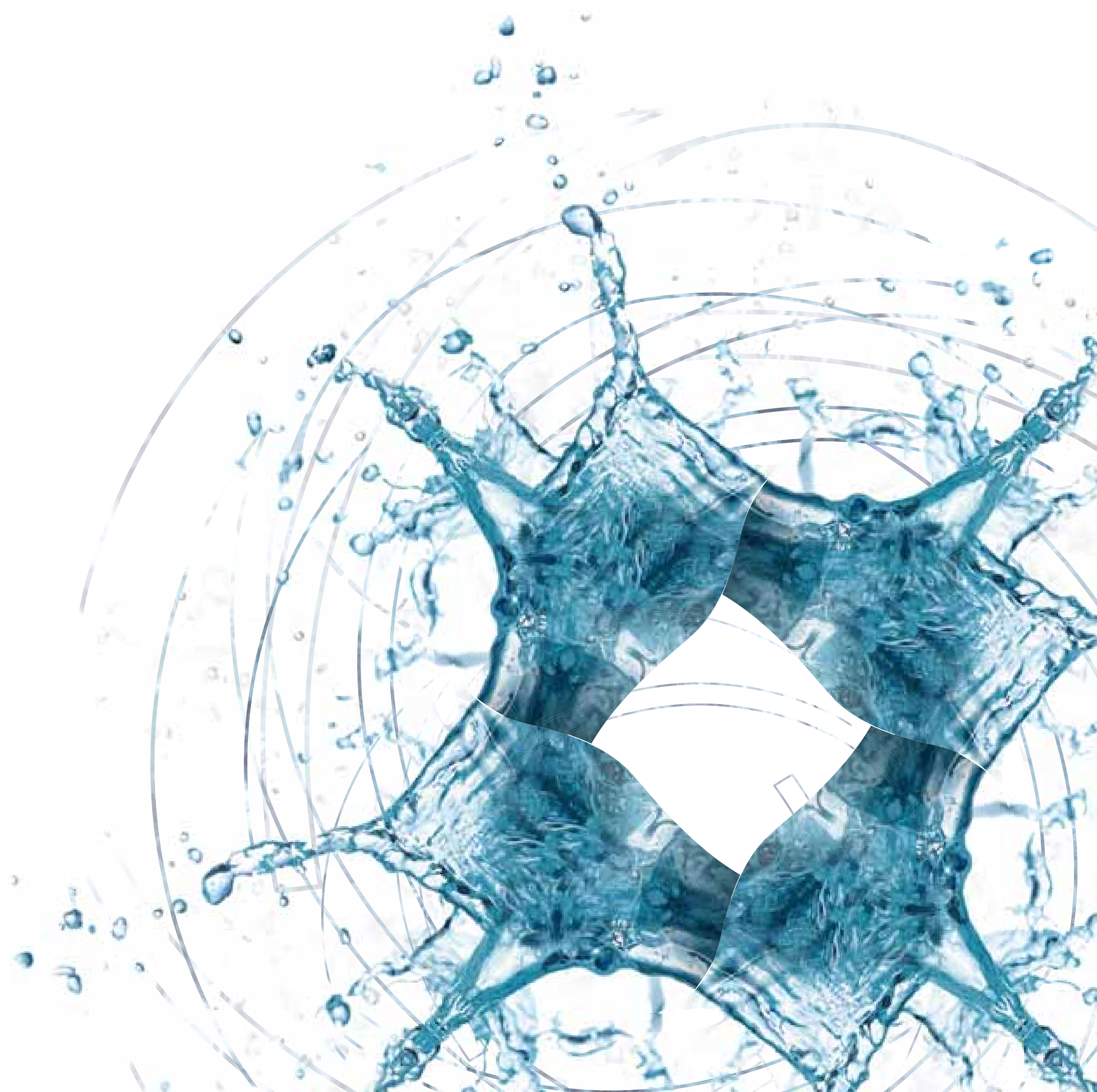
TALIWORKS CORPORATION
LGB Group

Annual Report 2015



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Corporate Information

BOARD OF DIRECTORS

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

Executive Director
Dato' Lim Yew Boon

Independent Non-Executive Directors
Mr. Soong Chee Keong
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin
(appointed on 2 July 2015)
En Ahmad Jauhari Bin Yahya
(appointed on 2 July 2015)

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
- Mr. Soong Chee Keong

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

NOMINATING COMMITTEE

Chairman
Tan Sri Dato' Seri Ong Ka Ting

Members
- Mr. Vijay Vijendra Sethu *(appointed on 2 July 2015)*
- En Ahmad Jauhari Bin Yahya *(appointed on 2 July 2015)*
- Mr. Lim Chin Sean *(resigned on 2 July 2015)*
- Mr. Soong Chee Keong *(resigned on 2 July 2015)*

REMUNERATION COMMITTEE

Chairman
Tan Sri Dato' Seri Ong Ka Ting

Members
- Mr. Soong Chee Keong *(appointed on 2 July 2015)*
- Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin *(appointed on 2 July 2015)*
- Mr. Lim Chin Sean *(resigned on 2 July 2015)*
- Mr. Vijay Vijendra Sethu *(resigned on 2 July 2015)*

COMPANY SECRETARIES

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

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SHARE REGISTRARS

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Level 6, Symphony House
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MAIN AUDITORS

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Chartered Accountants
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PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

AGM HELPDESK

Contact Persons:
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Corporate Profile

Taliworks Corporation Berhad ("Taliworks" or the "Company") was incorporated in Malaysia on 6 August 1965 as a private limited company under the name of The Carpet Manufacturing Company (Malaysia) Limited. On 12 November 1968, its name was changed to F&T Carpets (Malaysia) Sdn Bhd. On 26 February 1974, it was renamed Carpets International Malaysia Sdn Bhd and on 23 December 1982, it was converted into a public company and assumed the name of Carpets International Malaysia Berhad ("Carpets"). It was subsequently listed on the then Second Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad ("Bursa Securities")) on 27 July 1992. The principal activities of Carpets were the design, manufacture, distribution and laying of carpets and rugs. These operations ceased in 2002.

On 31 July 2000, Carpets completed the acquisition of the entire equity interest in Sungai Harmoni Sdn Bhd and Taliworks (Langkawi) Sdn Bhd. These companies are involved in the management, operations and maintenance of water treatment, supply and distribution facilities. On 27 October 2000, the Company was transferred to the Main Board of Bursa Securities (which has since been merged with the Second Board into a single board known as Main Market) and subsequently on 24 November 2000, Carpets was renamed Taliworks Corporation Berhad.

Taliworks employs about 900 employees in Malaysia and the People's Republic of China. The Company is currently listed on the Main Market of Bursa Securities under Trading / Services Sector (Name & Code: TALIWRK & 8524) with a market capitalisation close to RM1.6 billion as at 31 March 2016.

BUSINESS BACKGROUND

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

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

Nevertheless, Taliworks has in February 2016, announced the proposed disposal of the entire waste management business in the People's Republic of China and the proposed acquisition of a 35% interest in the ordinary shares of SWM Environment Holdings Sdn Bhd, an investment holding company whose subsidiaries are principally involved in the managing and carrying on the business of solid waste collection and public cleansing management and other related activities in the states of Negeri Sembilan, Melaka and Johor in Malaysia under a 22-year concession agreement with the Federal Government.

At the date of publication of this Annual Report, these proposals are pending approval of shareholders of the Company at the forthcoming extraordinary general meeting to be held.

Water Treatment, Supply And Distribution

- Taliworks' core water business is in the privatised water supply sector which includes an operation and maintenance contract (expiring in January 2030) for the Sungai Selangor Water Treatment Works Phase 1 ("SSP1") that supplies to large parts of Selangor and Kuala Lumpur and a concession (expiring in October 2020) for the water supply and distribution system in Langkawi, Kedah.

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

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

Highway toll operations and Infrastructure

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

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

- In January 2013, Cerah Sama issued RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under the Sukuk Programme of up to RM750 Million in nominal value. The Sukuk Programme has been assigned an initial rating of AA-*is* with a stable outlook by the Malaysian Rating Corporation Berhad and subsequently the rating has been re-affirmed in each of the next subsequent three years.

- Between June to August 2014, Taliworks undertook a series of internal re-organisation to rationalise the group structure to enhance Taliworks' operational efficiency in undertaking any new project investments that may be identified by the Group. Arising from the internal re-organisation, Taliworks gained control over Cerah Sama and the company became a subsidiary of Taliworks.

- Subsequent to the internal re-organisation, the Employees Provident Fund Board ("EPF") acquired an effective 31.85% equity interest in Cerah Sama whilst Taliworks' effective equity interest in Cerah Sama reduced from 55% to 28.05%. The collaboration with EPF is to position TEI Sdn Bhd, the immediate holding company of Cerah Sama, to be the flagship vehicle through which both parties will engage in the business of acquiring and operating mature infrastructure assets in Malaysia and in developed countries.

- In December 2014, Taliworks through its indirect joint-venture, Grand Sepadu (NK) Sdn Bhd, executed a Novation Agreement and a Second Supplemental Concession Agreement ("SSCA") to take over the assets and concession rights to the New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn Bhd (In Liquidation) ("Shapadu") for a cash consideration of RM265 million. Shapadu had previously owned the concession rights to the NNKSB via a concession agreement dated 1 August 1995 and a first supplemental concession agreement dated 7 May 1999 which were executed with the Government of Malaysia. Under the terms of the SSCA, the concession period will be extended for a further term of 18 years commencing from the date of the execution of the SSCA.

NNKSB is a 17.5 km two-lane dual carriageway highway which links North Port to Bukit Raja, Klang. The NNKSB is parallel to the old tolled North Klang Straits Bypass (which became a non tolled road after NNKSB became operational) and is linked to Lebuh Raya Shah Alam ("KESAS Highway"), Federal Highway and the New Klang Valley Expressway. NNKSB commenced operations in 2001.

- In March 2015, TEI Sdn Bhd, acquired a 35% stake in Cerah Sama from SEASAF Highway Sdn Bhd whereby Pinggiran Muhibbah Sdn Bhd increased its equity interest in Cerah Sama to 51% whilst the balance 49% was held by EPF. Thereafter in April 2015, Taliworks acquired the balance of the minority stake of 15.38% in Pinggiran Muhibbah Sdn Bhd, thus increasing its effective equity interest in Cerah Sama from 43.16% to 51%.

- In November 2015, Taliworks undertook a series of internal re-organisation to rationalise the group structure of Pinggiran Muhibbah Sdn Bhd and TEI Sdn Bhd whereby the 51% interest in TEI Sdn Bhd was held directly by Taliworks instead of through Pinggiran Muhibbah Sdn Bhd.

- On 11 December 2015, Taliworks disposed of its 50% equity interest in Pinggiran Muhibbah Sdn Bhd to EPF and on 29 December 2015, Pinggiran Muhibbah Sdn Bhd executed a Deed of Revocation to revoke the existing shareholder's agreement governing the affairs of Grand Sepadu (NK) Sdn Bhd. Arising from the termination of the shareholders agreement, Grand Sepadu (NK) Sdn Bhd become as subsidiary of Pinggiran Muhibbah Sdn Bhd.

- Arising from these series of transactions, Taliworks has an effective 51% equity interest in Cerah Sama and an effective equity interest of 35% in Grand Sepadu (NK) Sdn Bhd.

Construction and Engineering

- Taliworks is currently one of the sub-contractors involved in the Mengkuang Dam Expansion Project in Penang, Malaysia. This project is a Federal Government project and involves earth-filled dam embankment, river diversion and draw-off tunnel activities. The sub-contract was awarded to Taliworks in 2011 at a contract value of RM339 million and the project is expected to be completed in 2017.

- On 25 June 2014, Unit Perancang Ekonomi Negeri Selangor awarded the consortium of LGB-Taliworks JV the project known as "Pengagihan Semula Kapasiti Reka Bentuk Air Terawat Dari Loji Rawatan Air Sungai Selangor Fasa 3 – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan Dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor. This is a Federal Government funded State Government project at a contract value of RM30.6 million to be completed in 2016 and involves the supply and lay of 11km of 1,200 mm diameters of steel pipes.

- On 28 September 2015, an associate company, LGB Taliworks Consortium Sdn Bhd was awarded a contract known as Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan / Wilayah Persekutuan Kuala Lumpur – Pakej 7 – Membina dan Menyiapkan Kolam Air Imbangan Hulu Langat Berkapasiti 92 Juta Liter by Pengurusan Aset Air Berhad for the construction of a 92Ml Balancing Reservoir at a contract sum of approximately RM75.9 million to be completed within twenty seven (27) months.

- Prior to undertaking these projects, Taliworks had successfully completed several projects including the design and construction of the water supply systems for the Central Kedah Water Supply Scheme (in 2006) and the Padang Terap Water Supply Scheme (in 2011), both in Kedah at a total contract value of RM120 million and 149 million respectively.

Waste management

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

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

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

(c) a wholly-owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd to undertake the operation of four municipal waste water treatment plants with recycled water facilities with a treatment capacity of 300 million litres per day and 52 million litres per day ("MLD") respectively in Yinchuan, province of Ningxia, on a takeover-operate-transfer basis for a period of 30 years until 2041. The take-over of the facilities was completed in December 2011.

In May 2014, the company entered into a Heads of Agreement with the Yinchuan City Construction Bureau to upgrade and expand all the four WWTPs from the existing capacity of 300 MLD to 480 MLD with effluent discharge complying to Standard 1A of the national standard on "Urban Sewage Treatment Plant Pollutant Discharge Standard" to be completed progressively by end of 2017.

Upgrading and expansion works for Wastewater Treatment Plant No. 3 commenced in July 2014 and was completed in August 2015 with the certification of effluent standard class 1A operation. The estimated amount of capital expenditure incurred was approximately RMB130 million. The local authority is currently finalising both the capital expenditure amount and operation cost audit to determine the new tariff rate. The estimated amount of capital expenditure in respect of the upgrade and expansion of the Wastewater Treatment Plants No.1, 2 and 4 is approximately RMB649 million. The company is expected to commence the upgrading of Wastewater Treatment Plant No.4 in 2016. The Taliworks Yinchuan wastewater treatment plants have been nominated for several outstanding awards, amongst them, for its energy and water conservation efforts and have been named as one of the top ten companies in the city wastewater treatment business.

Taliworks has in February 2016, announced the proposed disposal of the entire waste management business in the People's Republic of China and at the date of publication of this Annual Report, this proposal is pending approval of shareholders of the Company at the forthcoming extraordinary general meeting to be held.

BUSINESS FOCUS

Currently, the water treatment, supply and distribution business in Malaysia accounts for the bulk of revenue and profitability of Taliworks.

Taliworks remains focus on its core business activities whilst pursuing potential investments opportunities with the objective to grow and expand into mature operational cash-generating utilities/infrastructure businesses both domestically and in the foreign developed markets so as to re-position itself as a formidable and respected service provider for water, waste management and infrastructure businesses in the region.

ACCREDITATION AND AWARDS

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

Water treatment, supply and distribution

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

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

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

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

e. ISO/IEC 27001: 2013 Information Security Management System from IQNet and SIRIM QAS International for Taliworks (Langkawi) Sdn Bhd. Scope of Certification is Information Security Management System for the Management of Information associated with Monitoring and Operation of Potable Water Supply to Langkawi covering the Water Treatment Process, Water Distribution System and Consumer Affairs.

f. ISO/IEC 27001: 2013 Information Security Management System from IQNet and SIRIM QAS International for Sungai Harmoni Sdn Bhd, Sungai Selangor Water Treatment Works Phase 1 . Scope of Certification is management of information associated with the operation of Water Treatment Plant, Water Intake Pump Station, Matang Pagar and Bukit Mayong Reservoirs.

Highway toll operations and maintenance

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

Construction and Engineering

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

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

2002

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

2003

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

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

2004

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

2005

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

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

2006

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

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

2007

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

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

2008

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

2009

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

2012

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

2015

n. Included in the MSCI Global Small Cap Indexes for Malaysia

Corporate Structure
as at 31 March 2016

TALIWORKS CORPORATION
LGB Group

SUBSIDIARIES

- **100%** **Sungai Harmoni Sdn Bhd** — Incorporated in Malaysia
- **51%** **TEI Sdn Bhd** — Incorporated in Malaysia
  - **100%** **Trinitywin Sdn Bhd** — Incorporated in Malaysia
    - **10%** **Cerah Sama Sdn Bhd**
  - **90%** **Cerah Sama Sdn Bhd** — Incorporated in Malaysia
    - **100%** **Trupadu Sdn Bhd** — Incorporated in Malaysia
    - **100%** **Europlex Consortium Sdn Bhd** — Incorporated in Malaysia
    - **100%** **Peak Synergy Sdn Bhd** — Incorporated in Malaysia
    - **100%** **Grand Saga Sdn Bhd** — Incorporated in Malaysia
- **100%** **Taliworks (Langkawi) Sdn Bhd** — Incorporated in Malaysia
- **100%** **Taliworks Technologies Sdn Bhd** — Incorporated in Malaysia
- **100%** **Destinasi Teguh Sdn Bhd** — Incorporated in Malaysia
- **100%** **SWM Technologies* (Malaysia) Sdn Bhd** — Incorporated in Malaysia
  - **90%** **Tianjin-SWM (M) Environment Ltd, Co.*** — Incorporated in China
- **100%** **Taliworks Construction Sdn Bhd** — Incorporated in Malaysia
- **100%** **Taliworks International Limited*** — Incorporated in Hong Kong
- **80%** **Taliworks (Sichuan) Limited*** — Incorporated in Hong Kong
  - **70%** **Puresino (Guanghan) Water Co. Ltd*** — Incorporated in China
- **60%** **Air Kedah Sdn Bhd** — Incorporated in Malaysia
- **100%** **Prolific Equity Sdn Bhd** — Incorporated in Malaysia
- **100%** **Jemari Infiniti Sdn Bhd** — Incorporated in Malaysia

- Investment Holding Company/Others
- Waste Management
- Highway Toll Operations and Maintenance
- Construction
- Water Treatment, Supply and Distribution

* Companies which are proposed to be disposed off as at the date of publication of this Annual Report

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

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

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

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

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

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

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

JOINT VENTURE

50% **Pinggiran Muhibbah Sdn Bhd**
Incorporated in Malaysia

- 75% **Grand Sepadu (NK) Sdn Bhd**
  Incorporated in Malaysia

ASSOCIATE

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

20% **LGB Taliworks Consortium Sdn Bhd**
Incorporated in Malaysia

Corporate and Financial Events 2015

MAJOR CORPORATE ANNOUNCEMENTS / SIGNIFICANT EVENTS

19 Jan	The Company proposed a placement of up to 10% of the issued and paid-up share capital of the Company. The placement was subsequently completed on 23 October 2015 following the listing of and quotation for 43,980,000 new shares of RM0.50 each in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").
26 Feb	(a) the Company accepted an offer to acquire the balance of 1,538 ordinary shares of RM1.00 each, representing 15.38% of the ordinary share capital in Pinggiran Muhibbah Sdn Bhd ("PMSB") and 26,916,218 redeemable preference shares of RM0.01 each in PMSB from Mercu Majujaya Sdn Bhd, a minority shareholder of PMSB, for a cash consideration of RM22,851,538. Upon the completion of the acquisition on 21 April 2015, PMSB became a wholly-owned subsidiary of the Company; (b) TEI Sdn Bhd ("TEI"), the then 51% owned subsidiary of PMSB, accepted an offer to acquire the balance of 208,250 ordinary shares of RM1.00 each, representing 35% ordinary share capital in Cerah Sama Sdn Bhd ("CSSB") from a shareholder of CSSB, SEASAF Highway Sdn Bhd, for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI.
2 Mar	The Company announced that its wholly-owned subsidiary, Taliworks (Langkawi) Sdn Bhd had received a letter from Syarikat Air Darul Aman Sdn Bhd to revise the water tariff rate from 2014 to 2020 in relation to the privatisation of contracts on the management, operation and maintenance of water supply in Langkawi, Kedah Darul Aman.
7 Apr	The Company announced that the Securities Commission of Malaysia had authorised the issuance of Sukuk Murabahah based on the Shariah principle of Murabahah (via a Tawarruq arrangement) of RM210.0 million in nominal value to be undertaken by Grand Sepadu (NK) Sdn Bhd ("GSNK"), a joint venture company which the Company has a 75% indirect equity interest. GSNK operates and maintains the concession of the New North Klang Straits Bypass Expressway. The Sukuk Murabahah was subsequently issued on 11 June 2015.
30 Apr	The Twenty–Fourth Annual General Meeting of the Company was successfully concluded with all proposed resolutions duly adopted.
2 Jul	Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Encik Ahmad Jauhari Bin Yahya were appointed as Independent Non-Executive Directors of the Company.

MAJOR CORPORATE ANNOUNCEMENTS / SIGNIFICANT EVENTS

22 Jul	The Company announced to undertake the following proposals: (i) share split involving the subdivision of every two (2) existing ordinary shares of RM0.50 each in the Company into five (5) ordinary shares of RM0.20 each, and (ii) issuance of up to 241.93 million free warrants ("Warrants") on the basis of one (1) Warrant for every five (5) shares held after the proposed share split. On 9 November 2015, 483,795,580 ordinary shares of RM0.50 each in the Company were subdivided into 1,209,488,950 ordinary shares of RM0.20 each and the subdivided shares were subsequently listed and quoted on the Main Market of Bursa Securities on 11 November 2015. A total of 241,897,790 Warrants 2015/2018 were issued on 12 November 2015 and they were subsequently listed and quoted on the Main Market of Bursa Securities on 17 November 2015.
30 Sep	The Company entered into a joint venture agreement with LGB Engineering Sdn. Bhd. for the purpose of the construction and completion of Hulu Langat balancing reservoir with 92 ML capacity (the "Works") and other ancillary works as necessary for the completion of the Works in relation to the project known as "Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan / Wilayah Persekutuan Kuala Lumpur – Pakej 7 – Membina dan Menyiapkan Kolam Air Imbangan Hulu Langat Berkapasiti 92 Juta Liter". The project was awarded by Pengurusan Aset Air Berhad to the Company's 20% associate company, LGB Taliworks Consortium Sdn Bhd, at a project sum of RM75,867,139 to be completed within an estimated time frame of 27 months.
26 Nov	The Company undertook an internal re-organisation to rationalise the group structure such that the group's investments in its highway concessionaires are held under separate intermediate holding companies.
30 Nov	The Company entered into a joint venture arrangement via a share sale and purchase agreement with Pinggiran Ventures Sdn. Bhd ("PVSB"), a wholly-owned subsidiary of the Employees Provident Fund Board ("EPF"), and EPF to dispose of its 50% equity interest in PMSB to PVSB for a total cash consideration of RM66.75 million. PMSB is an investment holding company with its sole principal investment in GSNK, whose principal activity is to carry on business as a concessionaire to operate and maintain the New North Klang Straits Bypass Expressway. Upon completion of the transaction on 11 December 2015, PMSB ceased to be a subsidiary of the Company and became a 50% joint venture of the Company.

RELEASE OF FINANCIAL RESULTS

12 Feb	Unaudited interim results for the 4th Quarter ended 31 December 2014.
8 Apr	Audited financial statements for the financial year ended 31 December 2014.
27 May	Unaudited interim results for the 1st Quarter ended 31 March 2015.
19 Aug	Unaudited interim results for the 2nd Quarter ended 30 June 2015.
26 Nov	Unaudited interim results for the 3rd Quarter ended 30 September 2015.

DECLARATION OF DIVIDEND PAYMENT

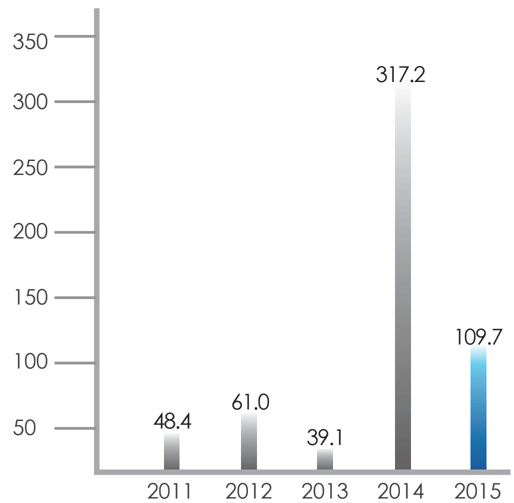
12 Feb	First interim single-tier dividend of 2.0 sen (or 5.0 sen before Share Split) per ordinary share in respect of the financial year ended 31 December 2015, paid on 1 April 2015.
2 Jul	Second interim single-tier dividend of 2.0 sen (or 5.0 sen before Share Split) per ordinary share in respect of the financial year ended 31 December 2015, paid on 31 July 2015.
26 Nov	Third interim single-tier dividend of 2.0 sen (or 5.0 sen before Share Split) per ordinary share in respect of the financial year ended 31 December 2015, paid on 23 December 2015.

5 Years Financial Highlights

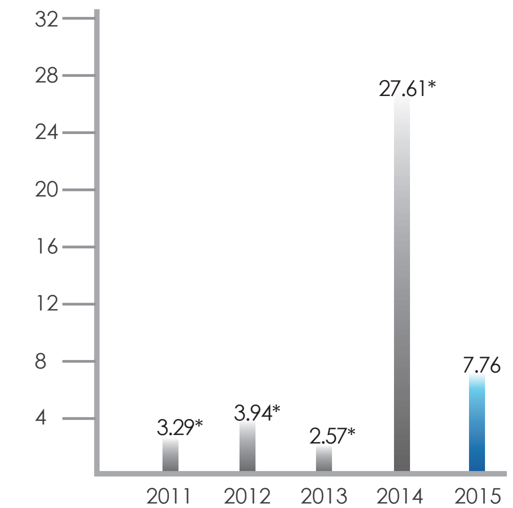
	2011 RM MIL	2012 RM MIL	2013 RM MIL	2014 RM MIL	**2015 RM MIL**
PROFITABILITY					
Revenue	168.1	253.3	281.8	353.9	**410.9**
EBITDA	35.7	87.8	71.1	373.0	**196.0**
Profit Before Taxation	48.4	61.0	39.1	317.2	**109.7**
Profit for the Financial Year	36.4	42.8	25.1	303.2	**91.6**
KEY AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION					
Total Assets	903.7	980.9	1,050.9	2,797.9	**2,914.5**
Total Borrowings	190.2	314.3	336.3	741.1	**827.0**
Total Shareholders' Equity	528.3	566.4	605.6	851.8	**1,146.6**
No of Shares in Issue	1,091.2*	1,091.2*	1,091.2*	1,091.2*	**1,209.5**
SEGMENTAL INFORMATION					
Revenue					
- water, treatment, supply and distribution	123.3	141.5	149.9	175.8	**175.5**
- waste management	14.1	47.7	47.1	55.0	**70.7**
- construction	30.6	63.9	84.0	99.3	**101.9**
- toll highway	-	-	-	23.2	**62.8**
- others	0.1	0.1	0.8	0.6	**0.0**
	168.1	253.3	281.8	353.9	**410.9**
Profit Before Taxation					
- water, treatment, supply and distribution	27.7	75.1	59.9	63.9	**71.1**
- waste management	(3.0)	(18.0)	(23.0)	(9.9)	**(18.2)**
- construction	8.0	4.4	4.1	5.5	**5.6**
- toll highway	-	-	-	(1.7)	**12.2**
- others	(3.5)	(11.0)	(11.2)	254.5	**38.9**
- Segmental Results	29.2	50.5	29.9	312.3	**109.6**
- share of results of jointly controlled entity	18.6	9.8	10.0	3.8	**(0.9)**
- share of results of associate	0.6	0.8	(0.8)	1.1	**1.0**
	48.4	61.0	39.1	317.2	**109.7**
KEY FINANCIAL RATIO					
Gross Dividend Per Share (sen)	0.20*	0.60*	0.40*	2.00*	**8.00**
Net Assets (RM'000)	528,262	566,439	605,557	851,761	**1,146,602**
No of Shares in issue	1,091,229*	1,091,229*	1,091,229*	1,091,229*	**1,209,489**
Net Assets Per Share (sen)	48.41*	51.91*	55.49*	78.06*	**94.80**
Earnings Per Share (sen)					
- Basic	3.29*	3.94*	2.57*	27.61*	**7.76**
- Fully Diluted	3.29*	3.94*	2.57*	27.60*	**7.75**
Return on Equity (%)	7.27	7.81	4.28	41.60	**9.16**
Return on Assets Employed (%)	5.06	4.54	2.47	15.75	**3.21**
Dividend Payout Ratio (%)	4.49	11.48	17.40	7.20	**100.62**
Net Debt to Equity Ratio (%)	25.42	44.93	44.06	44.88	**33.43**

** adjusted for the effects of a subdivision of five new shares of RM0.20 each for every two shares of RM0.50 each (implemented in FY15)*

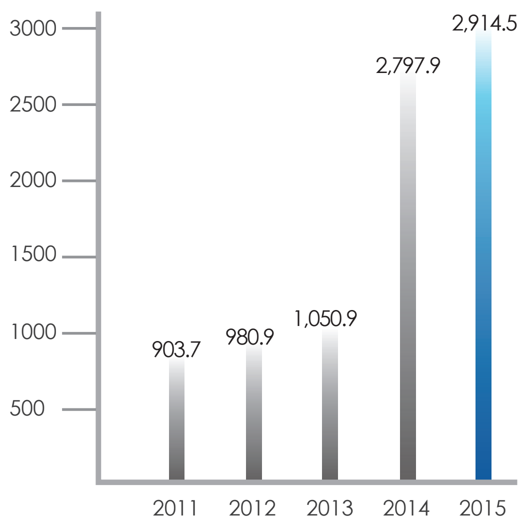
PROFIT BEFORE TAXATION (RM Million)



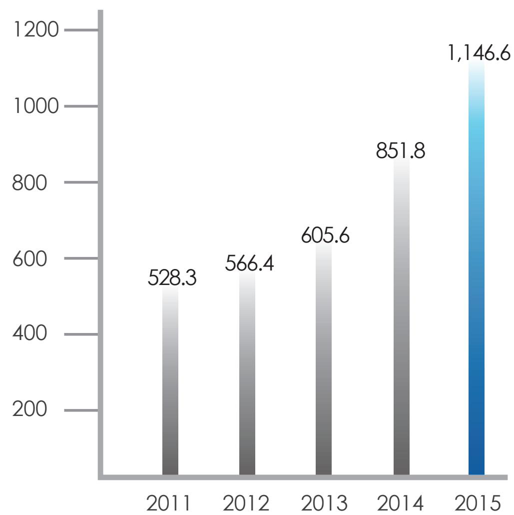
BASIC EARNINGS PER SHARE (Sen)



TOTAL ASSETS (RM Million)



SHAREHOLDERS' EQUITY (RM Million)



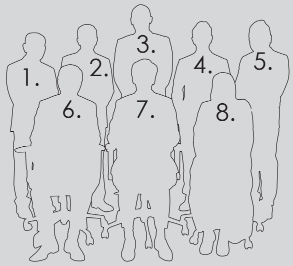
(i) EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associate and joint venture).

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

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

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

Board of Directors



1. En. Ahmad Jauhari Bin Yahya
2. Dato' Sri Amrin Bin Awaluddin
3. Mr. Vijay Vijendra Sethu
4. Mr. Lim Chin Sean
5. Mr. Soong Chee Keong
6. Dato' Lim Yew Boon
7. Tan Sri Dato' Seri Ong Ka Ting
8. Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Directors' Profile

Tan Sri Dato' Seri Ong Ka Ting

Chairman/Senior Independent Non-Executive Director

Tan Sri Dato' Seri Ong Ka Ting, a Malaysian aged 59, was appointed to the Board of Taliworks on 16 April 2014. He also serves as a Chairman of the Nominating Committee and Remuneration Committee of the Company.

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

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

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

He has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

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

Dato' Lim Yew Boon

Executive Director

Dato' Lim Yew Boon, a Malaysian aged 57, was appointed to the Board on 1 March 2010 as an Executive Director. He also serves as a member of the EXCO committee of the Company.

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

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

Dato' Lim is the cousin to both Mr. Lim Chin Sean, a director and major shareholder of the Company and Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted for any offences within the past 10 years other than traffic offences.

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

Mr. Lim Chin Sean

Non-Independent Non-Executive Director

Mr. Lim Chin Sean, a Malaysian aged 34, was appointed to the Board on 23 May 2011. He also serves as a member of the Audit and Risk Management Committee of the Company. On 2 July 2015, he resigned as a member of the Nominating Committee and Remuneration Committee.

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

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

He presently sits on the board of Amalgamated Industrial Steel Berhad, as a Non-Independent Non-Executive Director and several private limited companies.

Mr. Lim is a major shareholder of the Company and the cousin to Dato' Lim Yew Boon, the Executive Director of the Company. He is also the younger brother of Dato' Lim Chee Meng, another major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted for any offences within the past 10 years other than traffic offences.

He has attended ten (10) out of the eleven (11) Board meetings held during the financial year of the Company.

Mr. Soong Chee Keong

Independent Non-Executive Director

Mr. Soong Chee Keong, a Malaysian aged 46, was appointed to the Board on 25 April 2013. He also serves as a Chairman of the Audit and Risk Management Committee of the Company. On 2 July 2015, he was appointed as a member of the Remuneration Committee and resigned as a member of the Nominating Committee.

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

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

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

He also sits on the boards of Abric Berhad and Century Logistics Holdings Berhad.

He has no family relationship with any Directors and/ or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

He has attended nine (9) out of the eleven (11) Board meetings held during the financial year of the Company.

Mr. Vijay Vijendra Sethu

Non-Independent Non-Executive Director

Mr. Vijay Vijendra Sethu, an Australian aged 52, was appointed to the Board of Taliworks on 16 April 2014 as a Non-Independent Non-Executive Director of the Company. On 2 July 2015, he was appointed as a member of the Nominating Committee and resigned as a member of the Remuneration Committee.

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

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

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

Mr. Sethu is a substantial shareholder of the Company. He has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

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

Dato' Sri Amrin Bin Awaluddin

Independent Non-Executive Director

Dato' Sri Amrin Bin Awaluddin, a Malaysian aged 49, was appointed to the Board on 15 September 2014. He also serves as a member of the Audit and Risk Management Committee of the Company.

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

He is the Group Managing Director of Media Prima Berhad since 1 September 2009. Prior to joining Media Prima Berhad, Dato' Sri Amrin held several positions at Amanah Merchant Bank Berhad, Renong Berhad, Malaysia Resources Corporation Berhad and Putera Capital Berhad.

He is the Deputy President of Kuala Lumpur Business Club (KLBC), a Member of the Asian Television Awards Advisory Board, a Board Advisor of Pusat Sains Negara, Board Members of Yayasan Kelana Ehsan and Enactus Education Foundation.

Dato' Sri Amrin sits on the boards of Media Prima Berhad and its subsidiaries. He is also a member of the Board of CIMB Bank Berhad.

He has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

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

Encik Ahmad Jauhari Bin Yahya

Independent Non-Executive Director

Encik Ahmad Jauhari Bin Yahya, a Malaysian aged 61, was appointed to the Board and as a member of the Nominating Committee on 2 July 2015.

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

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

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

He has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted for any offences within the past 10 years other than traffic offences.

He has attended five (5) out of six (6) Board meetings held during the financial year of the Company since his appointment to the Board.

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin

Independent Non-Executive Director

Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, a Malaysian aged 67, was appointed to the Board and as a member of the Remuneration Committee on 2 July 2015.

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

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

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

She was appointed as visiting scholar to the Institute for Environment and Development (LESTARI) at Universiti Kebangsaan Malaysia between 2006 and 2012 and continued to undertake collaborative research on sustainable development. Since 2013 she was appointed "Fellow Kebangsaan" at SEADPRI (Institut Kajian Bencana Asia Tenggara).

She also currently sits on the board of Media Prima Berhad and its subsidiaries namely, Big Tree Outdoor Sdn Bhd and Primeworks Studios Sdn Bhd. She is also a Director of her family owned company Kumpulan RZA Sdn Bhd and its subsidiary Raza Sdn Bhd, as well as its associate companies, ASTRA Capital and ARECA Capital.

She has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest with the Company. She has not been convicted for any offences within the past 10 years other than traffic offences.

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Taliworks Corporation Berhad ("Taliworks" or "the Company"), I am pleased to present the Annual Report and the Audited Financial Statements of the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2015 ("FY15").

