



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006 (UNAUDITED)**

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**This Report has been authorised for public release on 29 August 2006**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	NOTE	<u>3 MONTHS ENDED</u>		<u>6 MONTHS ENDED</u>	
		<u>30 JUNE</u>		<u>30 JUNE</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>UNAUDITED</u>	<u>UNAUDITED</u>	<u>UNAUDITED</u>	<u>UNAUDITED</u>
<b>Revenue</b>	A8	<b>34,554</b>	<b>58,990</b>	<b>72,989</b>	<b>107,098</b>
Operating expenses		(22,728)	(45,213)	(46,479)	(79,011)
Other operating income		725	795	1,241	1,167
		12,551	14,572	27,751	29,254
Finance cost		(153)	(227)	(306)	(496)
Share of results of associated companies		4,577	(172)	4,622	(323)
<b>Profit before tax</b>	A8	<b>16,975</b>	<b>14,173</b>	<b>32,067</b>	<b>28,435</b>
Taxation	B5	(3,452)	(4,033)	(7,725)	(8,014)
<b>Profit after tax</b>		<b>13,523</b>	<b>10,140</b>	<b>24,342</b>	<b>20,421</b>
Attributable to:					
Equity holders of the parent		13,547	10,106	24,366	20,378
Minority interest		(24)	34	(24)	43
		<b>13,523</b>	<b>10,140</b>	<b>24,342</b>	<b>20,421</b>
<b>EPS</b>					
- Basic (sen)	B13	<b>3.73</b>	<b>2.87</b>	<b>6.81</b>	<b>5.79</b>
- Diluted (sen)		<b>3.59</b>	<b>n/a</b>	<b>6.56</b>	<b>n/a</b>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to these interim financial statements.



**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>NOTE</u>	<u>30 JUNE 2006</u> <u>RM'000</u> <u>UNAUDITED</u>	<u>31 DEC 2005</u> <u>RM'000</u> <u>AUDITED</u> <u>(RESTATED)</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	A1 (ii) (f)	5,267	5,278
Investment properties	A1(ii) (f)	470	476
Concession rights		16,913	17,665
Associated companies		30,791	26,191
Deferred tax assets		8	8
Long term receivables		64,174	64,174
Deposits, bank and cash balances	A1 (ii) (f)	25,073	26,721
		<b>142,696</b>	<b>140,513</b>
<b>CURRENT ASSETS</b>			
Inventories		1,007	927
Trade and other receivables		108,736	109,758
Amount due from an associated company		-	200
Tax recoverable		-	723
Short-term investments	A1 (i)	37,583	-
Deposits, bank and cash balances	A1 (ii)(f)	73,560	89,977
		<b>220,886</b>	<b>201,585</b>
<b>CURRENT LIABILITIES</b>			
Borrowings (secured and interest bearing)	B9	3,263	3,405
Trade and other payables		32,641	53,140
Taxation		4,001	2,323
Proposed dividends		7,978	-
		<b>47,883</b>	<b>58,868</b>
<b>NET CURRENT ASSETS</b>		<b>173,003</b>	<b>142,717</b>
<b>LESS: NON-CURRENT LIABILITIES</b>			
Deferred tax liability		15	15
Borrowings (secured and interest bearing)	B9	6,655	8,558
		<b>309,029</b>	<b>274,657</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		184,739	176,131
Share premium		14,675	51
Warrant reserves		6,547	6,547
Currency translation reserve		15	168
Merger deficit		(71,500)	(71,500)
Retained earnings		173,686	162,371
<b>Shareholders' equity</b>		<b>308,162</b>	<b>273,768</b>
Minority interest		867	889
<b>Total equity</b>		<b>309,029</b>	<b>274,657</b>
Net assets per share (RM)		<b>0.8364</b>	<b>0.7797</b>

