

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Income Statements****For the financial period ended 31 July 2008***(The figures have not been audited)*

	Individual period		Cumulative period	
	Current year quarter 31/07/2008 RM'000	Preceding year corresponding quarter 31/07/2007 RM'000	Current year to-date 31/07/2008 RM'000	Preceding year corresponding period 31/07/2007 RM'000
Continuing Operations				
Revenue	56,201	59,825	107,082	82,735
Cost of sales	(46,228)	(50,927)	(89,414)	(65,549)
Gross profit	9,973	8,898	17,668	17,186
Other income	49,202	30,006	80,082	48,787
Administrative and other expenses	(15,796)	(18,647)	(28,506)	(32,645)
Loss on deconsolidation of a subsidiary	-	-	-	(982)
Finance costs	(15,219)	(19,054)	(28,676)	(33,119)
Share of results of jointly controlled entities	(1,535)	224	(1,946)	265
Profit/(loss) before tax	26,625	1,427	38,622	(508)
Income tax (expense)/credit	(11)	(236)	(2,758)	2,179
Profit for the year	26,614	1,191	35,864	1,671
Attributable to:				
Equity holders of the Company	26,628	1,085	31,782	2,181
Minority interest	(14)	106	4,082	(510)
	26,614	1,191	35,864	1,671
Profit per share attributable to equity holders of the Company:				
Basic (sen)	4.14	0.17	4.95	0.35
Diluted (sen)	4.14	0.17	4.95	0.34

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 31 July 2008**

	Unaudited as at end of current financial year 31/07/2008 RM'000	Audited as at preceding financial year end 31/01/2008 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	187,590	191,177
Land held for property development	1,133,485	1,129,501
Investment properties	84,498	84,516
Leasehold land	10,778	11,126
Interest in jointly controlled entities	8,141	10,077
Other investment	76,332	76,332
Amount owing by associates	26,173	26,042
Amount owing by jointly controlled entities	183	5,874
Sinking funds held by trustees	9,801	9,801
Total non-current assets	<u>1,536,981</u>	<u>1,544,446</u>
Current assets		
Property development costs	1,208,893	1,181,547
Inventories	73,314	74,723
Current tax assets	2,190	2,343
Trade and other receivables	298,270	281,157
Cash and bank balances	13,402	22,281
Total current assets	<u>1,596,069</u>	<u>1,562,051</u>
TOTAL ASSETS	<u><u>3,133,050</u></u>	<u><u>3,106,497</u></u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	643,015	643,015
Treasury shares	(844)	(844)
Reserves	<u>(273,474)</u>	<u>(297,711)</u>
Equity attributable to equity holders of the Company	368,697	344,460
Minority interest	<u>5,865</u>	<u>1,783</u>
Total equity	<u>374,562</u>	<u>346,243</u>
Non-current liabilities		
Borrowings	87,066	87,630
Other long term payables	76,988	75,541
Amount owing to jointly controlled entities	44,036	35,964
Deferred tax liabilities	3,959	3,959
	<u>212,049</u>	<u>203,094</u>
Current liabilities		
Provision for liabilities	96,973	97,014
Borrowings	707,784	729,831
Trade and other payables	1,111,936	1,103,099
Deferred progress billings	444,920	444,920
Current tax liabilities	184,826	182,296
	<u>2,546,439</u>	<u>2,557,160</u>
Total liabilities	<u>2,758,488</u>	<u>2,760,254</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,133,050</u></u>	<u><u>3,106,497</u></u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.59</u>	<u>0.55</u>

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 31 July 2008

(The figures have not been audited)

	<----- Non-Distributable Reserve ----->						Distributable Reserve Accumulated Losses	Attributable to Equity Holders of the Company Total	Minority Interest	Total Equity
	Share Capital	Treasury Shares	Capital Reserve	Share Premium	Foreign Exchange Reserve	Relating to Assets Held for Sale	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	(1,877)	-	-	(1,877)	257	(1,620)
Amount recognised directly in equity relating to assets classified as held for sale	-	-	-	-	(22,500)	22,500	-	-	-	-
Profit for the period	-	-	-	-	-	-	2,181	2,181	(510)	1,671
Total recognised income and expenses for the period	-	-	-	-	(24,377)	22,500	2,181	304	(253)	51
At 31 July 2007	642,423	(844)	11,201	124,551	8,037	22,500	(479,348)	328,520	14,497	343,017
At 1 February 2008	643,015	(844)	11,201	124,551	26,346	-	(459,809)	344,460	1,783	346,243
Foreign currency translation	-	-	-	-	(7,545)	-	-	(7,545)	-	(7,545)
Profit for the period	-	-	-	-	-	-	31,782	31,782	4,082	35,864
Total recognised income and expenses for the period	-	-	-	-	(7,545)	-	31,782	24,237	4,082	28,319
At 31 July 2008	643,015	(844)	11,201	124,551	18,801	-	(428,027)	368,697	5,865	374,562

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.

