

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2011**  
**(UNAUDITED)**

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**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>Note</u>	<u>31 MAR</u> <u>2011</u> <u>RM'000</u>	<u>31 DEC</u> <u>2010</u> <u>RM'000</u> <u>(restated)</u>	<u>31 DEC</u> <u>2009</u> <u>RM'000</u> <u>(restated)</u>
<b>ASSETS</b>				
Property, plant and equipment		24,263	23,934	25,276
Investment properties		422	424	434
Concession rights		12,806	13,181	15,110
Jointly controlled entities	B15	72,689	71,155	63,061
Associates		5,243	4,971	4,267
Goodwill on consolidation		2,504	2,504	2,007
Deferred tax assets		2,590	2,867	215
Long term receivables	A1(d)	145,910	133,304	47,000
Deposits, bank and cash balances		15,642	15,909	12,479
<b>Total non-current assets</b>		<b>282,069</b>	<b>268,249</b>	<b>169,849</b>
Inventories		1,030	1,054	1,017
Trade and other receivables		97,774	103,534	176,538
Tax recoverable		3,903	3,903	6,876
Amount due from a jointly controlled entity		-	-	29,150
Available-for-sale financial assets		127,516	23,752	-
Investments		-	-	142,401
Deposits, bank and cash balances		30,805	137,284	29,235
<b>Total current assets</b>		<b>261,028</b>	<b>269,527</b>	<b>385,217</b>
<b>TOTAL ASSETS</b>		<b>543,097</b>	<b>537,776</b>	<b>555,066</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		218,246	218,246	188,347
Reserves		264,685	255,986	181,744
<b>Total equity attributable to owners of the Company</b>		<b>482,931</b>	<b>474,232</b>	<b>370,091</b>
Non-controlling interest		5,622	5,890	5,842
<b>Total equity</b>		<b>488,553</b>	<b>480,122</b>	<b>375,933</b>
<b>LIABILITIES</b>				
Borrowings	B8	15	18	23
<b>Total non-current liabilities</b>		<b>15</b>	<b>18</b>	<b>23</b>
Borrowings	B8	2,774	2,809	122,407
Trade and other payables		48,944	50,650	54,787
Taxation		2,811	4,177	1,916
<b>Total current liabilities</b>		<b>54,529</b>	<b>57,636</b>	<b>179,110</b>
<b>TOTAL LIABILITIES</b>		<b>54,544</b>	<b>57,654</b>	<b>179,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>543,097</b>	<b>537,776</b>	<b>555,066</b>
Net assets per share attributable to owners of the Company (RM)		<b>1.1064</b>	<b>1.0865</b>	<b>0.9825</b>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<u>Note</u>	<u>3 MONTHS ENDED</u> <u>31 MAR</u>		<u>3 MONTHS ENDED</u> <u>31 MAR</u>	
		<u>2011</u> <u>RM'000</u>	<u>2010</u> <u>RM'000</u> <u>(restated)</u>	<u>2011</u> <u>RM'000</u>	<u>2010</u> <u>RM'000</u> <u>(restated)</u>
<b>Revenue</b>		<b>40,610</b>	<b>44,369</b>	<b>40,610</b>	<b>44,369</b>
Cost of operations		(21,882)	(23,367)	(21,882)	(23,367)
<b>Gross profit</b>		<b>18,728</b>	<b>21,002</b>	<b>18,728</b>	<b>21,002</b>
Other operating income		603	1,049	603	1,049
Administrative expenses		(8,695)	(10,285)	(8,695)	(10,285)
Others - Derivative gain		-	11,694	-	11,694
<b>Operating profit</b>		<b>10,636</b>	<b>23,460</b>	<b>10,636</b>	<b>23,460</b>
Finance cost		(541)	(3,855)	(541)	(3,855)
Share of results of jointly controlled entities	B15	1,534	3,419	1,534	3,419
Share of results of associates		272	190	272	190
<b>Profit before tax</b>		<b>11,901</b>	<b>23,214</b>	<b>11,901</b>	<b>23,214</b>
Tax expense	B4	(3,539)	(3,398)	(3,539)	(3,398)
<b>Profit for the financial period</b>		<b>8,362</b>	<b>19,816</b>	<b>8,362</b>	<b>19,816</b>
<b>Attributable to:</b>					
Owners of the Company		8,496	19,863	8,496	19,863
Non-controlling interest		(134)	(47)	(134)	(47)
		<b>8,362</b>	<b>19,816</b>	<b>8,362</b>	<b>19,816</b>
<b>Earnings per share attributable to owners of the Company (sen)</b>	B10				
- basic		<u>1.9</u>	<u>5.3</u>	<u>1.9</u>	<u>5.3</u>
- diluted		<u>1.9</u>	<u>5.1</u>	<u>1.9</u>	<u>5.1</u>

