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

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

CONTENTS

This Report is authorised for public release on 27 February 2013

TALIWORKS CORPORATION
LGB Group

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 DEC 2012 RM'000	31 DEC 2011 RM'000 (restated)
ASSETS			
Property, plant and equipment		9,716	8,041
Investment properties		404	414
Intangible assets		431,789	453,515
Jointly controlled entities	B14	112,075	102,217
Associate		6,380	5,589
Goodwill on consolidation		2,504	2,504
Deferred tax assets		8,299	10,135
Long term receivables	A1(e)(i)	137,252	160,282
Deposits, bank and cash balances		16,903	16,344
Total non-current assets		**725,322**	**759,041**
Inventories		1,223	1,118
Trade and other receivables	A1(e)(i)	209,989	103,748
Tax recoverable		1,049	214
Available-for-sale financial assets		20,946	13,983
Deposits, bank and cash balances	B11	21,957	25,554
Total current assets		**255,164**	**144,617**
TOTAL ASSETS		**980,486**	**903,658**
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		347,628	310,016
Total equity attributable to owners of the Company		**565,874**	**528,262**
Non-controlling interest		6,628	7,338
Total equity		**572,502**	**535,600**
LIABILITIES			
Borrowings	B7	215,488	54,644
Other payables		118	-
Total non-current liabilities		**215,606**	**54,644**
Borrowings	B7	98,903	135,527
Trade and other payables		88,205	175,222
Taxation		5,270	2,665
Total current liabilities		**192,378**	**313,414**
TOTAL LIABILITIES		**407,984**	**368,058**
TOTAL EQUITY AND LIABILITIES		**980,486**	**903,658**
Net assets per share attributable to owners of the Company (RM)		**1.2964**	**1.2102**

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 MONTHS ENDED 31 DEC 2012 RM'000	3 MONTHS ENDED 31 DEC 2011 RM'000 restated	12 MONTHS ENDED 31 DEC 2012 RM'000	12 MONTHS ENDED 31 DEC 2011 RM'000 restated
Revenue	B1	**61,386**	**34,191**	**253,325**	**168,088**
Cost of operations	B13	(38,752)	(29,493)	(180,946)	(115,256)
Gross profit		**22,634**	**4,698**	**72,379**	**52,832**
Other operating income	B4	8,335	6,892	35,485	9,909
Administrative and other expenses	B4, B13	(12,934)	(18,063)	(37,504)	(31,183)
Operating profit/(loss)		**18,035**	**(6,473)**	**70,360**	**31,558**
Finance cost		(5,617)	(1,760)	(20,542)	(2,386)
Share of results of jointly controlled entities	A1(b),(c),B14	1,002	7,907	9,812	18,623
Share of results of associate		416	(110)	791	618
Profit/(loss) before tax	B4	**13,836**	**(436)**	**60,421**	**48,413**
Tax expense	B5	(4,349)	(1,009)	(18,366)	(11,976)
Profit/(loss) for the financial period/ year		**9,487**	**(1,445)**	**42,055**	**36,437**
Attributable to:					
Owners of the Company		9,873	(1,646)	42,436	35,884
Non-controlling interest		(386)	201	(381)	553
		9,487	**(1,445)**	**42,055**	**36,437**
Earnings per share attributable to owners of the Company (sen)	B9				
- basic and diluted		2.26	(0.38)	9.72	8.22

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

	3 MONTHS ENDED 31 DEC		12 MONTHS ENDED 31 DEC	
	2012 RM'000	2011 RM'000 restated	2012 RM'000	2011 RM'000 restated
Profit/(loss) for the financial period/ year	**9,487**	**(1,445)**	**42,055**	**36,437**
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Fair value changes in available-for-sale financial assets	(117)	(39)	(14)	(146)
Foreign currency translation differences for foreign operations	1,372	1,697	(3,505)	4,515
Share of other comprehensive income of jointly controlled entities and associate	22	4	46	(2)
Other comprehensive income / (expense) for the financial period/ year, net of tax	**1,277**	**1,662**	**(3,473)**	**4,367**
Total comprehensive income for the financial period/ year	**10,764**	**217**	**38,582**	**40,804**
Attributable to:				
Owners of the Company	11,060	(389)	39,292	39,356
Non-controlling interest	(296)	606	(710)	1,448
Total comprehensive income for the financial period/ year	**10,764**	**217**	**38,582**	**40,804**

