



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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005 (UNAUDITED)

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This Report has been authorised for public release on 24 February 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

	<u>NOTE</u>	3 MONTHS ENDED		12 MONTHS ENDED	
		31 DEC		31 DEC	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
		(UNAUDITED)	(AUDITED)	(UNAUDITED)	(AUDITED)
Revenue	A8	41,979	40,678	196,135	171,532
Operating expenses		(34,745)	(46,499)	(148,303)	(136,156)
Other operating income		9,308	560	11,251	1,700
Profit from operations		16,542	(5,261)	59,083	37,076
Finance cost		(44)	(306)	(791)	(505)
Share of results of associated companies		112	456	(349)	2,838
Profit before tax	A8	16,610	(5,111)	57,943	39,409
Taxation	B5	(2,523)	1,438	(14,088)	(11,662)
Profit after tax		14,087	(3,673)	43,855	27,747
Minority interest		116	34	13	34
Net profit attributable to shareholders		14,203	(3,639)	43,868	27,781
EPS - Basic	B13	4.03	(1.03)	12.45	7.89
- Diluted		3.96	n/a	12.22	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>	31 DEC 2005 RM'000 (UNAUDITED)	31 DEC 2004 RM'000 (AUDITED)
NON CURRENT ASSETS		
Property, plant and equipment	5,754	13,290
Intangible asset	17,665	18,125
Associated companies	26,304	44,839
Deferred tax assets	8	25
Long term receivables	64,174	65,744
	113,905	142,023
CURRENT ASSETS		
Inventories	959	939
Trade receivables	108,656	161,237
Other receivables, deposits and prepayments	1,270	2,362
Tax recoverable	723	2,097
Deposits, bank and cash balances	116,698	56,134
	228,306	222,769
CURRENT LIABILITIES		
Borrowings	3,405	27,442
Trade payables	42,784	63,912
Other payables and accruals	10,322	22,195
Taxation	2,670	409
	59,181	113,958
NET CURRENT ASSETS	169,125	108,811
LESS: NON CURRENT LIABILITIES		
Deferred tax liability	(15)	-
Borrowings	(8,558)	(11,848)
	274,457	238,986
CAPITAL AND RESERVES		
Share capital	176,131	176,100
Revaluation and other reserves	(64,734)	(71,509)
Retained earnings	162,171	133,512
Shareholders' equity	273,568	238,103
Minority interest	889	883
	274,457	238,986
Net Assets per share (RM)	0.7791	0.6786

Note :

The comparative for the Net Assets 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

	12 MONTHS ENDED	
	31 DEC 2005 RM'000 (UNAUDITED)	31 DEC 2004 RM'000 (AUDITED)
OPERATING ACTIVITIES		
Net profit attributable to shareholders	43,868	27,781
Adjustments for non-cash flow:		
Non-cash items	16,874	10,215
Interest income	(2,782)	(856)
Interest expense	791	505
Operating profit before working capital changes	58,751	37,645
Changes in working capital:		
Net change in current assets	55,582	(35,264)
Net change in current liabilities	(32,992)	24,405
Net cash inflow from operations	81,341	26,786
Interest paid	(800)	(505)
Taxation paid	(16,922)	(14,136)
Net cash inflow from operating activities	63,619	12,145
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	14,311	184
Purchase of property, plant & equipment	(1,635)	(1,262)
Payment for concession rights	(14)	(18,294)
Interest received	2,423	856
Dividend received	17,774	5,350
Net cash inflow from investing activities	32,859	(13,166)
FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	82	-
Proceeds from right issue of warrants, net of expenses	6,546	-
Decrease in deposit balances pledged as security	(2,406)	(23,037)
Repayment of bank borrowings	(27,457)	(80)
Drawdown of borrowings	130	39,000
Dividend paid	(15,215)	(5,706)
Net cash (outflow)/inflow from financing activities	(38,320)	10,177
Net change in cash and cash equivalents	58,158	9,156
Cash and cash equivalents at 1 January	25,354	16,198
Cash and cash equivalents at 31 December	83,512	25,354
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with licensed banks	105,240	41,880
Bank and cash balances	11,458	14,254
	116,698	56,134
Less: Deposits pledged as security	(33,186)	(30,780)
	83,512	25,354

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		Non-distributable		Distributable	Total
	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				(15)		(15)
Net profit for the period					27,781	27,781
Dividends					(5,706)	(5,706)
At 31 Dec 2004	176,100	176,100		(71,509)	133,512	238,103
At 1 Jan 2005	176,100	176,100		(71,509)	133,512	238,103
Adjusted for Share Split	176,100					
Issuance of ordinary shares on exercise of ESOS	60	30	49			79
Issuance of ordinary shares on exercise of warrants	3	1	2			3
Transfer upon disposal of property, plant and equipment				(6)	6	
Currency translation differences				184		184
Net profit for the period					43,868	43,868
Proceeds from Rights Issue of Warrants, net of expenses				6,546		6,546
Final dividends - FY 2004					(7,607)	(7,607)
First interim dividend - FY 2005					(7,608)	(7,608)
At 31 Dec 2005	352,263	176,131	51	(64,785)	162,171	273,568

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 items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial year-to-date except for:-

- (a) the gain of approximately RM6.5 million arising from the disposal of certain properties of the Company, details of which are further elaborated in Note B6 below; and
- (b) the repayment of approximately RM97.1 million arising from a scheme of debt settlement with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”) which significantly reduced the trade receivables and increased the operating cashflow of the Group.

