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

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

CONTENTS

This Report is authorised for public release on 27 February 2012

TALIWORKS CORPORATION
LGB Group

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 DEC 2011 RM'000	31 DEC 2010 RM'000 (restated)
ASSETS			
Property, plant and equipment	A1(b)(i), B13	8,041	3,539
Investment properties		414	424
Concession rights		13,237	13,181
Intangible assets	A1(b)(i), B13	30,510	20,395
Jointly controlled entities	A1(b)(ii), B13	77,223	71,155
Associate		5,589	4,971
Goodwill on consolidation		3,456	2,504
Deferred tax assets		9,492	2,867
Long term receivables	A1(d)(i)	162,894	133,304
Deposits, bank and cash balances	B16	16,344	15,909
Total non-current assets		**327,200**	**268,249**
Inventories		1,118	1,054
Trade and other receivables	A1(d)(i), B15	389,227	103,534
Tax recoverable		214	3,903
Available-for-sale financial assets		13,983	23,752
Deposits, bank and cash balances	B16	25,554	137,284
Total current assets		**430,096**	**269,527**
TOTAL ASSETS		**757,296**	**537,776**
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		287,966	255,986
Total equity attributable to owners of the Company		**506,212**	**474,232**
Non-controlling interest		7,338	5,890
Total equity		**513,550**	**480,122**
LIABILITIES			
Borrowings	B8	54,644	18
Total non-current liabilities		**54,644**	**18**
Borrowings	B8	135,527	2,809
Trade and other payables		50,910	50,650
Taxation		2,665	4,177
Total current liabilities		**189,102**	**57,636**
TOTAL LIABILITIES		**243,746**	**57,654**
TOTAL EQUITY AND LIABILITIES		**757,296**	**537,776**
Net assets per share attributable to owners of the Company (RM)		**1.1597**	**1.0865**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	3 MONTHS ENDED 31 DEC 2011 RM'000	3 MONTHS ENDED 31 DEC 2010 RM'000 (restated)	12 MONTHS ENDED 31 DEC 2011 RM'000	12 MONTHS ENDED 31 DEC 2010 RM'000 (restated)
Revenue	B1	**33,288**	**43,443**	**167,185**	**171,836**
Cost of operations		(27,814)	(24,144)	(107,056)	(90,068)
Gross profit		**5,474**	**19,299**	**60,129**	**81,768**
Other operating income	B5	701	2,239	3,718	5,901
Administrative and other expenses	B6	(9,086)	(7,079)	(28,727)	(33,125)
Other loss - net		-	(25,019)	-	(9,249)
Operating (loss)/ profit		**(2,911)**	**(10,560)**	**35,120**	**45,295**
Finance cost		(1,760)	(3,138)	(2,386)	(15,213)
Share of results of jointly controlled entities	A1(b)(ii) B13	5,473	3,020	13,213	13,268
Share of results of associate		(110)	216	618	704
Profit/ (loss) before tax		**692**	**(10,462)**	**46,565**	**44,054**
Tax expense	B4	(1,652)	(3,467)	(12,619)	(14,546)
(Loss)/ profit for the financial period / year		**(960)**	**(13,929)**	**33,946**	**29,508**
Attributable to:					
Owners of the Company		(1,161)	(14,004)	33,393	29,194
Non-controlling interest		201	75	553	314
		(960)	**(13,929)**	**33,946**	**29,508**
Earnings/(loss) per share attributable to owners of the Company (sen)	B10				
- basic		(0.27)	(3.16)	7,65	7.41
- diluted		(0.27)	(3.15)	7,65	7.28

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 MONTHS ENDED 31 DEC		12 MONTHS ENDED 31 DEC	
	2011 RM'000	2010 RM'000 (restated)	2011 RM'000	2010 RM'000 (restated)
(Loss)/ profit for the financial period / year	**(960)**	**(13,929)**	**33,946**	**29,508**
Other comprehensive income:				
Available-for-sale financial assets	(70)	(1,199)	(177)	(430)
Foreign currency translation differences for foreign operations	1,722	310	4,540	(819)
Share of other comprehensive income of jointly controlled entities and associate	4	(34)	(2)	(4)
Other comprehensive income/ (loss) for the financial period / year, net of tax	**1,656**	**(923)**	**4,361**	**(1,253)**
Total comprehensive income/ (loss) for the financial period / year	**696**	**(14,852)**	**38,307**	**28,255**
Attributable to:				
Owners of the Company	90	(15,008)	36,859	28,360
Non-controlling interest	606	156	1,448	(105)
Total comprehensive income/(loss) for the financial period / year	**696**	**(14,852)**	**38,307**	**28,255**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to these interim financial statements.