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

	Note	Share capital RM'000	Share premium RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling interest RM'000	Total Equity RM'000
		Attributable to owners of the Company									
At 1 January 2012,											
-As previously stated		**218,246**	**74,176**	**2,248**	**4,634**	**14**	**(71,500)**	**277,537**	**505,355**	**7,338**	**512,693**
Effects of change in accounting policy	B14	-	-	-	-	-	-	22,907	22,907	-	22,907
At 1 January 2012, as restated		**218,246**	**74,176**	**2,248**	**4,634**	**14**	**(71,500)**	**300,444**	**528,262**	**7,338**	**535,600**
Comprehensive income:											
Profit for the financial year		-	-	-	-	-	-	42,436	42,436	(381)	42,055
Other comprehensive income/ (expense):											
Available-for-sale financial assets		-	-	-	-	(14)	-	-	(14)	-	(14)
Share of other comprehensive income of jointly controlled entity		-	-	-	-	-	-	46	46	-	46
Currency translation differences		-	-	-	(3,176)	-	-	-	(3,176)	(329)	(3,505)
Total comprehensive income/ (expense) for the financial year		**-**	**-**	**-**	**(3,176)**	**(14)**	**-**	**42,482**	**39,292**	**(710)**	**38,582**
Transactions with owners:											
Transfer to/ (from) reserve upon ESOS options lapsed		-	-	(43)	-	-	-	-	(43)	-	(43)
Final dividends for FYE 2011								(1,637)	(1,637)		(1,637)
Total transactions with owners		**-**	**-**	**(43)**	**-**	**-**	**-**	**(1,637)**	**(1,680)**	**-**	**(1,680)**
At 31 December 2012		**218,246**	**74,176**	**2,205**	**1,458**	**-**	**(71,500)**	**341,289**	**565,874**	**6,628**	**572,502**

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital RM'000	Share premium RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling interest RM'000	Total Equity RM'000
At 1 January 2011,										
-As previously stated	**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)
Effects of change in accounting policy	-	-	-	-	-	-	19,584	19,584	-	19,584
At 1 January 2011, as restated	**218,246**	**74,176**	**2,284**	**1,014**	**160**	**(71,500)**	**269,436**	**493,816**	**5,890**	**499,706**
Comprehensive income:										
Profit for the financial year	-	-	-	-	-	-	35,884	35,884	553	36,437
Other comprehensive income/ (expense):										
Available-for-sale financial assets	-	-	-	-	(146)	-	-	(146)	-	(146)
Share of other comprehensive income of jointly controlled entity	-	-	-	-	-	-	(2)	(2)	-	(2)
Currency translation differences	-	-	-	3,620	-	-	-	3,620	895	4,515
Total comprehensive income/ (expense) for the financial year	-	-	-	3,620	(146)	-	35,882	39,356	1,448	40,804
Transactions with owners:										
Transfers to/(from) reserves upon ESOS options lapsed	-	-	(36)	-	-	-	36	-	-	-
Final dividends for FYE 2010	-	-	-	-	-	-	(4,910)	(4,910)	-	(4,910)
Total transactions with owners	-	-	(36)	-	-	-	(4,874)	(4,910)	-	(4,910)
At 31 December 2011	**218,246**	**74,176**	**2,248**	**4,634**	**14**	**(71,500)**	**300,444**	**528,262**	**7,338**	**535,600**

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.

