mainly of non-executive directors, is responsible for reviewing and recommending to your Board, the remuneration framework for directors and assists your Board in ensuring that the remuneration of the directors reflects the responsibility and commitment undertaken by the board membership. Your 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 at the Annual General Meeting by you as shareholders.

Members of the Committee comprise of:-

- (a) Y. Bhg. Dato' Hj Abd Karim bin Munisar  
(Chairman of the Committee)
- (b) Y. Bhg. Dato' Lim Chee Meng (member)
- (c) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman  
(member)

The Committee did not meet for the year.

### Investment Committee

The Investment Committee was established during the year to evaluate and recommend to your Board, investment proposals submitted to your Board by the management for approval. The Committee is tasked to evaluate the relevant risks associated with the investment proposals, the mitigating

factors and the feasibility and future prospects of investment proposals taking into consideration the risk and return trade offs. The Committee met twice during the financial year and the record of attendance of the committee is as follows:-

	Record of Attendance
Encik Sulaiman bin Salleh (Chairman of the Committee)	2/2
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (member)	2/2
Tuan Hj Abdul Rahman bin Haji Siraj (member)	2/2
Y. Bhg. Dato' Lim Chee Meng (member)	1/2
Mr. Wong Yien Kim (member)	-

### Executive Committee

The Executive Committee ("EXCO") comprises both the executive directors, the Chief Operating Officer (Water & Engineering division) and the General Manager of Group Finance. The EXCO is primarily responsible for managing your Group's business and resources on a day to day basis and in speeding up the decision making process in routine and administrative matters. The EXCO met five (5) times during the year to review the quarterly operational issues and other matters requiring its attention. Other senior management staff and divisional heads are also invited to participate in these meetings. The record of attendance of the executive directors in the EXCO meeting during the financial year is as follows:-

	Record of Attendance
Tuan Hj Abdul Rahman bin Haji Siraj (Chairman of the Committee)	5/5
Y. Bhg. Dato' Lim Chee Meng (member)	5/5

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

The ESOS Committee comprises of one (1) non-executive director, represented by Encik Sulaiman bin Salleh as the Chairman and one (1) executive director represented by Y. Bhg. Dato' Lim Chee Meng and such numbers elected from senior management to fairly represent the various business and administrative divisions of your Group to administer the ESOS in accordance with the provisions of the ESOS Bye-Laws. As there was no new ESOS allocation made during the year, the Committee did not meet for the year.

## statement on corporate governance

### B. DIRECTORS' REMUNERATION

The remuneration of the executive directors is based on the terms of their employment contract with your Company whereas bonus incentives are linked to your Group's financial performance.

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

Directors' remuneration is generally benchmarked against the market average of comparable companies to attract and retain the directors to run your Company. Directors are also entitled to share options granted by your Company to eligible directors and employees after the requisite approvals have been obtained from shareholders at a general meeting. The number of ESOS granted to directors is based on their number of years in service with your Company and whether they hold any executive position in your Company.

The details of directors' remuneration for the financial year are as follows:-

- (a) Aggregate remuneration categorised into appropriate components:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
(a) Fees	50	230	280
(b) Salaries & other emoluments	947	114	1,061
(c) Meeting allowances	10	66	76
<b>Total</b>	<b>1,007</b>	<b>410</b>	<b>1,417</b>

Benefits in kind received by the Executive Directors of the Company was RM7,000.

- (b) The number of directors whose remuneration fall within the following bands:-

The remuneration paid to directors during the year analysed into bands of RM50,000 to comply with the disclosure requirements of the Listing Requirements is as follows:-

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	-	5	5
RM50,001 to RM100,000	-	1	1
RM150,001 to RM200,000	-	1	1
RM450,001 to RM500,000	1	-	1
RM500,001 to RM550,000	1	-	1
<b>Total</b>	<b>2</b>	<b>7</b>	<b>9</b>

### C. RELATIONSHIP WITH SHAREHOLDERS, BONDHOLDERS AND WARRANT HOLDERS

#### Investor Relations, Media and Shareholders Communications

Your Company recognises the importance of accountability through proper communication with you and other stakeholders. This is done through timely dissemination of information on your Group's performance and major developments which are communicated vide the following:-

- the Annual Report and relevant circulars despatched to you and published in your Company's website; and
- issuance of various disclosures and announcements inclusive of the quarterly interim financial reports to Bursa Securities.

In addition, your Group maintains a website at <http://www.taliworks.com.my> which you or other stakeholders can access for information. Alternatively, you may obtain your Group's latest announcements via the Bursa Securities' website at <http://announcements.bursamalaysia.com>.

## statement on corporate governance

Your Company is also a participant in the CMDF-Bursa Research Scheme to enhance research coverage on your Group by two independent research houses, namely Standard & Poor's Malaysia Sdn. Bhd. and Netresearch-Asia Sdn. Bhd; so as to provide you and other stakeholders with more information to facilitate your investment decisions. Copies of independent research reports on your Group can be downloaded from <http://www.bursamalaysia.com>.

Within the organisation, your Group has an investor relations unit headed by the General Manager of Group Finance to attend to various investors particularly institutional investors, fund managers and investment analysts and a corporate communications department to communicate with members of the media. While your Company endeavours to provide as much information possible to you, the investment community and the media, it is always mindful of the regulatory framework governing the release of material and price sensitive information. The management is also guided by an internal guideline on investors and media relationship issued by your Company which sets out the communication channels, authorised spokespersons and crisis management procedures.

For ease of communications via the internet, your Company has identified the following email addresses as channels of communication:-

- (a) Communications with your Company at [info@taliworks.com.my](mailto:info@taliworks.com.my)
- (b) Communications with the Chief Executive Officer, Tuan Haji Abdul Rahman bin Haji Siraj, at [ars@taliworks.com.my](mailto:ars@taliworks.com.my)
- (c) Communications with the Senior Independent Non-Executive Director, Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir, at [SID@taliworks.com.my](mailto:SID@taliworks.com.my)
- (d) Communications with the investor relations unit and/or corporate communications department at [investor@taliworks.com.my](mailto:investor@taliworks.com.my)

### Primary Contact for Investors Relation Matters

Y. Bhg. Dato' Lim Chee Meng  
lcm@taliworks.com.my

Dato' Lim is the Executive Director of your Company.

Victor Wong Voon Leong  
victorwong@taliworks.com.my  
Tel: +603 7725 7110

Aged 44, he is currently serving as the General Manager, Group Finance, a position he held since he joined your Company in 2004. Prior to his appointment, he worked as an auditor in an international firm of accountants, in the corporate finance outfit of a local investment bank and in his last position, he was heading the business development and strategy unit of a Main Board public listed company in Malaysia. He has been involved in investors relation matters for about ten years. He qualified as an accountant and currently is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and CPA Australia.

### Communications with Bondholders

Your Company is required to make available a copy of all public documents issued to shareholders to HSBC (Malaysia) Trustee Berhad, acting as trustees, for your Company's Convertible Bondholders. Details of material information are also notified to bondholders via the Fully Automated System for Issuing/Tendering ("FAST").

### Communications with Warrant holders

In accordance with the Deed Poll executed by your Company, your Company will make available to the Warrant holders a copy of all public documents issued to shareholders upon written request and payment by the Warrant holders of such costs as your Company may from time to time prescribed.

### Annual General Meeting ("AGM")

The AGM which is held once a year is the principal forum for dialogue with you as shareholders. The Annual Report together with the Notice of AGM is sent to you within the prescribed period as allowed under your 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 you on the significance and impact when you deliberate on the resolution.

## statement on corporate governance

At the AGM, you are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of your Company and of your Group. Members of your Board as well as external auditors of your Company are present to answer questions raised at these meetings. Immediately after the AGM, the Chairman and the Chief Executive Officer may address issues raised by the media and answer questions on your Group's activities and plans in the course of providing investors with the latest update on your Group.

### D. ACCOUNTABILITY AND AUDIT

#### Financial Reporting

Your Board aims to present a balanced and meaningful assessment of your Group's financial performance and prospects to you as shareholders, investors and regulatory authorities. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Chief Executive Officer's Review of Operations and the accompanying audited financial statements. Your 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 your Board prior to public release.

#### Statement of Directors' Responsibility for Preparing the Financial Statements

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

#### Internal Control

The Statement on Internal Controls included in this Annual Report provides an overview on the state of internal controls within your Group.

### Relationship with Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee's Report included in this Annual Report. The management maintains a close and transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia. The Audit Committee will meet with the external auditors twice a year without the presence of management to ensure that the independence and objectivity of the external auditors are not compromised.

### E. AUTHORISATION FOR ISSUANCE

Save as otherwise disclosed, your Board, to the best of its knowledge, is of the view that the Best Practices set out in Part 2 of the Code has been complied with by your Company.

This Statement of Corporate Governance has been reviewed and approved for inclusion in this Annual Report by your Board.



**Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR**  
Chairman

## audit committee report

The Audit Committee is pleased to present its Report for the financial year ended 31 December 2008 for inclusion in this Annual Report in compliance with paragraph 15.16(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

### A. COMPOSITION

The members of the Audit Committee comprise of:-

Y. Bhg. Dato' Hj Mohd Sinon Bin Mudakir (Senior Independent Non-Executive Director)	Chairman
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YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (Independent Non-Executive Director)	Member
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Encik Sulaiman bin Salleh (Independent Non-Executive Director)	Member
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Mr. Wong Yien Kim (Non-Independent Non-Executive Director)	Member
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Encik Sulaiman bin Salleh is a member of the Malaysian Institute of Accountants and Mr. Wong Yien Kim is a member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants, England and Wales.

### B. APPROVED TERMS OF REFERENCE

#### Membership

The Audit Committee shall be appointed by your 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.

#### Quorum

Majority of members present must be independent directors.

#### Qualification

At least one member of the Audit Committee:

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

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

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

#### 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 report on each meeting to your Board.

The presence of external and/or internal auditors will be requested, if required. Other members of your Board and/or senior management may attend meetings upon the invitation by the Audit Committee. Both the internal and/or external auditors may request a meeting if they consider it to be necessary.

The Audit Committee shall meet with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of your Group whenever deemed necessary. 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 your Group.

#### Authority

The Audit Committee is authorised by your 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 your Group. The Committee is also authorised by your Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

#### Responsibilities and Duties

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

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

## audit committee report

- (b) To review major audit findings arising from the interim and final audits, the audit report and the assistance given by the employees of your Group to the external auditors;
- (c) To review with the external auditors, their evaluation of the system of internal controls, the management letter and management's response;
- (d) To do the following in respect of internal audit:
- review the adequacy of scope, functions, competency and resources of the internal audit function and whether it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, the results of the internal audit programme, processes or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - review the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function; and
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (e) To review the quarterly results and year end financial statements prior to approval by your Board, focusing particularly on:
- changes in or implementation of major accounting policies changes;
  - significant and unusual events; and
  - compliance with accounting standards and other regulatory requirements.
- (f) To review any related party transactions and conflict of interest situation that may arise within your Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) To consider the nomination and appointment of external auditors, as well as fixing their remuneration;
- (h) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- (i) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (j) To verify that the allocation of options pursuant to the Employees' Share Options Scheme of your Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year; and
- (k) To promptly report to Bursa Securities if it is of the view that a matter reported by it to your Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

### C. MEETINGS

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

	25 Feb	11 Apr	27 May	20 Aug	19 Nov
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	✓	✓	✓	✓	✓
YAM Tengku Putri Datin Paduka Arafiah bte Al- Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	✓	✓	✓	✓	✓
Encik Sulaiman bin Salleh	✓	✓	✓	✓	✓
Mr. Wong Yien Kim	✓	✓	✓	✓	✓

The meetings were structured through the use of agendas and relevant board papers which were distributed to the Audit Committee prior to such meetings. The Chief Executive Officer and the General Manager of Group Finance are normally requested to be present in these meetings. Representatives from the external and/or the internal auditors as well as other senior management also attended some of the meetings upon invitation where matters relating to external and internal audit are being discussed.

## audit committee report

### D. TRAINING

During the year, members of the Audit Committee attended the following training programmes / seminars:-

Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir

- *Identifying the Opportunities and Review the Corporate Strategy*

YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj

- *Code of Corporate Compliance and Ethical Conduct*

Encik Sulaiman bin Salleh

- *Identifying the Opportunities and Review the Corporate Strategy*

Mr. Wong Yien Kim

- *Mergers and Acquisitions Masterclass Workshop*

### E. SUMMARY OF ACTIVITIES

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

#### Financial and Operations Review

Reviewing the quarterly financial and operations reports, interim financial results, interim financial report to Bursa Securities and the audited financial statements prior to recommending them for the approval of your Board.

#### External Audit

- Reviewing and approving the external auditors' audit plan;
- Reviewing with the external auditors the approved accounting standards (including implications of the new Financial Reporting Standards) applicable to the audited financial statements of your Company and of your Group;
- Reviewing with the external auditors the results of the audit, the audit report including management's response to matters highlighted in the said report;
- Considering the external auditors' re-appointment and remuneration; and
- Meeting with the external auditors without the presence of management.

#### Internal Audit

- Reviewing the internal audit reports, which highlight the audit issues, recommendations and management's response and ensuring that material findings were addressed and attended to by the management.

#### Related Party Transactions

- Reviewing related party transactions entered into by your Company or your Group to ensure that they are:-
  - at arm's length;
  - on normal commercial terms;
  - on terms not more favourable to the related party than those generally available to the public;
  - in its opinion, are not detrimental to the minority shareholders; and
  - in the best interest of your Group.
- Reviewing the quarterly report on recurrent related party transactions of a revenue or trading in nature entered into by your Group; and
- Reviewing the circular to shareholders in relation to the procurement of shareholders' mandate for such transactions.

#### Fraud

To consider incidences of fraud, if any, reported by the management to the Audit Committee.

### F. INTERNAL AUDIT FUNCTION

To assist the Audit Committee in monitoring and ensuring that a proper system of internal control is in place, your Company has, in the absence of an in-house internal audit unit, engaged the services of a professional accounting firm, Messrs. KPMG. This internal audit function reports directly to the Audit Committee.

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

## audit committee report

The internal auditors are required to undertake two cycles of internal audit for the year in accordance with their terms of reference and the scope of work outlined in the Internal Audit Strategy Plan 2007 to 2009 ("IASP") which comprised a 3-year internal audit strategic plan. The IASP was approved for implementation by the Audit Committee.

During the year, the following reports were presented by the internal auditors to the Audit Committee for deliberation:-

- (i) internal audit reports on Cycle 12 (2007) and Cycle 1 (2008) on your Company, its subsidiaries, Sungai Harmoni Sdn. Bhd. and Taliworks (Langkawi) Sdn. Bhd; where the internal audit undertaken addressed principally the key internal controls relating to the following processes and the related risks areas of:-

### Your Company

- (a) engineering and construction; and
- (b) strategic, financial and information management.

### Sungai Harmoni and Taliworks (Langkawi)

- (a) distribution;
- (b) health, safety and environment;
- (c) asset management; and
- (d) operation and maintenance.

- (ii) internal audit report of Tianjin-SWM (M) Environment Co. Ltd, a subsidiary operating in China, which focused on the key elements of the company's system of internal control comprising the high level controls pertaining to the following as promulgated by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"):-

- (a) control environment;
- (b) risk assessment processes;
- (c) control activities;
- (d) information and communication processes; and
- (e) monitoring functions and processes.

