

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012
(UNAUDITED)

CONTENTS

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4 - 5
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	6 - 7
PART A – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING	8 – 13
PART B – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	14 – 20

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>30 SEP 2012</u> <u>RM'000</u>	<u>31 DEC 2011</u> <u>RM'000</u> <u>(Audited)</u>
ASSETS			
Property, plant and equipment		9,592	8,041
Investment properties		407	414
Intangible assets		430,994	453,515
Jointly controlled entities		88,144	79,310
Associate		5,964	5,589
Goodwill on consolidation		2,504	2,504
Deferred tax assets		10,079	10,135
Long term receivables	A1(c)(i)	168,837	160,282
Deposits, bank and cash balances	B11	17,326	16,344
Total non-current assets		733,847	736,134
Inventories		1,405	1,118
Trade and other receivables	A1(c)(i)	170,625	103,748
Tax recoverable		147	214
Available-for-sale financial assets		12,838	13,983
Deposits, bank and cash balances	B11	22,540	25,554
Total current assets		207,555	144,617
TOTAL ASSETS		941,402	880,751
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		313,704	287,109
Total equity attributable to owners of the Company		531,950	505,355
Non-controlling interest		6,924	7,338
Total equity		538,874	512,693
LIABILITIES			
Borrowings	B7	214,011	54,644
Total non-current liabilities		214,011	54,644
Borrowings	B7	96,022	135,527
Trade and other payables		86,928	175,222
Taxation		5,567	2,665
Total current liabilities		188,517	313,414
TOTAL LIABILITIES		402,528	368,058
TOTAL EQUITY AND LIABILITIES		941,402	880,751
Net assets per share attributable to owners of the Company (RM)		1.2187	1.1578

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

	Note	<u>3 MONTHS ENDED</u> <u>30 SEP</u>		<u>9 MONTHS ENDED</u> <u>30 SEP</u>	
		<u>2012</u> <u>RM'000</u>	<u>2011</u> <u>RM'000</u>	<u>2012</u> <u>RM'000</u>	<u>2011</u> <u>RM'000</u>
Revenue	B1	91,006	40,343	215,094	133,897
Cost of operations	B13	(65,525)	(32,322)	(142,194)	(85,763)
Gross profit		25,481	8,021	72,900	48,134
Other operating income		1,455	884	3,995	3,017
Administrative and other expenses	B13	(7,289)	(49)	(24,570)	(13,120)
Operating profit		19,647	8,856	52,325	38,031
Finance cost		(5,568)	(85)	(14,925)	(626)
Share of results of jointly controlled entities	A1(c)(ii)	1,590	3,208	8,810	7,740
Share of results of associate		125	126	375	728
Profit before tax	B5	15,794	12,105	46,585	45,873
Tax expense	B4	(4,601)	(3,136)	(14,017)	(10,967)
Profit for the financial period		11,193	8,969	32,568	34,906
Attributable to:					
Owners of the Company		10,836	8,843	32,563	34,554
Non-controlling interest		357	126	5	352
		11,193	8,969	32,568	34,906
Earnings per share attributable to owners of the Company (sen)	B9				
- basic and diluted		<u>2.48</u>	<u>2.03</u>	<u>7.46</u>	<u>7.92</u>

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>9 MONTHS ENDED</u>	
	<u>30 SEP</u>		<u>30 SEP</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial period	11,193	8,969	32,568	34,906
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Fair value changes in available-for-sale financial assets	33	(96)	103	(107)
Foreign currency translation differences for foreign operations	(5,553)	3,008	(4,877)	2,818
Share of other comprehensive income of jointly controlled entities and associate	10	(25)	24	(6)
Other comprehensive income / (expense) for the financial period, net of tax	(5,510)	2,887	(4,750)	2,705
Total comprehensive income for the financial period	5,683	11,856	27,818	37,611
Attributable to:				
Owners of the Company	5,671	11,214	28,232	36,769
Non-controlling interest	12	642	(414)	842
Total comprehensive income for the financial period	5,683	11,856	27,818	37,611

