

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011
(UNAUDITED)

CONTENTS

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENTS OF INCOME	2
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	5 - 6
PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL REPORTING	7 – 13
PART B – EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	14 – 22

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>30 SEPT 2011</u> <u>RM'000</u>	<u>31 DEC 2010</u> <u>RM'000</u> <u>(restated)</u>
ASSETS			
Property, plant and equipment	A1(b)(i), B14	5,455	3,539
Investment properties		417	424
Concession rights		13,354	13,181
Intangible assets	A1(b)(i), B14	29,944	20,395
Jointly controlled entities	A1(b)(ii), B14	78,889	71,155
Associate		5,699	4,971
Goodwill on consolidation		2,504	2,504
Deferred tax assets		4,229	2,867
Long term receivables	A1(d)(i)	165,253	133,304
Deposits, bank and cash balances		18,936	15,909
Total non-current assets		324,680	268,249
Inventories		951	1,054
Trade and other receivables	B16	242,732	103,534
Tax recoverable		3,903	3,903
Available-for-sale financial assets	B6(a)	18,852	23,752
Deposits, bank and cash balances		31,546	137,284
Total current assets		297,984	269,527
TOTAL ASSETS		622,664	537,776
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		287,844	255,986
Total equity attributable to owners of the Company		506,090	474,232
Non-controlling interest		6,732	5,890
Total equity		512,822	480,122
LIABILITIES			
Borrowings	B8	52,383	18
Total non-current liabilities		52,383	18
Borrowings	B8	2,995	2,809
Trade and other payables		49,283	50,650
Taxation		5,181	4,177
Total current liabilities		57,459	57,636
TOTAL LIABILITIES		109,842	57,654
TOTAL EQUITY AND LIABILITIES		622,664	537,776
Net assets per share attributable to owners of the Company (RM)		1.1594	1.0865

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	<u>Note</u>	<u>3 MONTHS ENDED</u>		<u>9 MONTHS ENDED</u>	
		<u>30 SEPT</u>		<u>30 SEPT</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
			<u>(restated)</u>		<u>(restated)</u>
Revenue		40,343	42,545	133,897	128,393
Cost of operations		(30,167)	(20,584)	(79,242)	(65,924)
Gross profit		10,176	21,961	54,655	62,469
Other operating income		884	1,719	3,017	3,662
Administrative and other expenses		(2,204)	(7,303)	(19,641)	(26,046)
Others - Derivative gain		-	9,721	-	15,770
Operating profit		8,856	26,098	38,031	55,855
Finance cost		(85)	(4,216)	(626)	(12,075)
Share of results of jointly controlled entities	A1(b)(ii) B14	3,208	3,649	7,740	10,247
Share of results of associate		126	138	728	488
Profit before tax		12,105	25,669	45,873	54,515
Tax expense	B4	(3,136)	(3,790)	(10,967)	(11,079)
Profit for the financial period		8,969	21,879	34,906	43,436
Attributable to:					
Owners of the Company		8,843	21,180	34,554	43,197
Non-controlling interest		126	699	352	239
		8,969	21,879	34,906	43,436
Earnings per share attributable to owners of the Company (sen)	B10				
- basic		<u>2.03</u>	<u>5.51</u>	<u>7.92</u>	<u>11.38</u>
- diluted		<u>2.03</u>	<u>5.46</u>	<u>7.92</u>	<u>10.93</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>9 MONTHS ENDED</u>	
	<u>30 SEPT</u>		<u>30 SEPT</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>(restated)</u>		<u>(restated)</u>
Profit for the financial period	8,969	21,879	34,906	43,436
Other comprehensive income:				
Available-for-sale financial assets	(96)	576	(107)	769
Foreign currency translation differences for foreign operations	3,008	(578)	2,818	(1,129)
Share of other comprehensive income of jointly controlled entities and associate	(25)	24	(6)	30
Other comprehensive income for the financial period, net of tax	2,887	22	2,705	(330)
Total comprehensive income for the financial period	11,856	21,901	37,611	43,106
Attributable to:				
Owners of the Company	11,214	21,404	36,769	43,367
Non-controlling interest	642	497	842	(261)
Total comprehensive income for the financial period	11,856	21,901	37,611	43,106

