

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Income Statements****For the financial period ended 30 April 2008***(The figures have not been audited)*

	Individual period		Cumulative period	
	Current year quarter 30/04/2008	Preceding year corresponding quarter 30/04/2007	Current year to-date 30/04/2008	Preceding year corresponding period 30/04/2007
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	50,881	22,910	50,881	22,910
Cost of sales	(43,186)	(14,622)	(43,186)	(14,622)
Gross profit	7,695	8,288	7,695	8,288
Other income	30,880	18,781	30,880	18,781
Administrative and other expenses	(12,710)	(13,998)	(12,710)	(13,998)
Loss on deconsolidation of a subsidiary	0	(982)	0	(982)
Finance costs	(13,457)	(14,065)	(13,457)	(14,065)
Share of results of jointly controlled entities	(411)	41	(411)	41
Profit/(loss) before tax	11,997	(1,935)	11,997	(1,935)
Income tax (expense)/credit	(2,747)	2,415	(2,747)	2,415
Profit for the year	9,250	480	9,250	480
Attributable to:				
Equity holders of the Company	5,154	1,096	5,154	1,096
Minority interest	4,096	(616)	4,096	(616)
	9,250	480	9,250	480
Profit per share attributable to equity holders of the Company:				
Basic (sen)	0.80	0.17	0.80	0.17
Diluted (sen)	0.80	0.17	0.80	0.17

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 January 2008.

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Balance Sheet
As at 30 April 2008**

	Unaudited as at end of current financial year 30/04/2008 RM'000	Audited as at preceding financial year end 31/01/2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	189,414	191,177
Land held for property development	1,129,801	1,129,501
Investment properties	84,507	84,516
Prepaid lease payments	10,952	11,126
Interest in jointly controlled entities	9,676	10,077
Other investment	76,332	76,332
Amount owing by associates	26,045	26,042
Amount owing by jointly controlled entities	-	5,874
Sinking funds held by trustees	9,801	9,801
Total non-current assets	1,536,528	1,544,446
Current assets		
Property development costs	1,176,292	1,181,547
Inventories	74,731	74,723
Current tax assets	2,191	2,343
Trade and other receivables	295,516	281,157
Cash and bank balances	20,068	22,281
Assets classified as held for sale	-	-
Total current assets	1,568,798	1,562,051
TOTAL ASSETS	3,105,326	3,106,497
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	643,015	643,015
Treasury shares	(844)	(844)
Reserves	(293,066)	(297,711)
Equity attributable to equity holders of the Company	349,105	344,460
Minority interest	5,879	1,783
Total equity	354,984	346,243
Non-current liabilities		
Borrowings	87,630	87,630
Other long term payables	75,638	75,541
Amount owing to jointly controlled entities	44,332	35,964
Deferred tax liabilities	3,959	3,959
	211,559	203,094
Current liabilities		
Provision for liabilities	97,011	97,014
Borrowings	728,736	729,831
Trade and other payables	1,083,290	1,103,099
Deferred progress billings	444,920	444,920
Current tax liabilities	184,826	182,296
Liabilities directly associated with assets classified as held for sale	0	-
	2,538,783	2,557,160
Total liabilities	2,750,342	2,760,254
TOTAL EQUITY AND LIABILITIES	3,105,326	3,106,497
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.56	0.55

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 January 2008.

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Statement of Changes in Equity****For the financial period ended 30 April 2008***(The figures have not been audited)*

	Share Capital RM'000	Treasury Shares RM'000	<----- Non-Distributable Reserve ----->			Distributable Reserve Accumulated Losses RM'000	Attributable to Equity Holders of the Company Total RM'000	Minority Interest RM'000	Total Equity RM'000
			Capital Reserve RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000				
At 1 February 2007	642,423	(844)	11,201	124,551	32,414	(481,529)	328,216	14,750	342,966
Foreign currency translation , representing net income recognised directly in equity	-	-	-	-	904	-	904	141	1,045
Profit for the period	-	-	-	-	-	1,096	1,096	(616)	480
Total recognised income and expenses for the period	-	-	-	-	904	1,096	2,000	(475)	1,525
At 30 April 2007	642,423	(844)	11,201	124,551	33,318	(480,433)	330,216	14,275	344,491
At 1 February 2008	643,015	(844)	11,201	124,551	26,346	(459,809)	344,460	1,783	346,243
Foreign currency translation	-	-	-	-	(509)	-	(509)	-	(509)
Profit for the period	-	-	-	-	-	5,154	5,154	4,096	9,250
Total recognised income and expenses for the period	-	-	-	-	(509)	5,154	4,645	4,096	8,741
At 30 April 2008	643,015	(844)	11,201	124,551	25,837	(454,655)	349,105	5,879	354,984

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2008.

