

TALIWORKS CORPORATION BERHAD (Company No 6052-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2007 (UNAUDITED)

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SUMMARY OF KEY FINANCIAL INFORMATION

	3 MONTHS ENDED 30 SEP		9 MONTHS ENDED 30 SEP		12 MONTHS ENDED 31 DEC 2006
	2007	2006 (restated)	2007	2006 (restated)	(audited)
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	59,813	34,500	139,863	107,489	142,902
Operating profit	11,721	11,503	37,450	39,254	49,982
EBITDA [i]	12,262	12,077	39,059	40,852	52,161
Profit before tax	11,740	11,713	37,613	39,280	50,254
Profit after tax	8,420	8,286	27,152	28,128	35,581
EPS (sen) - Basic	2.33	2.24	7.35	7.78	9.77
- Diluted	2.15	2.13	6.90	7.45	9.35
Gross DPS (sen)	-	-	3.0	4.0	10.0
Operating margin	20%	33%	27%	37%	35%
Pre-tax margin [iv]	20%	34%	27%	37%	35%
Net margin	14%	24%	19%	26%	25%
ROE [ii]			9%	10%	12%
ROA [iii]			7%	8%	10%

	30 SEP 2007	30 SEP 2006	31 DEC 2006
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.86	0.83	0.84
Net cash per share (RM)	0.37	0.35	0.39
Net Gearing (times)	0.03	0.03	0.03

[i] EBITDA is defined as net profit before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of associated companies).

[ii] Return on Equity (ROE) is calculated by dividing the net profit for the period with the average of the opening and closing shareholders' equity and is tabulated for year-to-date results.

[iii] Return on Assets (ROA) is calculated by dividing the net profit for the period with the average of the opening and closing total assets and is tabulated for year-to-date results.

[iv] Kindly refer to Note A8-Segmental Reporting for a better appreciation of the pre-tax margins recorded by individual business segments.

This Summary of Key Financial Information is not required under FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and is disclosed on a voluntary basis.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>NOTE</u>	<u>3 MONTHS ENDED</u>		<u>9 MONTHS ENDED</u>	
		<u>30 SEP</u>		<u>30 SEP</u>	
		<u>2007</u> RM'000	<u>2006</u> RM'000	<u>2007</u> RM'000	<u>2006</u> RM'000 (restated)
Revenue	A8	59,813	34,500	139,863	107,489
Operating expenses		(49,307)	(23,916)	(105,379)	(70,395)
Other operating income		1,215	919	2,966	2,160
Operating profit		11,721	11,503	37,450	39,254
Finance cost		(97)	(151)	(325)	(457)
Share of results of associated companies (net of tax)	B14	116	361	488	483
Profit before tax	A8	11,740	11,713	37,613	39,280
Tax expense	B5	(3,320)	(3,427)	(10,461)	(11,152)
Profit for the financial quarter/ period		8,420	8,286	27,152	28,128
Attributable to:					
Equity holders of the Company		8,703	8,318	27,482	28,184
Minority interest		(283)	(32)	(330)	(56)
Profit for the financial quarter/period		8,420	8,286	27,152	28,128
EPS (sen)					
- Basic	B13	2.33	2.24	7.35	7.78
- Diluted		2.15	2.13	6.90	7.45
DPS (sen)					
- 1 st Interim		-	-	3.0	4.0