The global economic climate is expected to remain challenging due to the slowdown of economic activities in China as well as the lacklustre economic performance of developed economies. The depreciation of Malaysian Ringgit against major foreign currencies, in particular the US dollar arising from the weakening of oil and commodity prices has impacted many Malaysian industries.

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

In spite of this challenging background, I am indeed happy to inform you that we have managed to achieve an encouraging operational and financial performance as reflected in the Group's operational highlights and financial results. Our priority is to maintain a steady and sustainable growth trajectory for the Group through our business model. Our investment and business focus will be continuously streamlined to ensure Taliworks' financial growth and shareholder's value over the short to medium term.

Guided by the Board's direction as mentioned above, we have undertaken several corporate exercises to re-position and restructure our businesses. For an example, in our continuous efforts to nurture and strengthen our toll management business, we have acquired the balance of minority stakes in our highway division over the past year, and subsequently divested a portion of the business to a more strategic partner who has a longer investment horizon. We have also announced proposals to dispose our entire waste management business in China and to acquire 35% stake in a more profitable and sizable solid waste management business locally in Malaysia, subject to your approval at an extraordinary general meeting to be convened. This was done to re-align our business strategies with the intention of sustaining our stated dividend policy and maintaining a constant dividend payout to our shareholders. Furthermore, to enable us to achieve our objectives, we have successfully raised approximately RM138.3 million from a private placement of new shares under unpredictable market conditions which speaks volume of our ability in accelerating our strategic goals.

We are optimistic of sustained growth performance in the coming years by adopting more prudent measures and a wide stance towards optimising new business opportunities both locally and globally.

FINANCIAL PERFORMANCE

Within this context, the Group did reasonably well in FY15, with revenue from operations increasing from RM396.5 million to RM452.1 million for the period under review. This was mainly attributable to the consolidation of the full year financial results of Cerah Sama Sdn. Bhd. which is involved in the toll highway industry. However, after taking into account the impact from the provision for discounting, the Group's revenue was lower at RM410.9 million. Nevertheless, it was still higher than RM353.9 million achieved in the previous corresponding year.

Consequently, the Group recorded a Profit After Tax ("PAT") of RM91.6 million for FY15, compared to RM303.2 million achieved a year ago. The financial results of the Group were significantly impacted by exceptional items recorded in the two financial years. In 2014, the Group registered a gain on restructuring of RM272.7 million whereas in 2015, it recorded a gain on disposal of its 50% stake in the toll highway division of RM59.1 million and RM7.5 million of investment income which was offset by an impairment loss recorded in one of the waste management companies in China amounting to RM6.75 million. Excluding these exceptional items, the Group's normalised profit after tax (which includes the impact from provision for discounting on a deferred payment consideration) would be RM31.73 million, an increase of RM1.27 million year-on-year.

DIVIDENDS

We are indeed pleased that we have exceeded our stated dividend policy and given our shareholders plenty to cheer about. Last year, the Company had announced a total dividend payout of 8.0 sen per share (after adjusting for a share split involving the subdivision of every two (2) existing ordinary shares of RM0.50 each in the Company into five (5) ordinary shares of RM0.20 each in the Company), amounting to approximately RM92.1 million, the highest paid so far in the history of the Company. This was made possible due to the various measures undertaken by the Group to re-align its business model through strategic divestments over the past two years and by keeping a tight lid on the operating cash flows.

Our ability to declare a high dividend payout is also reflected in the performance of the share price of the Company which did extremely well compared to a year ago. Whilst the performance of the Company's securities is subject to market vagaries which are beyond our control, we on our part will continue to strengthen all aspects of the businesses of the Group including seeking viable business propositions, enhancing our risk management capabilities and raising the bar on our corporate governance practices so as to attract a wider shareholder base as well as further improve our profile amongst prominent local and foreign institutional investors. Our journey thus this far, has been made possible by sustained effort and as a testament to this, the Group was included in the MSCI Global Small Cap Indexes for Malaysia late of last year. We will make every effort to further raise our standing towards positioning Taliworks as a reputable and reliable service provider in the water and solid waste management treatment and infrastructure space both locally and within the region.

FUTURE OUTLOOK AND PROSPECTS

During the year under review, the Group worked hard to perform well overall, driven by our core businesses divisions of water treatment and toll highway management. Looking ahead however, the global landscape will admittedly present a number of challenges in the years to come. Cognisant of this fact, we are fundamentally aware that we not only have to be a step ahead of the curve, but must also go all out, and respond immediately to market changes so as to remain competitive. In addition, we realise the need to further re-examine our business strategies regularly, to remain relevant in an ever changing business environment. This will help sustain our growth momentum while balancing the interests of our shareholders and other stakeholders.

Having strong founding principles as the cornerstone of our business - our best business practices and corporate culture are highly integrated into the way we operate our business, and we see ourselves evolving into a dynamic organisation. We aim for continuous growth by rapidly delivering high impact outcomes – thus our ongoing realignment of strategic focus towards mature operational cash-generating utilities and infrastructure businesses. Moving forward, we expect to gain further traction via more strategic alliances, collaborations, as well as mergers and acquisitions to ensure uninterrupted and sustainable growth. Taking into account all these factors, we envisage our performance to keep pace, if not surpass, those of our industry peers in 2016 and beyond.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers, business partners and financiers for their strong support, patience, trust and confidence in Taliworks throughout the years.

I am delighted to welcome Yang Mulia Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and Encik Ahmad Jauhari Bin Yahya, two eminently capable and experienced industry leaders, who are invaluable additions to the Board. We believe that the wealth of experience and leadership they bring, will allow the Group to maximise our effectiveness in our business operations in the infrastructure sector.

Last but not least, I wish to extend my sincere thanks and appreciation to the Management and staff for their dedication, professionalism and diligent efforts during the year under review. Our people and organisational culture are our greatest resources and the pillars of strength behind the success of the Group's endeavours. With their continued contributions and dedication to the Group, I am confident that Taliworks will continue to build upon its core values, laying a strong and durable foundation towards achieving greater heights in years to come.

Thank you.

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

Executive Director's Review of Operations

Over the course of the financial year ended 31 December 2015 ("FY15"), the Board has implemented several key measures to strengthen the financial position of Taliworks Corporation Berhad ("Taliworks" or "the Company") and its subsidiaries ("the Group"), towards further streamlining the corporate structure of the Group as well as to unlock the value of some of Taliworks' investments in the toll highway division. This was a continuation of concerted efforts made by the Board from the previous year all of which are targeted at one specific agenda – that is to create more value for our shareholders through increased profits, higher dividend payouts and the generation of more interest amongst investors by facilitating further liquidity and marketability in the trading of the Company's securities.

We started the year with a fund raising exercise by announcing a private placement of new shares to shore up our cash reserves as we had a few acquisition targets in the pipeline. Unfortunately market conditions at the time were not conducive for a successful placement. Nevertheless, we managed to line up a few notable investors and concluded the private placement last October which brought in fresh proceeds of about RM138.3 million. We also further implemented a share split involving the subdivision of five new shares of RM0.20 each for every two existing shares of RM0.50 held as well as giving away free warrants to shareholders, on the basis of one free warrant for every five shares held after the share split, as a reward to our shareholders for their continued support. The warrants are exercisable into new shares of the Company within a period of three years thus providing shareholders with an opportunity to increase their equity in the Company at a pre-determined fixed price over the duration of the warrants.

Dato' Lim Yew Boon
Executive Director

On the business front, in December of 2015, the Group disposed off half of its interests held in the toll concession subsidiary, Grand Sepadu (NK) Sdn. Bhd., the operator of the New North Klang Straits Bypass Expressway to the Employees Provident Fund Board ("EPF"). This marks our second collaboration with the EPF in the infrastructure space after having sold to them a 49% interest in another toll highway operator, Grand Saga Sdn. Bhd., the operator of the Cheras-Kajang Highway, back in August 2014. We see our business collaboration with the EPF as a strategic alliance that will enable both parties to participate in other mature cash generating utilities/infrastructure businesses that are value accretive to our shareholders.

In conclusion, my opening statement would not be complete without touching briefly on our recent announcements pertaining to our proposed disposal of our waste management business in China which we foresee will raise queries amongst our shareholders whom have been following the developments within Taliworks for a considerable length of time. The Group was initially excited about venturing into waste management business in China attested by our substantial acquisition of a concession right for 30 years to manage and operate a fairly large, 300 million litres per day four wastewater treatment plants with two recycled water facilities in the city of Yinchuan, way back in 2010. Our strategy at the time was to expand our footprint, and take advantage of the vast opportunities offered by the fast growing economy in China. Consequently, acquiring the concessions in the waste management sector, was directly in line with our business plans to manage long term concessions as a means of diversifying our earnings base from that of water treatment, supply and distribution.

However, there has been a recent shift in the business strategies and thinking by the Board, as following an assessment of these investments; they are viewed to be highly unlikely to contribute to a sustained dividend payout to shareholders as the investments in China have a longer gestation period. Considering the best interests of our shareholders, the decision was made therefore to divest these waste management businesses in China, and focus instead, on investing in businesses that can generate returns over a shorter duration. The proposed disposal would also eliminate the Group's commitment to invest in additional capital expenditure in China and to reduce the overall gearing position of the Group. Rest assured, we will be convening an Extraordinary General Meeting ("EGM") in due course to explain our rationale thereto and provide you with all relevant information to make an informed decision. I look forward to your confirmation of support, which will enable the Group to accelerate its business strategies and goals.

REVIEW OF FINANCIAL PERFORMANCE

The following is a summary of the Group's financial performance for FY15 at a glance:-

	2014	2015
Financial Results (in RM'000)		
Revenue	353,914	**410,932**
Operating Profit	344,487	**154,146**
Profit before tax	317,194	**109,744**
Profit for the year	303,158	**91,564**
Financial Position (in RM'000)		
Total assets employed	2,797,870	**2,914,543**
Shareholders' Equity	851,761	**1,146,602**
Key Financial Ratio		
Basic EPS (sen)	27.61	**7.76**
Net asset per share (sen)	78.06	**94.80**
Return on Equity (%)	41.6	**9.2**
Return on Assets Employed (%)	15.8	**3.2**
Net Debt-to-equity (%)	44.9	**33.4**

Overall Summary of Financial Results

For FY15, the Group posted revenue of RM410.9 million, up from RM353.9 million in the previous year while profit for the year came in at RM91.6 million, which is a substantial drop from RM303.2 million recorded a year ago. Revenue for the year was recognised as a net amount after taking into account a provision for discounting on a deferred payment consideration of RM41.1 million (2014: RM42.6 million) arising from the expected delay in collections from Syarikat Pengeluar Air Sungai Selangor Sdn. Bhd. ("SPLASH").

Commentary on the Performance of Revenue of the Group

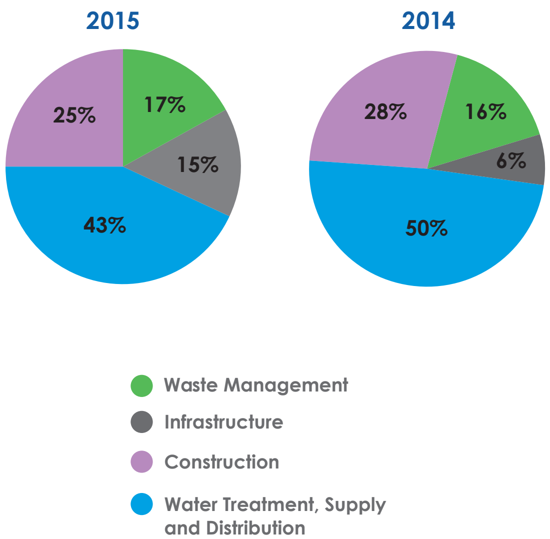
The increase in revenue by about RM57.0 million was primarily achieved from higher contributions from the full year consolidation of results from the toll division, primarily from the Cerah Sama Sdn. Bhd. Group ("Cerah Sama Group"). The toll division contributed close to RM62.8 million in 2015 compared to RM23.2 million in the previous year i.e. an additional revenue of RM39.6 million. In 2014, the Group only consolidated the results of the Cerah Sama Group from August 2014 onwards, thus accounting for the significant difference. As a comparison, the revenue for the full year results of the Cerah Sama Group for 2014 was RM58.0 million.

The other main contributor to the increase in the Group's revenue was from the waste management business in the People's Republic of China. This business segment contributed RM70.7 million, which is an increase of RM15.7 million over the same period last year. In the construction division, out of the RM101.9 million (2014: RM99.3 million) that was taken up as revenue, RM48.2 million (2014: RM33.3 million) was due to the construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements for the construction of a public service infrastructure ("IC 12"). This was in respect of the construction undertaken by a subsidiary, Taliworks Yinchuan Wastewater Treatment Co. Ltd ("Taliworks Yinchuan") for the expansion and upgrading of the Wastewater Treatment Plant No.3 which was completed in the second half of 2015 at an estimated sum of RM83.9 million.

As in prior years, the water treatment, supply and distribution business continues to be the biggest contributor to the revenue of the Group, accounting for close to 43% (2014: 50%) of Taliworks' total revenue, after taking into account the impact of the provision for discounting. At the operational level, the water treatment, supply and distribution business registered a marginal drop in revenue from RM218.4 million to RM216.7 million attributable to the reduction in the amount of electricity rebates arising from the introduction of the "Imbalance Cost Pass-Through" ("ICPT") in March 2015 by Tenaga Nasional Berhad whereby a rebate of 2.25 sen/kWh of electricity used from March 2015 to December 2015 was given. On the flip side, the unit electricity cost/m3 of treated water has also gone down correspondingly. Despite the decline in the income, metered sales from the Langkawi operations grew by 2.8% whilst the production from the Sungai Selangor Water Treatment Works Phase I ("SSP1") operations remained relatively flat.

In the construction segment, revenue other than from the IC 12, was substantially derived from the on-going Mengkuang Dam Expansion project which has entered into its fourth year, and is now expected to be completed in 2017. As for the Group's waste management operations in China, the biggest contributor was from the Yinchuan Wastewater Treatment Plants with Recycled Water facilities which represents our largest foreign investment to-date. Out of the total RM70.7 million (2012: RM55.0 million) of revenue in the waste management segment, RM49.5 million (2014: RM41.6 million) was directly contributed by Taliworks Yinchuan. However, the main reason for the jump in revenue was from the appreciation of the RMB/MYR. The average exchange rate that was recognised was RM1:RM0.6255 against RM1:RM0.5318 in 2014. At the operating level, the production for the operations of Puresino (Guanghan) Water Co Ltd ("Puresino Guanghan") was up by almost 100% whereas the Taliworks Yinchuan operations was marginally higher by 0.5%. On the other hand, the operations at the waste transfer station over at Tianjin-SWM (M) Environment Co Ltd ("Tianjin-SWM") finished the year lower by 0.4%.

To summarise, below is the graphical representation of the contribution by each of the Group's business segments to total revenue.



Commentary on Performance of the Profit of the Group

The profit performance for the past two financial years has been substantially affected by the occurrence of exceptional items, as Taliworks has been rather active in restructuring and re-organising its various business segments, involving the acquisition and disposal of its subsidiaries to re-align its business divisions towards a more focused group structure. Further details of these transactions can be found in Note 47 to the financial statements – Significant Events. Profit in 2014 shot up substantially to RM303.2 million compared to RM25.1 million in 2013, attributable to an accounting gain on restructuring of RM272.7 million as a result of the Group gaining control of the then jointly controlled entity, Cerah Sama Sdn. Bhd. which required Taliworks to fair value Cerah Sama. Stripping out this gain, the Group would have registered a profit of approximately RM30.5 million purely from the standpoint of its operations. Likewise for 2015, the Group made a gain on the disposal of a 50% interest in a subsidiary, Pinggiran Muhibbah Sdn. Bhd. ("Pinggiran Muhibbah") to the EPF, amounting to RM59.5 million. Concurrently, the financial results of the Group were also impacted by other factors such as the strengthening of foreign currencies and impairments, in particular the impairment on intangible assets made by one of the subsidiaries, Tianjin-SWM amounting to RM6.7 million which is further elaborated upon in the review of the Tianjin operations below. Based on the reported profit for FY15, the earnings per share was 7.76 sen (2014: 27.61 sen).

In terms of segmental performance, the water treatment, supply and distribution division, contributed a Profit After Tax ("PAT") of RM71.1 million (2014: RM63.9 million). The construction division meanwhile generated RM5.6 million (2014: 5.5 million), and the toll highway division RM11.3 million (2014: RM2.2 million) whereas the waste management business in China continued to suffer losses amounting to RM18.2 million (2014: RM9.9 million) although the Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") for the division stood at RM13.3 million (2014: RM22.3 million).

The positive variance seen in the performance of the water treatment, supply and distribution business was achieved mainly from a lower net provision for discounting of RM15.9 million compared to RM26.9 million a year ago, as we had in the First Quarter Interim Results, revised our outlook on the estimated repayment from SPLASH within the next twelve months to be RM100.6 million from a previously held position of RM88.8 million. Although the metered sales for Taliworks (Langkawi) was higher compared to last year and production at SSP1 was relatively flat, margins were compressed by higher maintenance and rehabilitation expenses incurred and staff costs. This would normally be the case as tariffs remain unchanged whilst costs are higher due to inflationary pressures.

The profit performance from the construction division which remained fairly unchanged from 2014; was within expectations given that there was not much growth in the top line number. However, it should be noted that revenue contributions from the on-going Mengkuang Dam Expansion Project and SSP3 Project (which was substantially completed) declined compared to the previous year due to a lower percentage of completion recognised from these projects.

As mentioned above, the Group consolidated the financial results of Cerah Sama from August of 2014 when the company became a subsidiary; thus the higher profit contribution was recognised this year. The toll highway division managed to outperform due to proceeds from investment income, higher average daily traffic ("ADT") as well as from the impact of a toll increase in October 2015. Consequently arising from the consolidation of the toll highway division's results, the share of results from the joint venture, which was previously from Cerah Sama, showed a significant reduction. Other costs of the Group including finance costs, depreciation and amortisation, staff costs have also increased substantially due to consolidation of the toll highway division's results for the full year.

Statement of Financial Position

There were three major transactions during the year that greatly impacted the financial position of the Group as at FY15. The first transaction involved the acquisition by the Group of the remaining interests held by minority shareholders in Cerah Sama and Pinggiran Muhibbah which resulted in a significant reduction in the amount held by Non-Controlling Interests from RM523.7 million to RM286.6 million. However, arising from these transactions, there was also a substantial cash outlay as reflected in the Investing Activities in the Statement of Cash Flow for the year. Next was a private placement of 43.98 million new shares priced at RM3.20 per share (which was completed before the Share Split) which raised net proceeds of approximately RM138.3 million. This has the effect of increasing the total equity attributable to owners of the Company. Lastly, the disposal of 50% interests in Pinggiran Muhibbah to EPF raised additional proceeds of RM66.75 million which resulted in a gain on disposal amounting to RM59.5 million to the Group.

As at the year end, the carrying amount of Intangible Assets was higher at RM1.79 billion, an increase of RM97.4 million. This was largely attributable to currency translation differences from the strengthening of the RMB against the MYR as well as additional capital expenditure incurred on the expansion and upgrading of the Taliworks Yinchuan Wastewater Treatment Plant No.3. Likewise, borrowings of the Group, in particular long-term borrowings have also increased by another RM84.4 million to RM803.7 million due in part to the currency translation differences and additional drawdown of bank borrowings to fund the said expansion and upgrading.

As reported in the Auditors' Report, the high trade receivables, particularly the amount owed from SPLASH continues to be a major concern as it has long been outstanding due to the uncertainties in the Selangor water consolidation. As at the end of the year, the carrying amount of trade receivables, both current and non-current has shot up to RM403.6 million from RM379.4 million. Provision for discounting on deferred payment consideration on time value of money continues to be applied. However, we have not considered any provision for doubtful debts at this juncture, as we are optimistic that repayments from SPLASH will be forthcoming once the relevant parties have resolved the various issues surrounding the Selangor water consolidation exercise.

Deposits, cash and bank balances and together with available-for-sale financial assets (which are essentially funds deposited into money market funds with unit trust companies) increased by RM84.8 million to RM443.7 million over the course of the year.

This increase in holdings was due to a combination of a few factors namely from proceeds received from the private placement, disposal of Pinggiran Muhibbah as well as a refund of RM75.0 million from a joint venture. However, the Group's cash total has also been reduced, as funds were used to buy out minority shareholders, as well as for payment of dividends to shareholders and minority shareholders of subsidiaries during the year.

WATER AND ENGINEERING DIVISION

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

The average production from SSP1 operations was marginally lower at 957.0 million litres per day ("MLD") compared to the average of 958.3 MLD for 2014 signalling that demand growth has abated somewhat. In 2014, SSP1 had registered a growth of 2.6% due in part to the completion of the upgrading of the SSP1 pumping systems coupled with the growing water demand from consumers. The total production for the three major water treatment plants (SSP1/SSP2/SSP3) along the Sungai Selangor river has tapered off however, with an average production of 2,677 MLD; which was just slightly under 1% higher than 2,653 MLD achieved a year ago. As opposed to the situation in early 2014 when there was a serious drought that affected the availability of raw water, production in 2015 was not held back by lack of raw water but by a levelling in demand by Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS") downstream probably due to lacklustre demand from consumers arising from the decline in economic growth.

The Sungai Tinggi and Sungai Selangor dams started the year at 65.8% and 69.8 % storage respectively. With the proactive action of the State through its agencies, namely the Unit Perancang Ekonomi Negeri ("UPEN") and Lembaga Urus Air Selangor ("LUAS") and the close monitoring of the Sungai Selangor river levels to optimise dam releases including strategic releases from the mining ponds, the dam levels have risen to 86.8% and 100% respectively at the end of December 2015, with the increase in rainfall over catchment areas. SSP1's production for 2016 is expected to be demand driven and not constrained by availability of raw water, a least for the first half year. With the completion of upgrading works in March 2013, SSP1 production has now returned to its original design capacity of 950 MLD and is capable to be overloaded by about 10% to 1,045 MLD if such a situation arises.

As production is now at its design capacity, the management has ensured that all equipment is kept in good optimal working condition, with all preventive maintenance properly planned and executed. Rehabilitation, upkeep and maintenance costs which made up almost 13% of the operating costs for the year totalled RM11.9 million (2014: RM11.3 million).

The other major components of production costs i.e. electricity and chemicals took up 51% and 16% respectively of the operating expenditure. To keep a tight lid on the unit operating costs, the management has several measures in place including continuous refurbishment programmes for the major pumps and motors and the progressive introduction of energy efficient equipment in plant operations. Despite the expected normal deterioration in pump efficiencies due to wear and tear, the overall specific energy consumption at the Intake and Treatment plants was at 0.4172 KWHr/m3 (2014: 0.4155 kW/Hr/m3) reflecting the effectiveness of the pump rehabilitation programme carried out so far. The unit electrical cost saw a 6% reduction as a result of the introduction of the ICPT in March 2015. Similarly unit chemicals cost also registered a decline but by a small quantum. Although raw water quality appears to not have deteriorated further, vigilance will continue to be exercised not only to keep any problem under control but to respond speedily to changes in quality so as to minimise any disruption in the treatment process.

There were no serious untoward incidences of raw water pollution in 2015, with raw water quality surveillance programmes carried out at regular intervals. The use of Streaming Current Detectors in the monitoring of the coagulant dosages and the installation of lamella modules in the Stream A Pulsators has contributed significantly in improving the quality of the settled water. Given the prevailing quality of raw water, the treatment regime can be considered to be very effective with compliance rates in excess of 97.1% for selected parameters based on the 2-hourly daily treated water samples taken at the water treatment plant over the past two years.

In recognition of its operational and maintenance standards, the SSP1 Water Treatment Plant continues to be accorded ISO accreditation under the following ISO schemes:

- MS.ISO 9001:2008 Quality Management System certification for 'Operation and Maintenance of Water Treatment Plant' since 2003 and is testimony to the continued high standards that it has been operating under;

- The SSP1 Laboratory has been certified under the SAMM Accreditation Scheme to ISO/IEC 17025: 2005 since 2000 and has maintained this accreditation to the present.

- ISO/IEC 27001:2013 Information Security Management System for the management of information associated with the operation of water treatment plant, water intake pump station, Matang Pagar and Bukit Mayong reservoirs. It is one of the few water operations specialists in Malaysia to have obtained this certification.

Overall, SSP1's operations have been smooth and stable with no major operational problems encountered through the year. However, the on-going and unresolved consolidation of the Selangor water concessionaires by the State and Federal Governments remains a key risk. The stand-off has led to SYABAS partially paying the monthly invoices of the Selangor water concessionaires over the past six years, thereby resulting in Sungai Harmoni being partially paid by SPLASH. As at the end of the year, the amount due and owed by SPLASH has ballooned to RM397 million, up from RM337 million a year ago and putting a tremendous strain on the cash flow of the company. To alleviate the financial burden faced by Sungai Harmoni, SPLASH has extended financial assistance by paying up to 70% of the invoiced value since August 2012 but this has been reduced to approximately 60% since January 2015.

In September of 2015, the Selangor State Government, through Pengurusan Air Selangor Sdn. Bhd. ("Air Selangor") and the Federal Government through Pengurusan Aset Air Berhad sealed the facilities, lease, rights of use and settlement agreements which paved the way for the enforcement of the subsequent purchase of the water assets of Puncak Niaga Holdings Berhad that allowed Air Selangor to take over Puncak Niaga (M) Sdn. Bhd. and SYABAS. The State also announced the takeover of Titisan Modal (M) Sdn. Bhd., the holding company of Konsortium ABASS Sdn. Bhd. by Air Selangor, which was subsequently completed in January 2016, and which operates and maintains the Sungai Semenyih Water Supply Scheme. It is reported that the deadline for the takeover of SPLASH is the second half of 2016 and the affected parties are reportedly to be in negotiations.

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

Metered demand growth in Langkawi for the year appears to be following the trend of increase set in the previous year, posting a growth of 2.8% (2014: 5.0%) despite the economic uncertainties facing the tourism industry on which Langkawi's economy depends. With an improving external outlook especially in light of the weak Malaysian currency and the promotional efforts by the Government, this growth trend appears to remain on an upward path, albeit on a modest scale.

The total production output from the five water treatment plants managed by the company rose slightly by 1.3% to 88.45 MLD in 2015 compared to the 2014 average of 87.35 MLD. Over the same period, metered sales registered an average of 51.59 MLD, a robust 2.8% higher than the 2014 average metered sales of 50.18 MLD.

With a positive uptrend expected this year, the production and sales outlook is set to continue, in the light of the weakened Malaysian currency but this may be clouded by the world economic outlook in the light of Langkawi's tourism linked economy. Nevertheless, in anticipation of recovery of the global financial and economic order, better metering efficiencies and continued domestic demand, it is projected that metered consumption in the following year will still be positive.

After some lengthy re-negotiations with the principal, Syarikat Darul Aman Sdn. Bhd. ("SADA") and the Kedah State Government on the request by SADA to further reduce the contracted bulk sales rate ("BSR") over the remaining period as authorised by Suruhanjaya Pengurusan Air Negara ("SPAN"), a revised BSR was agreed and confirmed by SADA in March 2015 whereby the new revised BSR for the years 2014 to 2017 and from January 2018 to the end of the Langkawi Water Supply Privatisation Agreement in October 2020 was fixed at RM2.15/m3 and RM2.24 /m3 respectively. This corresponds to a reduction of 6 sen and 7 sen for the respective periods. Accordingly, payments from SADA have improved gradually with the amounts due and owed by SADA reducing from RM54.8 million to RM48.5 million as at the end of 2015.

Since electricity and chemicals comprise approximately 38% and 4% respectively of the operating expenditure, proper management of these two cost components formed the basis of management's continued efforts in controlling overall operation costs. As the number of installations involved e.g. the water treatment facilities, pump houses, bunded storages, dam etc, the unit costs of electricity have decreased by about 6.8% compared to the previous year owing to a number of factors but principally arising from the introduction of the ICPT in March 2015. Despite the increase in chemical prices in May 2015, the unit chemical cost was lower by about 5.4% compared to the previous year on account of better raw water conditions and management has also undertaken responsive treatment regime to effectively manage the unit chemical costs. An effective and stepped up pump maintenance and rehabilitation programme helped to keep the pumping installations in efficient running order and keep pumping costs at a manageable level. For FY15, rehabilitation, upkeep and maintenance added up to RM6.1 million (2014: RM4.9 million). Given the diverse number of raw water sources, the treatment regimes that were required were considered to be quite effectively managed to the extent of producing water of the required quality in excess of the 99.5% compliance mark for most of the parameters, based on the two hourly daily treated water samples taken.

Apart from managing the unit operating costs, Taliworks (Langkawi) has been managing a progressively increasing consumer base as well as expanding water supply and distribution assets as the population and economy of Langkawi grows and water demand increases. Our consumer base has grown from 9,998 accounts in 1995 to about 25,994 accounts, comprising 21,487 domestic and 4,507 non-domestic (commercial) accounts by the end of 2015. Apart from managing these assets and consumer accounts to ensure supply of water to the required quality and quantity at all times, the company is tasked with issuing issue water bills to consumers at monthly intervals and this figure has reach to 27,943 bills per meter reader per year in 2015.

Taliworks (Langkawi) is actively involved in controlling and reducing Non Revenue Water ("NRW") levels through various activities. Amongst the activities carried out in 2015 are the following:

- Identification of pipelines with high leak frequencies through the GIS facility to be recommended to SADA for replacement;
- A total of 2,400 spoilt consumer meters have been replaced during the year and this will be followed by a staged replacement of aged meters in the following year;
- Continually improving the Active Leakage Control programme;
- Stepping up the pressure management programme in the distribution system by installing additional Advance Pressure Management System in a few more District Metering Zones ("DMZ") and adding online pressure monitoring systems at critical points within the DMZs;
- Programmes that involve all levels of staff in reporting visual leaks. The meter readers have been most active in making this a success; and
- Staged replacement of communication pipes with PN16 instead of PN12 rated HDPE pipes, as low quality communication pipes have been identified as a significant cause of pipeline leakages.

Thanks to these efforts, to date management has managed to reduce NRW from 42.27% in 2014 to 41.34% in 2015.

In recognition of its operational and maintenance standards, Taliworks (Langkawi) continues to be accorded accreditation under the following ISO schemes:

- ISO 9001:2008 Quality Management System for the management and support services for the operation of Padang Saga 2 & 3, Bukit Kemboja and Sungai Baru water treatment plants including the maintenance of the existing distribution network and consumer services;
- ISO/IEC 27001:2013 Information Security Management System for the management of information associated with the monitoring and operations for the supply of potable water to Langkawi, covering the treatment processes, water distribution system and consumer affairs;
- The Padang Saga WTP and Sungai Baru WTP were conferred with the SAMM ISO/IEC 17025 accreditation in March 2008. This accreditation has been maintained up to the present and is testimony to the standard of water quality testing excellence implemented.

With the continued conferment of the above certifications, Taliworks (Langkawi) has achieved a level of excellence in conformance with the highest level of quality management systems, far ahead of many larger water industry players who have yet to achieve the same. Taliworks (Langkawi) has also pioneered a novel and cost effective way of dewatering treatment plant residuals using "GeoTube" at the Bukit Kemoja and Padang Saga 3 treatment plants. This system is recognised by the Department of Environment and has since received a lot of attention from Pengurusan Aset Air Berhad and other water operators for its simplicity in design and operations.

One of the main risks facing Langkawi now is the continued increase in water demand especially during the peak holiday seasons whilst the total production capacity has remained the same with no new production facilities since 1997. This situation has been brought up in different forums and to different interested parties, however so far no concrete plans have been approved for increasing production capacity nor reducing NRW. The coming years will be very challenging as Taliworks (Langkawi) strives to maintain the high level of service the Langkawi community has grown accustomed to, in the face of a decreasing water supply and aged production and distribution facilities. Nevertheless, management will endeavour to manage the risks effectively given the constraints that it faces.

ENGINEERING & CONSTRUCTION DIVISION

During the financial year under review, the Group saw significant progress in a number of on-going construction projects. Despite the normal hiccups experienced like in any other construction project, the Group managed to address most operational issues to ensure that the projects are well managed and delivered on time to the clients. Throughout the year, the Group has been actively participating in the tendering of infrastructure related projects and we expect to continue to grow this business segment given our track record over the past few years in undertaking infrastructure projects especially those relating to water treatment facilities.

Currently, the biggest undertaking by the Group is the Mengkuang Dam Expansion project which we secured from the main contractor i.e. China International Water & Electric Corp. (M) Sdn Bhd for a contract sum of approximately RM339.0 million. Sub-contract works were spread amongst several major sub-contractors and our portion of the work ("Stage 1 Works") commenced four years ago in 2011. Due to the extension of time ("EOT") granted by the Ministry of Energy, Green Technology and Water ("KeTTHA") to the main contractor, our undertaking on the Mengkuang Dam Expansion project is now targeted to be completed in the second half of 2017 instead of in August 2016. Stage 1 Works had been completed in August 2015 but the handing over was delayed to May 2016 at the request of KeTTHA. Stage 2 Works which comprises of heightening of the existing Mengkuang Dam, construction of spillway, valve house 1, draw-down system, perimeter road and dam instrumentation for Dam 1 commenced in February 2014. Based on the revised timeline, the physical completion as at the end of the year was about 79.9% compared to the scheduled progress of 78.0% (assuming all EOTs applied for are granted). Payments from the main contractor on this project have been encouraging and this resulted in the Group being able to manage its cash flows more efficiently. Accordingly the payments to the sub-contractors and suppliers have been prompt and this has ensured that there were no disruptions to the work schedule.

Our second project entails the supply and laying of 1,200 mm diameter steel pipes and associated works from Bukit Jelutong, Shah Alam to Bukit Raja, Klang ("SSP3 Project") at a contract sum close to RM30.6 million which was awarded to an unincorporated joint-venture, LGB-Taliworks JV by the State Government of Selangor. Whilst the SSP3 Project was scheduled to have been completed in July 2015, it experienced an unduly long delay in approval from the relevant authorities for the last stage of the project. The project is physically completed end of March 2016 but awaiting the issuance of the Certificate of Practical Completion by the Unit Perancang Ekonomi Negeri ("UPEN"), which is the state planning economic unit.

From the Group's participation in a number of tender bids during the year, we managed to secure a contract from Pengurusan Aset Air Berhad known as the "Proposed Development of Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur Package 7" ("SSP7 Project") for the construction of a 92-million litre balancing reservoir at a contract sum of approximately RM75.9 million to be completed within twenty-seven months. The contract was secured by a 20% associate company, LGB Taliworks Consortium Sdn. Bhd. As at the end of the year however, the date of commencement has yet to be approved by the principal and physical work has yet to commence on site.

Thus far, all the projects undertaken have achieved a decent profit margin despite prevailing fierce competitive market conditions. This success is attributed to the prudent project and risk management measures implemented by the management. Apart from the usual cost control by out-sourcing the labour to labour-only sub-contractors and hiring of plant and machinery from suppliers to avoid holding or idling costs after completion of a project, the Group has also out-sourced some of the services in particular health and safety and environmental monitoring services on site as we find these to be more cost effective.

Nevertheless, there are still several challenges the Group faces in this sector, including price fluctuations in construction materials and a shortage of foreign construction workers. Both of these factors have contributed to rising construction costs and would have an adverse impact to our margins especially those contracts with fixed rates. Aside from these, higher costs would have to be incurred to implement all the safety precautions and measures, environmental management plans, traffic control plan etc to meet the requirements of safety, health and environment protection at site.

TOLL HIGHWAY DIVISION

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

During the year under review, the Cheras-Kajang Highway witnessed a significant growth in its traffic volume due to the substantial completion of the Mass Rapid Transit ("MRT") project construction works along the highway. The average daily traffic ("ADT") jumped from 131,152 vehicles per day in 2014 to 135,133 vehicles per day in 2015. This translates into a growth of 3.0% compared to a sharp decline of 4.9% experienced in the previous year due to the then on-going MRT works. The substantial completion of the MRT ground works along the affected stretches of the highway in the first half of the year led to lesser frequent lane closures which helped alleviate peak-hour traffic congestion.

