

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2012
(UNAUDITED)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>31 MAR 2012</u> <u>RM'000</u>	<u>31 DEC 2011</u> <u>RM'000</u> <u>(Audited)</u>
ASSETS			
Property, plant and equipment		8,589	8,041
Investment properties		412	414
Intangible assets		432,576	453,515
Jointly controlled entities		84,015	79,310
Associate		5,733	5,589
Goodwill on consolidation		2,504	2,504
Deferred tax assets		9,966	10,135
Long term receivables	A1(c)(i)	170,020	160,282
Deposits, bank and cash balances		12,819	16,344
Total non-current assets		726,634	736,134
Inventories		1,295	1,118
Trade and other receivables	A1(c)(i)	107,485	103,748
Tax recoverable		193	214
Available-for-sale financial assets		12,055	13,983
Deposits, bank and cash balances	B12	24,651	25,554
Total current assets		145,679	144,617
TOTAL ASSETS		872,313	880,751
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		283,608	287,109
Total equity attributable to owners of the Company		501,854	505,355
Non-controlling interest		6,770	7,338
Total equity		508,624	512,693
LIABILITIES			
Borrowings	B7	87,435	54,644
Total non-current liabilities		87,435	54,644
Borrowings	B7	214,180	135,527
Trade and other payables		59,833	175,222
Taxation		2,241	2,665
Total current liabilities		276,254	313,414
TOTAL LIABILITIES		363,689	368,058
TOTAL EQUITY AND LIABILITIES		872,313	880,751
Net assets per share attributable to owners of the Company (RM)		1.1497	1.1578

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	<u>Note</u>	<u>3 MONTHS ENDED</u> <u>31 MAR</u>	
		<u>2012</u> <u>RM'000</u>	<u>2011</u> <u>RM'000</u> <u>(restated)</u>
Revenue	B1	47,638	40,610
Cost of operations		(35,329)	(21,882)
Gross profit		12,309	18,728
Other operating income		1,412	603
Administrative and other expenses		(10,015)	(8,695)
Operating profit		3,706	10,636
Finance cost		(3,919)	(541)
Share of results of jointly controlled entities		4,683	1,534
Share of results of associate		144	272
Profit before tax	B5	4,614	11,901
Tax expense	B4	(4,117)	(3,539)
Profit for the financial period		497	8,362
Attributable to:			
Owners of the Company		647	8,496
Non-controlling interest		(150)	(134)
		497	8,362
Earnings per share attributable to owners of the Company (sen)			
- basic and diluted	B9	0.15	1.95

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying significant events and transactions attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	<u>3 MONTHS ENDED</u>	
	<u>31 MAR</u>	
	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
		<u>(restated)</u>
Profit for the financial period	497	8,362
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes in available-for-sale financial assets	60	445
Foreign currency translation differences for foreign operations	(4,648)	(376)
Share of other comprehensive income of jointly controlled entities and associate	22	-
Other comprehensive (expense)/ income for the financial period , net of tax	(4,566)	69
Total comprehensive (expense)/ income for the financial period	(4,069)	8,431
Attributable to:		
Owners of the Company	(3,501)	8,699
Non-controlling interest	(568)	(268)
Total comprehensive (expense)/ income for the financial period	(4,069)	8,431

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Number of shares</u> '000	<u>Nominal value</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Fair Value reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Shareholders' equity</u> RM'000	<u>Non- Controlling interest</u> RM'000	<u>Total Equity</u> RM'000
At 1 January 2012, as previously stated	436,491	218,246	74,176	2,248	4,634	14	(71,500)	277,537	505,355	7,338	512,693
Comprehensive income:											
Profit for the financial period	-	-	-	-	-	-	-	647	647	(150)	497
Other comprehensive (expense)/ income:											
Available-for-sale financial assets	-	-	-	-	-	60	-	-	60	-	60
Share of other comprehensive income of jointly controlled entity	-	-	-	-	-	-	-	22	22	-	22
Currency translation differences	-	-	-	-	(4,230)	-	-	-	(4,230)	(418)	(4,648)
Total comprehensive (expense)/ income for the financial period	-	-	-	-	(4,230)	60	-	669	(3,501)	(568)	(4,069)
Transactions with owners:											
Transfer to/ (from) reserve upon -ESOS options lapsed	-	-	-	(15)	-	-	-	15	-	-	-
Total transactions with owners	-	-	-	(15)	-	-	-	15	-	-	-
At 31 March 2012	436,491	218,246	74,176	2,233	404	74	(71,500)	278,221	501,854	6,770	508,624