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>NOTE</u>	<u>30 SEP 2007</u> <u>RM'000</u>	<u>31 DEC 2006</u> <u>RM'000</u> <u>(audited)</u>
NON-CURRENT ASSETS			
Property, plant and equipment		17,432	6,122
Investment properties		457	465
Intangible assets		2,007	-
Concession rights		15,611	16,188
Associated companies		23,496	23,008
Deferred tax assets		9	9
Long term receivables		61,036	61,036
Deposits, bank and cash balances		23,826	25,366
		143,874	132,194
CURRENT ASSETS			
Inventories		1,161	981
Trade and other receivables		112,942	91,808
Tax recoverable		337	424
Short-term investments	B7(a)	83,885	79,464
Deposits, bank and cash balances		40,424	46,755
		238,749	219,432
LESS: CURRENT LIABILITIES			
Borrowings	B9	3,082	3,185
Trade and other payables		37,680	26,326
Taxation		2,524	2,940
Proposed dividends		8,193	-
		51,479	32,451
NET CURRENT ASSETS		187,270	186,981
LESS: NON-CURRENT LIABILITIES			
Deferred tax liability		86	86
Borrowings	B9	5,759	4,757
		5,845	4,843
		325,299	314,332
CAPITAL AND RESERVES			
Share capital		187,088	186,694
Reserves		133,376	126,835
Shareholders' equity		320,464	313,529
Minority interest		4,835	803
Total equity		325,299	314,332
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.8565	0.8397

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	<u>9 MONTHS ENDED 30 SEP 2007 RM'000</u>	<u>9 MONTHS ENDED 30 SEP 2006 RM'000 (restated)</u>
OPERATING ACTIVITIES		
Profit before tax	37,613	39,280
Adjustments for:		
Non-cash items	3,959	781
Interest income	(1,086)	(1,866)
Finance cost	325	457
Operating profit before working capital changes	40,811	38,652
Changes in working capital:		
Net change in current assets	(16,285)	3,157
Net change in current liabilities	4,192	(23,555)
Net cash inflow from operations	28,718	18,254
Interest paid	(244)	(311)
Interest received	1,173	2,211
Tax paid	(10,790)	(10,193)
Net cash inflow from operating activities	18,857	9,961
INVESTING ACTIVITIES		
Acquisition of subsidiary company	(5,207)	-
Purchase of property, plant & equipment	(1,771)	(1,080)
Proceeds from disposal of property, plant, equipment	-	18
Placement in short-term investments, net of redemptions	(3,684)	(70,231)
Dividend received from short-term investments	794	-
Net cash outflow from investing activities	(9,868)	(71,293)
FINANCING ACTIVITIES		
Proceeds from private placement of new shares	-	22,950
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS options and Warrants	1,067	5,128
Repayment of borrowings	(1,554)	(1,660)
Decrease in deposit balances pledged as security	1,540	6,211
Dividend paid	(16,373)	(13,055)
Net cash (outflow)/inflow from financing activities	(15,320)	19,574
Net change during the financial period	(6,331)	(41,758)
At beginning of financial period	46,755	83,512
At end of financial period	40,424	41,754
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with licensed banks	52,524	61,878
Bank and cash balances	11,726	6,851
Total deposits, bank and cash balances	64,250	68,729
Less: Deposits pledged as security	(23,826)	(26,975)
	40,424	41,754

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Attributable to equity holders of the Company

	Number of shares	Nominal value	Share premium	Warrant reserve	Currency Translation reserve	Merger deficit	Share Option reserve	Retained earnings	Shareholders' equity	Minority interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	373,389	186,694	17,625	6,545	(60)	(71,500)	0	174,225	313,529	803	314,332
Net profit for the financial period	-	-	-	-	-	-	-	27,482	27,482	(330)	27,152
Issue of ordinary shares pursuant to exercise of ESOS options	787	394	673	-	-	-	-	-	1,067	-	1,067
2nd interim dividend FY06	-	-	-	-	-	-	-	(8,185)	(8,185)	-	(8,185)
Final dividend FY06	-	-	-	-	-	-	-	(8,188)	(8,188)	-	(8,188)
1st interim dividend FY07	-	-	-	-	-	-	-	(8,193)	(8,193)	-	(8,193)
Minority interest on investment in subsidiary companies	-	-	-	-	-	-	-	-	-	4,351	4,351
Share option granted under ESOS	-	-	-	-	-	-	2,929	-	2,929	-	2,929
Currency translation differences	-	-	-	-	23	-	-	-	23	11	34
At 30 Sep 2007	374,176	187,088	18,298	6,545	(37)	(71,500)	2,929	177,141	320,464	4,835	325,299
At 1 January 2006	352,263	176,131	51	6,547	168	(71,500)	0	162,371	273,768	889	274,657
Net profit for the financial period	-	-	-	-	-	-	-	28,184	28,184	(56)	28,128
Issue of ordinary shares pursuant to:-											22,950
- private placement of shares	17,000	8,500	14,450	-	-	-	-	-	22,950	-	
- exercise of ESOS options	3,903	1,952	3,161	-	-	-	-	-	5,113	-	5,113
- exercise of Warrants	12	6	11	(2)	-	-	-	-	15	-	15
2nd interim dividend FY05	-	-	-	-	-	-	-	(5,073)	(5,073)	-	(5,073)
Final dividend FY05	-	-	-	-	-	-	-	(7,982)	(7,982)	-	(7,982)
1st interim dividend FY06	-	-	-	-	-	-	-	(10,747)	(10,747)	-	(10,747)
Currency translation differences	-	-	-	-	(42)	-	-	-	(42)	14	(28)
At 30 Sep 2006 (restated)	373,178	186,589	17,673	6,545	126	(71,500)	0	166,753	306,186	847	307,033