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>3 MONTHS ENDED</u> <u>31 MAR</u>		<u>3 MONTHS ENDED</u> <u>31 MAR</u>		
	<u>Note</u>	<u>2011</u> <u>RM'000</u>	<u>2010</u> <u>RM'000</u> <u>(restated)</u>	<u>2011</u> <u>RM'000</u>	<u>2010</u> <u>RM'000</u> <u>(restated)</u>
<b>Profit for the financial period</b>		<b>8,362</b>	<b>19,816</b>	<b>8,362</b>	<b>19,816</b>
Other comprehensive income:					
Available-for-sale financial assets		445	61	445	61
Foreign currency translation differences for foreign operations		(376)	(621)	(376)	(621)
Share of other comprehensive income of jointly controlled entities and associate		-	(23)	-	(23)
<b>Other comprehensive income for the financial period, net of tax</b>		<b>69</b>	<b>(583)</b>	<b>69</b>	<b>(583)</b>
<b>Total comprehensive income for the financial period</b>		<b>8,431</b>	<b>19,233</b>	<b>8,431</b>	<b>19,233</b>
<b>Attributable to:</b>					
Owners of the Company		8,699	19,557	8,699	19,557
Non-controlling interest		(268)	(324)	(268)	(324)
<b>Total comprehensive income for the financial period</b>		<b>8,431</b>	<b>19,233</b>	<b>8,431</b>	<b>19,233</b>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Attributable to owners of the Company												
<u>Note</u>	<u>Number</u> <u>of shares</u> <u>'000</u>	<u>Nominal</u> <u>value</u> <u>RM'000</u>	<u>Share</u> <u>premium</u> <u>RM'000</u>	<u>Warrant</u> <u>reserve</u> <u>RM'000</u>	<u>Share</u> <u>Option</u> <u>reserve</u> <u>RM'000</u>	<u>Currency</u> <u>Translation</u> <u>reserve</u> <u>RM'000</u>	<u>Fair</u> <u>Value</u> <u>reserve</u> <u>RM'000</u>	<u>Merger</u> <u>deficit</u> <u>RM'000</u>	<u>Retained</u> <u>earnings</u> <u>RM'000</u>	<u>Shareholders'</u> <u>equity</u> <u>RM'000</u>	<u>Non-</u> <u>Controlling</u> <u>interest</u> <u>RM'000</u>	<u>Total</u> <u>Equity</u> <u>RM'000</u>
<b>At 1 January 2011, as previously stated</b>	<b>436,491</b>	<b>218,246</b>	<b>74,176</b>	<b>-</b>	<b>2,284</b>	<b>1,014</b>	<b>160</b>	<b>(71,500)</b>	<b>254,138</b>	<b>478,518</b>	<b>5,890</b>	<b>484,408</b>
Effects of adopting IC Interpretation 12	B15	-	-	-	-	-	-	-	(4,286)	(4,286)	-	(4,286)
<b>At 1 January 2011, as restated</b>	<b>436,491</b>	<b>218,246</b>	<b>74,176</b>	<b>-</b>	<b>2,284</b>	<b>1,014</b>	<b>160</b>	<b>(71,500)</b>	<b>249,852</b>	<b>474,232</b>	<b>5,890</b>	<b>480,122</b>
Total comprehensive income for the financial period	-	-	-	-	-	(242)	445	-	8,496	8,699	(268)	8,431
<b>At 31 March 2011</b>	<b>436,491</b>	<b>218,246</b>	<b>74,176</b>	<b>-</b>	<b>2,284</b>	<b>772</b>	<b>605</b>	<b>(71,500)</b>	<b>258,348</b>	<b>482,931</b>	<b>5,622</b>	<b>488,553</b>
<b>At 1 January 2010, as previously stated</b>	<b>376,694</b>	<b>188,347</b>	<b>22,149</b>	<b>6,482</b>	<b>2,139</b>	<b>1,414</b>	<b>-</b>	<b>(71,500)</b>	<b>226,442</b>	<b>375,473</b>	<b>5,842</b>	<b>381,315</b>
Effects of adopting IC Interpretation 12	B15	-	-	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Effects of adopting FRS 139	-	-	-	-	-	-	590	-	10,226	10,816	-	10,816
<b>At 1 January 2010, as restated</b>	<b>376,694</b>	<b>188,347</b>	<b>22,149</b>	<b>6,482</b>	<b>2,139</b>	<b>1,414</b>	<b>590</b>	<b>(71,500)</b>	<b>231,286</b>	<b>380,907</b>	<b>5,842</b>	<b>386,749</b>
Total comprehensive income for the financial period	-	-	-	-	-	(344)	61	-	19,840	19,557	(324)	19,233
<b>Transactions with owners:</b>												
Issue of ordinary shares pursuant to exercise of warrants	364	182	281	-	-	-	-	-	-	463	-	463
Transfers to/(from) reserves upon exercise of warrants	-	-	36	(36)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	57	57
<b>At 31 March 2010</b>	<b>377,058</b>	<b>188,529</b>	<b>22,466</b>	<b>6,446</b>	<b>2,139</b>	<b>1,070</b>	<b>651</b>	<b>(71,500)</b>	<b>239,815</b>	<b>389,616</b>	<b>5,575</b>	<b>395,191</b>

