

**Interim Financial Report On Consolidated Results for the Financial Quarter Ended 31
December 2004 (Unaudited)**

PART A – EXPLANATORY NOTES PURSUANT TO MASB 26

A1 – Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial statements should be read in conjunction with the audited financial statements of the Company and its subsidiary companies (“Group”) for the year ended 31 December 2003. 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 financial year ended 31 December 2003.

The accounting policies and methods of computation adopted in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2003 except for the following:-

(a) *Concession Rights*

Concession Rights arise from the consideration paid for the acquisition of a right to undertake a concession.

Concession Rights are included in the balance sheet as intangible assets. The capitalised amount is amortised using the straight line method over the remaining life of the concession term.

At each balance sheet date, the Group assess whether there is any indication of impairment. If such indications exist, the carrying amount of the Concession Right is assessed and written down immediately to its recoverable amount.

A2 – Auditors’ Reports

The auditors’ report on the financial statements of the Company and its subsidiary companies for the financial year ended 31 December 2003 was not subject to any qualification.

A3 – Comments about the Seasonal or Cyclicity of Interim Operations

There are no significant seasonal or cyclical factors affecting operations of the Group.

A4 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year-to-date except arising from matters elaborated in Note B1 of Part B below.



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A5 – Accounting Estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have had a material effect in the current interim period.

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

For the current financial year:-

- (a) There were no issuance or repayment of equity or debt securities by the Company; and
- (b) The Company had not engaged in any share buyback scheme or implemented any share cancellations. The Company does not have any shares held as treasury shares.

A7 – Dividends Paid

A first interim gross dividend of 4.5 sen per share, less income tax of 28%, amounting to RM5,705,640; in respect of the financial year ended 31 December 2004, was paid on 30 July 2004.

A8 – Segmental Reporting

Segmental information is presented in respect of the Group's business segments, which are the Group's primary basis of segmental reporting.

- (a) *Revenue*

	31 December 2004	
	Current Quarter RM'000	Cumulative Quarters RM'000
Water business	31,957	131,251
Investment holding	1,029	1,029
Construction	7,692	39,252
Waste management	-	-
	40,678	171,532



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

	31 December 2004	
	Current Quarter RM'000	Cumulative Quarters RM'000
Water business	(5,564)	36,651
Investment holding	448	(684)
Construction	427	1,848
Waste management	(399)	(566)
Operating profit	(5,088)	37,249
Finance cost	(306)	(505)
Share of results of associated companies	158	2,540
Profit before tax	(5,236)	39,284

An analysis of secondary reporting by geographical location has not been presented as the Group's activities are primarily in Malaysia.

A9 – Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A10 – 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 for the interim period.

A11 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current interim period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing of operations except for:-

- (a) Tianjin-SWM (M) Environment Ltd., Co, a joint venture company (“the JVC”) established in the People’s Republic of China between SWM Technologies (Malaysia) Sdn. Bhd. and Tianjin City Appearance and Sanitation Construction Development Co. Ltd with a joint venture ratio of 90:10. The JVC is to undertake, operate and manage the Tianjin Panlou Life Waste Transfer Station in the City of Tianjin, People’s Republic of China.

A12 – Changes in Contingent Liabilities or Contingent Assets

There were no material changes to the contingent liabilities or contingent assets since the last annual balance sheet date.



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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (AS REVISED)

B1 – Review of Performance

The Group's revenue of RM171.5 million for the year ended 31 December 2004 was approximately RM36.8 million (or 27%) higher compared to the corresponding period due mainly to higher progress billings from the construction contract and additional revenue generated from the increase of the Bulk Sale Rate ("BSR") pursuant to a Supplemental Agreement dated 1 August 2004 between a wholly-owned subsidiary, Taliworks (Langkawi) Sdn Bhd, and the Government of the State of Kedah Darul Aman.

However, the Group's profit before taxation for the year ended 31 December 2004 of RM39.3 million was approximately RM13.1 million (or 25%) lower than the corresponding period. This decrease was mainly due to:-

- (a) impairment loss of RM1.03 million in the investment in an associated company, which had ceased operations (as further elaborated in Note B3 below); and
- (b) an allowance for doubtful debts of RM16.3 million made by a wholly-owned subsidiary, Sungai Harmoni Sdn Bhd ("Sungai Harmoni"). This allowance, being the Group's best estimates, was made arising from a proposed scheme of debt settlement with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH"), which is expected to be concluded with the execution of a supplemental agreement with SPLASH subsequent to the financial year end.

In December 2004, the water supply services in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya were privatised to Syarikat Bekalan Air Selangor Sdn Bhd ('SYABAS'). Subsequently, SPLASH entered into various agreements with SYABAS and/or the State of Selangor whereby the issue of long outstanding receivables was dealt with. Arising therefrom, the Group is currently in discussions with SPLASH to address the issue of the outstanding receivables in Sungai Harmoni. Details of the scheme of debt settlement embodied in the supplemental agreement to be executed with SPLASH will be announced once the parties have concluded their discussions.