TALIWORKS CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Fair Value reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Shareholders' equity RM'000	Non-Controlling interest RM'000	Total Equity RM'000
		Attributable to owners of the Company											
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**
Deferred tax credited to equity		-	-	-	-	-	-	-	-	31	31		31
Effects of adopting IC Interpretation 12	B13	-	-	-	-	-	-	-	-	(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)**	**249,883**	**474,263**	**5,890**	**480,153**
Total comprehensive income for the financial year		-	-	-	-	-	3,645	(177)	-	33,391	36,859	1,448	38,307
Transactions with owners:													
Transfers to/(from) reserves upon lapsing of ESOS options		-	-	-	-	(36)	-	-	-	36	-	-	-
Dividends paid										(4,910)	(4,910)		(4,910)
At 31 December 2011		**436,491**	**218,246**	**74,176**	**-**	**2,248**	**4,659**	**(17)**	**(71,500)**	**278,400**	**506,212**	**7,338**	**513,550**

Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Fair Value reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Shareholders' equity RM'000	Non-Controlling interest RM'000	Total Equity RM'000
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 year	-	-	-	-	-	(400)	(430)	-	29,190	28,360	(105)	28,255
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/ expiry of warrants	-	-	5,962	(6,482)	-	-	-	-	520	-	-	-
Transfers to/(from) reserves upon exercise/ expiry of ESOS options	-	-	5	-	(172)	-	-	-	167	-	-	-
Share option expenses	-	-	-	-	317	-	-	-	-	317	-	317
Dividends paid	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	153	153
At 31 December 2010	**436,491**	**218,246**	**74,176**	**-**	**2,284**	**1,014**	**160**	**(71,500)**	**249,852**	**474,232**	**5,890**	**480,122**

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		12 MONTHS ENDED 31 DEC 2011 RM'000	12 MONTHS ENDED 31 DEC 2010 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**46,565**	44,054
Adjustments for:			
Non-cash items		15,327	(2,911)
Interest income		(1,174)	(663)
Finance cost		2,386	15,213
Operating profit before working capital changes		63,104	55,693
Changes in working capital:			
Net change in current assets		(55,358)	(21,596)
Net change in current liabilities		702	(3,492)
Amount due from jointly controlled entity		-	29,150
Net cash inflow from operations		8,448	59,755
Interest paid		(1,912)	(2,575)
Interest received		1,180	642
Tax paid		(16,247)	(8,214)
Net cash (outflow)/ inflow from operating activities		(8,531)	49,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant & equipment / intangible assets:			
- Proceeds from disposal		267	71
- Purchase		(17,703)	(3,600)
Deposits paid to take-over a concession asset	B7(b), B15	(285,428)	-
Acquisition of a subsidiary company		-	(543)
Dividend received from a jointly controlled entity		7,143	3,877
Available-for-sale financial assets:			
- Purchase		(124,000)	(156,622)
- Dividends / Repo		10	100
- Proceeds from redemption		135,567	280,583
Cash frozen pursuant to an on-going litigation		(1,762)	-
Increase / (decrease) in deposit pledged as security for banking facilities		1,327	(3,430)
Net cash (outflow)/ inflow from investing activities		(284,579)	120,436
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of new ordinary shares		-	75,959
Dividends paid		(4,910)	(11,311)
Repayment of borrowings		(18)	(19)
Redemption of Convertible Bonds		-	(125,746)
Drawdown of borrowings		185,528	-
Net cash inflow/ (outflow) from financing activities		180,600	(61,117)
Effect of foreign exchange rate changes		780	(878)
Net change in cash and cash equivalents during the financial year		(111,730)	108,049
Cash and cash equivalents at beginning of financial year		137,284	29,235
Cash and cash equivalents at end of financial year		**25,554**	**137,284**

	12 MONTHS ENDED 31 DEC 2011 RM'000	12 MONTHS ENDED 31 DEC 2010 RM'000 (restated)
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	26,131	140,113
Bank and cash balances	15,767	13,080
Total deposits, bank and cash balances	41,898	153,193
Less: Deposits pledged as security for banking facilities	(14,582)	(15,909)
Less: Cash restricted	(1,762)	-
	25,554	**137,284**

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 these interim financial statements, 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 other than from the adoption of IC Interpretation 12 - Service Concession Arrangements and the disclosures under the Amendments to FRS7 - Improving Disclosures about Financial Instruments which will affect the current year's financial statements.