The Condensed Consolidated Statements Of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b><u>3 MONTHS</u></b> <b><u>ENDED</u></b> <b><u>31 MAR</u></b> <b><u>2011</u></b> <b><u>RM'000</u></b>	<b><u>3 MONTHS</u></b> <b><u>ENDED</u></b> <b><u>31 MAR</u></b> <b><u>2010</u></b> <b><u>RM'000</u></b> <b><u>(restated)</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	11,901	23,214
Adjustments for:		
Non-cash items	506	(13,802)
Interest income	(220)	(68)
Finance cost	541	3,855
Operating profit before working capital changes	12,728	13,199
Changes in working capital:		
Net change in current assets	(8,464)	17,426
Net change in current liabilities	(1,593)	(5,786)
Amount due from jointly controlled entity	-	22,000
Net cash inflow from operations	2,671	46,839
Interest paid	(548)	(1)
Interest received	237	80
Tax paid	(4,628)	(3,316)
Net cash (outflow)/ inflow from operating activities	(2,268)	43,602
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant & equipment:		
- Proceeds from disposal	60	-
- Purchase	(1,280)	(171)
Acquisition of a subsidiary company	-	(76)
Available-for-sale financial assets:		
- Purchase	(103,000)	(34,000)
- Dividends	-	24
Placement/ (withdrawal) of deposit balances pledged as security	267	(3,384)
Net cash outflow from investing activities	(103,953)	(37,607)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of new ordinary shares	-	463
Dividends paid	-	(11,311)
Repayment of borrowings	(5)	(5)
Net cash outflow from financing activities	(5)	(10,853)
Effect of foreign exchange rate changes	(253)	(419)
Net change in cash and cash equivalents during the financial period	(106,479)	(5,277)
Cash and cash equivalents at beginning of financial period	137,284	29,235
Cash and cash equivalents at end of financial period	<b>30,805</b>	<b>23,958</b>



	<u><b>3 MONTHS</b></u> <u><b>ENDED</b></u> <u><b>31 MAR</b></u> <u><b>2011</b></u> <u><b>RM'000</b></u>	<u><b>3 MONTHS</b></u> <u><b>ENDED</b></u> <u><b>31 MAR</b></u> <u><b>2010</b></u> <u><b>RM'000</b></u> <u><b>(restated)</b></u>
Cash and cash equivalents comprised the following amounts in the statement of financial position:		
Deposits with financial institutions	24,257	22,563
Bank and cash balances	22,190	17,258
Total deposits, bank and cash balances	46,447	39,821
Less: Deposits pledged as security	(15,642)	(15,863)
	<b>30,805</b>	<b>23,958</b>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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**

- (a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market 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 subsidiaries (“Group”) for the financial year ended 31 December 2010. The 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 previous financial year.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the adoption of new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2011 relevant to the Group as follows:-