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

The Audit Committee has also requested the internal auditors to undertake an internal audit on the Cerah Sama group, a jointly-controlled entity, commencing next year.

The professional fees (excluding any service taxes and out-of-pocket expenses) incurred or to be incurred in respect of undertaking the above internal audit function for the year is RM71,000 (compared to RM126,000 as disclosed in the previous year).

The Audit Committee has during the year resolved to continue with the outsourcing of the internal audit function to ensure higher independency, effectiveness and professionalism without fear of possible interference, if any, by management.

## G. RISK MANAGEMENT

During the year, your Board has established the Risk Management Working Group ("RMWG") comprising the Chief Executive Officer and three other key management personnel comprising the Director of Operation & Business Development, the Group General Manager (Water & Engineering division) and the General Manager of Group Finance to compliment the role of the internal auditors in assisting the Audit Committee to identify, evaluate and manage significant risks that may affect the business objectives of your Group. The RMWG is expected to commence its assignment by next year.

## H. AUTHORISATION FOR ISSUANCE

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



**Y. BHG. DATO' HJ MOHD SINON BIN MUDAKIR**  
Chairman of Audit Committee



## statement on **internal control**

### Responsibility

Your Board is responsible for maintaining a sound system of internal control within your Company and its subsidiaries ("Group") and for reviewing the effectiveness, adequacy and integrity of this system. Because of the inherent limitations, the system of internal control is designed to minimise and manage risks at an acceptable level rather than to eliminate them. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatements or losses. The system of internal control of your Group covers, inter-alia, risk management, financial, operational and compliance controls.

Accompanying the maintenance of a sound system of internal controls, is an on-going process to identify, evaluate and manage significant risks faced by your Group and this process is regularly reviewed by your Board and accords with the Statement on Internal Control : Guidance for Directors of Public Listed Companies. The process is undertaken by the Audit Committee which reports its findings to your 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 controls based on findings from internal audit projects carried out during the year.

Your Board does not evaluate the system of internal controls of associated companies where your Group does not have full management control over them. However, it is the intention of your Group to review the adequacy of the system of internal control in jointly-controlled entities which contribute significantly to your Group by either employing resources to carry out an independent review or relying on the evaluation performed by an internal audit function within that entity.

### Risk management framework

Your Board has established a risk management framework for your Company, its two key operating subsidiaries and the construction and engineering division. This framework consists of an on-going process to identify, evaluate and manage significant risks that affect the achievement of your Group's business objectives. The main features of your Group's risk management framework involve the following key processes:-

- (a) The Management is entrusted to develop, operate and monitor the system of internal control to address the various risks faced by your Group;

- (b) A database of all risks and controls is maintained and updated, and the information filtered to produce detailed risk registers and individual risk profiles. Key risk areas are identified and scored for likelihood of the risks occurring and the magnitude of the impact;
- (c) A risk assessment update is carried out by the operating units with the assistance of the internal audit function to determine any changes to the risk profile;
- (d) The risk profile, which comprises the key risks and the impact of these risks, is used to prioritise the various areas for internal audit over a 3-year period; and
- (e) Risk assessment reports are submitted to the Audit Committee for its review.

### Internal audit function

For the financial year, the Audit Committee engaged a professional firm of accountants, distinct from the external auditors, to provide internal audit services to your Company, its two key operating subsidiaries in Malaysia and the construction and engineering division. No internal audit was undertaken in respect of other companies in your Group as their contributions were not significant to your Group. However, the Audit Committee has approved an internal audit review to be undertaken in a jointly-controlled entity from the next financial year.

The internal audit function adopts a risk-based approach in the internal audit projects based on an Internal Audit Strategy and Plan ("IASP") developed in conjunction with the risk profiles of entities concerned. The latest IASP maps out the areas for internal audit over 3 years from 2007 to 2009 within the broad risk framework of your Group and is subject to the assessment of risks and priorities in each succeeding year.

### Other key elements of internal control

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

- (a) Clearly defined delegation of responsibilities to committees of your Board and to management, including appropriate authorisation levels;
- (b) A budgetary process whereby the Executive Committee approves the operating and capital budgets of the key operating units and your Board approves the operating and capital budgets of your Group on a consolidated basis;

## statement on internal control

- (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 Audit Committee and your Board on the operational and financial performance of your Group;
- (f) The existence of a whistle-blowing policy and procedure to provide a channel for legitimate concerns to be raised by employees to the management and to the Audit Committee; and
- (g) An established Code of Conduct which governs the policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in the course of discharging their duties and responsibilities.

### Your Board's conclusion

Based on the processes set out above, your Board is of the view that the system of internal controls of your Group in operation during the financial year is reasonably sound and sufficient to safeguard the assets of your Group and your interest as shareholders. There were no material losses incurred during the financial year under review as a result of weaknesses of internal controls. The management continues to take measures to strengthen the control environment.

### 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 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 your Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process your Board has adopted in the review of the adequacy and integrity of internal control of your 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 your 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 2008 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 under review, the following were exercised into ordinary shares in the Company:-

- (i) 119,000 ESOS options at an exercise price of RM1.31 per share;
- (ii) 552,500 ESOS options at an exercise price of RM1.90 per share; and
- (iii) 522,000 Warrants 2005/10 at an exercise price of RM1.27 per share.

### 3. American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

The Company did not sponsor any ADR or GDR programme during the financial year under review.

### 4. Imposition of Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

### 5. Non-Audit Fees

Details of non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors, PricewaterhouseCoopers or a firm or company affiliated to it, are as follows:-

	RM'000
(a) External Auditors	9
• Review of the Statement of Internal Controls prepared by the Board for inclusion in the Annual Report	
(b) to a firm affiliated to the External Auditors	43
• Tax compliance and advisory services	

### 6. Variation in Results

There were no variances of 10% or more between the results for the financial year ended 31 December 2008 and the unaudited results previously announced.

### 7. Utilisation of Proceeds

As at 31 December 2008, the total net proceeds of RM218.25 million raised from the issuance of RM225 million nominal value of convertible bonds were utilised in the following manner:-

	Total Proceeds Raised (RM'000)	Amount Unutilised as at 31 December 2008 (RM'000)
For future local and overseas business expansion	196,400	170,916
For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	9,150
<b>Total</b>	<b>218,250</b>	<b>180,066</b>

### 8. Profit Guarantee

The Company did not give any profit guarantee during the financial year under review.

### 9. Revaluation Policy on Landed Properties

The Company does not have a policy of regular revaluation of landed properties.

### 10. Material Contracts

Save as disclosed in Note 41 of the financial statements of the Company for the financial year ended 31 December 2008, there were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders.

## additional compliance information

### 11. Recurrent Related Party Transaction of Revenue or Trading Nature

At the Annual General Meeting of the Company held on 5 June 2008, the Company had obtained a mandate from its shareholders to allow the Group to enter into recurrent related party transactions of revenue or trading nature. Pursuant to paragraph 10.09(1)(b) of the Listing Requirements, the details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2008 pursuant to the said shareholders' mandate, the aggregate value of transactions of which exceeds RM1,000,000, is as follows:-

Related Party	Type of Transaction	Aggregate Value of Transactions (RM'000)
Aqua-Flo Sdn. Bhd. ("AFSB")	Purchase of water treatment chemicals and related equipment or systems	9,815

Kumpulan Perangsang Selangor Berhad ("KPS"), a major shareholder of the Company is deemed a substantial shareholder in AFSB by virtue of its 60% direct interest in Hydrovest Sdn. Bhd. which in turn owns 60% direct interest in AFSB. Y. Bhg. Dato' Hj Abd Karim bin Munisar and Mr. Wong Yien Kim, two of the Directors of the Company are deemed interested by virtue of their directorship in KPS.

The above recurrent related party transaction of revenue or trading nature was conducted on terms not more favourable to the related parties than those generally available to the public at arm's length and is not detrimental to the interests of the minority shareholders of the Company.

# financial statements

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## directors' report

The Directors are pleased to submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, provision of contracting, project and management services. There has been no significant change in the activities of the Company during the financial year. The principal activities of subsidiaries are set out in Note 18 to the financial statements.

There has been no significant change in the activities of the Group during the financial year except as disclosed in Note 18 to the financial statements.

### FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	46,284	23,951

### DIVIDENDS

The dividends on ordinary shares declared and paid by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2007:	
- Second interim gross dividend of 4.0 sen per share on 375,718,600 ordinary shares of RM0.50 each, less income tax of 26%, paid on 28 March 2008	11,121
- Final gross dividend of 2.5 sen per share on 376,131,000 ordinary shares of RM0.50 each, less income tax of 26%, paid on 7 July 2008	6,958
In respect of the financial year ended 31 December 2008:	
- First interim gross dividend of 3.0 sen per share on 376,590,300 ordinary shares of RM0.50 each, less income tax of 26%, paid on 29 September 2008	8,360
- Second interim gross dividend of 2.0 sen per share on 376,665,700 ordinary shares of RM0.50 each, less income tax of 25%, paid on 30 March 2009	5,650

The Directors now recommend the payment of a final gross dividend of 1.25 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2008 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

### RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## directors' report

**DIRECTORS**

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

Y. Bhg. Dato' Hj Abd Karim bin Munisar  
 YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj  
 Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir  
 Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman  
 Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman  
 Y. Bhg. Dato' Lim Chee Meng  
 Tuan Haji Abdul Rahman bin Haji Siraj  
 Encik Sulaiman bin Salleh  
 Mr. Wong Yien Kim

**DIRECTORS' INTERESTS IN SHARES**

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares and options over ordinary shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2008	Bought	Sold	At 31.12.2008
Y. Bhg. Dato' Hj Abd Karim bin Munisar	0	160,000	(60,000)	<b>100,000</b>
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0	0	<b>285,000</b>
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman				
- direct	120,000	0	0	<b>120,000</b>
- indirect#	6,390,000	0	0	<b>6,390,000</b>
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0	0	<b>580,000</b>
Y. Bhg. Dato' Lim Chee Meng				
- direct	212,000	105,000	0	<b>317,000</b>
- indirect#	196,700,000	0	0	<b>196,700,000</b>
Tuan Haji Abdul Rahman bin Haji Siraj	20,000	0	0	<b>20,000</b>
Encik Sulaiman bin Salleh	72,800	0	(30,000)	<b>42,800</b>

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Y. Bhg. Dato' Lim Chee Meng is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

## directors' report

### DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	Number of Warrants over ordinary shares of RM0.50 each in the Company at RM1.27 per share			
	At 1.1.2008	Bought	Sold	At 31.12.2008
Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman				
- indirect#	1,278,000	0	0	<b>1,278,000</b>
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	104,000	0	0	<b>104,000</b>
Y. Bhg. Dato' Lim Chee Meng				
- direct	37,900	110,000	0	<b>147,900</b>
- indirect#	44,940,000	0	0	<b>44,940,000</b>
Encik Sulaiman bin Salleh	4,560	0	0	<b>4,560</b>

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

	Number of options over ordinary shares of RM0.50 each in the Company				
	Exercise price (RM)	At 1.1.2008	Granted	Exercised	At 31.12.2008
Y. Bhg. Dato' Hj Abd Karim bin Munisar	1.31	60,000	0	(60,000)	<b>0</b>
	1.90	100,000	0	(100,000)	<b>0</b>
YAM Tengku Putri Datin Paduka Arafiah bte Al- Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	0	<b>60,000</b>
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	0	<b>80,000</b>
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	60,000	0	0	<b>60,000</b>
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	<b>120,000</b>
	1.90	145,000	0	0	<b>145,000</b>
Tuan Haji Abdul Rahman bin Haji Siraj	1.90	145,000	0	0	<b>145,000</b>
Encik Sulaiman bin Salleh	1.90	60,000	0	0	<b>60,000</b>

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 or shares, options over shares and debentures of its related corporations during the financial year.

### ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Company was increased from RM187,698,400 comprising 375,396,800 ordinary shares of RM0.50 each to RM188,295,150 comprising 376,590,300 ordinary shares of RM0.50 each by way of:

- (i) the issuance of 119,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.31 per share;



## directors' report

### ISSUE OF SHARES (CONTINUED)

- (ii) the issuance of 552,500 new ordinary shares of RM0.50 each for cash pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.90 per share; and
- (iii) the issuance of 522,000 new ordinary shares of RM0.50 each for cash pursuant to the exercise of Warrants of the Company at an exercise price of RM1.27 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company, save and except that they were not entitled to dividends, rights, allotments and/or other distributions, declared, made or paid prior to the date of entitlement of the said new ordinary shares.

### EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") for eligible directors and employees of the Company and its subsidiaries was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS became effective on 30 September 2005 (when the last of the requisite approvals were obtained) and will expire on 29 September 2010 (the period referred as the "Option Period") unless extended by the Company but in no event shall the ESOS be in force for a period exceeding 10 years from the effective date.

Some of the main features of the ESOS are set out in Note 33(a) to the financial statements.

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

### WARRANTS

In 2005, the Company issued 70,440,000 warrants 2005/2010 ("Warrants") pursuant to a renounceable rights issue of Warrants on the basis of one Warrant for every five ordinary shares of RM0.50 each held. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.50 each within five years from the date of issuance of the Warrants to the expiry date on 21 September 2010 (the period referred to as the "Exercise Period") and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

Some of the main features of the Warrants are set out in Note 33(b) to the financial statements.

During the financial year, there was no new issuance of warrants by the Company.

### CONVERTIBLE BONDS

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of convertible bonds ("Bonds"). The Bonds are convertible into new ordinary share of RM0.50 each in the Company by way of surrendering such nominal value of the Bonds equivalent to the Conversion Price.

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

During the financial year, there was no conversion of Bonds into new ordinary shares of the Company.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the exercise of Warrants and options granted under the Company's ESOS.

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 41 to the financial statements.