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>
At 1 January 2011, as previously stated	436,491	218,246	74,176	-	2,284	1,014	160	(71,500)	254,138	478,518	5,890	484,408
Effects of adopting IC Interpretation 12	-	-	-	-	-	-	-	-	(4,286)	(4,286)	-	(4,286)
At 1 January 2011, as restated	436,491	218,246	74,176	-	2,284	1,014	160	(71,500)	249,852	474,232	5,890	480,122
Total comprehensive income for the financial period	-	-	-	-	-	2,328	(107)	-	34,548	36,769	842	37,611
Transactions with owners:												
Transfers to/(from) reserves upon ESOS options lapsed	-	-	-	-	(36)	-	-	-	36	-	-	-
Final dividend for FYE 2010	-	-	-	-	-	-	-	-	(4,910)	(4,910)	-	(4,910)
At 30 September 2011	436,491	218,246	74,176	-	2,248	3,342	53	(71,500)	279,526	506,091	6,732	512,823
At 1 January 2010, as previously stated	376,694	188,347	22,149	6,482	2,139	1,414	-	(71,500)	226,442	375,473	5,842	381,315
Effects of adopting IC Interpretation 12	-	-	-	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Effects of adopting FRS 139	-	-	-	-	-	-	590	-	10,226	10,816	-	10,816
At 1 January 2010, as restated	376,694	188,347	22,149	6,482	2,139	1,414	590	(71,500)	231,286	380,907	5,842	386,749
Total comprehensive income for the financial period	-	-	-	-	-	(629)	769	-	43,227	43,367	(261)	43,106
Transactions with owners:												
Issue of ordinary shares pursuant to exercise of ESOS/ warrants	59,797	29,899	46,060	-	-	-	-	-	-	75,959	-	75,959
Transfers to/(from) reserves upon exercise of warrants	-	-	6,482	(6,482)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	55	55
At 30 September 2010	436,491	218,246	74,691	-	2,139	785	1,359	(71,500)	263,202	488,922	5,636	494,558

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

	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2011</u> <u>RM'000</u>	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2010</u> <u>RM'000</u> <u>(restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	45,873	54,515
Adjustments for:		
Non-cash items	2,337	(20,875)
Interest income	(853)	(262)
Finance cost	626	12,075
Operating profit before working capital changes	47,983	45,453
Changes in working capital:		
Net change in current assets	(40,005)	(8,181)
Net change in current liabilities	(2,053)	(2,592)
Amount due from jointly controlled entity	-	22,000
Net cash inflow from operations	5,925	56,680
Interest paid	(626)	(1,271)
Interest received	567	295
Tax paid	(11,325)	(6,902)
Net cash (outflow)/ inflow from operating activities	(5,459)	48,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment / intangible assets:		
- Proceeds from disposal	227	27
- Purchase	(11,222)	(2,352)
Deposit paid to take-over a concession asset	(141,410)	-
Acquisition of a subsidiary company	-	(81)
Available-for-sale financial assets:		
- Purchase	(112,000)	(119,622)
- Dividends	-	98
- Proceeds from redemption	118,566	21,146
Cash frozen pursuant to an on-going litigation	(1,746)	-
Increase in deposit pledged as security for banking facilities	(1,281)	(3,384)
Net cash outflow from investing activities	(148,866)	(104,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	-	75,959
Dividends paid	(4,910)	(11,311)
Repayment of borrowings	(12)	(14)
Drawdown of bank borrowings	52,374	-
Net cash inflow from financing activities	47,452	64,634
Effect of foreign exchange rate changes	1,135	(1,126)
Net change in cash and cash equivalents during the financial period	(105,738)	8,142
Cash and cash equivalents at beginning of financial period	137,284	29,235
Cash and cash equivalents at end of financial period	31,546	37,377

