



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 SEPTEMBER 2005 (UNAUDITED)**

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>NOTE</u>	3 MONTHS ENDED		9 MONTHS ENDED	
		30 SEPT		30 SEPT	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Revenue	A8	47,058	46,801	154,156	130,854
Operating expenses		(34,547)	(34,349)	(113,558)	(89,657)
Other operating income		776	460	1,943	1,140
Profit from operations		13,287	12,912	42,541	42,337
Finance cost		(251)	(174)	(747)	(199)
Share of results of associated companies		(138)	879	(461)	2,382
Profit before tax	A8	12,898	13,617	41,333	44,520
Taxation	B5	(3,551)	(3,891)	(11,565)	(13,100)
Profit after tax		9,347	9,726	29,768	31,420
Minority interest		(60)	-	(103)	-
Net profit attributable to shareholders		9,287	9,726	29,665	31,420
EPS - Basic	B13	2.64	2.76	8.42	8.92
- Diluted		2.57	n/a	8.22	n/a

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>NOTE</u>	30 SEPT 2005 RM'000 (UNAUDITED)	31 DEC 2004 RM'000 (AUDITED)
NON CURRENT ASSETS			
Property, plant and equipment		13,033	13,290
Intangible asset		17,768	18,125
Associated companies		26,496	44,839
Deferred tax assets		25	25
Long term receivables		65,744	65,744
		123,066	142,023
CURRENT ASSETS			
Inventories		952	939
Trade receivables		104,264	161,237
Other receivables, deposits and prepayments		7,886	2,362
Tax recoverable		-	2,097
Deposits, bank and cash balances		111,265	56,134
		224,367	222,769
CURRENT LIABILITIES			
Borrowings	B9	3,465	27,442
Trade payables		48,971	63,912
Other payables and accruals		15,121	22,195
Taxation		1,793	409
Proposed Dividends	A7	7,608	-
		76,958	113,958
NET CURRENT ASSETS			
		147,409	108,811
LESS: NON CURRENT LIABILITY			
Borrowings	B9	(10,186)	(11,848)
		260,289	238,986
CAPITAL AND RESERVES			
Share capital		176,100	176,100
Revaluation and other reserves		(64,759)	(71,509)
Retained earnings		147,962	133,512
Shareholders' equity		259,303	238,103
Minority interest		986	883
		260,289	238,986
Net tangible assets per share (RM)			
		0.63	0.58

Note :

The comparative for the NTA per share as at 31 December 2004 has been adjusted for the Share Split.

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	9 MONTHS ENDED	
	30 SEPT 2005 RM'000 (UNAUDITED)	30 SEPT 2004 RM'000 (UNAUDITED)
Cash Flows from operating activities		
Net profit attributable to shareholders	29,665	31,420
Adjustments for non-cash flow:		
Non-cash items	20,522	16,823
Interest income	(1,595)	(601)
Interest expense	747	199
Operating profit before working capital changes	49,339	47,841
Changes in working capital:		
Net change in current assets	58,051	(46,611)
Net change in current liabilities	(22,015)	16,592
Net cash inflow from operations	85,375	17,822
Interest paid	(747)	(199)
Taxation paid	(14,889)	(10,601)
Net cash inflow from operating activities	69,739	7,022
Cash Flows from investing activities		
Proceeds from disposal of property, plant & equipment	274	166
Purchase of property, plant & equipment	(991)	(606)
Payment for concession rights	(14)	-
Interest received	1,595	601
Dividend received	17,774	-
Net cash inflow from investing activities	18,638	161
Cash Flows from financing activities		
Increase/ (decrease) in deposit balances pledged as security	11,253	(19,267)
Repayment of bank borrowings	(25,769)	(60)
Proceeds from bank borrowings	130	20,000
Dividend paid	(7,607)	(5,706)
Net cash (outflow)/inflow from financing activities	(21,993)	(5,033)
Net change in cash and cash equivalents	66,384	2,150
Cash and cash equivalents at 1 January	25,354	16,198
Cash and cash equivalents at 30 September	91,738	18,348
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with licensed banks	105,598	39,110
Bank and cash balances	5,667	6,248
	111,265	45,358
Less: Deposits pledged as security	(19,527)	(27,010)
	91,738	18,348