TALIWORKS CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 MONTHS ENDED 31 DEC 2012 RM'000	12 MONTHS ENDED 31 DEC 2011 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	60,421	48,413
Adjustments for:		
Non-cash items	(3,766)	(19,764)
Interest income	(702)	(1,174)
Finance cost	20,542	2,386
Operating profit before working capital changes	76,495	29,861
Changes in working capital:		
Net change in current assets	(72,633)	(13,622)
Net change in current liabilities	20,203	(6,995)
Net cash inflow from operations	24,065	9,244
Interest paid	(1,882)	(1,912)
Interest received	672	1,180
Tax paid	(14,904)	(17,036)
Net cash inflow/ (outflow) from operating activities	7,951	(8,524)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment:		
- proceeds from disposal	94	267
- purchase	(3,718)	(6,381)
Intangible assets:		
- purchase	(127,950)	(296,757)
Dividend received from a jointly controlled entity	-	7,143
Available-for-sale financial assets:		
- purchase	(21,500)	(124,000)
- proceeds from redemption	15,017	135,567
- dividends	-	10
Cash restricted	(3)	(1,762)
(Withdrawal)/placement in deposit balances pledged as security	(556)	1,327
Net cash outflow from investing activities	(138,616)	(284,586)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,637)	(4,910)
Repayment of borrowings	(129,450)	(18)
Drawdown of borrowings	258,389	185,528
Net cash inflow from financing activities	127,302	180,600
Effect of foreign exchange rate changes	(234)	780
Net change in cash and cash equivalents during the financial year	(3,597)	(111,730)
Cash and cash equivalents at beginning of financial year	25,554	137,284
Cash and cash equivalents at end of financial year	**21,957**	**25,554**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 MONTHS ENDED 31 DEC 2012 RM'000	12 MONTHS ENDED 31 DEC 2011 RM'000
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	26,100	26,131
Bank and cash balances	12,760	15,767
Total deposits, bank and cash balances	38,860	41,898
Less: Deposits pledged as security for banking facilities	(16,900)	(14,582)
Less: Bank and cash balances restricted	(3)	(1,762)
	21,957	**25,554**

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 ("MASB").

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 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 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) Adoption of New Accounting Policy in a Jointly Controlled Entity

As disclosed in Note 45 to the audited financial statements of the Group for the financial year ended 31 December 2011, Grand Saga Sdn Bhd ("Grand Saga"), a wholly owned subsidiary of a jointly controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama"), had amongst others, agreed to a tax-exempt cash compensation from the Government of Malaysia arising from the Fourth Supplemental Concession Agreement entered between the Government of Malaysia and Grand Saga.

Cerah Sama has adopted the accounting policy of recognising the said compensation on the basis of a straight line method commencing from the date toll collections were discontinued on 2 March 2012 to 18 September 2030 (being a date prior to the extension of the concession period for a further period of fifteen years, expiring on 18 September 2045).

(c) Change in Accounting Policy in a Jointly Controlled Entity

During the reporting period, Cerah Sama has changed its accounting policy in respect of the amortisation of the Highway Concession included as part of the Intangible Assets as follows:-.

$$\frac{\text{Cumulative toll revenue recognised to-date}}{\text{(Cumulative toll revenue recognised to-date+ Projected toll revenue for the remaining concession period)}} \times \text{(Cost of Highway Concession + Additions for the financial year)}$$

The change in accounting policy is applied retrospectively in accordance of MFRS 108-Accounting Policies, Changes in Accounting Estimates and Errors, and hence certain comparatives have been restated as disclosed in Note B14.

A1 – Basis of Preparation (continued)

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

Foreign currency	31 Dec 2012 RM	30 Sep 2012 RM	31 Dec 2011 RM
1 US Dollar (USD)	3.06	3.06	3.17
1 Singapore Dollar (SGD)	2.50	2.50	2.44
100 Hong Kong Dollars (HKD)	39.45	39.44	40.79
100 Chinese Renminbi (RMB)	49.08	48.67	50.34

(e) 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.