	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2011</u> <u>RM'000</u>	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2010</u> <u>RM'000</u> <u>(restated)</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	23,741	29,163
Bank and cash balances	26,741	24,077
Total deposits, bank and cash balances	50,482	53,240
Less: Deposits pledged as security for banking facilities	(17,190)	(15,863)
Less: Cash restricted	(1,746)	-
	31,546	37,377

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

FRS1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based payment: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139	Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 17	Distribution of Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Other than as disclosed in this Interim Report, 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

IC Interpretation 12 - Service Concession Arrangements

- (i) IC Interpretation 12 applies to public service concession operators and requires the Group to record its concession assets comprising Property, Plant and Equipment as Intangible Assets at costs less accumulated amortisation less impairment losses. The adoption of IC Interpretation 12 has been accounted for as a change in accounting policy which is required to be adopted retrospectively in accordance with the transitional provisions of IC Interpretation 12. Certain comparative amounts have been restated as disclosed in Note B14 below.

Revenue Recognition - Construction revenue

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 the intangible asset 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 revenue from the construction or upgrade of the infrastructure. Income and expenses associated with construction contracts are recognised in accordance with the percentage of completion method in FRS 111 – Construction Contracts.

On the adoption of IC Interpretation 12, the Group has not recognised any margin on past construction services as such margin could not be reliably measured.

Borrowing costs

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 FRS 123 - Borrowing Costs.

- (ii) A jointly controlled entity, Cerah Sama Sdn Bhd (“CSSB”) adopted IC Interpretation 12 which requires CSSB:-
- (a) to record its concession assets comprising Expressway Development Expenditure (“EDE”) as Intangible Assets at cost less amortisation and impairment losses 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.

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. However, 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 still 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 B14 below.

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

<u>Foreign currency</u>	<u>30 Sept 2011</u> <u>RM</u>	<u>30 June 2011</u> <u>RM</u>	<u>30 Sept 2010</u> <u>RM</u>
1 US Dollar (USD)	3.19	3.02	3.09
1 Singapore Dollar (SGD)	2.45	2.46	2.35
100 Hong Kong Dollars (HKD)	40.94	38.78	39.76
100 Chinese Renminbi (RMB)	49.88	46.70	46.10

- (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:-

- (i) critical estimates and judgments were made to the carrying amount of the trade receivables of the following subsidiaries:-
- (a) Sungai Harmoni Sdn Bhd - based on past payments pattern and the Group's best estimate, approximately RM108 million contractually due within the next 12 months is expected to be received between 2012 and 2014. As such, this amount, classified as non-current, has been impaired by approximately RM12.2 million in the current reporting period and approximately RM17.9 million on an accumulative basis. The discount rates used to impair these receivables primarily ranges between 10% - 11%.
- About RM46 million representing the 6th to 10th 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 approximately RM4.4 million was recognised in respect of the deferred instalment terms under the DSA.
- (b) Taliworks (Langkawi) Sdn Bhd ("TLSB") – The amount due to the company as at the end of the reporting period of approximately RM38.0 million was deemed to be non-current. To account for the anticipated delay in receiving payments, approximately RM1.2 million of provision for impairment has been made on an accumulative basis.
- (ii) TLSB has indicated to the relevant authorities that it was prepared to accept a reduction in the Bulk Sales Rate pursuant to the tariff re-negotiations under the provisions of the Water Services Industry Act 2006 and is currently awaiting the final decision to formalise the arrangement. This impact of the proposed reduction has not been reflected in these interim results pending formalisation of the said arrangement.
- (iii) One of the jointly-controlled entity, Grand Saga Sdn Bhd has during the current quarter re-assessed the provisioning of future resurfacing obligation (made pursuant to IC Interpretation 12 as described in Note A1(b)(ii) above) in line with the pavement rehabilitation works that are to be carried out in year 2011 to 2012 amounting to approximately RM14.5 million instead of the earlier estimate of RM15.5 million to be carried out in 2013. The revised provision for the current financial year is now estimated at approximately RM12.3 million (RM5.3 million previously) and the year-to-date provision now stands at approximately RM9.2 million (RM4.0 million before the said re-assessment).