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>Share capital</u>	<u>Share premium</u>	<u>Share Option reserve</u>	<u>Currency Translation reserve</u>	<u>Available-for-sale reserve</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-Controlling interest</u>	<u>Total Equity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	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	-	-	-	-	-	-	32,563	32,563	5	32,568
Other comprehensive income/ (expense):										
Available-for-sale financial assets	-	-	-	-	103	-	-	103	-	103
Share of other comprehensive income of jointly controlled entity	-	-	-	-	-	-	24	24	-	24
Currency translation differences	-	-	-	(4,458)	-	-	-	(4,458)	(419)	(4,877)
Total comprehensive income/ (expense) for the financial period	-	-	-	(4,458)	103	-	32,587	28,232	(414)	27,818
Transactions with owners:										
Transfer to/ (from) reserve upon ESOS options lapsed	-	-	(15)	-	-	-	15	-	-	-
Final dividends for FYE 2011	-	-	-	-	-	-	(1,637)	(1,637)	-	(1,637)
Total transactions with owners	-	-	(15)	-	-	-	(1,622)	(1,637)	-	(1,637)
At 30 September 2012	218,246	74,176	2,233	176	117	(71,500)	308,502	531,950	6,924	538,874

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-Controlling interest</u> RM'000	<u>Total Equity</u> RM'000
At 1 January 2011,	218,246	74,176	2,284	1,014	160	(71,500)	254,138	478,518	5,890	484,408
-As previously stated										
Effects of adopting IC Interpretation 12	-	-	-	-	-	-	(4,286)	(4,286)	-	(4,286)
At 1 January 2011, as restated	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	-	-	-	-	-	-	34,548	34,548	842	35,390
Other comprehensive income/ (expense):										
Available-for-sale financial assets	-	-	-	-	(107)	-	(107)	(107)	-	(107)
Currency translation differences	-	-	-	2,328	-	-	2,328	2,328	-	2,328
Final dividends for FYE 2010	-	-	-	-	-	-	(4,910)	(4,910)	-	(4,910)
Total comprehensive income/ (expense) for the financial period	-	-	-	2,328	(107)	-	29,638	31,859	842	32,701
Transactions with owners:										
Transfers to/(from) reserves upon ESOS options lapsed	-	-	(36)	-	-	-	36	-	-	-
Total transactions with owners	-	-	(36)	-	-	-	36	-	-	-
At 30 September 2011	218,246	74,176	2,248	3,342	53	(71,500)	279,526	506,091	6,732	512,823

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>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2012</u> <u>RM'000</u>	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2011</u> <u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	46,585	45,873
Adjustments for:		
Non-cash items	2,831	2,337
Interest income	(369)	(853)
Finance cost	14,925	626
Operating profit before working capital changes	63,972	47,983
Changes in working capital:		
Net change in current assets	(74,424)	(40,005)
Net change in current liabilities	23,596	(2,053)
Net cash inflow from operations	13,144	5,925
Interest paid	(1,246)	(626)
Interest received	413	567
Tax paid	(11,007)	(11,325)
Net cash inflow/ (outflow) from operating activities	1,304	(5,459)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment:		
- Proceeds from disposal	41	227
- Purchase	(3,110)	(11,222)
Intangible assets:		
- Purchase	(125,930)	(141,410)
Available-for-sale financial assets:		
- Purchase	(12,500)	(112,000)
- Proceeds from redemption	13,989	118,566
- Cash frozen pursuant to an on-going litigation	-	(1,746)
Increase in deposits pledged as security for banking facilities	(1,041)	(1,281)
Net cash outflow from investing activities	(128,551)	(148,866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,637)	(4,910)
Repayment of borrowings	(126,700)	(12)
Drawdown of borrowings	252,871	52,374
Net cash inflow from financing activities	124,534	47,452
Effect of foreign exchange rate changes	(301)	1,135
Net change in cash and cash equivalents during the financial period	(3,014)	(105,738)
Cash and cash equivalents at beginning of financial period	25,554	137,284
Cash and cash equivalents at end of financial period	22,540	31,546