(b) Changes in Accounting Policies

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 and 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 B13.

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 B13.

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

Foreign currency	31 Dec 2011 RM	30 Sept 2011 RM	31 Dec 2010 RM
1 US Dollar (USD)	3.17	3.19	3.09
1 Singapore Dollar (SGD)	2.44	2.45	2.39
100 Hong Kong Dollars (HKD)	40.79	40.94	39.64
100 Chinese Renminbi (RMB)	50.34	49.88	46.74

(d) Critical Accounting Estimates and Judgments

The preparation of interim financial statements requires the Board 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 ("SHSB") - based on the pattern of collections for the year and the Group's best estimate, approximately RM127 million contractually due within the next 12 months is expected to be received between 2013 and 2015. As such, this amount, classified as non-current, has been impaired by approximately RM11.4 million in the current reporting period and approximately RM26.3 million for the financial year. The discount rates used to impair these receivables primarily ranges between 10% - 12%.

About RM31.9 million representing the 7th 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 2012 to 2015 in accordance with the said agreement. The impact of discounting had been previously been recognised in respect of the deferred instalment terms under the DSA.

(b) Taliworks (Langkawi) Sdn Bhd ("TLSB") – the amount due to the company by the State Government of Kedah at the end of the reporting period of approximately RM38 million is deemed to be non-current although there has been indication (but not documentary evidence) that TLSB can expect to receive some payments within the next twelve months. Nevertheless, to account for the uncertainty in the timing in receiving payments, approximately RM1.2 million of impairment has been made in the financial year using a discounted rate of 3.1%.

In the period between the release of these interim financial statements and the audited results, should there exist documentary evidence that TLSB can expect repayment of its receivables, the Group will be required to re-evaluate and revise the amount of impairment made, which will result in higher profitability being reported by the Group. The quantum of the reversion in the impairment would depend on the amount and period in which TLSB will be paid.

(ii) Pursuant to the tariff re-negotiations under the provisions of the Water Services Industry Act 2006 (Act 655), an agreement had been reached between TLSB and Syarikat Air Darul Aman Sdn Bhd ("SADA"), a corporatized body under the State Government of Kedah, to maintain the Bulk Sales Rate ("BSR") at RM1.92/m3 against the contractual rate of RM2.21/m3 for the financial years 2011 to 2013. TLSB is still awaiting a decision from the relevant authorities to formalise the arrangement. Nevertheless, pending formalisation of the said arrangement, the impact from maintaining the BSR at a reduced rate amounting to approximately RM3.1 million has been reflected in these interim financial statements during the current financial quarter.

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 Cyclicality 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 year other than as disclosed in these interim financial statements.

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 year 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 year, there was no issuance, cancellation, repurchase, resale or repayment of equity or debt securities by the Company.

As at the end of the financial year, 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. The ESOS options will expired on 29 September 2015.

A7 – Dividends Paid

During the financial year, the following dividends were paid:-

In respect of the financial year ended 31 December 2010	RM'000
• 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 year 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 year 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 Yinchuan TOT Project (as defined in Note B7(b)); and

(ii) The winding up of Taliworks (Xiamen) Environmental Technologies Co. Ltd., a 63% indirectly owned subsidiary on 23 June 2011.

During the current financial year, the Group announced that a 70% indirectly owned subsidiary, Taliworks-IBI Technologies International Limited, 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:-

	RM'000
Secured against deposits pledged to the financial institutions	
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	10,833
Bank guarantees issued to third parties for services rendered and as performance bonds	8,805

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.