## directors' report

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for those disclosed in the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

### AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2009.



**Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR**  
DIRECTOR



**Y. BHG. DATO' LIM CHEE MENG**  
DIRECTOR

# income statements

for the financial year ended 31 december 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue	6	<b>226,406</b>	190,969	<b>113,214</b>	140,174
Cost of operations	7	<b>(138,741)</b>	(114,178)	<b>(63,974)</b>	(48,002)
Gross profit		<b>87,665</b>	76,791	<b>49,240</b>	92,172
Other operating income		<b>10,034</b>	5,356	<b>8,271</b>	2,232
Administrative expenses		<b>(30,114)</b>	(34,877)	<b>(10,644)</b>	(9,078)
Finance cost	8	<b>(14,484)</b>	(1,550)	<b>(14,384)</b>	(1,402)
Share of results of jointly controlled entity		<b>5,690</b>	300	<b>0</b>	0
Share of results of associates		<b>569</b>	637	<b>0</b>	0
Profit before tax	9	<b>59,360</b>	46,657	<b>32,483</b>	83,924
Tax expense	12	<b>(13,076)</b>	(13,549)	<b>(8,532)</b>	(22,155)
Profit for the financial year		<b>46,284</b>	33,108	<b>23,951</b>	61,769
Attributable to:					
Equity holders of the Company		<b>45,757</b>	33,735	<b>23,951</b>	61,769
Minority interest		<b>527</b>	(627)	<b>0</b>	0
Profit for the financial year		<b>46,284</b>	33,108	<b>23,951</b>	61,769
Earnings per share attributable to ordinary equity holders of the Company (sen)					
- basic	13	<b>12.2</b>	9.0		
- diluted	13	<b>11.1</b>	8.4		

# balance sheets

as at 31 december 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	15	28,136	27,795	1,205	1,479
Investment properties	16	444	455	444	455
Concession rights	17	16,286	15,408	0	0
Subsidiaries	18	0	0	106,624	106,624
Jointly controlled entity	19	61,528	55,838	55,538	55,538
Associates	20	24,214	23,645	23,177	23,177
Goodwill on consolidation	21	2,007	2,007	0	0
Deferred tax assets	22	172	84	0	0
Long term receivables	23	51,722	56,328	0	0
Deposits, bank and cash balances	29	14,201	22,484	4,753	12,944
		<b>198,710</b>	<b>204,044</b>	<b>191,741</b>	<b>200,217</b>
<b>Current assets</b>					
Inventories	24	1,286	1,041	0	0
Trade and other receivables	25	159,412	105,053	777	3,429
Amount due from subsidiaries	26	0	0	95,877	44,605
Amount due from a jointly controlled entity	27	38,500	52,250	38,500	52,250
Tax recoverable		4,712	304	9,544	278
Investments	28	205,714	197,630	192,495	196,344
Deposits, bank and cash balances	29	55,626	44,306	22,836	16,344
		<b>465,250</b>	<b>400,584</b>	<b>360,029</b>	<b>313,250</b>
<b>Less: Current liabilities</b>					
Borrowings	30	1,539	2,973	1,521	2,904
Trade and other payables	31	71,893	43,168	46,876	19,106
Taxation		2,355	1,712	0	0
		<b>75,787</b>	<b>47,853</b>	<b>48,397</b>	<b>22,010</b>
<b>Net current assets</b>		<b>389,463</b>	<b>352,731</b>	<b>311,632</b>	<b>291,240</b>
<b>Less: Non-current liabilities</b>					
Deferred tax liability	22	0	28	4,875	0
Borrowings	30	231,091	223,122	227,996	220,336
		<b>231,091</b>	<b>223,122</b>	<b>227,996</b>	<b>220,336</b>
		<b>357,082</b>	<b>333,625</b>	<b>270,502</b>	<b>271,121</b>
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	33	188,295	187,698	188,295	187,698
Share premium	34	22,059	19,945	22,059	19,945
Warrant reserve		6,492	6,544	6,492	6,544
Share option reserve	35	2,139	2,929	2,139	2,929
Currency translation reserve		1,434	114	0	0
Merger deficit	36	(71,500)	(71,500)	0	0
Retained earnings	37	202,712	183,394	51,517	54,005
Shareholders' equity		<b>351,631</b>	<b>329,124</b>	<b>270,502</b>	<b>271,121</b>
<b>Minority interest</b>		<b>5,451</b>	<b>4,501</b>	<b>0</b>	<b>0</b>
<b>Total equity</b>		<b>357,082</b>	<b>333,625</b>	<b>270,502</b>	<b>271,121</b>

# consolidated statement of **changes in equity**

for the financial year ended 31 december 2008

Note	Attributable to equity holders of the Company									
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2008	187,698	19,945	6,544	2,929	114	(71,500)	183,394	329,124	4,501	333,625
Share options: - proceeds from shares issued	336	870	0	0	0	0	0	1,206	0	1,206
- transfer upon exercise	0	790	0	(790)	0	0	0	0	0	0
Warrants: - proceeds from shares issued	261	402	0	0	0	0	0	663	0	663
- transfer upon exercise	0	52	(52)	0	0	0	0	0	0	0
Net profit for the financial year	0	0	0	0	0	0	45,757	45,757	527	46,284
Dividends	0	0	0	0	0	0	(26,439)	(26,439)	0	(26,439)
Currency translation differences	0	0	0	0	1,320	0	0	1,320	423	1,743
At 31 December 2008	188,295	22,059	6,492	2,139	1,434	(71,500)	202,712	351,631	5,451	357,082

## consolidated statement of changes in equity

for the financial year ended 31 december 2008

Note	Attributable to equity holders of the Company								Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000		Minority interest RM'000
At 1 January 2007	186,694	17,625	6,545	0	(60)	(71,500)	174,225	313,529	803	314,332
Share options: - proceeds from shares issued	999	2,311	0	0	0	0	0	3,310	0	3,310
- value of options granted	0	0	0	2,929	0	0	0	2,929	0	2,929
Warrants: - proceeds from shares issued	5	8	0	0	0	0	0	13	0	13
- transfer upon exercise	0	1	(1)	0	0	0	0	0	0	0
Net profit for the financial year	0	0	0	0	0	0	33,735	33,735	(627)	33,108
Dividends	0	0	0	0	0	0	(24,566)	(24,566)	0	(24,566)
Currency translation differences	0	0	0	0	174	0	0	174	(26)	148
Minority interest arising in business combination	0	0	0	0	0	0	0	0	4,351	4,351
At 31 December 2007	187,698	19,945	6,544	2,929	114	(71,500)	183,394	329,124	4,501	333,625

# company statement of **changes in equity**

for the financial year ended 31 december 2008

Note	Share capital RM'000	Share premium RM'000	Non-distributable		Distributable	Total RM'000
			Warrant reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	
At 1 January 2008	<b>187,698</b>	<b>19,945</b>	<b>6,544</b>	<b>2,929</b>	<b>54,005</b>	<b>271,121</b>
Share options:						
- proceeds from shares issued	33	336	870	0	0	1,206
- transfer upon exercise	35	0	790	0	(790)	0
Warrants:						
- proceeds from shares issued	33	261	402	0	0	663
- transfer upon exercise	34	0	52	(52)	0	0
Net profit for the financial year		0	0	0	23,951	23,951
Dividends	14	0	0	0	(26,439)	(26,439)
At 31 December 2008	<b>188,295</b>	<b>22,059</b>	<b>6,492</b>	<b>2,139</b>	<b>51,517</b>	<b>270,502</b>
At 1 January 2007	186,694	17,625	6,545	0	16,802	227,666
Share options:						
- proceeds from shares issued	33	999	2,311	0	0	3,310
- value of options granted	35	0	0	0	2,929	2,929
Warrants:						
- proceeds from shares issued	33	5	8	0	0	13
- transfer upon exercise	34	0	1	(1)	0	0
Net profit for the financial year		0	0	0	61,769	61,769
Dividends	14	0	0	0	(24,566)	(24,566)
At 31 December 2007	187,698	19,945	6,544	2,929	54,005	271,121

# cash flow statements

for the financial year ended 31 december 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
OPERATING ACTIVITIES					
Profit before tax		<b>59,360</b>	46,657	<b>32,483</b>	83,924
Adjustments for:					
Amortisation of concession rights	17	<b>916</b>	861	<b>0</b>	0
Finance cost	8	<b>14,484</b>	1,550	<b>14,384</b>	1,402
Share option expenses	35	<b>0</b>	2,929	<b>0</b>	685
Depreciation:					
- property, plant and equipment	15	<b>3,617</b>	2,937	<b>449</b>	472
- investment properties	16	<b>11</b>	10	<b>11</b>	10
Gain on disposal of property, plant and equipment		<b>(48)</b>	(66)	<b>(31)</b>	0
Property, plant and equipment written off	15	<b>4</b>	0	<b>4</b>	0
Unrealised foreign exchange (gain)/loss		<b>(2,158)</b>	(290)	<b>159</b>	(418)
Impairment on receivables from subsidiary companies		<b>0</b>	0	<b>2,785</b>	0
Investments:					
- dividend income		<b>(3,849)</b>	(2,133)	<b>(3,147)</b>	(1,130)
- gain on redemption		<b>(3,262)</b>	(605)	<b>(3,248)</b>	(310)
Interest income		<b>(1,286)</b>	(2,148)	<b>(658)</b>	(725)
Dividend income from subsidiary companies	6	<b>0</b>	0	<b>(35,260)</b>	(82,500)
Share of results:					
- jointly controlled entity	19	<b>(5,690)</b>	(300)	<b>0</b>	0
- associates	20	<b>(569)</b>	(637)	<b>0</b>	0
		<b>61,530</b>	48,765	<b>7,931</b>	1,410
Changes in working capital:					
Inventories		<b>(245)</b>	(60)	<b>0</b>	0
Trade and other receivables		<b>(49,964)</b>	(3,480)	<b>2,673</b>	(2,020)
Trade and other payables		<b>28,684</b>	11,552	<b>27,788</b>	8,162
Amount due from subsidiaries		<b>0</b>	0	<b>(39,432)</b>	(15,555)
Amount due from jointly controlled entity		<b>13,750</b>	(52,250)	<b>13,750</b>	(52,250)
Net cash inflow/(outflow) from operations		<b>53,755</b>	4,527	<b>12,710</b>	(60,253)
Interest paid		<b>(5,331)</b>	(429)	<b>(5,290)</b>	(408)
Interest received		<b>1,497</b>	2,073	<b>637</b>	718
Tax (paid)/refunded		<b>(16,957)</b>	(14,790)	<b>(4,148)</b>	206
Net cash inflow/(outflow) from operating activities		<b>32,964</b>	(8,619)	<b>3,909</b>	(59,737)



## cash flow statements

for the financial year ended 31 december 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>INVESTING ACTIVITIES</b>					
Acquisition of:					
- additional shares issued by existing subsidiary		0	300	0	(450)
- new subsidiary		0	(7,486)	0	0
- newly incorporated subsidiaries		0	1,386	0	(5,430)
- jointly controlled entity	19	0	(55,538)	0	(55,538)
Property, plant and equipment:					
- proceeds from disposal		48	70	31	1
- purchase	15	(1,369)	(13,984)	(179)	(420)
Dividend received from a subsidiary		0	0	11,860	79,570
Investments:					
- purchase		(260,595)	(244,216)	(226,595)	(212,216)
- proceeds from redemption		258,003	127,764	235,225	63,750
- dividends		1,619	1,024	1,614	421
Net cash (outflow)/inflow from investing activities		<b>(2,294)</b>	(190,680)	<b>21,956</b>	(130,312)
<b>FINANCING ACTIVITIES</b>					
Proceeds from issuance of:					
- convertible bonds	30(c)	0	218,250	0	218,250
- ordinary shares		1,869	3,323	1,869	3,323
Dividend paid	14	(26,439)	(24,566)	(26,439)	(24,566)
Repayment of borrowings		(3,063)	(3,039)	(2,994)	(2,941)
Decrease in deposit balances pledged as security		8,283	2,882	8,191	3,055
Net cash (outflow)/inflow from financing activities		<b>(19,350)</b>	196,850	<b>(19,373)</b>	197,121
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>					
		<b>11,320</b>	(2,449)	<b>6,492</b>	7,072
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>					
		<b>44,306</b>	46,755	<b>16,344</b>	9,272
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>					
	38	<b>55,626</b>	44,306	<b>22,836</b>	16,344

# notes to the financial statements

for the financial year ended 31 december 2008

## 1 GENERAL INFORMATION

The principal activities of the Company are investment holding, provision of contracting, project and management services. The principal activities of the Group consist of management, operation and maintenance of water treatment plants and water distribution systems and waste management services. There has been no significant change in the activities of the Group and Company during the financial year except as disclosed in Note 18 to the financial statements.

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

The address of the registered office and the principal place of business of the Company are as follows:

### Registered office

Unit 07-02, Level 7, Menara Luxor  
6B Persiaran Tropicana  
47410, Petaling Jaya  
Selangor Darul Ehsan

### Principal place of business

No. 28, Jalan Wan Kadir 1  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

### 2.1 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities. The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards that are effective and applicable to the Group and Company

- Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations
- FRS 107 Cash Flow Statements
- FRS 111 Construction Contracts
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 8 Scope of FRS 2 Share-based Payments

## notes to the financial statements

### for the financial year ended 31 december 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

- (i) Standards that are effective and applicable to the Group and Company (continued)

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group and Company require retrospective application except for IC Interpretation 8 which requires retrospective application subject to the transitional provision of FRS 2. FRS 2 requires retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 January 2007.

The adoption of the above standards did not have any significant financial impact on the results of the Group and Company.

- (ii) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company

- FRS 7 Financial Instruments: Disclosures Derivatives (effective for annual period beginning on or after 1 January 2010). This new standard impacts on the company's financial risk and capital management. Besides disclosing the nature of risk, entities are now required to disclose:
  - o the extent of risks arising from financial instruments to which the entity was exposed to during the period and at the reporting date, and how the entity manages those risks; and
  - o both qualitative and quantitative information on the level of liquidity, exchange rates and other price risks.

The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- FRS 139 Financial Instruments: Recognition and Measurement Derivatives (effective for annual period beginning on or after 1 January 2010). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- FRS 8 Operating Segments (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group and Company will apply this standard from financial periods beginning on 1 January 2010.

- (iii) Standard that is not yet effective and not relevant for the Group and Company's operations

- FRS 4 Insurance Contracts (effective for annual period beginning on or after 1 January 2010).

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 SUBSIDIARIES

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting except for certain subsidiaries, Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd, which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard 2 Accounting for Acquisitions and Mergers, the generally accepted accounting principles prevailing at that time.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

The Group has taken advantage of the exemption provided under FRS 3 Business Combinations to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this Standard.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. See the accounting policy Note 2.5 on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences, that relate to the subsidiary is recognised in the consolidated income statement.

## notes to the financial statements

### for the financial year ended 31 december 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 JOINTLY CONTROLLED ENTITY

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in the income statement and its share of post-acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

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

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

### 2.4 ASSOCIATES

Associates are enterprises in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to financial statements of associates to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in associates are recognised in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where possible, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the Group's share of the fair value of their identifiable net assets at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance.

Goodwill acquired in a business combination is stated at cost less any accumulated impairment losses.

Goodwill is not amortised but the carrying amount is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. See accounting policy Note 2.10 on the impairment of assets.

#### 2.6 CONCESSION RIGHTS

Concession rights are stated at cost less accumulated amortisation and impairment losses.

Amortisation of concession rights is computed using the straight line method over the concession period.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, the carrying amount is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of assets.

#### 2.7 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 to their residual values 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 derecognised. The difference between the net disposal proceeds and the carrying amount is taken to the income statement in the period of the retirement or disposal.

#### 2.8 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 items. 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

## notes to the financial statements

### for the financial year ended 31 december 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	50 years
Plant and machinery	5 to 20 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 7 years
Building renovations	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of assets.

Gain or losses on disposals are determined by comparing proceeds with carrying amount and are taken to the income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

### 2.9 INVESTMENTS

Investments in subsidiaries, jointly controlled entities and associates are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.10 on the impairment of assets.

Investments held as current assets comprise of investments in quoted unit trusts and they are stated at the lower of costs or market value on a portfolio basis. Cost is the weighted average of the purchase price while market value is determined based on quoted market price. Gains or losses from the disposal of these investments are taken to the income statement.