**FRSs, Amendments to FRSs and Interpretations**

FRS 1	First-time adoption of financial reporting standards
Amendments to FRS 2	Share-based payment
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 4	Determining whether an arrangement contains a lease (effective from 1 Jan 2011)
IC Interpretation 12	Service concession arrangements (effective from 1 July 2010)
IC Interpretation 17	Distribution of non-cash assets to owners (effective from 1 July 2010)
IC Interpretation 18	Transfers of assets from customers
IC Interpretation 10	Interim Financial Reporting and Impairment

Other than as disclosed in Note A1(b) below, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

- (b) Changes in accounting policy

As at 1 Jan 2011, a jointly controlled entity, Cerah Sama Sdn Bhd (“CSSB”), was required to adopt IC Interpretation 12 – Service Concession Arrangements. The Interpretation requires CSSB:-

- (a) to record its concession assets comprising Expressway Development Expenditure (“EDE”) as intangible assets at cost less amortisation and amortise the concession assets pursuant to FRS 138 – Intangible Assets, and
- (b) to provide for the maintenance obligations such as pavement upgrades and slope repairs (heavy repairs) pursuant to FRS 137 – Provisions, Contingent Liabilities and Contingent Assets.



**A1 – Basis of Preparation (cont'd)**

Prior to the adoption of IC Interpretation 12, CSSB amortised EDE by reference to the projected toll revenue over the concession period and heavy repairs using straight line method over a period of 7 years. During the financial period under review, it has come to the knowledge of CSSB that there are differing views regarding the appropriateness of certain methods in amortising intangible asset contained in an expressway concession arrangement, and the deliberation within the accounting profession in Malaysia over this matter is currently on-going. Pending the finalisation of any consensus by the accounting profession over this matter, CSSB had continued to amortise its intangible asset contained in the expressway concession arrangement by reference to the projected toll revenue over the concession period. The Group will continue to monitor the progress and outcome of the on-going deliberation and will review the existing amortisation method should such need arise.

Nevertheless, upon adopting the pronouncement of IC Interpretation 12 retrospectively on 1 January 2011, CSSB has reversed the carrying amount of the heavy repairs as at 31 December 2010 to the retained earnings and provided for the maintenance obligations pursuant to FRS 137. As a result thereof, certain comparative amounts have been restated as disclosed in Note B15 below.

- (c) The principal closing rates used in translation of foreign currency amounts were as follows:

<u>Foreign currency</u>	<u>31 Mar 2011</u> <u>RM</u>	<u>31 Dec 2010</u> <u>RM</u>	<u>31 Mar 2010</u> <u>RM</u>
1 US Dollar	3.03	3.09	3.26
1 Singapore Dollar	2.40	2.39	2.33
100 Hong Kong Dollars	38.87	39.64	42.02
100 Chinese Renminbi	46.19	46.74	47.79

- (d) Critical Accounting Estimates and Judgments

The preparation of interim financial statements requires the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In these interim financial statements, critical estimates and judgments were made to the carrying amount of the trade receivables of the following subsidiaries:-

- (i) Sungai Harmoni Sdn Bhd - based on past payments pattern and the Group's best estimate, approximately RM72.7 million contractually due within the next 12 months is expected to be received between 2012 and 2013. As such, this amount, classified as non-current, has been impaired by approximately RM1.15 million in the current reporting period and approximately RM4.15 million on an accumulative basis.

About RM46 million representing the 6<sup>th</sup> to 10<sup>th</sup> installments under the Debt Settlement Agreement ("DSA") with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd on 2 August 2005 is assumed to be fully repaid between 2011 to 2015 in accordance with the said agreement. The impact of discounting amounting to RM6.45 million was recognised in respect of the deferred instalment terms under the DSA.

- (ii) Taliworks (Langkawi) Sdn Bhd - Due to the receipt of slow payments, the Group revised its expectation of the timing of payments. Accordingly, an amount due of approximately RM43.0 million was deemed to be non-current. Arising from this, impairment loss amounting to approximately RM0.32 million in the current reporting period and approximately RM1.44 million on an accumulative basis, was made to account for the anticipated delay in receiving payments.

**A2 – Auditors’ Reports**

The auditors’ report on the financial statements of the Group and the Company for the most recent audited financial statements were 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 quarter and financial period.

**A5 – Accounting Estimates**

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

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

During the current quarter and financial period, there was no issuance, cancellation, repurchase, resale or repayment of equity or debt securities by the Company.

As at the end of the financial period, the Company has 63,000 unexercised ESOS options at RM1.31 per share and 4,243,000 unexercised ESOS options at RM1.90 per share.