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Condensed consolidated cash flow statement
For the financial period ended 30 April 2008

(The figures have not been audited)

	Current year to-date RM'000	Preceding year corresponding period RM'000
Net cash (used in)/generated from operating activities	(14,132)	6,239
Net cash generated from investing activities	13,524	3,179
Net cash (used in)/generated from financing activities	(2,784)	1,905
Net (decrease)/increase in cash and cash equivalents	<u>(3,392)</u>	<u>11,323</u>
Effects of exchange rate changes	(509)	1,045
Cash and cash equivalents at beginning of the financial period	14,769	4,098
Cash and cash equivalents at end of the financial period	<u>10,868</u>	<u>16,466</u>

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances	19,490	16,649
Deposits	579	11,078
	<u>20,069</u>	<u>27,727</u>
Bank overdrafts	(9,201)	(11,261)
	<u>10,868</u>	<u>16,466</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 January 2008.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 January 2008.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the latest audited annual financial statements.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2008.

A2. Seasonality or Cyclicity of Operations

The business operations of the Group are not affected by any material seasonal or cyclical factors.

A3. Unusual Items

There were no unusual items that have material effects on the assets, liabilities, equity, net income, or cash flows for the current financial period.

A4. Material Changes in Estimates

There was no change to estimate that have a material effect in the current financial period.

A5. Debt and Equity Securities

There were no issuance and repayment of debt and equity security, share buy-back, shares cancellation for the current financial period.

A6. Dividends

No dividends have been paid since the beginning of the current financial period.

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A7. Segment Information

	3 months ended 30 April 2008 RM'000	3 months ended 30 April 2007 RM'000
Segment Revenue		
Property Investment and Development	47,356	19,389
Hotel and Recreation	3,525	3,521
Total / External Revenue	<u>50,881</u>	<u>22,910</u>
Segment Results		
Property Investment and Development	14,586	534
Education	(35)	-
Hotel and Recreation	(2,554)	(2,469)
Profit / (Loss) before tax	<u>11,997</u>	<u>(1,935)</u>

A8. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the latest audited annual financial statements.

A9. Material Subsequent Events

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

A10. Changes in the Composition of The Group

There were no material changes in the composition of the Group for the current financial period.

A11. Contingent Liabilities

The Company has provided the following corporate guarantees:-

	RM'000
To financial institutions for	
- facilities granted to subsidiaries	<u>159,712</u>
To non-financial institutions for	
- facilities granted to subsidiaries	320,000
- purchase of land by subsidiaries	<u>201,634</u>

On 14 July 2003, a third party, Perspektif Perkasa Sdn. Bhd. ("PPSB") obtained Islamic financing in the form of a Murabahah Notes Issuance Facility for a total amount of RM188 million ("PPSB MuNIF"). The PPSB MuNIF was arranged by Abrar Discount Berhad ("ADB"), who also acted as the security agent. In connection with this matter, the Company entered into an option agreement with ADB whereby the Company irrevocably and unconditionally grants to ADB a right to require the Company at any time during the option period to acquire the entire issued and paid-up share capital of PPSB at an option price equivalent to the total outstanding PPSB MuNIF. As at 31 January 2008, the total outstanding PPSB MuNIF was approximately RM163 million (2007: RM163 million) and on 6 February 2008, PPSB has settled its full obligations and liabilities under the PPSB

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MuNIF. Therefore, the option granted by the Company shall automatically lapse and be of no further force. The management of the Group is of the opinion that it is unlikely that there would be any liability arising from this matter.

A12. Capital Commitments

The Company has a capital commitment of up to RM150 million pursuant to the Option Agreement entered on 10 January 2005 in relation to the Sukuk Al-Ijarah Issuance of RM150 million. As at 30 April 2008, the total outstanding is RM88,272,600.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

The Group's revenue increased by 122.09% to RM50.9 million from RM22.9 million as recorded in the corresponding quarter of the preceding year mainly due to the recognition of progress billings on the revival of certain development projects with the appointment of IJM Construction Sdn Bhd as the principal contractor.

The Group pre-tax profit increase from a loss of RM1.9 million in the corresponding quarter of the preceding year to RM11.9 million in the current quarter mainly due to recognition of compensation arising from government acquisition of land and reversal of finance cost over provided.