In terms of ADT growth by plaza, Plaza Batu 9 and Plaza Batu 11 grew by almost 1.9% and 4.4% respectively. The higher growth rate in ADT at the Plaza Batu 11 was attributed to the closure of the entry for the city bound traffic at the Balakong Interchange from May till October in the previous year.

In view of the toll hike that took place in October of 2015, and given the current challenging economic environment, various efforts had been made by Grand Saga to promote the usage of the highway. This included intensifying promotional activities through the corporate website and social media platforms like Facebook and Twitter with the intention of easing road users' information accessibility. Specifically, info-graphics were prepared showing the availability of alternative routes for road users to bypass toll; the highway's contribution to the development of the Cheras-Kajang corridor as well as the affordability of its toll rates with the closure of one bound in March 2012 whereby the current toll payable (after toll increase) for return journey is similar to the rates that the commuters used to pay in year 2003.

Being a fairly mature intra-urban highway and driven by rapid population growth and coupled with promotional efforts by Grand Saga, the toll increase has had minimal impact on the ADT, reducing by less than 2% in the first few weeks after the toll hike was implemented. In respect of the year 2016, we would expect the traffic ADT to fully recover to normalcy by end of the first quarter.

In support of the Government's initiatives towards faster and smoother traffic flow at toll plazas, Grand Saga commenced 100% Electronic Toll Collection at both toll plazas with effect from 13 January 2016, whereby payment of toll is restricted only to Touch 'n Go cards and SmartTags. This had greatly reduced traffic congestion at the toll plazas by shortening the toll transaction time per vehicle whilst improving the overall level of service. In order to encourage the conversion to the electronic tolling, Grand Saga extended certain incentives during the promotional period, including by offering a 10% toll discount for a two months' period, issuing 20,000 free Touch 'n Go cards where the users need to pay only a nominal sum of RM5.00 for a toll top up and the sale of SmartTags at a promotional price within a limited period.

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

Being the first year in operation under a new management team following the successful taking over by Grand Sepadu of the concession rights and assets to the New North Klang Straits Bypass Expressway ("NNKSB") in December 2014, immediate focus and efforts have been placed in initiating effective management practices, measures, and procedures including improvement of operational efficiency and cost control. In addition, the management team in place is currently being overseen by the senior management team from Grand Saga.

The management had also embarked on a concerted drive to raise the public awareness of the highway, towards improving the traffic flow along the NNKSB. Among the initiatives implemented including the installation of additional directional road signages both within the highway, other connecting highways and local roads within a 5-Km radius of the highway. Additionally, public information on popular destinations accessible via the highway and other useful information were disseminated to the public via the social media platforms.

During the year under review, the overall ADT at NNKSB experienced a marginal growth of 0.2% compared to the ADT in the previous year. In terms of growth of ADT by toll plazas, MOC A saw a robust growth of 27.7% to 3,503 vehicles per day, MOC B at 5.5% to 8,720 vehicles per day, Kapar Toll plaza at 2.0% to 11,798 vehicles per day whereas Bukit Raja experienced a dip of 1.9% to 63,725 vehicles per day. Based on the measures implemented and currently being undertaken, management expects the ADT to improve further in the following year.

As part of its commitment to provide greater and comfortable driving experience to the road users, whilst ensuring that the roads are always maintained in top condition, management had undertaken pavement rehabilitation works along the Highway. Management had set aside RM6.0 million for the pavement improvement works in 2015 and the works were duly completed in the same year. In line with the Grand Sepadu's strategy to enhance the highway amenities and facilities, the management will continue to monitor and perform pavement condition assessment periodically to meet the safety requirements as well as to provide the overall riding comfort. Management is also currently making arrangements to implement the 100% Electronic Toll Collection at all its toll plazas in June 2016 in line with the Government's initiatives towards faster and smoother traffic flow at the toll plazas.

WASTE MANAGEMENT DIVISION

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

Compared to the previous year, the tonnage of waste processed was marginally lower by 0.4% i.e. at 298,534 tonnes (2014: 299,608 tonnes), which translates to 818 tonnes/day (2014: 821 tonnes/day. In terms of tonnage of waste processed, there has been a marked decline over the years with these two past years having the lowest production since the operations first commenced in 2005. This is attributable to on-going protracted negotiations between the management of Tianjin-SWM and the authorities on a proposal made to revise both the minimum guaranteed tonnage and the tariff rates towards making operations more economically viable in the long term.

Arising from the these issues, the management is unable to fully upgrade the aging fleet of trucks, thus impacting its ability to provide better service as well as increasing the overall cost of doing business as a result of operating at the minimum tonnage. For the year under review, Tianjin-SWM experienced an increase of 7.3% in operating cost per ton as compared to the previous year. The upsurge in the operating cost per ton is largely attributable to the higher leachate treatment cost incurred to meet the stringent environmental protection law which came into effect on 1 January 2015. Moving forward, more stringent regulation is expected from the environmental protection bureau.

As a result of the stalemate in the on-going negotiations which has remained unresolved, the management is of the view that it is unlikely to increase the production for the remaining concession period until 2025 from its current levels to significantly minimise the unit operating costs. Coupled with higher operating costs from not having the economies of scale and uncertainties with regards to other operating issues, the management had made an impairment of RMB10.8 million (which is equivalent to RM6.7 million) on the carrying amount of the concession rights to operate the Tianjin waste transfer station.

Nevertheless, despite all the shortcomings, the management will strive to continue to place efforts in improving the transfer station general facilities and equipment in the transfer station and simultaneously upgrading its level of service quality.

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

During the year under review, the tonnage of wastewater effluent processed at the San Xin Dui wastewater treatment plant was significantly higher at 14.54 million litres (or 39.8 MLD), doubling that of 7.23 million litres (or 24.3 MLD) achieved a year ago. This was mainly due to the major plant rehabilitation works that were carried out from August to December 2014. As a result of the increase in production, plant utilisation came in close to 80% compared to 49% in 2014. Another significant development during the year was that the management control and operations of the wastewater treatment plant was returned by the Guanghan Government to the management of Puresino Guanghan with the completion of the rehabilitation works. The operations of the wastewater treatment plant had been managed temporary by a caretaker company in May 2011 arising from an on-going shareholders' dispute.

As the plant operation has resumed to almost full capacity level, the operational cost (excluding depreciation) per tonne increased by 9.8%, over that of 2014. This was mainly due to increased staff costs, chemicals costs, sludge disposal charges and higher plant maintenance costs having to be incurred after years of low upkeep and maintenance by the caretaker company. A higher dosage of chemicals was required to ensure all effluent discharge met the stringent regulation controls for environmental protection, whilst higher costs were incurred for proper disposal of sludge to meet environmental requirements.

The quality of the influent has deteriorated somewhat due to inflow of industrial wastewater into the plant and this has been notified to the relevant authorities with the focus being on the existing plant's design limitations as the BAF tank required more frequent backwash in order to reduce the high NH4-N content in the industrial wastewater, and which will ultimately impact the daily capacity of the plant. To address this issue, the local government has requested Puresino Guanghan to upgrade the plant effluent discharge to standard 1A and expand the plant capacity by double to 100 MLD. According to a preliminary feasibility study, the total investment cost could be around RMB130.0 million, (which is equivalent to RM86.0 million), which the management is currently reviewing. Prompt payment remains a pressing issue with the amount due and owed by the Guanghan City Government standing at RMB30.6 million (2014:RMB26.1 million) (which is equivalent to RM20.2 million; 2014: RM14.7 million). It is envisaged that full payment will only be recovered within three years.

It is indeed unfortunate that the on-going dispute with the minority shareholder has yet to be resolved amicably despite our previous optimism that it would be settled in the near term. Nevertheless, after a few rounds of discussions, both parties are determined to find a workable solution and work towards an amicable resolution. We are hopeful to resolving this issue in the coming year.

Taliworks (Yinchuan) Wastewater Treatment Co. Ltd ("Taliworks Yinchuan")

In 2015, the amount of treated wastewater increased marginally by 0.5% to 120.44 million litres, an aggregate average daily treated volume of 330.0 million litres, which is marginally below its newly expanded daily capacity of 350.0 million litres. This is understandable since the upgrading and expansion of the Wastewater Treatment Plant No. 3 to increase its capacity by another 50 MLD was only completed towards the third quarter of the year. However, there was a surge in unit operating costs (excluding depreciation) of 29%. This is mainly attributable to the two additional chemicals i.e. Liquid PAC and Sodium Acetate Trihydrate; required by the Wastewater Treatment Plant No. 3, which is currently operating according to the national wastewater effluent discharge standard 1A from standard 1B previously. Even though Taliworks Yinchuan has been incurring higher production costs, however, the tariff for Wastewater Treatment Plant No. 3 has yet to be determined and confirmed by the relevant authorities as it is pending an audit.

Following the completion of upgrading and expansion of the Wastewater Treatment Plant No. 3, Taliworks Yinchuan will continue its expansion and upgrading programmes for the other three wastewater treatment plants, targeted for 2016 and 2017. The estimated additional capital investment for the entire upgrading and expansion programme for the three wastewater treatment plants will cost approximately RMB649.0 million (which is equivalent to RM429.0 million). The expansion of these wastewater treatment plants is crucial in view of two out of the three are operating beyond their design capacity. For the year, Wastewater Treatment Plant No. 4 is operating at an average of 122% whilst Wastewater Treatment Plant No. 1 is close to 98% of its design capacity. The expansion and upgrading is also to meet the future demand for treated wastewater in Yinchuan and to comply with more stringent environmental standards imposed by the government.

As for recycled water, last year recorded a sale of 5.4 million litres which is about one third of the operating design capacity of the plant, almost similar to that of the year before.

Ningxia Eco Wastewater Treatment Co. Ltd ("Ningxia Eco")

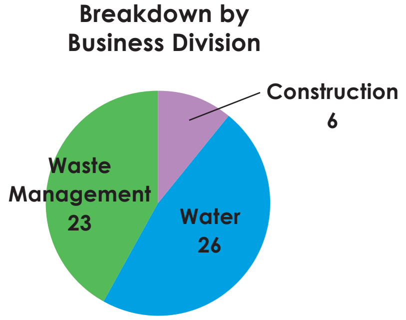
As reported in the previous year, construction on the first phase of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant commenced in 2011 and had since been halted since April 2013 as the authorities could not deliver sufficient off-take from the power plants and other industries within the industrial park where the facility was located, thus making the project no longer viable to proceed.

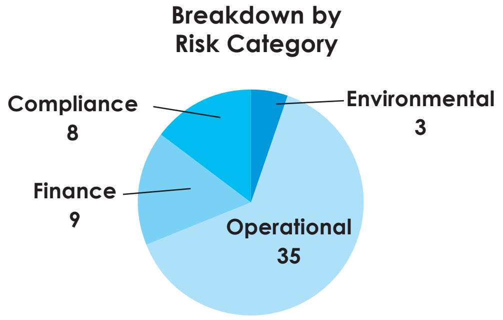
Ningxia Eco has been in discussions with the relevant parties to sell back the plant to the Yinchuan Ningdong Energy and Chemical Base Management Committee and to have the concession agreement terminated amicably. A termination value of RM38.6 million (which is equivalent to RM22.5 million) was offered based on an initial independent valuation report which Ningxia Eco was not agreeable to, in view of the amount of capital expenditure of approximately RMB62.0 million (which is equivalent to RM41.0 million) that was incurred. Since the validity period for the initial compensation offer has expired, a second independent valuation was jointly engaged by both the parties and as at year end, has yet to be finalised.

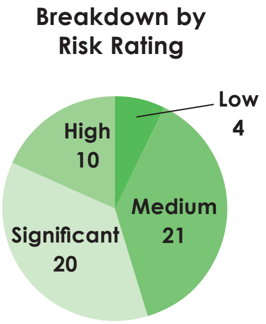
RISK MANAGEMENT

Currently, the review of the Group's risk is undertaken twice a year and reported to the Risk Management Working Group who then reports to the Audit and Risk Management Committee.

As at 30 September 2015, being the latest date for a risk assessment to be undertaken by the Group, the risk profile of individual operating subsidiaries are summarised into the following:-







After considering all the risk ratings from each of the operating subsidiaries, the Group has identified the following risks areas that would warrant close attention:-

(a) continued delay in the payment from SPLASH which impacts cash flow and increase credit risk – High risk

(b) financial sustainability of the Yinchuan Project from high capital expenditure outlay and returns which are yet to be determined – High risk

(c) unfavourable outcome from the Selangor water consolidation impacting business continuity – Significant risk

The Group will continue to monitor closely and take the necessary actions to address any arising issues with specific action plans to minimise the exposure to those risks that have been identified.

KEY PRIORITIES AND CHALLENGES

As in previous years, Taliworks will continue to pursue business opportunities to expand and grow our core businesses, including through mergers and acquisitions. In this respect, we have identified the infrastructure sector as one of the areas that the Group would focus on and to support us along the way, we will leverage on others who share a common goal to invest into such sector. Taking advantage of the healthy cash resources at our disposal, we indeed have the financial flexibility to shop around, both locally and abroad.

The impasse in the negotiations between the Selangor government and the shareholders of SPLASH will continue to pose a considerable risk for us, so we are hopeful that a final outcome would be known and determined within these next few months as the dateline to resolve the long protracted issue is drawing near. We are optimistic however that all parties concerned are working hard to see some closure on this matter especially now that the Selangor government has successfully acquired all other concessionaires except for that of SPLASH.

Thank you.

DATO' LIM YEW BOON
Executive Director

Corporate Sustainability Statement

In today's broad marketplace where the interest of all stakeholders are inter-linked, it is no longer tenable to attain a successful and sustainable business model directed solely to maximising profits without any regards whatsoever to the potential repercussions to these stakeholders, who are in a position to impact an organisation in achieving its corporate mission and goals.

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

At Taliworks, we recognise the importance of CSR as an integral part of our business as we continue to ensure a sustainable future for our business while being committed to achieve a balance among the interests of all stakeholders. Being a responsible organisation, we view CSR not just as philanthropy, but as part and parcel of our organisational culture and philosophy.

To attain our vision to be a formidable and respected service provider in the water, waste and infrastructure sectors in the region in an ever challenging and dynamic business environment, we recognise our obligations, not only to deliver and support long term shareholders value, but simultaneously make conscious efforts to bring about a positive outcome to each and every person that is directly impacted by our existence.

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

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

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

EMPLOYEES' WELFARE AND WELL-BEING

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

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

- Promoting a safe working environment that foster mutual respect where employees irrespective of status, position and gender are treated with dignity and free from sexual harassment;
- Ensuring continuous human resource development by making available training and career advancement opportunities;

Fun Run 2015

- Providing suitable sporting and recreational amenities and activities to our employees to lead a balanced and healthy lifestyle;
- Introducing various sporting activities to our employees as to enhance productivity while fostering relationships among employees at workplace;
- Adopting non-discriminatory hiring practices;
- Providing employees with medical, dental, hospitalisation and insurance benefits including certain benefits extended to family members;
- Providing a comfortable and smoke-free environment at the workplace;
- Enabling the sharing and transfer of knowledge within the various business units in the organisation through the provision of short term visitation by staff to other operating units;
- Engaging constantly with our employees via employee survey to gauge the satisfaction level of employees towards their workplace.

CONTRIBUTION TO THE COMMUNITY

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

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

Some of the previous and current initiatives that we have undertaken that have benefitted the communities include:-

- Spreading the joy by presenting donations to the poor and disabled ones, as well as providing social assistance to religious centres and schools as part of giving back to the society;

Charitable donation to schools

- Providing school learners with a basic knowledge and understanding about water treatment business;
- Participating in the Bursa Bull Charge 2015 to raise funds for charities whose causes include economic sustainability among disadvantaged communities, support for entrepreneurs and the improvement of financial literacy;

Bursa Bull Charge 2015

- Visiting old folks' home and shelter home for children in celebration of festive seasons;
- Spreading awareness on the pressing needs in saving many lives via blood donation and organ pledge campaigns;

Home visit during festive season

Blood donation and organ pledge campaigns

- Conducting road safety campaigns to inculcate road safety awareness amongst road users at the Cheras-Kajang Highway and New North Klang Straits Bypass Expressway during the festive seasons to reduce road fatalities by way of distribution of safety brochures and goodies to road users;
- Providing financial assistance for students and conducting safety campaigns at selected secondary schools within the vicinity of the Cheras-Kajang Highway throughout the year;
- Extending toll rate discount to road users at the Cheras-Kajang Highway and New North Klang Straits Bypass Expressway during certain festive seasons and distributing free Touch n' Go card during major festivals to highway users in order to increase the patronage of electronic tolling and to alleviate congestion at cash toll lanes;

Road safety campaigns at the Cheras-Kajang Highway and New North Klang Straits Bypass Expressway

- Extending assistance to the flood victims during the floods which ravaged the east coast states of Kelantan, Terangganu and Pahang in early January 2015;
- Presenting branding decal stickers to taxi drivers who ply their trade along the New North Klang Straits Bypass Expressway;
- Collaboration with Air Kelantan Sdn. Bhd. for post flood relief mission in the recent massive flooding in the East Coast region by re-commissioning the Setong/Dabong water treatment plant.

Collaboration with Air Kelantan Sdn. Bhd. for post flood relief mission

PROTECTION AND CONSERVATION OF THE ENVIRONMENT

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

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

- Continuing collection of raw water quality data in the catchment area(s) where some of our water treatment plants operate for study and research into long term pollution trends and sources so that the appropriate water treatment methodologies can be planned in advance;
- Securing appropriate accreditations for our treatment facilities to ensure high operational standards are maintained;
- Proper management of water treatment residuals and appropriate disposal methodologies in compliance with the relevant environmental quality standards;
- Dissemination of information to the public especially school children and university students 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 and Learning Visit at our water treatment plants;
- Creating awareness amongst schools, universities and community groups by participating in testing the quality of streams, rivers, lakes within the water catchments and submitting the results to the International Water Association's online database;
- Creating awareness amongst the employees on green issues and their contribution to global warming, and encouraging the practices of the 3Rs within the organisation including water conservation and usage of energy-efficiency equipment in some of our operations;
- Encouraging employees to switch off all non-essential lightings and reduce energy usage in office and at home in conjunction with the Earth Hour 2015.

ENGAGEMENT WITH THE RELATED STAKEHOLDERS

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

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

- Granting request to investors, financiers and rating agencies to discuss the developments within the organisation through an investors' relation function;
- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time;
- Providing stakeholders with dedicated emails at info@taliworks.com.my for them to communicate with the Company on any matters.

As we grow our business, we remain committed and focused in discharging our social responsibilities through active participation in the various CSR programs. Our continued efforts in promoting and undertaking CSR initiatives is part of our mission to maintain a sustainable business model to ensure that we are up to the challenge to meet consumers' demands for eco-friendly practices and the welfare of other key stakeholders are taken care of.

Corporate Governance Statement

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

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

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

Pursuant to paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the following Corporate Governance Statement outlines the manner in which the Group has applied the Principles contained in the MCGC to its particular circumstances, having regard to the Recommendations stated under each Principle and the Recommendation which the Group has yet to comply, together with the reasons for non compliance and the alternatives adopted, if any.

A. BOARD OF DIRECTORS

1. Board Responsibilities

- The Group is headed by a Board that leads and controls the business of the Group. The role of the Board is to collectively set the strategic direction of the Group and govern the Group with good governance practices.
- The Board is entrusted to discharge its fiduciary duties and it has an overall responsibility for the corporate governance practices of the Group, including amongst others:-

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

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

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

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

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

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

A. BOARD OF DIRECTORS (cont'd)

1. Board Responsibilities (cont'd)

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

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

  (a) Audit and Risk Management Committee;

  (b) Nominating Committee; and

  (c) Remuneration Committee

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

2. Board Composition, Balance and Changes

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

  (a) one (1) Executive Director;

  (b) two (2) Non-Independent Non-Executive Directors; and

  (c) five (5) Independent Non-Executive Directors.

- As stated in the Board Charter, the Board shall consist of qualified individuals with diverse experience, background and perspective. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

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

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

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

- The Board does not have a policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Group. However, the Board Charter specifies that, as a matter of policy, the Board shall consist of qualified individuals with diverse experience, background and perspective and the Board has taken into consideration the varied mix of board diversity, skill-set and qualification of candidates chosen to be members of the Board as disclosed in Section 3 below.

A. BOARD OF DIRECTORS (cont'd)

2.1 Role of the Chairman

- The Chairman, a Senior Independent Non-Executive Chairman, who is not related to any of the directors or major shareholders of the Company, presides over the meetings of the Board. His roles and functions are clearly separated and distinct from those of the Executive Director whom is specifically responsible for managing the strategic and operational agenda of the Group and for the execution of the directives and policies of the Board, as well as directing the business operations of the Group on a day-to-day-basis.
- The separation of duties between the Chairman and the Executive Director is to reinforce the independence of the Board.
- Other than monitoring the conduct of the board meetings and meeting of shareholders, the Chairman is to ensure that all relevant issues for the successful stewardship of the Group's business were on the Board agenda to facilitate effective decision making by the Board.

2.2 Role of the Executive Director

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

2.3 Role of the Non-Independent Non-Executive Directors

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

2.4 Role of the Independent Non-Executive Directors

- The Independent Non-Executive Directors play a significant role as check and balance in the functioning of the Board. They have declared themselves to be independent from management and free of any business or other relationship which could interfere with the exercise of their independent judgment and objective participation and decision making process of the Board.
- Independent Non-Executive Directors are required to voice their reservations or objections to any Board decisions which are deemed detrimental to the interest of the minority shareholders and their reservation or objections are then duly recorded by the Company Secretary in the Board minutes.

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

A. BOARD OF DIRECTORS (cont'd)

3. Board Diversity, Skill-set and Qualification

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

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

4. Tenure of Directors

As at 31 December 2015	< 1 year	1-3 years	4-6 years
Executive Director	-	-	1
Independent Non-Executive Directors	2	3	-
Non-Independent Non-Executive Directors	-	1	1
Total	8		

- As at the end of the financial year, none of the Independent Directors have been with the Company for more than nine (9) years.
- Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgment of an Independent Director and therefore the Board does not deemed it appropriate to impose a fixed term limit for Independent Directors at this juncture.

A. BOARD OF DIRECTORS (cont'd)

4. Tenure of Directors (cont'd)

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

5. Directorship in Other Public Listed Companies/Time Commitments

- Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s).
- Based on the disclosure in the Directors' Profile, none of the Company's Board members hold more than five (5) directorships in listed issuers in compliance with paragraph 15.06 of the Listing Requirements.

6. Board Charter

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

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

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

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

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

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

  (f) appointment of Board Committees;

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

The Board Charter was adopted in February 2015 and will be reviewed every three years or from time to time when there are significant developments requiring the Board Charter to be amended.

7. Directors' Code of Business Conduct and Ethics

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

A. BOARD OF DIRECTORS (cont'd)

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

- This code sets out the general principles and standards of business conduct and ethical behaviour for the Directors in the performance and exercise of their responsibilities as directors of the Company or when representing the Company and includes the expectation of professionalism and trustworthiness from the Directors.
- The main thrust of the Code of Business Conduct and Ethics for Directors are in the following areas:-
  - (a) Compliance with applicable laws and regulations
  - (b) Maintain the highest standards and uphold corporate values
  - (c) Conflict of interest
  - (d) Personal and Family Relationships
  - (e) Gifts, Gratuities and/or Bribes
  - (f) Confidentiality
  - (g) Insider Trading
- A copy of the Code of Business Conduct and Ethics for Directors is published in the Company's website at http://www.taliworks.com.my/governance/conduct_and_ethics.html
- The Code of Business Conduct and Ethics for Directors was adopted in 24 April 2013 and will be reviewed every three years or from time to time when there are significant developments requiring the Code of Business Conduct and Ethics for Directors to be amended.
- A Separate Code of Conduct containing policies and guidelines relating to standards and ethics for all employees, sexual harassment and disciplinary procedures are given to all employees upon their employment with the Company.

8. Board Meetings

- The Board meets on a quarterly basis, to amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretary, after consultation with the Chairman.
- The tentative dates for Board and Board Committee meetings for the year will be circulated by the Company Secretary well in advance towards the end of the previous year to ensure that each of the Directors is able to attend the planned Board and/or Board Committee meetings including that of the annual general meeting. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed.
- Besides Board meetings, the Board also exercises control on matters that require its approval through circulation of resolutions.
- The Board would normally allocate its time at scheduled Board meeting during the year as follows:-
  - (a) reviewing the Executive Director's Quarterly Operational Report comprising the operational performance of the various business units, their key performance indicators, status of trade receivables and collections and any incidence of fraud;
  - (b) reviewing the Quarterly Financial Reports and Annual Budgets;
  - (c) reviewing the reports and minutes of each of the Board Committees; and
  - (d) legal and secretarial matters including any pronouncements from the stock exchange.

A. BOARD OF DIRECTORS (cont'd)

8. Board Meetings (cont'd)

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

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

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

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

9. Supply and Access to Information

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

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

- The Directors in discharging their duties and responsibilities are entitled to have full and unrestricted access to all information and to management on matters relating to the Group's operations. They also have access to the advice and services of the Company Secretary and where necessary, in furtherance of their duties, are entitled to seek independent professional advice at the Company's expense. Whilst no specific approvals will be required, nevertheless, the intended engagement of independent professionals will be discussed at the Board meetings to ensure that the majority of Directors are in favour of such appointment.

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

10. Appointments to the Board

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

A. BOARD OF DIRECTORS (cont'd)

11. Re-Election of Directors

- In accordance with the Company's Articles of Association, one-third (1/3) of the Directors including the Managing Director, if any, shall retire by rotation at each Annual General Meeting and be eligible for re-election provided always that each Director shall retire from office at least once in every three (3) years. Being eligible, they may offer themselves for re-election. In this respect, Mr. Soong Chee Keong and Mr. Lim Chin Sean are due for retirement pursuant to Article 80 of the Company's Articles of Association, and they will be seeking re-election at the forthcoming Annual General Meeting.
- Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election. In this respect, Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and En. Ahmad Jauhari Bin Yahya who were appointed during the year as Independent Non-Executive Directors, will retire at the forthcoming Annual General Meeting pursuant to Article 85 of the Company's Articles of Association and they will be seeking re-election at the said Annual General Meeting.
- 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. None of the current Board members are over seventy (70) years old.
- In accordance with the MCGC, the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years. None of the current independent Directors has served the Board for more than nine (9) years.

12. Directors' Training

- Due to the ever increasing complexities in doing business, Directors are expected to upgrade their skill sets and keep themselves abreast with the developments in the business environment as well as with any new relevant regulatory and statutory requirements to maximise their effectiveness as members of the Board.
- This is achieved amongst others, through attending trainings externally or those provided in-house, reading relevant publications and adhering to continuing professional education required by the respective professional bodies. Training programmes, courses, seminars, conferences, talks, briefings attended by the Directors during the year were as follows:-

Tan Sri Dato' Seri Ong Ka Ting	• BOAO Forum for Asia • China (Guangdong) – Malaysia Economic & Trade Cooperation Conference • Board Chairman Series Part 2: Leadership Excellence from the Chair • First East Asia Investment Forum • Malaysia – China High Level Economic Forum
Dato' Lim Yew Boon	• GST Awareness Talk • Understanding the New Generation Workforce • Advocacy Session on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers • Bursa Malaysia CG Breakfast Series with Directors – "Bringing the Best out in Boardrooms" • The Interplay between CG, NFI and Investment Decision – What Boards of Listed Companies need to know • CG Breakfast Series with Directors – "Board Reward & Recognition"

A. **BOARD OF DIRECTORS** (cont'd)

12. **Directors' Training** (cont'd)

Mr. Lim Chin Sean	• GST Awareness Talk • Corporate Governance Breakfast Series – (Workshop)
Mr. Soong Chee Keong	• Audit Oversight Board - Conversation with Audit Committees • PN16 Company: Disclosure of Material Information • Board Chairman Series Part 2: Leadership Excellence from the Chair • Bursa Malaysia CG Breakfast Series with Directors – "Bringing the Best out in Boardrooms" • CG Breakfast Series with Directors – How to Maximise Internal Audit • CG Breakfast with Directors - Future of Auditor Reporting – The Game Changer for Boardroom • Deloitte TaxMax – the 41st Series Seminar
Mr. Vijay Vijendra Sethu	• The Interplay between CG, NFI and Investment Decision – What Boards of Listed Companies need to know
Dato' Sri Amrin Bin Awaluddin	• ASEAN Capital Market CEO Summit • Fide Forum Dialogue with Governor • CRR Communication with BOD • 26th ASEAN Summit • Asia Media Summit 2015 • Risk Appetite Workshop • Risk Management & Internal Control Workshop "Is Our Line of Defence Adequate and Effective" • Advocacy Session on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers • Bursa Malaysia: CG Breakfast series with Directors - How to Maximise Internal Audit • Board of Directors' Workshop • Fide Forum: Digital Transformation and its Impact on Financial Services
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	• Bursa Securities' Corporate Governance Breakfast Series with Directors "Bringing the Best Out in Boardrooms" entitled "The Board's response in light of Rising Shareholder Engagements" • Bursa Securities' Corporate Governance Breakfast Series with Directors "Bringing the Best out in Boardrooms" entitled "Board Reward and Recognition"
En. Ahmad Jauhari Bin Yahya	• B747-400 Flight Simulator Experience

A. BOARD OF DIRECTORS (cont'd)

12. Directors' Training (cont'd)

- Both Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin and En. Ahmad Jauhari Bin Yahya, who were appointed during the year, have attended the Mandatory Accreditation Programme in compliance with paragraph 15.08 of the Listing Requirements.
- Directors are also kept informed of the latest regulatory developments by the Company Secretary.
- The Company does not have a formal arrangement to provide any in-house orientation or education programmes for new appointees to the Board. Members of the Board are encouraged to participate in relevant training programmes on their own at the Company's expense so as to keep themselves updated on developments that are current and relevant.
- Training requirements/needs for Directors were discussed by the Nominating Committee as disclosed in section 13.4 below and reported to the Board.

13. Board Committees

- To assist the Board to effectively discharge its role and functions, the Board has delegated certain of its duties and responsibilities to the various Board Committees. The primary objectives of establishing Board Committees are amongst others, to allow Board members to make better use of their limited time and resources, allow more focus to be given to complex issues and recommending any course of action and reinforcing the role of Independent Directors in monitoring the activities of the Group.
- The delegation by the Board does not diminish nor abdicate its responsibilities and the Board remains responsible for all the actions of the Board Committees with regard to the execution of the delegated responsibilities. To ensure proper delegation, the Board formulates, establishes and approves the appropriate terms of reference; defining the responsibilities and authority of the said Board Committees.

13.1 Composition of Key Board Committees

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

	ARMC	NC	RC
<u>Independent Non-Executive Directors</u>			
Tan Sri Dato' Seri Ong Ka Ting	-	C	C
Mr. Soong Chee Keong	C	M1	M2
Dato' Sri Amrin Bin Awaluddin	M	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	M2
En. Ahmad Jauhari Bin Yahya	-	M2	-
<u>Non-Independent Non-Executive Directors</u>			
Mr. Lim Chin Sean	M	M1	M1
Mr. Vijay Vijendra Sethu	-	M2	M1

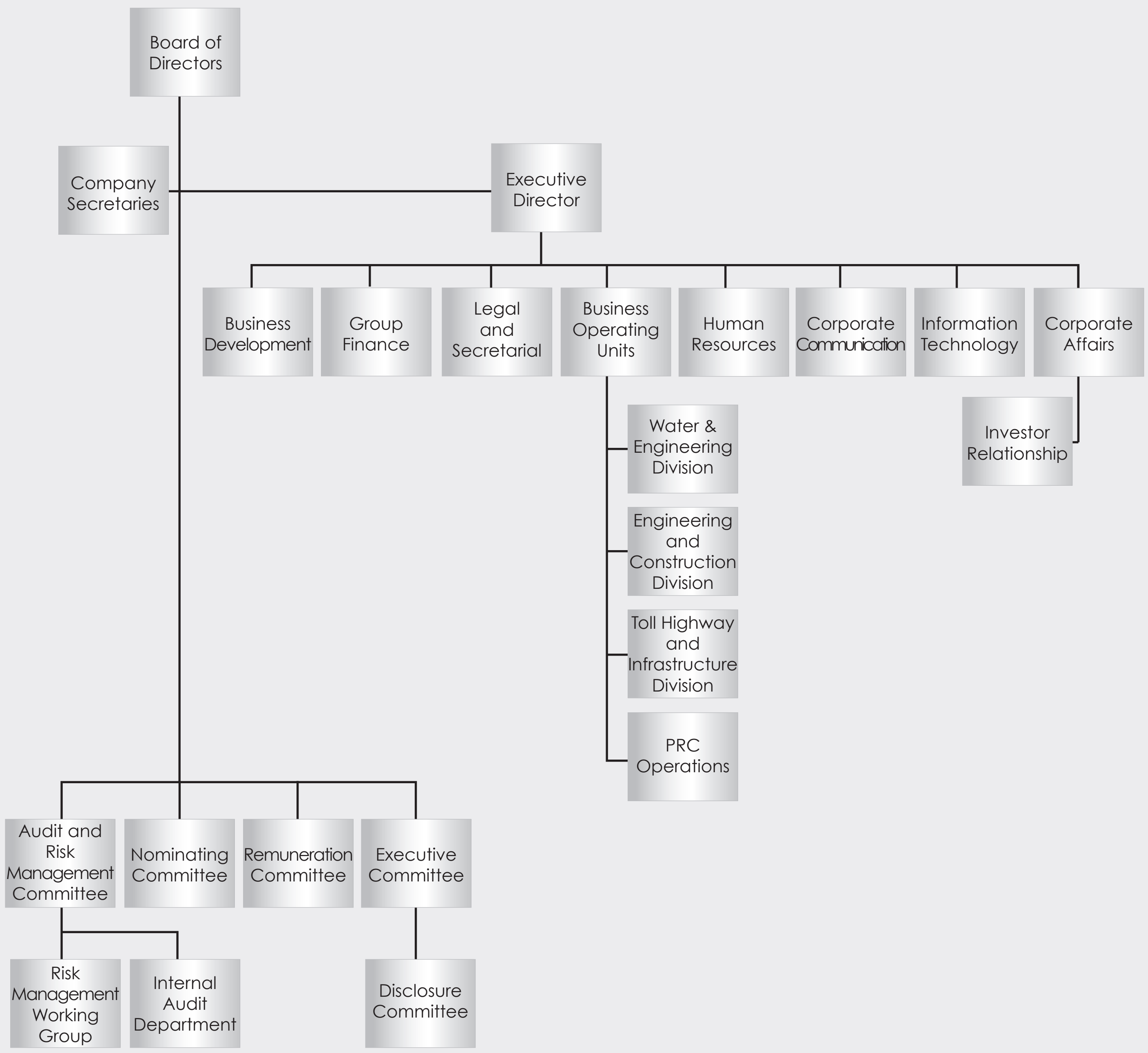
<u>Definition:-</u>
C – Chairman of Board Committee
M – Member of Board Committee
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

Note:-
M1 - resigned on 2 July 2015
M2 – appointed on 2 July 2015

A. **BOARD OF DIRECTORS** (cont'd)

13.2 Governance Structure

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



A. BOARD OF DIRECTORS (cont'd)

13.3 Audit and Risk Management Committee

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

13.4 Nominating Committee

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

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

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

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

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

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

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

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

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

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

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

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

A. BOARD OF DIRECTORS (cont'd)

13.4 Nominating Committee (cont'd)

- The Nominating Committee is responsible for recommending suitable candidates to be appointed to the Board. When sourcing for suitable candidates, the Nomination Committee would accept recommendations made by other board members or shareholders. Other than the criteria for selection of suitable candidates for directorship as prescribed in the Terms of Reference above, the Nominating Committee would also consider the character, experience, integrity, competence and time to effectively discharge his or her role as a director of the Company;

- To carry out the tasks at hand, the Nominating Committee has adopted the following performance evaluation forms:-

AC Evaluation Questionnaire	:	Used to evaluate the performance of the Audit and Risk Management Committee
AC Members' Self and Peer Evaluation Form	:	Used to evaluate individual members of the Audit and Risk Management Committee and their peers
Independent Directors' Self-Assessment Checklist	:	Used to provide the Nomination Committee and the Board an indication of their state of independence
Directors'/Key Officers' Evaluation Form	:	Used as an evaluation Form for individual Directors and key Officers or as an evaluation Form for evaluating and selecting candidates for new directorships and / or key positions
Board Skills Matrix Form	:	Used as a general assessment of the composition, knowledge, skills and experience of the current Board
Board and Board Committees Evaluation Form	:	Used to assist the process of evaluating the Board and Board Committees

- The criteria used by the Nominating Committee in evaluating the Board are in a set of thirty five (35) questionnaires in the following areas:-

  (a) Board mix and composition

  (b) Quality of information & decision making

  (c) Boardroom activities

  whereas the criteria in evaluating the Board Committees are in a set of eight (8) questionnaires.