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, there was no issuance or repayment of equity or debt securities by the Company except for the issuance of:-

- (i) 70,440,000 warrants 2005/2010 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
- (ii) 63,000 new ordinary shares of RM0.50 each arising from the exercise of 60,000 ESOS options and 3,000 warrants.

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 (*or 3.0 sen per share on 352,200,000 ordinary shares of RM0.50 each adjusted for the Share Split*), 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 31 Dec 2005 RM’000 (unaudited)	Current Quarter Ended 31 Dec 2004 RM’000 (audited)	Cumulative Quarter Ended 31 Dec 2005 RM’000 (unaudited)	Cumulative Quarter Ended 31 Dec 2004 RM’000 (audited)
Water business	28,307	31,957	126,545	131,251
Construction	11,712	7,692	63,108	39,252
Waste management	1,960	-	6,482	-
Investment holding and others	-	1,029	-	1,029
	41,979	40,678	196,135	171,532



(b) Profit/(Loss) Before Tax

	Current Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Current Quarter Ended 31 Dec 2004 RM'000 (audited)	Cumulative Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Cumulative Quarter Ended 31 Dec 2004 RM'000 (audited)
Water business	9,386	(5,567)	49,239	36,648
Construction	528	427	2,922	1,848
Waste management	269	(519)	1,383	(686)
Investment holding and others	6,359	398	5,539	(734)
Operating profit	16,542	(5,261)	59,083	37,076
Finance cost	(44)	(306)	(791)	(505)
Share of results of associated companies	112	456	(349)	2,838
Profit before tax	16,610	(5,111)	57,943	39,409

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.

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 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

	Current Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Current Quarter Ended 31 Dec 2004 RM'000 (audited)	Cumulative Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Cumulative Quarter Ended 31 Dec 2004 RM'000 (audited)
Revenue	41,979	40,678	196,135	171,532
Profit before taxation	16,610	(5,111)	57,943	39,409
Profit after taxation and minority interests	14,203	(3,639)	43,868	27,781

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

Revenue

Group revenue rose from RM171.5 million to RM196.1 million on the back of higher contribution from construction activities.

Sungai Harmoni Sdn Bhd (“Sungai Harmoni”) recorded a lower production of 308.88 million m3 compared to 313.19 million m3 in the 2004. The lower production year-on-year was partly attributed to a 10.1% drop in the production in the current quarter due to re-adjustment of the water supply during a maintenance operation undertaken by the company. For Taliworks Langkawi, the metered supply of treated water was at 12.58 million m3, an 11.0% increase from the previous year’s 11.33 million m3. For the current quarter, the metered supply of treated water of 3.22 million m3 was 3.0% higher than the corresponding quarter.

In respect of construction activities, the Group recorded higher progress billings to complete the construction of water supply works under the Central Kedah Project which is scheduled for completion in early 2006.

During the year, the Group commenced operations of a waste management business in Tianjin, China. Waste management contributed about RM6.5 million for the whole year.

There was a decrease in management fee income from an associated company, C.G.E. Utilities (M) Sdn Bhd (“CGEU”), which had ceased operations on 1 January 2005.



Profit before Taxation

The Group profit before taxation was higher at RM57.9 million compared to RM39.4 million recorded in the previous year. This was mainly due to the following:-

- (a) in the previous year, the Group made an allowance for doubtful debts of RM16.3 million arising from a scheme of debt settlement with SPLASH, which was subsequently concluded with the execution of a supplemental agreement with SPLASH in August 2005;
- (b) the contribution from the waste management business in Tianjin, China which commenced operations in January 2005; and
- (c) the gain of approximately RM6.5 million arising from the disposal of certain properties of the Company, details of which are further elaborated in Note B6 below.

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

(a) *Revenue*

	Current Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Previous Quarter Ended 30 Sept 2005 RM'000 (unaudited)
Water business	28,307	33,239
Construction	11,712	12,228
Waste management	1,960	1,591
	41,979	47,058

Group revenue for the current quarter decreased by RM4.9 million or 11.7% mainly due to the re-adjustment in the water supply referred to Note B1 above. Sungai Harmoni recorded a drop in production from 81.0 million to 70.68 million m³ (or 12.8%) in whereas for Taliworks Langkawi, metered supply of treated water was only a marginal decline of 1.8%.