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<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>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
Comprehensive income:											
Profit for the financial period	-	-	-	-	-	-	-	8,496	8,496	(134)	8,362
Other comprehensive (expense)/											
income:											
Available-for-sale financial assets	-	-	-	-	-	445	-	-	445	-	445
Currency translation differences	-	-	-	-	(242)	-	-	-	(242)	(134)	(376)
Total comprehensive (expense)/ income for the financial period					(242)	445		8,496	8,699	(268)	8,431
At 31 March 2011	436,491	218,246	74,176	2,284	772	605	(71,500)	258,348	482,931	5,622	488,553

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 significant events and transactions attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR</u> <u>2012</u> <u>RM'000</u>	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR</u> <u>2011</u> <u>RM'000</u> <u>(restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,614	11,901
Adjustments for:		
Non-cash items	364	506
Interest income	(116)	(220)
Finance cost	3,919	541
Operating profit before working capital changes	8,781	12,728
Changes in working capital:		
Net change in current assets	(13,962)	(8,464)
Net change in current liabilities	6,925	(1,593)
Net cash inflow from operations	1,744	2,671
Interest paid	-	(548)
Interest received	132	237
Tax paid	(4,353)	(4,628)
Net cash outflow from operating activities	(2,477)	(2,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment:		
- Proceeds from disposal	-	60
- Purchase	(1,183)	(1,280)
Intangible assets:		
- Purchase	(120,248)	-
Available-for-sale financial assets:		
- Purchase	(6,000)	(103,000)
- Proceeds from redemption	8,050	-
Decrease in deposits pledged as security for banking facilities	3,466	267
Net cash outflow from investing activities	(115,915)	(103,953)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(5)	(5)
Drawdown of borrowings	117,794	-
Net cash inflow/ (outflow) from financing activities	117,789	(5)
Effect of foreign exchange rate changes	(300)	(253)
Net change in cash and cash equivalents during the financial period	(903)	(106,479)
Cash and cash equivalents at beginning of financial period	25,554	137,284
Cash and cash equivalents at end of financial period	24,651	30,805

	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR</u> <u>2012</u> <u>RM'000</u>	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR</u> <u>2011</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	21,637	24,257
Bank and cash balances	15,833	22,190
Total deposits, bank and cash balances	37,470	46,447
Less: Deposits pledged as security for banking facilities	(11,116)	(15,642)
Less: Cash restricted	(1,703)	-
	24,651	30,805

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 significant events and transactions attached to these interim financial statements.

**PART A – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO
MFRS 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 MFRS134: 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 2011. The significant events and transactions 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 convergence of the existing FRS framework with the IFRS-compliant framework, Malaysian Financial Reporting Standards (MFRSs) issued by Malaysian Accounting Standards Board (MASB) with effect from 1 January 2012.

The Group has also adopted all the new and revised MFRSs that are relevant and effective for accounting periods beginning on or after 1 January 2012 as follows:-

MFRSs, Amendments to MFRSs

Revised MFRS 124	Related Party Disclosures
Amendments to MFRS 112	Income taxes

The interim financial statements are the first set of financial statements prepared in accordance with MFRSs. All the former FRSs are identical to the MFRSs, except for MFRS 141 “Agriculture” and IC Interpretation 15 “Agreements for the Construction of Real Estate” which both the MFRSs are not applicable to the Group.