In these interim financial statements, critical estimates and judgments were made on the following:-

(i) to the carrying amount and provision for impairment of trade receivables of the following subsidiaries:-

(a) Sungai Harmoni Sdn Bhd ("SHSB")

(i) Due under a Debt Settlement Agreement ("DSA")

Arising from the 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 8th 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.

(ii) Invoiced Amounts

As at the end of the reporting period, the invoiced amounts due and owing from SPLASH amounted to RM217.6 million. During the reporting period, there have been further improvements in the quantum of amount paid as compared to the previous quarter(s) and therefore the Group estimates that approximately RM82.0 million will be received in the next twelve months, up from the previous estimate of RM72.0 million. The balance outstanding is expected to be received progressively between 2014 and 2015 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 RM1.8 million was made in the current quarter, with a net positive impact of RM8.0 million to operating profit made for the financial year.

A1 – Basis of Preparation (continued)

(b) Taliworks (Langkawi) Sdn Bhd ("TLSB")

As at the end of the reporting period, the invoiced amounts due and owing amounted to RM54.2 million. Based on the past collection trend, the Group has assessed that the balance outstanding, net of impairment, will be fully repaid within the next twelve months; hence a reversal of the fair value adjustment totaling RM2.39 million was made in the current quarter and RM3.25 million for the financial year.

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

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 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

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 year.

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.

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, save and except for, the following ESOS options that had lapsed:-

	Number of ESOS options exercised		Number of ESOS options lapsed		Balance remaining unexercised as at the reporting year
	Current quarter	YTD	Current quarter	YTD	
ESOS options at RM1.31 per share	-	-	-	8,000	43,000
ESOS options at RM1.90 per share	-	-	37,000	76,000	4,161,000

The above ESOS options, remaining unexercised, will expire on 29 September 2015.

A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2011	RM'000
• 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 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 voluntary dissolution of Taliworks-IBI Technologies (Xiamen) Limited, a 63% indirectly owned subsidiary, effective 14 September 2012; and

(ii) the acquisition of by Taliworks of a further fifty (50) ordinary shares of RM1.00 each in Prolific Equity Sdn. Bhd ("PESB"), a 50% jointly-controlled entity of the Company, for a cash consideration of RM50.00 on 10 December 2012. Following the acquisition, PESB became a wholly-owned subsidiary of Taliworks.

Subsequent to the financial year, Taliworks-IBI Technologies International Limited ("TITI"), a 70% indirectly owned subsidiary, which is dormant, was wound up on 9 January 2013 wherein a provisional liquidator was appointed.

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.

	RM'000
Secured against deposits pledged to the financial institutions	
Decrease in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	(2,615)
Increase in bank guarantees issued to third parties for services rendered and as performance bonds	27,146
Increase in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of an unincorporated joint venture	2,016

(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 arbitral award 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.

	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	2012	2011	2012	2011	2012	2011	2012	2011 (restated)	2012	2011	2012	2011 (restated)
Total revenue	40,271	35,500	10,674	3,799	18,355	6,963	-	-	4,780	24,817	74,080	71,079
Inter-segment revenue	-	-	(134)	(134)	(6,942)	(1,843)	-	-	(4,743)	(24,805)	(11,819)	(26,782)
External revenue	40,271	35,500	10,540	3,665	11,413	5,120	-	-	37	12	**62,261**	**44,297**
Add/ less: Fair value adjustment on deferred consideration	(875)	(10,169)	-	63	-	-	-	-	-	-	(875)	(10,106)
Revenue as per Statements of Income	39,396	25,331	10,540	3,728	11,413	5,120	-	-	37	12	**61,386**	**34,191**
EBITDA	19,220	(3,046)	(554)	(181)	1,501	282	1,002	7,907	2,612	20,428	23,781	25,390
Depreciation & amortisation	(126)	(168)	(4,194)	(828)	(79)	(50)	-	-	(48)	(46)	(4,447)	(1,092)
Segment results	19,094	(3,214)	(4,748)	(1,009)	1,422	232	1,002	7,907	2,564	20,382	19,334	24,298
Finance cost	-	(1)	(5,110)	(1,735)	12	-	-	-	(519)	(24)	(5,617)	(1,760)
Inter-segment results	510	-	4,224	(230)	(5)	-	-	-	(5,026)	(22,634)	(297)	(22,864)
	19,604	(3,215)	(5,634)	(2,974)	1,429	232	1,002	7,907	(2,981)	(2,276)	13,420	(326)
Share of results of associate											416	(110)
Profit before tax											13,836	(436)
Tax expense											(4,349)	(1,009)
Profit for the year as per Statements of Income											**9,487**	**(1,445)**