### 2.10 IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets excluding deferred tax assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.11 ASSETS ACQUIRED UNDER FINANCE LEASES

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance 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 the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of land and buildings are considered separately for the purpose of lease classification. Leasehold land are classified as operating lease and the minimum lease payments of the upfront payments made are allocated between the land and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease term.

All other property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset as disclosed in Note 2.8 above.

#### 2.12 INVENTORIES

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

Costs of raw materials and consumable spares are determined using the weighted average method and comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses.

#### 2.13 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 bear to the estimated total contract costs as maybe appropriate.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it 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 financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.14 TRADE RECEIVABLES

Trade receivables are carried at invoice amount less an allowance for doubtful debts. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

#### 2.15 CASH AND CASH EQUIVALENTS

For purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances, deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.16 SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as liability.

(iv) Share Options

The Company operates an equity-settled, share-based compensation plan for eligible directors and employees of the Company and its subsidiaries. Prior to 1 January 2007, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2: Share-Based Payment, the compensation expense relating to share options is recognised in the income statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the Black-Scholes model or any other appropriate models as maybe decided by the Board from time to time. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2007. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Company after 31 December 2004 which remain unvested on 1 January 2007.

#### 2.17 WARRANTS

Rights issue of Warrants are recognised and credited to warrant reserve based on the proceeds received, net of transaction cost. Upon exercise of Warrants, the proceeds are credited to share capital and share premium. The warrant reserve in relation to any unexercised Warrants at the expiry of the warrant period will be transferred to share premium.

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.18 TAXATION

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based on the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is now recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also charged directly in equity.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

#### 2.19 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### 2.20 REVENUE RECOGNITION

Revenue from the rendering of services is recognised upon performance of services, net of discounts and appropriate taxes, and after eliminating billings within the Group.

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised on time proportion basis taking into account the principal outstanding and the effective rate over the period of maturity.

## notes to the financial statements

### for the financial year ended 31 december 2008

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 FOREIGN CURRENCIES

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 the income statement.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 difference', a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	31.12.2008 RM	31.12.2007 RM
1 US Dollar	3.48	3.32
100 Hong Kong Dollars	44.87	42.55
100 Chinese Renminbi	50.88	45.43

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.22 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

(ii) Fair value estimation for disclosure purposes

The carrying values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Fair value of financial assets for long term receivables are determined from future cash flows discounted using current market interest rate available to the Group for similar financial instruments.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

#### 2.23 EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions 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 will have 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 state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the 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 the income statement with a corresponding increase in equity.

## notes to the financial statements

for the financial year ended 31 december 2008

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.24 SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that is subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

#### 2.25 BORROWINGS

Borrowings are initially recognised based on proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at net of redemption value, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs incurred are expensed to income statement.

#### 2.26 CONTINGENT LIABILITIES

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

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the estimates and assumptions that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

(a) Impairment of Concession Rights

The Group reviews the carrying amounts of the Concession Rights as at each balance sheet date to determine whether there is any impairment suffered. The recoverable amount of the Concession Rights is determined based on the estimation of future cash flows expected to be generated from the continued use of these rights. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 17 to the financial statements.

(b) Impairment of Goodwill on Consolidation

The Group reviews the carrying amounts of the Goodwill on Consolidation as at each balance sheet date to determine whether there is any impairment suffered. The recoverable amount of the Goodwill on Consolidation is determined based on the estimation of future cash flows expected to be generated from the operation of the Company's subsidiary, Puresino (Guanghan) Water Co. Ltd. The key assumptions used in the estimation of the recoverable amount are disclosed in Note 21 to the financial statements.

## notes to the financial statements

for the financial year ended 31 december 2008

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Taxation

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

(d) Construction contract

The Group recognises contract revenue 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 the judgment, the Group relied on past experience and work of specialists.

### 4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. 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 Exchange Risk

The Group's exposure to currency risk as a result of foreign currency transactions is limited as the Group's foreign currency payables or receivables are minimal at present.

#### Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. Interest rate exposure arises from the Group's borrowings and deposits. The Group closely monitors the interest rate trend and decisions in respect of fixed or floating rate debt structure and tenor of borrowings and deposits are made based on the expected trend of interest rate movements.

#### Credit Risk

Credit risk arises when sales are made on deferred credit terms. Investments are allowed only in liquid assets and only with financial institutions that have a sound credit rating. The Group monitors its exposure to credit risk on an ongoing basis. 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 receivables.

#### Liquidity and Cash Flow Risk

Liquidity and cash flow 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.

## notes to the financial statements

for the financial year ended 31 december 2008

### 5 SEGMENT REPORTING

(a) Primary reporting format - business segments

The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment assets comprise primarily of property, plant and equipment, trade and other receivables, investments, deposits, bank and cash balances, concession rights and exclude tax recoverable and deferred tax assets.

Segment liabilities comprise operating liabilities and provisions and exclude borrowings, current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and concession rights.

The Group comprises the following main business segments:

Water	Management, operations and maintenance of water treatment plants and water distribution systems
Investment holding	Investment holding, dormant companies and other business activities
Construction	Provision of contracting, project and management services relating to construction contracts
Waste management	Provision of management, operation and maintenance of waste management services and technical services relating to waste management

## notes to the financial statements

for the financial year ended 31 december 2008

### 5 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting-business segments (continued)

	Water		Waste Management		Investment Holding		Construction		Elimination		Total consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<u>Revenue</u>												
External revenue	135,887	126,322	13,533	8,093	23	0	76,963	56,554	0	0	226,406	190,969
Inter-segment revenue	0	0	1,473	1,461	37,751	84,900	60,924	52,304	(100,148)	(138,665)	0	0
Total revenue	<b>135,887</b>	126,322	<b>15,006</b>	9,554	<b>37,774</b>	84,900	<b>137,887</b>	108,858	<b>(100,148)</b>	(138,665)	<b>226,406</b>	190,969
<u>Results</u>												
Segment results	50,878	47,159	3,981	(335)	34,089	75,936	11,645	7,503	(33,008)	(82,993)	67,585	47,270
Finance cost											(14,484)	(1,550)
Share of results of jointly controlled entity	0	0	0	0	5,690	300	0	0	0	0	5,690	300
Share of results of associates	0	0	0	0	569	637	0	0	0	0	569	637
Profit before tax											59,360	46,657
Tax expense											(13,076)	(13,549)
Profit for the year											46,284	33,108
Minority interest											(527)	627
Net profit attributable to equity holders of the Company											<b>45,757</b>	33,735



## notes to the financial statements

for the financial year ended 31 december 2008

## 5 SEGMENT REPORTING (CONTINUED)

(a) Primary reporting-business segments (continued)

	Water		Waste Management		Investment Holding		Construction		Elimination		Total consolidated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<u>Net assets</u>												
Segment assets	187,282	159,189	67,903	61,226	496,157	446,069	70,173	44,451	(248,181)	(186,178)	573,334	524,757
Investments in jointly controlled entity	0	0	0	0	61,528	55,838	0	0	0	0	61,528	55,838
Investments in associates	0	0	0	0	24,214	23,645	0	0	0	0	24,214	23,645
Unallocated assets											4,884	388
Total assets											663,960	604,628
Segment liabilities	(30,043)	(14,533)	(17,732)	(15,935)	(22,803)	(52,286)	(117,160)	(17,525)	115,845	57,111	(71,893)	(43,168)
Unallocated liabilities											(234,985)	(227,835)
Total liabilities											(306,878)	(271,003)
<u>Other information</u>												
Capital expenditure	834	1,242	216	9,130	266	388	53	321	0	0	1,369	11,081
Depreciation and amortisation	(1,240)	(1,662)	(2,753)	(1,588)	(345)	(287)	(206)	(271)	0	0	(4,544)	(3,808)

## notes to the financial statements

for the financial year ended 31 december 2008

### 5 SEGMENT REPORTING (CONTINUED)

(b) Secondary reporting format-geographical segments

The Group operates in two main geographical areas:

- (i) Malaysia\* - Investment holding, water business, construction and provision of technical services relating to waste management.
- (ii) China - Investment holding, waste management and trading in equipment for environment protection and water treatment equipment and provision of related services.

\* Company's home country

	Revenue		Total assets		Capital expenditure	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysia	212,850	182,876	523,522	479,367	1,013	1,747
China / Hong Kong	13,556	8,093	54,696	45,778	356	9,334
	<b>226,406</b>	190,969	<b>578,218</b>	525,145	<b>1,369</b>	11,081
Jointly controlled entity			61,528	55,838		
Associates			24,214	23,645		
Total assets			<b>663,960</b>	604,628		

In determining the geographical segments of the Group, sales are based on the country in which the customer is located. Total assets and capital expenditure are determined on where the assets are located.

### 6 REVENUE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Management, operation and maintenance of water treatment plants	135,887	126,322	0	0
Contract revenue	76,963	56,554	75,554	55,274
Waste management	13,556	8,093	0	0
Management fees from subsidiaries	0	0	2,400	2,400
Dividend from subsidiary companies	0	0	35,260	82,500
	<b>226,406</b>	190,969	<b>113,214</b>	140,174

## notes to the financial statements

for the financial year ended 31 december 2008

### 7 COST OF OPERATIONS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cost of provision of management, operation and maintenance of water treatment plants	66,920	61,743	0	0
Contract costs	62,774	46,702	61,574	45,602
Waste management costs	9,047	5,733	0	0
Service cost for management fees	0	0	2,400	2,400
	<b>138,741</b>	114,178	<b>63,974</b>	48,002

### 8 FINANCE COST

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest expense:				
- borrowings	240	539	152	408
- finance lease	12	17	0	0
- convertible bond	5,120	360	5,120	360
Amortisation of discount on convertible bond (Note 30(c))	9,112	634	9,112	634
	<b>14,484</b>	1,550	<b>14,384</b>	1,402

## notes to the financial statements

for the financial year ended 31 december 2008

### 9 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at profit before tax for the financial year:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amortisation of concession rights (Note 17)	916	861	0	0
Fees to PricewaterhouseCoopers for:				
- statutory audit services	110	100	53	48
- audit related services	9	139	9	139
- tax compliance and advisory services	43	69	11	42
Statutory audit fees to other auditors	56	51	0	0
Hire of plant and machinery	93	28	36	0
Rental of premises	609	479	369	287
Lease rental of waterworks assets	150	150	0	0
Staff cost (Note 10)	18,794	17,270	4,863	4,292
Share option expense (Note 35)	0	2,929	0	685
Depreciation on investment properties (Note 16)	11	10	11	10
Property, plant and equipment:				
- depreciation (Note 15)	1,615	2,051	243	291
- depreciation charged to cost of sales (Note 15)	2,002	886	206	181
- written off	4	0	4	0
- gain on disposal	(48)	(66)	(31)	0
Investments:				
- dividend income	(3,849)	(2,133)	(3,147)	(1,130)
- gain on disposal	(3,262)	(605)	(3,248)	(310)
Interest income	(1,286)	(2,148)	(658)	(725)
Dividend from subsidiary companies	0	0	(35,260)	(82,500)
Impairment on receivables from subsidiary companies	0	0	2,785	0
Unrealised foreign exchange (gain) / loss	(2,158)	(290)	159	(418)

## notes to the financial statements

for the financial year ended 31 december 2008

### 10 STAFF COST

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Wages, salaries and bonus	17,050	15,656	4,286	3,773
Defined contribution-Employees Provident Fund	1,533	1,418	474	418
Other employee benefits	211	196	103	101
	<b>18,794</b>	17,270	<b>4,863</b>	4,292
Number of employees (including executive directors)	<b>488</b>	435	<b>40</b>	34

Included in staff cost of the Group and of the Company are Directors' remuneration of RM1,417,000 (2007: RM1,417,000) and RM1,303,000 (2007: RM1,303,000) respectively as further disclosed in Note 11.

### 11 DIRECTORS' REMUNERATION

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

#### Non-executive Directors

Y. Bhg. Dato' Hj Abd Karim bin Munisar  
 YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj  
 Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir  
 Y. Bhg. Dato' Hj Abdul Karim @ Mohd. Yusof B. Abdul Rahman  
 Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman  
 Encik Sulaiman bin Salleh  
 Mr. Wong Yien Kim

#### Executive Directors

Y. Bhg. Dato' Lim Chee Meng  
 Tuan Haji Abdul Rahman bin Haji Siraj

The aggregate amount of emoluments receivable by Directors of the Company during the period is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-executive Directors:				
- fees	230	227	230	227
- other emoluments	180	182	66	68
Executive Directors:				
- fees	50	50	50	50
- salaries and bonus	845	865	845	865
- defined contribution plan	102	75	102	75
- other emoluments	10	18	10	18
	<b>1,417</b>	1,417	<b>1,303</b>	1,303

Benefits in kind received by the Directors of the Company are RM7,000 (2007: RM7,000) for the Group and the Company.

## notes to the financial statements

for the financial year ended 31 december 2008

### 12 TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Malaysian income tax				
Current tax:				
Current year	<b>13,635</b>	13,724	<b>3,800</b>	29,459
Over accrual in prior years	<b>(443)</b>	(42)	<b>(143)</b>	(149)
	<b>13,192</b>	13,682	<b>3,657</b>	29,310
Deferred tax (Note 22):				
Origination and reversal of temporary differences	<b>(116)</b>	(133)	<b>4,875</b>	(7,155)
Tax expense	<b>13,076</b>	13,549	<b>8,532</b>	22,155

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	<b>26.0</b>	27.0	<b>26.0</b>	27.0
Tax effects of:				
- change in tax rate	<b>0.3</b>	0.0	<b>(0.6)</b>	0.0
- share of results of associates/jointly controlled entity	<b>(2.7)</b>	(0.5)	<b>0.0</b>	0.0
- expenses not deductible for tax purposes	<b>3.6</b>	7.9	<b>7.8</b>	1.9
- income not subject to tax	<b>(4.5)</b>	(2.0)	<b>(6.8)</b>	(0.5)
- previously unrecognised temporary differences	<b>0.1</b>	(3.2)	<b>0.3</b>	(1.8)
- difference in SME tax rate of 6% (2007: 7%)	<b>(0.1)</b>	(0.1)	<b>0.0</b>	0.0
- over accrual in prior years	<b>(0.7)</b>	(0.1)	<b>(0.4)</b>	(0.2)
Average effective tax rate	<b>22.0</b>	29.0	<b>26.3</b>	26.4

Tax savings during the financial year for the Company due to recognition of previously unrecognised tax losses is nil (2007: RM1,610,000).

The amount of unused tax losses for the Company (which have no expiry date) for which no deferred tax asset is recognised in the balance sheet is nil (2007: nil).

## notes to the financial statements

for the financial year ended 31 december 2008

### 13 EARNINGS PER SHARE

#### Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2008	2007
Net profit attributable to equity holders of the Company (RM'000)	45,757	33,735
Weighted average number of ordinary shares in issue ('000)	376,121	374,050
Basic earnings per share (sen)	12.2	9.0

#### Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. The net profit attributable to equity holders of the Company is adjusted for net savings from the after-tax effects of the financing costs of the Convertible bonds as if the Convertible bonds were converted into shares at the beginning of the financial year. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from Warrants, Convertible bonds and ESOS options.