Other than as disclosed in these interim financial statements, the application of the above MFRSs and Amendments to MFRSs did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

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

<u>Foreign currency</u>	<u>31 Mar 2012</u> <u>RM</u>	<u>31 Dec 2011</u> <u>RM</u>	<u>31 Mar 2011</u> <u>RM</u>
1 US Dollar (USD)	3.03	3.17	3.03
1 Singapore Dollar (SGD)	2.45	2.44	2.40
100 Hong Kong Dollars (HKD)	39.00	40.79	38.87
100 Chinese Renminbi (RMB)	47.96	50.34	46.19

- (c) Critical Accounting Estimates and Judgments

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

A1 – Basis of Preparation (continued)

(c) Critical Accounting Estimates and Judgments (continued)

In these interim financial statements:-

- (i) critical estimates and judgments were made to the carrying amount and provision for impairment of trade receivables of the following subsidiaries:-

- (a) Sungai Harmoni Sdn Bhd (“SHSB”) - Arising from the Debt Settlement Agreement (“DSA”) with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”) in 2005, a total of RM64.827 million was agreed to be settled via ten installments, commencing from 31 December 2006 and ending on 31 December 2015. It is assumed that the remaining 7th to 10th installments will be paid as scheduled in accordance with the terms of the DSA.

The gross invoiced amounts due from SPLASH as at the end of the reporting period amounted to RM159.526 million. Based on past payments pattern, the Group has assessed that approximately RM117.363 million is expected to be received between 2014 and 2018. Accordingly, these amounts are classified as non-current. The remaining gross invoiced amounts have been classified as current as these are expected to be recovered within the next twelve months.

- (b) Taliworks (Langkawi) Sdn Bhd (“TLSB”) – The amount due from the Kedah State Government and SADA as at the end of the reporting period is approximately RM67.706 million. Out of this amount, approximately RM29.711 million is deemed current based on the assessment of past collection trends. The balance non-current portion is assumed to be paid progressively from 2013 to 2019.

The above critical estimates and judgments will be required to be re-assessed as and when actual payments are received for a credible historical repayment pattern to be established and this may have a significant impact to future reported revenue and profits.

- (ii) as disclosed in Note 45 to the audited financial statements of the Company for the financial year ended 31 December 2011, a jointly controlled entity, Grand Saga Sdn Bhd (“Grand Saga”) had, amongst others, agreed to a compensation package from the Government of Malaysia pursuant to the execution of the Fourth Supplemental Concession Agreement. The board of Grand Saga has indicated that it intends to seek professional advice on the accounting impact of the said compensation in respect of the financial year. The Board of the Company will deliberate on the matter once the board of Grand Saga has sought the advice. These interim financial statements have not reflected the accounting impact, if any, pending the said professional advice.

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. However, an emphasis of matter has been included by the auditors to draw attention on the uncertainty relating to the future outcome of the regulatory impasse on a specific trade receivable of the Group to make timely payments.

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 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 period.

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

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

As at the end of the financial period, the Company has 43,000 unexercised ESOS options at RM1.31 per share and 4,214,000 unexercised ESOS options at RM1.90 per share. The ESOS options will expire on 29 September 2015.

A7 – Dividends Paid

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

A8 – Material Subsequent Events

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

A9 – Changes in Composition of the Group

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

A10 – Changes in Contingent Liabilities or Contingent Assets

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

- (a) Bank facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants.

	<u>RM'000</u>
<u>Secured against deposits pledged to the financial institutions</u>	
Decrease in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	<u>(2,004)</u>
Increase in bank guarantees issued to third parties for services rendered and as performance bonds	<u>26</u>

- (b) Litigations

There were no material changes to the status of litigations requiring re-assessment of present obligations in relation to these litigations.

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>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>
<u>3 months ended</u> <u>31 Mar</u>												
Total revenue	39,535	35,814	11,695	3,307	4,207	7,214	-	-	1,022	521	56,459	46,856
Inter-segment revenue		-	(134)	(111)	-	(4,282)	-	-	(1,022)	(510)	(1,156)	(4,903)
External revenue	39,535	35,814	11,561	3,196	4,207	2,932	-	-	-	11	55,303	41,953
Fair value adjustment on deferred consideration	(7,665)	(1,343)	-	-	-	-	-	-	-	-	(7,665)	(1,343)
Revenue as per Statements of Income	31,870	34,471	11,561	3,196	4,207	2,932	-	-	-	11	47,638	40,610
EBITDA	7,636	12,720	2,563	1,279	(406)	(85)	4,683	1,534	(1,593)	(2,230)	12,883	13,218
Depreciation & amortisation	(155)	(165)	(4,098)	(709)	(41)	(77)	-	-	(44)	(43)	(4,338)	(994)
Segment results	7,481	12,555	(1,535)	570	(447)	(162)	4,683	1,534	(1,637)	(2,273)	8,545	12,224
Finance cost	(1)	(1)	(3,781)	(594)	(7)	-	-	-	(184)	-	(3,973)	(595)
Inter-segment results	-	-	453	41	-	-	-	-	(555)	(41)	(102)	-
	7,480	12,554	(4,863)	17	(454)	(162)	4,683	1,534	(2,376)	(2,314)	4,470	11,629
Share of results of associate											144	272
Profit before tax											4,614	11,901
Tax expense											(4,117)	(3,539)
Profit for the period as per Statements of Income											497	8,362