- The criteria used by the Nominating Committee in evaluating the performance of individual directors are in a set of thirty (30) questionnaires. Each of the Directors will perform a self assessment and their score tabulated by the Nominating Committee to arrive at the average score and the individual score of each of the Director to be presented to the Board. The Board did not engage any external party to undertake an independent assessment of the Directors;

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

- The Nominating Committee met two (2) times during the year in review, i.e. on 16 March 2015 and 2 July 2015; and the following matters were discussed:-

  (a) To review the Assessment Report on Individual Director for 2014 and make appropriate recommendation to the Board;

  (b) To review the Independent Director Self-Assessment Report for 2014 and make appropriate recommendation to the Board;

A. BOARD OF DIRECTORS (cont'd)

13.4 Nominating Committee (cont'd)

- The Nominating Committee met two (2) times during the year in review, i.e. on 16 March 2015 and 2 July 2015; and the following matters were discussed:- (cont'd)

  (c) To assess the effectiveness of the Board and Board Committees for 2014 and make appropriate recommendation to the Board;

  (d) To review the composition of the Board and Board Committees for 2014 and make appropriate recommendation to the Board;

  (e) To review the term of office and performance of the Audit and Risk Management Committee and each member for 2014 and make appropriate recommendation to the Board;

  (f) To discuss training requirements/needs for Directors;

  (g) To recommend the retirement and re-election of Directors at the forthcoming Twenty Fourth Annual General Meeting in accordance with the Company's Articles of Association;

  (h) To review the profile of new directors and to recommend their appointment to the Board for approval.

13.5 Remuneration Committee

- The Remuneration Committee, comprise of Non-Executive Directors, is headed by the Senior Independent Non-Executive Chairman, Tan Sri Dato' Seri Ong Ka Ting.
- Under the Terms of Reference, the Remuneration Committee shall have the following responsibilities:-

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

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

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

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

- Directors do not participate in decisions regarding their own remuneration package. Directors' fees are approved by shareholders at the Annual General Meeting.
- The Remuneration Committee met one (1) time during the year in review, i.e. on 22 January 2015 and the following matters were considered and deliberated:-

  (a) to recommend the remuneration packages for the Company's Executive Director for 2015 to the Board for approval;.

  (b) to recommend the Directors' Fees for 2014 to the Board for recommendation of the same to the shareholders for approval;

  (c) to recommend the budget for meeting allowance for the Company's Non-Executive Directors for 2015 to the Board for approval; and

  (d) to recommend the revisions to the Terms of Reference of the Remuneration Committee to the Board for approval.

A. BOARD OF DIRECTORS (cont'd)

13.6 Executive Committee ("EXCO")

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

13.7 Company Secretaries

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

The profile of the Companies Secretaries is as follows:-

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

13.8 Risk Management Working Group ("RMWG")

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

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

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

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

A. BOARD OF DIRECTORS (cont'd)

13.8 Risk Management Working Group ("RMWG") (cont'd)

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

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

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

The RMWG met two (2) times during the year in review.

13.9 Internal Auditors

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

13.10 Disclosure Committee

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

(a) the chief executive officer of the Company;

(b) the chief financial officer of the Company;

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

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

14 Record of Attendance at Meetings

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

	BOD	ARMC	NC	RC
Executive Directors				
Dato' Lim Yew Boon	11/11	-	-	-
Independent Non-Executive Directors				
Tan Sri Dato' Seri Ong Ka Ting	11/11	-	2/2	1/1
Mr. Soong Chee Keong *(Note 2,5)*	9/11	5/5	2/2	0/0
Dato' Sri Amrin Bin Awaluddin	11/11	5/5	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin *(Note 1, 2)*	6/6	-	-	0/0
En. Ahmad Jauhari Bin Yahya *(Note 1,4)*	5/6	-	0/0	-

A. BOARD OF DIRECTORS (cont'd)

14 Record of Attendance at Meetings (cont'd)

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

	BOD	ARMC	NC	RC
Non-Independent Non-Executive Directors				
Mr. Lim Chin Sean *(Note 3,5)*	10/11	5/5	2/2	1/1
Mr. Vijay Vijendra Sethu *(Note 3,4)*	11/11	-	0/0	1/1

Definition:-
BOD – Board
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

Note:-
1 – appointed as member of the Board on 2 July 2015
2 – appointed as a member of the Remuneration Committee on 2 July 2015
3 – resigned as a member of the Remuneration Committee on 2 July 2015
4 – appointed as a member of the Nominating Committee on 2 July 2015
5 – resigned as a member of the Nominating Committee on 2 July 2015

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

B. DIRECTORS' REMUNERATION

- Directors' remuneration is generally benchmarked against the market average of comparable companies to attract talent and retain the Directors to run the Company.
- The remuneration of the Executive Director is based on the terms of his employment contract with the Company. He is also remunerated in the form of director's fees as approved by shareholders at the Annual General Meeting ("AGM").
- Non-Executive Directors are remunerated in the form of directors' fees as approved by shareholders at the AGM and an allowance for their attendance at the Board and other Board Committees' meetings. The remuneration for the chairman of the Board and the Audit and Risk Management Committee is comparatively higher than the other Non-Executive Directors in view of their greater responsibility and accountability. In the same light, the chairman of the other Board Committees is also accorded higher meeting allowance.
- The Directors' fees (which are not performance related) and meeting allowances for the year are as follows:-

	RM per Annum Directors' Fees	RM per Meeting			
		BOD	ARMC	NC	RC
Chairman	100,000	1,600	1,600	1,600	1,600
Chairman of the ARMC	80,000				
Executive Director	60,000	1,000	n/a	n/a	n/a
Independent Non-Executive Directors	60,000	1,000	1,000	1,000	1,000
Non-Independent Non-Executive Directors	60,000	1,000	1,000	1,000	1,000

B. DIRECTORS' REMUNERATION (cont'd)

Definition:-
BOD – Board
ARMC – Audit and Risk Management Committee
NC – Nominating Committee
RC – Remuneration Committee

- The details of Directors' remuneration for the financial year (to the nearest RM'000) are as follows:-

		Fees (RM'000)	Salaries, bonus and defined contribution (RM'000)	Other emoluments *(Note 3)* (RM'000)	Total (RM'000)
Tan Sri Dato' Seri Ong Ka Ting	• Senior Independent Non-Executive Chairman • Chairman of Nominating Committee • Chairman of Remuneration Committee	100	-	24	124
Mr. Soong Chee Keong	• Independent Non-Executive Director • Chairman of Audit and Risk Management Committee	80	-	20	100
Dato' Lim Yew Boon	Executive Director	84 *(Note 2)*	334	51	469
Mr. Lim Chin Sean	Non-Independent Non-Executive Director	60	-	19	79
Mr. Vijay Vijendra Sethu	Non-Independent Non-Executive Director	60	-	13	73
Dato' Sri Amrin Bin Awaluddin	Independent Non-Executive Director	60	-	17	77
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin *(Note 1)*	Independent Non-Executive Director	30	-	6	36
En. Ahmad Jauhari Bin Yahya *(Note 1)*	Independent Non-Executive Director	30	-	5	35
TOTAL		504	334	155	993

Note:-
1 – appointed as a member of the Board on 2 July 2015. The directors' fees have been apportioned accordingly.
2 – including directors' fees received from a joint-venture company in which he is a director.
3 – other emoluments include meeting allowances and benefits-in-kind (which was enjoyed by the Executive Director)

B. DIRECTORS' REMUNERATION (cont'd)

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

Range of Remuneration	Executive Director	Non Executive Directors	Total
Up to RM50,000	-	2	2
RM50,001 to RM100,000		4	4
RM100,001 to RM200,000	-	1	1
RM400,000 to RM500,000	1	-	1

- Effective from 1 January 2016, the quantum of the Directors' fees have been increased as follows, subject to approval of shareholders at an AGM:

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

Based on the existing composition of the Board, the total Directors' fees payable for 2016 would be RM1,080,000. At the forthcoming AGM, the Company has proposed an ordinary resolution for a maximum aggregate amount payable by way of Directors' fee of up to RM1,500,000 per annum, such sum to be divided amongst the Directors in such a manner as they deemed fit.

The Board considers that it is appropriate to seek approval for the fee cap in order to maintain an appropriate fee buffer in advance of specific needs arising. In particular, the fee cap will provide the Board with flexibility to make additional appointments to the Board should this be appropriate. While the Board is not currently proposing to increase its size, a circumstance may arise where the Board may wish to appoint non-executive Directors, for example to take advantage of an opportunity to appoint a candidate with particular skills or expertise that complements those currently represented on the Board. In addition, the fee cap will provide scope to attract and retain high-calibre Board members and to provide effective transition arrangements. To facilitate orderly succession planning, new Directors may be appointed prior to the retirement of existing Directors, resulting in a short-term increase in the size of the Board and the total fees payable to the Directors. The proposed fee cap would enable the Company to facilitate such future changes in its membership and composition.

C. RELATIONSHIP WITH SHAREHOLDERS

1. Investors' Relationship, Media and Shareholders Communication

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

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

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

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

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

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

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

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

  Unit 30-01, Level 30, Tower A,
  Vertical Business Suite
  Avenue 3, Bangsar South
  No. 8, Jalan Kerinchi
  59200 Kuala Lumpur
  Wilayah Persekutuan
  Malaysia

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

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

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

2. Primary Contact for Investors Relation Matters

To ensure consistency in information being disseminated, the Group has identified the Executive Director of the Company, Dato' Lim Yew Boon ronnie@taliworks.com.my and the Chief Investment Officer kevin.chin@taliworks.com.my as the main channel of communication with the investment community.

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

3. Annual General Meeting ("AGM")

3.1 Shareholders

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

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

C. RELATIONSHIP WITH SHAREHOLDERS (cont'd)

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

3.1 Shareholders

- The Chairman of the AGM will inform shareholders of their right to demand a poll vote at the commencement of the AGM and also before any vote is taken by a show of hands. In compliance with the Listing Requirements, the Company has amended its Memorandum and Articles of Association in the previous AGM to incorporate the provision for electronic poll voting.
- The External Auditors of the Company also attend the AGM and are available to answer questions about the conduct of the audit and the preparation and content of the Auditor's Report.
- Minutes of the Company's AGM are posted at the Company's website at http://www.taliworks.com.my/governance/minutes_shareholders.html

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

- Other than the shareholders of the Company, representatives from the regulators and MSWG will also be invited as observers if prior requests have been made.
- Queries raised by the MSWG and the Company's reply are read out to shareholders at the AGM.

3.3 Members of the Media

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

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

- The Board aims to present a balanced and meaningful assessment of the Group's financial performance and prospects to shareholders, investors and regulators. This assessment is primarily provided in the Annual Report through the Chairman's Statement, the Executive Director's Review of Operations and the accompanying audited financial statements. The Group also announces its interim financial results on a quarterly basis in compliance with the Listing Requirements. The interim financial results are reviewed by the Audit Committee and approved by the Board prior to public release.
- For the year in review, the Group had announced its interim results and published its audited financial statements within the two (2) and four (4) months timeframe respectively as required under the Listing Requirements.

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

- The Directors are required by the Companies Act, 1965 ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.
- As required by the Act and the Listing Requirements, the financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

D. ACCOUNTABILITY AND AUDIT (cont'd)

2. Statement of Directors' Responsibility for Preparing the Financial Statements (cont'd)

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

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

3. Risk Management and Internal Control

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

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

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

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

4. Relationship with External Auditors

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

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

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

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

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

- In presenting the Audit Planning Memorandum to the Audit and Risk Management Committee, the external auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which includes safeguards and procedures and independence policy adopted by the external auditors.

E. CORPORATE DISCLOSURE POLICIES AND PROCEDURES

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

F. DIVIDEND POLICY

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

For the financial year ended 31 December 2015, the Company has exceeded its Dividend Policy by declaring a dividend payout of 8.0 sen per share totalling approximately RM92.1 million.

G. WHISTLE-BLOWING POLICY

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

- The objectives of the Policy are:

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

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

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

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

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

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

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

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

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

- With effective from January 2016, the whistle-blowing provisions have been incorporated into the Employment Handbook which is distributed to all employees setting out the channels for reporting of legitimate concerns, procedures (including how their report will be dealt with and the conclusion arrived therefrom as soon as a decision is made), employees' safeguards etc.

H. SUSTAINABILITY

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

I. WORKPLACE DIVERSITY

The Company currently does not have a policy on diversity of the work force in terms of of gender, ethnicity and age. However, the Company would priorities the selection and employment of staff who possesses the necessary skills and right personal attributes. The profiles of the Group's work force are as follows:-

Gender		Age Group Profile						Nationality	
Male	Female	<20	20 - 29	30 - 39	40 - 49	50 - 59	≥60	Malaysians	Non-Malaysians
560	328	34	171	292	261	119	11	650	238

J. RESULTS OF ANALYSIS OF CORPORATE GOVERNANCE DISCLOSURES IN ANNUAL REPORT FOR 2012 AND 2013

In December 2014, the Company received a letter from Bursa Malaysia stating that it has reviewed and analysed the annual reports issued for the financial years 2012 and 2013 for a selection of 300 listed companies to determine the adequacy of their corporate governance disclosures.

The purpose of the review was to assess the level and quality of disclosures in relation to the MCGC and Listing Requirements, in the Corporate Governance Statement, Audit Committee Report and Internal Control Statement in particular relating to the Principles and Recommendations under Principles 1 to 6 of the MCGC.

Arising from the review, the letter was tabled to the Board and the following are the scores obtained by the Company in each of the six sections as follows:-

	Company Score (%)	Total Score for 300 listed companies (%)
Principle 1: Establish Clear Roles and Responsibilities	75.00	61
Principle 2: Strengthen Composition	66.67	73
Principle 3: Reinforce Independence	66.67	73
Principle 4: Foster Commitment	75.00	71
Principle 5: Uphold Integrity in Financial Reporting	57.78	58
Principle 6: Recognise and Manage Risks	63.64	59

The Board will strive to implement the recommendations set out in the letter from Bursa Malaysia.

K. AUTHORISATION FOR ISSUANCE

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

Audit and Risk Management Committee Report

A. COMPOSITION

The Audit and Risk Management Committee ("ARMC") comprises three members, all of whom are Non-Executive Directors (NEDs) where two are Independent NEDs and one is Non-Independent NED as follows:

(a) Mr. Soong Chee Keong, ARMC Chairman
(Independent NED)

(b) Dato' Sri Amrin Bin Awaluddin, ARMC Member
(Independent NED)

(c) Mr. Lim Chin Sean, ARMC Member
(Non-Independent NED)

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

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

B. APPROVED TERMS OF REFERENCE (TOR)

A copy of the approved terms of references was uploaded into the corporate website under http://taliworks.com.my/pdf/TOR-of-the-ARMC.pdf in compliance with MMLR Practice Note 9 paragraph 3.7(f).

The TOR was last revised on 12 February 2015 and the changes (i.e. amendment, addition and deletion) made are highlighted as follows:

Amendment

The term Chairman was replaced by Chairperson.

Addition

Heading	Content
Membership	(a) In the event of any vacancy in the ARMC resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months after occurrence of event. (b) The ARMC must adopt a written terms of reference dealing with its authority, duties and responsibilities.
Chairperson	(a) The Chairperson of the ARMC shall be elected by the Board from among their members. The Chairperson of the ARMC shall be an Independent Director. (b) In the absence of the Chairperson of the ARMC, the remaining members present shall elect one of their members as Chairperson of the ARMC. (c) Upon the request of the external auditors, the Chairperson of the ARMC must convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

B. **APPROVED TERMS OF REFERENCE (TOR)** (cont'd)

Addition (cont'd)

Heading	Content
Meeting and Minutes	(a) The ARMC shall meet at least four (4) times for each financial year and should call for additional meetings as and when necessary, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. The Chairperson of the ARMC shall summarise and report on each meeting to the Board. Minutes of the ARMC shall subsequently be made available to the Board once they have been confirmed by the Chairperson of the ARMC. (b) The Company Secretary shall be the secretary of the ARMC. (c) A member shall deemed to be present at a meeting of the ARMC if he/she participates by means of a conference telephone or other similar electronics telecommunicating equipment or other electronic means and all members participating in the meeting are able to hear each other. (d) A member of ARMC who is directly or indirectly interested in a contract or proposed contract shall not participate in any discussion and shall abstain from voting at the ARMC Meeting on the contract or proposed contract.
Responsibilities and Duties	In fulfilling its primary objectives, the ARMC shall undertake the following responsibilities and duties:- **(i) Risk Management** (a) to review and recommend risk management strategies, policies and risk tolerance; (b) to review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which they are operating effectively; (c) to ensure adequate infrastructure, resources and systems are in place for risk management i.e. to ensure that the staff responsible for implementing risk management systems perform those duties independently of the risk originating activities of the Group; (d) to review periodic reports from the Risk Management Working Group on risk exposure, risk portfolio composition and risk management activities; (e) to review and recommend new policies or changes to policies, and to consider their risk implications; (f) to review the impact of risk on capital adequacy and profitability under normal and stress scenarios; (g) to review and evaluate the various processes and systems engaged by the Group and to ensure that they are conducted within the standards and policies as set by the Board; (h) to assess the adequacy of the business recovery/disaster recovery procedures; and (i) to monitor the health, safety and environmental performance of the Group.

B. APPROVED TERMS OF REFERENCE (TOR) (cont'd)

Addition (cont'd)

Heading	Content
Responsibilities and Duties (cont'd)	**(v) Related Party Transactions** To review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and in particular ensuring that any related party transactions to be entered into are:- (a) at arm's length; (b) on normal commercial terms; (c) on terms not more favourable to the related party than those generally available to the public; (d) not detrimental to the minority shareholders; and (e) in the best interest of the Group.
Variations	The Board may from time to time, vary any of these terms of reference, by way of board circular resolution.

Deletion

There was no deletion.

C. MEETING

The ARMC convened five (5) meetings during the year and the attendance of each member was as follows:

ARMC members	Meeting Date 12 Feb	24 Mar	26 May	18 Aug	24 Nov	Total
Mr. Soong Chee Keong	✓	✓	✓	✓	✓	**5/5**
Dato' Sri Amrin Bin Awaluddin	✓	✓	✓	✓	✓	**5/5**
Mr. Lim Chin Sean	✓	✓	✓	✓	✓	**5/5**

The ARMC held five meetings in 2015 without the presence of other Directors and employees, except when the ARMC requested their attendance. The Group Finance General Manager (GFGM) was invited to all ARMC meetings to facilitate and provide clarification on financial issues and the Group's operations. The Senior Manager, Group Internal Audit (GIA), who is also the Head of GIA, attended 4 ARMC meetings to table the respective Internal Audit reports.

C. MEETING (cont'd)

To ensure the trustworthiness of Taliworks' annual financial statement and compliance with applicable Malaysian Financial Reporting Standards (MFRS), External Auditors were engaged to audit Taliworks' annual financial statement before it was presented to the ARMC for review and recommended to the Board for approval and adoption. The ARMC had obtained the External Auditors' confirmation on unlimited access to information and co-operation from the Management throughout the course of the audit. In addition, the ARMC had three private sessions with the External Auditors in 2015 without the presence of the Management and the GIA.

Minutes of each ARMC meeting were recorded and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for notation. In 2015, the ARMC Chairman presented the Board with the Committee's recommendations to approve the annual and quarterly financial statements as well as declaration of dividends. The ARMC Chairman also conveyed to the Board matters of significant concern as and when raised by the Management, External Auditors and the GIA.

D. TRAINING

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

E. SUMMARY OF ACTIVITIES

The ARMC's activities during 2015 comprised the following:

(a) **Financial Reporting**

The ARMC reviewed the quarterly financial statements for the fourth quarter of 2014 at its meeting on 12 Feb 2015 and the annual audited financial statements of 2014 at its meeting on 24 March 2015.

The quarterly financial statements* for the first, second and third quarters of 2015 were reviewed at the ARMC meetings on 26 May 2015, 18 August 2015 and 24 November 2015 respectively.

* prepared in compliance with MFRS 134 *Interim Financial Reporting*, International Accounting Standard 34 *Interim Financial Reporting* and paragraph 9.22 as well as Appendix 9B of MMLR

On 22 Feb 2016, the ARMC reviewed the quarterly financial statements for the fourth quarter of 2015 and the annual audited financial statements for 2015 on 29 March 2016.

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

(b) **External Audit**

On 12 Feb 2015, the External Auditors presented its progress report on audited financial statements for year 2014 to ARMC reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum and would issue an unqualified opinion on the financial statement of the Group subject to the satisfactory resolution of the outstanding matters. ARMC noted the non-audit fees incurred in 2014 amounted to RM491,000, constituting approximately 49% of the total remuneration of RM999,000 to the External Auditors for the 2014 financial year.

E. **SUMMARY OF ACTIVITIES** (cont'd)

(b) **External Audit** (cont'd)

On 24 March 2015, the ARMC deliberated over the audited financial statements for year 2014 presented by the External Auditor and granted its approval. The statements were thereafter recommended to the Board for approval. In addition, ARMC obtained confirmation from External Auditors that they had received full cooperation from Management and had unrestricted access to information.

On 24 November 2015, the ARMC evaluated the audit plan for year 2015 prepared by the External Auditors. Upon due considerations on the auditor's past performance, client service team, significant risks and areas of focus, timing and fee of audit, engagement quality control as well as independence policies and procedures, the ARMC approved the audit plan.

On 22 Feb 2016, the External Auditors presented its progress report on audited financial statements for year 2015 to ARMC reporting that they had substantially completed its audit in accordance with the Professional Services Planning Memorandum. They also gave assurance to ARMC that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants of Malaysian Institute of Accountants. ARMC noted the non-audit fees incurred in 2015 amounted to RM508,000, constituting approximately 48% of the total remuneration of RM1,059,000 to the External Auditors for the 2015 financial year.

(c) **Internal Audit**

The ARMC approved the annual Internal Audit Plan (2015/2016) on 26 May 2015. The plan covers all core local and overseas operations including water and waste treatment, highway management and construction.

The Head of GIA presented internal audit reports in 4 ARMC meetings during the year. These reports contain:

- Status and progress of internal audit assignments including summaries of the audit reports issued;
- Effects / potential risks and audit recommendations provided by the GIA;
- Management's responses to audit recommendations and their committed action plans; and
- Status of follow-up audits on management's committed action plans.

The risk-based Audit Plan is reviewed on a yearly basis or as required contingent on the changes in internal and external risks faced by the various core operations and industries. A total of 21 full audits and 9 follow-up audits were completed in 2015 focusing on the following key areas:

- Operation
- Fixed asset management
- Business development & corporate affairs
- Maintenance

E. SUMMARY OF ACTIVITIES (cont'd)

(c) Internal Audit (cont'd)

- Inventory
- Financial
- Procurement
- Security, safety, health & environment
- Distribution & consumer affair
- Information Technology
- Human Resource

(d) Risk Management

The ARMC reviewed biannual RMWG (Risk Management Working Group) reports presented by the GFGM (as a representative of the RMWG) on 26 May 2015 and 24 Nov 2015 that covered risk profile of the following divisions:

- Engineering and Construction
- Water and Engineering Division – Sungai Harmoni Sdn Bhd
- Water and Engineering Division – Taliworks (Langkawi) Sdn Bhd
- Tianjin-SWM Environmental Co Ltd
- Taliworks (Yinchuan) Wastewater Treatment Plant Co Ltd
- Puresino (Guanghan) Water Co Ltd
- Group Strategic Risks

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

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

(e) Related Party Transaction (RPT) / Recurrent Related Party Transaction (RRPT)

The ARMC evaluated all the RPTs/RRPTs tabled by the GFGM at all (5) meetings and ensure that they were conducted

- at arm's length;
- on normal commercial terms;
- on terms not more favourable to a 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 the Group.

The ARMC then recommended the RPTs/RRPTs for approval at the subsequent Board meetings. In particular the ARMC had reviewed and approved the Circular to Shareholders in relation to the proposed shareholders' mandate for RPTs/RRPTs that was tabled to shareholders at the Annual General Meeting held on 30 April 2015.

E. SUMMARY OF ACTIVITIES (cont'd)

(f) **ARMC Report and Statement on Risk Management and Internal Control**

The ARMC reviewed the ARMC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report for year 2015.

(g) **Fraud**

There were no major incidences of fraud or wrongdoings reported to the ARMC in the year 2015.

F. INTERNAL AUDIT FUNCTION

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

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

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

The internal audit function performed risk-based, ad-hoc and routine audits for the year 2015 in accordance with the approved audit plans. The audit results were discussed with the respective management and presented to ARMC for review. Where applicable, the internal audit function conducted follow-up audits to ensure that management's commitment on corrective actions were fulfilled timely and appropriately. In addition, the internal audit function played an advisory role in the course of performing its internal audit activities.

The internal audit function is supported by an in-house GIA Department. The department provides internal audit services covering the Company, all its local and foreign subsidiaries. The total costs incurred for the internal audit function was RM883,577 for the year 2015 against RM886,236 in year 2014.

Statement on Risk Management and Internal Control

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

Responsibility

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

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

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

- Both the risk management and internal control process are undertaken by the Audit and Risk Management Committee which reports its findings to the Board. Whilst the Audit and Risk Management Committee has delegated the implementation of the system of internal controls within an established framework to the management, it is assisted by an internal audit function which provides an independent assessment and the relevant assurance on the effectiveness, adequacy and integrity of the system of internal control based on findings from internal audit reviews carried out during the year in review.

- In respect of the risk management function, this role is undertaken by the Risk Management Working Group, chaired by the Executive Director. Further information on the duties and functions of the Risk Management Working Group is stated in section 13.8 of the Corporate Governance Statement.

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

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

Risk Management Framework

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

Risk Management Framework (cont'd)

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

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

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

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

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

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

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

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

  The head of the internal audit function will attend such briefings;

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

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

  (f) Re-assessment of risks are to be conducted annually in all operational sites by a representative of the Risk Management Working Group together with the relevant management personnel where existing controls will be verified to ensure their validity and evaluation will be conducted to determine their effectiveness.

- Currently, risk management covers the three core businesses of the Group, namely its two key operating subsidiaries involved in the operation, treatment and maintenance of water treatment plants and distribution facilities, the construction and engineering division and three of its foreign operating subsidiaries involved in the waste management segment. The process of establishing the risk profile and risk register for the toll management division is on-going and will be finalised by the next financial year.

- Further details of the Risk Profiles of the Group are discussed in the Executive Director's Review of Operations.

Internal Audit Function

- The internal audit function is undertaken internally within the Group to provide independent internal audit services to the Company and its group of companies.

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

Other Key Elements of Internal Controls

- Other key elements of the system of internal control established by the Group, amongst others, are as follows:-

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

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

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

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

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

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

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

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

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

Management's Assurance

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

Review by the External Auditors

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

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

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

Additional Compliance Information

In compliance with Part A of Appendix 9C of the Listing Requirements, the following are additional information in respect of the financial year ended 31 December 2015 to be disclosed in this Annual Report:-

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

2. **Options, Warrants or Convertible Securities**
   During the financial year, there were no options, warrants or convertible securities exercised into ordinary shares of the Company except for the exercise of 3,324,000 Employees' Share Option Scheme ("ESOS") options of the Company.

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

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

5. **Non-Audit Fees**
   The non-audit fees (excluding GST and Out-of-pocket expenses) incurred for services rendered to the Company and its subsidiaries by the auditors, Deloitte or a firm or company affiliated to it, amounted to RM676,800.

6. **Variation in Results**
   There were no variances of 10% or more between the results for the financial year ended 31 December 2015 and the unaudited results previously announced.

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

   (a) Private Placement of 43,980,000 new shares of RM0.50 each which was completed on 23 October 2015

	Gross proceeds raised RM'000	Actual utilisation as at 31 Dec 2015 RM'000	Intended timeframe for utilisation RM'000
For future investments/working capital purposes	138,236	-	Within 12 months from the completion date
Estimated expenses	2,500	2,431	Immediate
	140,736	2,431	

7. Status of Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year except for the following:- (cont'd)

(b) Disposal of 50% equity interest in Pinggiran Muhibbah Sdn. Bhd. as announced on 30 November 2015

	Gross proceeds raised RM'000	Actual utilisation as at 31 Dec 2015 RM'000	Intended timeframe for utilisation RM'000
For future investments/working capital purposes	65,250	15,394	Within 12 months from the completion date
Estimated expenses	1,500	1,610	Within 1 month from the completion date
	66,750	17,004	

8. Profit Guarantee

The Company did not receive any profit guarantee during the financial year.

10. Material Contracts

Save as disclosed in Note 49 to the Financial Statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2015.

11. Properties of the Group

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

12. Share Issuance Scheme

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

12. Share Issuance Scheme (cont'd)

(b) There is only one Share Issuance Scheme in existence during the financial year, the details of which are disclosed in Note 31 to the Financial Statements. The Share Issuance Scheme has since expired on 29 September 2015.

Other information pertaining to the share options are as follows:-

	Share options granted to eligible directors and employees		Share options granted to eligible directors and chief executive officer	
	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)	During the financial year ('000)	Since the commencement of the Share Issuance Scheme ('000)
Number of options granted				
- @ RM1.31	0	5,460	0	650
- @ RM1.90	0	6,410	0	770
Number of options exercised				
- @ RM1.31	0	5,282	0	650
- @ RM1.90	3,324	5,065	145*	365*
Number of options lapsed				
- @ RM1.31	21	178	0	0
- @ RM1.90	159	1,345	0	405
Number of options remaining unexercised				
- @ RM1.31	0	0	0	0
- @ RM1.90	0	0	0	0

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

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

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

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

FINANCIAL STATEMENTS

Directors' Report

The Directors of TALIWORKS CORPORATION BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	109,744	150,019
Income tax expense	(18,180)	-
Profit for the financial year	91,564	150,019
Profit attributable to:		
Owners of the Company	86,549	150,019
Non-controlling interests	5,015	-
	91,564	150,019

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

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2015 and dealt with in the previous year's Directors' report:	
First interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, paid on 1 April 2015;	21,825
In respect of the financial year ended 31 December 2015:	
Second interim single-tier dividend of 5.0 sen per share on 438,580,580 ordinary shares of RM0.50 each, paid on 31 July 2015; and	21,929
Third interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, paid on 23 December 2015	24,190
	67,944

The Directors do not recommend any final dividends in respect of the current financial year. However, on 25 February 2016, the Directors declared the payment of the fourth interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,190,000 in respect of the financial year ended 31 December 2015, to be paid on 11 April 2016 and this has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the movements in the share capital of the Company were as follows:

(a) The issued and paid-up share capital was increased from RM218,245,790 comprising 436,491,580 ordinary shares of RM0.50 each to RM241,897,790 comprising 483,795,580 ordinary shares of RM0.50 each by way of:

    (i) issuance of 3,324,000 new ordinary shares of RM0.50 each pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.90 per share; and

    (ii) issuance of 43,980,000 new ordinary shares of RM0.50 each pursuant to a private placement of new shares at RM3.20 per share.

(b) On 9 November 2015, the issued and paid-up share capital of every two existing ordinary shares of RM0.50 each was subdivided into five ordinary shares of RM0.20 each ("Share Split"). Pursuant to the Share Split, 483,795,580 ordinary shares of RM0.50 each of the Company were subdivided into 1,209,488,950 ordinary shares of RM0.20 each.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company save and except that they were not entitled to any dividends, rights, allotments and/or other distributions, declared, made or paid prior to the date of 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 was obtained) and subsequently had expired on 29 September 2015.

The main features of the ESOS and the movements in the ESOS for the financial year ended 31 December 2015 are disclosed in Note 31 to the Financial Statements.

WARRANTS

On 12 November 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.20 each within three years, from the date of issuance of the Warrants to the expiry date on 11 November 2018, and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are disclosed in Note 31 to the Financial Statements.

There were no Warrants exercised during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS

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

Dato' Lim Yew Boon
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin (appointed on 2 July 2015)
Encik Ahmad Jauhari Bin Yahya (appointed on 2 July 2015)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 each/RM0.20 each						
	As of 1.1.2015	**Bought**	**Sold**	**Share Split^**	**Bought**	**Sold**	**As of 31.12.2015**
Shares in the Company							
Direct interest							
Dato' Lim Yew Boon	150,000	-	-	225,000	-	-	375,000
Mr. Lim Chin Sean	-	60,000	-	90,000	4	-	150,004
Tan Sri Dato' Seri Ong Ka Ting	3,500,000	-	-	5,250,000	-	-	8,750,000
Mr. Vijay Vijendra Sethu	25,500,000	-	-	38,250,000	-	-	63,750,000
Indirect interest							
Mr. Lim Chin Sean	241,640,000#	-	-	362,460,000	-	-	604,100,000#
Mr. Vijay Vijendra Sethu	18,000,000*	-	-	27,000,000	-	-	45,000,000*

	Number of Warrants 2015/2018			
	As of 1.1.2015	**Granted**	**Sold**	**As of 31.12.2015**
Warrants in the Company				
Direct interest				
Dato' Lim Yew Boon	-	75,000	-	75,000
Mr. Lim Chin Sean	-	30,004	-	30,004
Tan Sri Dato' Seri Ong Ka Ting	-	1,750,000	-	1,750,000
Mr. Vijay Vijendra Sethu	-	12,750,000	-	12,750,000
Indirect interest				
Mr. Lim Chin Sean	-	120,820,000#	-	120,820,000#
Mr. Vijay Vijendra Sethu	-	9,000,000*	-	9,000,000*

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

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

* Indirect interest through a family trust.

^ Share split of two (2) existing ordinary shares of RM0.50 each into five (5) new ordinary shares of RM0.20 each during the financial year.

DIRECTORS' INTERESTS (cont'd)

Options granted pursuant to the ESOS of the Company:

	Number of options over Ordinary Shares of RM0.50 each			
	Exercise price (RM)	**As of 1.1.2015**	**Exercised**	**As of 29.9.2015@**
Direct interest				
Mr. Lim Chin Sean	1.90	60,000	(60,000)	-

@ Expiry date of the Company's ESOS.

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

DIRECTORS' BENEFITS

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

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

AUDITORS

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

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

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur
30 March 2016

Statement by Directors

The Directors of **TALIWORKS CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

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

DATO' LIM YEW BOON

LIM CHIN SEAN

Kuala Lumpur
30 March 2016

Declaration by the Officer Primarily Responsible for the Financial Management of the Company

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

WONG VOON LEONG

Subscribed and solemnly declared by the abovenamed **WONG VOON LEONG** at **PETALING JAYA** this 30th day of March 2016.