	Revenue by geographical area		Non-current assets by geographical area	
	31 Dec 2012 RM'000	31 Dec 2011 RM'000	31 Dec 2012 RM'000	31 Dec 2011 RM'000
Malaysian operations	^49,654	27,102	281,793	297,463
Non-Malaysian operations (primarily in China)	11,732	7,089	443,529	461,578
	61,386	**34,191**	**725,322**	**759,041**

^ *inclusive of effects of fair value adjustment on the deferred consideration of RM0.875 million (Q3FY11: RM10.106 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

	3 Months Ended 31 Dec 2012 RM'000	3 Months Ended 30 Sep 2012 RM'000 restated	3 Months Ended 31 Dec 2011 RM'000
Water treatment and distribution	40,271	39,604	35,500
Construction *(note 1)*	11,413	37,892	5,120
Waste management	10,540	13,036	3,665
Others	37	50	12
	62,261	90,582	44,297
Less: Fair value adjustment on deferred consideration due to delays in receiving payments from customers	(875)	(3,442)	(10,106)
	61,386	**87,140**	**34,191**

Note 1

Total construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure by a subsidiary is RM1.19 million (Q3FY12: RM3.89 million; Q4FY11: RM3.36 million).

(b) Profit Before Tax

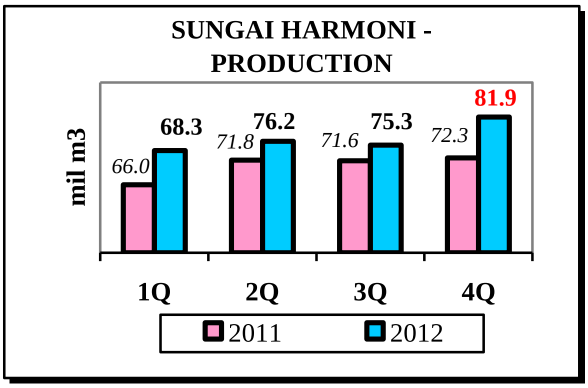
	3 Months Ended 31 Dec 2012 RM'000	3 Months Ended 30 Sep 2012 RM'000 (restated)	3 Months Ended 31 Dec 2011 RM'000 (restated)
Water treatment and distribution	19,604	17,033	(3,214)
Construction *(note 1)*	1,417	3,151	232
Waste management	(524)	1,614	(1,239)
Investment holding and others	(2,462)	(2,151)	(2,252)
Operating profit/ (loss)	**18,035**	**19,647**	**(6,473)**
Finance cost	(5,617)	(5,568)	(1,760)
Share of results of a jointly controlled entity	1,002	1,590	7,907
Share of results of associate	416	125	(110)
Profit/(loss) before tax	**13,836**	**15,794**	**(436)**

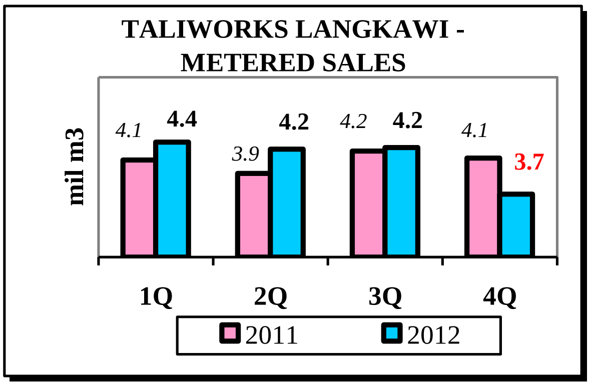
Note 1

Includes RM109,000 (Q3FY12: RM353,000; Q4FY11: RM305,000) 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