	<u>Revenue by geographical area</u>		<u>Non-current assets by geographical area</u>	
	<u>31 Mar 2012</u> <u>RM'000</u>	<u>31 Mar 2011</u> <u>RM'000</u> <u>(restated)</u>	<u>31 Mar 2012</u> <u>RM'000</u>	<u>31 Mar 2011</u> <u>RM'000</u> <u>(restated)</u>
Malaysian operations	^36,014	37,414	286,304	246,663
Non-Malaysian operations (primarily in China)	11,624	3,196	440,330	35,406
	47,638	40,610	726,634	282,069

^ inclusive of effects of fair value adjustment on the deferred consideration of RM7.665 million (Q1FY11: RM1.343 million)

PART B – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Analysis of Performance

(a) *Revenue*

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Dec 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u> <u>RM'000</u> (restated)
Water treatment and distribution			
- <i>Invoiced amount</i>	39,535	35,500	35,814
- <i>Less: Fair value adjustment on deferred consideration due to delays in receiving payments from customers</i>	(7,665)	(10,169)	(1,343)
- <i>Revenue as recognised in the financial statements</i>	31,870	25,331	34,471
Construction (<i>note 1</i>)	4,207	5,120	2,932
Waste management	11,561	3,728	3,196
Others	-	12	11
	47,638	34,191	40,610

Note 1

Total construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary is RM63,000 (Q4FY11: RM3.4 million, Q1FY11: Nil).

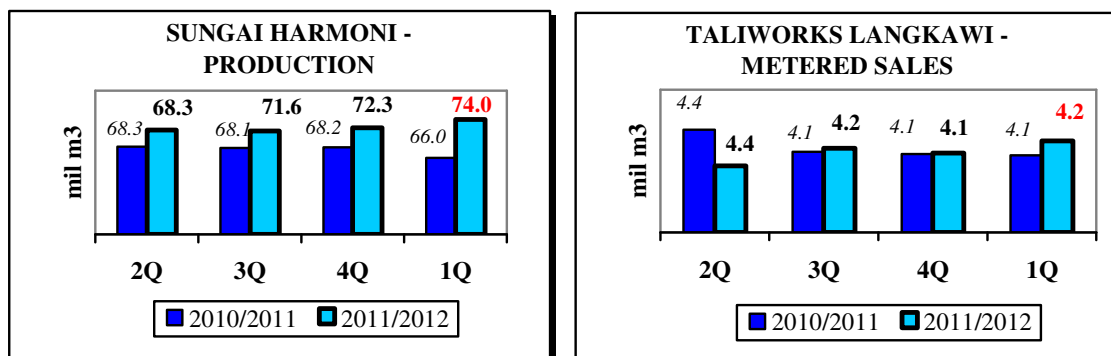
(b) *Profit / (Loss) Before Tax*

	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Dec 2011</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u> <u>RM'000</u> (restated)
Water treatment and distribution	7,481	(3,214)	12,555
Construction (<i>note 1</i>)	(447)	232	(162)
Waste management	(1,136)	(1,239)	557
Investment holding and others	(2,192)	(2,252)	(2,314)
Operating profit/ (loss)	3,706	(6,473)	10,636
Finance cost	(3,919)	(1,760)	(541)
Share of results of a jointly controlled entities	4,683	7,560	1,534
Share of results of associate	144	(110)	272
Profit/ (loss) before tax	4,614	(783)	11,901

Note 1

Includes RM6,000 (Q4FY11: RM0.3 million, Q1FY11: 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”)



Analysis of Y-o-Y Results

Revenue

Group revenue increased from RM40.6 million to RM47.6 million due mainly to the commencement of operations by a subsidiary, Taliworks (Yinchuan) Wastewater Co Ltd, following the formal take-over of four municipal waste water treatment plants with recycled water facilities under a take-over- operate- transfer basis (“Yinchuan TOT Project”).