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.



**PART A – EXPLANATORY NOTES PURSUANT TO
FRS 134: INTERIM FINANCIAL REPORTING**

A1 – Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiary companies (“Group”) for the year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the most recent audited financial statements except for the adoption by the Group of the revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) effective for financial periods beginning 1 January 2007 as follows:-

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The adoption of FRS 117 and FRS 124 does not have any financial impact on these interim financial statements.

The principal effects from the changes to the accounting policies resulting from the adoption of the revised FRS adopted by the Group are discussed below:-

(a) FRS 117: Leases

The adoption of the revised FRS 117 will result in a retrospective change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land is now classified as operating lease, the minimum lease payments or the upfront payments made are allocated between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease term. At 1 January 2007 and 30 September 2007, the Group does not have any leasehold land held for own use to be reclassified.

A2 – Auditors’ Reports

The auditors’ report on the financial statements of the Company and its subsidiary companies for the most recent audited financial statements was not subject to any qualification.

A3 – Comments about the Seasonal or Cyclicity of Interim Operations

There are no significant seasonal or cyclical factors affecting the operations of the Group.



A4 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current financial quarter, save and except for the following charges made to the Consolidated Income Statement:-

- (a) an amount of RM2,929,000 in respect of charges required to be made under FRS2: Share-based Payments. During the financial quarter, the Company granted a total of 6,410,000 ESOS options to eligible directors and employees under the “Taliworks Employees’ Share Option Scheme” (expiring 29 September 2010, unless extended by the Company) at an exercise price of RM1.90 per share; and
- (b) an amount of RM793,000 of expenses incurred to-date in relation to the corporate proposals of the Group, elaborated further in section B8 of this Report. Upon the successful completion of the corporate proposals, it is estimated that the Company will incur in total approximately RM3 million of expenses, with the balance to be incurred in the next financial quarter.

A5 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial period.

A6 – Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities

During the current financial period, there was no issuance or repayment of equity or debt securities by the Company save and except for the issuance of:-

- (a) 220,500 new ordinary shares of RM0.50 each at RM1.31 per share; and
- (b) 60,000 new ordinary shares of RM0.50 each at RM1.90 per share

from the exercise of ESOS options.

As at the end of the financial period, the following options remained unexercised:-

- (a) 455,500 ESOS options at an exercise price of RM1.31 per share;
- (b) 6,350,000 ESOS options at an exercise price of RM1.90 per share; and
- (c) 70,425,000 Warrants 2005/10 at an exercise price of RM1.27 per share.

