



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

**Interim Financial Report On Consolidated Results for the Financial Quarter Ended**  
**30 June 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 and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

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**

A final dividend of 6.0 sen per share less income tax at 28% amounting to RM7,607,520 in respect of the financial year ended 31 December 2004 was paid on 29 July 2005.

**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*

	<b>Current Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Current Quarter Ended 30 June 2004 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2004 RM'000 (unaudited)</b>
Water business	32,679	36,986	64,999	67,325
Construction	24,768	3,564	39,168	16,728
Waste management	1,543	-	2,931	-
	<b>58,990</b>	<b>40,550</b>	<b>107,098</b>	<b>84,053</b>

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

	<b>Current Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Current Quarter Ended 30 June 2004 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2004 RM'000 (unaudited)</b>
Water business	13,405	17,962	27,491	29,523
Construction	1,154	161	1,825	754
Waste management	425	(118)	666	(118)
Investment holding	(412)	(486)	(728)	(734)
<b>Operating profit</b>	<b>14,572</b>	<b>17,519</b>	<b>29,254</b>	<b>29,425</b>
Finance cost	(227)	(21)	(496)	(25)
Share of results of associated companies	(172)	249	(323)	1,503
<b>Profit before tax</b>	<b>14,173</b>	<b>17,747</b>	<b>28,435</b>	<b>30,903</b>

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





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**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 except for the share capital of the Company which has been changed from RM176,100,000 comprising 176,100,000 ordinary shares of RM1.00 each (“Existing Shares”) to RM176,100,000 comprising 352,200,000 new ordinary shares of RM0.50 each (“Sub-divided Shares”) arising from a share split of 1 ordinary share of RM1.00 each into 2 new ordinary shares of RM0.50 each. The Sub-divided Shares were listed in place of the Existing Shares subsequent to the interim period.

The NTA, earnings and the proposed interim dividend per share reflected in the interim period were based on the Existing Shares. However, rate of the proposed interim dividend will be adjusted accordingly and be payable based on the Sub-divided Shares.

**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.





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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 (Comparison with Corresponding Quarter’s Results)**

	<b>Current Quarter Ended 30 June 2005 RM’000 (unaudited)</b>	<b>Corresponding Quarter Ended 30 June 2004 RM’000 (unaudited)</b>
Revenue	58,990	40,550
Profit before taxation	14,173	17,747
Profit after taxation	10,140	12,390

*The review of performance should be read in conjunction with the segmental information in Note A8.*

**Revenue**

Compared to the corresponding period, revenue was mainly higher due to construction activities. However, contribution from the water business was lower than the corresponding period due to additional revenue generated from the increase of the Bulk Sale Rate (“BSR”) pursuant to a Supplemental Agreement dated 1 August 2004 between Taliworks (Langkawi) Sdn Bhd (“Taliworks Langkawi”) and the Government of Kedah to revise the BSR for the years 2002 to 2020. The additional revenue generated from 1 January 2003 up to the quarter ended 30 June 2004 was taken up in the corresponding quarter.

In terms of output, Sungai Harmoni Sdn Bhd (“Sungai Harmoni”) recorded an average daily metered output of 878.5 MLD, which is an increase of 4.1% over that recorded in the corresponding period whilst for Taliworks Langkawi, the metered supply of treated water was at an average of 36.8 MLD, which is an increase of 5.1% over the corresponding period.

**Profit before Taxation**

Compared with the corresponding quarter, Group profit before taxation was lower by approximately RM3.6 million due mainly from the additional profits recognised in the corresponding period arising from the revision in BSR in Taliworks Langkawi mentioned above.





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**B2 – Review of Performance (Comparison with Preceding Quarter’s Results)**

	<b>Current Quarter Ended 30 June 2005  RM’000 (unaudited)</b>	<b>Previous Quarter Ended 31 March 2005  RM’000 (unaudited)</b>
Water business	32,679	32,320
Construction	24,768	14,400
Waste management	1,543	1,388
	<b>58,990</b>	<b>48,108</b>

	<b>Current Quarter Ended 30 June 2005  RM’000 (unaudited)</b>	<b>Previous Quarter Ended 31 March 2005  RM’000 (unaudited)</b>
Water business	13,405	14,086
Construction	1,154	671
Waste management	425	241
Investment holding	(412)	(316)
<b>Operating profit</b>	<b>14,572</b>	<b>14,682</b>
Finance cost	(227)	(269)
Share of results of associated companies	(172)	(151)
<b>Profit before tax</b>	<b>14,173</b>	<b>14,262</b>

Revenue

Group revenue for the current quarter of RM59.0 million was RM10.9 million (or 23%) higher than the preceding quarter due mainly to higher progress billings from construction activities in the current quarter.