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report
to the Members of Taliworks Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of **TALIWORKS CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 86 to 194.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

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

Report on Other Legal and Regulatory Requirements

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

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

Report on Other Legal and Regulatory Requirements (cont'd)

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

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

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

Other Matter

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

Other Reporting Responsibilities

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

DELOITTE
AF 0080
Chartered Accountants

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

30 March 2016

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
Revenue	6	410,932	353,914	58,621	34,601
Cost of operations	7	(306,523)	(269,710)	(12,587)	(4,695)
Gross profit		104,409	84,204	46,034	29,906
Other operating income	8	114,834	303,707	123,205	355,829
Administrative and other expenses	9	(65,097)	(43,424)	(19,023)	(20,476)
Finance costs	10	(44,506)	(32,192)	(197)	(1,852)
Share of results of joint venture		(928)	3,809	-	-
Share of results of associates		1,032	1,090	-	-
Profit before tax		109,744	317,194	150,019	363,407
Income tax (expense)/income	13	(18,180)	(14,036)	-	2,239
Profit for the financial year		91,564	303,158	150,019	365,646
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit and loss:					
Currency translation differences of foreign operations		32,848	7,894	-	-
Net fair value (loss)/gain on available-for-sale financial assets		(177)	34	(218)	-
Total other comprehensive income/(loss) for the financial year		32,671	7,928	(218)	-
Total comprehensive income for the financial year		124,235	311,086	149,801	365,646
Profit for the financial year attributable to:					
Owners of the Company		86,549	301,249	150,019	365,646
Non-controlling interests		5,015	1,909	-	-
		91,564	303,158	150,019	365,646
Total comprehensive income attributable to:					
Owners of the Company		117,644	309,000	149,801	365,646
Non-controlling interests		6,591	2,086	-	-
		124,235	311,086	149,801	365,646
Earnings per share attributable to Owners of the Company (sen):	14				
- Basic		7.76	27.61		
- Diluted		7.75	27.60		

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

Statements of Financial Position
as of 31 December 2015

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	32,971	40,747	5,860	8,707
Investment properties	16	254	260	254	260
Intangible assets	18	1,787,111	1,689,672	-	-
Investment in subsidiaries	19	-	-	336,627	98,619
Investment in joint venture	20	67,337	74,621	67,173	48,000
Investment in associates	21	7,213	5,881	2,420	2,120
Other investment	22	240	240	-	-
Goodwill on consolidation	23	131,889	131,889	-	-
Deferred tax assets	24	19,032	16,048	-	-
Long-term trade receivables	25	232,219	199,754	-	-
Long-term other receivables	26	855	625	-	-
Deposits, cash and bank balances	27	36,881	32,877	4,787	5,803
Amount due from subsidiaries	28	-	-	292,444	443,604
Total Non-Current Assets		2,316,002	2,192,614	709,565	607,113
Current Assets					
Inventories	29	1,770	1,207	-	-
Amount due from contract customers	40	8,552	1,411	-	-
Trade receivables	25	171,389	179,632	4,291	2,234
Other receivables, deposits and prepayments	26	8,817	88,951	1,506	76,387
Amount due from subsidiaries	28	-	-	5,066	5,528
Tax recoverable		1,221	7,983	-	-
Available-for-sale financial assets	30	238,692	114,459	188,982	-
Deposits, cash and bank balances	27	168,100	211,488	6,293	1,212
		598,541	605,131	206,138	85,361
Asset held-for-sale	17	-	125	-	125
Total Current Assets		598,541	605,256	206,138	85,486
TOTAL ASSETS		2,914,543	2,797,870	915,703	692,599

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	31	241,898	218,246	241,898	218,246
Share premium	32	196,663	74,176	196,663	74,176
Share option reserve	33	-	1,591	-	1,591
Currency translation reserve		56,397	25,140	-	-
Available-for-sale reserve		(164)	(2)	(218)	-
Merger deficit	34	(71,500)	(71,500)	-	-
Retained earnings	35	723,308	604,110	462,638	380,491
Total Equity Attributable to Owners of the Company		1,146,602	851,761	900,981	674,504
Non-controlling interests		286,553	523,668	-	-
Total Equity		1,433,155	1,375,429	900,981	674,504
Deferred and Non-Current Liabilities					
Long-term borrowings	37	803,725	719,357	31	216
Deferred tax liabilities	24	254,588	254,514	-	-
Long-term trade payables	38	8,043	6,365	-	-
Deferred income	41	193,302	189,521	-	-
Provision for heavy repairs	42	12,605	9,099	-	-
Total Deferred and Non-Current Liabilities		1,272,263	1,178,856	31	216
Current Liabilities					
Amount due to contract customers	40	1,403	-	1,403	-
Trade payables	38	86,663	75,637	140	298
Other payables and accruals	39	78,169	129,193	12,962	15,183
Tax liabilities		1,808	5,017	-	-
Short-term borrowings	37	23,255	21,756	186	2,398
Deferred income	41	17,827	11,982	-	-
Total Current Liabilities		209,125	243,585	14,691	17,879
Total Liabilities		1,481,388	1,422,441	14,722	18,095
TOTAL EQUITY AND LIABILITIES		2,914,543	2,797,870	915,703	692,599

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

Statements of Changes In Equity
for the year ended 31 December 2015

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

The Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Distributable reserve- Retained earnings RM'000	Attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves →									
As of 1 January 2015		218,246	74,176	1,591	25,140	(2)	(71,500)	604,110	851,761	523,668	1,375,429
Available-for-sale financial assets		-	-	-	-	(162)	-	-	(162)	(15)	(177)
Currency translation differences		-	-	-	31,257	-	-	-	31,257	1,591	32,848
Total other comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	-	31,095	1,576	32,671
Profit for the financial year		-	-	-	-	-	-	86,549	86,549	5,015	91,564
Total comprehensive income/(loss) for the financial year		-	-	-	31,257	(162)	-	86,549	117,644	6,591	124,235
Transactions with Owners of the Company:											
Transfer to/(from) reserve upon ESOS options:	33										
- exercised		-	1,519	(1,519)	-	-	-	-	-	-	-
- lapsed		-	-	(72)	-	-	-	72	-	-	-
Proceeds from exercise of ESOS	31, 32	1,662	4,653	-	-	-	-	-	6,315	-	6,315
Proceeds from private placement of shares, net of share issue costs	31, 32	21,990	116,315	-	-	-	-	-	138,305	-	138,305
Dividends paid	36	-	-	-	-	-	-	(67,944)	(67,944)	-	(67,944)
Dividends paid by a subsidiary to non-controlling interest		-	-	-	-	-	-	-	-	(67,250)	(67,250)
Changes in ownership interests in a subsidiary	47	-	-	-	-	-	-	100,521	100,521	67,124	167,645
Reduction in non-controlling interest arising from increase in stake in subsidiaries	47	-	-	-	-	-	-	-	-	(270,496)	(270,496)
Non-controlling interest arising from issuance of redeemable preference shares		-	-	-	-	-	-	-	-	26,916	26,916
Total transactions with Owners of the Company		23,652	122,487	(1,591)	-	-	-	32,649	177,197	(243,706)	(66,509)
As of 31 December 2015		241,898	196,663	-	56,397	(164)	(71,500)	723,308	1,146,602	286,553	1,433,155

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

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

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

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

Statements of Cash Flows
for the year ended 31 December 2015

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	109,744	317,194	150,019	363,407
Adjustments for:				
Amortisation of intangible assets	31,463	20,937	-	-
Finance costs	44,518	32,192	197	1,852
Depreciation:				
- Property, plant and equipment	10,557	7,531	2,852	3,067
- Investment properties	6	9	6	9
Gain on disposal of:				
- property, plant and equipment	(152)	(233)	-	(85)
- an investment property	(120)	-	(120)	-
- a subsidiary	(59,547)	-	(65,130)	-
Unrealised foreign exchange gain - net	(3,843)	(217)	(54,272)	(14,668)
Impairment of:				
- Investment in subsidiaries	-	-	-	4,101
- Amount due from subsidiaries	-	-	-	1,050
- Trade receivable	612	-	-	-
- Other receivables	7	15	-	-
- Intangible assets	6,745	1,982	-	-
Provision for discounting of receivables - net	15,936	26,753	-	-
Provision for heavy repairs	3,506	1,182	-	-
Deferred income	(11,096)	(4,516)	-	-
Recognition of rental and maintenance fee	(68)	(72)	-	-
Recognition of government grant	(42)	-	-	-
Gain on restructuring	-	(272,666)	-	(339,362)
Unwinding of discount on receivables	(35)	(527)	-	-
Available-for-sale financial assets:				
- Dividend income	(2,989)	(2,231)	(1,166)	(46)
- (Gain)/Loss on redemption - net	(352)	(444)	15	(104)
Interest income	(4,885)	(3,856)	(743)	(859)
Construction profit recognised pursuant to IC 12	(4,383)	(3,027)	-	-

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Share of results:				
- Joint venture	928	(3,809)	-	-
- Associates	(1,032)	(1,090)	-	-
Property, plant and equipment written off	568	602	-	1
Value-added tax exempted by tax authority	(5,045)	(5,402)	-	-
Dividend income	-	-	(45,936)	(29,570)
Amount due from subsidiaries written off	-	-	-	41
Reversal of interest income/(Interest income) imputed in retention sums - net	166	(295)	-	-
Interest expense imputed in borrowing	548	219	-	-
Operating Profit/(Loss) Before Working Capital Changes	131,715	110,231	(14,278)	(11,166)
Decrease/(Increase) in:				
Inventories	(504)	41	-	-
Amount due from contract customers	(7,141)	(247)	-	-
Trade and other receivables	42,234	29,990	73,234	(75,697)
(Decrease)/Increase in:				
Amount due to contract customers	1,403	(180)	1,403	(336)
Trade and other payables	18,460	40,009	(2,139)	4,233
Cash Generated From/(Used In) Operations	186,167	179,844	58,220	(82,966)
Income tax paid	(24,967)	(21,561)	-	-
Income tax refunded	7,813	9,235	-	4,532
Net Cash From/(Used In) Operating Activities	169,013	167,518	58,220	(78,434)

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Interest received	5,001	3,884	333	913
(Increase)/Decrease in amount due from subsidiaries	-	-	(52,907)	155,336
Payment for acquisition of subsidiary in prior year	(37,102)	-	-	-
Payment for purchase of property, plant and equipment in prior year	-	(3,131)	-	(3,131)
Property, plant and equipment:				
- Proceeds from disposal	152	286	-	103
- Purchase *	(2,557)	(4,278)	(245)	(492)
Purchase of intangible assets@	(35,837)	(35,812)	-	-
Proceeds from disposal on investment property	245	-	245	-
Net cash inflow on acquisition of subsidiary (Note 47)	-	140,170	-	-
Payment for acquisition of non-controlling interests (Note 47)	(102,851)	-	-	-
Investment in joint venture	-	(75,015)	-	(48,000)
Investment in subsidiary	-	-	-	(9)
Investment in an associate	(300)	-	(300)	-
Dividend received from subsidiaries	-	-	45,936	23,690
Dividend received from joint venture	-	5,500	-	5,500
Proceeds from government grant	20,883	-	-	-
Available-for-sale financial assets:				
- Purchase	(277,081)	(168,535)	(216,714)	(33,491)
- Proceeds from redemption	156,012	173,622	28,665	33,641
(Placement)/Withdrawals of deposits pledged as security	(4,004)	(12,305)	1,016	4,505
Decrease/(Increase) in proceeds deposited into a designated bank account	2,017	(8,660)	-	-
Net cash inflow from the disposal of a subsidiary (Note 47)	65,822	-	66,750	-
Proceeds from the disposal of shares (Note 47)	-	68,683	-	-
Net Cash (Used In)/From Investing Activities	(209,600)	84,409	(127,221)	138,565

	Note	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Interest paid		(48,210)	(25,085)	(197)	(2,025)
Dividends paid		(67,944)	(26,189)	(67,944)	(26,189)
Dividends paid by a subsidiary to non-controlling interests		(67,250)	-	-	-
Repayments of borrowings		(18,917)	(93,116)	-	(80,000)
Drawdowns of borrowings		50,434	73,099	-	50,000
Repayment of finance lease payables		(46)	(332)	(176)	(169)
Proceeds from private placement of shares, net of share issue costs		138,305	-	138,305	-
Proceeds from exercise of ESOS		6,315	-	6,315	-
Net Cash (Used In)/From Financing Activities		(7,313)	(71,623)	76,303	(58,383)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(47,900)	180,304	7,302	1,748
Effects of foreign exchange rate changes		8,750	1,739	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		197,088	15,045	(1,009)	(2,757)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	27	157,938	197,088	6,293	(1,009)

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

	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
Payment by cash	2,557	4,278	245	492
Financed by finance lease	73	565	-	-
Total (Note 15)	2,630	4,843	245	492

@ Purchase of intangible assets consists of the following:

	The Group 2015 RM'000	The Group 2014 RM'000	The Company 2015 RM'000	The Company 2014 RM'000
Payment by cash	35,837	35,812	-	-
Other payables	9,714	-	-	-
Total (Note 18)	45,551	35,812	-	-

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

Notes to the Financial Statements
for the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

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

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

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

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 30 March 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new and revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2015.

Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)
Annual Improvements to FRSs 2010 – 2012 cycle	
Annual Improvements to FRSs 2011 – 2013 cycle	

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

Standards in issue but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[2]
MFRS 14	Regulatory Deferral Accounts[1]
MFRS 15	Revenue from Contract with Customers[2]
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

Standards in issue but not yet effective (cont'd)

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations1
Amendments to MFRS 101	Disclosure Initiative[1]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to MFRS 127	Equity Method in Separate Financial Statements[1]
Annual Improvements to FRSs 2012 - 2014 cycle[1]	

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective date deferred to a date to be determined and announced, with earlier application still permitted.

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

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for de-recognition, and in February 2015, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2015) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

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

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

Key requirements of MFRS 9: (cont'd)

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

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

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

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

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries and Basis of Consolidation (cont'd)

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

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

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

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

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

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

Subsidiaries

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

Business Combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations (cont'd)

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

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

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

Business Combinations (cont'd)

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

Investments in Associates and Joint Venture

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in Associates and Joint Venture (cont'd)

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

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

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

Non-current assets held for sale

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

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

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

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

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

Revenue Recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition (cont'd)

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

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

Management fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

Deferred Income

Deferred income comprises the following:

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

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

Government Grant

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

Foreign Currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

Foreign Currency (cont'd)

(iii) Group companies

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

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee Benefits (cont'd)

(iii) Share-based compensation

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

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

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

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

Borrowing Costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

Taxation (cont'd)

Deferred tax (cont'd)

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

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

Property, Plant and Equipment

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

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

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

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

Buildings	50 years
Plant and machinery	5 to 20 years
Mechanical and electrical	5 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 to 7 years
Building renovations	5 years
Toll equipment	10 years
Highway-operation equipment	5 to 10 years

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Assets Acquired Under Leases

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

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

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

Investment Properties

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

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

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

Intangible Assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible Assets (cont'd)

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

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

Inventories

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

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

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

Construction Contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Construction Contracts (cont'd)

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

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

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

Provisions

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

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

Financial Instruments

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

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

Financial Assets

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

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

Financial Assets (cont'd)

Effective interest method (cont'd)

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Assets (cont'd)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

Financial Assets (cont'd)

Impairment of financial assets (cont'd)

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

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

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

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

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

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

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

De-recognition of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Liabilities and Equity Instruments (cont'd)

Other financial liabilities

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

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

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

De-recognition of financial liabilities

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

Statements of Cash Flows

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

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

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

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

Segment Reporting

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

Contingent Liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Intangible Assets

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

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

(b) Impairment of Goodwill on Consolidation

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

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

(c) Amortisation of Highway Development Expenditure

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

(d) Provision for Heavy Repairs

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

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

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

(e) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

(f) Taxation

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

(h) Deferred Tax Assets

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

(i) Construction Contracts

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

(j) Revenue and Cost Recognition for Intangible Asset model

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

(k) Trade Receivables and Revenue Recognition

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

Of the total amount of the Group's trade receivables amounting to RM403,608,000 (2014: RM379,386,000), RM371,145,000 (2014: RM345,115,000) is concentrated in two customers. Disclosure of the critical estimates made to the carrying amount of these receivables is set out in Note 25.

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

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

(l) Litigations

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

5. SEGMENT REPORTING

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

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

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

5. SEGMENT REPORTING (cont'd)

Segment analysis:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue												
Total revenue	216,658	218,392	71,482	55,627	111,609*	101,369*	62,765	23,150	63,483^	34,294^	525,997	432,832
Inter-segment revenue	-	-	(758)	(610)	(9,707)	(2,063)	-	-	(63,468)	(33,669)	(73,933)	(36,342)
External revenue	216,658	218,392	70,724	55,017	101,902	99,306	62,765	23,150	15	625	452,064	396,490
Reconciliation: Difference in accounting policy (see note below)	(41,132)	(42,576)	-	-	-	-	-	-	-	-	(41,132)	(42,576)
Revenue as per statement of comprehensive income	175,526	175,816	70,724	55,017	101,902	99,306	62,765	23,150	15	625	410,932	353,914

* Including RM48,214,000 (2014: RM33,296,000) construction revenue recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

^ Included in Others is dividend income of RM45,936,000 received from subsidiaries (2014: RM29,570,000 received from subsidiaries, former joint venture and an associate).

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

5. SEGMENT REPORTING (cont'd)

Segment analysis:

	Water		Waste management		Construction		Toll highway		Others		Total	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Earnings before finance costs, depreciation and amortisation and income tax	69,642	62,181	13,286	22,325	5,498	5,046	49,693	13,232	167,188	371,554	305,307	474,338
Depreciation and amortisation	(792)	(602)	(20,903)	(17,806)	(485)	(456)	(17,022)	(6,740)	(2,666)	(2,873)	(41,868)	(28,477)
	68,850	61,579	(7,617)	4,519	5,013	4,590	32,671	6,492	164,522	368,681	263,439	445,861
Finance costs	(4)	-	(23,222)	(21,401)	(30)	(28)	(21,067)	(8,404)	(183)	(2,359)	(44,506)	(32,192)
Inter-segment results	2,286	2,286	12,600	6,994	651	941	600	239	(125,430)	(111,834)	(109,293)	(101,374)
Segment results	71,132	63,865	(18,239)	(9,888)	5,634	5,503	12,204	(1,673)	38,909	254,488	109,640	312,295
Share of results of joint venture	-	-	-	-	-	-	(928)	3,809	-	-	(928)	3,809
Share of results of associate	-	-	-	-	-	-	-	-	1,032	1,090	1,032	1,090
Profit before tax	71,132	63,865	(18,239)	(9,888)	5,634	5,503	11,276	2,136	39,941	255,578	109,744	317,194
Income tax expense	(16,644)	(15,386)	(1,093)	83	(430)	(622)	28	(350)	(41)	2,239	(18,180)	(14,036)
Profit for the financial year as per statement of profit or loss and comprehensive income	54,488	48,479	(19,332)	(9,803)	5,204	4,881	11,304	1,786	39,900	257,817	91,564	303,158

5. **SEGMENT REPORTING** (cont'd)

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

	Water		Waste management		Construction		Toll highway		Others		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Segment assets	427,647	404,920	707,568	560,269	36,536	39,265	1,522,127	1,687,478	220,665	105,938	2,914,543	2,797,870
Segment liabilities	(71,165)	(67,235)	(482,840)	(351,695)	(26,482)	(28,998)	(887,282)	(895,510)	(13,619)	(79,003)	(1,481,388)	(1,422,441)
Net segment assets	356,482	337,685	224,728	208,574	10,054	10,267	634,845	791,968	207,046	26,935	1,433,155	1,375,429
Other financial information:												
Capital additions (including business combination):												
Intangible assets	-	-	45,551	35,812	-	-	-	1,198,828	-	-	45,551	1,234,640
Property, plant and equipment	948	1,209	93	1,230	206	815	1,136	22,790	247	492	2,630	26,536
Depreciation:												
Property, plant and equipment	791	603	1,265	1,467	448	455	5,197	2,142	2,856	2,864	10,557	7,531
Investment properties	-	-	-	-	-	-	-	-	6	9	6	9
Amortisation of intangible assets	-	-	19,638	16,339	-	-	11,825	4,598	-	-	31,463	20,937

5. SEGMENT REPORTING (cont'd)

Revenue from the two major customers of Water Segment contributed approximately RM216,658,000 (2014: RM175,816,000) of the Group's total revenue.

Revenue from the three major customers of Waste Management Segment contributed approximately RM70,724,000 (2014: RM55,017,000) of the Group's total revenue.

Included in the revenue from Construction Segment is contribution by a major customer of approximately RM42,022,000 (2014: RM63,966,000), and revenue recognised pursuant to IC Interpretation 12 Service Concession Arrangements ("IC12") from the construction of a public service infrastructure in a subsidiary of approximately RM48,214,000 (2014: RM33,296,000)

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

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

(ii) People's Republic of China - Waste management, water treatment equipment and provision of related services, and revenue recognised under IC12.

* The Company's home country.

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

	Revenue	
	2015 RM'000	2014 RM'000
Malaysia	291,993	265,602
People's Republic of China	118,939	88,312
	410,932	353,914

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

			Capital additions			
	Total assets		Intangible assets		Property, plant and equipment	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	2,201,498	2,233,416	-	1,198,828	2,535	25,306
People's Republic of China	712,823	564,260	45,551	35,812	95	1,230
Singapore	222	194	-	-	-	-
	2,914,543	2,797,870	45,551	1,234,640	2,630	26,536

6. REVENUE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Management, operation and maintenance of water treatment plants ^	175,526	175,816	-	-
Revenue from construction contracts *	101,902	99,306	9,805	2,151
Waste management	70,724	55,017	-	-
Management fees (Note 49)	-	361	2,880	2,880
Toll revenue and operator fee	51,669	18,634	-	-
Deferred income (Note 41)	11,096	4,516	-	-
Dividend from subsidiaries, joint venture and associate (Note 49)	-	-	45,936	29,570
Others	15	264	-	-
	410,932	353,914	58,621	34,601

^ The Group reviews the consideration received or receivable on its current year's invoiced amount based on the estimation of the timing of repayment from trade receivables. During the financial year, a provision for discounting on a deferred payment consideration of RM41,132,000 (2014: RM42,576,000) pertaining to current year's invoices has been recognised and net-off against revenue from management, operation and maintenance of water treatment plants.

* Revenue from construction contracts of the Group includes RM48,214,000 (2014: RM33,296,000) construction revenue recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

7. COST OF OPERATIONS

Included in cost of operations are:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amortisation of intangible assets (Note 18)	31,463	20,937	-	-
Hire of plant and machinery	43	37	-	-
Lease rental of waterwork assets	150	150	-	-
Depreciation of property, plant and equipment (Note 15)	5,680	3,178	-	-
Provision for heavy repairs (Note 42)	3,506	1,182	-	-
Staff costs	25,079	19,280	2,880	2,519
Contract costs recognised *	93,255	91,232	9,707	2,176

* Contract costs recognised of the Group includes RM43,831,000 (2014: RM30,269,000) construction costs recognised pursuant to IC Interpretation 12 Service Concession Arrangements from the construction of a public service infrastructure.

8. OTHER OPERATING INCOME

Included in other operating income are:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gain on restructuring (Note 47)	-	272,666	-	339,362
Reversal of discounting of receivables (Note 25)	25,196	15,823	-	-
Interest income on fixed deposits with licensed banks	4,885	3,856	743	859
Available-for-sale financial assets:				
- Dividend income	2,989	2,231	1,166	46
- Gain on redemption	367	444	-	104
Rental income	590	131	682	683
Gain on disposal of:				
- property, plant and equipment (Note 15)	152	233	-	85
- an investment property (Note 17)	120	-	120	-
- a subsidiary (Note 47)	59,547	-	65,130	-
Realised foreign exchange gain	15	-	-	-
Unrealised foreign exchange gain	5,345	1,369	54,272	14,668
Unwinding of discount on:				
- trade receivables (Note 25)	-	495	-	-
- other receivables (Note 26)	35	32	-	-
Value-added tax exempted by tax authority	5,045	5,402	-	-
Recognition of rental and maintenance fee (Note 41)	68	72	-	-
Recognition of government grant (Note 41)	42	-	-	-
Interest income imputed in retention sums (Note 38)	43	295	-	-
Investment income	7,486	-	-	-

9. ADMINISTRATIVE AND OTHER EXPENSES

Included in administrative and other expenses are:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Depreciation of investment properties (Note 16)	6	9	6	9
Auditors' remuneration:				
Auditors of the Company:				
- Statutory audit	375	303	138	83
- Audit related services	-	48	-	48
- Other services	310	50	250	50
Other auditors - Statutory audit	190	149	-	-
Depreciation of property, plant and equipment (Note 15)	4,719	4,353	2,852	3,067
Impairment of:				
- Investment in subsidiaries (Note 19)	-	-	-	4,101
- Other receivables (Note 26)	7	15	-	-
- Trade receivable (Note 25)	612	-	-	-
- Amount due from subsidiaries	-	-	-	1,050
- Intangible assets (Note 18)	6,745	1,982	-	-

9. ADMINISTRATIVE AND OTHER EXPENSES (cont'd)

Included in administrative and other expenses are: (cont'd)

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental of premises	2,986	3,019	2,802	2,852
Rental - others	453	390	55	22
Staff costs	22,672	16,283	7,133	5,841
Amount due from subsidiaries written off	-	-	-	41
Property, plant and equipment written off (Note 15)	568	602	-	1
Interest expense imputed in borrowing (Note 37)	548	219	-	-
Unrealised foreign exchange loss	1,502	1,152	-	-
Loss on redemption of available-for-sale financial assets	15	-	15	-
Reversal of interest income imputed in retention sum (Note 38)	209	-	-	-
Arbitration claims (Note 45)	2,914	-	-	-

10. FINANCE COSTS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense:				
- Borrowings	44,472	32,164	183	1,830
- Finance lease	34	28	14	22
	44,506	32,192	197	1,852

11. STAFF COSTS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages, salaries and bonus	43,295	32,186	8,921	7,541
Defined contribution - Employees Provident Fund	3,416	2,542	960	713
Other employee benefits	1,040	835	132	106
	47,751	35,563	10,013	8,360

Included in staff costs of the Group and of the Company are Directors' remuneration of RM993,000 (2014: RM694,000) and RM965,000 (2014: RM694,000) respectively as further disclosed in Note 12.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM486,000 (2014: RM202,000) and RM92,000 (2014: RM153,000) respectively.

12. DIRECTORS' REMUNERATION

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

Non-executive Directors
Mr. Lim Chin Sean
Mr. Soong Chee Keong
Tan Sri Dato' Seri Ong Ka Ting
Mr. Vijay Vijendra Sethu
Dato' Sri Amrin Bin Awaluddin
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin (appointed on 2 July 2015)
Encik Ahmad Jauhari Bin Yahya (appointed on 2 July 2015)

Executive Director
Dato' Lim Yew Boon

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

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive Directors:				
- Fees	420	211	420	211
- Other emoluments	104	69	104	69
Executive Director:				
- Fees	84	34	60	34
- Salaries and bonus	298	280	298	280
- Defined contribution plan	36	34	36	34
- Other emoluments	51	66	47	66
	993	694	965	694

13. INCOME TAX EXPENSE/(INCOME)

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax:				
Current year	22,026	23,248	-	-
(Over)/Underprovision in prior years	(1,319)	47	-	-
	20,707	23,295	-	-
Foreign income tax	281	-	-	-
Deferred tax (Note 24):				
Relating to origination and reversal of temporary differences	(2,808)	(9,259)	-	(2,239)
	18,180	14,036	-	(2,239)

13. INCOME TAX EXPENSE/(INCOME) (cont'd)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's tax rate of 25% effective year of assessment 2016. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax	109,744	317,194	150,019	363,407
Taxation at statutory tax rates	27,436	79,299	37,505	90,852
Tax effects of:				
Non-deductible expenses	6,355	4,473	3,731	2,478
Non-taxable income	(14,569)	(75,525)	(41,740)	(101,322)
Deferred tax assets not recognised	129	5,742	504	5,753
Under/(Over)provision of income tax expense in prior years	(1,319)	47	-	-
Effect of changes in tax rate	148	-	-	-
Income tax expense/(income) recognised in profit or loss	18,180	14,036	-	(2,239)

14. EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2015 RM'000	2014 RM'000
Profit for the financial year attributable to owners of the Company	86,549	301,249
Weighted average number of ordinary shares in issue ('000)	1,115,867	1,091,229*
Basic EPS (sen)	7.76	27.61

14. EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share

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

	The Group	
	2015	**2014**
	RM'000	**RM'000**
Profit for the financial year attributable to owners of the Company (RM'000)	86,549	301,249
Weighted average number of ordinary shares in issue ('000)	1,115,867	1,091,229*
Effects of dilution from ESOS Options ('000)	1,477	240
Adjusted weighted average number of ordinary shares in issue ('000)	1,117,344	1,091,469
Diluted EPS (sen)	7.75	27.60

* The weighted average number of ordinary shares in issue in the previous financial year had been adjusted as if the share split of 436,491,580 ordinary shares of RM0.50 each into 1,091,228,950 ordinary shares of RM0.20 each on 9 November 2015 was effected since 1 January 2014.

The Warrants were excluded from the calculation of the diluted earnings per share as they were anti-dilutive as at the end of the financial year.

15. PROPERTY, PLANT AND EQUIPMENT

The Group 2015	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2015	280	700	10,806	2,068	13,121	12,481	6,386	20,665	17	66,524
Additions	-	-	241	-	696	1,067	13	607	6	2,630
Disposals	-	-	-	-	(3)	(606)	-	-	-	(609)
Write offs	-	-	(1,324)	-	(12)	(2)	-	-	-	(1,338)
Adjustments	-	-	(3)	(97)	(34)	-	(205)	-	-	(339)
At 31 December 2015	280	700	9,720	1,971	13,768	12,940	6,194	21,272	23	66,868
Accumulated depreciation										
At 1 January 2015	-	188	9,830	470	5,634	4,976	1,781	1,911	3	24,793
Charge for the financial year	-	14	921	371	1,956	1,767	976	4,547	5	10,557
Disposals	-	-	-	-	(3)	(606)	-	-	-	(609)
Write offs	-	-	(760)	-	(8)	(2)	-	-	-	(770)
Adjustments	-	-	(1)	-	(14)	-	-	-	-	(15)
At 31 December 2015	-	202	9,990	841	7,565	6,135	2,757	6,458	8	33,956
Accumulated currency translation differences										
At 1 January 2015	-	-	1,972	-	(3,271)	289	26	-	-	(984)
Currency translation differences	-	-	351	-	82	610	-	-	-	1,043
At 31 December 2015	-	-	2,323	-	(3,189)	899	26	-	-	59

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

The Group 2014	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Toll equipment RM'000	Highway-operation equipment RM'000	Total RM'000
Cost										
At 1 January 2014	280	700	13,275	2,055	12,455	9,343	6,673	-	-	44,781
Arising from business combination (Note 47)	-	-	-	-	272	862	215	20,327	17	21,693
Additions	-	-	266	13	910	3,243	73	338	-	4,843
Disposals	-	-	(50)	-	(3)	(959)	-	-	-	(1,012)
Write offs	-	-	(2,685)	-	(513)	(8)	(575)	-	-	(3,781)
At 31 December 2014	280	700	10,806	2,068	13,121	12,481	6,386	20,665	17	66,524
Accumulated depreciation										
At 1 January 2014	-	146	10,863	34	4,400	4,662	1,158	-	-	21,263
Charge for the financial year	-	42	1,102	436	1,748	1,230	1,196	1,911	3	7,668
Disposals	-	-	(50)	-	(1)	(908)	-	-	-	(959)
Write offs	-	-	(2,085)	-	(513)	(8)	(573)	-	-	(3,179)
At 31 December 2014	-	188	9,830	470	5,634	4,976	1,781	1,911	3	24,793
Accumulated currency translation differences										
At 1 January 2014	-	-	1,646	-	(3,125)	233	47	-	-	(1,199)
Currency translation differences	-	-	326	-	(146)	56	(21)	-	-	215
At 31 December 2014	-	-	1,972	-	(3,271)	289	26	-	-	(984)
Net book value										
At 31 December 2015	280	498	2,053	1,130	3,014	7,704	3,463	14,814	15	32,971
At 31 December 2014	280	512	2,948	1,598	4,216	7,794	4,631	18,754	14	40,747

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

The Company	Plant and machinery RM'000	Mechanical and electrical RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Building renovations RM'000	Total RM'000
Cost						
At 1 January 2014	106	1,855	4,760	1,941	5,432	14,094
Additions	-	10	458	-	24	492
Disposals	-	-	(3)	(267)	-	(270)
Adjustments	(38)	-	(248)	-	(305)	(591)
At 31 December 2014	68	1,865	4,967	1,674	5,151	13,725
At 1 January 2015	68	1,865	4,967	1,674	5,151	13,725
Additions	-	-	232	-	13	245
Adjustments	-	(92)	-	-	(148)	(240)
At 31 December 2015	68	1,773	5,199	1,674	5,016	13,730
Accumulated depreciation						
At 1 January 2014	105	31	1,046	1,222	389	2,793
Charge for the financial year	-	372	1,423	244	1,028	3,067
Disposals	-	-	(2)	(250)	-	(252)
Write offs	(38)	-	(247)	-	(305)	(590)
At 31 December 2014	67	403	2,220	1,216	1,112	5,018
At 1 January 2015	67	403	2,220	1,216	1,112	5,018
Charge for the financial year	-	333	1,321	223	975	2,852
At 31 December 2015	67	736	3,541	1,439	2,087	7,870
Net book value						
At 31 December 2015	1	1,037	1,658	235	2,929	5,860
At 31 December 2014	1	1,462	2,747	458	4,039	8,707

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

(a) The net book value of assets held under finance lease agreements of the Group and of the Company amounted to RM837,000 (2014: RM1,233,000) and RM221,000 (2014: RM411,000) respectively.

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

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Capitalised in amount due to contract customers	40	158	137	-	-
Statements of profit or loss and other comprehensive income:					
Cost of operations	7	5,680	3,178	-	-
Administrative and other expenses	9	4,719	4,353	2,852	3,067
		10,399	7,531	2,852	3,067
		10,557	7,668	2,852	3,067

(c) Write offs for the financial year consist of:

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Administrative and other expenses	9	568	602	-	1

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

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Other operating income	8	152	233	-	85

16. INVESTMENT PROPERTIES

	The Group and The Company 2015 RM'000	2014 RM'000
Cost		
At 1 January	369	529
Transfer to asset held-for-sale	-	(160)
At 31 December	369	369
Accumulated depreciation		
At 1 January	83	109
Transfer to asset held-for-sale	-	(35)
Charge for the financial year (Note 9)	6	9
At 31 December	89	83
Accumulated impairment loss		
At 1 January/At 31 December	26	26
Net book value		
At 31 December	254	260
Representing:		
Freehold building	122	125
Leasehold building	132	135
	254	260

Fair value of the investment properties of the Group and of the Company as of 31 December 2015 is estimated at RM672,000 (2014: RM716,000) based on Directors' assessment of the current prices in an active market for the respective properties within each vicinity. No independent external valuation was performed.

Details of the Group's and the Company's investment properties and information about the fair value hierarchy as of 31 December 2015 are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value RM'000
2015				
Freehold building located in Malaysia	-	-	423	423
Leasehold building located in Malaysia	-	-	249	249
2014				
Freehold building located in Malaysia	-	-	513	513
Leasehold building located in Malaysia	-	-	203	203

There were no transfers between Levels 1, 2 and 3 during the year.

The unexpired lease period of the leasehold building of the Group and the Company is 78 years (2014: 79 years).

17. ASSET HELD-FOR-SALE

	The Group and The Company	
	2015	2014
	RM'000	RM'000
Leasehold building	-	125

On 12 January 2015, the Company entered into a sale and purchase agreement with an independent third party to dispose a leasehold building for a consideration of RM245,000. The disposal was completed on 29 July 2015 which resulted in a gain of RM120,000 as disclosed in Note 8.

18. INTANGIBLE ASSETS

	The Group	
	2015	2014
	RM'000	RM'000
Cost		
At 1 January	1,707,753	470,086
Arising from business combination (Note 47)	-	1,198,828
Additions	45,551	35,812
Profits from the construction of a public service infrastructure	4,383	3,027
At 31 December	1,757,687	1,707,753
Accumulated amortisation		
At 1 January	59,551	38,614
Charged for the financial year (Note 7)	31,463	20,937
At 31 December	91,014	59,551
Accumulated impairment loss		
At 1 January	12,126	10,144
Impairment loss for the financial year (Note 9)	6,745	1,982
At 31 December	18,871	12,126
Accumulated currency translation differences		
At 1 January	53,596	34,832
Currency translation differences	85,713	18,764
At 31 December	139,309	53,596
Carrying amount	1,787,111	1,689,672
Representing:		
Intangible asset of a subsidiary in Malaysia	1,182,406	1,194,231
Intangible assets of subsidiaries in the People's Republic of China	604,705	495,441
	1,787,111	1,689,672

18. INTANGIBLE ASSETS (cont'd)

The intangible assets of the Group consist of the following:

(A) **Intangible asset of a subsidiary in Malaysia**

A concession awarded by the Government of Malaysia to a subsidiary, Grand Saga Sdn Bhd, for fifty years to upgrade and maintain a section of the existing Federal Route 1 at the Kuala Lumpur-Seremban Road described as the Cheras-Kajang Highway ("Highway"). The ownership of the Highway will be transferred to the Government of Malaysia at the end of the concession period in September 2045.