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 save and except as disclosed in this Interim Report.

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 except arising from the adoption of IC Interpretation 12 - Service Concession Arrangements.

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

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

In respect of the financial year ended 31 December 2010	RM’000
<ul style="list-style-type: none"> Final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less income tax at 25%, paid on 29 July 2011 	4,910

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

Save as disclosed below, 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:-

- (i) The establishment of a 100% indirectly owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co Ltd (“Taliworks (Yinchuan)”) in the People’s Republic of China (“PRC”) on 6 May 2011 to undertake the Project (as defined in Note B7(b)); and
- (ii) The winding up of Taliworks (Xiamen) Environmental Technologies Co. Ltd., a 63% indirectly owned subsidiary.

During the current quarter, the Group announced that a 70% indirectly owned subsidiary, Taliworks-IBI Technologies International Limited, which was incorporated in Hong Kong, is in the process of being wound up.

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>RM'000</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>10,929</u>
Bank guarantees issued to third parties for services rendered and as performance bonds	<u>9,467</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> <u>(restated)</u>	<u>2011</u>	<u>2010</u> <u>(restated)</u>	<u>2011</u>	<u>2010</u> <u>(restated)</u>	<u>2011</u>	<u>2010</u> <u>(restated)</u>	<u>2011</u>	<u>2010</u> <u>(restated)</u>	<u>2011</u>	<u>2010</u> <u>(restated)</u>
<u>3 months ended</u> <u>30 Sept</u>												
Total revenue	39,112	35,206	4,060	3,836	11,374*	7,587	-	-	723	530	55,269	47,159
Inter-segment revenue	-	-	(130)	(153)	(1,899)	(3,922)	-	-	(713)	(530)	(2,742)	(4,605)
External revenue	39,112	35,206	3,930	3,683	9,475	3,665	-	-	10	-	52,527	42,554
Reconciliation	(12,120)	(9)	(64)								(12,184)	(9)
Revenue as per Statements of Income											40,343	42,545
Results												
Segment results	3,051	15,566	(418)	1,006	1,128	775	3,208	3,649	5,065	(896)	12,034	20,100
Reconciliations:												
Inter-segment results											(55)	(74)
Others - Derivative gain											-	9,721
Finance cost											-	(4,216)
Share of results of associate											126	138
Profit before tax											12,105	25,669
Tax expense											(3,136)	(3,790)
Profit for the period as per Statements of Income											8,969	21,879

* including RM7.6 million (2010: NIL) construction revenue recognized pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure.

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>30 Sept 2011</u> <u>RM'000</u>	<u>30 Sept 2010</u> <u>RM'000</u> <u>(restated)</u>	<u>30 Sept 2011</u> <u>RM'000</u>	<u>30 Sept 2010</u> <u>RM'000</u> <u>(restated)</u>
Malaysian operations	*28,943	38,862	276,136	189,001
Non-Malaysian operations (primarily in China)	11,400	3,683	48,544	33,682
	40,343	42,545	324,680	222,683

* Net of provision for impairment from effects of discounting of trade receivables of RM12.184 million.