A7 – Dividends Paid

During the current financial period, the following dividends were paid:-

<u>In respect of the financial year ended 31 December 2006</u>	<u>RM'000</u>
• 2nd interim gross dividend of 3.0 sen per share on 373,757,500 ordinary shares of RM0.50 each, less income tax at 27%, paid on 2 April 2007	<u>8,185</u>
• Final gross dividend of 3.0 sen per share on 373,896,000 ordinary shares of RM0.50 each, less income tax at 27%, paid on 6 July 2007	<u>8,188</u>

In respect of the financial year ended 31 December 2007

- 1st interim gross dividend of 3.0 sen per share on 374,166,500 ordinary shares of 8,193 RM0.50 each, less income tax at 27%, paid on 15 October 2007

A8 – Segmental Reporting

Segmental information is presented in respect of the Group’s business segments, which is the Group’s primary basis of segmental reporting.

During the financial quarter, Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a 70% owned subsidiary of Taliworks (Sichuan) Limited has commenced commercial operations. The company has been granted an exclusive 30-year concession rights to undertake, manage and operate the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant within the Guanghan City in Sichuan Province, Peoples' Republic of China. The said concession will expire on 31 July 2033. For the purposes of the segmental reporting, revenue and results of this wastewater operation have been included under “Waste Management” as the contribution from wastewater is not a significant segment at the present moment to be separately disclosed.

(a) Revenue

	3 Months Ended 30 Sep 2007 RM'000	3 Months Ended 30 Sep 2006 RM'000	9 Months Ended 30 Sep 2007 RM'000	9 Months Ended 30 Sep 2006 RM'000
Water business	31,915	32,957	95,501	99,097
Construction	25,794	-	38,917	3,582
Waste management	2,104	1,543	5,445	4,810
	59,813	34,500	139,863	107,489

(b) Profit Before Tax

	3 Months Ended 30 Sep 2007 RM'000	3 Months Ended 30 Sep 2006 RM'000 (restated)	9 Months Ended 30 Sep 2007 RM'000	9 Months Ended 30 Sep 2006 RM'000 (restated)
Water business *	10,212	11,927	35,659	39,263
Construction	4,072	-	5,360	167
Waste management	(230)	134	165	549
Investment holding and others	(2,237)	(434)	9,055	(354)
	11,817	11,627	50,239	39,625
Elimination	(96)	(124)	(12,789)	(371)
Operating profit	11,721	11,503	37,450	39,254
Finance cost	(97)	(151)	(325)	(457)
Share of results of associated companies	116	361	488	483
Profit before tax	11,740	11,713	37,613	39,280

* Included in the segmental results, is a FRS2 charge amounting to RM2.1 million allocated to the water business segment in the current financial quarter/period.

Analysis of secondary reporting by geographical location was not presented as the Group's activities are primarily in Malaysia.

A9 – Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A10 – Material Subsequent Events

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements except as announced by the Company, if any, subsequent to the end of the financial period.

A11 – Changes in Composition of the Group

Save as disclosed below, there were no changes to the composition of the Group during the current financial period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations.

- (a) On 10 January 2007, an 80% subsidiary company, Taliworks (Sichuan) Ltd (“Taliworks Sichuan”), was incorporated in Hong Kong with an authorised share capital of HKD20,000,000 of which HKD15,000,000 comprising 15,000,000 ordinary shares of HKD1.00 each was issued and paid-up. The principal activity of Taliworks Sichuan is investment holding.
- (b) On 24 April 2007, Taliworks Sichuan acquired 70% equity interest in Puresino (Guanghan) Water Co. Ltd, a company incorporated in the People's Republic of China which has been granted an exclusive 30-year concession rights to undertake, manage and operate the Guanghan San Xin Dui wastewater treatment plant.
- (c) On 4 June 2007, Taliworks International Limited (“Taliworks International”), a wholly owned subsidiary company of Taliworks, incorporated a 70% owned subsidiary company, Taliworks-IBI Technologies International Limited (“Taliworks-IBI”). Taliworks-IBI was incorporated in Hong Kong with an authorised and issued share capital of HKD200,000 comprising 200,000 ordinary shares of HKD1.00 each. The principal activity of Taliworks-IBI is investment holding.
- (d) On 15 June 2007, Taliworks-IBI incorporated a 90% owned subsidiary company, Taliworks-IBI Technologies (Xiamen) Limited (“Taliworks-IBI Xiamen”). Taliworks-IBI Xiamen was incorporated in Hong Kong with an authorised share capital of HKD500,000 of which HKD100,000 comprising 100,000 ordinary shares of HKD1.00 each was issued. The principal activity of Taliworks-IBI Xiamen is as an investment holding company for manufacturing and trading activities of environmental protection related business.