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

(B) **Intangible assets of subsidiaries in People's Republic of China**

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

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

(c) an industrial wastewater and recycled water treatment facilities proposed to be constructed by a subsidiary, Ningxia ECO Wastewater Treatment Co Ltd, whereby the subsidiary undertakes the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Base in Yinchuan, People's Republic of China under build-operate-transfer basis. The subsidiary has been granted a 30-year concession expiring in June 2040 to construct and operate the facilities; and

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

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

18. INTANGIBLE ASSETS (cont'd)

(B) **Intangible assets of subsidiaries in People's Republic of China** (cont'd)

The key bases and assumptions used in the estimation of the recoverable amounts of the intangible assets of the subsidiaries in the People's Republic of China are as follows:

(a) Tianjin Panlou Domestic Waste Transfer Station

(i) Tonnage of waste to be transferred is estimated to be maintained at a minimum guaranteed tonnage of 800 tonnes/day (as stipulated in the concession agreement) in 2016 until the end of the concession period expiring in October 2025;

(ii) The tipping fee for basic tonnage is RMB59.68/tonne in 2016 and increases by 2% per annum in accordance with the concession agreement;

(iii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iv) Truck replacements to be incurred in years 2020 and 2025; and

(v) Pre-tax discount rate of 12.0%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital.

Arising from the impairment review, the Group has recognised an impairment loss of RM6,745,000 (RMB10,783,000) in profit or loss.

(b) Guanghan Wastewater Treatment Plant

The key bases and assumptions used in the estimation of its recoverable amount are disclosed in Note 23.

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

In 2013, the subsidiary started negotiations with the Yinchuan Ningdong Energy and Chemical Base Management Committee ("the Grantor") to take over the ownership of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant. An amount of RMB38,571,700 had been offered by the Grantor to the subsidiary as compensation for the facilities and termination of the concession right of the facilities based on an initial independent valuation report. The validity period for the initial compensation offer has expired and a second independent valuation was jointly commissioned by the Grantor and the subsidiary.

As at 31 December 2015, the second independent valuation report has yet to be issued by the independent valuer. The subsidiary performed an impairment assessment of the intangible asset by comparing the carrying value of the intangible asset against the first termination value offered by the Grantor and recorded a total impairment loss of RMB23,379,000 (equivalent to RM12,126,000 then) in 2013 and 2014.

As at the end of the financial year, although the validity period of the initial compensation offer has expired, the offer remains a reasonable representation of the recoverable amount as the subsidiary is still in negotiation with the Grantor for a higher amount of compensation.

18. INTANGIBLE ASSETS (cont'd)

(B) **Intangible assets of subsidiaries in People's Republic of China** (cont'd)

(d) Yinchuan Wastewater and Recycled Water Treatment Plant

(i) After the completion of the expansion and upgrading of an existing wastewater treatment plant and the remaining three wastewater treatment plant referred to in (iii) below, the quantity of wastewater treated is estimated at 400 million liters per day ("MLD") in 2016 and projected to increase progressively to 480MLD in 2022 until the end of the concession period expiring in September 2041; whereas quantity of sales of recycled water is estimated to be 14 MLD in 2016 until the end of the concession period;

(ii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iii) The capital expenditure for the upgrading and expansion works of Wastewater Treatment Plant No. 3 is estimated at RMB126,993,000 (RM83,943,000).

Estimated additional capital expenditure of RMB649,018,000 (RM429,000,000) for the expansion and upgrading of three remaining wastewater treatment plants required to be incurred in 2016 to 2017. The expansion and upgrading is required to be undertaken by the Group to comply with the terms of the concession agreement;

(iv) The new tariff rates for effluent wastewater after the upgrade of the Wastewater Treatment Plants No. 1, 2, 3 and 4 are yet to be determined. The tariff rates to be applied to Plant No. 3 in 2016, Plant No. 4 in 2017, Plants No. 1 and 2 in 2018, after completion of the expansion and upgrading works are indicative based on an implied return on equity of 12% over the projected capital expenditure, with a subsequent tariff revision every two years based on an annual increment of 3%.

The indicative tariff rates above may be revised subsequent to the audit by the local authority after the initial operations of the respective plant when the operating expenses and capital expenditure are determined; and

(v) Pre-tax discount rate of 14.5%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital.

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

In respect of (a) above, if the estimated pre-tax discount rate applied to the discounted cash flows had been increased by an additional 1% as of 31 December 2015, the intangible asset would require an additional impairment of RM134,000.

In respect of (d) above, if the estimated pre-tax discount rate applied to the discounted cash flows had been increased by an additional 1% as of 31 December 2015, the intangible asset would require an impairment of RM61,797,000.

19. INVESTMENT IN SUBSIDIARIES

	The Company 2015 RM'000	2014 RM'000
Unquoted shares - at cost		
At 1 January	106,465	107,374
Additions	306,801	9
Disposal (Note 47)	(68,793)	-
Recognised in profit or loss upon ESOS options lapsed	-	(918)
At 31 December	344,473	106,465
Accumulated impairment loss		
At 1 January	7,846	3,745
Impairment loss for the financial year (Note 9)	-	4,101
At 31 December	7,846	7,846
Carrying amount	336,627	98,619

The carrying amount of the investment in subsidiaries is assessed for impairment during the financial year and the recoverable amount of the investment in subsidiaries is determined based on the value in use of the subsidiaries. An impairment loss is recognised immediately in profit or loss if the recoverable amount is less than the carrying amount. As a result, no additional impairment loss (2014: impairment loss of RM4,101,000) was recognised by the Company during the financial year.

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

Name	Country of incorporation	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Held directly by the Company:				
Sungai Harmoni Sdn Bhd &	Malaysia	100	100	Management, operation and maintenance of water treatment plants for a period of 30 years expiring in January 2030.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Held directly by the Company: (cont'd)				
Taliworks (Langkawi) Sdn Bhd	Malaysia	100	100	Management, operation and maintenance of water treatment plants and water distribution systems for a concession period of 25 years expiring in October 2020.
Air Kedah Sdn Bhd	Malaysia	60	60	Development, construction management, operation and maintenance and privatisation of water supply schemes and related business. The company is currently dormant.
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 ("TIL")*^©	Hong Kong SAR	100	100	Investment holding.
SWM Technologies (Malaysia) Sdn Bhd ("SWMT")©	Malaysia	100	100	Investment holding and waste management business activities.
Taliworks (Sichuan) Ltd ("TSL")*©	Hong Kong SAR	80	80	Investment holding.
Destinasi Teguh Sdn Bhd	Malaysia	100	100	Application to strike off was made on 30 December 2014.
Taliworks Construction Sdn Bhd	Malaysia	100	100	General construction.
Prolific Equity Sdn Bhd	Malaysia	100	100	Application to strike off was made on 30 December 2014.
Pinggiran Muhibbah Sdn Bhd ("PMSB")	Malaysia	-	84.62	Investment holding. (Subsequently disposed off on 11 December 2015 as disclosed in Note 47.)
Jemari Infiniti Sdn Bhd ("JISB")	Malaysia	100	100	Application to strike off was made on 30 December 2014.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Held directly by the Company: (cont'd)				
TEI Sdn Bhd ("TEI")$	Malaysia	51	43.16	Investment holding. (Formerly held through PMSB prior to the Group's re-organisation as disclosed in Note 47.)
Held through TEI:				
Trinitywin Sdn Bhd$	Malaysia	51	43.16	Investment holding.
Cerah Sama Sdn Bhd ("CSSB")$	Malaysia	51	28.05	Investment holding.
Held through CSSB:				
Trupadu Sdn Bhd#$	Malaysia	51	28.05	Toll operator and general contractor of Cheras-Kajang Highway.
Peak Synergy Sdn Bhd#$	Malaysia	51	28.05	Investment holding.
Europlex Consortium Sdn Bhd#$	Malaysia	51	28.05	Investment holding.
Grand Saga Sdn Bhd#$	Malaysia	51	28.05	Design, planning and construction of Cheras-Kajang Highway. The Highway has a concession periodof 50 years expiring in September 2045.
Held through SWMT:				
Tianjin-SWM (M) Environment Co Ltd*©	People's Republic of China	90	90	Provision of management, operation and maintenance of a waste transfer station and its related assets for a concession period of 21 years expiring in October 2025.
Held through TIL:				
Taliworks (Shanghai) Co Ltd*^©	People's Republic of China	100	100	Trading in equipment for environment protection and water environment equipment and provision of related services. The company is currently dormant.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of incorporation	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Held through TIL: (cont'd)				
Taliworks (Shanghai) Environment Technologies Co Ltd*©	People's Republic of China	100	100	Facilitate business cooperation relating to projects on clinical waste, toxic waste, water supply treatment of waste water and/or municipal solid waste.
Taliworks Environment Limited*^©	Hong Kong SAR	100	100	Investment holding. The company is currently dormant.
Taliworks ECO Pte Ltd ("TECO")*^©	Singapore	70	70	Investment holding.
TILGEA Consortium Sdn Bhd©	Malaysia	70	70	General construction. The company is currently dormant.
Taliworks (Yinchuan) Wastewater Treatment Co Ltd*©	People's Republic of China	100	100	Operation and maintenance of Yinchuan City's 1st to 4th waste water treatment plants for a concession period of 30 years expiring September 2041.
Held through TECO:				
Ningxia ECO Wastewater Treatment Co Ltd*@©	People's Republic of China	70	70	The subsidiary ceased the construction of the facilities and the negotiations are on-going for the Grantor to take-over the facilities as disclosed in Note 18.
Held through TSL:				
Puresino (Guanghan) Water Co Ltd*©	People's Republic of China	56	56	Management, operation and maintenance of wastewater treatment plant for a concession period of 30 years expiring in July 2033.

* Audited by a firm other than Deloitte.

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

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

19. INVESTMENT IN SUBSIDIARIES (cont'd)

@ The auditors' report on the financial statements of the subsidiary include an emphasis of matter on the status of negotiations with the Grantor on the offer price to take over the ownership of the Linhe Integrated Industrial Park Wastewater Project. The subsidiary recorded an impairment loss based on the offer price in the prior years, which resulted in a capital deficiency position in 2015.

The equity interest in these subsidiaries formed part of the security arrangements for the Islamic Medium Term Notes borrowings as disclosed in Note 37.

$ The acquisition and/or disposal of these subsidiaries formed part of the Group's re-organisation exercise as disclosed in Note 47.

© The proposed disposal of these subsidiaries formed part of the subsequent events as disclosed in Note 48.

Composition of the Group

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2015	2014
Management, operations and maintenance of water treatment plants and water distribution systems	Malaysia	2	2
Provision of management and technical services relating to waste management	Malaysia	1	1
Provision of management and technical services relating to waste management	People's Republic of China	1	1
General construction	Malaysia	1	1
General trading company	Malaysia	1	1
Investment holding	Hong Kong SAR	2	2
Investment holding	People's Republic of China	2	2
		10	10

Principal activities	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		2015	2014
Provision of management and technical services relating to waste management	People's Republic of China	3	3
Construction of water treatment works	Malaysia	1	1
Investment holding	Hong Kong SAR	1	1
General construction	Malaysia	1	1
Investment holding	Singapore	1	1
Investment holding	Malaysia	-	1
Toll highway	Malaysia	7	7
		14	15

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Details for non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
	2015 %	2014 %	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
TEI/CSSB@	49%	71.95%	6,511	917	278,565	517,518
Other individually immaterial subsidiaries	-*	-*	(1,496)	992	7,988	6,150
			5,015	1,909	286,553	523,668

* Various proportion of ownership interests and voting rights held by non-controlling interests.

@ On 26 February 2015, TEI accepted an offer to acquire 35% ordinary share capital in CSSB as disclosed in Note 47. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI. As of 31 December 2015, there is one non-controlling interest in TEI.

19. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of the subsidiary that has material non-controlling interests is set out as below. The summarised financial information below represents amounts before intragroup eliminations.

	The Group	
	TEI 2015 RM'000	CSSB 2014 RM'000
Non-current assets	1,307,587	1,360,419
Current assets	124,763	244,327
Current liabilities	(33,158)	(2,571)
Non-current liabilities	(830,693)	(882,901)
Net assets	568,499	719,274
Equity attributable to owners of the Company	289,934	201,756
Non-controlling interest	278,565	517,518
Revenue	62,765	23,150
Expenses	(51,134)	(21,876)
Profit for the financial year	11,631	1,274
Profit attributable to owners of the Company	5,120	357
Profit attributable to non-controlling interest	6,511	917
Net cash generated from/(used in):		
- Operating activities	35,938	17,261
- Investing activities	(25,654)	2,007
- Financing activities	(102,509)	-
Net change in cash and cash equivalents	(92,225)	19,268

20. INVESTMENT IN JOINT VENTURE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	67,173	76,300	67,173	48,000
Group's share of post-acquisition reserve, net of dividend	164	(1,679)	-	-
	67,337	74,621	67,173	48,000

20. INVESTMENT IN JOINT VENTURE (cont'd)

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

Name	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Grand Sepadu (NK) Sdn Bhd ("GSNK")^	-	63.47	Operation and maintenance of the New North Klang Straits Bypass Expressway for a concession period of 18 years ending in December 2032.
Pinggiran Muhibbah Sdn Bhd ("PMSB")*	50	-	Investment holding in a company principally engaged in activities of operation and maintenance of the New North Klang Straits Bypass Expressway.
Cerah Sama Sdn Bhd ("CSSB")@	-	-	Investment holding in a company principally engaged in activities of design, planning and construction of the Cheras-Kajang Highway, and a company principally engaged in the business as toll operator, general contractor of Cheras-Kajang Highway.

@ On 7 August 2014, the Group obtained control over its former joint venture, CSSB, arising from the restructuring exercise as disclosed in Note 47. Consequently, CSSB became an indirect subsidiary of the Company.

* The recognition of PMSB as a joint venture formed part of the significant events as disclosed in Note 47. The purchase price allocation of the acquisition was provisional as at 31 December 2015 and the Company expects to complete the final purchase price allocation exercise within the twelve-months period from the acquisition date. Upon finalisation of this exercise, any adjustments to these provisional values will be made accordingly.

^ On 29 December 2015, PMSB obtained control over its former joint venture, GSNK, as disclosed in Note 47. Consequently, GSNK became a subsidiary of PMSB.

The summarised financial information set out below represents amounts shown in the joint venture's financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group 2015	**PMSB RM'000**	**GSNK RM'000**
Summarised statements of financial position		
Non-current assets	393,127	-
Current assets	20,946	-
Current liabilities	(7,777)	-
Non-current liabilities	(234,539)	-
Non-controlling interests	(37,083)	-
Net assets	134,674	-

20. INVESTMENT IN JOINT VENTURE (cont'd)

The Group 2015	**PMSB RM'000**	**GSNK RM'000**
Summarised statements of profit or loss and other comprehensive income		
Revenue	56,389	39,401
Loss for the financial year	(2,212)	(1,455)

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

Net assets	134,674	-
Proportion of the Group's ownership interest in the joint venture	50%	-
Carrying amount of the investment in joint venture	67,337	-

The Group 2014	**CSSB RM'000**	**GSNK RM'000**
Summarised statements of financial position		
Non-current assets	-	264,811
Current assets	-	84,820
Current liabilities	-	(75,802)
Non-current liabilities	-	(200,000)
Net assets	-	73,829
Summarised statements of profit or loss and other comprehensive income		
Revenue	34,833	979
Profit/(Loss) for the financial year	9,978	(2,239)

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the financial statements of the Group is as follows:

Net assets	-	73,829
Proportion of the Group's ownership interest in the joint venture	-	63.47%
Consolidation adjustment	-	27,762
Carrying amount of the investment in joint venture	-	74,621

21. INVESTMENT IN ASSOCIATES

	The Group		**The Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Unquoted shares, at cost	2,420	2,120	2,420	2,120
Share of post-acquisition reserve, net of dividend	4,793	3,761	-	-
	7,213	5,881	2,420	2,120

21. INVESTMENT IN ASSOCIATES (cont'd)

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

Name	Proportion of ownership interest held by the Group 2015 %	2014 %	Principal activities
Hydrovest Sdn Bhd ("Hydrovest")*	40	40	Provision of water management and project services.
LGB Taliworks Consortium Sdn Bhd ("LGB Consortium")@*	20	-	General construction.

* Audited by a firm other than Deloitte.

@ On 23 September 2015, the Company subscribed for 200,000 ordinary shares of RM1.00 each representing 20% equity interest in LGB Consortium. LGB Consortium has an authorised, issued and paid up share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Subsequently on 8 December 2015, LGB Consortium increased its authorised share capital from RM1,000,000 to RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital from RM1,000,000 to RM1,500,000 by way of issuance of new 500,000 ordinary shares of RM1.00 each. The Company subscribed for an additional 100,000 ordinary shares of RM1.00 each in LGB Consortium for a cash consideration of RM100,000.

The summarised financial information of the associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with MFRS, adjusted by the Group for equity accounting purposes.

The Group 2015	Hydrovest RM'000	LGB Consortium RM'000
Summarised statements of financial position		
Non-current assets	989	-
Current assets	45,568	1,500
Current liabilities	(18,200)	-
Non-current liabilities	(123)	-
Non-controlling interests	(10,952)	-
Net assets	17,282	1,500
Summarised statements of profit or loss and other comprehensive income		
Revenue	62,474	-
Profit for the financial year	2,580	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the financial statements of the Group is as follows:

Net assets	17,282	1,500
Proportion of the Group's ownership interest in the associates	40%	20%
Carrying amount of the investment in associates	6,913	300

21. INVESTMENT IN ASSOCIATES (cont'd)

The Group 2014	**Hydrovest RM'000**
Summarised statement of financial position	
Non-current assets	1,094
Current assets	39,743
Current liabilities	(16,460)
Non-current liabilities	(210)
Non-controlling interests	(9,465)
Net assets	14,702
Summarised statement of profit or loss and other comprehensive income	
Revenue	55,019
Profit for the financial year	2,724

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the financial statements of the Group is as follows:

Net assets	14,702
Proportion of the Group's ownership interest in the associate	40%
Carrying amount of the investment in associate	5,881

22. OTHER INVESTMENT

	The Group	
	2015 RM'000	**2014 RM'000**
Available for sale:		
At cost,		
Golf membership	240	240

23. GOODWILL ON CONSOLIDATION

	The Group 2015 RM'000	2014 RM'000
At 1 January	131,889	2,504
Arising from business combination (Note 47)	-	129,385
At 31 December	131,889	131,889

Goodwill on consolidation arose from:

(i) the acquisition of Cerah Sama Sdn Bhd arising from the restructuring exercise in August 2014; and

(ii) the acquisition of Puresino (Guanghan) Water Co Ltd by Taliworks (Sichuan) Ltd, an 80% owned subsidiary of the Company in May 2007.

An impairment review of the carrying value of the goodwill at the end of the reporting period was undertaken by the Directors by comparing to the recoverable amount, which was based on value in use calculations.

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

(a) Cerah Sama Sdn Bhd

(i) Traffic volume of Toll Plaza Batu 9 and Batu 11 are projected based on the average yearly growth rate of 1.70% and 2.12% respectively;

(ii) Toll operation costs, routine maintenance costs and other operating expenses are expected to increase at the rate of 3% annually;

(iii) Commissions to be paid to Touch & Go and Smart Tag is estimated at a fixed rate of 1.5% of total toll revenue collected; and

(iv) Pre-tax discount rate of 7.0%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital.

(b) Puresino (Guanghan) Water Co Ltd

(i) Quantity of wastewater treated to increase from 42,100 tonnes/day in 2016 to 48,000 tonnes/day in 2017 until the end of the concession period expiring in July 2033;

(ii) The tariff rate is estimated to be RMB1.15/m3 with a subsequent tariff revision every two years based on an annual increment of 3%, subject to audit by the local authority to determine the original capital expenditure;

(iii) Overall expenses to increase by 3% per annum; except for manpower costs which increase by 5% per annum;

(iv) Capital expenditure to be incurred over a 1 - 5 year cycle to replace the machinery equipment; and

(v) Pre-tax discount rate of 17.6%. The discount rate applied to the cash flow projections is derived from the company's weighted average cost of capital.

23. GOODWILL ON CONSOLIDATION (cont'd)

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

If the estimated pre-tax discount rates applied to the discounted cash flows had been increased by an additional 1% as of 31 December 2015, the goodwill would not be impacted.

24. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deferred tax assets	19,032	16,048	-	-
Deferred tax liabilities	(254,588)	(254,514)	-	-
At end of financial year	(235,556)	(238,466)	-	-

The movements during the financial year are as follows:

	The Group		The Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At 1 January	(238,466)	6,484	-	(2,239)
Arising from business combination (Note 47)	-	(254,240)	-	-
Transfer from/(to) profit or loss (Note 13):				
Property, plant and equipment	(19)	278	-	320
Intangible assets	224	(273)	-	-
Amount due from subsidiaries	-	-	-	3,217
Other receivables, deposits and prepayments	-	14	-	-
Trade receivables	3,067	6,903	-	-
Other payables and accruals	(464)	3,239	-	(396)
Unused tax losses	-	(423)	-	(423)
Unabsorbed capital allowances	-	(479)	-	(479)
	2,808	9,259	-	2,239
Currency translation differences	102	31	-	-
At 31 December	(235,556)	(238,466)	-	-

24. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The movements in deferred tax assets and liabilities during the financial year (prior to offsetting of balances) comprise the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets (before offsetting)				
Tax effects of deductible temporary differences arising from:				
Trade receivables	18,621	15,452	-	-
Other payables and accruals	761	890	-	-
Deferred income	95	95	-	-
Provision for heavy repairs	1,071	1,071	-	-
	20,548	17,508	-	-
Offsetting	(1,516)	(1,460)	-	-
Deferred tax assets (after offsetting)	19,032	16,048	-	-
Deferred tax liabilities				
Tax effects of taxable temporary differences arising from:				
Property, plant and equipment	841	822	-	-
Intangible assets	254,841	255,065	-	-
Other receivables, deposits and prepayments	12	12	-	-
Other payables and accruals	410	75	-	-
	256,104	255,974	-	-
Offsetting	(1,516)	(1,460)	-	-
Deferred tax liabilities (after offsetting)	254,588	254,514	-	-

As mentioned in Note 3, the deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

As of 31 December 2015, the estimated amount of deductible temporary differences, unused tax losses, unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of realisation, is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Temporary differences arising from:				
Other payables and accruals	1,161	1,910	1,118	1,643
Unused tax losses	21,796	20,913	19,554	18,461
Unabsorbed capital allowances	4,556	3,075	4,440	2,909
	27,513	25,898	25,112	23,013

25. TRADE RECEIVABLES

The analysis of trade receivables between non-current and current is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Trade receivables	307,667	258,519	-	-
Less: Provision for discounting	(75,448)	(58,765)	-	-
Net	232,219	199,754	-	-
Current				
Trade receivables	171,389	179,632	4,291	2,234
Total	403,608	379,386	4,291	2,234

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2015 RM'000	2014 RM'000
Non-Current		
At 1 January	58,765	32,482
Provision for discounting (Note 6)	41,132	42,576
Impairment (Note 9)	612	-
Reversal of discounting (Note 8)	(25,196)	(15,823)
Unwinding of discount (Note 8)	-	(495)
Currency translation differences	135	25
At 31 December	75,448	58,765

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	381,421	362,598	4,291	2,234
Chinese Renminbi	22,187	16,788	-	-
Total	403,608	379,386	4,291	2,234

The average credit period granted to the customers ranges from 45 days to 60 days. No interest is charged on trade receivables, even for those which are past due.

Of the total trade receivables of the Group of RM403,608,000 (2014: RM379,386,000), RM371,145,000 (2014: RM345,115,000) is concentrated in two customers. These customers are the Syarikat Air Darul Aman Sdn Bhd ("SADA"), a corporatised body under the Kedah State Government, and Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), the concession holder for Sungai Selangor Water Supply Scheme Phase 1.

25. TRADE RECEIVABLES (cont'd)

(a) SADA

The gross invoiced amount due from the Kedah State Government together with SADA as of 31 December 2015 is RM48,465,000 (2014: RM54,758,000) was deemed by Group to be current, based on its assessment of past collection trends.

(i) Amount due from the Kedah State Government

As of the end of previous financial year, the balance owing by the Kedah State Government amounted to RM1,347,000 (2014: RM10,995,000).

During the current financial year, the Kedah State Government has paid the said balance of RM1,347,000.

(ii) Amount due from SADA

As the payments from SADA have been regular, it is assumed that all outstanding amounts due from SADA will be repaid within the next 12 months and as such, classified as current.

The Group believes that the credit risk relating to the amounts owing by SADA to be minimal as the amounts are due from the related entities of the government.

(b) SPLASH

The amounts due from SPLASH are segregated into amounts due under the Debt Settlement Agreement and invoiced amounts, as detailed below:

(i) Debt Settlement Agreement ("DSA")

Arising from the DSA with SPLASH in 2005, a total of RM64,827,000 was agreed to be settled via 10 instalments, commencing from 31 December 2006 and ending on 31 December 2015.

As of 31 December 2015, the amount due from SPLASH under the DSA has been fully settled during the financial year (2014: amount due from SPLASH of RM11,473,000).

(ii) Invoiced amounts

In September 2014, the Selangor State and Federal governments executed a heads of agreement for Pengurusan Air Selangor Sdn Bhd ("Air Selangor"), a special purpose vehicle created by the Selangor State Government, to take over the water supply services in Selangor, Kuala Lumpur and Putrajaya by acquiring all the concessionaires. However, the proposed take-over of SPLASH did not proceed then due to pricing disagreements.

In March 2015, the State government indicated that the master agreement on the Selangor water restructuring between the State and the Federal governments has ended, thus the consolidation of the Selangor State water supply system through restructuring of the water concessionaires is unlikely to be fully implemented in the near term.

However, in October 2015, there have been positive developments whereby the Selangor State Government, through Air Selangor, has completed the acquisitions of Puncak Niaga (M) Sdn Bhd, the concessionaire for the Sungai Selangor Water Treatment Works Phase 2, and Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS").

25. TRADE RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

(ii) Invoiced amounts (cont'd)

Further on 22 October 2015, Air Selangor entered into a conditional share purchase agreement to acquire Titisan Modal (M) Sdn Bhd, the holding company of Konsortium ABASS Sdn Bhd ("ABASS"). ABASS operates and maintains the Sungai Semenyih Water Supply Scheme. The acquisition was completed subsequent to the financial year end.

SPLASH, being the only remaining water concessionaire in Selangor yet to be taken over, has been given a one-year grace period until middle of next year to re-negotiate terms with the Selangor government.

Pending the final outcome, SPLASH's receipts from SYABAS, the concessionaire for the supply of treated water in Selangor is expected to continue to be delayed, thus affecting its ability to make timely payments to the Group.

As such, the gross invoiced amounts due from SPLASH as of 31 December 2015 amounting to RM397,338,000 (2014: RM337,606,000) is not expected to be fully received within the next 12 months. Based on the past repayment pattern, the Group estimates that approximately RM100,600,000 (2014: RM88,800,000) of collection from SPLASH will be received within the next 12 months which will reduce the invoiced amount outstanding. The remaining amount outstanding of RM296,738,000 (2014: RM248,806,000) is expected to be received progressively between 2017 to 2020 and accordingly, has been classified as non-current.

Arising from the above estimation, a net impact of RM15,936,000 (2014: RM26,868,000) has been made in the current financial year, comprising:

(i) an additional provision for discounting on a deferred payment consideration of RM41,132,000 (2014: RM42,576,000) which was set-off against revenue, as disclosed in Note 6; and

(ii) a reversal of discounting of receivables amounting to RM25,196,000 (2014: RM15,708,000) recognised as other income.

If the Group's expectations on the timing of payments are extended by a year and all other variables being constant, the invoiced amounts due from SPLASH would require an additional provision for discounting of RM39,204,000 (2014: RM35,546,000).

The ageing of the Group's trade receivables which was past due but not impaired as at the end of the reporting period is as follows:

The Group	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2015				
Past due up to 3 months	14,674	31,794	1,378	47,846
Past due 3 to 9 months	23,846	17,929	1,069	42,844
Past due 9 months and above	3,214	243,887	12,870	259,971
	41,734	293,610	15,317	350,661

25. TRADE RECEIVABLES (cont'd)

(b) SPLASH (cont'd)

The Group	Kedah State Government and SADA RM'000	SPLASH RM'000	Others RM'000	Total RM'000
2014				
Past due up to 3 months	15,447	41,429	15	56,891
Past due 3 to 9 months	27,007	31,866	60	58,933
Past due 9 months and above	5,847	178,019	12,108	195,974
	48,301	251,314	12,183	311,798

The Company	2015 RM'000	2014 RM'000
Past due up to 3 months	-	889
Past due 3 to 9 months	-	-
Past due 9 months and above	-	968
	-	1,857

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Other receivables	1,127	1,127	-	-
Currency translation differences	240	45	-	-
Less: Provision for discounting	(512)	(547)	-	-
Net	855	625	-	-
Current				
Other receivables and prepayments	7,300	87,336	685	75,567
Deposits	1,590	1,657	820	820
Amount due from an associate	1	-	1	-
Less: Provision for impairment	(74)	(42)	-	-
	8,817	88,951	1,506	76,387
Total	9,672	89,576	1,506	76,387

In 2014, included in other receivables, deposits and prepayments of the Group and of the Company is an advance of RM75,000,000 granted to a joint venture. The advance was for the purpose of the Company's subscription of Irredeemable Cumulative Preference Shares ("ICPS") in the joint venture. During the current financial year, the share subscription agreement executed between the Company and the joint venture has been terminated and therefore, the advance has been refunded by the joint venture.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

The non-current portion of other receivable relates to an amount paid on behalf of a minority shareholder in respect of its investment in Tianjin-SWM (M) Environment Co Ltd, an indirect subsidiary of the Company. In accordance with the Joint Venture Agreement, this amount, which is denominated in Chinese Renminbi and is interest free, will be repaid in the event of the liquidation of the subsidiary.

The movement in provision for discounting and impairment during the financial year is as follows:

	The Group	
	2015 RM'000	2014 RM'000
Non-Current		
At 1 January	547	579
Unwinding of discount (Note 8)	(35)	(32)
At 31 December	512	547
Current		
At 1 January	42	21
Provision for impairment (Note 9)	7	15
Currency translation differences	25	6
At 31 December	74	42

27. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Deposits with licensed banks	36,881	32,877	4,787	5,803
Current				
Deposits with licensed banks	62,303	160,188	1,000	-
Cash and bank balances	105,797	51,300	5,293	1,212
Total	168,100	211,488	6,293	1,212
Total:				
Deposits with licensed banks	99,184	193,065	5,787	5,803
Cash and bank balances	105,797	51,300	5,293	1,212
	204,981	244,365	11,080	7,015
Less:				
Deposits pledged as security	(36,881)	(32,877)	(4,787)	(5,803)
Proceeds deposited into the designated bank accounts	(10,162)	(12,179)	-	-
Overdraft (Note 37)	-	(2,221)	-	(2,221)
	(47,043)	(47,277)	(4,787)	(8,024)
Cash and cash equivalents	157,938	197,088	6,293	(1,009)

27. DEPOSITS, CASH AND BANK BALANCES (cont'd)

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

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	123,978	211,760	11,080	7,015
Chinese Renminbi	57,939	19,843	-	-
US Dollar	22,452	12,721	-	-
Other currencies	612	41	-	-
Total	204,981	244,365	11,080	7,015

(a) Included in deposits with licensed banks of the Group are long-term deposits amounting to RM36,881,000 (2014: RM32,877,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

(b) At the end of the reporting period, RM69,092,000 (2014: RM28,888,000) held by subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

(c) Included in deposits with licensed banks of the Company are long-term deposits amounting to RM4,787,000 (2014: RM5,803,000) that are pledged as security for banking facilities to facilitate issuance of performance guarantees and tender bonds for the bidding of projects.

(d) The average interest rates of deposits of the Group and the Company at the end of the reporting period range from 0.50% to 3.94% (2014: 2.10% to 3.55%) per annum and 2.50% to 3.30% (2014: 2.85% to 3.30%) per annum, respectively.

(e) Deposits of the Group and the Company have an average maturity ranging from 7 days to 1,119 days (2014: 1 to 1,119 days) and 30 days to 1,119 days (2014: 365 to 1,119 days) respectively. Bank balances are deposits held at call with licensed banks.

(f) Included in the Group's deposits with licensed financial institutions as of 31 December 2015 is an amount of RM11,372,000 (2014: RM10,861,000) set aside under the Finance Service Reserve Account as part of the security arrangements of Islamic Medium Term Notes as disclosed in Note 37.

28. AMOUNT DUE FROM SUBSIDIARIES

	The Group 2015 RM'000	The Group 2014 RM'000
Non-Current		
Amount due from subsidiaries	300,625	451,785
Less: Provision for impairment	(8,181)	(8,181)
	292,444	443,604
Current		
Amount due from subsidiaries	5,366	5,828
Less: Provision for impairment	(300)	(300)
	5,066	5,528
	297,510	449,132

The movement in provision for impairment during the financial year is as follows:

	The Company 2015 RM'000	The Company 2014 RM'000
Non-current		
At 1 January	8,181	7,731
Provision for impairment	-	750
Written-off	-	(300)
At 31 December	8,181	8,181
Current		
At 1 January	300	-
Provision for impairment	-	300
At 31 December	300	300

The currency profile of amount due from subsidiaries is as follows:

	The Company 2015 RM'000	The Company 2014 RM'000
US Dollar	276,884	224,422
Ringgit Malaysia	9,786	216,357
Hong Kong Dollar	7,386	5,754
Singapore Dollar	2,450	2,081
Chinese Renminbi	1,004	518
Total	297,510	449,132

The non-current portion of amount due from subsidiaries arose from non-trade transactions, which is interest free, unsecured and is not expected to be repaid within the next 12 months.

The current portion of amount due from subsidiaries arose from trade transactions, which is interest free, unsecured and repayable on demand.

29. INVENTORIES

	The Group	
	2015 RM'000	2014 RM'000
Consumable spares	1,770	1,207

All of the Group's inventories are expected to be used within the next 12 months.

30. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are not held for trading.

The movement in available-for-sale financial assets during the financial year is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	114,459	25,460	-	-
Additions arising from business combination (Note 47)	-	91,366	-	-
Additions	280,070	170,778	217,880	33,537
Disposals	(155,660)	(173,179)	(28,680)	(33,537)
Fair value changes transferred to equity	17	415	21	83
Fair value changes transferred from equity	(194)	(381)	(239)	(83)
	(177)	34	(218)	-
At 31 December	238,692	114,459	188,982	-

31. SHARE CAPITAL

		The Group and The Company					
		2015			2014		
	Note	Nominal value per share RM	Number of shares '000	Nominal value RM'000	Nominal value per share RM	Number of shares '000	Nominal value RM'000
Authorised:							
Ordinary shares							
At 1 January		0.50	1,000,000	500,000	0.50	1,000,000	500,000
Share split into RM0.20 each	31(a)	0.20	1,500,000	-	-	-	-
At 31 December		0.20	2,500,000	500,000	0.50	1,000,000	500,000

31. SHARE CAPITAL (cont'd)

		The Group and The Company					
		2015			2014		
	Note	Nominal value per share RM	Number of shares '000	Nominal value RM'000	Nominal value per share RM	Number of shares '000	Nominal value RM'000
Issued and fully paid:							
Ordinary shares							
At 1 January		0.50	436,491	218,246	0.50	436,491	218,246
Issued during the financial year:							
- Private placement of shares	31(a)	0.50	43,980	21,990	-	-	-
- Exercise of ESOS options	31(a)	0.50	3,324	1,662	-	-	-
- Share split into RM0.20 each	31(a)	0.20	725,694	-	-	-	-
At 31 December		0.20	1,209,489	241,898	0.50	436,491	218,246

(a) During the financial year, the movements in the share capital of the Company were as follows:

(i) The issued and paid-up share capital was increased from RM218,245,790 comprising 436,491,580 ordinary shares of RM0.50 each to RM241,897,790 comprising 483,795,580 ordinary shares of RM0.50 each by way of:

(a) issuance of 3,324,000 new ordinary shares of RM0.50 each pursuant to the exercise of options under the Company's Employees' Share Option Scheme at an exercise price of RM1.90 per share; and

(b) issuance of 43,980,000 new ordinary shares of RM0.50 each, pursuant to a private placement of new shares at RM3.20 per share.