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2012</u> <u>RM'000</u>	<u>9 MONTHS</u> <u>ENDED</u> <u>30 SEPT</u> <u>2011</u> <u>RM'000</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	29,363	23,741
Bank and cash balances	10,503	26,741
Total deposits, bank and cash balances	39,866	50,482
Less: Deposits pledged as security for banking facilities	(15,623)	(17,190)
Less: Cash restricted	(1,703)	(1,746)
	22,540	31,546

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 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>30 Sept</u> <u>2012</u> <u>RM</u>	<u>30 June</u> <u>2012</u> <u>RM</u>	<u>31 Dec</u> <u>2011</u> <u>RM</u>	<u>30 Sept</u> <u>2011</u> <u>RM</u>
1 US Dollar (USD)	3.06	3.18	3.17	3.19
1 Singapore Dollar (SGD)	2.50	2.50	2.44	2.45
100 Hong Kong Dollars (HKD)	39.44	40.97	40.79	40.94
100 Chinese Renminbi (RMB)	48.67	50.02	50.34	49.88

- (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 and as such, no further discounting for impairment will be required beyond what has been previously been impaired and the accumulated discounting for impairment will continue to unwind during the remaining tenure of the DSA.

The amount due and owing from SPLASH (excluding the amount due under the DSA above) amounted to RM207.42 million. During the reporting period, there has been further improvement in the quantum of amount paid as compared to the previous quarter and therefore the Group now estimates that approximately RM72.0 million will be received in the next twelve months, up from the previous estimate of RM66.0 million. The balance outstanding is expected to be received progressively between 2013 and 2016 and accordingly, have been classified as non-current. Arising from the re-assessment, a fair value adjustment on deferred consideration due to improvement in collection from SPLASH of RM0.424 million was made in the current quarter.

- (b) Taliworks (Langkawi) Sdn Bhd (“TLSB”) – The amount due as at the end of the reporting period is approximately RM60.36 million. Out of this amount, approximately RM30.32 million is deemed current based on the assessment of past collection trends. The balance is assumed to be non-current and payable 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 more 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, Grand Saga Sdn Bhd (“Grand Saga”), a wholly owned subsidiary of Cerah Sama Sdn Bhd (“Cerah Sama”), a jointly controlled entity, had amongst others, agreed to a compensation package from the Government of Malaysia pursuant to a toll restructuring exercise. The board of Cerah Sama has adopted the accounting policy of recognising the said compensation on the basis of a straight line method commencing from 2 March 2012 to 18 September 2030.

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

Save as disclosed in these interim financial statements, there are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial period.

A5 – Accounting Estimates

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

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

During the current quarter and financial period, there was no issuance, cancellation, repurchase, resale or repayment of equity or debt securities by the Company, save and except for, the following ESOS options have lapsed:-

	Number of ESOS options exercised		Number of ESOS options lapsed		Balance remaining unexercised as at the reporting period
	Current quarter	YTD	Current quarter	YTD	
ESOS options at RM1.31 per share	-	-	-	8,000	43,000
ESOS options at RM1.90 per share	-	-	10,000	39,000	4,198,000

The above ESOS options will expire on 29 September 2015.

A7 – Dividends Paid

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

<u>In respect of the financial year ended 31 December 2011</u>	RM'000
<ul style="list-style-type: none"> Final gross dividend of 0.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less income tax at 25%, paid on 31 July 2012 	1,637

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 except for the voluntary dissolution of Taliworks-IBI Technologies (Xiamen) Limited, a 63% indirectly owned subsidiary effected on 14 September 2012.