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued and fully paid ordinary shares of RM1.00 each/ RM0.50 each		<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u>
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation and other reserves RM'000	Retained earnings RM'000	RM'000
At 1 Jan 2004	176,100	176,100	-	(71,494)	111,437	216,043
Currency translation differences				(1)		(1)
Net profit for the period					31,420	31,420
Dividends					(5,706)	(5,706)
At 30 Sept 2004	176,100	176,100	-	(71,495)	137,151	241,756
At 1 Jan 2005	176,100	176,100	-	(71,509)	133,512	238,103
Adjusted for Share Split	176,100					
Currency translation differences				135		135
Net profit for the period					29,665	29,665
Proceeds from Rights Issue of Warrants				7,044		7,044
Less : Estimated expenses for Rights Issue of Warrants				(429)		(429)
Final dividends - FY 2004					(7,607)	(7,607)
First interim dividend - FY 2005					(7,608)	(7,608)
At 30 Sept 2005	352,200	176,100	-	(64,759)	147,962	259,303

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to these interim financial statements.

**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 except for the issuance of 70,440,000 warrants 2005/2010 on 22 September 2005 pursuant to a rights issue of warrants on the basis of one (1) warrant for every five (5) ordinary shares of RM0.50 each (“Rights Issue of Warrants”) held after the split of every one (1) ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each (“Share Split”); 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

The following dividends were paid during the financial year:-

- (a) a final dividend of 6.0 sen per share on 176,100,000 ordinary shares of RM1.00 each, less income tax at 28% amounting to RM7,607,520 in respect of the financial year ended 31 December 2004, paid on 29 July 2005; and
- (b) a first interim dividend of 3.0 sen per share on 352,200,000 ordinary shares of RM0.50 each, less income tax at 28% amounting to RM7,607,520 in respect of the financial year ending 31 December 2005, paid on 14 October 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

	Current Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Current Quarter Ended 30 Sept 2004 RM'000 (unaudited)	Cumulative Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Cumulative Quarter Ended 30 Sept 2004 RM'000 (unaudited)
Water business	33,239	31,969	98,238	99,294
Construction	12,228	14,832	51,396	31,560
Waste management	1,591	-	4,522	-
	47,058	46,801	154,156	130,854

(b) Profit/(Loss) Before Tax

	Current Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Current Quarter Ended 30 Sept 2004 RM'000 (unaudited)	Cumulative Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Cumulative Quarter Ended 30 Sept 2004 RM'000 (unaudited)
Water business	12,362	12,692	39,853	42,215
Construction	569	667	2,394	1,421
Waste management	448	(49)	1,114	(167)
Investment holding and others	(92)	(398)	(820)	(1,132)
Operating profit	13,287	12,912	42,541	42,337
Finance cost	(251)	(174)	(747)	(199)
Share of results of associated companies	(138)	879	(461)	2,382
Profit before tax	12,898	13,617	41,333	44,520

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 except for the granting of 5,460,000 options to eligible directors and employees on 3 October 2005 pursuant to the Taliworks Employee Share Option Scheme at an exercise price of RM1.31 per share, determined in accordance with the ESOS by-laws.

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 the incorporation of a wholly owned subsidiary, Taliworks (Shanghai) Co Ltd, in the People's Republic of China on 24 July 2005.

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 except for the discharge of a corporate guarantee of RM20 million granted by the Company for banking facilities of one of the subsidiaries.

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

B1 – Review of Performance (Comparison with Corresponding Quarter’s Results)

	Current Quarter Ended 30 Sept 2005 RM’000 (unaudited)	Corresponding Quarter Ended 30 Sept 2004 RM’000 (unaudited)
Revenue	47,058	46,801
Profit before taxation	12,898	13,617
Profit after taxation and minority interests	9,287	9,726

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

Revenue

Compared to the corresponding period, revenue was only marginally higher.

In terms of output, Sungai Harmoni Sdn Bhd (“Sungai Harmoni”) recorded an average daily metered output of 880.78 MLD, which is an increase of 0.5% over that recorded in the corresponding period of 876.48 MLD. Whereas for Taliworks Langkawi, the metered supply of treated water was at an average of 35.68 MLD, which is an increase of 7.5% over the corresponding period of 33.20 MLD.

During the year, the Group commenced the operations of a waste management business in Tianjin, China. The waste management contributed about RM1.6 million for the quarter and about RM4.5 million for the nine (9) months.

Profit before Taxation

Compared with the corresponding quarter, Group profit before taxation was lower by approximately RM0.7 million mainly due to the non contribution from one of the associates, C.G.E. Utilities (M) Sdn Bhd commencing 2005.