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to these interim financial statements.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	<u>6 MONTHS ENDED</u>	
	<u>30 JUNE 2006</u>	<u>30 JUNE 2005</u>
	<u>RM'000</u> <u>UNAUDITED</u>	<u>RM'000</u> <u>UNAUDITED</u>
<b>OPERATING ACTIVITIES</b>		
Net profit attributable to equity holders of the Company	24,366	20,378
Adjustments for:		
Non-cash items	4,613	12,142
Interest income	(1,104)	(997)
Interest expense	306	496
Operating profit before working capital changes	28,181	32,019
Changes in working capital:		
Net change in current assets	855	2,889
Net change in current liabilities	(20,464)	(7,612)
Net cash inflow from operations	8,572	27,296
Interest paid	(307)	(496)
Taxation paid	(6,059)	(9,186)
Net cash inflow from operating activities	2,206	17,614
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant & equipment	15	25
Purchase of property, plant & equipment	(618)	(642)
Payment for concession rights	-	(14)
Interest received	1,391	492
Dividend received	-	6,750
Placement of short-term investments	(37,583)	-
Net cash (outflow)/inflow from investing activities	(36,795)	6,611
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of ESOS options and private placement	23,232	-
Decrease in deposit balances pledged as security	2,044	17,159
Repayment of borrowings	(1,635)	(25,745)
Proceeds from borrowings	0	130
Dividends paid	(5,073)	0
Net cash inflow/(outflow) from financing activities	18,568	(8,456)
Net change in cash and cash equivalents	(16,021)	15,769
Cash and cash equivalents at beginning of financial period	83,512	25,354
Cash and cash equivalents at end of financial period	<b>67,491</b>	<b>41,123</b>
Deposits with licensed banks	91,335	50,192
Bank and cash balances	7,298	4,552
Total deposits, bank and cash balances (current and non-current)	98,633	54,744
Less: Deposits pledged as security	(31,142)	(13,621)
	<b>67,491</b>	<b>41,123</b>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 RM0.50 each

Non-distributable    Distributable

	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>	<u>Share Premium RM'000</u>	<u>Revaluation reserve RM'000</u>	<u>Warrant reserve RM'000</u>	<u>Currency translation reserve RM'000</u>	<u>Merger deficit RM'000</u>	<u>Retained earnings RM'000</u>	<u>Shareholders' equity RM'000</u>	<u>Minority interest RM'000</u>	<u>Total equity RM'000</u>
As at 1 January 2006	352,263	176,131	51	-	6,547	168	(71,500)	162,371	273,768	889	274,657
Net profit for the period								24,366	24,366	(24)	24,342
Issuance of ordinary shares on exercise of ESOS and private placement		8,608	14,624						23,232		23,232
Second interim dividend for the financial year ended 31 December 2005								(5,073)	(5,073)		(5,073)
Final dividend for financial year ended 31 December 2005								(7,978)	(7,978)		(7,978)
Currency translation differences						(153)			(153)	2	(151)
As at 30 June 2006	352,263	184,739	14,675	-	6,547	15	(71,500)	173,686	308,162	867	309,029
At 1 January 2005*	352,200	176,100	-	6	-	(15)	(71,500)	133,512	238,103	883	238,986
Net profit for the period								20,378	20,378	43	20,421
Currency translation differences						35			35		35
Final dividend FY 2004								(7,607)	(7,607)		(7,607)
As at 30 June 2005	352,200	176,100	-	6	-	20	(71,500)	146,283	250,909	926	251,835

\* the number of shares have been adjusted for a share split of one ordinary share of RM1.00 each into two new ordinary shares of RM0.50 each

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 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 latest audited financial statements of the Company and its subsidiary companies (“Group”) for the year ended 31 December 2005. 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 2005.

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the most recent audited financial statements except for:-

- (i) adoption of new accounting policy for Short-Term Investments

During the financial quarter, the Group has invested into short-term investments (as further elaborated in section B7 (a) below). The accounting policy relating to these investments is as follows:-

Short-term investments comprise of investments in quoted unit trusts. These short-term investments held as current assets are stated at the lower of costs or market value. Cost is the weighted average of the purchase price while market value is determined based on quoted market price. Increases or decreases in the carrying amount of these securities are included in the income statement. Gains or losses through the disposal of these investments are dealt with through the income statement.