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 projects, performance bonds on contracts for the management, operation and maintenance of water treatment plants and construction contracts.

	<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>(3,020)</u>
Decrease in bank guarantees issued to third parties for services rendered and as performance bonds	<u>(244)</u>
Increase in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of a joint venture company	<u>1,016</u>

- (b) Litigations

There were no material changes to the status of litigations requiring re-assessment of present obligations in relation to these litigations except in the case of Hua Sheng Construction Group Co Ltd against Ningxia Eco Wastewater Treatment Co Ltd, a subsidiary of the Company, where the Company had on 13 July 2012 announced the arbitral award wherein the late payment penalty, legal fees and arbitration costs incurred in relation to the litigation have been accrued in these interim financial statements.

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>	
	<u>RM'000</u>		<u>RM'000</u>		<u>RM'000</u>		<u>RM'000</u>		<u>RM'000</u>		<u>RM'000</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>3 months ended</u> <u>30 Sept</u>												
Total revenue	39,604	39,112	13,174	4,060	38,611	11,374	-	-	8,005	723	99,394	55,269
Inter-segment revenue	-	-	(138)	(130)	(719)	(1,899)	-	-	(7,955)	(713)	(8,812)	(2,742)
External revenue	39,604	39,112	13,036	3,930	37,892	9,475	-	-	50	10	90,582	52,527
Add/ less: Fair value adjustment on deferred consideration	424	(12,120)	-	(64)	-	-	-	-	-	-	424	(12,184)
Revenue as per Statements of Income	40,028	26,992	13,036	3,866	37,892	9,475	-	-	50	10	91,006	40,343
EBITDA	16,667	3,230	5,524	278	3,235	1,193	1,590	3,208	2,904	5,285	29,920	13,194
Depreciation & amortisation	(144)	(174)	(4,192)	(786)	(84)	(65)	-	-	(55)	(45)	(4,475)	(1,070)
Segment results	16,523	3,056	1,332	(508)	3,151	1,128	1,590	3,208	2,849	5,240	25,445	12,124
Finance cost	-	-	(5,116)	(52)	(8)	-	-	-	(663)	-	(5,787)	(52)
Inter-segment results	510	-	336	151	-	-	-	-	(4,835)	(244)	(3,989)	(93)
	17,033	3,056	(3,448)	(409)	3,143	1,128	1,590	3,208	(2,649)	4,996	15,669	11,979
Share of results of associate											125	126
Profit before tax											15,794	12,105
Tax expense											(4,601)	(3,136)
Profit for the period as per Statements of Income											11,193	8,969

	<u>Revenue by geographical area</u>		<u>Non-current assets by geographical area</u>	
	<u>30 Sept 2012</u> <u>RM'000</u>	<u>30 Sept 2011</u> <u>RM'000</u>	<u>30 Sept 2012</u> <u>RM'000</u>	<u>30 Sept 2011</u> <u>RM'000</u>
Malaysian operations	[^] 74,080	28,943	293,842	276,136
Non-Malaysian operations (primarily in China)	16,926	11,400	440,005	48,544
	91,006	40,343	733,847	324,680

[^] inclusive of effects of fair value adjustment on the deferred consideration of RM0.424 million (Q3FY11: RM12.184 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>30 Sept 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u> <u>RM'000</u>
Water treatment and distribution	39,604	39,964	39,112
Construction (<i>note 1</i>)	37,892	10,421	9,475
Waste management	13,036	12,578	3,930
Others	50	45	10
	<u>90,582</u>	<u>63,008</u>	<u>52,527</u>
Add/ (less): Fair value adjustment on deferred consideration due to delays in receiving payments from customers	424	13,442	(12,184)
	<u>91,006</u>	<u>76,450</u>	<u>40,343</u>

Note 1

Total construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary is RM3.89 million (Q2FY12: RM2.46 million; Q3FY11: RM7.57 million).