	Water treatment and distribution RM'000		Waste Management RM'000		Construction RM'000		Toll highway RM'000		Others RM'000		Total RM'000	
3 months ended 31 Dec	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)
Total revenue	35,500	34,894	3,799	4,126	6,963*	11,987	-	-	24,817	5,743	71,079	56,750
Inter-segment revenue		-	(134)	(152)	(1,843)	(6,757)	-	-	(24,805)	(5,697)	(26,782)	(12,606)
External revenue	35,500	34,894	3,665	3,974	5,120	5,230	-	-	12	46	44,297	44,144
Reconciliation	(11,098)	(772)	89	71							(11,009)	(701)
Revenue as per Statements of Income											**33,288**	**43,443**
Results												
Segment results	(604)	11,977	(1,413)	2,505	232	539	5,473	3,020	21,358	4,683	25,046	22,724
Reconciliations:												
Inter-segment results											(22,484)	(5,245)
Other loss – net											-	(25,019)
Finance cost											(1,760)	(3,138)
Share of results of associate											(110)	216
Profit/ (loss) before tax											692	(10,462)
Tax expense											(1,652)	(3,467)
Loss for the year as per Statements of Income											**(960)**	**(13,929)**

* *including RM3.4 million (2010: NIL) construction revenue recognized pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary.*

	Revenue by geographical area		Non-current assets by geographical area	
	31 Dec 2011 RM'000	31 Dec 2010 RM'000 (restated)	31 Dec 2011 RM'000	31 Dec 2010 RM'000 (restated)
Malaysian operations	*26,173	39,469	275,390	233,039
Non-Malaysian operations (primarily in China)	7,115	3,974	51,810	35,210
	33,288	**43,443**	**327,200**	**268,249**

** Net of provision for impairment from effects of discounting of trade receivables of RM11.0 million (Q4FY10: RM0.7 million)*

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

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

B1 – Analysis of Performance

(a) Revenue

	3 Months Ended 31 Dec 2011 RM'000	3 Months Ended 30 Sept 2011 RM'000	3 Months Ended 31 Dec 2010 RM'000
Water treatment and distribution	35,500	39,112	34,894
Construction *(note 1)*	5,120	9,475	5,230
Waste management	3,665	3,930	3,974
Others	12	10	46
	44,297	52,527	44,144
Less: Provision for impairment from effects of discounting of trade receivables	(11,009)	(12,184)	(701)
	33,288	**40,343**	**43,443**

Note 1

Includes RM3.4 million (Q3FY11: RM7.6 million, Q4FY10: Nil) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary.

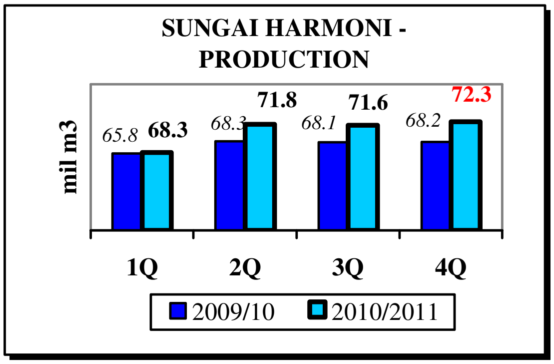
(b) Profit / (Loss) Before Tax

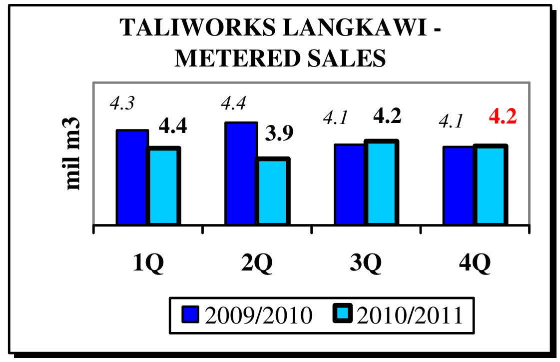
	3 Months Ended 31 Dec 2011 RM'000	3 Months Ended 30 Sept 2011 RM'000	3 Months Ended 31 Dec 2010 RM'000 (restated)
Water treatment and distribution	(604)	3,051	11,977
Construction *(note 2)*	232	1,128	539
Waste management	(1,263)	(319)	2,580
Investment holding and others	(1,276)	4,996	(637)
Loss on de-recognition of financial liabilities	-	-	(25,019)
Operating (loss)/ profit	**(2,911)**	**8,856**	**(10,560)**
Finance cost	(1,760)	(85)	(3,138)
Share of results of a jointly controlled entities	5,473	3,208	3,020
Share of results of associate	(110)	126	216
Profit/ (loss) before tax	**692**	**12,105**	**(10,462)**

Note 2

Includes an estimated RM0.3 million (Q3FY11: RM0.7 million, Q4FY10: Nil) construction profit recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary.