A12 – Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities of the Group as at the end of the financial period are as follows:-

	RM'000
<u>Secured</u>	
Bank guarantees issued to third parties as performance bond on behalf of subsidiary companies	<u>9,887</u>
Bank guarantees issued to third parties for services rendered and as performance bonds	<u>10,205</u>

PART B – EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Review of Performance (Comparison with Corresponding Quarter’s Results)

	3 Months Ended 30 Sep 2007 RM’000	3 Months Ended 30 Sep 2006 RM’000
Revenue	59,813	34,500
Operating profit	11,721	11,503
Profit before taxation	11,740	11,713

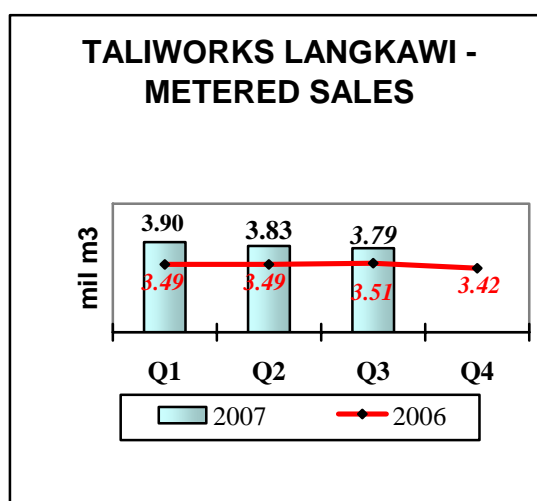
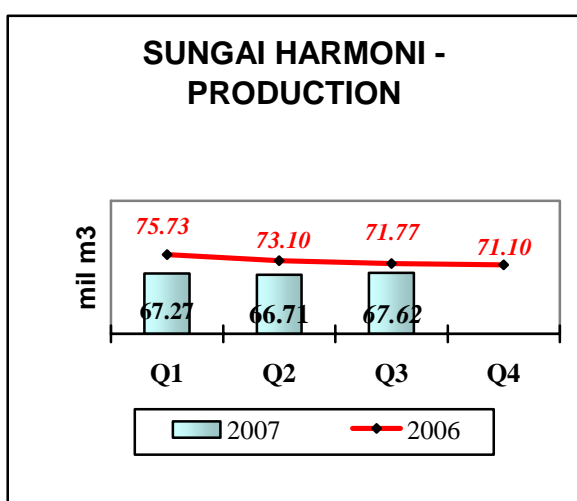
The review of performance should be read in conjunction with the segmental information presented in Note A8.

Revenue

Group revenue was about 73% higher than that recorded in the corresponding quarter. This was mainly contributed from construction activities from the Bekalan Air Padang Terap Project which commenced in the last quarter of 2006. However, revenue from the water business declined by about 3% from lower production recorded by SSP1 at Sungai Harmoni Sdn Bhd (“Sungai Harmoni”).

When compared to the corresponding quarter, the production from SSP1 registered a decline of about 6% from 71.77 m³ to 67.62 m³. On the other hand, Taliworks Langkawi Sdn Bhd (“Taliworks Langkawi”) enjoyed a growth from 3.51 m³ to 3.79 m³ (or about 8%) over the corresponding quarter.