**A7 – Dividends Paid**

There were no dividends paid during the current quarter or financial period.

**A8 – Material Subsequent Events**

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

**A9 – Changes in Composition of the Group**

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

**A10 – Changes in Contingent Liabilities or Contingent Assets**

The contingent liabilities of the Group since the last audited date of the statement of financial position are as follows:-

	<u><b>RM’000</b></u>
<u>Secured against deposits pledged to the financial institutions</u>	
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	<u><b>7,573</b></u>
Bank guarantees issued to third parties for services rendered and as performance bonds	<u><b>14,452</b></u>



## A11-Operating Segments

Segmental information is presented in respect of the Group's business segments, which reflect the Group's management structure and the way financial information is internally reviewed by the Group's chief operating decision maker.

	<u>Water treatment and distribution</u>		<u>Waste Management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	RM'000		RM'000		RM'000		RM'000		RM'000		RM'000	
	<u>2011</u>	<u>2010</u> (restated)	<u>2011</u>	<u>2010</u> (restated)	<u>2011</u>	<u>2010</u> (restated)	<u>2011</u>	<u>2010</u> (restated)	<u>2011</u>	<u>2010</u> (restated)	<u>2011</u>	<u>2010</u> (restated)
<u>3 months ended</u> <u>31 March</u>												
Total revenue	35,814	35,452	3,307	3,354	7,214	11,415	-	-	521	519	46,856	50,740
Inter-segment revenue	-	-	(111)	(163)	(4,282)	(5,698)	-	-	(510)	(510)	(4,903)	(6,371)
External revenue	35,814	35,452	3,196	3,191	2,932	5,717	-	-	11	9	41,953	44,369
Reconciliation	(1,343)										(1,343)	-
<b>Revenue as per Statements of Income</b>											<b>40,610</b>	<b>44,369</b>
Results												
Segment results	12,555	14,381	259	(1,481)	(162)	569	1,534	3,419	(1,962)	(1,604)	12,224	15,284
Reconciliations:												
Inter-segment results											(54)	(99)
Others - Derivative gain											-	11,694
Finance cost											(541)	(3,855)
Share of results of associate											272	190
<b>Profit before tax</b>											<b>11,901</b>	<b>23,214</b>
Tax expense											(3,539)	(3,398)
<b>Profit for the period as per Statements of income</b>											<b>8,362</b>	<b>19,816</b>

**A11-Operating Segments (cont'd)**

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

	<u>Revenue by geographical area</u>		<u>Non-current assets by geographical area</u>	
	<u>31Mar 2011</u> <u>RM'000</u>	<u>31 Mar 2010</u> <u>RM'000</u> <u>(restated)</u>	<u>31 Mar 2011</u> <u>RM'000</u>	<u>31 Mar 2010</u> <u>RM'000</u> <u>(restated)</u>
Malaysia	37,414	41,169	246,663	158,113
China	3,196	3,200	35,406	34,415
	<b>40,610</b>	44,369	<b>282,069</b>	<b>192,528</b>

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

**B1 – Review of Performance**

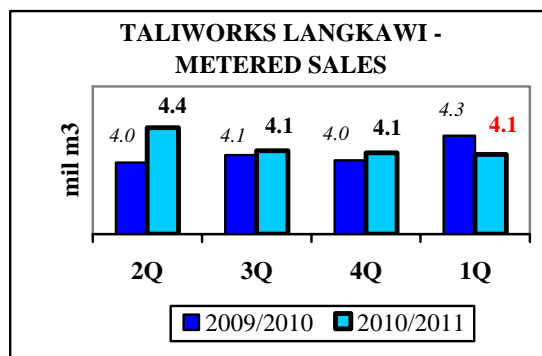
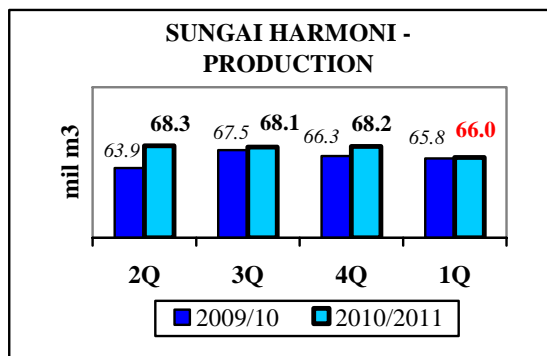
(a) *Revenue*