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





<u>Analysis of Y-o-Y Results</u>

<u>Revenue</u>

Group revenue (before provision for impairment from effects of discounting of trade receivables) increased marginally from RM44.1 million to RM44.4 million.

Water treatment and distribution business which accounted for the bulk of revenue, recorded an increase of 9.7% in production from Sungai Selangor Water Treatment Works Phase I ("SSP1") (i.e. from 68.2 million m3 (or 741 MLD) to 72.3 million m3 (or 812 MLD) and in the Langkawi operations which saw a moderate increase of 2.7% to 4.14 million m3, up from 4.03 million m3. Despite the higher production, the increase in revenue between the two quarters was only marginal due to the reduction in the BSR in TLSB mentioned in Note A1(d)(ii). In addition, TLSB has also agreed to one-time reduction of about RM0.95 million in the CPI rebate income (which forms part of the revenue of TLSB) ("CPI Rebate").

<u>Profit</u>

The Group recorded profit before taxation ("PBT") of about RM0.7 million compared to a loss before taxation of RM10.5 million y-o-y. This was mainly due to the effects from the loss on de-recognition of the financial liabilities arising from the early redemption of Convertible Bonds in the corresponding quarter.

At the operational level, with the continuing delay in receiving payments especially in SHSB amidst the uncertainty in the consolidation of the Selangor water concessionaires, additional provision for impairment of trade receivables (net of unwinding of discount) of RM11.0 million was made in the current quarter. Coupled with the reductions in contribution from TLSB as mentioned above, the performance of the water and distribution division has been adversely affected by these events.

As for the waste management business, although there was a slight reduction in revenue recorded in the current quarter, this segment recorded a loss position compared to an operating profit a year ago mainly due to the Group's increasing business presence in this segment with the proposed take-over of the Yinchuan TOT Project (refer to Note B7(b)) and the on-going construction of the Linhe wastewater project undertaken on a Build-Operate-Transfer ("BOT") basis as well as impairment made to trade receivables in one of the subsidiaries due to continued delay in receiving payments.

Financing cost of the Group has reduced considerably due to the full redemption of the Company's convertible bonds in 2010 although the amount of borrowings as at the end of the reporting period has increased substantially, principally to fund the Take-over Price (as defined in Note B7(b)) for the Yinchuan TOT Project. Compared to the previous quarter, investment income has decreased substantially from the reduction in the holding of available-for-sale financial assets and cash and cash equivalents.

The Group's jointly controlled entity, Grand Saga Sdn Bhd, operator of the Kajang-Cheras highway continue to see growth with Average Daily Traffic ("ADT") registering a 4.8% increase y-o-y to 238,839 vehicles per day. Despite the requirement to provide for the maintenance obligations pursuant to FRS 137, the share of results was higher, amongst others, due to the impact from the lower amortisation of Expressway Development Expenditure as a result of the Government granting a further extension of the concession period by another three years to 2030 and over-provision of income taxes.

Analysis of Q-o-Q Results

Revenue

Group revenue (before provision for impairment from effects of discounting of trade receivables) dropped by RM8.2 million to RM44.3 million from RM52.5 million, primarily due to reduction in contribution from both the water treatment and distribution business and construction activities.

Whilst SSP1 recorded a 3.2% growth in metered production to 72.3 million m3 and metered sales from TLSB remaining relatively flat, revenue from the water treatment and distribution business trended lower due primarily due to the reduction in BSR and CPI Rebate.

Profit

For the quarter, the Group recorded lower profits comparative to the previous quarter through a combination of a few factors namely the reduced contribution from TLSB, impairment of trade receivables (both of which as mentioned above), effects from the substantial unrealised foreign exchange gains in the previous quarter and higher financing costs due to loan drawdown for the Yinchuan TOT Project.

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 Selangor Water Treatment Works Phase 1, 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.

As part of the tariff re-negotiations under the Water Services Industry Act 2006 (Act 655), TLSB has been in negotiations with the relevant authorities on the said matter and TLSB has agreed to maintain the BSR at RM1.92/m3 from RM2.11/m3 for the financial years 2011 to 2013. This will effectively reduce the gross revenue and profit for the Group in these years.