**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>30 Sept 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>RM'000</u>
Water treatment and distribution	39,112	37,842	35,206
Construction (<i>note 1</i>)	9,475	13,065	3,665
Waste management	3,930	3,304	3,683
Others	10	36	-
	<u>52,527</u>	<u>54,247</u>	<u>42,554</u>
Less: Provision for impairment from effects of discounting of trade receivables	(12,184)	(1,303)	(9)
	<u>40,343</u>	<u>52,944</u>	<u>42,545</u>

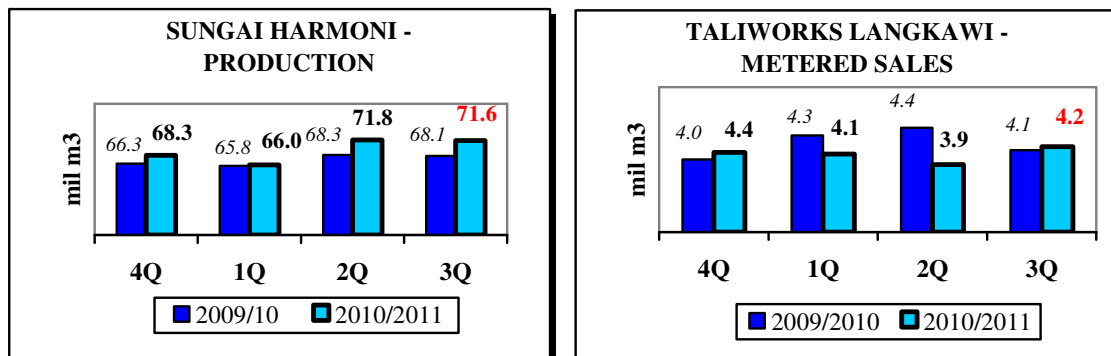
Note 1

Includes RM7.6 million (Q2FY11: RM3.9 million, Q3FY10: Nil) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure.

(b) *Profit Before Tax*

	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>RM'000</u> <u>(restated)</u>
Water treatment and distribution	3,051	13,238	15,566
Construction	1,128	6,781	775
Waste management	(319)	718	995
Investment holding and others	4,996	(2,198)	(959)
Fair value gain on derivative financial liabilities		-	9,721
Operating profit	<u>8,856</u>	<u>18,539</u>	<u>26,098</u>
Finance cost	(85)	-	(4,216)
Share of results of a jointly controlled entities	3,208	2,998	3,649
Share of results of associate	126	330	138
Profit before tax	<u>12,105</u>	<u>21,867</u>	<u>25,669</u>

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



Review of Y-o-Y Results

Revenue

Group revenue (before provision for impairment from effects of discounting of trade receivables) increased by approximately RM9.9 million (+23%) from RM42.6 million to RM52.5 million, primarily due to higher contribution from both the water treatment and distribution business and construction activities.

Revenue from the water business was higher by about RM3.9 million in tandem with a 5.1% increase in production in SSP1 from 68.15 million m³ (or 741 MLD) to 71.60 million m³ (or 789 MLD) and the effect from the revision in the Bulk Sales Rate (“BSR”) of Taliworks (Langkawi) Sdn Bhd to RM2.11/m³ from RM1.92/m³ commencing 1 January 2011. Metered sales in the Langkawi operations saw a marginal increase of 1.0% to 4.17 million m³, up from 4.13 million m³.

Contribution from construction activities had increased arising from the recognition of construction revenue under IC Interpretation 12 for one of the Build-Operate-Transfer project currently being constructed.

Revenue from waste management for the quarter increased marginally to RM3.9 million from RM3.7 million with higher production recorded from both the Tianjin and Guanghan operations.

Profit

For the quarter, the Group recorded profit before taxation (“PBT”) of about RM12.1 million, which was substantially lower compared to the PBT of RM25.7 million achieved a year ago mainly due to the effects from the fair value gain on derivative financial liabilities of RM9.7 million (“Fair Value Gain”) in the corresponding quarter pursuant to the then adoption of Amendments to FRS 139 - Financial Instruments: Recognition and Measurement and IC Interpretation 9 - Reassessment of Embedded Derivatives, additional provision for impairment on trade receivables for payment delays of RM12.2 million and unrealised foreign exchange gains due to the strengthening of USD/MYR in the current quarter. Financing cost of the Group has reduced considerably due to the full redemption of the Company’s convertible bonds in 2010.