The following are the production and metered sales data for Sungai Harmoni and Taliworks Langkawi respectively:-



B1 – Review of Performance (Comparison with Corresponding Quarter’s Results) (continued)

Profit before Taxation

In spite of the exceptional charges made to the Income Statement as highlighted in section A4, the Group registered a slight increase in the profit before tax of RM11.7 million. This was primarily due to the contribution from construction activities and the higher profitability recorded in the water division from the lower upkeep expenses incurred compared to the corresponding quarter. In the waste management division, a segmental loss was recorded in the current quarter due primarily to the pre-commencement costs incurred in Puresino Guanghan.

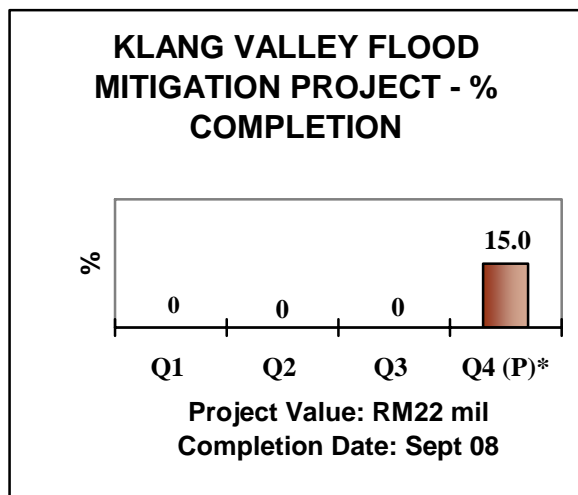
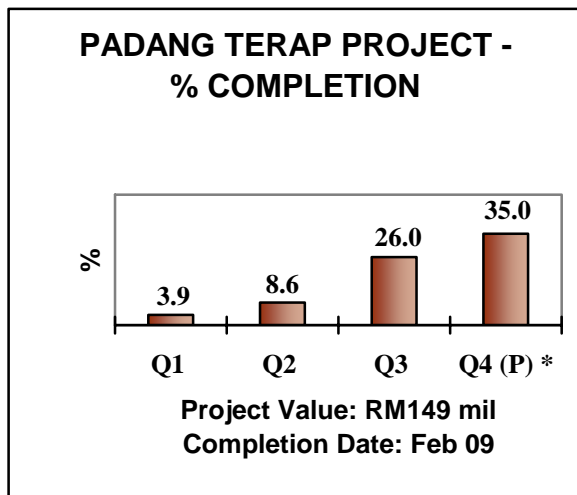
B2 – Review of Performance (Comparison with Preceding Quarter’s Results)

(a) Revenue

	3 Months Ended 30 Sep 2007 RM'000	3 Months Ended 30 Jun 2007 RM'000
Water business	31,915	31,598
Construction	25,794	7,472
Waste management	2,104	1,657
	59,813	40,727

Compared to the previous quarter, total revenue recorded was higher by RM19.1 million (or about 47%.) This was contributed from the increased in construction activities from the Padang Terap project. Production from SSP1 increased slightly from 66.71 m³ to 67.27 m³ to (or by about 1%), arresting five consecutive quarterly declines. Metered sales from Taliworks Langkawi reported a marginal decrease of 1% from 3.83 m³ to 3.79 m³.

The following are the status of completion of two current construction projects undertaken by the Group:-



* The Q4FY07 projections represent the Company’s best estimates and there is no assurance that these can be achieved. Actual results may differ from the projections as a result of a number of risks and uncertainties, some of which are beyond the control of the company.

(b) *Profit Before Tax*

	3 Months Ended 30 Sep 2007 RM'000	3 Months Ended 30 Jun 2007 RM'000
Water business *	10,212	12,481
Construction	4,072	718
Waste management	(230)	300
Investment holding and others	(2,237)	11,889
	11,817	25,388
Elimination	(96)	(12,596)
Operating profit	11,721	12,792
Finance cost	(97)	(109)
Share of results of associated companies	116	137
Profit before tax	11,740	12,820

* *Included in the segmental results, is a FRS2 charge amounting to RM2.1 million allocated to the water business segment in the current financial quarter/period.*

Profit before tax of the Group registered a decrease of RM1.1 million (or 8%). The exceptional charges made to the Income Statement as highlighted in section A4, was moderated by the increase in contribution from the construction segment as a result of higher percentage of completion recorded in the current quarter. In the waste management division, a segmental loss was recorded in the current quarter due primarily to the pre-commencement costs incurred in Puresino Guanghan.