(ii) On 9 November 2015, the issued and paid-up share capital of every two existing ordinary shares of RM0.50 each was subdivided into five ordinary shares of RM0.20 each ("Share Split" Pursuant to the Share Split, 483,795,580 ordinary shares of RM0.50 each of the Company were subdivided into 1,209,488,950 ordinary shares of RM0.20 each.

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

In 2005, the Company implemented an ESOS. A total of 5,460,000 options were granted to eligible Directors and employees of the Company and its subsidiaries at an exercise price of RM1.31 per share. Subsequently, in 2007, the Company further granted a total of 6,410,000 ESOS options at an exercise price of RM1.90 per share.

An option holder is entitled to subscribe for one new ordinary share of RM0.50 each in the Company at a price to be determined in accordance with the ESOS By-laws.

The options were exercisable from the effective date and expired on 29 September 2015. Any options not exercised has lapsed and ceased to be valid.

31. SHARE CAPITAL (cont'd)

(b) Employees' Share Option Scheme ("ESOS") (cont'd)

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 are not transferable, chargeable, disposable or assignable in any manner whatsoever except as provided for in the ESOS By-laws;

(v) the price at which an option holder shall be entitled to subscribe for new shares ("Subscription Price") shall be the higher of, the par value of the shares of the Company or a price determined based on the weighted average market price of the shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%;

(vi) the new shares to be allotted and issued upon the exercise of any options shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions when the entitlement date of which precedes or is prior to the date of allotment of the new shares;

(vii) subject to the provisions of the ESOS By-laws, an option holder may deal with the new shares allotted and issued to him without any retention period or restriction of transfer. However, option holders who are non-executive Directors must not sell, transfer or assign the new shares allotted and issued to them pursuant to the exercise of their options within 1 year from the date of offer; and

(viii) in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, bonus issues, capital reduction, subdivisions or consolidation of shares or otherwise howsoever taking place:

(a) the Subscription Price; and/or
(b) the number of shares comprised in the options so far as unexercised; and/or
(c) the maximum number of shares and/or percentage of the total shares comprised in the options that may be exercised in a particular year.

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

31. **SHARE CAPITAL** (cont'd)

(b) Employees' Share Option Scheme ("ESOS") (cont'd)

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

Date of Grant	Exercise price per share RM	Number of ESOS options over ordinary shares of RM0.50 each At 1 January '000	Exercised '000	Lapsed '000	At date of expiry '000
2015					
3.10.2005	1.31	21	-	(21)	-
5.9.2007	1.90	3,483	(3,324)	(159)	-
		3,504	(3,324)	(180)	-
Weighted average exercise price (RM)		1.89	1.90	1.89	-
2014					
3.10.2005	1.31	33	-	(12)	21
5.9.2007	1.90	3,984	-	(501)	3,483
		4,017	-	(513)	3,504
Weighted average exercise price (RM)		1.89	-	1.89	1.89

There were 3,324,000 options exercised during the financial year. The ESOS have expired on 29 September 2015 and a total of 21,000 ESOS options at exercise price of RM1.31 per share and 159,000 ESOS options at exercise price of RM1.90 per share remained unexercised. In accordance with the ESOS By-laws, all ESOS options to the extent unexercised on the expiry of the ESOS have lapsed and are null and void and of no further force or effect.

Proceeds on exercise of ESOS are as follows:

	The Group and The Company 2015 RM'000
Ordinary shares of RM0.50 each	1,662
Share premium (Note 32)	4,653
Proceeds received	6,315

31. SHARE CAPITAL (cont'd)

(c) Warrants

On 12 November 2015, the Company issued 241,897,790 Warrants 2015/2018 ("Warrants") on the basis of one (1) Warrant for every five (5) ordinary shares held after the Share Split. The Warrants entitle the holders to subscribe for new ordinary shares of RM0.20 each within three years, from the date of issuance of the Warrants to the expiry date on 11 November 2018 (the period referred to as the "Exercise Period"), and any Warrants not exercised by that date shall thereafter lapse and cease to be valid.

The main features of the Warrants are:-

(i) the Warrants were issued in registered form and are constituted and governed by a deed poll executed by the Company ("Deed Poll");

(ii) each Warrant entitles the holder to subscribe for one new ordinary share of RM0.20 each at an exercise price of RM1.70 per share at any time during the Exercise Period;

(iii) the Warrant holders are not entitled to any voting rights in any general meeting of the Company or to participate in any form of distribution and/or offer of further securities to the ordinary shareholders in the Company until and unless such Warrant holders exercise their Warrants;

(iv) the new shares to be allotted and issued pursuant to the exercise of the Warrants shall, rank pari passu in all respects with the then existing shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions when the entitlement date of which is prior to the date of the allotment of the new shares;

(v) the exercise price of the Warrants and/or the number of unexercised Warrants may from time to time be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

There were no Warrants exercised during the financial year.

32. SHARE PREMIUM

	The Group and The Company	
	2015 RM'000	**2014 RM'000**
At 1 January	74,176	74,176
ESOS:		
- transfer from share options reserve upon ESOS options exercised	1,519	-
- proceeds from shares issued	4,653	-
	6,172	-
Private placement of shares:		
- proceeds from shares issued	118,746	-
- share issue costs	(2,431)	-
	116,315	-
At 31 December	196,663	74,176

33. SHARE OPTION RESERVE

	The Group and The Company	
	2015 RM'000	2014 RM'000
At 1 January	1,591	2,111
Transfer from share option reserve upon ESOS lapsed	(72)	(520)
Transfer from share option reserve upon ESOS exercised	(1,519)	-
At 31 December	-	1,591

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

34. MERGER DEFICIT

	The Group	
	2015 RM'000	2014 RM'000
Merger deficit	71,500	71,500

The merger deficit is derived from the following:

	Nominal Value of Shares Issued RM'000	Nominal Value of Shares Acquired RM'000	Merger Deficit RM'000
Subsidiaries acquired in financial year ended 31 December 2000			
Sungai Harmoni Sdn Bhd	47,000	5,000	42,000
Taliworks (Langkawi) Sdn Bhd	32,500	3,000	29,500
	79,500	8,000	71,500

35. RETAINED EARNINGS

In accordance with the Finance Act 2007, the entire retained earnings of the Company as of 31 December 2015 is available for the distribution of single-tier dividend.

36. DIVIDENDS

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

	The Group and The Company	
2015	**Gross dividend per share Sen**	**Amount of dividend, net of tax RM'000**
First interim single-tier dividend in respect of the financial year ended 31 December 2015 on 436,491,580 ordinary shares of RM0.50 each, paid on 1 April 2015	5.0	21,825
Second interim single-tier dividend in respect of the financial year ended 31 December 2015 on 438,580,580 ordinary shares of RM0.50 each, paid on 31 July 2015	5.0	21,929
Third interim single-tier dividend in respect of the financial year ended 31 December 2015 on 1,209,488,950 ordinary shares of RM0.20 each, paid on 23 December 2015	2.0*	24,190
		67,944

* after the subdivision of every two (2) existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each.

36. DIVIDENDS (cont'd)

2014	The Group and The Company Gross dividend per share Sen	Amount of dividend, net of tax RM'000
Final single-tier dividend in respect of the financial year ended 31 December 2013 on 436,491,580 ordinary shares of RM0.50 each, paid on 25 June 2014	1.0	4,365
Interim single-tier dividend in respect of the financial year ended 31 December 2014 on 436,491,580 ordinary shares of RM0.50 each, paid on 12 November 2014	5.0	21,824
		26,189

The Directors do not recommend any final dividend in respect of the current financial year. However, on 25 February 2016, the Directors declared the payment of the forth interim single-tier dividend of 2.0 sen per share on 1,209,488,950 ordinary shares of RM0.20 each, amounting to approximately RM24,190,000 in respect of the financial year ended 31 December 2015, to be paid on 11 April 2016 and this has not been included as a liability in the financial statements.

37. BORROWINGS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Finance lease liabilities	429	733	31	216
Term loans	387,878	303,754	-	-
Islamic Medium Term Notes ("IMTN")	415,418	414,870	-	-
	803,725	719,357	31	216
Current				
Government loan	3,966	3,380	-	-
Finance lease liabilities	358	336	186	177
Term loans	18,931	15,819	-	-
Overdraft	-	2,221	-	2,221
	23,255	21,756	186	2,398

37. BORROWINGS (cont'd)

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total				
Government loan (a)	3,966	3,380	-	-
Finance lease liabilities (b)	787	1,069	217	393
Term loans (c)	406,809	319,573	-	-
IMTN (d)	415,418	414,870	-	-
Overdraft	-	2,221	-	2,221
	826,980	741,113	217	2,614

The currency profile of borrowings is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Chinese Renminbi	410,775	322,953	-	-
Ringgit Malaysia	416,205	418,160	217	2,614
Total	826,980	741,113	217	2,614

The Group and the Company have a total of RM1,310,078,000 and RM61,000,000 (2014: RM1,273,934,000 and RM89,516,000) of credit facilities, respectively comprising government loan secured from local government, term loans, overdrafts and other trade financing facilities granted by financial institutions and a RM750,000,000 in nominal value IMTN programme.

Facilities of the Group amounting to RM1,293,112,000 (2014: RM1,255,053,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or corporate guarantee from the Company.

Facilities of the Company amounting to RM48,000,000 (2014: RM74,016,000) are secured by way of either proceeds deposited into designated bank accounts, fixed deposits and/or dividends payable by a joint venture.

In the event of default in any of the subsidiaries' borrowings, there is no recourse against the Company, except for corporate guarantees amounting to RM48,281,400 (2014: RM48,281,400) issued to financial institutions for banking facilities secured by a subsidiary, Taliworks Construction Sdn Bhd.

Weighted average interest/profit rates that were effective as at the end of the reporting period are as follows:

	The Group		The Company	
	2015 %	2014 %	2015 %	2014 %
Government loan	6.15	6.15	-	-
Finance lease liabilities	2.40 - 3.20	2.40 - 2.50	2.40 - 2.50	2.40 - 2.50
Term loans	6.21 - 6.49	6.36 - 7.205	-	-
IMTN	4.65 - 5.44	4.48 - 5.39	-	-
Overdraft	-	7.85	-	7.85

37. BORROWINGS (cont'd)

(a) Government loan

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

(b) Finance lease liabilities

The finance lease liabilities are denominated in Ringgit Malaysia. Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	The Group		The Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
The minimum lease payments at the end of the reporting period are as follows:				
Not later than 1 year	387	378	191	191
Later than 1 year	452	781	32	222
	839	1,159	223	413
Future finance charges	(52)	(90)	(6)	(20)
Present value	787	1,069	217	393
The maturity profile of the present value of the finance lease liabilities is as follows:				
Not later than 1 year	358	336	186	177
Later than 1 year	429	733	31	216
	787	1,069	217	393

(c) Term loans

In 2011, a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co Ltd, secured a long-term loan facility of RMB526,500,000 (equivalent to RM265,040,000 then) to partly finance the acquisition of the concession right as disclosed in Note 18. The long-term loan is repayable over fourteen years with repayment commencing in 2014.

In 2014, the subsidiary secured another long term loan facility of RMB100,000,000 (equivalent to RM56,340,000 then) to fund the upgrading and expansion of Wastewater Treatment Plant No. 3. The long-term loan is repayable over seven years with repayment commencing in 2016. Both of the long term loan facilities are secured by fees receivable from the management, operation and maintenance of the wastewater treatment plants.

As at the end of the financial year, the outstanding term loan amounts are:

(i) RMB516,144,000 (RM341,171,000) (2014: RMB526,221,000, RM296,473,000) with the balance of loan tenure of twelve years (2014: thirteen years); and

(ii) RMB85,300,000 (RM56,383,000) (2014: RMB23,000,000, RM12,958,000) with the balance of loan tenure of seven years (2014: seven years).

37. BORROWINGS (cont'd)

(d) Islamic Medium Term Notes ("IMTN")

	The Group	
	2015 RM'000	2014 RM'000
At 1 January	414,870	-
Arising from business combination (Note 47)	-	414,651
Interest imputed in borrowing (Note 9)	548	219
At 31 December	415,418	414,870

The Ringgit Malaysia denominated IMTN of Cerah Sama Sdn Bhd, a subsidiary, was issued under the Islamic principle of Musyarakah. Profits shall be paid on a semi-annual basis, and the IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the subsidiary's Financial Service Reserve Account; and

(ii) The company's equity interest in ordinary shares of all of its subsidiaries.

38. TRADE PAYABLES

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-Current				
Retention sums	9,296	7,752	-	-
Less: Interest income imputed in retention sum	(1,212)	(1,378)	-	-
Currency translation differences	(41)	(9)	-	-
Net	8,043	6,365	-	-
Current				
Trade payables	83,658	73,180	140	298
Retention sums	3,005	2,457	-	-
	86,663	75,637	140	298
Total	94,706	82,002	140	298

At the end of the financial year, the Group has a retention sum owing to contractors amounted to approximately RM12,301,000 (2014: RM10,209,000). Out of this amount, the Group anticipated that RM3,005,000 (2014: RM2,457,000) will be repaid in the next 12 months and thus has been classified as current. The remaining outstanding balance of RM9,296,000 (2014: RM7,752,000) has been classified as long-term payables, and it is expected to be released to contractors between 2017 to 2019. As a result, an interest income imputed in retention sum amounting to RM43,000 (2014: RM295,000) and a reversal of interest income imputed in retention sum amounting to RM209,000 (2014: RMNil) have been recognised in the current financial year.

The average credit period of trade payables is 30 days. No interest is charged by the trade payables for balances which are past due.

38. TRADE PAYABLES (cont'd)

The currency profile of trade payables is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Ringgit Malaysia	85,801	72,539	140	298
Chinese Renminbi	8,905	9,463	-	-
	94,706	82,002	140	298

39. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables and accruals	66,282	117,949	12,962	15,183
Interest payables	11,887	11,244	-	-
	78,169	129,193	12,962	15,183

Included in other payables and accruals of the Group and of the Company are the following:

	The Group and The Company	
	2015 RM'000	2014 RM'000
(a) an amount owing to a company in which a Director and major shareholders have an interest	945	1,519
(b) an amount owing to an unincorporated joint venture of the Company in which a Director and major shareholder have an interest	929	3,414

39. OTHER PAYABLES AND ACCRUALS (cont'd)

	The Group	
	2015 RM'000	2014 RM'000
(c) an amount owing to a vendor representing the balance of the consideration payable to them arising from the acquisition of its equity interest in Cerah Sama Sdn Bhd, as disclosed in Note 47	-	64,018

The above amounts owing mainly arose from non-trade transactions which are unsecured, interest free and repayable on demand.

40. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Aggregate costs incurred to-date and recognised profits	395,834	341,454	160,704	159,931
Progress billings	(388,685)	(340,043)	(162,107)	(159,931)
Net amount due from/(to) contract customers	7,149	1,411	(1,403)	-
Represented by:				
Amount due from contract customers	8,552	1,411	-	-
Amount due to contract customers	(1,403)	-	(1,403)	-
	7,149	1,411	(1,403)	-

Included in amount due from/(to) contract customers are:

	The Group	
	2015 RM'000	2014 RM'000
Depreciation of property, plant and equipment (Note 15)	158	137
Rental of site office	33	18
Interest expense on borrowings	51	4
Interest expense on finance lease	12	18

41. DEFERRED INCOME

	The Group	
	2015 RM'000	2014 RM'000
Rental and maintenance fee		
At 1 January	886	-
Arising from business combination	-	958
Adjustment	(49)	-
Recognised in profit or loss (Note 8)	(68)	(72)
At 31 December	769	886

41. DEFERRED INCOME (cont'd)

	The Group 2015 RM'000	The Group 2014 RM'000
Government compensation		
At 1 January	200,617	-
Arising from business combination	-	205,133
Recognised in profit or loss (Note 6)	(11,096)	(4,516)
At 31 December	189,521	200,617
Government grant		
At 1 January	-	-
Proceeds received	20,883	-
Recognised in profit or loss (Note 8)	(42)	-
Currency translation difference	(2)	-
At 31 December	20,839	-
Current	17,827	11,982
Non-current	193,302	189,521
Total deferred income	211,129	201,503

42. PROVISION FOR HEAVY REPAIRS

	The Group 2015 RM'000	The Group 2014 RM'000
At 1 January	9,099	-
Arising from business combination (Note 47)	-	7,917
Provision for the year (Note 7)	3,506	1,182
At 31 December	12,605	9,099

43. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, institute share-buy-backs or increase the level of debt.

43. FINANCIAL INSTRUMENTS (cont'd)

Capital Risk Management (cont'd)

Consistent with others in the industry, the Group and Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position) less deposits, cash and bank balances and available-for-sale financial assets. Total capital is the "total equity attributable to Owners of the Company" as shown in the statements of financial position.

The Group's strategy, which was unchanged from the previous year, is to maintain the gearing ratio of less than 100%.

The gearing ratios at the end of each reporting period are as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total borrowings (Note 37)	826,980	741,113	217	2,614
Less: Deposits, cash and bank balances (Note 27)	(204,981)	(244,365)	(11,080)	(7,015)
Less: Available-for-sale financial assets (Note 30)	(238,692)	(114,459)	(188,982)	-
Net debt	383,307	382,289	N/A	N/A
Total capital	1,146,602	851,761	900,981	674,504
Net gearing ratio	33%	45%	N/A	N/A

* N/A-not applicable

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability are disclosed in Note 3.

Categories of financial instruments

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial assets				
Loan and receivables:				
Trade receivables	403,608	379,386	4,291	2,234
Other receivables and deposits	6,553	79,876	1,506	75,948
Deposits, cash and bank balances	204,981	244,365	11,080	7,015
Amount due from subsidiaries	-	-	297,510	449,132
Available-for-sale financial assets:				
Investment in quoted unit trusts	238,692	114,459	188,982	-
Other investments	240	240	-	-

43. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial liabilities				
Other financial liabilities:				
At amortised costs:				
Trade payables	94,706	82,002	140	298
Other payables and accruals	78,169	129,193	12,962	15,183
Borrowings	826,980	741,113	217	2,614

Financial Risk Management Objectives

The Group's activities in the normal course of business expose it to a variety of financial risks, including foreign currency, interest rate, credit and liquidity risks. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent financial risk management policies.

The Group does not use derivative financial instruments as the nature and size of its financial assets and liabilities do not warrant the use of such instruments at present. It does not trade in financial instruments.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign currency risk as a result of transactions undertaken denominated in currencies other than the functional currencies of the entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Sensitivity analysis for foreign currency risk

The Group is mainly exposed to the foreign currency risk of US Dollar.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. If US Dollar strengthens/weakens against RM by 5%, with all other variables held constant, the Group's pre-tax profit for the financial year would have been RM1,151,000 (2014: RM637,000) higher/lower.

In the Director's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. Interest rate exposure primarily arises from the Group's deposits and borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors the interest rate trend on an ongoing basis. Decisions in respect of fixed or floating rate debt structure and tenure of borrowings and deposits are made based on the expected trend of interest rate movements.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's and the Company's pre-tax profit for the financial year would have been RM8,316,000 and RM2,000 (2014: RM7,465,000 and RM28,000) higher/lower respectively, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

The above sensitivity analysis prepared by management excludes finance lease liabilities as their interest rates are fixed at the inception of the financing arrangement.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises when services or sales are made on deferred credit terms. The credit risk of the Group is concentrated in a few customers. The Group considers the risk of material loss in the event of non-performance by the financial counter-party or customer to be unlikely beyond amounts allowed for collection losses in the Group's trade receivables. Further disclosure is made in Note 25.

Maximum exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of their trade and other receivables as disclosed in the statements of financial position, in the event that all their customers fail to perform their obligations as of 31 December 2015.

Investment in available-for-sale financial assets is only allowed in liquid securities and only with financial institutions that has a sound credit rating. Available-for-sale financial assets comprise investment in quoted unit trusts in money market securities instruments that are managed by companies that are authorised to issue or offer for purchase of units of a Unit Trust Scheme as defined under the Capital Markets and Services Act, 2007 of Malaysia.

The Group does not hold any collateral or credit enhancements to cover its credit risk associated with its receivables.

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Maximum exposure to credit risk (cont'd)

The credit quality of deposits, bank and cash balances assessed by reference to external credit ratings or to historical information about counterparty default rates is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits, bank and cash balances (Note 27)				
External credit rating (as rated by a rating agency in Malaysia):				
- AAA	130,686	187,644	9,275	4,080
- AA1	2,150	4,026	-	-
- AA2	2,585	22,598	1,798	1,914
Without external credit rating	69,560	30,097	7	1,021
	204,981	244,365	11,080	7,015

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Liquidity risk is managed by maintaining an adequate level of cash reserves and committed credit facilities, and close monitoring of working capital requirements. The Group seeks to maintain flexibility in funding by keeping committed credit lines available. If required, the Group will raise additional funds through external borrowings or from the capital markets.

In circumstances where current liabilities exceed current assets and there is a deficit in shareholders' funds, the Company may undertake to provide financial support to its subsidiaries so as to enable the subsidiaries to meet their liabilities as and when they fall due.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than 1 year RM'000	Between to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years '000	Total RM'000
The Group						
2015						
Non-interest bearing:						
Trade payables	-	83,657	-	-	-	83,657
Other payables and accruals	-	78,169	-	-	-	78,169
Interest bearing:						
Trade payables	6.2 - 8.0	3,005	2,265	7,031	-	12,301
Borrowings	2.4 - 6.5	69,241	60,673	242,021	843,525	1,215,460
		234,072	62,938	249,052	843,525	1,389,587

43. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives (cont'd)

Liquidity Risk (cont'd)

	Weighted average effective interest rate %	Less than 1 year RM'000	Between to 2 years RM'000	Between 2 to 5 years RM'000	Over 5 years '000	Total RM'000
The Group						
2014						
Non-interest bearing:						
Trade payables	-	73,180	-	-	-	73,180
Other payables and accruals	-	129,193	-	-	-	129,193
Interest bearing:						
Trade payables	6.2 - 8.0	2,457	550	7,202	-	10,209
Borrowings	2.4 - 7.6	64,880	49,856	168,654	873,196	1,156,586
		269,710	50,406	175,856	873,196	1,369,168
The Company						
2015						
Non-interest bearing:						
Trade payables	-	140	-	-	-	140
Other payables and accruals	-	12,962	-	-	-	12,962
Interest bearing:						
Borrowings	2.4 - 2.47	191	32	-	-	223
		13,293	32	-	-	13,325
2014						
Non-interest bearing:						
Trade payables	-	298	-	-	-	298
Other payables and accruals	-	15,183	-	-	-	15,183
Interest bearing:						
Borrowings	2.4 - 7.6	2,412	191	31	-	2,634
		17,893	191	31	-	18,115

44. FAIR VALUE MEASUREMENT

This note provides information about how the Group and the Company determine fair values of various financial assets and liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

44. FAIR VALUE MEASUREMENT (cont'd)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) **Financial assets that are measured at fair value**

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2015				
Available-for-sale - investment in quoted unit trusts	-	238,692	-	238,692
2014				
Available-for-sale - investment in quoted unit trusts	-	114,459	-	114,459
The Company				
2015				
Available-for-sale - investment in quoted unit trusts	-	188,982	-	188,982
2014				
Available-for-sale - investment in quoted unit trusts	-	-	-	-

There was no transfer between Levels 1, 2 and 3 during the year.

For investment in quoted unit trusts in general, fair values have been estimated by reference to quotes published by financial institutions.

Investment in golf membership is stated at cost less identified impairment losses as it does not have a quoted market price in an active market and the Directors believe that the fair value of the golf membership cannot be reliably measured.

(b) **Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)**

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statement approximate their fair values.

44. FAIR VALUE MEASUREMENT (cont'd)

(b) **Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)** (cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2015				
Long-term trade receivables	-	-	232,219	232,219
IMTN	-	426,928	-	426,928
2014				
Long-term trade receivables	-	-	199,754	199,754
IMTN	-	424,496	-	424,496

The fair value of IMTN was determined from future cash flows discounted using current market profit rates available for similar financial instruments of 4.74% to 5.56%.

(c) **Description of key inputs to valuation on the financial assets measured at Level 3**

Description of valuation techniques and key inputs to valuation on the financial assets measured at Level 3 are as follows:

Valuation technique	Significant unobservable input	Range (%)	Relationship between unobservable input and fair value
Long-term trade receivables			
Discounted cash flows method	Discount rate	10.16 to 11.25	An increase in the discount rate used would result in a decrease in the fair value.

45. CONTINGENT LIABILITIES

Litigations

(i) **Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company**

Hua Sheng and Ningxia Eco had, on 17 October 2010, entered into a Main Contractor Agreement, in which Hua Sheng was responsible for the construction work and procurement of equipment and materials for a wastewater project undertaken by Ningxia Eco.

On 3 November 2011, Hua Sheng filed an arbitration application in the China International Economic and Trade Arbitration Commission, Shanghai (CIETAC) against Ningxia Eco for the termination of the Main Contractor Agreement on 6 September 2011. Hua Sheng has amongst others, claimed for:

(a) construction deposit amounted to RM1,551,000 (RMB3,160,000);

(b) unpaid contract price of RM3,206,000 (RMB6,533,000); and

(c) penalty breach in performing the equipment procurement contract in the sum of RM1,790,000 (RMB3,648,000).

45. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

(i) **Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company** (cont'd)

After few arbitral hearings held, Ningxia Eco had on 12 July 2012 received the decision in respect of the arbitration from CIETAC dated 10 July 2012. The main decisions of the arbitration award were as follows:

(a) Ningxia Eco shall pay the construction deposit of RM761,000 (RMB1,550,000) to Hua Sheng upon receipt of a bank performance bond;

(b) Ningxia Eco shall pay the contract sum amounting to RM1,794,000 (RMB3,654,000) to Hua Sheng;

(c) Ningxia Eco shall pay a late payment penalty on the principal sum of RM790,000 (RMB1,610,000), at the corresponding base lending rate ("BLR") as quoted by the People's Bank China from 13 June 2011 to 21 July 2011 to Hua Sheng, amounting to RM5,000 (RMB10,321);

(d) Ningxia Eco shall pay a late payment penalty on a construction deposit of RM761,000 (RMB1,550,000) at the corresponding BLR as quoted by the People's Bank of China from 13 June 2011 to 1 April 2012 to Hua Sheng, amounting to RM37,000 (RMB74,909);

(e) Ningxia Eco is required to partially bear Hua Sheng's legal fee for arbitration amounting to RM365,000 (RMB742,000); and

(f) The arbitration cost of RM253,000 (RMB516,126) shall be borne by Ningxia Eco and Hua Sheng in the proportion of 70% (RM177,000 or RMB361,288) and 30% (RM76,000 or RMB154,378) respectively.

Ningxia Eco has not received the bank performance bond as construction deposits from Hua Sheng and therefore, Ningxia Eco has no obligation to pay the said deposits to Hua Sheng. The contract sum and other associated costs totaling RM2,378,000 (RMB4,845,000) have been adequately accrued for in the financial statements for the year ended 2012.

In 2013, Hua Sheng had applied for a further arbitration from CIETAC and Ningxia Eco had on 15 October 2013 received a new arbitration notice. The details of the arbitration application were as follows:

(a) The penalty for breach of contract to be borne by Ningxia Eco shall be raised from the rate stated in the contract i.e., 8% to 20% of the total contract value;

(b) The penalty amount to be paid by Ningxia Eco would be equivalent to RMB11,298,900, being the total contract value of RMB63,200,000 x 89.39% x 20% (work done before termination of contract was 10.61%); and

(c) Ningxia Eco shall bear the arbitration cost, Hua Sheng's legal cost and property preservation fee.

The first arbitral hearing was held on 17 January 2014, whereby, Ningxia Eco has filed a counter-claim on Hua Sheng for breach of contract based on the ground that Hua Sheng had stopped project work without the consent of Ningxia Eco. The second and final arbitral hearing was held on 5 June 2014 and CIETAC had deferred the delivery of judgment to not later than 12 April 2015.

On 15 April 2015, Ningxia Eco has received decision in respect of the arbitration from CIETAC dated 12 April 2015. The main decisions of the arbitration award are as follows:

i. Ningxia Eco shall pay the penalty amount of RMB4,374,541 (as opposed to Hua Sheng's claim of RMB11,298,000);

45. CONTINGENT LIABILITIES (cont'd)

Litigations (cont'd)

(i) **Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company** (cont'd)

ii. Ningxia Eco is required to bear Hua Sheng's legal cost of RMB200,000 and property preservation fee of RMB5,000;

iii. Ningxia Eco is required to pay 50% of the arbitration cost or RMB78,495 to Hua Sheng.

The decision of CIETAC is final and the Directors have assessed the financial impact of the financial statements. Accordingly, an accrual of penalty and other associated costs relating to the arbitration amounting to RM2,914,000 (RMB4,660,000) has been recognised in the current financial year, as disclosed in Note 9.

(ii) **Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd.; 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental")and China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")**

On 27 March 2013, Puresino Guanghan had received a Civil Judgement dated 16 January 2013 from the Sichuan Province High Court. Accordingly, the Directors had assessed the financial impact on the previous year's financial statements and a reversal of over-accrual of litigation claims amounted to RM1,961,000 was recognised in the previous financial statements.

On 4 November 2014, Puresino Guanghan had received a civil suit claim dated 30 October 2014 from the Sichuan Deyang Intermediate People's Court. The details of the claims were as follows:

(a) Puresino Guanghan and 2nd Defendant shall jointly fulfill the obligation of settling the claims on the subrogation civil suit, paying to the Plaintiff an outstanding amount of RMB4,296,047; and

(b) Puresino Guanghan and 2nd Defendant shall jointly pay the liquidated damages of RMB4,704,171 to the Plaintiff.

The Sichuan Province High Court in its civil judgment dated 26 January 2013 had overruled the Sichuan Deyang Intermediate People's Court Civil Judgment (2010) No. 61 by dismissing the Plaintiff's claim exercised through its subrogation rights against Puresino Guanghan and 2nd Defendant. The reason given in the judgment was that the Plaintiff's debtor, Watson Environmental did not comply with the Beijing Arbitration Award No.340 (2011) which required Watson Environmental, a creditor of Puresino Guanghan, to issue equipment invoices totaling RMB11,810,000 to Puresino Guanghan and that formed a condition precedent to the Plaintiff's subrogation right to sue as a creditor.

On 28 May 2014, Watson Environmental had submitted the equipment invoices to Puresino Guanghan and therefore fulfilled the condition precedent. Arising thereof, the Plaintiff exercised its rights of subrogation to claim the aforesaid amount from Puresino Guanghan and 2nd Defendant.

45. CONTINGENT LIABILITIES (cont'd)

(ii) **Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd.; 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd. ("Watson Environmental")and China Electronic System Engineering 3rd Construction Co., Ltd. ("CESE3")** (cont'd)

During Deyang Intermediate People's Court mediation on 3 July 2015, the case was settled out of court and no liquidated damages and incidental expenses were awarded. Under the settlement agreement, Puresino Guanghan was required to settle the outstanding amount of RM2,840,000 (RMB4,296,000) to the Plaintiff by 31 December 2015. Arising thereof, the Group has accrued the additional claims and other associated costs amounting to RM234,000 (RMB375,000) in the financial statements. As at the end of the financial year, approximately RM1,173,000 (RMB1,774,000) remained unpaid due to pending invoice to be issued by the Plaintiff.

46. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Authorised but not contracted for:				
Property, plant and equipment	5,343	4,346	899	756
Intangible assets	-	6,418	-	-
	5,343	10,764	899	756
Authorised and contracted for:				
Intangible assets	34,033	34,656	-	-
	39,376	45,420	899	756

In accordance with the concession agreement executed, a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd, shall be liable to upgrade and expand its existing wastewater treatment plants facilities. The upgrading and expansion is to fulfill the overall water demand in Yinchuan city and to meet the effluent wastewater quality standard in accordance with the said concession agreement.

During the current financial year, the upgrading and expansion of the Wastewater Treatment Plant No. 3 has been completed. The estimated amount of capital expenditure incurred on Wastewater Treatment Plant No. 3 was approximately RMB126,993,000 (RM83,943,000), as disclosed in Note 18.

For the purpose of estimating the recoverable amounts of intangible assets for impairment review, the Group has estimated that total capital expenditure for upgrading and expansion works of the remaining Wastewater Treatment Plants No. 1, 2 and 4 is approximately RMB649,018,000 (RM429,000,000) as disclosed in Note 18, out of which RMB51,487,000 (RM34,033,000), being the cost of upgrading and expansion of Wastewater Treatment Plant No. 4 has been authorised by the directors of the subsidiary.

46. CAPITAL COMMITMENTS (cont'd)

(b) Non-cancellable operating lease commitments:

(i) Operating lease for water supply installation and quarters:

	The Group	
	2015 RM'000	2014 RM'000
No later than 1 year	150	150
Later than 1 year but not later than 5 years	600	600
Later than 5 years	-	150
	750	900

The above lease payments relate to a subsidiary, Taliworks (Langkawi) Sdn Bhd's non-cancellable operating lease for water supply installations and quarters for the waterworks staff under a privatisation contract.

(ii) Rental of premises:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
No later than 1 year	2,775	2,726	2,775	2,726
Later than 1 year but not later than 5 years	-	2,726	-	2,726
	2,775	5,452	2,775	5,452

47. SIGNIFICANT EVENTS

2014

(A) **Group's restructuring**

During the financial year, the Group undertook an internal restructuring exercise which involved the acquisition and disposal of the Company's subsidiaries and joint venture as detailed below:

(a) On 20 June 2014, the Company acquired the entire issued and paid-up capital of Pinggiran Muhibbah Sdn Bhd ("PMSB") for a cash consideration of RM2. PMSB was incorporated with an authorised share capital of RM100,000, comprising 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2, comprising 2 ordinary shares of RM1.00 each. Consequently, PMSB became a wholly-owned subsidiary of the Company.

Subsequently, on 6 August 2014 and 7 August 2014, PMSB increased its issued and paid-up share capital from RM2 to RM10,000 by way of issuance of 9,998 ordinary shares of RM1.00 each. The new ordinary shares issued ranked pari-passu with the existing ordinary shares of the company.

47. SIGNIFICANT EVENTS (cont'd)

2014

(A) **Group's restructuring** (cont'd)

b) On 20 June 2014, the Company acquired the entire issued and paid-up capital of Jemari Infiniti Sdn Bhd ("JISB") comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2. Consequently, JISB became a wholly-owned subsidiary of the Company. JISB has not commenced operations since its incorporation. On 30 December 2014, an application to strike-off the company was submitted to the Companies Commission of Malaysia.

(c) On 23 June 2014, PMSB acquired 75 ordinary shares of RM1.00 each, representing 75% of the total issued and paid-up share capital of Grand Sepadu (NK) Sdn Bhd ("GSNK") a company incorporated in Malaysia, for a cash consideration of RM75. PMSB executed a Shareholders' Agreement with the other shareholder of GSNK whereby they contractually agreed under the Shareholders' Agreement to jointly share the control to direct the activities that will significantly affect the returns of GSNK. Consequently, GSNK became a joint venture of PMSB.

(d) On 5 August 2014, PMSB acquired the entire issued and paid-up share capital comprising 2 ordinary shares of RM1.00 each of the following companies for a cash consideration of RM2 each:

(i) TEI Sdn Bhd ("TEI"), a company incorporated in Malaysia; and

(ii) Pinggiran Ventures Sdn Bhd ("PVSB"), a company incorporated in Malaysia.

(e) On 6 August 2014, the Company disposed its entire equity interest in a joint venture, Cerah Sama Sdn Bhd ("CSSB") comprising 327,750 ordinary shares of RM1.00 each, representing 55% of the share capital of CSSB to TEI for a total consideration of RM394,900,000 satisfied by the issuance of 8,459 ordinary shares of RM1.00 each and 394,891,541 redeemable non-cumulative preference shares of RM0.001 each to PMSB.

In turn, PMSB issued 8,460 ordinary shares of RM1.00 each in PMSB to the Company with remaining balance by cash. Following the subscription, PMSB became a 100% owned subsidiary of the Company.