(b) *Profit Before Tax*

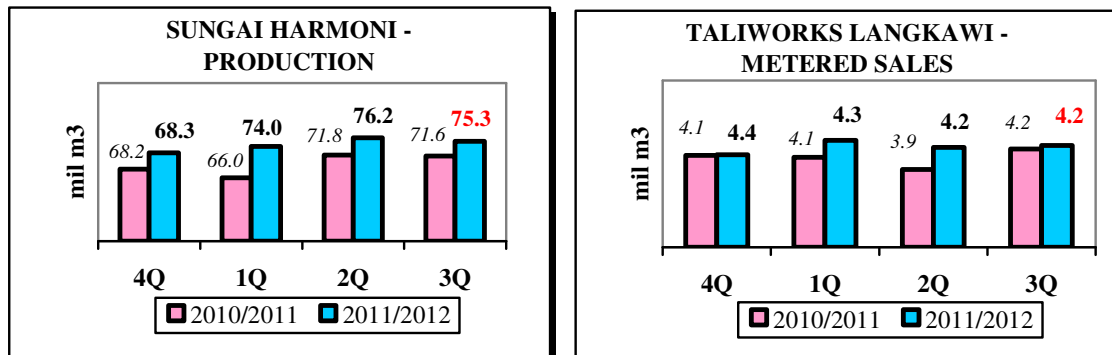
	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2012</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 Sept 2011</u> <u>RM'000</u>
Water treatment and distribution	17,033	30,360	3,051
Construction (<i>note 1</i>)	3,151	156	1,128
Waste management	1,614	1,024	(319)
Investment holding and others	(2,151)	(2,568)	4,996
	<u>19,647</u>	<u>28,972</u>	<u>8,856</u>
Operating profit	19,647	28,972	8,856
Finance cost	(5,568)	(5,438)	(85)
Share of results of a jointly controlled entities	1,590	2,537	3,208
Share of results of associate	125	106	126
Profit before tax	<u>15,794</u>	<u>26,177</u>	<u>12,105</u>

Note 1

Includes RM353,000 (Q2FY12: RM224,000; Q3FY11: RM688,000) construction profit recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary.

B1 – Analysis of Performance (continued)

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

The Group is reporting higher revenue of RM91.0 million compared to RM40.3 million primarily due to the following:-

- increased construction activities from the Group’s existing projects;
- commencement of operations of 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”) during the financial year; and
- improvements in collection compared to the corresponding quarter from a customer in one of the subsidiaries, where in the corresponding quarter, a negative fair value adjustment of RM12.2 million was recorded.

The water treatment and distribution business saw a marginal increase in sales of treated water from RM39.1 million to RM39.6 million with 5.2% growth in the production from Sungai Selangor Water Treatment Works Phase I (“SSP1”) (i.e. from 71.60 million m3 (or 787 MLD) to 75.34 million m3 (or 819 MLD) whilst in the Langkawi operations, metered sales recorded a marginal growth from 4.18 million m3 to 4.20 million m3. However, despite the higher metered sales, revenue from the Langkawi operations was actually lower compared to the corresponding quarter as a result of the reduction in the Bulk Sales Rate (“BSR”) to 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) which was agreed to in Q4FY11.

The construction segment, being the second highest contributor to the Group revenue, recorded a significant increase of RM37.9 million compared to RM9.5 million in the corresponding quarter, primarily due to the higher construction activities during the quarter from the Mengkuang Dam Expansion Project which commenced in August 2011 and contribution from the SSP1 Pipeline Project, which commenced in February 2012.

In the waste management segment, the significant increase in revenue from RM3.9 million to RM13.0 million was mainly attributable to the contribution from the Yinchuan TOT Project.