	2008	2007
Net profit attributable to equity holders of the Company (RM'000)	56,289	33,735
Weighted average number of ordinary shares in issue ('000)	376,121	374,050
Effects of dilution from:		
- Warrants ('000)	28,317	25,250
- Share options ('000)	631	333
- Convertible bonds ('000)	104,167	0
Adjusted weighted average number of ordinary shares in issue ('000)	509,236	399,633
Diluted earnings per share (sen)	11.1	8.4

## notes to the financial statements

### for the financial year ended 31 december 2008

#### 14 DIVIDENDS

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

	Group and Company			
	2008		2007	
	Gross dividend per share Sen	Amount of dividend, net of tax RM'000	Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Second interim dividend in respect of the financial year ended 31 December 2007, less income tax of 26% on 375,718,600 ordinary shares paid on 28 March 2008 (2007: Second interim dividend in respect of the financial year ended 31 December 2006, less income tax of 27% on 373,757,500 ordinary shares paid on 2 April 2007)	4.0	11,121	3.0	8,185
Final dividend in respect of the financial year ended 31 December 2007, less income tax of 26% on 376,131,000 ordinary shares paid on 7 July 2008 (2007: Final dividend in respect of the financial year ended 31 December 2006, less income tax of 27% on 373,896,000 ordinary shares paid on 6 July 2007)	2.5	6,958	3.0	8,188
First interim dividend in respect of the financial year ended 31 December 2008, less income tax of 26% on 376,590,300 ordinary shares paid on 29 September 2008 (2007: First interim dividend in respect of the financial year ended 31 December 2007, less income tax of 27% on 374,116,500 ordinary shares paid on 15 October 2007)	3.0	8,360	3.0	8,193
	<b>9.5</b>	<b>26,439</b>	9.0	24,566

On 24 February 2009, the Directors have declared a second interim dividend of 2.0 sen per share on 376,665,700 ordinary shares of RM0.50 each, less income tax of 25%, amounting to RM5,649,985 in respect of the financial year ended 31 December 2008, which has been paid on 30 March 2009.

In addition, the Directors now recommend the payment of a final gross dividend of 1.25 sen per share, less income tax of 25%, in respect of the financial year ended 31 December 2008, which will be proposed for members' approval at the forthcoming Annual General Meeting of the Company.

The financial statements for the current financial year do not reflect these dividends. The second interim dividend was payable on the date of declaration and the final dividend will be payable upon approval by the members of the Company.



**notes to the financial statements**  
for the financial year ended 31 december 2008

**15 PROPERTY, PLANT AND EQUIPMENT**

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
<b>Group</b>							
Net book value at 1 January 2008	280	610	22,739	1,460	2,387	319	27,795
Additions	0	0	444	427	337	161	1,369
Write off	0	0	0	(4)	0	0	(4)
Depreciation charge	0	(14)	(299)	(551)	(647)	(104)	(1,615)
Depreciation charged to cost of sales	0	0	(1,804)	(19)	(179)	0	(2,002)
Currency translation differences	0	0	2,529	27	13	24	2,593
Net book value at 31 December 2008	280	596	23,609	1,340	1,911	400	28,136
<b>At 31 December 2008</b>							
Cost	280	700	25,228	4,594	6,867	1,020	38,689
Accumulated depreciation	0	(104)	(4,148)	(3,276)	(4,966)	(644)	(13,138)
Accumulated currency translation differences	0	0	2,529	22	10	24	2,585
Net book value	280	596	23,609	1,340	1,911	400	28,136

## notes to the financial statements

for the financial year ended 31 december 2008

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
<b>Group</b>							
Net book value at 1 January 2007	280	624	738	1,683	2,752	45	6,122
Acquisition of subsidiary	0	0	10,570	60	0	0	10,630
Additions	0	0	12,423	594	658	309	13,984
Disposals	0	0	0	(4)	0	0	(4)
Depreciation charge	0	(14)	(266)	(867)	(869)	(35)	(2,051)
Depreciation charged to cost of sales	0	0	(726)	(6)	(154)	0	(886)
Net book value at 31 December 2007	280	610	22,739	1,460	2,387	319	27,795
<b>At 31 December 2007</b>							
Cost	280	700	24,784	4,180	6,738	859	37,541
Accumulated depreciation	0	(90)	(2,045)	(2,715)	(4,348)	(540)	(9,738)
Accumulated currency translation differences	0	0	0	(5)	(3)	0	(8)
Net book value	280	610	22,739	1,460	2,387	319	27,795

## notes to the financial statements

for the financial year ended 31 december 2008

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
<b>Company</b>					
Net book value at 1 January 2008	80	428	842	129	1,479
Additions	0	111	53	15	179
Write off	0	(4)	0	0	(4)
Depreciation charge	0	(168)	(45)	(30)	(243)
Depreciation charged to cost of sales	(21)	(6)	(179)	0	(206)
Net book value at 31 December 2008	59	361	671	114	1,205
<b>At 31 December 2008</b>					
Cost	104	925	1,819	188	3,036
Accumulated depreciation	(45)	(564)	(1,148)	(74)	(1,831)
Net book value	59	361	671	114	1,205
<b>At 31 December 2007</b>					
Net book value at 1 January 2007	99	432	997	4	1,532
Additions	2	192	86	140	420
Disposals	0	(1)	0	0	(1)
Depreciation charge	0	(189)	(87)	(15)	(291)
Depreciation charged to cost of sales	(21)	(6)	(154)	0	(181)
Net book value at 31 December 2007	80	428	842	129	1,479
<b>At 31 December 2007</b>					
Cost	104	827	1,868	173	2,972
Accumulated depreciation	(24)	(399)	(1,026)	(44)	(1,493)
Net book value	80	428	842	129	1,479

Assets held under finance lease agreements are motor vehicles of the Group with a net book value as at 31 December 2008 of RM35,000 (2007: RM180,000).

## notes to the financial statements

for the financial year ended 31 december 2008

### 16 INVESTMENT PROPERTIES

#### Net book value

At 1 January

Depreciation charge

At 31 December

#### At 31 December

Cost

Accumulated depreciation

Accumulated impairment losses

Net book value

	Group and Company	
	2008 RM'000	2007 RM'000
At 1 January	455	465
Depreciation charge	(11)	(10)
At 31 December	444	455
Cost	529	529
Accumulated depreciation	(59)	(48)
Accumulated impairment losses	(26)	(26)
Net book value	444	455

### 17 CONCESSION RIGHTS

#### Net book value

At 1 January

Amortisation charge (Note 9)

Currency translation difference

At 31 December

#### At 31 December

Cost

Accumulated amortisation

Accumulated currency translation difference

Net book value

	Group	
	2008 RM'000	2007 RM'000
At 1 January	15,408	16,188
Amortisation charge (Note 9)	(916)	(861)
Currency translation difference	1,794	81
At 31 December	16,286	15,408
Cost	18,294	18,294
Accumulated amortisation	(3,717)	(2,801)
Accumulated currency translation difference	1,709	(85)
Net book value	16,286	15,408

The amortisation charge of the Concession Rights was included in the administrative expenses.

A subsidiary, Tianjin-SWM (M) Environment Co., Ltd; is granted a 21-year concession, which expires in October 2025, for the operation, use and maintenance of the Tianjin Panlou Domestic Waste Transfer Station and its related assets in the City of Tianjin, People's Republic of China for a cash consideration of Chinese Renminbi 40,000,000.

An impairment review of the carrying value of the Concession Rights at the balance sheet date was undertaken by determining the recoverable amount based on value in use calculations.

## notes to the financial statements

for the financial year ended 31 december 2008

### 17 CONCESSION RIGHTS (CONTINUED)

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

- (a) Tonnage to increase by 50 tonnes/day from 950 tonnes/day in 2010 to 1,050 tonnes/day in 2014 and remains constant towards the end of the concession period;
- (b) Expenses to increase by 3.0% a year; and
- (c) Pre-tax discount rate of 6.0%.

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount by the board of the subsidiary, are reasonable. Based on the review, there is no impairment to the Concession Rights.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 8.0% instead of 6.0% as at 31 December 2008, there is no impairment to the Concession Rights.

### 18 SUBSIDIARIES

Unquoted investments, at cost

Company	
2008 RM'000	2007 RM'000
106,624	106,624

Pursuant to the merger relief provided under Section 60(4) of the Companies Act, 1965, the Company has not recorded the share premium arising from the issuance of the 79,500,000 ordinary shares for the acquisitions of Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd in the financial year ended 31 December 2000. As such, the investments in these subsidiaries had been recorded in the Company's books at the nominal value of shares issued of RM79,500,000.

The shares of all subsidiaries are held directly by the Company unless otherwise indicated. Details of subsidiaries which are audited by PricewaterhouseCoopers, Malaysia unless otherwise indicated, are as follows:

Name	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
<b>Held directly by Taliworks Corporation Berhad:</b>				
Sungai Harmoni Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plant for a concession period of 30 years expiring in January 2030.
Taliworks (Langkawi) Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd	Malaysia	60	60	Construction of water treatment works.

## notes to the financial statements

for the financial year ended 31 december 2008

### 18 SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
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	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	0	Investment holding.
<b>Held through SWM Technologies (Malaysia) Sdn Bhd:</b>				
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.
<b>Held through Taliworks International Limited :</b>				
Taliworks (Shanghai) Co., Ltd *	People's Republic of China	100	100	Trading in equipment for environment protection and water treatment equipment and provision of related services.
Taliworks-IBI Technologies International Limited *	Hong Kong SAR	70	70	Investment holding.
Taliworks (Shanghai) Environmental Technologies Co., Ltd *	People's Republic of China	100	0	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	0	Investment holding.
<b>Held through Taliworks-IBI Technologies International Limited :</b>				
Taliworks-IBI Technologies (Xiamen) Limited *	Hong Kong SAR	63	63	Investment holding for manufacturing and trading activities of environmental protection related business.

## notes to the financial statements

for the financial year ended 31 december 2008

### 18 SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Group's effective interest		Principal activities
		2008 %	2007 %	
<b>Held through Taliworks-IBI Technologies (Xiamen) Limited :</b>				
Taliworks (Xiamen) Environmental Technologies Co. Ltd *	People's Republic of China	<b>63</b>	63	Research and development, production of various environmental biochemical bacteria and consultancy services related to environmental technologies.
<b>Held through Taliworks (Sichuan) Ltd :</b>				
Puresino (Guanghan) Water Co. Ltd *	People's Republic of China	<b>56</b>	56	Management, operation and maintenance of a wastewater treatment plant for a concession period of 30 years expiring in July 2033.

\* Not audited by PricewaterhouseCoopers, Malaysia.

The following subsidiaries were acquired/incorporated during the financial year:

(a) Destinasi Teguh Sdn Bhd

Destinasi Teguh Sdn Bhd was acquired on 3 June 2008, as a 100% subsidiary of Taliworks Corporation Berhad, with an authorised share capital of RM100,000 of which RM2 comprising 2 ordinary shares of RM1.00 each was issued and paid up.

(b) Taliworks (Shanghai) Environmental Technologies Co., Ltd

Taliworks (Shanghai) Environmental Technologies Co., Ltd was incorporated on 5 November 2008, in the People's Republic of China as a 100% subsidiary of Taliworks International Limited, with a registered share capital of USD1,500,000. The incorporation of the company follows the Cooperation Agreement entered into on 24 April 2008 between Taliworks Corporation Berhad and Shenzhen Hanyang Investment Holding Co., Ltd to cooperate on projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste in the People's Republic of China.

(c) Taliworks Environment Limited

Taliworks Environment Limited was incorporated on 16 December 2008, in Hong Kong SAR as a 100% subsidiary of Taliworks International Limited, with an authorised share capital of HKD10,000 of which HKD1 comprising 1 ordinary share of HKD1.00 each was issued and paid up.

## notes to the financial statements

for the financial year ended 31 december 2008

### 19 JOINTLY CONTROLLED ENTITY

#### Group

Share of net assets of jointly controlled entity

#### Company

Unquoted investments, at cost

The Group's share of revenue, profit, assets and liabilities of jointly controlled entity is as follow:

Revenue

Profit for the year

Non-current assets

Current assets

Current liabilities

Non-current liabilities

Net assets

	2008 RM'000	2007 RM'000
Share of net assets of jointly controlled entity	61,528	55,838
Unquoted investments, at cost	55,538	55,538
Revenue	40,676	3,632
Profit for the year	5,690	300
Non-current assets	390,224	396,366
Current assets	26,068	29,838
Current liabilities	(44,319)	(58,668)
Non-current liabilities	(310,445)	(311,698)
Net assets	61,528	55,838

Details of the jointly controlled entity, which is incorporated in Malaysia, is as follow:

Name	Group's effective interest		Principal activities
	2008 %	2007 %	
Cerah Sama Sdn Bhd	55	55	Investment holding in a company principally engaged in activities of design, planning and construction of the Cheras-Kajang Expressway, and a company principally engaged in the business as toll operator, general contractor and related activities.



## notes to the financial statements

for the financial year ended 31 december 2008

### 20 ASSOCIATES

	2008 RM'000	2007 RM'000
<b>Group</b>		
Share of net assets of associates	24,214	23,645
<b>Company</b>		
Unquoted investments, at cost	38,665	38,665
Accumulated impairment losses	(15,488)	(15,488)
Unquoted investments, at carrying amount	23,177	23,177
The Group's share of revenue, profit, assets and liabilities of associates are as follows:		
Revenue	13,313	10,795
Profit for the year	569	637
Non-current assets	1,884	1,820
Current assets	28,277	26,052
Current liabilities	(4,211)	(2,610)
Non-current liabilities	(7)	(48)
Minority interest	(1,729)	(1,569)
Net assets	24,214	23,645

Details of the associates, which are incorporated in Malaysia, are as follows:

Name	Group's effective interest		Principal activities
	2008 %	2007 %	
C.G.E. Utilities (M) Sdn Bhd*	45	45	The company has ceased operations and is currently in the process of liquidation.
Hydrovest Sdn Bhd*	40	40	Provision of water management and project services.

\* Not audited by PricewaterhouseCoopers, Malaysia.

## notes to the financial statements

for the financial year ended 31 december 2008

### 21 GOODWILL ON CONSOLIDATION

At 31 December:  
Arising from acquisition of subsidiary

Group	
2008 RM'000	2007 RM'000
2,007	2,007

Goodwill had arisen from the acquisition of a 70% equity interest in Puresino (Guanghan) Water Co. Ltd by Taliworks (Sichuan) Limited, an 80% owned subsidiary of the Company, on 24 April 2007.

An impairment review of the carrying value of the Goodwill at the balance sheet date was undertaken by determining the recoverable amount based on value in use calculations.

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

- (a) Tonnage to increase from 29,518 tonnes/day in 2009 to 33,000 tonnes/day in 2010 and to 36,000 tonnes/day in 2011, and subsequently increase annually by 4,000 tonnes/day until it reaches maximum of 50,000 tonnes/day in 2015;
- (b) Expenses to increase by 4.0%-6.0% a year; and
- (c) Pre-tax discount rate of 6.0%.

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount by the board of the subsidiary, are reasonable. Based on the review, there is no impairment to the Goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 8.0% instead of 6.0% as at 31 December 2008, an impairment of approximately RM850,000 shall be recognised.