- (ii) the adoption by the Group of the new and revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) effective from 1 January 2006 as follows:-

- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property



The adoption of FRS 5, FRS 102, FRS 108, FRS 110, FRS 116, FRS 121, FRS 127, FRS 128, FRS 132 and FRS 133 does not have significant financial impact on the Group.

The principal effects from the changes to the accounting policies resulting from the adoption of the new/revised FRS adopted by the Group are discussed below:-

(a) FRS 2: Share-based Payment

This FRS requires an entity to amortise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for eligible directors and employees of the Group, namely the Taliworks Employees' Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the Black-Scholes model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Group after 31 December 2004 which remain unvested on 1 January 2006.

(b) FRS 3: Business Combinations and FRS 136: Impairment of Assets

Goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses and is no longer amortised. Instead, the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 January 2006.



(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amount attributable to equity holder of the parent and to minority interest.

Cash and cash equivalents restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are classified as non-current.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to confirm with the current period's presentation.

(d) FRS 138: Intangible Assets

On the adoption of FRS 138, intangible assets are now assessed at individual level as having either a finite or indefinite life. Indefinite life intangible are not amortised but are tested for impairment annually. Intangible assets with finite useful life will continue to be amortised over the period of useful life.

Prior to 1 January 2006, intangible assets such as Concession Rights are considered to have a finite life over the concession period and were stated at cost less accumulated amortisation and impairment loss. Upon the adoption of FRS 138, the Concession Rights will continue to be amortised over its useful life and the amortisation method of this intangible asset will be assessed annually.

(e) FRS 140: Investment Property

The adoption of FRS 140 results in the change in accounting policy for investment properties. As a result of adoption of FRS 140, investment properties, being properties held by the Company to earn rentals and/or for capital appreciation, previously included under Property, Plant and Equipment at valuation less accumulated depreciation and accumulated impairment losses, are now disclosed separately as Investment Properties in the balance sheet. The Group has chosen the cost model as a basis of measurement for all its Investment Properties.





(f) Comparatives

The following comparative amounts in the Consolidated Balance Sheets have been restated as a result of the adoption of FRS 101 and FRS 140:-

<u>As at 31 December 2005</u>	<u>As previously stated RM'000</u>	<u>Adjustment RM'000</u>	<u>As restated RM'000</u>
<b><u>FRS 101</u></b>			
Deposits, bank and cash balances – under Current Assets	116,698	(26,721)	89,977
Deposits, bank and cash balances – under Non Current Assets	-	26,721	26,721
<b><u>FRS 140</u></b>			
Property, plant and equipment	5,754	(476)	5,278
Investment properties	-	476	476

**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 the receipt of the Financial Compensation further elaborated in Section B1.

**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 to-date, there was no issuance or repayment of equity or debt securities by the Company save and except for the issuance of:-

- (a) 17,000,000 new ordinary shares of RM0.50 each at RM1.35 per share from a private placement of shares; and



- (b) 214,500 new ordinary shares of RM0.50 each at RM1.31 per share from exercise of ESOS options.

#### A7 – Dividends Paid

For the current financial year to-date, the following dividends were paid in respect of the financial year ended 31 December 2005:-

- (a) a second interim gross dividend of 2.0 sen per share on 352,263,000 ordinary shares of RM0.50 each, less income tax at 28%, amounting to RM5,072,587 paid on 21 April 2006; and
- (b) a final gross dividend of 3.0 sen per share on 369,553,000 ordinary shares of RM0.50 each, less income tax at 28%, amounting to RM7,982,345 paid on 28 July 2006.