As to the performance of a jointly controlled entity, the Kajang-Cheras highway continue to chalk up growth with Average Daily Traffic (“ADT”) registering a 5.6% increase y-o-y to 235,350 vehicles per day. 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 highlighted in Note A1(b)(ii) above. Nevertheless, the impact from the provisioning was mostly moderated by lower amortisation of Expressway Development Expenditure arising from the extension of the concession period by another three years to 2030 and overprovision of income taxes.

Correspondingly, at the operating level, operating profit was lower at RM8.9 million compared to RM26.1 million achieved a year ago.

Whilst revenue from the waste management business shown an improvement y-o-y, this segment recorded a loss of RM0.32 million compared to an operating profit of RM1.0 million a year ago mainly due to unrealised foreign exchange losses from the strengthening of USD/RMB.

Review of Q-o-Q Results

Revenue

Group revenue (before provision for impairment from effects of discounting of trade receivables) dropped slightly to RM52.5 million from RM54.2 million.

Revenue from the water treatment and distribution business trended higher with Langkawi recording a 6.1% growth in metered sales to 4.17 million m³ whilst production from SSP1 was flat for the two quarters in the region of 71 million m³.

In the construction sector, the full and final settlement of all disputes and claims in relation to one of the projects undertaken by the Company where a sum of RM6.0 million was agreed upon under the said settlement (“Settlement Agreement”) resulted in an exceptional revenue being recorded in the previous quarter. Kindly refer to the Company’s announcement dated 1 June 2011 on the details of the said settlement.

Revenue from waste management for this quarter increased to RM3.9 million from RM3.3 million with higher production recorded from both the Tianjin and Guanghan operations.

Profit

For the quarter, the Group recorded PBT of about RM12.1 million, which was substantially reduced compared to the PBT of RM21.9 million in the previous quarter. At the operating level, operating profit stood at RM8.9 million compared to RM18.5 million. This was principally due to the additional provision for impairment from effects of discounting of trade receivables and effects of the Settlement Agreement. The impact from the fluctuation in the exchange rate also contributed to the contrasting performance of the waste management division and at the corporate level.

On the toll highway division, the Kajang-Cheras highway registered a marginal increase of less than 1.0% in ADT growth. Despite the higher provisioning for heavy repairs in line with the adoption of IC Interpretation 12 – Service Concession Arrangements as highlighted in Note A1(b)(ii) above, the share of results was higher as the impact from the provisioning was moderated by lower amortisation of Expressway Development Expenditure arising from the extension of the concession period by another three years to 2030 and overprovision of income taxes.

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, especially the production from Sungai Harmoni, which is the main contributor to the Group, will remain intact given the uptrend in water demand.

However, the current impasse in the consolidation of the Selangor water concessionaires will continue to weigh down on the Group’s performance given that additional provisioning for impairment on trade receivables for payment delays will be required if the matter is not resolved in a timely manner.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u> <u>RM'000</u>	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2011</u> <u>RM'000</u>
Malaysian income tax:-		
- Current year tax	4,697	12,277
Foreign income tax	70	144
Over-provision in prior years	(92)	(92)
Deferred tax expense	(1,539)	(1,362)
	<u>3,136</u>	<u>10,967</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 entities and associate 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 and/or redemption 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 will lapse on 25 November 2011 and the Company has applied for a further extension to 24 May 2012. Details of the proposed issuance of the DTSB bonds are contained in the announcement by RAM Rating Services Berhad (“RAM Ratings”) on 10 November 2009 (<http://www.ram.com.my>).