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Dec 2010</u> <u>RM'000</u> <u>(restated)</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2010</u> <u>RM'000</u>
Water treatment and distribution	35,814	34,894	35,452
Construction	2,932	5,230	5,717
Waste management	3,196	3,983	3,191
Others	11	37	9
	<u>41,953</u>	<u>44,144</u>	<u>44,369</u>
Less: Provision for impairment from effects of discounting	(1,343)	(1,275)	0
	<u><b>40,610</b></u>	<u><b>42,869</b></u>	<u><b>44,369</b></u>

(b) *Profit/(Loss) Before Tax*

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Dec 2010</u> <u>RM'000</u> <u>(restated)</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2010</u> <u>RM'000</u> <u>(restated)</u>
Water treatment and distribution	12,555	11,977	14,381
Construction	(162)	539	569
Waste management	246	2,580	(1,515)
Investment holding and others	(2,003)	(637)	(1,669)
Fair value gain on derivative financial liabilities	-	-	11,694
Loss on de-recognition of financial liabilities	-	(25,019)	-
<b>Operating profit/(loss)</b>	<u><b>10,636</b></u>	<u><b>(10,560)</b></u>	<u><b>23,460</b></u>
Finance cost	(541)	(3,138)	(3,855)
Share of results of a jointly controlled entities	1,534	3,020	3,419
Share of results of associate	272	216	190
<b>Profit/ (Loss) before tax</b>	<u><b>11,901</b></u>	<u><b>(10,462)</b></u>	<u><b>23,214</b></u>

The following are the production statistics of Sungai Harmoni Sdn Bhd (“SHSB”) and metered sales of Taliworks (Langkawi) Sdn Bhd (“TLSB”)



## **B1 – Review of Performance (cont'd)**

### Review of Y-o-Y Results

#### Revenue

Group revenue (before the effects of discounting) dropped by RM2.4 million (-5.4%) from RM44.4 million to RM42.0 million, primarily due to lesser contribution from construction activities.

Revenue from the water business was higher in tandem with a marginal increase in production in SSP1 from 65.8 million m<sup>3</sup> to 66.0 million m<sup>3</sup> (+1.4%) and as a result of the revision in the Bulk Sales Rate (“BSR”) which took effect from 1 January 2011 in the Langkawi operations to RM2.11/m<sup>3</sup> from RM1.92/m<sup>3</sup> previously although metered sales was lower by 6% to 4.08 million m<sup>3</sup>, down from 4.33 million m<sup>3</sup>. Contribution from construction activities has expectedly decreased by RM2.8 million as the sole project currently being undertaken by the Group is almost at the tail end, with completion slated for 2nd quarter of 2011. Revenue from waste management segment for the two quarters was almost similar at RM3.2 million.

#### Profit

For the quarter, the Group recorded profit before taxation (“PBT”) of about RM11.9 million, which was substantially lower than the PBT of RM23.2 million achieved a year ago mainly due to fair value gain on derivative financial liabilities of RM11.7 million (“Fair Value Gain”) in the corresponding quarter. Finance costs have come down considerably during the quarter due to the redemption of the convertible bonds of the Company in the previous financial year. As to the performance of a jointly controlled entity, CSSB recorded an Average Daily Traffic of 226,985 vehicles per day registering a 6% growth y-o-y. However, share of results was lower due to provisioning for heavy repairs in line with the adoption of IC Interpretation 12 – Service Concession Arrangements as previously mentioned in Note A1(b) above.

At the operating level, operating profit was lower at RM10.6 million compared to RM23.5 million a year ago. This was mainly due to the effects of the Fair Value Gain and to a lesser extent, reduced contribution from both the water and construction activities. In the water treatment and distribution segment, the reduction in operating profit came about from further provisioning for impairment due to payment delays as well as higher unit operating costs from increased rehabilitation costs incurred.

Whilst revenue from the waste management business was relatively unchanged Y-o-Y, the pre-operating costs incurred in the corresponding quarter in relation to the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Yinchuan, China (“Linhe project”) coupled with the lower unit operating costs in the current quarter saw a marked improvement in contribution from this sector.

### Review of Q-o-Q Results

#### Revenue

Group revenue (before the effects of discounting) saw a dip by 5.0% from RM44.1 million to RM42.0 million due to decreases recorded from both the construction (which is at the tail end of completion) and waste management segments. The waste management segment reported lower waste processed from both the Tianjin and Guanghan operations.