#### A8 – Segmental Reporting

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

(a) *Revenue*

	<b>Current Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Current Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 RM'000 (unaudited)</b>
Water business	32,916	32,679	66,140	64,999
Construction	-	24,768	3,582	39,168
Waste management	1,638	1,543	3,267	2,931
	<b>34,554</b>	<b>58,990</b>	<b>72,989</b>	<b>107,098</b>

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

	<b>Current Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Current Quarter Ended 30 June 2005 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 RM'000 (unaudited)</b>
Water business	12,600	13,405	27,336	27,491
Construction	-	1,154	167	1,825
Waste management	38	425	168	666
Investment holding	(87)	(412)	80	(728)
<b>Operating profit</b>	<b>12,551</b>	<b>14,572</b>	<b>27,751</b>	<b>29,254</b>
Finance cost	(153)	(227)	(306)	(496)
Share of results of associated companies	4,577	(172)	4,622	(323)
<b>Profit before tax</b>	<b>16,975</b>	<b>14,173</b>	<b>32,067</b>	<b>28,435</b>

Analysis of secondary reporting by geographical location has not been presented as the Group's activities are primarily in Malaysia. There are no material changes in segmental assets and liabilities since the latest audited financial statements in both the business and geographical segments.



#### **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.

Subsequent to the interim period, the Company issued a further 3,317,000 new ordinary shares of RM0.50 each at RM1.31 per share pursuant to the exercise of ESOS options.

#### **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 discontinued 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**

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

	<b>Current Quarter Ended 30 June 2006 RM’000 (unaudited)</b>	<b>Corresponding Quarter Ended 30 June 2005 RM’000 (unaudited)</b>
Revenue	34,554	58,990
Profit before taxation	16,975	14,173
Profit after tax	13,523	10,140

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

Revenue

Group revenue was 41% lower than that recorded in the corresponding quarter. This was primarily due to the lower contribution from construction activities as the Group’s sole construction project was completed in early 2006.

Sungai Harmoni Sdn Bhd (“Sungai Harmoni”) recorded a lower average daily metered output of 73.11 million m<sup>3</sup> (or a decrease of 8%) compared to 79.95 million m<sup>3</sup> for the second quarter of 2005. For Taliworks Langkawi Sdn Bhd (“Taliworks Langkawi”), the metered supply of treated water was at 3.49 million m<sup>3</sup>, a 5% increase from 3.31 million m<sup>3</sup> recorded in the corresponding quarter. Whilst the production from Sungai Harmoni was lower, the Group recorded a slight increase in revenue from the water segment as the bulk sales rate has increased from RM0.33/m<sup>3</sup> to RM0.35/m<sup>3</sup> commencing 2006.

Profit before Taxation

The Group profit before taxation recorded an increase of RM2.8 million (or 20%) compared to the corresponding quarter. This was mainly due to the share of results of an associate company, CGE Utilities (M) Sdn Bhd (“CGEU”).

During the financial quarter under review, CGEU received a financial compensation of RM25 million (“Financial Compensation”) under a deed of settlement dated 23 October 2003 (“Deed of Settlement”) between CGEU and Puncak Niaga Sdn Bhd arising from the early termination of the Operation and Maintenance Sub-contract (“OMSC”), details of which were announced on 16 and 29 October 2003. Under a shareholders agreement between the Company and Veolia Water (the other shareholder of CGEU), the Company will receive RM15 million from the Financial Compensation in addition to the Company’s rights and benefits under the OMSC up to the termination of the OMSC.

In a board meeting of CGEU that was held, the directors have decided that the company is to be liquidated since all the obligations under the Deed of Settlement have been fulfilled and that CGEU has ceased its operations with the termination of the OMSC. In the said meeting, it was also decided that the Financial Compensation will be distributed on liquidation whilst the surplus cash reserves will be distributed by way of dividends. Arising from these developments, the Group has re-assessed the



impairment of its investment in CGEU and the financial compensation to be received by the Company on liquidation of CGEU will be part of recovering the Company's cost of investment in CGEU.