On 30 June 2011, DTSB has requested that the ratings of its proposed bond issue be kept private and as such rating updates are no longer provided by RAM Ratings.

The proposed funding could not be implemented currently due to the uncertainties surrounding the consolidation of the Selangor water concessionaires which resulted in the rating of the proposed DTSB serial bonds to be severely downgraded.

- (b) The proposed take-over of municipal waste water treatment plants with recycled facilities in the People's Republic of China for RMB810 million (RM404.03 million) ("Take-over Price") on a takeover-operate-transfer basis ("Project").

In May 2011, approval was obtained for the establishment of Taliworks (Yinchuan) Wastewater Treatment Co Ltd ("Taliworks Yinchuan") with an investment size of USD129 million (RM412 million) to be funded by equity of USD48 million (RM153 million) and debt of USD81 million (RM258 million).

In August 2011, Taliworks Yinchuan executed two loan agreements comprising a fixed asset loan of RMB526.50 million (RM263 million) to partly fund the proposed take-over of the Project and a working capital loan of RMB30 million (RM15 million).

In Sept 2011, Taliworks Yinchuan entered into a concession agreement with Yinchuan Municipal Construction Bureau and an asset transfer agreement with Yinchuan City Waste Water Treatment Co. Ltd to assume the entire Project, with the consideration to be paid over three tranches, the last of which to be remitted before 31 December 2011.

Following the execution of the said agreements, Taliworks Yinchuan made the first tranche payment of RMB283.50 million (RM141 million) ("1st Tranche Payment") from internal funds of RMB178.50 million (RM89 million) and bank borrowings of RMB105.0 million (RM52 million).

Barring any unforeseen circumstances, the proposed take-over of the Project is expected to be completed by year end with the full payment of the Take-over Price whereby the Group will recognise a concession asset.

[The above RM equivalent are approximates and was quoted based on the closing rate of exchange as at 30 Sept 2011]

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	2	-	2	9	-	9
Government support loan	-	2,993	2,993	-	-	-
Bank borrowings	-	-	-	52,374	-	52,374
	<u>2</u>	<u>2,993</u>	<u>2,995</u>	<u>52,383</u>	<u>-</u>	<u>52,383</u>

B9 – Changes in Material Litigations

The changes in material litigations (including status of any pending material litigation) of the Company or its subsidiary companies since the date of the last annual statement of financial position date and made up to 17 November 2011 (being a date not earlier than 7 days from the date of this Report) are as follows:-

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

- (a) Sichuan Provincial Economic and Technological Investment Guarantee Centre v. PGH and Beijing Puresino-Boda Environmental Engineering Co Ltd ("BODA") Deyang Civil Suit No. 15

Both PGH and BODA were required by the Sichuan Province Deyang City Intermediate People's Court ("Court") to jointly and severally settle the arrears in the sum of RMB5,948,800 due to the plaintiff by Sichuan Watson Environmental Engineering Co Ltd (an equipment contractor of PGH).

Judgment has been awarded in favour of the plaintiff and PGH has filed for an appeal to the Sichuan Deyang Intermediate People’s Court. Appeal documents had been submitted and is currently pending appeal outcome.

(b) PGH v. Sichuan Watson Environmental Engineering Co Ltd (“Sichuan Watson”)

Claims and judgment against Sichuan Watson for failure to perform its duties and responsibilities under the Construction Equipment Supply Contract dated 6 December 2003, Guanghan City San Xin Dui Wastewater Treatment Plant Equipment Supply Agreement dated 15 August 2006 and Supplemental Agreement dated 28 November 2006.

Arbitration outcome has been received on 15 June 2011. PGH can only deduct RMB1,059,000 from the total purchase price of the equipment payable to Sichuan Watson after receiving the appeal outcome under item (a) above.

(c) PGH v. Puresino International Limited (“PIL”) & 5 others

Civil claim instituted on 28 March 2011 by PGH against PIL & 5 others for failing to fulfil their obligation to increase the paid-up capital of PGH by RMB6,000,000 and for any losses arising therefrom and for any losses suffered therefrom.