(f) On 7 August 2014, PMSB renounced 4,900 ordinary shares of RM1.00 each and 228,678,100 redeemable non-cumulative preference shares of RM0.001 each, representing 57.93% shareholding in TEI to PVSB for a total consideration of RM228,683,000. The consideration was satisfied by issuance of 9,998 ordinary shares of RM1.00 each and 68,673,000 redeemable non-cumulative preference shares of RM0.001 each in PVSB to PMSB and the balance from bank borrowings.

47. SIGNIFICANT EVENTS (cont'd)

2014

(A) **Group's restructuring** (cont'd)

(g) On 7 August 2014, TEI acquired the entire issued and paid-up share capital of Trinitywin Sdn Bhd, a company incorporated in Malaysia from a third party ("Vendor") for a consideration of RM71,800,000 and the consideration was satisfied by the issuance of 1,538 ordinary shares of RM1.00 each in PMSB to the Vendor and balance as an amount owing to the Vendor. Following the issuance of new shares, PMSB became a 84.62% owned subsidiary of the Company.

Subsequently on 9 September 2014, PMSB paid RM7,780,000, which reduced the amount owing to the Vendor to RM64,018,000.

Arising from the restructuring, the Company gained control over CSSB, previously a joint venture and therefore, it has been accounted for using the acquisition method in accordance with MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements.

The Group's previously held interest in CSSB was re-measured to fair value at the acquisition date which resulted in a gain on restructuring to the Group and the Company amounting to RM272,666,000 and RM339,362,000 respectively and this was recognised in profit or loss, as disclosed in Note 8. Amount arising from interest in CSSB prior to the acquisition date that has previously been recognised in other comprehensive income was reclassified to profit or loss.

The analysis of acquisition of CSSB is as follows:

(a) Identifiable assets acquired and liabilities recognised at the date of acquisition:

	The Group Fair value recognised at the date of acquisition RM'000
Non-current assets	
Property, plant and equipment	21,693
Intangible assets	1,198,828
Other investment	1,525
Goodwill on consolidation	129,385
Deposits, bank and cash balances	13,053
	1,364,484
Current assets	
Inventories	128
Other receivables, deposits and prepayments	331
Tax recoverable	12,266
Available-for-sale financial assets	91,366
Deposits, bank and cash balances	134,897
	238,988
Total assets	1,603,472

47. SIGNIFICANT EVENTS (cont'd)

2014

(A) **Group's restructuring** (cont'd)

The analysis of acquisition of CSSB is as follows: (cont'd)

(a) Identifiable assets acquired and liabilities recognised at the date of acquisition: (cont'd)

	The Group Fair value recognised at the date of acquisition RM'000
Current liabilities	
Trade payables	261
Other payables and accruals	2,312
	2,573
Deferred and non-current liabilities	
Deferred income	206,091
Borrowings	414,651
Deferred tax liabilities	254,240
Provision for heavy repairs	7,917
	882,899
Total liabilities	885,472
Total net identifiable assets	718,000

Goodwill recognised as a result of the acquisition is as follows:

	The Group RM'000
The fair value of Group's previously held interest	394,900
Add: the non-controlling interest measured at its acquisition-date at fair value	251,300
Add: the fair value of the consideration transferred	71,800
Less: value of net identifiable assets	(588,615)
Goodwill arising on acquisition	129,385

(b) Consideration transferred:

	The Group RM'000
Consideration paid in cash	7,780
Issuance of equity shares in PMSB to the Vendor	2
Consideration to be settled by cash	64,018
	71,800

47. SIGNIFICANT EVENTS (cont'd)

2014

(A) **Group's restructuring** (cont'd)

The analysis of acquisition of CSSB is as follows: (cont'd)

(b) Consideration transferred: (cont'd)

The issuance of equity shares has resulted in the proportion of ownership interest held by the Group in CSSB decreasing from 65% to 55% and the effect of the changes in ownership interest in a subsidiary of RM71,800,000 has been debited to retained earnings.

(c) Net cash inflow on acquisition of a subsidiary:

	The Group RM'000
Consideration paid in cash	7,780
Less: cash and cash equivalents acquired	(147,950)
	(140,170)

(d) If the acquisition of CSSB had occurred at the beginning of the year, the Group's revenue and profit for the year would have been as follows:

	The Group RM'000
Revenue	388,747
Profit for the year	322,849

(B) **Disposal of shares**

On 11 August 2014, the Company and PMSB entered into a Share Sale and Purchase Agreement ("SSPA") with Employees Provident Fund Board ("EPF") to dispose the latter's wholly owned subsidiary, PVSB, comprising 10,000 ordinary shares of RM1.00 each and 68,673,000 redeemable non-cumulative preference shares of RM0.001 each to EPF for a total cash consideration of RM68,683,000.

Pursuant to the SSPA, the Company entered into a Shareholders' Agreement with PVSB, PMSB, EPF and TEI for the purpose of setting out the shareholders' mutually agreed rights, duties, liabilities and obligations to each other as shareholders of TEI. The SSPA was completed on 5 September 2014.

Following the disposal, the Group's non-controlling interest in CSSB reduced by 4.9015% and the effect of the changes in ownership interest in a subsidiary of RM35,193,000 has been credited to retained earnings.

The analysis of the disposal of shares is as follows:

(a) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents	68,683

47. SIGNIFICANT EVENTS (cont'd)

2014

(B) **Disposal of shares** (cont'd)

The analysis of the disposal of shares is as follows:

(b) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current asset	
Other investment	228,683
Current liability	
Other payable	(160,000)
Net assets disposed of	68,683

(c) Analysis of gain or loss in profit or loss for the year:

Consideration received	68,683
Net assets disposed of	(68,683)
No gain or loss	-

(C) **Other significant events**

(a) On 16 and 17 December 2014, the Company and PMSB subscribed for 48,000,000 irredeemable cumulative preference shares ("ICPS") of RM1.00 each and 28,300,000 ICPS of RM1.00 each respectively in GSNK for a total cash consideration of RM76,300,000;

(b) On 19 December 2014, the Company received a letter of award from Government of Malaysia ("GOM") to take over the assets and concession rights of New North Klang Straits Bypass Expressway ("NNKSB") from Lebuhraya Shapadu Sdn Bhd (in liquidation) for a total consideration of RM265,000,000; and

(c) On 22 December 2014, GSNK executed the Second Supplemental Concession Agreement and the Novation Agreement with GOM and Lebuhraya Shapadu Sdn Bhd (in liquidation) to complete the acquisition of the concession rights to the NNKSB.

2015

(a) On 26 February 2015, the Group increased its stake in PMSB and CSSB by way of acquisition of non-controlling interests:

(i) the Company accepted an offer to acquire 1,538 ordinary shares of RM1.00 each, representing 15.38% of the ordinary share capital in PMSB and 26,916,218 redeemable preference shares of RM0.01 each in PMSB, from a minority shareholder of PMSB, for a cash consideration of RM22,851,538. Upon the completion of the acquisition on 21 April 2015, PMSB became a wholly-owned subsidiary of the Company;

47. SIGNIFICANT EVENTS (cont'd)

2015

(a) (cont'd)

(ii) TEI, the then 51% owned subsidiary of PMSB, accepted an offer to acquire 208,250 ordinary shares of RM1.00 each, representing 35% of the ordinary share capital in CSSB, from a minority shareholder of CSSB for a cash consideration of RM80,000,000. Upon the completion of the acquisition on 26 March 2015, CSSB became a wholly-owned subsidiary of TEI;

The financial effects of the acquisition of non-controlling interests of PMSB and CSSB are as follows:

	The Group		
	PMSB RM'000	**CSSB RM'000**	**Total RM'000**
Proportionate share of the carrying amount of the net assets at date of acquisition	72,410	198,086	270,496
Less: Consideration paid	(22,851)	(80,000)	(102,851)
Positive movement in equity	49,559	118,086	167,645
Positive movement in equity attributable to:			
Owners of the Company	49,559	50,962	100,521
Non-controlling interests	-	67,124	67,124
	49,559	118,086	167,645

(b) On 26 November 2015, the Group carried out an internal re-organisation exercise ("Re-organisation") as follows:

(i) the transfer by the Company to PMSB of 48,000,000 irredeemable preference shares ("IPS") of RM1.00 each in GSNK, representing 62.9% of the total IPS in issue, for a consideration of RM48,000,000;

(ii) the transfer by PMSB to the Company, of 5,100 ordinary shares of RM1.00 each in TEI, representing 51% of the total ordinary shares in issue and 238,011,902 redeemable preference shares of RM0.001 each in TEI ("TEI RPS"), representing 51% of the total TEI RPS in issue, at a premium of RM0.999 for a consideration of RM5,100 and RM238,011,902 respectively; and

(iii) the subscription by the Company of 45,932,920 new redeemable preference shares of RM0.01 each in PMSB ("PMSB RPS") at a premium of RM0.99 each, for a consideration of RM45,932,920 which was satisfied by capitalising an equivalent amount owing by PMSB to the Company (after taking into consideration the existing net amount owing by PMSB to the Company as well as item (i) and (ii) above).

Following the Re-organisation, TEI ceased to be subsidiary of PMSB and became a 51% owned subsidiary of the Company. No gain or loss on disposal was recognised in the Group's financial statements.

(c) On 30 November 2015, the Company entered into a Share Sale and Purchase Agreement ("SSPA") with PVSB, and EPF to dispose 50% of its equity interest in PMSB comprising 5,000 ordinary shares of RM1.00 each and 36,424,569 redeemable cumulative preference shares of RM0.01 each at a premium of RM0.99 each, to PVSB for an aggregate cash consideration of RM66,750,000 ("Disposal of PMSB Shares").

47. SIGNIFICANT EVENTS (cont'd)

2015

(c) (cont'd)

Pursuant to the SSPA, a shareholders' agreement is entered into on 30 November 2015 between the Company, PMSB, EPF, PVSB and TEI which governs their mutually agreed rights, duties, liabilities and obligations to each other and in respect of PMSB, whereby they contractually agreed under the shareholders' agreement to jointly share the control to direct the activities that will significantly affect the returns of PMSB.

Upon the completion of the SSPA on 11 December 2015, PMSB ceased to be subsidiary of the Company and became a 50% joint venture of the Company in accordance with MFRS 11 Joint Arrangements.

The Group's previously held interest in PMSB was re-measured to fair value at the disposal date which resulted in a gain on disposal to the Group and the Company amounting to RM59,547,000 and RM65,130,000 respectively.

The analysis of the Disposal of PMSB Shares is as follows:

(i) Consideration received:

	The Group RM'000
Consideration received in cash and cash equivalents	66,750

(ii) Analysis of assets and liabilities over which control was lost:

	The Group RM'000
Non-current asset	
Investment in joint venture	73,530
Current asset	
Deposits, bank and cash balances	928
Total assets	74,458
Current liability	
Other payables and accruals	82
Total liability	82
Net assets disposed of	74,376

47. SIGNIFICANT EVENTS (cont'd)

2015

(c) (cont'd)

(iii) Analysis of gain or loss in profit or loss for the year:

	The Group RM'000	The Company RM'000
Consideration received	66,750	66,750
Net assets disposed of	(74,376)	(68,793)
Fair value of retained interest (Note 20)	67,173	67,173
Gain on disposal of a subsidiary (Note 8)	59,547	65,130

(iv) Net cash inflow on Disposal of PMSB Shares:

	The Group RM'000
Consideration received in cash	66,750
Less: Cash and cash equivalents disposed of	(928)
	65,822

(d) On 29 December 2015, PMSB executed a Deed of Revocation with Trinitywin Ventures Sdn Bhd, the other shareholder of GSNK to revoke the existing shareholders' agreement dated 23 June 2014 which stipulated that the parties contractually agree to jointly share the control to direct the activities that will significantly affect the returns of GSNK.

Arising from the termination of the shareholders' agreement, the rights over the board reserved matters and shareholder reserved matters have been removed and the composition of the board of directors has been changed. Consequently, PMSB gained control over GSNK, and therefore, it has been accounted for using the acquisition method in accordance with MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements. GSNK is consolidated in PMSB's consolidated financial statements ("PMSB Group") while the Group accounts for its investment in PMSB Group under the equity method.

48. SUBSEQUENT EVENTS

On 25 February 2016, the Company entered into the following agreements:

(a) a conditional share sale agreement with LGB Group (HK) Limited ("LGB HK"), a related party of the Company as disclosed in Note 49, for an aggregate cash consideration of United States Dollars 54.6 million (equivalent to approximately RM230,000,000) for the disposal of the Company's entire investment in the People's Republic of China comprising:

(i) 100 ordinary shares at Hong Kong Dollar ("HKD") 100 in aggregate in Taliworks International Limited ("TIL"), a wholly-owned subsidiary of the Company, representing 100% equity interest in TIL;

(ii) 12,000,000 ordinary shares at HKD12,000,000 in aggregate in Taliworks Sichuan Limited ("TSL"), an 80%-owned subsidiary of the Company, representing 80% equity interest in TSL;

48. SUBSEQUENT EVENTS (cont'd)

(a) (cont'd)

(iii) 100 ordinary shares of RM1.00 each in SWM Technology Sdn Bhd ("SWMT") and 19,000,000 redeemable non-cumulative preference shares of RM0.01 each in SWMT, a wholly-owned subsidiary of the Company, representing 100% equity interest in SWMT; and

(iv) the assignment from the Company to LGB HK of all outstanding shareholders' loans and/or shareholders' advances owing by TIL and TSL to the Company as at 25 February 2016.

(Collectively referred to as "Proposed Disposals")

(b) a conditional share purchase agreement with Conseec Gali Sdn Bhd and Esys Montenay (Malaysia) Sdn Bhd, related parties of the Company as disclosed in Note 49, to acquire an aggregate of 3,501 ordinary shares of RM1.00 each in SWM Environment Holdings Sdn Bhd ("SWMH"), a related party of the Company as disclosed in Note 49, representing 35% of the total issued and paid-up ordinary shares in SWMH, for an aggregate cash consideration of RM245,000,000 ("Proposed Acquisition").

Upon completion of the Proposed Disposals and the Proposed Acquisition, TIL, TSL, SWMT and their subsidiaries will cease to be subsidiaries of the Company and SWMH will become a 35% associate of the Company.

49. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions described below were carried out in the normal course of business on agreed terms and prices.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Alam Ria Sdn Bhd	Common director and major shareholder
Perangsang Water Management Sdn Bhd	Common major shareholder
Exitra Sdn Bhd	Common director and major shareholder
Aqua-Flo Sdn Bhd	Subsidiary of an associate
LGB Realty Sdn Bhd	Common director and major shareholders
GSL Realty Sdn Bhd	Common director and major shareholders
Edaran SWM Sdn Bhd	Common major shareholders
LGB Group (HK) Limited	Common major shareholders
Conseec Gali Sdn Bhd	Common director and major shareholders
Esys Montenay (Malaysia) Sdn Bhd	Common major shareholder
SWM Environment Holdings Sdn Bhd	Common director and major shareholders
Air Kedah Sdn Bhd	Subsidiary
Sungai Harmoni Sdn Bhd	Subsidiary
Taliworks (Langkawi) Sdn Bhd	Subsidiary
Taliworks Construction Sdn Bhd	Subsidiary
Hydrovest Sdn Bhd	Associate
Cerah Sama Sdn Bhd	Joint venture/subsidiary (effective 7 August 2014)
Pinggiran Muhibbah Sdn Bhd	Subsidiary/joint venture (effective 11 December 2015)

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

In addition to related party disclosures disclosed elsewhere in the financial statements, set out below are other significant related party transactions:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of water treatment chemicals and related equipment or systems from and design, supply, install, testing and commissioning of equipment for water treatment plant from:				
- Aqua-Flo Sdn Bhd	17,499	16,691	-	-
Contractual payments in respect of technical support and management services to:				
- Alam Ria Sdn Bhd (a)	5,722	5,738	-	-
- Perangsang Water Management Sdn Bhd (a)	2,861	2,869	-	-
Contractual payments in respect of royalty fees to:				
- Alam Ria Sdn Bhd (a)	2,721	2,672	-	-
Service rendered in relation to information technology services and maintenance fee paid to:				
- Exitra Sdn Bhd (b)	937	727	145	141
Rental of premises paid to:				
- LGB Realty Sdn Bhd (b)	-	5	228	5
- GSL Realty Sdn Bhd (b)	2,775	2,775	2,775	2,775
- Edaran SWM Sdn Bhd (b)	-	4	-	4
Contract revenue from/(Contract revenue over-recognised):				
- Air Kedah Sdn Bhd	-	-	-	108
Rental income from:				
- Sungai Harmoni Sdn Bhd	-	-	246	246
- Taliworks Construction Sdn Bhd	-	-	411	411
Management fee from:				
Subsidiaries:				
- Sungai Harmoni Sdn Bhd	-	-	1,080	1,080
- Taliworks (Langkawi) Sdn Bhd	-	-	960	960
- Taliworks Construction Sdn Bhd	-	-	240	240
- Cerah Sama Sdn Bhd (with effective from 7 August 2014)	-	-	600	239
Joint venture:				
- Cerah Sama Sdn Bhd (prior to 7 August 2014)	-	361	-	361
Total (Note 6)	-	361	2,880	2,880
Dividend income from:				
Subsidiaries:				
- Taliworks (Langkawi) Sdn Bhd	-	-	37,500	9,990
- Pinggiran Muhibbah Sdn Bhd (prior to 11 December 2015)	-	-	8,436	-
- Sungai Harmoni Sdn Bhd	-	-	-	13,700
Joint venture:				
- Cerah Sama Sdn Bhd (prior to 7 August 2014)	-	-	-	5,500
Associate:				
- Hydrovest Sdn Bhd	-	-	-	380
Total (Note 6)	-	-	45,936	29,570

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(a) The contractual payments relating to the operations and maintenance of water treatment plants are based on fee rates stated in the respective agreements entered into by Alam Ria Sdn Bhd ("Alam Ria") and Perangsang Water Management Sdn Bhd ("PWM") with Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB"). The contractual agreement in respect of technical support and management services between SHSB and Alam Ria and PWM was entered into in March 2000. The contractual agreement in respect of royalty fees between TLSB and Alam Ria was originally entered into in September 1996.

Fees charged for the management, operation and maintenance of water treatment plants as stated above are based on the schedule of fees stipulated in the Operations and Maintenance Agreement for Sungai Selangor Phase 1 entered into between Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") and PWM in January 2000 (which was subsequently novated to SHSB in August 2000).

Mr. Lim Chin Sean is a Director and major shareholder of the Company. He is also a director of Alam Ria and a major shareholder in Alam Ria and PWM.

(b) Mr. Lim Chin Sean is a Director of Exitra Sdn Bhd, GSL Realty Sdn Bhd and LGB Realty Sdn Bhd. He is a major shareholder in these companies as well as Edaran SWM Sdn Bhd.

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Executive Director of the Company and certain members of senior management of the Group and of the Company.

The remuneration of Executive Director and other members of key management during the financial year are as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fees	84	34	60	34
Wages, salaries and bonus	6,973	6,375	4,503	4,079
Defined contribution - Employees Provident Fund	834	772	540	483
Other emoluments	502	210	104	161
	8,393	7,391	5,207	4,757

Included in total key management remuneration of the Group and of the Company is remuneration (consisting of fees, salaries, bonus, defined contribution plan and other remuneration) of the Company's Executive Director of RM469,000 (2014: RM414,000) and RM441,000 (2014: RM414,000) respectively.

Benefits in kind received by Executive Director and other members of key management of the Group and the Company are RM486,000 (2014: RM202,000) and RM92,000 (2014: RM153,000) respectively.

50. SUPPLEMENTARY INFORMATION-DISCLOSURE ON REALISED AND UNREALISED PROFITS/(LOSSES)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries:				
Realised profits	665,112	585,384	408,366	365,823
Unrealised gains	52,860	16,265	54,272	14,668
	717,972	601,649	462,638	380,491
Total share of retained earnings from associate:				
Realised profits	5,172	4,140	-	-
Total share of retained earnings from joint venture:				
Realised profits/(losses)	164	(1,679)	-	-
Total Group's and Company's retained earnings	723,308	604,110	462,638	380,491

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements'' as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

The supplementary information have been made solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Analysis of Shareholdings
as at 25 March 2016

Authorised Capital	:	RM500,000,000.00
Issued and Fully paid-up	:	RM241,897,790.00
Class of Shares	:	Ordinary Shares of RM0.20 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	69	3.64	1,399	0.00
100 – 1,000	99	5.22	53,525	0.00
1,001 – 10,000	922	48.58	5,622,850	0.46
10,001 – 100,000	595	31.35	19,366,952	1.60
100,001 to less than 5% of issued shares	207	10.91	456,401,874	37.74
5% and above of issued shares	6	0.32	728,042,350	60.19
Total	1,898	100.00	1,209,488,950	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	%
1.	Tali-Eaux Sdn Bhd	230,031,000	19.02
2.	Water Clinic Sdn Bhd	162,000,000	13.39
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	97,374,350	8.05
4.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for UBS AG Hong Kong (Foreign)*	90,000,000	7.44
5.	Malar Terang Sdn Bhd	74,783,000	6.18
6.	Century General Water (M) Sdn Bhd	73,854,000	6.11
7.	Mal Monte Sdn Bhd	57,510,000	4.75
8.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	39,601,750	3.27
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Hong Kong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	38,807,500	3.21
10.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	29,787,750	2.46
11.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for AIA Bhd*	27,117,100	2.24
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB Prin)*	20,646,000	1.71
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN for the Bank of New York Mellon SA/NV (UBPSG-MSIA RES)*	19,799,670	1.64

LIST OF THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares Held	%
14.	CIMB Group Nominees (Asing) Sdn Bhd *Pledged securities account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)*	18,750,000	1.55
15.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund*	12,030,000	0.99
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund*	11,081,600	0.92
17.	Ng Yim Hoo	10,838,000	0.90
18.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt AN for Eastspring Investments Berhad*	10,029,250	0.83
19.	AMSec Nominees (Tempatan) Sdn Bhd *AMTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)*	9,211,250	0.76
20.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ong Ka Ting (E-SS2)*	8,750,000	0.72
21.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)*	7,515,000	0.62
22.	Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	7,437,000	0.61
23.	Citigroup Nominees (Tempatan) Sdn Bhd *Bank Negara Malaysia National Trust Fund (CIMB)*	6,551,600	0.54
24.	Century General Water (M) Sdn Bhd	5,247,000	0.43
25.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)*	4,809,950	0.40
26.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Dali Equity Fund*	4,058,500	0.34
27.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Chai Go*	3,630,000	0.30
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (RHB Islamic)*	3,265,000	0.27
29.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Low Keng Siong*	3,250,000	0.27
30.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-Ilham*	2,889,750	0.24
	TOTAL	**1,090,656,020**	**90.17**

List of Substantial Shareholders
as at 25 March 2016

The substantial shareholders as per the Register of Substantial Shareholders:-

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tali-Eaux Sdn Bhd	230,031,000	19.02	-		-
Water Clinic Sdn Bhd	162,000,000	13.39	-		-
Malar Terang Sdn Bhd	74,783,000	6.18	-		-
Century General Water (M) Sdn Bhd	79,101,000	6.54	-		-
Mr. Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Anekawal Sdn Bhd	-	-	230,031,000	(b)	19.02
LGB Holdings Sdn Bhd	-	-	603,425,000	(c)	49.89
Adil Cita Sdn Bhd	-	-	309,132,000	(d)	25.56
Dato' Lim Chee Meng	1,827,250	0.15	604,100,000	(e)	49.95
Mr. Lim Chin Sean	150,004	0.01	604,100,000	(e)	49.95
GSL Development Sdn Bhd	-	-	79,101,000	(f)	6.54

Notes:-
(a) Indirect interest through a family trust.
(b) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd.
(c) Deemed interest by virtue of its substantial shareholdings in Tali Eaux Sdn Bhd, Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Century General Water (M) Sdn Bhd and Mal Monte Sdn Bhd.
(d) Deemed interest by virtue of its substantial shareholdings in Tali-Eaux Sdn Bhd and Century General Water (M) Sdn Bhd.
(e) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.
(f) Deemed interest by virtue of its substantial shareholdings in Century General Water (M) Sdn Bhd.

List Of Directors' Shareholdings
as at 25 March 2016

The Directors' shareholdings as per the Register of Directors' Shareholdings:-

Number of Ordinary Shares of RM0.20 each

Name	Direct No. of Shares Held	%	Indirect No. of Shares Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	8,750,000	0.72	-	-	-
Dato' Lim Yew Boon	375,000	0.03	-	-	-
Mr. Vijay Vijendra Sethu	63,750,000	5.27	45,000,000	(a)	3.72
Mr. Lim Chin Sean	150,004	0.01	604,100,000	(b)	49.95
Mr. Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
En. Ahmad Jauhari Bin Yahya	-	-	-	-	-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn. Bhd.

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

Analysis of Warrant Holdings
as at 25 March 2016

No. of warrants issued : 241,897,790

ANALYSIS OF WARRANT HOLDINGS

Size of Shareholdings	No. of holders	%	No. of Warrants Held	%
1 – 999	213	14.83	61,922	0.03
1000 – 10,000	896	62.40	2,736,450	1.13
10,001 – 100,000	245	17.06	8,603,904	3.56
100,001 to less than 5% of issued shares	76	5.29	82,432,264	34.08
5% and above of issued shares	6	0.42	148,063,250	61.21
Total	1,436	100.00	241,897,790	100.00

LIST OF THIRTY WARRANT HOLDERS

No.	Name	No. of Warrants Held	%
1.	Tali-Eaux Sdn Bhd	46,006,200	19.02
2.	Water Clinic Sdn Bhd	32,400,000	13.39
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	21,929,650	9.07
4.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for UBS AG Hong Kong (Foreign)*	18,000,000	7.44
5.	Malar Terang Sdn Bhd	14,956,600	6.18
6.	Century General Water (M) Sdn Bhd	14,770,800	6.11
7.	Mal Monte Sdn Bhd	11,502,000	4.75
8.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for Standard Chartered Bank Singapore Branch (SG PVB CL AC)*	9,140,350	3.78
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Hong Kong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)*	7,761,500	3.21
10.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB Prin)*	6,345,600	2.62
11.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Forte Equity Holdings Inc*	6,105,550	2.52
12.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN for the Bank of New York Mellon SA/NV (UBPSG-MSIA RES)*	5,330,014	2.20
13.	CIMB Group Nominees (Asing) Sdn Bhd *Pledged securities account – DBS Bank Ltd for Vijay Vijendra Sethu (SG1400407752)*	3,750,000	1.55
14.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for AIA Bhd*	2,930,500	1.21
15.	Ng Yim Hoo	2,367,600	0.98
16.	Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Maybank Kim Eng Securities Pte Ltd (A/C 648849)*	1,989,100	0.82
17.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund*	1,942,300	0.80
18.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ong Ka Ting (E-SS2)*	1,750,000	0.72
19.	AMSec Nominees (Tempatan) Sdn Bhd *AMTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)*	1,486,150	0.61
20.	Infortech Software Sdn Bhd	1,250,000	0.52

LIST OF THIRTY WARRANT HOLDERS (cont'd)

No.	Name	No. of Warrants Held	%
21.	Century General Water (M) Sdn Bhd	1,049,400	0.43
22.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Chai Go*	890,000	0.37
23.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Low Keng Siong*	850,000	0.35
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lau Lian Huat (8055176)*	828,500	0.34
25.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)*	773,750	0.32
26.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Liew Yoon Peck*	751,000	0.31
27.	Ng Kong Chen @ Ng Ting Miew	704,500	0.29
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investments Dana Al-Ilham*	577,950	0.24
29.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lee Wai Chong (MR0650)*	500,000	0.21
30.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Kok Pin @ Kok Khong*	500,000	0.21
	TOTAL	**219,139,014**	**90.59**

List Of Directors' Warrant Holdings
as at 25 March 2016

The Directors' warrant holdings as per the Register of Directors' Warrant holdings:-

Name	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	Notes	%
Tan Sri Dato' Seri Ong Ka Ting	1,750,000	0.72	-	-	-
Dato' Lim Yew Boon	75,000	0.03	-	-	-
Mr. Vijay Vijendra Sethu	12,750,000	5.27	9,000,000	(a)	3.72
Mr. Lim Chin Sean	30,004	0.01	120,820,000	(b)	49.95
Mr. Soong Chee Keong	-	-	-	-	-
Dato' Sri Amrin Bin Awaluddin	-	-	-	-	-
Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin	-	-	-	-	-
En. Ahmad Jauhari Bin Yahya	-	-	-	-	-

(a) Indirect interest through a family trust.

(b) Deemed interest by virtue of his substantial shareholdings in Malar Terang Sdn Bhd, Water Clinic Sdn Bhd, Tali-Eaux Sdn Bhd, Century General Water (M) Sdn Bhd, Mal Monte Sdn Bhd and LGB Engineering Sdn Bhd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting ("25th AGM") of the Company will be held at Maple Junior Ball, Level C, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Selangor on Tuesday, 10 May 2016 at 10.30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 1)**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **(Resolution 1)**

3. To approve the maximum aggregate amount payable by way of Directors' fee up to RM1,500,000 per annum, such sum to be divided amongst the Directors in such a manner as they deemed fit. **(Resolution 2) (Please refer to Note 2)**

4. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, have offered themselves for re-election:

   (a) Mr Soong Chee Keong **(Resolution 3)**
   (b) Mr Lim Chin Sean **(Resolution 4)**

5. To re-elect the following Directors who are retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, have offered themselves for re-election:

   (a) En Ahmad Jauhari Bin Yahya **(Resolution 5)**
   (b) Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin **(Resolution 6)**

6. To re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 7)**

   As Special Business

   To consider and if thought fit, with or without any modification(s), to pass the following Resolutions:

7. **ORDINARY RESOLUTION 1**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **(Resolution 8)**

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

8. **ORDINARY RESOLUTION 2**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

(Resolution 9)

"THAT subject to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("the Group") to enter into recurrent related party transactions of a revenue or trading nature ("RRPT") with the related party(ies) as set out in Section 2.5 of the Circular to Shareholders of the Company dated 18 April 2016 ("the Circular") provided that such transactions are:

(a) Necessary for the day-to-day operations;

(b) The transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(c) Not prejudicial to the minority shareholders of the Company.

("Shareholders' Mandate")

THAT such approval shall continue to be in force and effect until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the said AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 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

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Shareholders' Mandate, with full power to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities."

9. **SPECIAL RESOLUTION**
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

"THAT the following proposed amendments to the Articles of Association of the Company be approved and adopted: **(Resolution 10)**

Amended Article No. 118

Presentation of Accounts. The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the directors' and auditors' reports in printed form or in CD-ROM form or in such other form of electronic media, shall not exceed four (4) months. A copy of the annual report (including every document required by law to be annexed thereto) in printed form or in CD-ROM form or in such other form of electronic media, shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not exceed ~~(6)~~ **four (4)** months from the close of a financial year of the Company be sent to every member of~~, and to every holder of debentures of~~ the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Company's Office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) Market Days from the date of receipt of the Member's request.

10. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

TAN BEE HWEE (MAICSA 7021024)
QUECK WAI FONG (MAICSA 7023051)
Company Secretaries

Kuala Lumpur
Dated this 18th day of April, 2016

Explanatory Notes on Ordinary Business / Special Business:

1. **Item 1 of the Agenda**
To receive the Audited Financial Statements for the Financial Year Ended 31 December 2015

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. **Item 3 of the Agenda**
To approve the Directors' fee pool up to RM1,500,000

The proposed Ordinary Resolution 2 is to seek shareholders' approval to approve the maximum aggregate amount available for payment by way of Directors' fee up to RM1,500,000 per annum.

The Board considers that it is appropriate to seek approval for the fee cap in order to maintain an appropriate fee buffer in advance of specific needs arising. In particular, the fee cap will provide the Board with flexibility to make additional appointments to the Board should this be appropriate. While the Board is not currently proposing to increase its size, a circumstance may arise where the Board may wish to appoint non-executive Directors, for example to take advantage of an opportunity to appoint a candidate with particular skills or expertise that complements those currently represented on the Board.

In addition, the fee cap will provide scope to attract and retain high-calibre Board members and to provide effective transition arrangements. To facilitate orderly succession planning, new Directors may be appointed prior to the retirement of existing Directors, resulting in a short-term increase in the size of the Board and the total fees payable to the Directors. The proposed fee cap would enable the Company to facilitate such future changes in its membership and composition.

3. **Item 7 of the Agenda**
Authority to Issue Shares

The Ordinary Resolution 8 is intended to renew the authority granted to the Directors of the Company at the Twenty Fourth Annual General Meeting of the Company held on 30 April 2015 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being (hereinafter referred to as the "**General Mandate**").

The new General Mandate will enable the Directors to take swift action for allotment of new shares for any possible fund raising activities, including but not limited to placing of new shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of new shares.

As at the date of this Notice, 43,980,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Twenty Fourth General Meeting held on 30 April 2015 and which will lapse at the conclusion of the Twenty Fifth Annual General Meeting. The gross proceeds of RM140,736,000 raised from the issuance of 43,980,000 new shares via the Private Placement are to be utilised mainly for future investments and/or working capital of the Company and its subsidiaries.

4. **Item 8 of the Agenda**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of Revenue or Trading Nature ("Proposed Shareholders' Mandate")

   The proposed adoption of the Ordinary Resolution 9 is to renew the shareholders mandate granted by the shareholders of the Company at the Twenty Fourth Annual General Meeting held on 30 April 2015. The proposed renewal of the shareholders' mandate will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

   The Proposed Shareholders' Mandate would eliminate the need to converse separate general meetings from time to time to seek shareholders' approvals and when potential recurrent related party transactions arise, thereby reducing substantially administrative time and expenses in convening such meetings, without comprising the corporate objectives and adversely affecting the business opportunities available to the Company and its subsidiaries.

   Further information on the proposed Ordinary Resolution 9 is set out in the Circular to Shareholders dated 18 April 2016.

5. **Item 9 of the Agenda**
   Proposed Amendments

   The Proposed Amendments are to streamline the Company's Articles of Association of the Company is to be aligned with the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Notes:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 3 May 2016 shall be eligible to attend the Meeting.

2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Sections 149 (1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Share Registrar Office of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

TALIWORKS CORPORATION
LGB Group

CDS Account No.

Number of ordinary shares held

Form of Proxy

*I/We (full name), ____________________

bearing *NRIC No./Passport No./Company No. ____________________

of (full address) ____________________

being a *shareholder/shareholders of Taliworks Corporation Berhad ("the Company") (6052-V) hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

and/or failing *him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address			

100%

or failing *him/her, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held at Maple Junior Ball, Level C, One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Selangor on Tuesday, 10 May 2016 at 10.30 a.m. and at any adjournment thereof.

In the case of a vote by a show of hands, my proxy____________________(one only) shall vote on *my/our behalf.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Item	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon.			
		Resolution	For	Against
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2015.	1		
3.	To approve the Directors' fee pool up to RM1,500,000.	2		
4.	To re-elect Mr Soong Chee Keong, who is retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	3		
5.	To re-elect Mr Lim Chin Sean, who is retiring pursuant to Article 80 of the Company's Articles of Association and being eligible, has offered himself for re-election.	4		
6.	To re-elect En Ahmad Jauhari Bin Yahya, who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered himself for re-election.	5		
7.	To re-elect Raja Datuk Zaharaton Binti Raja Dato' Zainal Abidin, who is retiring pursuant to Article 85 of the Company's Articles of Association and being eligible, has offered herself for re-election.	6		
8.	To re-appoint Messrs. Deloitte as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	7		
Special Business				
9.	**Ordinary Resolution 1**: Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.	8		
10.	**Ordinary Resolution 2**: Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	9		
11.	**Special Resolution**: Proposed amendments to Articles of Association of the Company.	10		

As witness my/our hand(s) this day __________ of ____________________, 2016.

* Strike out whichever not applicable

*Signature/Common Seal of Shareholder

Notes :-

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors on 3 May 2016 shall be eligible to attend the Meeting.

2. A member/shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member/shareholder appoints two (2) proxies to attend and vote at the Meeting, such appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

3. A proxy may but need not be a member/shareholder of the Company and a member/shareholder may appoint any person to be his proxy without limitation and the provisions of Sections 149 (1)(a) and (b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Share Registrar Office of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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Stamp

The Registrars
TALIWORKS CORPORATION BERHAD (6052-V)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
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