Compared to the corresponding period, the Group revenue increased from RM34.2 million to RM61.4 million primarily due to the following:-

(a) increased in production in the water treatment and distribution business, especially from Sungai Selangor Water Treatment Works Phase I ("SSP1");

(b) increased construction activities from the Group's existing projects;

(c) 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

(d) improvements in collection from a customer of a subsidiary, where a fair value adjustment of RM0.875 million was made, as compared to RM10.1 million in the corresponding quarter.

At the operating level, the water treatment and distribution business recorded a substantial increase of 13.3% in the production from SSP1 (i.e. from 72.30 million m3 (or 812 MLD) over an 89-day period to 81.90 million m3 (or 844 MLD), over a 97-day period. On the other hand, metered sales from the Langkawi operations saw a sharp decline of 10.5% to 3.71 million m3 from 4.13 million m3 achieved a year ago. However, despite the lower metered sales, revenue in the Langkawi operations was higher as compared to the corresponding quarter due to the following:-

(i) the reduction in the Bulk Sales Rate 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) ("BSR Reduction"); and

(ii) a one-time reduction of about RM0.95 million in the CPI rebate income (which forms part of the revenue of TLSB) ("CPI Rebate");

which were agreed to in Q4FY11, the impact of which, amounted to approximately RM4.1 million was accounted for in corresponding quarter.

The construction segment is reporting higher revenue of RM11.4 million as compared to RM5.1 million in the corresponding quarter, on account of increased construction activities in the Group's existing projects, namely the Mengkuang Dam Expansion Project which commenced in August 2011 and the SSP1 Pipeline Project, which commenced in February 2012 as well as the recognition of final variation orders of about RM3.3 million from a project that had been previously completed.

B1 – Analysis of Performance (continued)

As for the waste management segment, the significant increase in revenue from RM3.7 million to RM10.5 million was mainly attributable to the contribution from the Yinchuan TOT Project.

Profit

The Group recorded a higher profit before taxation ("PBT") of RM13.8 million as compared to a loss before taxation of RM1.5 million a year ago primarily due to the significant and exceptional items noted in the water treatment and distribution business mentioned above specifically relating to the fair value adjustments, the BSR Reduction and CPI Rebate. The segment recorded higher profits on the account of the non-occurrence of the exceptional items as well as lower operating costs in SSP1 arising from the application of special industrial tariff rate for electricity in SSP1. The reversal of impairment of receivables also contributed to the increase in PBT.

The better financial performance recorded in the other segments was attributable to the higher revenue contribution. Nevertheless, Group profits were dragged down by higher financing cost incurred from the Yinchuan TOT Project and the lower share of results in the jointly controlled entity.

The substantial drop in the share of results in the jointly controlled entity arose 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 43% i.e. to 135,626 vehicles per day compared to 238,839 vehicles per day recorded a year ago and expenses having to be incurred for demolition of the two toll plazas. Nevertheless, in spite of the reduced ADT, the profit of the jointly controlled entity was boosted by reduced tax charges and lower amortisation of its highway concession arising from the extension of the concession period as a result of the said closure.

Analysis of Q-o-Q Results

Revenue

Compared to the previous quarter, the Group revenue registered a decline of RM25.7 million i.e. to RM61.4 million from RM87.1 million largely due to the lower contribution from the construction activities.

At the operating level, revenue from the water treatment and distribution business recorded a marginal increase from RM39.6 million to RM40.3 million on account of higher metered production in SSP1 i.e. from 75.34 million m3 (or 819 MLD) over an 92-day period to 81.90 million m3 (or 844 MLD) over an 97-day period whilst there was a significant reduction in metered sales from the Langkawi operations by 11.7%.