## notes to the financial statements

for the financial year ended 31 december 2008

### 22 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred tax assets	172	84	0	0
Deferred tax liabilities	0	(28)	(4,875)	0
	172	56	(4,875)	0
At 1 January	56	(77)	0	(7,155)
Charged to income statement (Note 12):				
- property, plant and equipment	85	137	18	2
- dividend receivable	0	0	(4,875)	7,155
- provisions	31	164	(18)	166
- tax losses	0	(168)	0	(168)
	116	133	(4,875)	7,155
At 31 December	172	56	(4,875)	0
<b>Subject to income tax</b>				
Deferred tax assets (before offsetting):				
- provisions	510	480	148	166
- tax losses	0	0	0	0
	510	480	148	166
Offsetting	(338)	(396)	(148)	(166)
Deferred tax assets (after offsetting)	172	84	0	0
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(338)	(424)	(148)	(166)
- dividend receivable	0	0	(4,875)	0
	(338)	(424)	(5,023)	(166)
Offsetting	338	396	148	166
Deferred tax liabilities (after offsetting)	0	(28)	(4,875)	0

## notes to the financial statements

for the financial year ended 31 december 2008

### 23 LONG TERM RECEIVABLES

	Group	
	2008 RM'000	2007 RM'000
Trade receivable (Note 25)	50,704	55,411
Other receivable	1,018	917
	<b>51,722</b>	56,328

Other receivable is denominated in Chinese Renminbi and is interest free. This relates to an amount paid on behalf of a minority shareholder in respect of its investment in Tianjin-SWM (M) Environment Co., Ltd. In accordance with the Joint Venture Agreement, this amount is to be repaid upon the liquidation of the company. The fair value of long term receivables are disclosed in Note 42.

### 24 INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
Consumable spares, at cost	1,263	1,041
Raw material	23	0
	<b>1,286</b>	1,041

### 25 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables	208,688	158,156	0	2,034
Less: Long term portion (Note 23)	(50,704)	(55,411)	0	0
	<b>157,984</b>	102,745	<b>0</b>	2,034
Amounts due from customer on contract (Note 32)	70	294	67	286
Other receivables and prepayments	986	1,121	435	384
Deposits	372	893	275	725
Total	<b>159,412</b>	105,053	<b>777</b>	3,429

## notes to the financial statements

for the financial year ended 31 december 2008

### 25 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	<b>154,219</b>	103,478	<b>777</b>	3,429
Chinese Renminbi	<b>5,189</b>	1,575	<b>0</b>	0
Hong Kong Dollar	<b>4</b>	0	<b>0</b>	0
	<b>159,412</b>	105,053	<b>777</b>	3,429

The normal credit terms of trade receivables range from 30 days to 180 days (2007: 30 days to 180 days).

A subsidiary, Sungai Harmoni Sdn Bhd ("SHSB") has entered into a Debt Settlement Agreement with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") on 2 August 2005, where SPLASH will settle the sum of RM64,827,000 in full through payment of 10 annual instalments beginning 31 December 2007 and ending 31 December 2015. The long term portion of trade receivables amounting to RM50,704,000 (2007: RM55,411,000) is classified under non-current asset. The fair value of long term trade receivables is disclosed in Note 42.

The credit risk with respect of the Group's trade receivables amounting to RM203,869,000 (2007: RM154,937,000) are concentrated on a few customers whose ultimate paymasters are linked to the state government of Kedah and Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), the concessionaire for the supply of treated water in the state of Selangor. Management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

### 26 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Amount due from subsidiaries	<b>98,662</b>	44,605
Impairment on receivables from subsidiaries	<b>(2,785)</b>	0
	<b>95,877</b>	44,605

## notes to the financial statements

for the financial year ended 31 december 2008

### 26 AMOUNT DUE FROM SUBSIDIARIES (CONTINUED)

The amounts due from subsidiaries are denominated in Ringgit Malaysia, interest free, unsecured and have no fixed terms of repayment. The currency profiles of the amounts due from subsidiaries are as follows:

	Company	
	2008 RM'000	2007 RM'000
Ringgit Malaysia	84,482	37,483
Hong Kong Dollar	11,395	6,573
Chinese Renminbi	0	549
	<b>95,877</b>	44,605

### 27 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from the jointly controlled entity is denominated in Ringgit Malaysia and interest free, unsecured and has no fixed terms of repayment.

### 28 INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Money market unit trust:				
At cost	205,714	197,630	192,495	196,344
At market value	205,752	197,745	192,517	196,484

The investments are denominated in Ringgit Malaysia.

## notes to the financial statements

for the financial year ended 31 december 2008

### 29 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Non-Current Assets</b>				
Deposits with licensed banks	<b>14,201</b>	22,484	<b>4,753</b>	12,944
<b>Current Assets</b>				
Deposits with licensed banks	<b>45,281</b>	22,400	<b>21,531</b>	8,000
Bank and cash balances	<b>10,345</b>	21,906	<b>1,305</b>	8,344
	<b>55,626</b>	44,306	<b>22,836</b>	16,344
<b>Total</b>				
Deposits with licensed banks	<b>59,482</b>	44,884	<b>26,284</b>	20,944
Bank and cash balances	<b>10,345</b>	21,906	<b>1,305</b>	8,344
	<b>69,827</b>	66,790	<b>27,589</b>	29,288

Included in deposits with licensed banks of the Group are deposits amounting to RM14,201,000 (2007: RM22,484,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, performance bonds on contracts for the management, operation and maintenance of water treatment plants and as security against a term loan facility as disclosed under Note 30 to the financial statements.

Included in deposits with licensed banks of the Company are deposits amounting to RM4,753,000 (2007: RM12,944,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects and as security against a term loan facility as disclosed under Note 30 to the financial statements.

The currency exposure profile of deposits, bank and cash balances is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	<b>62,252</b>	62,511	<b>27,589</b>	29,288
US Dollar	<b>5,051</b>	0	<b>0</b>	0
Chinese Renminbi	<b>2,131</b>	1,812	<b>0</b>	0
Hong Kong Dollar	<b>393</b>	2,467	<b>0</b>	0
Total	<b>69,827</b>	66,790	<b>27,589</b>	29,288

The weighted average interest rate of deposits that was effective for the Group and Company as at balance sheet date is 2.7% (2007: 3.2%) per annum and 2.4% (2007: 3.2%) per annum, respectively.

Deposits of the Group and Company have an average maturity of 30 days (2007: 30 days) and 30 days (2007: 30 days) respectively. Bank balances are deposits held at call with licensed banks which is non interest bearing.

## notes to the financial statements

for the financial year ended 31 december 2008

### 30 BORROWINGS (SECURED AND INTEREST BEARING)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Current</b>				
Term loan (interest bearing)	1,521	2,904	1,521	2,904
Finance lease liabilities (interest bearing)	18	69	0	0
	<b>1,539</b>	2,973	<b>1,521</b>	2,904
<b>Non-current</b>				
Term loan (interest bearing)	0	1,452	0	1,452
Government loan (interest free)	3,053	2,726	0	0
Convertible bond (interest bearing)	227,996	218,884	227,996	218,884
Finance lease liabilities (interest bearing)	42	60	0	0
	<b>231,091</b>	223,122	<b>227,996</b>	220,336
<b>Total</b>				
Term loan (interest bearing)	1,521	4,356	1,521	4,356
Government loan (interest free)	3,053	2,726	0	0
Convertible bond (interest bearing)	227,996	218,884	227,996	218,884
Finance lease liabilities (interest bearing)	60	129	0	0
	<b>232,630</b>	226,095	<b>229,517</b>	223,240

Weighted average interest rates that were effective as at balance sheet date are as follows:

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
Term loan	3.3	5.5	3.3	5.5
Government loan	0.0	0.0	N/A	N/A
Convertible bond	2.3	2.3	2.3	2.3
Finance lease liabilities	2.6	2.9	N/A	N/A

#### (a) Term loan

The term loan is denominated in United States Dollar and was obtained by the Company to fund the Group's investment in a waste management project located in the City of Tianjin, People's Republic of China. The term loan was partly settled during the financial year and the remaining balance is repayable by the last instalment due on May 2009. The term loan is secured by an irrevocable Standby Letter of Credit ('SBLC') issued by a local licensed bank which in turn is secured by a charge on the Company's fixed deposits of RM1,753,000 (2007: RM6,944,000).



## notes to the financial statements

### for the financial year ended 31 december 2008

#### 30 BORROWINGS (SECURED AND INTEREST BEARING) (CONTINUED)

##### (a) Term loan (continued)

The term loan bears interest at rate of Singapore Interbank Offered Rate ('SIBOR') plus 0.65% per annum. The maturity profile of the term loan is as follows:

Not later than one year  
Later than 1 year and not later than 2 years

Group and Company	
2008 RM'000	2007 RM'000
1,521	2,904
0	1,452
<b>1,521</b>	<b>4,356</b>

##### (b) Government loan

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

##### (c) Convertible bonds

Nominal value  
Less : Discount on issuance  
Amortised discount during the financial year

Group and Company	
2008 RM'000	2007 RM'000
225,000	225,000
<b>(6,750)</b>	<b>(6,750)</b>
9,746	634
<b>227,996</b>	<b>218,884</b>

On 6 December 2007 ("Issue Date"), the Company issued RM225,000,000 nominal value of convertible bonds ("Bonds") which are convertible into new ordinary shares of the Company by way of surrendering such nominal value of the Bonds equivalent to the Conversion Price.

Some of the main features of the Bonds are:

- (i) the Bonds were issued at 97% of the nominal value and are redeemable at 119.95% of the nominal value on its maturity;
- (ii) the tenure of the Bonds is 5 years from the Issue Date;
- (iii) coupon of 2.25% per annum are payable in arrears semi-annually;
- (iv) the Bonds are convertible at the option of the holders into ordinary shares of RM0.50 of the Company at any time on or after 40 days after the Issue Date up to the close of business on the seventh day prior to the Maturity Date, which is on the fifth anniversary of the Issue Date, i.e. 5 December 2012. Conversion Price is at RM2.16 subject to anti-dilution provisions based on the adjustment event, as set out in the Principal Terms and Conditions of the Bonds;

## notes to the financial statements

for the financial year ended 31 december 2008

### 30 BORROWINGS (SECURED AND INTEREST BEARING) (CONTINUED)

#### (c) Convertible bonds (continued)

- (v) At any time after the third anniversary of the Issue Date but not less than 7 business days prior to the Maturity Date, the Company may exercise its call option subject to certain conditions as set out in the Principal Terms and Conditions, and the exercise price or redemption price shall be the Early Redemption Amount;
- (vi) The Company will, at the option of the holder of any Bonds, redeem all or some of that holder's Bonds on the third anniversary of the Issue Date and the redemption price shall be the Early Redemption Amount;
- (vii) the Bonds are not guaranteed or secured. Save for the right to receive the specified coupon, the Bondholders shall have no right to participate in other distribution and/or offer of further securities made by the Company. Upon the occurrence of such events, the Conversion Price shall be adjusted based on the anti-dilution provisions as set out in the Principal Terms and Conditions;
- (viii) the Bonds are not listed on any stock exchange; and
- (ix) the Bonds shall at all times rank pari passu and without any preference or priority among themselves.

#### (d) 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 minimum lease payments at balance sheet date are as follows:

- not later than 1 year
- later than 1 year

Future finance charges

Present value

The maturity profile of the present value of the finance lease liabilities are as follows:

- not later than 1 year
- later than 1 year and not later than 5 years

	Group	
	2008 RM'000	2007 RM'000
	22	80
	49	71
	71	151
	(11)	(22)
	60	129
	18	69
	42	60
	60	129

## notes to the financial statements

for the financial year ended 31 december 2008

### 31 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	35,894	18,307	23,555	9,265
Amounts due to customer on contract (Note 32)	21,565	8,020	21,565	8,020
Other payables and accruals	14,434	16,841	1,756	1,821
	<b>71,893</b>	43,168	<b>46,876</b>	19,106

The average credit term of trade payables granted to the Group and Company is 60 days (2007: 60 days).

The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	61,339	31,004	46,876	19,106
Chinese Renminbi	10,516	11,397	0	0
Hong Kong Dollar	38	767	0	0
	<b>71,893</b>	43,168	<b>46,876</b>	19,106

### 32 AMOUNTS DUE FROM/(TO) CUSTOMER ON CONTRACT

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Aggregate costs incurred to-date and recognised profits	266,341	100,039	129,838	46,731
Progress billings	(287,836)	(107,765)	(151,336)	(54,465)
Net amounts due to customer on contract	<b>(21,495)</b>	(7,726)	<b>(21,498)</b>	(7,734)
Represented by:				
Amount due from customer on contract (Note 25)	70	294	67	286
Amount due to customer on contract (Note 31)	<b>(21,565)</b>	(8,020)	<b>(21,565)</b>	(8,020)
	<b>(21,495)</b>	(7,726)	<b>(21,498)</b>	(7,734)

## notes to the financial statements

for the financial year ended 31 december 2008

### 33 SHARE CAPITAL

	Note	Group and Company			
		2008		2007	
		Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000
<b>Authorised:</b>					
Ordinary shares					
At beginning/end of financial year		<b>1,000,000</b>	<b>500,000</b>	1,000,000	500,000
<b>Issued and fully paid:</b>					
Ordinary shares					
At beginning of financial year		<b>375,396</b>	<b>187,698</b>	373,389	186,694
Issued during the financial year:					
- pursuant to exercise of share options	33(a)	<b>672</b>	<b>336</b>	1,997	999
- pursuant to exercise of warrants	33(b)	<b>522</b>	<b>261</b>	10	5
At end of financial year		<b>376,590</b>	<b>188,295</b>	375,396	187,698

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

During the financial year ended 31 December 2005, the Company implemented an ESOS and 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. An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws. The options are exercisable from the effective date and they expire on 29 September 2010 (unless extended by the Company) and any options not exercised by that date shall thereafter lapse and cease to be valid.

During the financial year ended 31 December 2007, the Company further granted a total of 6,410,000 ESOS options, pursuant to the Company's ESOS, to eligible directors and employees of the Company and its subsidiaries at an exercise price of RM1.90 per share.

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%;

## notes to the financial statements

### for the financial year ended 31 december 2008

#### 33 SHARE CAPITAL (CONTINUED)

(a) Employees' Share Option Scheme ("ESOS") (continued)

- (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;
- (viii) in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, bonus issues, capital reduction, subdivisions or consolidation of shares or otherwise howsoever taking place:
- (a) the Subscription Price; and/or
  - (b) the number of shares comprised in the options so far as unexercised; and/or
  - (c) the maximum number of shares and/or percentage of the total shares comprised in the options that may be exercised in a particular year;

shall be adjusted in accordance with the provisions in the ESOS By-laws.