In the water treatment and distribution business which accounted for the bulk of revenue, sales of treated water recorded a significant increase from RM35.8 million to RM39.5 million brought about by a substantial jump of about 12% in the production from Sungai Selangor Water Treatment Works Phase I (“SSP1”) (i.e. from 66.0 million m³ (or 742 MLD) to 74.0 million m³ (or 813 MLD) and in the Langkawi operations which saw a commendable increase of 4.7% to 4.27 million m³, up from 4.08 million m³ due to increased demand of treated water.

Profit

The Group’s profit before taxation (“PBT”) dropped significantly to RM4.6 million compared to the corresponding quarter’s RM11.9 million. This was mainly attributable to:-

- (a) the effects of discounting of deferred payments from a customer amounting to approximately RM7.665 million arising from continued delays in receiving payments; and
- (b) losses arising from the amortisation charges and financing costs from drawdown of bank borrowings to fund the take-over of the Yinchuan TOT Project.

However, the Group’s share of results in jointly controlled entity was considerably higher as Grand Saga Sdn Bhd, operator of the Kajang-Cheras highway, recorded a favourable performance from higher receipt of government compensation, reduced tax charges and lower amortisation of the Expressway Development Expenditure due to extension of the concession period. As a result of the closure of one-bound traffic on the highway on 2 March 2012 as announced by the Company, the Average Daily Traffic (“ADT”) registered a marked decline of about 13% to 196,899 vehicles per day from 226,065 vehicles per day.

Analysis of Q-o-Q Results

Revenue

The Group recorded a revenue of RM47.6 million, up from RM34.2 million in the previous quarter largely due to the commencement of operations of the Yinchuan TOT Project in the current quarter and the higher fair value adjustment in the previous quarter.

Operationally, both SSP1 and the Langkawi operations saw higher production output of 2.4% and 3.1% respectively. Whilst the increase from output was marginal, revenue climbed from RM35.5 million to RM39.5 million as in the previous quarter, the Group made an adjustment of about RM3.1 million arising from a decision by Taliworks (Langkawi) to maintain the Bulk Sales Rate (“BSR”) at a reduced rate at RM1.92/m³ against the contractual rate of RM2.11/m³ for the financial years 2011 to 2013 pursuant to the tariff re-negotiations under the provisions of the Water Services Industry Act 2006 (Act 655). In addition, the company had also agreed to one-time reduction of about RM0.95 million in the CPI rebate income (which forms part of the revenue of the company). The effect of a whole year’s reduction in the BSR and the CPI rebate income was reflected in the fourth quarter of 2011.

Profit

For the current quarter, the Group recorded a PBT of RM4.6 million compared to a loss before taxation of RM0.78 million. This was primarily attributable to the following:-

- (a) the higher discounting of deferred payments from trade receivables, provision for impairment of trade receivables of RM5.136 million, reduction in the BSR and write-off of CPI rebate income in the water treatment and distribution business in the previous quarter; and
- (b) losses arising from the amortisation charges and financing costs from increases in drawdown of bank borrowings to fund the take-over of Yinchuan TOT Project.

Compared to the previous quarter, the Group’s share of results in jointly controlled entity was lower due to the reduction in toll revenue from the closure of one-bound traffic, reduced amortisation of the Expressway Development Expenditure due to extension of the concession period and adjustment in the recognition of government compensation in the previous quarter. The Average Daily Traffic (“ADT”) registered a significant drop of about 18% to 196,899 vehicles per day from 238,839 vehicles per day arising from the closure of one-bound traffic.

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.

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

In the waste management division, 2012 saw revenue being recognised from the formal take-over of the Yinchuan TOT Project. However, based on tariff rate for the Yinchuan TOT project coupled with the significant associated financing and amortisation cost, the project is expected to negatively impact the Group’s performance for the year. The Linhe wastewater project which is currently under construction under a build-operate-transfer (“BOT”) basis is expected to be operational in the second half of 2012.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecasts or guarantees were issued or published.