Profit

The Group recorded a higher profit before taxation (“PBT”) of RM15.8 million as compared to RM12.1 million a year ago due to increases in profit contribution from all business segments. However, after stripping out the effects from the fair value adjustments, Group’s profit actually took a dip in the current quarter on account of higher financing cost and amortisation expense from the Yinchuan TOT Project. The corresponding period also recorded a substantial unrealised foreign exchange gain due to the then strengthening of the USD/MYR.

B1 – Analysis of Performance (continued)

In the water treatment and distribution business, the segment recorded higher profits of RM16.6 million as compared to RM15.2 million, after stripping out the effects from the fair value adjustments.

In the construction segment, the increase in profits was primarily attributable to the higher revenue recorded whereas in the waste management segment, the higher profits compared to the corresponding period was mainly arising from the contribution from the Yinchuan TOT Project.

Share of results in the jointly controlled entity has declined by almost half in the current quarter arising from the closure of one-bound traffic on the Kajang-Cheras highway on 2 March 2012. The closure resulted in a substantial decrease in the Average Daily Traffic (“ADT”) by 34% i.e. to 153,241 vehicles per day compared to 231,554 vehicles per day recorded a year ago. Nevertheless, in spite of the reduced ADT, the profits of the jointly controlled entity was boosted by the government compensation received, reduced tax charges and lower amortization of the Expressway Development Expenditure arising from the extension of the concession period as a result of the said closure.

Analysis of Q-o-Q Results

Revenue

The Group recorded revenue of RM91.0 million, up from RM76.5 million in the previous quarter largely due to the construction activities. However, after stripping out the effects from the fair value adjustments, the increase in revenue for the quarter was at a much higher quantum.

Revenue from the water treatment and distribution business dropped slightly from RM40.0 million to RM39.6 million on account of lower sales of treated water in SSP1 i.e. from 76.21 million m³ (or 847 MLD) to 75.34 million m³ (or 819 MLD) whilst the metered sales from the Langkawi operations was almost flat at 4.20 million m³.

The construction segment contributed close to RM37.9 million from the existing projects of the Group as construction activities continue to pick up pace during the quarter.

In the waste management business, with the exception of the reduction in waste processed from the Tianjin operations, generally all of the waste management plants in the China operations recorded increases in production levels with a hefty 7% increase seen in the quantity of wastewater effluent treated in the Yinchuan TOT Project from 27.87 million m³ (306.2 MLD) to 30.05 million m³ (327 MLD), exceeding the design capacity by 9%.

Profit

For the current quarter, the Group’s PBT registered a significant decline to RM15.8 million compared to RM26.2 million in the previous quarter. This was mainly attributable to the effects of the fair value adjustment arising from improved collections in water treatment and distribution segment. However, discounting the effects from these adjustments, profit for the Group is higher at RM15.4 million compared to RM12.7 million on account of higher contribution from the construction activities.

In the water treatment and distribution business, profit (excluding the impact from fair value adjustments) has decreased marginally due to lower production level in SSP1 and higher operating costs in Langkawi’s operation whereas in the construction and waste management sectors, higher profits were mostly contributed by the increases in the turnover.

Despite the higher ADT by 1.7% to 132,638 vehicles per day, share of results in jointly controlled entity was lower as a result of expenses having been incurred in the current quarter to dismantle the toll booths arising from the closure on one-bound traffic on the Kajang-Cheras highway and certain re-alignment works along the highway.

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 (“SSP1”), which is the main contributor to the Group, will remain intact given the uptrend in water demand. However, the current deadlock in the consolidation of the Selangor water concessionaires may weigh down on the Group’s performance given the fair value adjustments required on deferred consideration from delays in receiving payments 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 16% completed by the end of 2012 barring any unforeseen circumstances (revised downwards from 18-20% due to delays from other parties). The Group is tendering for 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 basis (“Linhe BOT Project”) is expected to be delayed based on current construction progress.