Set out below are details of options over ordinary shares of the Company granted under ESOS:

Date of Grant	Exercise price per share RM	Number of ESOS options over ordinary shares of RM0.50 each				
		As at 1 January '000	Granted '000	Exercised '000	Lapsed '000	As at 31 December '000
<b>2008</b>						
3.10.2005	1.31	359	0	(119)	0	240
5.9 2007	1.90	5,237	0	(553)	(159)	4,525
		5,596	0	(672)	(159)	4,765
Weighted average exercise price (RM)		1.86	0	1.80	1.90	1.87
<b>2007</b>						
3.10.2005	1.31	1,183	0	(824)	0	359
5.9 2007	1.90	0	6,410	(1,173)	0	5,237
		1,183	6,410	(1,997)	0	5,596
Weighted average exercise price (RM)		1.31	1.90	1.66	0	1.86

## notes to the financial statements

### for the financial year ended 31 december 2008

#### 33 SHARE CAPITAL (CONTINUED)

##### (a) Employees' Share Option Scheme ("ESOS") (continued)

All outstanding share options as at 31 December 2007 and 31 December 2008 were exercisable. Options exercised during the financial year resulted in 671,500 (2007: 1,997,500) units of shares being issued at a weighted average exercise price of RM1.80 (2007: RM1.66) per share. The related weighted average share price at the time of exercise was RM2.20 (2007: RM2.24) per share.

Proceeds on exercise of ESOS are as follows:

	2008 RM'000	2007 RM'000
Ordinary share capital – at par	336	999
Share premium (Note 34)	870	2,311
Proceeds received	1,206	3,310
Fair value at exercise date of shares issued	1,474	4,465

##### (b) Warrants

During the financial year ended 31 December 2005, the Company issued 70,440,000 warrants 2005/2010 ("Warrants") pursuant to a renounceable rights issue of Warrants on the basis of one Warrant for every five ordinary shares of RM0.50 each held. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.50 each within five years from the date of issuance of the Warrants to the expiry date on 21 September 2010 (the period referred to as the "Exercise Period") and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are set out as follows:

- (i) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company;
- (ii) each Warrant entitles the holder to subscribe for one new ordinary share of RM0.50 each at an exercise price of RM1.27 per share at any time during the Exercise Period;
- (iii) the Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants;
- (iv) the new shares to be allotted and issued pursuant to the exercise of the Warrants shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of the new shares;
- (v) the exercise price of the Warrants and/or the number of Warrants may from time to time be adjusted in accordance with the provisions in the deed poll.

## notes to the financial statements

for the financial year ended 31 december 2008

### 33 SHARE CAPITAL (CONTINUED)

(b) Warrants (continued)

Set out below are details of Warrants over ordinary shares of the Company, covered under Warrants:

Date of Grant	Exercise price per share RM	Number of warrants			As at 31 December '000
		As at 1 January '000	Granted '000	Exercised '000	
<b>2008</b>					
22.9.2005	1.27	70,415	0	(522)	69,893
<b>2007</b>					
22.9.2005	1.27	70,425	0	(10)	70,415

Warrants exercised during the financial year resulted in 522,000 (2007: 10,300) units of shares being issued. The related weighted average share price at the time of exercise was RM2.37 (2007: RM2.49) per share.

Proceeds on exercise of warrants are as follows:

	2008 RM'000	2007 RM'000
Ordinary share capital – at par	261	5
Share premium (Note 34)	402	8
Proceeds received	663	13
Fair value at exercise date of shares issued	1,238	26

## notes to the financial statements

for the financial year ended 31 december 2008

### 34 SHARE PREMIUM (NON-DISTRIBUTABLE)

	Group and Company	
	2008 RM'000	2007 RM'000
At beginning of financial year	19,945	17,625
Share options:		
- proceeds from shares issued (Note 33(a))	870	2,311
- transfer from share option reserves upon exercise	790	0
Warrants:		
- proceeds from shares issued (Note 33(b))	402	8
- transfer from warrant reserves upon exercise	52	1
At end of financial year	22,059	19,945

### 35 SHARE OPTION RESERVES (NON-DISTRIBUTABLE)

	Group and Company	
	2008 RM'000	2007 RM'000
At beginning of financial year	2,929	0
Share option granted under ESOS:		
- recognised in the income statement	0	685
- charged to subsidiaries	0	2,244
Transfer to share premium upon exercise	(790)	0
At end of financial year	2,139	2,929

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



## notes to the financial statements

for the financial year ended 31 december 2008

### 36 MERGER DEFICIT

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
<b>Companies acquired in financial year ended 31 December 2000</b>			
Sungai Harmoni Sdn Bhd	47,000	5,000	(42,000)
Taliworks (Langkawi) Sdn Bhd	32,500	3,000	(29,500)
	<b>79,500</b>	<b>8,000</b>	<b>(71,500)</b>

### 37 RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2008, the Company has sufficient credit in the tax exempt account and Section 108 balances to pay franked dividends out of its entire retained earnings.

### 38 CASH AND CASH EQUIVALENTS

For purpose of cash flow statements, cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed banks	59,482	44,884	26,284	20,944
Bank and cash balances	10,345	21,906	1,305	8,344
Total deposits, bank and cash balances	69,827	66,790	27,589	29,288
Less: Deposits pledged as security (Note 29)	(14,201)	(22,484)	(4,753)	(12,944)
	<b>55,626</b>	<b>44,306</b>	<b>22,836</b>	<b>16,344</b>

## notes to the financial statements

for the financial year ended 31 december 2008

### 39 CONTINGENT LIABILITIES

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Secured</b>				
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	7,573	7,573	7,573	7,573
Bank guarantees issued to third parties for services rendered and as performance bonds	11,539	15,486	1,100	6,069
<b>Unsecured</b>				
Corporate guarantee issued to a financial institution for banking facilities granted to a subsidiary	0	0	20,000	20,000

### 40 CAPITAL COMMITMENTS

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted for				
- Investment in equity interest of an associate company, Hydrovest Sdn Bhd	0	1,656	0	1,656
Authorised but not contracted for				
- Property, plant and equipment	4,844	4,225	0	136

(b) Non-cancellable operating lease commitments

	Group	
	2008 RM'000	2007 RM'000
Not later than 1 year	150	150
Later than 1 year and not later than 5 years	600	600
Later than 5 years	1,050	1,200
	<b>1,800</b>	<b>1,950</b>

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.

## notes to the financial statements

for the financial year ended 31 december 2008

### 41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

#### Related party transactions

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Rental of buildings paid to:				
- LGB Realty Sdn Bhd	198	168	198	168
- Taliworks Consortium Sdn Bhd	72	72	0	0
Services rendered in relation to provision of information technology services and maintenance from:				
- Extra Sdn Bhd	580	0	251	0
Acquisition of a jointly controlled entity from:				
- Bunga Abadi Sdn Bhd	0	55,538	0	55,538
Advances given to a jointly controlled entity:				
- Cerah Sama Sdn Bhd	0	52,250	0	52,250
Purchase of construction material from:				
- Amalgamated Industrial Marketing Sdn Bhd	2,420	1,233	2,420	1,233
Design, supply, install, testing and commissioning of equipment for water treatment plant by:				
- Aqua-Flo Sdn Bhd	2,408	0	2,408	0
Purchase of water treatment chemicals and related equipment or systems from:				
- Aqua-Flo Sdn Bhd	9,815	9,751	0	0
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd	5,669	5,374	0	0
- Perangsang Water Management Sdn Bhd	1,904	1,888	0	0

The contractual payments in respect of technical support and management services relating to the operations and maintenance of water treatment plants are based on fee rates stated in agreements entered into by the related parties with Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd. The contractual agreement with Sungai Harmoni Sdn Bhd was entered into by the related party in March 2000. The contractual agreement with Taliworks (Langkawi) Sdn Bhd was originally entered into by the related party in September 1996.

Y. Bhg. Dato' Lim Chee Meng is a Director and a substantial shareholder of the Company. LGB Realty Sdn Bhd, Taliworks Consortium Sdn Bhd, Extra Sdn Bhd, Bunga Abadi Sdn Bhd, Alam Ria Sdn Bhd and Perangsang Water Management Sdn Bhd are companies in which Y. Bhg. Dato' Lim Chee Meng has a controlling interest. Y. Bhg. Dato' Lim Chee Meng is also deemed a substantial shareholder of Amalgamated Industrial Marketing Sdn Bhd.

## notes to the financial statements

for the financial year ended 31 december 2008

### 41 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Kumpulan Perangsang Selangor Berhad ('KPSB') is another substantial shareholder of the Company and Aqua-Flo Sdn Bhd is effectively controlled by KPSB.

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Wages, salaries and bonus	3,885	3,592	2,286	2,017
Defined contribution-Employees Provident Fund	465	433	277	254
Share-based payment	0	491	0	315
	<b>4,350</b>	4,516	<b>2,563</b>	2,586

Included in total key management remuneration of the Group and of the Company are remuneration of the Company's executive Directors of RM954,000 (2007: RM947,000) and RM954,000 (2007: RM947,000) respectively.

Benefits in kind received by executive directors and other members of key management of the Group and the Company are RM113,000 (2007: RM95,000) and RM67,000 (2007: RM49,000) respectively.

### 42 FINANCIAL ASSETS AND LIABILITIES

Fair values of recognised financial assets and liabilities.

The carrying amounts of financial assets and liabilities approximate fair values in respect of cash and cash equivalents, trade and other receivables, amount due from subsidiaries and jointly controlled entity, trade and other payables and short term borrowings due to their relatively short term nature except as set out below:

	Group			
	2008		2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>At 31 December</b>				
Long term receivables				
- trade receivable (Note 23)	50,704	39,648	55,411	43,387
- other receivable (Note 23)	1,018	348	917	348
Finance lease liabilities (Note 30)	(60)	(59)	(129)	(126)
Term loan (Note 30)	(1,521)	(1,521)	(4,356)	(4,280)
Convertible bond (Note 30)	(227,996)	(224,003)	(218,884)	(210,511)

## notes to the financial statements

for the financial year ended 31 december 2008

### 42 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Company			
	2008		2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>At 31 December</b>				
Term loan (Note 30)	(1,521)	(1,521)	(4,356)	(4,280)
Convertible bond (Note 30)	<b>(227,996)</b>	<b>(224,003)</b>	(218,884)	(210,511)

The fair value for long term receivables were determined from future cash flows discounted using current market interest rate available for similar financial instruments of 6.5% (2007: 5.5%). The carrying amount of long term receivables at the balance sheet date were not reduced to their estimated fair values as the Directors are of the opinion that the amounts will be repaid in full on the due date.

Fair value for finance lease liabilities was determined from future contracted cash flows discounted at current market interest rates available to the Group for similar financial instruments.

### 43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 April 2009.

## statement by **directors**

pursuant to section 169(15) of the companies act, 1965

We, Y. Bhg. Dato' Hj Abd Karim Bin Munisar and Y. Bhg Dato' Lim Chee Meng, two of the Directors of Taliworks Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 57 to 115 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2008 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for entities other than private entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2009.



**Y. BHG. DATO' HJ ABD KARIM BIN MUNISAR**  
DIRECTOR



**Y. BHG. DATO' LIM CHEE MENG**  
DIRECTOR

Kuala Lumpur

## statutory **declaration**

pursuant to section 169(16) of the companies act, 1965

I, Wong Voon Leong, the officer primarily responsible for the financial management of Taliworks Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 115 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**WONG VOON LEONG**

Subscribed and solemnly declared by the abovenamed Wong Voon Leong at Kuala Lumpur on 17 April 2009, before me.



**LEE CHIN HIN (W493)**  
COMMISSIONER FOR OATHS



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

# independent **auditors' report**

to the members of taliworks corporation berhad  
(incorporated in malaysia) (company no. 6052 v)

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Taliworks Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 57 to 115.

### **Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 18 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## independent auditors' report

to the members of taliworks corporation berhad

### OTHER MATTERS

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



**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)  
Chartered Accountants



**AMRIT KAUR**

(No. 2482/01/11 (J))  
Chartered Accountant

Kuala Lumpur  
17 April 2009



## properties of the group

as at 31 december 2008

Location	Net Book Value (RM'000)	Area Sq. M.	Tenure Year Of Expiry	Description/ Existing Use	Date Of Acquisition	Approximate Age Of Building
<b>Taliworks Corporation Berhad</b>						
1. South City Service Condominiums Parcel No. : C-13-03 A Persiaran Serdang Perdana Taman Sri Perdana 43300 Sri Kembangan Serdang	158	117	Leasehold 2093	Vacant apartment	April 2002	10
2. Golden City Condominium 13-20-12 218 Jalan Ipoh 51200 Kuala Lumpur	143	84	Freehold	Vacant apartment	March 2004	14
3. Prima Villa No. Hakmilik 2852 Lot No. 61 Mukim Tanah Rata District of Cameron Highlands State of Pahang Darul Makmur	143	106	Leasehold 2035	Vacant apartment	November 2003	6
<b>Taliworks (Langkawi) Sdn Bhd</b>						
4. Three units of three storey buildings erected on:  i. GM 777, Lot 1916 ii. GM 778, Lot 1917 iii. GM 779, Lot 1918	876	473	Freehold	Shoptlot/ Office for own use	August 2001	15

# analysis of **shareholdings**

as at 30 april 2009

## SHAREHOLDING STRUCTURE

Authorised Capital	:	RM 500,000,000
Issued and Fully paid-up	:	RM 188,341,800
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	21	1.53	412	0.00
100 - 1,000	134	9.78	107,860	0.03
1,001 - 10,000	956	69.78	3,961,600	1.05
10,001 - 100,000	202	14.75	5,242,128	1.40
100,001 to less than 5% of issued shares	49	3.58	78,327,500	20.79
5% and above of issued shares	8	0.58	289,044,100	76.73
<b>Total</b>	<b>1,370</b>	<b>100.00</b>	<b>376,683,600</b>	<b>100.00</b>

## LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	76,677,000	20.36
2.	Water Clinic Sdn Bhd	54,000,000	14.33
3.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad	36,000,000	9.56
4.	AMSEC Nominees (Tempatan) Sdn Bhd AMBANK (M) Berhad for Kumpulan Perangsang Selangor Berhad	36,000,000	9.56
5.	Century General Water (M) Sdn Bhd	24,618,000	6.54
6.	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-Asing)	22,318,100	5.92
7.	Malar Terang Sdn Bhd	20,261,000	5.38
8.	Mal Monte Sdn Bhd	19,170,000	5.09
9.	HSBC Nominees (Asing) Sdn Bhd Exempt an for HSBC Private Bank (Suisse) S.A. (Spore TST AC (L))	15,523,000	4.12
10.	Citigroup Nominees (Asing) Sdn Bhd Citigroup GM Inc for Forte Equity Holdings Inc	12,193,100	3.24
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWM Asing)	12,117,300	3.22

## analysis of shareholdings

as at 30 april 2009

## LIST OF THIRTY LARGEST SHAREHOLDERS (CONTINUED)

No.	Name	No. of Shares Held	%
12.	Akar Equities Sdn Bhd	6,390,000	1.70
13.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London for Tiedemann Global Emerging Markets QP L.P.	4,800,000	1.27
14.	Malar Teguh Sdn Bhd	2,878,300	0.76
15.	HDM Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian (Hong Kong) Limited (Clients)	2,000,000	0.53
16.	Malaysia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad	1,800,000	0.48
17.	Century General Water (M) Sdn Bhd	1,749,000	0.46
18.	Kembangan Sepadu Sdn Bhd	1,613,200	0.43
19.	Megature Construction Sdn Bhd	1,531,300	0.41
20.	Phang Wai Hoong	1,469,300	0.39
21.	Goh Phaik Lynn	1,333,500	0.35
22.	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zabir Bin Bajuri	1,000,000	0.27
23.	Douglas Mark Boudville	875,800	0.23
24.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lian Huat	857,000	0.23
25.	Ertidaya Sdn Bhd	838,000	0.22
26.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Lian Huat	800,000	0.21
27.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust	656,100	0.17
28.	HLG Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yoon Peck	625,100	0.17
29.	Wan Puteh bin Wan Mohd Saman	580,000	0.15
30.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Yim Hoo	564,500	0.15
<b>TOTAL:</b>		<b>361,238,600</b>	<b>95.90</b>