Revenue from the water treatment and distribution business increased slightly from RM34.9 million to RM35.8 million due mainly to the upward revision in the BSR rate in Langkawi operations. Production from SSP1 was lower from 68.2 million m<sup>3</sup> to 66.0 million m<sup>3</sup> (-3%) whilst Langkawi was marginally higher by 1% to 4.08 million m<sup>3</sup>.



**B1 – Review of Performance (cont'd)**

Profit

Compared to the previous quarter’s loss before taxation of RM10.5 million, the Group recorded a profit of about RM11.9 million in the current quarter. In the previous quarter, a charge of RM25 million was recognised in the profit or loss on early redemption of the Company’s convertible bonds (“Charge”). Arising from the said redemption, finance costs have come down considerably in the current quarter whilst on the other hand, there was a decrease in investment returns due to lesser cash holdings. Q-o-Q, Average Daily Traffic at the Cheras-Kajang highway saw a slight dip from 228,785 vehicles per day recorded in the previous quarter. In line with the adoption of IC Interpretation 12, share of results from CSSB was lower.

At the operating level, operating profit stood at RM10.6 million compared to operating loss of RM10.6 million due principally to the to effects of the Charge. The drop in construction profit was in line with the lower revenue. In the waste management division, lower profits were seen due to the reduction in volume of waste processed In addition, in the previous quarter, the Tianjin operations capitalised certain major repair costs, which were earlier expensed off.

**B2 – Current Year Prospects**

The operating profit of the Group is largely driven by the performance of the water treatment and distribution business as this segment contributes the bulk of the revenue and profits. The Group is optimistic that the overall water demand will remain intact given the better economic environment.

**B3 – Profit Forecasts or Profit Guarantees**

Not applicable as no profit forecast or guarantees was published.

**B4 – Taxation**

	<u>Current Quarter and Year-to-date 3 Months Ended 31 Mar 2011</u> RM'000
Malaysian income tax:-	
- Current year tax	3,222
Foreign income tax	40
Deferred tax expense	277
	<u><u>3,539</u></u>

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax for the period. The effective tax rate of the Group varies from the statutory tax rate principally due to the non deductibility or taxability, as the case maybe, on expenses not allowed as tax deductions, tax effect of share of results of jointly controlled entity and associates and losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group.

**B5 – Profits on Sale of Unquoted Investments and Properties**

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



**B6 – 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 placement of quoted unit trusts in money market securities instruments that are not held for trading and which are categorised as available-for-sale financial assets.
- (b) There were no investments in quoted shares as at end of the reporting period.

**B7 – Status of Corporate Proposals Announced But Not Completed**

There were no corporate proposals announced but not completed as at end of the reporting period, save and except for the following:-

- (a) the proposed issuance of RM395 million of serial bonds by Destinasi Teguh Sdn Bhd (“DTSB”), a special purpose vehicle that was incorporated by the Company, to act as a funding conduit to raise funds for the Group. The approval from the Securities Commission to implement the proposal has been previously extended to 25 May 2011 and an application has been made to further extend the implementation by another 6 months. Details of the proposed issuance of the DTSB bonds are contained in the announcement by RAM Rating Services Berhad on 10 November 2009 (<http://www.ram.com.my>)
- (b) The proposed take-over of municipal waste water treatment plants with recycled facilities in the People’s Republic of China for Chinese Renminbi 810,000,000 (*equivalent to approximately RM374 million based on the closing rate of exchange as at 31 March 2011*) on a takeover-operate-transfer basis. The proposed transaction is subject to regulatory approvals and is pending completion.

**B8 – Group Borrowings and Debt Securities**

Included in the borrowings of the Group are:-

	←-----Short Term-----→			←-----Long Term-----→		
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
Hire purchase	3	-	3	15	-	15
Government support loan	-	2,771	2,771	-	-	-
	<u>3</u>	<u>2,771</u>	<u>2,774</u>	<u>15</u>	<u>-</u>	<u>15</u>

The Government Support Loan relates to a loan which is to be repaid by a subsidiary in the People’s Republic of China.

**B9 – Material Litigations**

As at 16 May 2011 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any pending material litigations against the Company or its subsidiary companies, other than as announced previously.