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

	Current Quarter Ended 30 Sept 2005 RM’000 (unaudited)	Previous Quarter Ended 30 June 2005 RM’000 (unaudited)
Water business	33,239	32,679
Construction	12,228	24,768
Waste management	1,591	1,543
	47,058	58,990

	Current Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Previous Quarter Ended 30 June 2005 RM'000 (unaudited)
Water business	12,362	13,405
Construction	569	1,154
Waste management	448	425
Investment holding and others	(92)	(412)
Operating profit	13,287	14,572
Finance cost	(251)	(227)
Share of results of associated companies	(138)	(172)
Profit before tax	12,898	14,173

Revenue

Group revenue for the current quarter of RM47.1 million was RM11.9 million (or 20%) lower than the preceding quarter due mainly to lower progress billings from construction activities in the current quarter.

For Sungai Harmoni, the average daily metered output of 880.78 MLD was marginally higher than the 878.52 MLD recorded in the previous quarter. For Taliworks Langkawi, the metered supply of treated water was at an average of 35.68 MLD, which is marginally lower than the previous quarter of 36.35 MLD.

Profit before Taxation

Compared to the previous quarter, Group profit before taxation was lower by RM1.3 million (or 9%) to RM12.9 million mainly due to higher rehabilitation costs incurred in the water business and arising from the lower progress billings.

B3 – Current Year Prospects

Barring unforeseen circumstances and notwithstanding the lower profit recorded for the nine months ended 30 Sept 2005 compared to the corresponding period in Note A8(b), 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 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

	Current Quarter Ended 30 Sept 2005 RM'000 (unaudited)	Cumulative Quarter Ended 30 Sept 2005 RM'000 (unaudited)
Malaysian income tax:-		
Current tax:		
- Current year	3,551	11,563
- Under accrual in prior years		2
	3,551	11,565

The effective tax rate of the Group is slightly lower than the statutory tax rate of 28% due to the profit contribution from the waste management business which is exempted from local tax. However, the lower tax rate was offset by certain expenses not allowed as tax deductions and losses incurred by certain subsidiaries.

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.

B8 – Status of Corporate Proposals Announced But Not Completed*(i) Status of Corporate Proposals*

Save for the following, there are no other proposals announced but not completed:-

- (a) a private placement of up to 10% of the issued and paid-up capital announced on 24 February 2005. On 25 October 2005, the Company announced that the Securities Commission has approved the extension of time of six (6) months to 27 April 2006 to implement the private placement; and
- (b) a proposed disposal of two (2) pieces of contiguous leasehold lands with buildings by the Company for a total cash consideration of RM14,000,000 announced on 8 September 2005.

(ii) *Status of Proposed Utilisation of Proceeds*

The utilisation of proceeds raised from Rights Issue of Warrants was as follows:-

	Proposed Utilisation as announced on 9 May 2005 (RM'000)	Actual Proceeds Received (RM,000)	Amount Utilised as at 30 September 2005 (RM'000)
Payment to sub-contractors in respect of the Central Kedah project (the contract involves the design and construction of water supply works to the northern region of the Central Kedah Water Supply Scheme	5,000	5,000	-
Payments to suppliers of chemical products to the Group for operating and maintenance of various water treatment plants	2,048	1,344	-
Estimated expenses for the corporate exercise	700	700	429
TOTAL	7,748	7,044	429

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:-

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

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.

The Board is pleased to inform that the Company will adopt a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the next three years commencing from the financial year 2006 subject to availability of distributable reserves and tax credits to frank the dividends. Details of the dividend policy are being announced separately.

B13- Earnings Per Share (“EPS”)

	Current Quarter Ended 30 Sept 2005 (unaudited)	Current Quarter Ended 30 Sept 2004 (unaudited)	Cumulative Quarter Ended 30 Sept 2005 (unaudited)	Cumulative Quarter Ended 30 Sept 2004 (unaudited)
(a) Basic Earnings per share				
Net Profit (RM'000)	9,287	9,726	29,665	31,420
Weighted average number of shares in issue ('000)	352,200	352,200	352,200	352,200
Basic EPS (sen)	2.64	2.76	8.42	8.92
(a) Diluted Earnings per share				
Net Profit (RM'000)	9,287	-	29,665	-
Adjusted weighted average number of shares in issue ('000)	360,994	-	360,994	-
Diluted EPS (sen)	2.57	n/a	8.22	n/a

Note:

The comparatives for the basic EPS have been adjusted for the Share Split.

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