The construction segment is reporting lower revenue of RM11.4 million as compared to RM37.9 million in the previous quarter, mainly on account of the lower percentage of completion recognised in the Mengkuang Dam Expansion Project i.e. 0.5% compared to 7.6%.

In the waste management business, generally all of the waste management plants in the China operations recorded decreases in production levels in the current quarter.

Profit

For the current quarter, the Group's PBT registered a marginal decline by RM1.9 million to RM13.8 million compared to RM15.8 million in the previous quarter. After stripping out the effects from the fair value adjustments, the quantum of decrease was much higher by RM3.4 million, to RM12.0 million compared to RM15.4 million in the previous quarter due to lower revenue contribution from the waste management and construction sectors.

At the operating level, profit contribution from the water treatment and distribution business (stripping out the impact from fair value adjustments and provision for doubtful debts) was at RM16.7 million compared to RM16.1 million in the previous quarter due to the higher metered production from SSP1.

B1 – Analysis of Performance (continued)

As for the Group's jointly controlled entity, despite the higher ADT by 2.3% to 135,626 vehicles per day, share of results was lower from higher expenses incurred on the Proposed RM750 million Issuance of Islamic Medium Term Notes (Sukuk Musharakah) under a Sukuk Programme (which was subsequently completed in January 2013) and fees associated with its business development activities to expand its toll business.

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 expects that the production from SSP1, which is the main contributor to the Group, will increase in 2013 given the uptrend in water demand and that the plant has recently completed an upgrading programme to expand its treatment capacity under the *"Projek Menaik Taraf Skim Sungai Selangor Fasa 1 Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya – Package 2: Construction and Completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir*" ("SSP1 Pipeline Project") which was undertaken by the Group.

However, the current uncertainties in the outcome of 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 continued 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 40% completed by the end of 2013 barring any unforeseen circumstances (based on actual percentage of completion of 11% as at end of the financial year). The Group is tendering for other construction projects to build up its existing order book.

In the waste management division, the Group is expected to progressively undertake the expansion and upgrading of the four wastewater treatment plants under the Yinchuan TOT Project in 2013 to 2015. The expansion/upgrading exercise will involve substantial funding, the final amount of which is yet to be ascertained and approved by the Board. Under the concession agreement, the basic tariff rate will be revised upwards upon completion of the expansion/upgrading. Until then, the project is expected to continue negatively impact the Group's performance due to significant financing and amortisation costs.

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

Included in the profit before tax are the following items:

	Current Quarter 3 Months Ended 31 Dec 2012 RM'000	Year-to-date 12 Months Ended 31 Dec 2012 RM'000
Revenue		
Provision for impairment on receivables	(875)	(17,829)
Other operating income:		
Interest income	333	702
Dividend from available-for-sale financial assets/ investments	240	504
Rental income	2	14
Unwinding of discount on receivables	335	2,201
Reversal of impairment on receivables	5,147	28,302
Unrealised foreign exchange gain	226	1,174

	Current Quarter 3 Months Ended 31 Dec 2012 RM'000	Year-to-date 12 Months Ended 31 Dec 2012 RM'000
Cost of operations, administrative and other expenses:		
Foreign exchange losses	(5)	(501)
Realised gain/(loss) on available for sale financial assets/ investments	4	(19)
Provision for doubtful debts on trade receivables	(1,656)	(1,656)
Depreciation and amortisation	(4,447)	(17,698)

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

B5 – Taxation

	Current Quarter 3 Months Ended 31 Dec 2012 RM'000	Year-to-date 12 Months Ended 31 Dec 2012 RM'000
Malaysian income tax:-		
- Current year tax	7,316	21,143
Foreign income tax	(12)	148
Overprovision of tax	(4,606)	(4,617)
Deferred tax expense	1,651	1,692
	4,349	**18,366**

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.

B6 – Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed as at end of the reporting year.