# analysis of warrant holdings

as at 30 april 2009

## WARRANT HOLDINGS STRUCTURE

Rights Issue of Warrants 2005/2010 Issued	:	70,440,000
No. of Warrants Unexercised	:	69,799,400
Exercise Period	:	From the date of Issuance of 22 September 2005 to the expiry date on 21 September 2010
Exercise Price	:	RM1.27
Exercise Rights	:	Each warrant entitles the holder during the Exercise Period to subscribe for one new ordinary share of RM0.50 each at the Exercise Price

## ANALYSIS OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	%	No. of Warrants Held	%
1 - 99	11	1.94	475	0.00
100 - 1,000	129	22.75	104,300	0.15
1,001 - 10,000	328	57.85	1,438,520	2.06
10,001 - 100,000	72	12.70	2,054,220	2.94
100,001 to less than 5% of total warrants	20	3.53	7,569,160	10.85
5% and above of total warrants	7	1.23	58,632,725	84.00
<b>Total</b>	<b>567</b>	<b>100.00</b>	<b>69,799,400</b>	<b>100.00</b>

## LIST OF THIRTY LARGEST WARRANT HOLDERS

No.	Name	No. of Warrants Held	%
1.	Tali-Eaux Sdn Bhd	15,335,400	21.97
2.	Water Clinic Sdn Bhd	10,800,000	15.47
3.	Malar Terang Sdn Bhd	9,652,200	13.83
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kumpulan Perangsang Selangor Berhad	7,200,000	10.32
5.	Kumpulan Perangsang Selangor Berhad	6,887,525	9.87
6.	Century General Water (M) Sdn Bhd	4,923,600	7.06
7.	Mal Monte Sdn Bhd	3,834,000	5.49
8.	Akar Equities Sdn Bhd	1,278,000	1.83
9.	Yap Yen Yee	964,820	1.38
10.	Mestika Pertiwi Sdn Bhd	901,800	1.29
11.	Mestika Pertiwi Sdn Bhd	773,000	1.11
12.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Johaisvary D/O N Nagalingam	470,000	0.67
13.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust	367,680	0.53

## analysis of warrant holdings

as at 30 april 2009

## LIST OF THIRTY LARGEST WARRANT HOLDERS (CONTINUED)

No.	Name	No. of Warrants Held	%
14.	Century General Water (M) Sdn Bhd	349,800	0.50
15.	Lim Sau Khim @ Lam Sum Ying	349,300	0.50
16.	Lean Seok Tee	308,600	0.44
17.	Phang Wai Hoong	293,900	0.42
18.	Goh Phaik Lynn	250,000	0.36
19.	Low Siew Ling	248,760	0.36
20.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Yim Hoo	176,200	0.25
21.	Ng Hok Long @ Ng Hock Leong	155,000	0.22
22.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lim Chee Meng	135,000	0.19
23.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Kok Cheng	113,700	0.16
24.	Lim Ai Ling	110,900	0.16
25.	Lam Moong Lan	110,000	0.16
26.	Chin Teck Min	108,700	0.16
27.	Wan Puteh bin Wan Mohd Saman	104,000	0.15
28.	Minhat bin Mion	100,000	0.14
29.	Ng Chor Kuan	82,000	0.12
30.	Gordon K.H. Wu	80,000	0.11
<b>TOTAL:</b>		<b>66,463,885</b>	<b>95.22</b>

## list of **substantial shareholders**

as at 30 april 2009

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	76,677,000	20.36	-		-
Kumpulan Perangsang Selangor Berhad	73,866,628	19.61	-		-
Water Clinic Sdn Bhd	54,000,000	14.33	-		-
Century General Water (M) Sdn Bhd	26,367,000	7.00	-		-
Malar Terang Sdn Bhd	20,261,000	5.38	-		-
Mal Monte Sdn Bhd	19,170,000	5.09	-		-
Anekawal Sdn Bhd	-	-	76,677,000	(a)	20.36
L.G.B. Holdings Sdn Bhd	-	-	196,475,000	(b)	52.16
Adil Cita Sdn Bhd	-	-	103,044,000	(c)	27.36
Y. Bhg. Dato' Lim Chee Meng	317,000	0.08	196,700,000	(d)	52.22
Lim Chin Sean	-	-	196,700,000	(d)	52.22
GSL Development Sdn Bhd	-	-	26,367,000	(e)	7.00
Kumpulan Darul Ehsan Berhad	-	-	73,866,628	(f)	19.61
Menteri Besar Selangor (Pemerbadanan) 1994	-	-	73,866,628	(g)	19.61

### Notes:-

- Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.
- 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.
- Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.
- 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 L.G.B. Engineering Sdn Bhd.
- Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.
- Deemed interest by virtue of its substantial shareholdings in Kumpulan Perangsang Selangor Berhad.
- Deemed interest by virtue of its substantial shareholdings in Kumpulan Darul Ehsan Berhad.

# list of directors' shareholdings

as at 30 april 2009

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

## A. Number of Ordinary Shares of RM0.50 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Y. Bhg. Dato' Hj Abd Karim bin Munisar	100,000	0.03	-	-	-
Tuan Haji Abdul Rahman bin Haji Siraj	20,000	0.01	-	-	-
Y. Bhg. Dato' Lim Chee Meng	317,000	0.08	196,700,000	(a)	52.22
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	285,000	0.07	-	-	-
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	-	-	-	-	-
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman	120,000	0.03	6,390,000	(b)	1.70
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	580,000	0.15	-	-	-
Encik Sulaiman bin Salleh	42,800	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-

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

(b) Deemed interest by virtue of his substantial shareholdings in Akar Equities Sdn Bhd.

By virtue of his interest in the Company pursuant to Section 6A of the Companies Act, 1965, Y. Bhg. Dato' Lim Chee Meng is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

## B. Number of Warrants

Name	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	Notes	%
Y. Bhg. Dato' Hj Abd Karim bin Munisar	-	-	-	-	-
Tuan Haji Abdul Rahman bin Haji Siraj	-	-	-	-	-
Y. Bhg. Dato' Lim Chee Meng	148,900	0.21	44,940,000	(a)	64.38
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	-	-	-	-	-
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	-	-	-	-	-
Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman	-	-	1,278,000	(b)	1.83
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	104,000	0.15	-	-	-
Encik Sulaiman bin Salleh	4,560	0.01	-	-	-
Mr. Wong Yien Kim	-	-	-	-	-

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

(b) Deemed interest by virtue of his substantial shareholdings in Akar Equities Sdn Bhd.

## list of directors' shareholdings

as at 30 april 2009

### C. Number of ESOS Options over Ordinary Shares of RM0.50 each

Name	Exercise Price (RM)	As At 1 January 2008	Granted	Exercised	Balance
Y. Bhg. Dato' Hj Abd Karim bin Munisar	1.31	60,000	0	(60,000)	0
	1.90	100,000	0	(100,000)	0
Tuan Haji Abdul Rahman bin Haji Siraj	1.90	145,000	0	0	145,000
Y. Bhg. Dato' Lim Chee Meng	1.31	120,000	0	0	120,000
	1.90	145,000	0	0	145,000
Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir	1.90	80,000	0	0	80,000
YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj	1.90	60,000	0	0	60,000
Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman	1.90	60,000	0	0	60,000
Encik Sulaiman bin Salleh	1.90	60,000	0	0	60,000



## notice of annual general meeting

**NOTICE IS HEREBY GIVEN** that the Eighteenth Annual General Meeting of TALIWORKS CORPORATION BERHAD (Company No.: 6052-V) will be held at Room Dillenia & Eugenia, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 25 June 2009 at 11.00 a.m. for the following purposes:-

### ORDINARY BUSINESS:

- |    |  |   |
|----|--|---|
| 1. | To receive the Audited Financial Statements for the year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.   | <i>Resolution 1</i>   |
| 2. | To approve the payment of a Final Dividend of 1.25 sen per ordinary share of RM0.50 each less income tax at 25% for the financial year ended 31 December 2008.   | <i>Resolution 2</i>   |
| 3. | To approve the payment of Directors' fees for the financial year ended 31 December 2008.   | <i>Resolution 3</i>   |
| 4. | To re-elect the following Directors who retire by rotation pursuant to Article 80 of the Company's Articles of Association:-<br>a) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir<br>b) YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj<br>c) Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman | <i>Resolution 4</i><br><i>Resolution 5</i><br><i>Resolution 6</i> |
| 5. | To re-appoint Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman, who retires pursuant to Section 129(2) of the Companies Act, 1965.   | <i>Resolution 7</i>   |
| 6. | To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.   | <i>Resolution 8</i>   |

### SPECIAL BUSINESS:

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolutions:

- |    |   |                     |
|----|---|---------------------|
| 7. | <b>Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature</b> | <i>Resolution 9</i> |
|----|---|---------------------|

**"THAT** the Company and/or its subsidiaries be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.4 of the Circular to Shareholders dated 3 June 2009 (the "Circular") with the Related Parties as described in the said Circular, provided that such arrangements and/or transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company; **AND THAT** the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary in the best interest of the Company and/or its subsidiaries to give effect to the transactions contemplated and/or authorised by the ordinary resolution; **AND THAT** such authority shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier."

## notice of annual general meeting

8. **Authority for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** *Resolution 10*

“**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time 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 pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**ANY OTHER BUSINESS:-**

9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES

**NOTICE IS HEREBY GIVEN THAT**, subject to the approval of the shareholders of the Company, a final dividend of 1.25 sen per ordinary share of RM0.50 each in the Company less income tax at 25% in respect of the financial year ended 31 December 2008, will be paid on 29 July 2009 to Depositors whose names appear in the Record of Depositors at the close of business on 14 July 2009.

A Depositor shall qualify for entitlement only in respect of:-

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 14 July 2009 in respect of ordinary transfers; and
- b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

### BY ORDER OF THE BOARD

**NG YIM KONG (LS 0009297)**  
Company Secretary

Petaling Jaya  
Date: 3 June 2009

## notice of annual general meeting

### Notes:-

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(1) (a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, 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.
3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid.
5. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting, should the member subsequently decide to do so.

### 6. Explanatory Note on Ordinary Business

- Re-appointment of Director over 70 years of age

The Ordinary Resolution No. 7 proposed under item 5 is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Y. Bhg. Dato' Wan Puteh Bin Wan Mohd Saman who is over 70 years of age as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company. This resolution must be passed by a majority of not less than three-fourth of such Members of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the Annual General Meeting of the Company.

### 7. Explanatory Notes on Special Business

- Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Shareholders' Mandate under Ordinary Resolution No. 9 is intended to facilitate transactions in the normal course of business of the Company and/or its subsidiaries ("the Group") which are transacted from time to time with the Related Parties, provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

By renewing the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

- Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965

Pursuant to the approval given by the authorities for the issuance of the convertible bonds of the Company, the Company is required to increase the Bumiputera's equity by issuing new shares within two years after the implementation of the convertible bonds issuance. With the passing of the resolution, the Directors would avoid delay and cost of convening a general meeting to approve the issue of new shares for such purposes. The proposed resolution, if passed, will also give the Directors authority to issue and allot shares for such purposes as the Directors in their absolute discretion considered to be in the best interest of the Company, without having to convene a general meeting. This authority unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting of the Company.

## statement accompanying **notice of eighteenth annual general meeting**

Directors who are standing for re-election or re-appointment at the Eighteenth Annual General Meeting of Taliworks Corporation Berhad

- (i) Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir (Resolution 4)
- (ii) YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj (Resolution 5)
- (iii) Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman (Resolution 6)
- (iv) Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman (Resolution 7)

The profiles of the Directors who are standing for re-election/re-appointment are set out on pages 11 to 15 of the Annual Report.

The information relating to the shareholding of the above directors in the Company and its related corporation as at 30 April 2009 are set out on pages 125 and 126 of the Annual Report.

# FORM OF PROXY

<b>Number of ordinary shares held</b>	
---------------------------------------	--

I/We, \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)

 of \_\_\_\_\_  
 \_\_\_\_\_ (FULL ADDRESS IN BLOCK LETTERS)

 being a member/members of **TALIWORKS CORPORATION BERHAD**, hereby appoint \_\_\_\_\_  
 \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS) of \_\_\_\_\_  
 \_\_\_\_\_ (FULL ADDRESS IN BLOCK LETTERS)

 or failing him/her \_\_\_\_\_ (FULL NAME IN BLOCK LETTERS)  
 of \_\_\_\_\_  
 \_\_\_\_\_ (FULL ADDRESS IN BLOCK LETTERS)

or failing \*him/her, the Chairman of the Meeting as \*my/our proxy(ies) to vote for \*me/us on \*my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Room Dillenia &amp; Eugenia, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 25 June 2009 at 11.00 a.m. and at any adjournment thereof.

\*My/Our proxy(ies) \*is/are to vote as indicated below:-

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements and Reports for the financial year ended 31 December 2008		
2. To approve a Final Dividend of 1.25 sen per ordinary share less income tax at 25%		
3. To approve the payment of Directors' fees for the financial year ended 31 December 2008		
4. Re-election of Director - Y. Bhg. Dato' Hj Mohd Sinon bin Mudakir		
5. Re-election of Director - YAM Tengku Putri Datin Paduka Arafiah bte Al-Marhum Sultan Salahuddin Abd. Aziz Shah Al-Haj		
6. Re-election of Director - Y. Bhg. Dato' Hj Abdul Karim @ Mohd Yusof B. Abdul Rahman		
7. Re-appointment of Director - Y. Bhg. Dato' Wan Puteh bin Wan Mohd Saman		
8. To re-appoint Messrs. PricewaterhouseCoopers as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration		
9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10. Authority for Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

(\* Delete if not applicable)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

 \_\_\_\_\_  
 (Signature/Common Seal of Shareholder(s))

For appointment of two proxies, percentage of shareholding to be represented by the proxies:-

No. of Shares	Percentage
Proxy 1	%
Proxy 2	%
<b>Total</b>	<b>100%</b>

Notes:-

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint more than one (1) proxy but not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(1) (a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, 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.
- The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the registered office of the Company at Unit 07-02, Level 7, Menara Luxor, 6B Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting and in default the instrument of proxy shall not be treated as valid.
- The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting, should the member subsequently decide to do so.

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AFFIX STAMP  
HERE

The Company Secretary  
Taliworks Corporation Berhad (6052-V)  
Unit 07-02, Level 7, Menara Luxor  
6B, Persiaran Tropicana  
47410 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 603 7804 5929  
Fax : 603 7805 2559

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**Taliworks Corporation Berhad** (6052-V)

No. 28, Jalan Wan Kadir 1, Taman Tun Dr. Ismail  
60000 Kuala Lumpur

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Website : [www.taliworks.com.my](http://www.taliworks.com.my)