With the privatisation of the water supply services, the issue of long outstanding receivables owing to the Group will be addressed. Under the proposed scheme of debt settlement, the Group is required to give certain reductions to its receivables, thus requiring a provision for doubtful debts to be made. Nevertheless, with the conclusion of the proposed scheme of debt settlement with the execution of the supplemental agreement with SPLASH, the Group's cash flow position will improve significantly.

Based on the proposed scheme of debt settlement, the Group has accordingly reclassified certain portion of the trade receivables as long term.



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B2 – Comparison with Preceding Quarter’s Results

Group revenue for the current quarter of RM40.7 million was RM6.1 million (or 13%) lower than the revenue of RM46.8 million for the preceding quarter due mainly to lower progress billings from the construction contract in the current quarter.

The Group reported a loss before taxation for the current quarter of RM5.2 million, a decrease of RM18.8 million over the group profit before taxation of RM13.6 million reported in the preceding quarter due to the reason stated in Note B1 above.

B3 – Current Year Prospects

With the conclusion of the proposed scheme of debt settlement with SPLASH, the cash flow position of the Group will improve significantly.

Profit contribution from an associated company, C.G.E.Utilities (M) Sdn Bhd (“CGEU”), will cease effective 1 January 2005. This is pursuant to a deed of settlement wherein CGEU and its principal have mutually agreed to bring forward the expiry date of the CGEU’s Operation and Maintenance Sub-Contract Agreement to 31 December 2004 subject to payment of compensation. Further details are contained in the Company’s announcement dated 29 October 2003.

Barring unforeseen circumstances, the Board expects that the performance of the Group for the financial year 2005 to be satisfactory.

B4 – Profit Forecast

Not applicable as no profit forecast was published.

B5 - Taxation

	31 December 2004	
	Current Quarter RM’000	Cumulative Quarters RM’000
Malaysian income tax:-		
Current tax:		
- Current year	(1,156)	10,732
- Under/(over) accrual in prior years	(133)	1,079
	(1,289)	11,811
Deferred taxation:		
- Original and reversal of temporary differences	82	82
	(1,207)	11,893

The average tax rate for the current financial year to date is higher than the statutory tax rate due to certain expenses not deductible for tax purposes.

B6 – Profits on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments for the current quarter and financial year-to-date.

There was a sale of properties during the financial year as the Company disposed a right of way of its long leasehold land to a third party in March 2004 which realised a gain amounting to RM85,000.



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B7 – Purchase or Disposal of Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and financial year.
- (b) There were no investments in quoted shares as at end of the reporting period.

B8 – Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed as of the date of this report except for the following proposals:-

- (a) proposed private placement of new shares representing up to 10% of the issued and paid-up capital of the Company;
- (b) proposed share split of one (1) existing ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each;
- (c) proposed rights issue of warrants;
- (d) proposed employees' share option scheme for eligible employees and directors of the Company and its subsidiary companies; and
- (e) proposed amendment to the Memorandum and Articles of Association of the Company to facilitate the proposed share split.

The details of the above proposals are separately announced by the Company on 24 February 2005.

B9 – Group Borrowings and Debt Securities

Group borrowings as the end of the reporting period, which are all secured, were:-

	RM'000
Short term	<u>27,443</u>
Long term	<u>11,847</u>

The above include an offshore borrowing denominated in a foreign currency as follows:-

	US Dollars '000
Short term	1,937.5
Long term	<u>3,062.5</u>
	<u>5,000.0</u>

B10- Off Balance Sheet Financial Instruments

There were no contracts on financial instruments with off balance sheet risk as at the date of this report.



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B11- Material Litigations

There were no pending material litigations against the Company or its subsidiary companies as at the date of this report.

B12- Dividends

A first interim gross dividend of 4.5 sen per share, less income tax of 28%, amounting to RM5,705,640; in respect of the financial year ended 31 December 2004, was paid on 30 July 2004.

The Board of Directors is recommending a final gross dividend of 6.0 sen per share, less income tax of 28%, amounting to RM7,607,520; for the current financial year to be approved by shareholders of the Company at the Annual General Meeting to be convened.

If the proposed final dividend has been approved by the shareholders, the total gross dividend declared for the financial year would be 10.5 sen per share, less income tax of 28%. (2003: 3.8 sen per share, less income tax of 28%)

B13- Earnings Per Share

(a) *Basic earnings per share*

The basic earnings per share of the Group was calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue of 176,100,000.

(b) *Diluted earnings per share*

Not applicable.

By Order of the Board
Nuruluyun Binti Abdul Jabar
Company Secretary (MIA 9113)
24 February 2005