In the construction segment, the Group was awarded the Mengkuang Dam Expansion Project in Pulau Pinang, Malaysia for a sum of approximately RM339 million and barring unforeseen circumstances, the project is expected to be 18-20% completed by the end of 2012. The Group intends and will endeavour to procure other construction projects to build up its existing order book.

In the waste management division, 2012 will see revenue being recognised from the formal take-over of the four municipal waste water treatment plants with recycled water facilities (further elaborated in section B7(b)) and the Linhe wastewater project which is expected to be operational in the second half of 2012. However, the Group will see significant financing and amortisation costs being recorded from these projects.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	Current Quarter 3 Months Ended 31 Dec 2011 RM'000	Year-to-date 12 Months Ended 31 Dec 2011 RM'000
Malaysian income tax:-		
- Current year tax	6,883	19,160
Foreign income tax	10	154
Overprovision in prior years	(9)	(101)
Deferred tax expense	(5,232)	(6,594)
	1,652	**12,619**

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax for the year. 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 – Other operating income

	Current Quarter 3 Months Ended 31 Dec 2011 RM'000	Year-to-date 12 Months Ended 31 Dec 2011 RM'000
Interest income	321	1,174
Dividend from available-for-sale financial assets/ investments	173	1,227
Realised gain on available-for-sale financial assets/ investments	13	709
Gain on disposal of property, plant & equipment	20	244
Others	174	364
	701	**3,718**

B6 – Administrative and other expenses

	Current Quarter 3 Months Ended 31 Dec 2011 RM'000	Year-to-date 12 Months Ended 31 Dec 2011 RM'000
Depreciation and amortization	309	1,166
Foreign exchange losses		
-realised	-	1
-unrealised	418	4,551
Other administrative expenses	8,359	23,009
	9,086	**28,727**

B7 – Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed as at end of the reporting year, 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 ("SC") to implement the proposal will lapse on 24 May 2012 and the SC has not granted any further extension.

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 exercise could not be implemented since May 2009 when it was first approved by the SC 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 subsequently downgraded by RAM Ratings.

(b) The proposed take-over of municipal waste water treatment plants with recycled facilities (Facilities") in the People's Republic of China for RMB810 million (RM407.75 million) ("Take-over Price") on a takeover-operate-transfer basis ("TOT") ("Yinchuan TOT Project").

Operations

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 (RM409 million) to be funded by equity of USD48 million (RM152 million) and debt of USD81 million (RM257 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.

On 29 December 2011, Taliworks Yinchuan formally took over the operations of the Facilities and the company has commenced to recognise revenue on 1 January 2012.

Financing and Payments

In August 2011, Taliworks Yinchuan executed two loan agreements comprising a fixed asset loan of RMB526.50 million (RM265 million) to partly fund the proposed take-over of the project and a working capital loan of RMB30 million (RM15 million).

Following the execution of the said agreements, Taliworks Yinchuan made the two payments totalling RMB567.0 million (RM285 million) ("Payments") from internal funds of RMB205.28 million (RM103 million) and borrowings of RMB361.72 million (RM182 million). The balance remaining unpaid is RMB247.0 million (RM124 million).

The full payment of the Take-over Price is expected to be made by the first quarter of 2012 whereby the Group will recognise the Payments for the Facilities as a concession asset.

[The above RM equivalent are approximates and was quoted based on the closing rate of exchange as at 31 December 2011]

B8 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←--------Short Term-------→			←----------Long Term---------→		
	Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Hire purchase	5	-	5	-	-	-
Government support loan	-	3,020	3,020	-	-	-
Loan from Non-controlling interest	-	#1,618	1,618	-	-	-
Bank borrowings	*130,884	-	130,884	54,644,	-	54,644
	130,889	4,638	135,527	54,644,	-	54,644

* *this loan was taken in relation to the take-over of the Yinchuan TOT Project mentioned in Note B7(b) and although it is on a short term basis, the Group intends to re-finance it to a longer term to match the long gestation period of the concession.*

\# *an amount of RM1,762,000 has been frozen pursuant to an on-going litigation in respect of the loan.*

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 February 2012 (being a date not earlier than 7 days from the date of this Report) are as follows:-

Puresino (Guanghan) Water Co Ltd ("PGH"), a 56% indirectly owned subsidiary of the Company

(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. A hearing has been scheduled on 22 March 2012 at the Sichuan Province High Court.

