

Interim Financial Report On Consolidated Results for the Financial Quarter Ended
31 March 2005 (Unaudited)

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: FINANCIAL INTERIM REPORTING

A1 – Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS134: Interim Financial Reporting (formerly known as MASB 26) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

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 2004. 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 2004.

The accounting policies and methods of computation adopted in this interim financial statement are consistent with those adopted in the most recent audited financial statements.

A2 – Auditors’ Reports

The auditors’ report on the financial statements of the Company and its subsidiary companies for the most recent audited financial statements 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 for the current quarter and financial year-to-date.

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.



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A7 – Dividends Paid

No dividends were paid in the current quarter and financial year-to-date.

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*

	<u>Current Quarter</u> <u>Ended</u> <u>31 March 2005</u> <u>RM'000</u> <u>(unaudited)</u>
Water business	32,320
Construction	14,400
Waste management	1,388
	<hr/> 48,108 <hr/>

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

	<u>Current Quarter</u> <u>Ended</u> <u>31 March 2005</u> <u>RM'000</u> <u>(unaudited)</u>
Water business	14,086
Investment holding	(316)
Construction	671
Waste management	241
Operating profit	14,682
Finance cost	(269)
Share of results of associated companies	(151)
Profit before tax	14,262 <hr/>

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.



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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.

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.

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

B1 – Review of Performance

	<u>Current</u> <u>Quarter</u> <u>Ended</u> <u>31 March 2005</u> <u>(unaudited)</u>	<u>Corresponding</u> <u>Quarter</u> <u>Ended</u> <u>31 March 2004</u> <u>(unaudited)</u>
Revenue	48,108	43,503
Profit before taxation	14,262	13,156

The Group's revenue for the current quarter was approximately RM4.6 million (or 11%) higher compared to the corresponding period due to higher progress billings from the construction contract, scheduled increase in Bulk Sale Rate ("BSR") from RM1.50/m³ to RM1.70/m³ for Taliworks (Langkawi) Sdn Bhd commencing 2005, as well as a maiden contribution from the waste management business in 2005. Correspondingly, the Group's profit before taxation increased by approximately RM1.1 million or was 8% higher.

For Sungai Harmoni Sdn Bhd, average daily metered output for the current quarter was 858.1 MLD, which is marginally higher than the 847.2 MLD recorded in the corresponding period. For Taliworks Langkawi Sdn Bhd, the metered supply of treated water was at an average of 40.4 MLD, which is an increase of 15% over the corresponding period of 35.1 MLD.

B2 – Comparison with Preceding Quarter's Results

	<u>Current</u> <u>Quarter</u> <u>Ended</u> <u>31 March 2005</u> <u>(unaudited)</u>	<u>Previous</u> <u>Quarter</u> <u>Ended</u> <u>31 December</u> <u>2004</u> <u>(unaudited)</u>
Revenue	48,108	40,678
Profit / (Loss) before taxation	14,262	(5,236)



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Group revenue for the current quarter was RM7.4 million (or 18%) higher than the preceding quarter due mainly to higher progress billings from the construction contract in the current quarter (i.e. higher by RM6.7 million).

The Group profit before taxation increased by RM19.5 million over the preceding quarter due primarily to an allowance of doubtful debts on outstanding trade debts of a subsidiary company provided for in the preceding quarter. The nature of this allowance has been explained in the previous interim report.

For Sungai Harmoni Sdn Bhd, average daily metered output for the current quarter was 858.1 MLD, which is marginally higher than the 855.0 MLD recorded in the previous quarter. For Taliworks Langkawi Sdn Bhd, the metered supply of treated water was at an average of 40.4 MLD, which is an increase of 19% over the previous quarter of 34.0 MLD

B3 – Current Year Prospects

Barring unforeseen circumstances, the Board expects the Group to achieve a better performance for the current financial year compared to the previous financial year, with stable earnings from the water and waste management business.

B4 – Profit Forecast

Not applicable as no profit forecast was published.

B5 - Taxation

	<u>Current Quarter</u> <u>Ended</u> <u>31 March 2005</u> <u>RM'000</u> <u>(unaudited)</u>
Malaysian income tax:-	
Current tax:	
- Current year	3,972
- Under/(over) accrual in prior years	2
	<hr/> 3,981
Deferred taxation:	
- Original and reversal of temporary differences	-
	<hr/> <hr/> 3,981

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

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

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.



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B8 – Status of Corporate Proposals Announced But Not Completed

(i) Status of Corporate Proposals

The following corporate proposals were announced by the Company on 24 February 2005 and on 31 March 2005:-

- (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 ("ESOS"); and
- (e) proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the proposed share split and the granting of options to non-executive directors of the Company pursuant to the proposed ESOS.

The approval from the Securities Commission ("SC") for the proposed private placement was obtained on 28 April 2005. The Board intends to apply the authority granted to it by the shareholders of the Company pursuant to Section 132D of the Companies Act, 1965 at the Company's Annual General Meeting ("AGM") convened on 17 June 2004 to issue the placement shares. If such approval lapses before the completion of the proposed private placement, the Board will seek the approval of the shareholders to approve such authority under the said Section 132D at the forthcoming AGM of the Company on 28 June 2005. The approval-in-principle from Bursa Malaysia for the listing of the placement shares was obtained on 25 May 2005.

The approval-in-principle from Bursa Malaysia for the proposed share split and listing of such number of new ordinary shares that may be issued under the proposed ESOS was obtained on 3 May 2005.

The SC has on 5 May 2005 approved the proposed share split and proposed rights issue of warrants subject to certain conditions.

The above corporate proposals, save for the proposed private placement, are pending approval being obtained from the shareholders of the Company at the forthcoming Extraordinary General Meeting ("EGM").

(ii) Status of Proposed Utilisation of Proceeds

The Company has yet to receive any proceeds from the proposed private placement and proposed rights issue of warrants.



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B9 – Group Borrowings and Debt Securities

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

	<u>RM'000</u>
Short term	<u>6,153</u>
Long term	<u>11,848</u>

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

	<u>US Dollars</u> <u>'000</u>
Short term	437.5
Long term	<u>3,062.5</u>
	<u>3,500.0</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.

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

No dividend has been recommended for the current financial quarter under review.

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)
26 May 2005