B2. Comparison with Preceding Quarter's Results

The Group recorded a pre-tax profit for the current quarter of RM11.9 million, an increase by 205.1% from a pre-tax profit of RM3.9 million in the immediate preceding quarter mainly due to recognition of compensation arising from government acquisition of land and reversal of finance cost over provided.

B3. Prospects

The Securities Commission ("SC") has vide its letter dated 29 April 2008, approved the Group's Regularisation Plan (as detailed in B8). The implementation of the Regularisation Plan will enable the Group to restructure its defaulted borrowings and address the accumulated losses of the Group thus significantly improved its capital structure and gearing position. This coupled with the appointment of IJM Construction Sdn Bhd as the principal contractor for construction works to development projects of the Group, is expected to enhance the income stream of the Group to further strengthen the Group's financial position.

Considering the recent developments in the Group and barring unforeseen circumstances arising from the recent price hike in fuel and construction materials, upon the completion of the Regularisation Plan and with the commencement of construction works undertaken by IJM Construction Sdn Bhd in all the projects of the Group, the Board is cautiously optimistic of the prospect of the Group for the current financial year.

B4. Profit Forecast and Guarantee

This note is not applicable.

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B5. Income Tax Expense

	Current Quarter ended 30 April 2008 RM '000	3 months Cumulative to 30 April 2008 RM '000
Current tax expense	2,731	2,731
Under provision of prior year tax expense	16	16
	<u>2,747</u>	<u>2,747</u>
Profit before taxation	<u>11,997</u>	<u>11,997</u>
Effective Tax Rate	<u>22.9%</u>	<u>22.9%</u>

The effective tax rate for the current quarter is lower than the statutory tax rate principally due to losses incurred by certain subsidiary companies.

B6. Disposal of Unquoted Investments and/or Properties

There is no sale of unquoted investments or properties during the quarter under review.

B7. Purchase or Disposal of Quoted Securities

There is no purchase or disposal of quoted investments during the quarter under review.

B8. Status of Corporate Proposals

The Company has on 29 April 2008 obtained approval from the Securities Commission ("SC"), the Proposed Revised Regularisation Plan based on the following terms:

- (i) proposed reduction in the share capital of the Company pursuant to Section 64(1)(b) of the Companies Act 1965 ("Act") involving the cancellation of RM0.40 of the par value of each existing ordinary share of RM1.00 each ("Proposed Capital Reduction");
- (ii) proposed reduction of Company's entire share premium account pursuant to Sections 60(2) and 64(1)(b) of the Act amounting to RM124,551,076.73 (based on the unaudited balance sheet of the Company as at 31 January 2007) and the credit arising therefrom to be set-off against the accumulated losses of the Company;
- (iii) proposed share split involving the subdivision of every 1 existing ordinary share of RM0.60 each in the Company after the Proposed Capital Reduction into 3 ordinary shares of RM0.20 each;
- (iv) proposed restructuring and settlement of debts due and owing to the lenders of the Group, which involves, inter-alia, the:
 - (a) proposed issuance of RM257,402,000 nominal value of zero dividend 5-year redeemable convertible preference shares ("RCPS") comprising 1,287,010,000 units of RCPS at RM0.20 each;

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- (b) proposed issuance of up to a total of RM356,250,581 nominal value of 4 classes of zero coupon 5-year redeemable convertible secured loan stocks ("RCSLS") i.e. RCSLS-A, RCSLS-B, RCSLS-C and RCSLS-D, at 100% of their nominal values. An additional RM2,000 nominal value of RCSLS will be issued for each of RCSLS-B, RCSLS-C and RCSLS-D to selected investors to facilitate the listing of RCSLS-B, RCSLS-C and RCSLS-D on the Main Board of Bursa Malaysia Securities Berhad; and
- (c) proposed issuance of up to RM134,213,337 nominal value of 10-year Al-Bai Bithaman Ajil Islamic Debt Securities ("Settlement BaIDS") at 100% of its nominal value; and
- (v) proposed assumption by the Company of the indebtedness from Ambang Sentosa Sdn Bhd in respect of the outstanding Asset-Backed Al-Bai Bithaman Ajil Islamic Debt Securities;

subject to, inter-alia, the following conditions:

- (i) nominees of IJM Corporation Berhad on the Board of Directors ("Board") of the Company to be appointed as Executive Directors of the Company;
- (ii) further equity condition may be imposed on the Company after reviewing its equity structure 3 years from the date of implementation of the proposed restructuring scheme. In this respect, RHB Investment Bank/the Company is required to submit the effective equity structure of the Company 3 years after the date of completion of the proposed restructuring scheme, together with the latest audited financial accounts of the Company;
- (iii) applications for approval or notification, where applicable, be made under the Foreign Investment Committee ("FIC") Guidelines on the "Acquisition of Properties by Local and Foreign Interests" for the transactions under the proposed divestment programme of the Group's assets to the FIC Secretariat;
- (iv) RHB Investment Bank and the Company to obtain the SC's prior approval should there be any changes to the terms and conditions of the RCSLS and Settlement BaIDS;
- (v) in relation to the non-investment grade rating assigned to the RCSLS and Settlement BaIDS, RHB Investment Bank and the Company are to ensure that the extent of credit risk be disclosed to the investors and/or potential investors and their advisers for the purpose of evaluating the risks relating to the RCSLS and Settlement BaIDS;
- (vi) RHB Investment Bank to fully disclose to all prospective investors and relevant parties the following conflict and potential conflict of interest:
 - (a) arising from the role undertaken by RHB Investment Bank in the Proposed Revised Regularisation Plan; and
 - (b) all other conflict and potential conflict of interest arising from the Proposed Revised Regularisation Plan;

together with relevant mitigating measures. RHB Investment Bank to also inform all prospective investors that the Board of the Company is fully informed of and aware

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of the conflict and potential conflict of interest situations and is agreeable to proceed with the present arrangement;

- (vii) RHB Investment Bank to ensure that the selling restriction imposed on the RCSLS-A and Settlement BaIDS are fully disclosed to all prospective investors and relevant parties, including making such information available on the Fully Automated System for Issuing/Tendering (FAST);
- (viii) Company shall obtain all necessary approvals from all relevant parties in relation to the proposed RCSLS and Settlement BaIDS issues and RHB Investment Bank is to submit a written confirmation on the same to the SC prior to the issue date of the RCSLS and Settlement BaIDS;
- (ix) RHB Investment Bank and the Company to disclose in writing to potential investors that each RCSLS and Settlement BaIDS issue will carry different risks and all potential investors are strongly encouraged to evaluate each RCSLS and Settlement BaIDS issue on its own merit;
- (x) RHB Investment Bank is required to remind all relevant parties including the Company of the need to observe and fully comply with all statutory requirements, in particular, those set out in Division 4 of Part VI of the Capital Markets & Services Act 2007;
- (xi) RHB Investment Bank and the Company must fully comply with the relevant requirements relating to the implementation of the proposals as stipulated in the Policies and Guidelines on Issue/Offer of Securities; and
- (xii) RHB Investment Bank and the Company to inform the SC upon completion of the Proposed Revised Regularisation Plan.

The SC had also vide the above said letter approved the Proposed Revised Regularisation Plan under the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests issued by the FIC.

B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 April 2008 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short term borrowings	703,266	25,470	728,736
Long term borrowings	87,066	564	87,630
	<u>790,332</u>	<u>26,034</u>	<u>816,366</u>
		Foreign	RM
Foreign currency borrowings included above:		Currency	Equivalent
		'000	'000
Chinese Renminbi		<u>81,034</u>	<u>36,660</u>

B10. Off Balance Sheet Risk Financial Instruments

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

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B11. Material Litigation

- a) Silver Concept Case.

On 28 March 2006, Kuala Lumpur High Court has granted a Restraining Order (“RO”) pursuant to Section 176 of the Companies Act, 1965 to Maxisegar.

The RO is valid for 90 days and effective from 28 March 2006 to facilitate the convening of creditors’ meeting concerning the implementation of a proposed debt restructuring scheme.

The Restraining Order is not expected to have material financial and operational impact on the Talam Group in view that:-

- a) The Restraining Order is to facilitate the finalization of Maxisegar’s proposed restructuring scheme; and
- b) Currently the operation of Talam Group is maintained at the level sufficient to meet the outstanding and urgent requirements of the Talam Group.

On 30 May 2006, the Kuala Lumpur High Court granted an extension to the RO for a period of 180 days effective from 27 June 2006 to 27 December 2006.

On 24 November 2006, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 27 December 2006 to 26 June 2007.

On 24 May 2007, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 27 June 2007 to 26 December 2007.

On 12 December 2007, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 26 December 2007 to 26 June 2008.

On 20 June 2008, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 26 June 2008 to 26 December 2008.

- b) The Inland Revenue Board (“IRB”) filed a Writ of Summons on 28 April 2005 against Ukay Land Sdn Bhd (“Ukay Land”) claiming RM23,800,567.01 being balance tax payable for the years 2001 and 2002.