B3 – Current Year Prospects

With the progression of the Bekalan Air Padang Terap and the Klang Valley Flood Mitigation projects, the Group will record higher revenue and profit contribution from construction activities throughout 2007. The performance from the water business will depend on the production output from Sungai Harmoni for the last quarter of the year. The Group remains optimistic on the performance of Taliworks Langkawi for the rest of the year.

The Group has recently announced the proposed acquisition of a 55% equity interest in Cerah Sama Sdn Bhd (“Cerah Sama”), which holds, directly and indirectly 100% of the equity interest in Grand Saga Sdn Bhd, the toll concessionaire for the Cheras-Kajang Highway. The proposed acquisition, approved by shareholders at an extraordinary general meeting (“EGM”) convened on 20 November 2007, is expected to be completed during the year whereby Cerah Sama will be equity accounted as a joint-controlled entity.

B4 – Profit Forecast

Not applicable as no profit forecast was published.

B5 – Taxation

	3 Months Ended 30 Sep 2007 RM'000	9 Months Ended 30 Sep 2007 RM'000
Malaysian income tax:-		
- Current year	3,360	10,501
- Under/(Over) provision of tax in prior years	(40)	(40)
	3,320	10,461

The effective tax rate of the Group for the financial period is higher than the statutory tax rate of 27% primarily due to certain expenses not allowed as tax deductions (including charges to the Income Statement from FRS2: Share-based Payment) and losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group. The Company has utilised unused tax losses to offset taxable profits from construction activities.

B6 – Profits on Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and properties for the current quarter and financial period.

B7 – Purchase or Disposal of Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and financial period except for the investment and redemption in quoted unit trusts included in Short-Term Investments. As at the end of the reporting period, the Short-Term Investments of the Group were as follows:-

	RM'000
Book value	83,885
Carrying amount	83,885
Market value	84,564

- (b) There were no investments in quoted shares as at end of the reporting period.

B8 – Status of Corporate Proposals Announced But Not Completed

On 16 July 2007, the Company announced the following proposals:-

- (i) the proposed acquisition of a total of 327,250 ordinary shares of RM1.00 each representing 55% of the issued and paid-up share capital of Cerah Sama from Bunga Abadi Sdn Bhd for a purchase consideration of approximately RM55.54 million (“Proposed Acquisition”); and
- (ii) the proposed issuance of up to RM225 million nominal value of convertible bonds (“Bonds”) to be placed out to non-related investors (“Proposed Bond Issue”). Pursuant thereto, the Company had entered into a purchase agreement with Goldman Sachs International (“Goldman Sachs”) where RM180 million nominal value of Bonds will be purchased by Goldman Sachs under the Proposed Bond Issue. The remaining RM45 million nominal value of Bonds, which shall have the same terms and conditions as the Bonds to be purchased by Goldman Sachs, may be placed out to other non-related investors.

(the Proposed Acquisition and the Proposed Bond Issue to be collectively known as “the Proposals”)

The Proposed Bond Issue is conditional upon the completion of the Proposed Acquisition but the Proposed Acquisition is not conditional upon the Proposed Bond Issue. The Proposed Acquisition is a related party transaction under Chapter 10 of the Listing Requirements of Bursa Securities.