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

	Current Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Previous Quarter Ended 30 Sept 2005 RM'000 (unaudited)
Water business	9,386	12,362
Construction	528	569
Waste management	269	448
Investment holding and others	6,359	(92)
Operating profit	16,542	13,287
Finance cost	(44)	(251)
Share of results of associated companies	112	(138)
Profit before tax	16,610	12,898



Compared to the previous quarter, Group profit before taxation increased to RM16.6 million, a favourable variance of RM3.7 million. This was largely due to the profit from disposal of certain properties of the Company. However, the gain was substantially offset by the lower contribution from Sungai Harmoni.

B3 – Current Year Prospects

With the near completion of the construction activities under the Central Kedah Project, the Group turnover will decrease in 2006. However, the Group is actively looking into securing some waste and water related projects, both locally and abroad during the year. In the water sector, the Group aims to maintain its current level of production to cater for the growth in consumer demand whilst continuing to institute measures to contain cost and improve operational efficiency.

B4 – Profit Forecast

Not applicable as no profit forecast was published.

B5 - Taxation

	Current Quarter Ended 31 Dec 2005 RM'000 (unaudited)	Cumulative Quarter Ended 31 Dec 2005 RM'000 (unaudited)
Malaysian income tax:-		
Current tax:		
- Current year	3,621	15,184
- Over provision in prior years	(1,098)	(1,096)
	2,523	14,088

The effective tax rate of the Group was lower than the statutory tax rate of 28% mainly due to the profit contribution from the waste management business which is exempted from local tax, the capital gains from the disposal of properties referred to in Note B6 below and the overprovision of taxation in prior years in one of the subsidiary companies. However, the lower tax rate was offset by certain expenses not allowed as tax deductions and losses incurred by certain subsidiaries and associated companies which were not available to be set-off against taxable profits in other companies within the Group.

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 except for the disposal of the following properties of the Company for a total cash consideration of RM14.0 million, which was completed on 29 December 2005:-

- (i) HS(D) 62387, Lot 8228, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan with an area of 10,445 sq. meters together with a double storey detached factory erected thereon; and
- (ii) HS(D) 381, PT 28156, Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan with an area of 3,342 sq. meters together with a single storey detached factory erected thereon.



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

There were no proposals announced but not completed except for the 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.

(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 31 December 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	4,977
Payments to suppliers of chemical products to the Group for operating and maintenance of various water treatment plants	2,048	1,344	1,344
Estimated expenses for the corporate exercise	700	700	476
TOTAL	7,748	7,044	6,697

B9 – Group Borrowings and Debt Securities

Group borrowings as the end of the reporting period are all secured. Included in the borrowings was 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	2,188
	<hr/>
	3,063



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

Second Interim Dividend

The Board is pleased to declare a second interim dividend of 2.0 sen per share, less income tax at 28%, amounting to RM5,072,573 in respect of the current financial year ending 31 December 2005, be payable on 21 April 2006 to depositors who are registered in the Record of Depositors at the close of business on 10 April 2006.

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 10 April 2006 in respect of transfers; and
- b) Shares bought on the Bursa Securities on cum entitlement basis according to the Rules of Bursa Securities.

Proposed Final Dividend

The Board of Directors is also pleased to recommend a final gross dividend of 3.0 sen per share, less income tax of 28%, amounting to RM7,608,881 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 is approved by the shareholders, the total gross dividend declared for the financial year would be 8.0 sen per share, less income tax of 28%. (2004: 5.25 sen per share, less income tax of 28%)

General Dividend Policy

During the year, the Company adopted a general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the three years commencing from the financial year 2006 subject to availability of distributable reserves and tax credits to frank the dividends.

The proposed dividend payments for each financial year will generally be paid in three tranches comprising two interim dividends in the 2nd and 4th quarters and a final dividend.



B13- Earnings Per Share (“EPS”)

	Current Quarter Ended 31 Dec 2005 (unaudited)	Current Quarter Ended 31 Dec 2004 (audited)	Cumulative Quarter Ended 31 Dec 2005 (unaudited)	Cumulative Quarter Ended 31 Dec 2004 (audited)
(a) Basic Earnings per share				
Net Profit (RM'000)	14,203	(3,639)	43,868	27,781
Weighted average number of shares in issue ('000)	352,262	352,200	352,262	352,200
Basic EPS (sen)	4.03	(1.03)	12.45	7.89
(a) Diluted Earnings per share				
Net Profit (RM'000)	14,203	-	43,868	-
Adjusted weighted average number of shares in issue ('000)	359,073	-	359,073	-
Diluted EPS (sen)	3.96	n/a	12.22	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)
24 February 2006

For more information on **TALIWORKS CORPORATION BERHAD**, shareholders and the general public can access the Company's website at <http://www.taliworks.com.my>. The Company also participates in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Copies of independent research reports on the Company can be downloaded from <http://www.bursamalaysia.com>