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←--------Short Term-------→			←----------Long Term---------→		
	Secured RM'000	**Unsecured** RM'000	**Total** RM'000	**Secured** RM'000	**Unsecured** RM'000	**Total** RM'000
Hire purchase	270	-	270	702	-	702
Government support loan	-	2,945	2,945	-	-	-
Bank borrowings	95,688	-	95,688	214,786	-	214,786
	95,958	2,945	98,903	215,488	-	215,488

(a) Included in bank borrowings, are loans secured by the Company and a subsidiary, to finance the acquisition of the Yinchuan TOT Project.

(b) The bank borrowings secured by the Company is repayable over four equal 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.

B7 – Group Borrowings and Debt Securities (continued)

(c) At the end of the financial year, the subsidiary has drawndown RMB526.5 million (RM258.4 million), out of which RMB150.0 million (RM73.6 million) was arranged by the financial institution to be obtained under a separate financing arrangement 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 and as such has been classified as short term borrowings.

B8 – Changes in Material Litigations

As at 20 February 2013 (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/year.

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2012	3 Months Ended 31 Dec 2011 (restated)	12 Months Ended 31 Dec 2012	12 Months Ended 31 Dec 2011 (restated)
Net profit/(loss) attributable to owners of the Company (RM'000)	9,873	(1,646)	42,436	35,884
Weighted average number of shares in issue ('000)	436,492	436,492	436,492	436,492
Basic EPS (sen)	2.26	(0.38)	9.72	8.22

(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/year. 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 above as the ESOS options are anti-dilutive.

B10 – Dividends

The Board is pleased to announce a final gross dividend of 1.5 sen per ordinary share, less income tax at 25% in respect of the financial year ended 31 December 2012, subject to approval of shareholders at the forthcoming Annual General Meeting.

B11 – Deposits, Bank and Cash Balances

As at the reporting date, foreign currencies equivalent to approximately RM9.8 million held in subsidiaries in the People's Republic of China are 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 the Listing Requirements of Bursa Securities

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 the Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Securities.

	Current Quarter Ended 31 Dec 2012 RM'000	Preceding Quarter Ended 30 Sept 2012 RM'000
Total retained earnings from the Company and its subsidiaries:		(restated)
- Realised profits	271,921	261,922
- Unrealised profits	8,972	10,531
	280,893	272,453
Total share of retained earnings from associate:		
- Realised profits	3,859	3,443
Total share of retained earnings from jointly controlled entities:		
- Realised profits	70,120	59,384
- Unrealised losses	(13,583)	(3,871)
Total Group's retained earnings as per consolidated accounts	341,289	331,409

B13 – Reclassification of Comparatives

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

	As previously stated RM'000	**Reclassification** RM'000	**Restated** RM'000
3 months ended 31 December 2011			
Cost of operations	27,750	1,743	29,493
Administrative and other expenses	19,806	(1,743)	18,063
12 months ended 31 December 2011			
Cost of operations	106,992	8,264	115,256
Administrative and other expenses	39,447	(8,264)	31,183

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

(b) Certain comparatives may differ from the unaudited consolidated results announced for the 4th quarter of 2011 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2011.

B14 – Change in Accounting Policy in a Jointly Controlled Entity

As a result of a change in the accounting policy in a jointly controlled entity as disclosed in Note A1(c), certain comparatives have been restated as follows:

	Balance as previously stated RM'000	Effects of Change in Accounting Policy RM'000	As restated RM'000
As at 31 December 2011			
Statements of financial position			
Non-current Assets			
Jointly controlled entities	79,310	22,907	102,217
Equity			
Retained earnings	277,537	22,907	300,444
Statements of Income for 12 months ended 31 Dec 2011			
Share of results of jointly controlled entities	15,300	3,323	18,623
Statements of Income for 3 months ended 31 Dec 2011			
Share of results of jointly controlled entities	7,560	347	7,907

B15 – Authorisation for Release

This Interim Financial Report for the current quarter and financial year ended 31 December 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
27 February 2013

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