**B10 – Earnings Per Share (“EPS”)**
**(a) Basic earnings per share**

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

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u>	<u>Current Quarter and</u> <u>Year-to-date</u> <u>3 Months</u> <u>Ended</u> <u>31 Mar 2010</u> <u>(restated)</u>
Net Profit attributable to owners of the Company (RM'000)	8,496	19,863
Weighted average number of shares in issue ('000)	436,492	376,784
Basic EPS (sen)	<b><u>1.95</u></b>	<b><u>5.27</u></b>

**(b) Diluted earnings per share**

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue during the financial period. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

In the previous financial period, the net profit attributable to owners of the Company was adjusted for net savings from the after-tax effects of the financing costs of the convertible bonds of the Company as if the convertible bonds were converted into shares at the beginning of the financial period, except when its effect is anti-dilutive. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of warrants and ESOS options and conversion of convertible bonds.

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u>	<u>Current Quarter and</u> <u>Year-to-date</u> <u>3 Months</u> <u>Ended</u> <u>31 Mar 2010</u> <u>(restated)</u>
Net Profit attributable to Owners of the Company (RM'000)	8,496	19,863
Weighted average number of shares in issue ('000)	436,492	385,880
Diluted EPS (sen)	<b><u>1.95</u></b>	<b><u>5.15</u></b>

**B11 – Dividends**

The Board is not recommending any dividend payment for the current quarter.

**B12 – Off Balance Sheet Financial Instruments**

Not applicable as financial instruments with off balance sheet risk are accounted for on the statement of financial position in accordance with FRS 139.



### B13 – Adjustments and Restatement of Comparatives

Comparatives may differ from the unaudited consolidated results announced for the 1<sup>st</sup> and 4<sup>th</sup> quarters of 2010 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2010.

### B14 –Supplementary Information Disclosed Pursuant To Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits/(accumulated losses) at the legal entity level is prepared 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 whilst the disclosure at the group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	<u>Current Quarter</u> <u>Ended</u> <u>31 Mar 2011</u> <u>RM'000</u>	<u>Preceding Quarter</u> <u>Ended</u> <u>31 Dec 2010</u> <u>RM'000</u> <u>(restated)</u>
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	259,537	233,998
- Unrealised losses	(630)	(2,213)
	258,907	231,785
Total share of retained earnings from associates:		
- Realised profits	2,723	2,451
Total share of retained earnings from jointly controlled entities:		
- Realised losses/ profits	(4,291)	16,434
- Unrealised profits/ losses	1,009	(818)
Total Group's retained earnings as per consolidated accounts	<b>258,348</b>	<b>249,852</b>

### B15 – Changes in accounting policies

As results of the effects of the adoption of IC Interpretation 12 – Service Concession Arrangements by a jointly controlled entity, certain comparative amounts have been restated as follows:

	<u>Balance as</u> <u>previously stated</u> <u>RM'000</u>	<u>Effects of IC</u> <u>Interpretation 12</u> <u>RM'000</u>	<u>As restated</u> <u>RM'000</u>
<b>As at 31 December 2010</b>			
<b>Statements of financial position</b>			
<b>Non-current Assets</b>			
Jointly controlled entities	75,441	(4,286)	71,155
<b>Equity</b>			
Retained earnings	254,138	(4,286)	249,852

	<u>Balance as</u> <u>previously stated</u> <u>RM'000</u>	<u>Effects of IC</u> <u>Interpretation 12</u> <u>RM'000</u>	<u>As restated</u> <u>RM'000</u>
<b>Statements of income for 3 months ended 31</b>			
<b>March 2010</b>			
Share of results of jointly controlled entities	<u>2,961</u>	<u>458</u>	<u>3,419</u>
<b>As at 31 December 2009</b>			
<b>Statements of financial position</b>			
<b>Non-current Assets</b>			
Jointly controlled entities	<u>68,443</u>	<u>(5,382)</u>	<u>63,061</u>
<b>Equity</b>			
Retained earnings	<u>226,442</u>	<u>(5,382)</u>	<u>221,060</u>

#### **B16 – Authorisation for Release**

This Interim Financial Report for the current quarter and financial period ended 31 March 2011 has been seen and approved by the Board for public release.

By Order of the Board  
 Ng Yim Kong  
 Company Secretary (LS 0009297)  
 23 May 2011

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 had participated in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Previous copies of independent research reports on the Company can be downloaded from <http://www.bursamalaysia.com>