Hearing has been adjourned by the Sichuan Province Deyang City Intermediate People’s Court to verify some of the document evidences submitted by the defendants. The case is pending new hearing date.

(d) BODA v. PGH

BODA had on 15 June 2011 commenced a civil suit against PGH for latter’s failure to fulfil its obligations to immediately repay the shareholders’ loan due to BODA amounting to RMB3,215,000.

BODA has applied to the Court to freeze the assets of PGH. Matter has been fixed for hearing on 8 November 2011 and a decision is still pending from the Court.

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>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>(restated)</u>	<u>9 Months</u> <u>Ended</u> <u>30 Sept 2011</u>	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>(restated)</u>
Net Profit attributable to owners of the Company (RM’000)	8,843	21,180	34,554	43,197
Weighted average number of shares in issue (‘000)	436,492	384,251	436,492	379,475
Basic EPS (sen)	<u>2.03</u>	<u>5.51</u>	<u>7.92</u>	<u>11.38</u>

(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.

The convertible bonds have been fully redeemed whereas the warrants have expired in the previous financial year.

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>(restated)</u>	<u>9 Months</u> <u>Ended</u> <u>30 Sept 2011</u>	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2010</u> <u>(restated)</u>
Net Profit attributable to Owners of the Company (RM'000)	8,843	21,180	34,554	43,197
Weighted average number of shares in issue ('000)	436,486	388,067	436,488	395,128
Diluted EPS (sen)	<u>2.03</u>	<u>5.46</u>	<u>7.92</u>	<u>10.93</u>

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 3rd quarter of 2010 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2010 and arising from the adoption of IC Interpretation 12.

B14 – Changes in accounting policies

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

	<u>Balance as previously stated</u> RM'000	<u>Effects of IC Interpretation 12</u> RM'000	<u>As restated</u> RM'000
As at 31 December 2010			
Statements of financial position			
Non-current Assets			
Property, plant and equipment	23,934	(20,395)	3,539
Intangible Assets	-	20,395	20,395
Jointly controlled entities	75,441	(4,286)	71,155
Equity			
Retained earnings	254,138	(4,286)	249,852
Statements of Income for 9 months ended 30 Sept 2010			
Share of results of jointly controlled entities	8,848	1,399	10,247

B15 –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 Ended</u> <u>30 Sept 2011</u> RM'000	<u>Preceding Quarter Ended</u> <u>30 June 2011</u> RM'000
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	246,987	253,156
- Unrealised profits /(losses)	6,330	(759)
	253,317	252,397
Total share of retained earnings from associate:		
- Realised profits	3,179	3,053
Total share of retained earnings from jointly controlled entities:		
- Realised losses/ profits	26,844	23,279
- Unrealised profits/ (losses)	(3,814)	(3,111)
Total Group's retained earnings as per consolidated accounts	279,526	275,618

B16 – Trade and Other Receivables - Current

	<u>30 Sept 2011</u> RM'000	<u>31 Dec 2010</u> <u>(restated)</u> RM'000
Trade receivables, net	95,947	100,542
Amounts due from customer on contract	643	5
Other receivables, prepayments and deposits	146,142	2,987
	<u>242,732</u>	<u>103,534</u>

Included in the above trade and other receivables is the 1st Tranche Payment of RMB283.5 million (RM141 million) as described in Note B7(b) above.

This amount has been taken up under Investing Activities in the Condensed Consolidated Statement of Cash flows.

B17 – Authorisation for Release

This Interim Financial Report for the current quarter and financial period ended 30 September 2011 has been seen and approved by the Board for public release.

By Order of the Board
Chua Siew Chuan (MAICSA 0777689)
Tan Wee Sin (MAICSA 7044797)
Company Secretaries
23 November 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>