B4 – Taxation

	<u>Current Quarter and Year-to-date 3 Months Ended 31 Mar 2012</u> RM'000
Malaysian income tax:-	
- Current year tax	3,943
Foreign income tax	7
Deferred tax expense	167
	<u><u>4,117</u></u>

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax for the period. The effective tax rate of the Group varies from the statutory tax rate principally due to the non deductibility or taxability, as the case maybe, on expenses not allowed as tax deductions, tax effect of share of results of jointly controlled 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 – Profit before tax

Included in the profit before tax are the following items:

	<u>Current Quarter and Year-to-date 3 Months Ended 31 Mar 2012</u> RM'000
<i>Other operating income:</i>	
Interest income	116
Dividend from available-for-sale financial assets/ investments	75
Rental income	4
Unwinding of discount	622
Unrealised foreign exchange gain	553
<i>Cost of operations, administrative and other expenses:</i>	
Foreign exchange losses	(484)
Realised loss on available for sale financial assets/ investments	(14)
Depreciation and amortisation	<u>(4,338)</u>

Save as disclosed above, the other items required under Chapter 9, Appendix B, Part A(16) of the Bursa Listing Requirements are not applicable.

B6 – 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 proposed issuance of RM395 million of serial bonds by Destinasi Teguh Sdn Bhd, 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 24 May 2012.

B7 – 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	190	-	190	746	-	746
Government support loan	-	2,920	2,920	-	-	-
Loan from Non-controlling interest	-	#1,564	1,564	-	-	-
Bank borrowings *	209,506	-	209,506	86,689	-	86,689
	<u>209,696</u>	<u>4,484</u>	<u>214,180</u>	<u>87,435</u>	<u>-</u>	<u>87,435</u>

* *in respect of loans secured by the Company and a subsidiary to finance the acquisition of the Yinchuan TOT Project. Out of the total bank borrowings, an amount of RM199.506 million was secured under a separate financing arrangement by the subsidiary whereby this portion of the loan is due within the next twelve months. The subsidiary has obtained commitment from the financial institution to re-finance this short-term borrowing.*

The bank borrowings secured by the Company is repayable over four instalments of RM10 million a year over a duration of four years and is secured by a deed of assignment over all dividends payable by a jointly controlled entity and a fixed deposit placement of RM0.25 million.

whilst the loan is unsecured, an amount of RM1,703,000 in bank balances had been frozen pursuant to an on-going litigation to secure the repayment of the loan.

B8 – Changes in Material Litigations

As at 16 May 2012 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any significant changes in material litigations of the Company or its subsidiary companies since the date of the last annual statement of financial position date.

B9 – Earnings Per Share (“EPS”)

(a) *Basic earnings per share*

The basic earnings per share 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>and Year-to-date</u> <u>3 Months</u> <u>Ended</u> <u>31 Mar 2012</u>	<u>Preceding Quarter</u> <u>and Year-to-date</u> <u>3 Months</u> <u>Ended</u> <u>31 Mar 2011</u>
Net profit attributable to owners of the Company (RM'000)	647	8,496
Weighted average number of shares in issue ('000)	436,492	436,492
Basic EPS (sen)	<u>0.15</u>	<u>1.95</u>

B9 – Earnings Per Share (“EPS”) (continued)*(b) Diluted earnings per share*

The diluted earnings per share 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.

The diluted earnings per share is the same as basic earnings per share calculated in Note B9(a) above as the ESOS options are anti-dilutive.

B10 – Dividends

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

B11 – Adjustments and Restatement of Comparatives

Comparatives may differ from the unaudited consolidated results announced for the first and fourth quarter of 2011 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2011.

B12 – Deposits, Bank and Cash Balances

As at the reporting date, approximately RM10.9 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.

B13 –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 31 Mar 2012</u> RM'000	<u>Preceding Quarter Ended 31 Dec 2011</u> RM'000
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	236,496	236,010
- Unrealised profits	10,036	14,687
	246,532	250,697
Total share of retained earnings from associate:		
- Realised profits	3,212	3,068
Total share of retained earnings from jointly controlled entities:		
- Realised profits	32,219	28,212
- Unrealised losses	(3,742)	(4,440)
Total Group’s retained earnings as per consolidated accounts	278,221	277,537

B14 – Authorisation for Release

This Interim Financial Report for the current quarter and financial period ended 31 March 2012 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
22 May 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>