Ukay Land’s solicitors filed the Statement of Defense on 1 July 2005.

IRB did not proceed with the case for more than a year thereafter. However, IRB served Ukay Land’s solicitors notice of intention to proceed with the suit pursuant to Order 3 Rule 6 of the Rules of High Court 1980 on 27 July 2006.

The IRB has applied for summary judgment and order in terms was granted by the Court on 13 March 2007 due to technicality issues. Ukay Land’s solicitors have since put in application to set aside the default judgment and a stay of execution on 16 April 2007. Case was fixed for mention on 27 December 2007 and now fixed for hearing on 30 June 2008 pending IRB to file in the affidavit in reply.

- c) IRB has filed a Writ of Summons on 13 April 2006 IRB has filed a Writ of Summons on 13 April 2006 against Expand Factor Sdn Bhd (“Expand Factor”)

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claiming RM10,186,178.16 being balance tax payable for the years 2001, 2002 and 2003. Expand Factor's solicitors have filed the Memorandum of Appearance and Statement of Defense. IRB has since applied for summary judgment and the Court has fixed mention date on 5 May 2008 for Expand Factor to file in the affidavit in reply. Next mention date will be on 30 June 2008 for IRB to reply our Affidavit In Reply.

- d) IRB has filed a Writ of Summons on 17 April 2006 against Lestari Puchong Sdn Bhd ("Lestari Puchong") claiming RM2,061,599.89 being balance tax payable for the year 2003. Lestari Puchong's solicitors have filed in the Memorandum of Appearance. The High Court on 29 August 2006 granted a winding up order against Lestari Puchong vide Companies Winding Up Petition No. D4-28-325-2006. A creditor of Lestari Puchong filed a stay against the Order. Lestari Puchong's solicitors will notify IRB that they need leave of Court to proceed with the matter pursuant to Section 226(3) of the Companies Act, 1965.
- e) IRB has filed a Writ of Summons on 23 February 2006 against Alam Johan Sdn Bhd ("Alam Johan") claiming RM96,660.82 being balance tax payable for the year 2003. Alam Johan's solicitors have filed the Memorandum of Appearance and Defense. IRB has since applied for summary judgment and the Court has fixed mention date on 26 November 2007. The Court has fixed further mention date on 5 May 2008 for Alam Johan to file in the affidavit in reply. Next mention date will be on 4 August 2008 for IRB to reply our Affidavit In Reply.

B12. Proposed dividend

No dividend has been declared for the current and preceding financial year to-date.

B13. Earnings Per Share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	Current Quarter ended 30 April 2008	3 months Cumulative to 30 April 2008
Profit attributable to equity holders of the Company (RM'000)	5,154	5,154
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	642,701	642,701
Basic earnings per share (sen)	0.80	0.80

b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of

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dilutive potential ordinary shares from conversion of 5% ICPS. The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares which would be issued on the conversion of the outstanding ICPS into ordinary shares. The ICPS are deemed to have been converted into ordinary shares at the date of issuance.

	Current Quarter ended 30 April 2008	3 months Cumulative to 30 April 2008
Profit attributable to equity holders of the Company (RM'000)	5,154	5,154
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	628,304	628,304
Adjustment for assumed conversion of ICPS ('000)	14,397	14,397
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	642,701	642,701
Diluted earnings per share (sen)	0.80	0.80

B14. Annual Audited Report

Refer to annexure attached.

B15. Authorization for Issue

The interim financial reports were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 25 June 2008.

By order of the Board

Ting Kok Keong
Company Secretary

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ANNEXURE TO ANNUAL AUDITED REPORT

B14. Annual Audited Report for the year ended 31 January 2008

There was no qualification on the annual audit report of the preceding financial year save for the auditors' report of certain subsidiaries for the preceding financial year as follows:

- 1) Audit emphasis of matters of certain subsidiaries:
 - (i) appropriateness of going concern basis of accounting is dependent on continued financial support given by the Company.
 - (ii) ability to meet obligation under the Sukuk al-Ijarah is dependent on the timely rental payments by its related companies and a third party.
- 2) Audit qualifications on certain subsidiaries based on the following reasons:
 - (i) was in a capital deficiency position.
 - (ii) prepared the financial statements under the going concern basis of accounting despite doubt as to their ability to operate as a going concern.
 - (iii) The auditors reported that they have not obtained sufficient evidence to satisfy themselves whether impairment losses on the investment in and amount due from subsidiaries and associates in the financial statements are appropriate.