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Taxation

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM’000	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM’000
Malaysian income tax:-		
- Current year tax	6,090	13,827
Foreign income tax	71	160
Overprovision of tax	(11)	(11)
Deferred tax expense	(1,549)	41
	<u>4,601</u>	<u>14,017</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</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM’000	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM’000
<i>Other operating income:</i>		
Interest income	164	369
Dividend from available-for-sale financial assets/ investments	83	264
Rental income	2	12
Unwinding of discount on receivables	622	1,866

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM'000	<u>Year-to-date</u> <u>9 Months</u> <u>Ended</u> <u>30 Sept 2012</u> RM'000
Unrealised foreign exchange gain	468	948
<i>Cost of operations, administrative and other expenses:</i>		
Foreign exchange losses	(281)	(496)
Realised loss on available for sale financial assets/ investments	(3)	(23)
Depreciation and amortisation	(4,475)	(13,251)

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.

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	<u>←-----Short Term-----→</u>			<u>←-----Long Term-----→</u>		
	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Hire purchase	269	-	269	769	-	769
Government support loan	-	2,920	2,920	-	-	-
Loan from Non-controlling interest	-	#1,564	1,564	-	-	-
Bank borrowings *	91,269	-	91,269	213,242	-	213,242
	<u>91,538</u>	<u>4,484</u>	<u>96,022</u>	<u>214,011</u>	<u>-</u>	<u>214,011</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, RMB260 million previously secured as short-term borrowings, have been refinanced in the previous quarter as long-term borrowings. The balance RMB150 million secured as short term borrowings is expected to be refinanced as long term borrowings within the next twelve months.

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 a litigation to secure the repayment of the loan. The Group has on 27 August 2012, received judgement from the court to repay the amount to the plaintiff.

B8 – Changes in Material Litigations

As at 17 November 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, other than as previously announced.

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>Year-to-date</u>	
	<u>3 Months</u>	<u>3 Months</u>	<u>9 Months</u>	<u>9 Months</u>
	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>
	<u>30 Sept 2012</u>	<u>30 Sept 2011</u>	<u>30 Sept 2012</u>	<u>30 Sept 2011</u>
Net profit attributable to owners of the Company (RM'000)	10,836	8,843	32,563	34,554
Weighted average number of shares in issue ('000)	436,492	436,492	436,492	436,492
Basic EPS (sen)	<u>2.48</u>	<u>2.03</u>	<u>7.46</u>	<u>7.92</u>

(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 – Deposits, Bank and Cash Balances

As at the reporting date, approximately RM4.6 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.

B12 –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.

B12 –Supplementary Information Disclosed Pursuant To Bursa Malaysia Securities Berhad Listing Requirements (continued)

	<u>Current Quarter Ended 30 Sept 2012 RM'000</u>	<u>Preceding Quarter Ended 30 June 2012 RM'000</u>
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	261,922	256,166
- Unrealised profits	10,531	8,803
	272,453	264,969
Total share of retained earnings from associate:		
- Realised profits	3,443	3,318
Total share of retained earnings from jointly controlled entities:		
- Realised profits	36,477	35,058
- Unrealised losses	(3,871)	(4,052)
	308,502	299,293
Total Group's retained earnings as per consolidated accounts		

B13 – Restatement of Comparatives

Certain comparatives have been reclassified to conform to the current year's presentation as follows:

	<u>As previously stated RM'000</u>	<u>Reclassification RM'000</u>	<u>Restated RM'000</u>
<u>3 months ended 30 September 2011</u>			
Cost of operations	30,167	2,155	32,322
Administrative and other expenses	2,204	(2,155)	49
<u>9 months ended 30 September 2011</u>			
Cost of operations	79,242	6,521	85,673
Administrative and other expenses	19,641	(6,521)	13,120

The above is in relation to certain staff cost being reclassified from administrative and other expenses to cost of operations.

B14 – Authorisation for Release

This Interim Financial Report for the current quarter and financial period ended 30 September 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
 23 November 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>