The Proposals are subject to the following approvals being obtained:-

- (i) the Securities Commission (“SC”) for the following:
 - (a) the Proposed Acquisition under the FIC Guidelines, which was obtained on 24 October 2007;
 - (b) the Proposed Bond Issue, (including approval under the FIC Guidelines), which was obtained on 1 November 2007;
 - (c) the granting of an exemption under Practice Note 2.9.6 of the Malaysian Code on Take-overs and Mergers 1998, to Taliworks from having to undertake a mandatory general offer to the remaining shareholders of Cerah Sama pursuant to the Proposed Acquisition, which was obtained on 24 October 2007;
 - (d) the issuance of New Taliworks Shares pursuant to the conversion of the Convertible Bonds under the Proposed Bond Issue, which was obtained on 1 November 2007; and
 - (e) the listing of and quotation for the new Taliworks shares on the Main Board of Bursa Securities pursuant to the conversion of the Convertible Bonds (“New Taliworks Shares”) under the Proposed Bond Issue, which was obtained on 1 November 2007;
- (ii) Bursa Securities for the listing of and quotation for the New Taliworks Shares which was obtained on 19 November 2007;
- (iii) shareholders of Taliworks at an EGM, which was obtained on 20 November 2007;
- (iv) the Economic Planning Unit of the Prime Minister’s Department or the Ministry of Works pursuant to the Concession Agreement for the Proposed Acquisition, which was obtained on 13 November 2007.

The Proposals are expected to be completed before the financial year end.

For further information on the Proposals, please refer to the Company’s announcements dated 16 July 2007, 25 October 2007, 2 November 2007, 13 November 2007, 19 November 2007 and 20 November 2007 to Bursa Securities (<http://www.bursamalaysia.com>).

B9 – Group Borrowings and Debt Securities

Group borrowings as the end of the reporting period are all secured and interest bearing. Included in the borrowings is an offshore borrowing denominated in a foreign currency as follows:-

	US Dollars '000
Not later than one year	875
Later than one year but not later than two years	875
	1,750

B10- Off Balance Sheet Financial Instruments

As at 14 November 2007 (being a date not earlier than 7 days from the date of this Report), there were no contracts on financial instruments with off balance sheet risk.

B11- Material Litigations

As at 14 November 2007 (being a date not earlier than 7 days from the date of this Report), there were no pending material litigations against the Company or its subsidiary companies.

B12- Dividends

No dividend is recommended for the current financial quarter in accordance with the Company's stated dividend policy.

B13- Earnings Per Share ("EPS")

(a) Basic earnings per share

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

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of shares in issue. The weighted average number of shares in issue is adjusted for potential dilutive shares from the exercise of outstanding ESOS options and Warrants of the Company.

	3 Months Ended 30 Sep 2007	3 Months Ended 30 Sep 2006	9 Months Ended 30 Sep 2007	9 Months Ended 30 Sep 2006 (restated)
(a) Basic Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	8,703	8,318	27,482	28,184
Weighted average number of shares in issue ('000)	374,095	371,255	373,828	362,352
Basic EPS (sen)	2.33	2.24	7.35	7.78
(b) Diluted Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	8,703	8,318	27,482	28,184
Weighted average number of shares in issue ('000)	374,095	371,255	373,828	362,352
Effects of dilution from exercise of:-				
- Warrants ('000)	29,018	18,425	24,083	15,554
- ESOS options ('000)	943	332	245	274
	404,056	390,012	398,156	378,180
Diluted EPS (sen)	2.15	2.13	6.90	7.45



B14 – Restatement of Comparatives

In the previous interim report for the second quarter ended 30 June 2006, the Company recognised RM4.5 million as share of results of an associated company. Subsequently, it was de-recognised and reversed out in the interim report for the fourth quarter ended 31 December 2006.

For better comparison of the interim financial statements for the current quarter and financial period with the corresponding periods, the comparatives have been restated to exclude the earlier recognition, where relevant, as indicated in this Interim Report.

B15 – Authorisation for Release

This Interim Financial Report for the financial period ended 30 September 2007 has been seen and approved by the Board for public release.

By Order of the Board
Ng Yim Kong
Company Secretary (LS 0008343)
20 November 2007

For more information on **TALIWORKS CORPORATION BERHAD**, shareholders and the general public can access the Company's website at <http://www.taliworks.com.my>. The Company also participates in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Copies of independent research reports on the Company can be downloaded from <http://www.bursamalaysia.com>