(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 a 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. A hearing was fixed on 8 November 2011 and a judgment was awarded in favour of the plaintiff. Appeal documents have been submitted by PGH to the Court in December 2011 and a decision is pending from the Court.

(e) *China Electronics System Engineering 3rd Construction Co Ltd ("CESE3") v. PGH*

The suit is in relation to an outstanding construction/ procurement of equipment management fees in the sum of RMB7,685,087 where a court summon notice was issued in November 2011 and a hearing has been scheduled on 12 March 2012. The suit is at a preliminary stage and is too early for the Board to assess the outcome of the suit.

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 year.

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2011	3 Months Ended 31 Dec 2010 (restated)	12 Months Ended 31 Dec 2011	12 Months Ended 31 Dec 2010 (restated)
Net (Loss)/ profit attributable to owners of the Company (RM'000)	(1,161)	(14,004)	33,393	29,194
Weighted average number of shares in issue ('000)	436,492	443,136	436,492	393,847
Basic EPS (sen)	(0.27)	(3.16)	7.65	7.41

(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 year. 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 year, 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 year, 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.

B10 – Earnings Per Share ("EPS") (continued)

(b) Diluted earnings per share (continued)

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2011	3 Months Ended 31 Dec 2010 (restated)	9 Months Ended 31 Dec 2011	9 Months Ended 31 Dec 2010 (restated)
Net (Loss)/ profit attributable to Owners of the Company (RM'000)	(1,161)	(14,004)	33,393	29,194
Weighted average number of shares in issue ('000)	436,492	444,074	436,492	401,102
Diluted EPS (sen)	(0.27)	3.15	7.65	7.28

B11 – Dividends

After having considered the funding requirements of the Group for the next twelve months and the continued delay in receiving payments from trade receivables, the Board is recommending a lesser dividend payout for the current financial year.

The Board is recommending a final gross dividend of 0.5 sen per share less income tax at 25%, in respect of the current financial year ended 31 December 2011 to be approved by shareholders of the Company at the Annual General Meeting to be convened.

B12 – Adjustments and Restatement of Comparatives

Comparatives may differ from the unaudited consolidated results announced for the 4th quarter of 2010 and the audited results of the Group for the year ended 31 December 2010 as they have been adjusted due to the adoption of IC Interpretation 12 – Service Concession Arrangements.

B13 – 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:

	Balance as previously stated RM'000	Effects of IC Interpretation 12 RM'000	As restated 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 12 months ended 31 Dec 2010			
Share of results of jointly controlled entities	12,172	1,096	13,268

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.

	Current Quarter Ended 31 Dec 2011 RM'000	Preceding Quarter Ended 30 Sept 2011 RM'000
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	249,095	246,987
- Unrealised profits	4,552	6,330
	253,647	253,317
Total share of retained earnings from associate:		
- Realised profits	3,068	3,179
Total share of retained earnings from jointly controlled entities:		
- Realised profits	25,427	26,844
- Unrealised losses	(3,742)	(3,814)
Total Group's retained earnings as per consolidated accounts	278,400	279,526

B15 – Trade and Other Receivables - Current

	31 Dec 2011 RM'000	31 Dec 2010 (restated) RM'000
Trade receivables, net	98,171	100,542
Amounts due from customer on contract	-	5
Other receivables, prepayments and deposits	291,056	2,987
	389,227	**103,534**

Included in the trade and other receivables is the payments of RMB567.0 million (RM285 million) as described in Note B7(b). This amount has been taken up under Investing Activities in the Condensed Consolidated Statements of Cash Flow.

B16 – Deposits, Bank and Cash Balances

	31 Dec 2011 RM'000
Deposits, bank and cash balances comprised of the following:-	
Deposits with financial institutions	26,131
Bank and cash balances	15,767
Total deposits, bank and cash balances	41,898

B16 – Deposits, Bank and Cash Balances (continued)

	31 Dec 2011 RM'000
Total deposits, bank and cash balances is categorised into the following in the Statement of Financial Position:-	
- non current assets	16,344
- current assets	25, 554
	41,898

As at the reporting date, approximately RM9.2 million held in subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

B17 – Authorisation for Release

This Interim Financial Report for the current quarter and financial year ended 31 December 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
27 February 2012

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