Profit before Taxation

Compared to the previous quarter, Group profit before taxation was marginally lower at RM14.2 million compared to RM14.3 million.

For Sungai Harmoni, average daily metered output was 878.5 MLD, which is an increase of 2.4% over that recorded in the previous quarter. For Taliworks Langkawi, the metered supply of treated water was at an average of 36.8 MLD, which is a decrease of 9.0% over the previous quarter of 40.4 MLD.





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**B3 – Current Year Prospects**

Barring unforeseen circumstances and notwithstanding the lower profit recorded for the six months ended 30 June 2005 compared to the corresponding period, 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.

In the previous financial year, the Group provided approximately RM16.3 million in allowance for doubtful debts in the accounts of Sungai Harmoni arising from a proposed scheme of debt settlement (“Scheme”) with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”). The Scheme was concluded with the execution of a supplemental agreement with SPLASH as announced by the Company on 3 August 2005. This exceptional item will not recur in the current financial year.

**B4 – Profit Forecast**

Not applicable as no profit forecast was published.

**B5 - Taxation**

	<b>Current Quarter Ended 30 June 2005</b>	<b>Cumulative Quarter Ended 30 June 2005</b>
	<b>RM'000 (unaudited)</b>	<b>RM'000 (unaudited)</b>
Malaysian income tax:-		
Current tax:		
- Current year	4,033	8,012
- Under accrual in prior years	-	2
	4,033	8,014

The effective tax rate of the Group is higher than the statutory tax rate of 28% due mainly to certain expenses not allowed as tax deductions.

**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) private placement of new shares representing up to 10% of the issued and paid-up capital of the Company;
- (b) share split of one (1) existing ordinary share of RM1.00 each into two (2) new ordinary shares of RM0.50 each;
- (c) rights issue of warrants;
- (d) employees' share option scheme ("ESOS"); and
- (e) 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.

All the relevant approvals for the proposals have been obtained. Save for (b) and (e) above which have been completed, the other proposals are currently being implemented.

*(ii) Status of Proposed Utilisation of Proceeds*

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

**B9 – Group Borrowings and Debt Securities**

Group borrowings as the end of the reporting period are all secured. Included in the borrowings is an offshore borrowing denominated in a foreign currency as follows:-

	<b><u>US Dollars</u></b> <b><u>'000</u></b>
Short term - payable with one year	875
Long term	2,625
	<u>3,500</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**

The Board is pleased to declare a first interim dividend of 3.0 sen per share (**as adjusted for the share split mentioned in Note A10**) less income tax at 28% based on the Sub-divided Shares of 352,200,000 ordinary shares of RM0.50 each, amounting to RM7,607,520 in respect of the current financial year ending 31 December 2005, be payable on 14 October 2005 to depositors who are registered in the Record of Depositors at the close of business on 16 September 2005.

A depositor shall qualify for entitlement to the dividends only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 September 2005 in respect of transfers; and
- b) Shares bought on the Bursa Securities on cum entitlement basis according to the Rules of Bursa Securities.

**B13- Earnings Per Share**

(a) *Basic earnings per share*

The basic earnings per share was calculated by dividing the net profit attributable to shareholders by the weighted average number of Existing Shares in issue of 176,100,000 ordinary shares of RM1.00 each as at 30 June 2005.

(b) *Diluted earnings per share*

Not applicable.







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(c) *Proforma basic earnings per share*

In accordance with paragraph 46 of IFS 133 (formerly MASB 13 – Earnings Per Share), the proforma basic EPS are disclosed as follows:-

	<b>Current Quarter Ended 30 June 2005 sen (unaudited)</b>	<b>Current Quarter Ended 30 June 2004 sen (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 sen (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2004 sen (unaudited)</b>
Basic EPS based on Existing Shares of 176,100,000 ordinary shares of RM1.00 each	5.7	7.0	11.6	12.3
Proforma EPS based on Sub-divided Shares of 352,200,000 ordinary shares of RM0.50 each	2.9	3.5	5.8	6.2

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