TALAM CORPORATION BERHAD (1120-H)

Condensed consolidated cash flow statement

For the financial period ended 31 July 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	41,192	1,102
Net cash generated from investing activities	(19,915)	17,758
Net cash (used in)/generated from financing activities	(22,530)	(7,246)
Net (decrease)/increase in cash and cash equivalents	<u>(1,253)</u>	<u>11,614</u>
Effects of exchange rate changes	(7,545)	(1,620)
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>5,971</u>	<u>14,092</u>

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

Cash and bank balances	13,068	16,980
Deposits	334	8,292
	<u>13,402</u>	<u>25,272</u>
Bank overdrafts	(7,431)	(11,189)
	<u>5,971</u>	<u>14,083</u>
Cash and bank balances classified as held for sale	-	9
	<u>5,971</u>	<u>14,092</u>

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

TALAM CORPORATION BERHAD (1120-H)
Interim financial report for the period ended 31 July 2008

(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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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

A7. Segment Information

	6 months ended 31 July 2008 RM'000	6 months ended 31 July 2007 RM'000
Segment Revenue		
Property Investment and Development	98,824	75,173
Hotel and Recreation	8,258	7,562
Total / External Revenue	<u>107,082</u>	<u>82,735</u>
Segment Results		
Property Investment and Development	43,151	4,385
Hotel and Recreation	(4,529)	(4,893)
Profit / (Loss) before tax	<u>38,622</u>	<u>(508)</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>159,782</u>
To non-financial institutions for	
- facilities granted to subsidiaries	320,000
- purchase of land by subsidiaries	<u>201,634</u>

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 31 July 2008, the total outstanding is RM88,272,600.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

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 decreased by 6.02% to RM56.2 million from RM59.8 million as recorded in the corresponding quarter of the preceding year mainly due to lower progress billing generated resulting in lower property development revenue reported.

The Group pre-tax profit increased from a profit of RM1.4 million in the corresponding quarter of the preceding year to RM26.6 million in the current quarter mainly due to 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 RM26.6 million, an increase by 123.5% from a pre-tax profit of RM11.9 million in the immediate preceding quarter mainly due to 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), which had also been approved by the shareholders via extraordinary general meeting ("EGM") held on 15 September 2008. 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 improve 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 development in the Group and the current economic situation prevailing in the Country and the World, the Board is uncertain of the Prospects of the Group for the second half of the current financial year.

B4. Profit Forecast and Guarantee

This note is not applicable.

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(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B5. Income Tax Expense

	Current Quarter ended 31 July 2008 RM '000	6 months Cumulative to 31 July 2008 RM '000
Current tax expense	0	2,731
Under provision of prior year tax expense	11	27
	<u>11</u>	<u>2,758</u>
Profit before taxation	<u>26,625</u>	<u>38,622</u>
Effective Tax Rate	<u>0.04%</u>	<u>7.14%</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 SC had vide their letter dated 29 April 2008, approved the Proposed Regularisation Plan. Please refer to announcement made on 2 May 2008 for the complete details.

On 22 August 2008, circulars to shareholders were despatched to the Company's shareholders for their approval in respect of the following: -

- 1) Proposed Regularisation Plan;
- 2) Proposed increase in authorised share capital ("Proposed Increase");
- 3) Proposed amendments to the Memorandum and Articles of Association ("Proposed Amendments"); and
- 4) Proposed shareholders' approval and ratification for the provision of financial assistance in the form of proportionate corporate guarantee by Talam Corporation Berhad attributable to the principal sum amounting to RM68.0 million pursuant to the credit facilities granted to Cekap Tropikal Sdn. Bhd., a 49.99% - associated company of Talam ("Proposed Ratification").

The Company's shareholders have via the EGMs held on 15 September 2008, approved the Proposed Regularisation Plan, Proposed Increase, Proposed Amendments and Proposed Ratification.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 July 2008 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short term borrowings	684,470	23,314	707,784
Long term borrowings	87,066	0	87,066
	<u>771,536</u>	<u>23,314</u>	<u>794,850</u>
		Foreign	RM
Foreign currency borrowings included above:		Currency	Equivalent
		'000	'000
Chinese Renminbi		<u>78,674</u>	<u>37,661</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.

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.

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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.

The hearing of the application by Ukay land to reinstate its application to set aside the default judgment has been heard on 18 August 2008 and has been dismissed. Ukay Land will appeal against the dismissal.

- c) IRB has filed a Writ of Summons on 13 April 2006 against Expand Factor Sdn Bhd (“Expand Factor”) 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 28 October 2008 for hearing.
- 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 further mention date on 24 October 2008 for Alam Johan to file in supplementary affidavit in reply.

B12. Proposed dividend

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

TALAM CORPORATION BERHAD (1120-H)
Interim financial report for the period ended 31 July 2008

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

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 31 July 2008	6 months Cumulative to 31 July 2008
Profit attributable to equity holders of the Company (RM'000)	26,628	31,782
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	642,701	642,701
Basic earnings per share (sen)	4.14	4.95

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 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 31 July 2008	6 months Cumulative to 31 July 2008
Profit attributable to equity holders of the Company (RM'000)	26,628	31,782
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)	4.14	4.95

B14. Annual Audited Report

Refer to annexure attached.

TALAM CORPORATION BERHAD (1120-H)
Interim financial report for the period ended 31 July 2008

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

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 22 September 2008.

By order of the Board

Ting Kok Keong
Company Secretary

TALAM CORPORATION BERHAD (1120-H)
Interim financial report for the period ended 31 July 2008

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

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) 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.