For the water segment, the decrease in profitability was due to the higher upkeep expenses incurred in the current quarter as part of the on-going rehabilitation and maintenance programme for the water treatment plants in Sungai Harmoni and Taliworks Langkawi.

In the waste management segment, contribution has dropped primarily from the hike in fuel prices which eroded margins as well as higher expenses incurred for on-going business development to source for water and waste management business abroad.

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

### (a) Revenue

	<b>Current Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Previous Quarter Ended 31 Mar 2006 RM'000 (unaudited)</b>
Water business	32,916	33,224
Construction	-	3,582
Waste management	1,638	1,629
	<b>34,554</b>	<b>38,435</b>

Group revenue was 10% lower than the preceding period. This was mainly due to absence of contribution from construction activities as the Group's sole construction project was completed in the previous quarter.

In terms of production, Sungai Harmoni recorded an average daily metered output of 73.11 million m<sup>3</sup> which was 3% lower than the 75.73 million m<sup>3</sup> recorded in the previous quarter. For Taliworks Langkawi, the metered supply of treated water was at 3.49 million m<sup>3</sup>, which was similar to that recorded in the previous quarter.

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

	<b>Current Quarter Ended 30 June 2006 RM'000 (unaudited)</b>	<b>Previous Quarter Ended 31 Mar 2006 RM'000 (unaudited)</b>
Water business	12,600	14,736
Construction	-	167
Waste management	38	130
Investment holding and others	(87)	167
<b>Operating profit</b>	<b>12,551</b>	<b>15,200</b>
Finance cost	(153)	(153)
Share of results of associated companies	4,577	45
<b>Profit before tax</b>	<b>16,975</b>	<b>15,092</b>



The Group recorded a 12% increase in profit before tax compared to the preceding quarter. The favourable variance was primarily due to the share of results of CGEU, details of which were elaborated in section B1 above. For the water segment, the decrease in profitability was due to the higher upkeep expenses incurred in the current quarter as part of the on-going rehabilitation and maintenance programme for the water treatment plants in Sungai Harmoni and Taliworks Langkawi.

### B3 – Current Year Prospects

The Group is actively looking into securing some waste and water related projects, both locally and abroad during the year. Pending the realisation of some of the Group's business expansion plans, the Board expects the Group to achieve a reasonable performance during the current year with stable earnings from the water and waste management businesses.

Subsequent to the financial period, the Company announced that its subsidiary company, Air Kedah Sdn Bhd, has on 5 July 2006 received a Letter of Acceptance from the State Government of Kedah to implement the Design and Build of the Bekalan Air Padang Terap Package 1, 2 & 3 ("Project"). The Project involves the design and construction of the water supply system for the Padang Terap Water Supply Scheme at a total contract value of RM149,000,000 and it is scheduled to be completed by February 2009.

### B4 – Profit Forecast

Not applicable as no profit forecast was published.

### B5 – Taxation

	<b>Current Quarter Ended 30 June 2006  RM'000 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2006  RM'000 (unaudited)</b>
Malaysian income tax:-		
Current tax:		
- Current year	3,881	8,154
- Over-provision in prior years	(429)	(429)
	<u>3,452</u>	<u>7,725</u>

The effective tax rate of the Group was primarily lower than the statutory tax rate mainly due to the financial compensation received by CGEU, which is deemed to be a capital receipt.

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

There was no 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 except for the investment in quoted unit trusts as follows:-
- (b)

	<b><u>RM'000</u></b>
Book value	<u>37,583</u>
Carrying amount	<u>37,583</u>
Market value	<u>37,671</u>



All the investment in unit trusts are in money market funds offered by unit trust management companies in Malaysia primarily to enable the Group to enhance its returns compared to placement of deposits with financial institutions. The distribution of gains arising from the realisation of investment in these funds is exempted from tax in the hands of unit holders. Any gains realised by the unit holders on the transfer or redemption of the units are treated as capital gains and not subject to income tax.

- (c) 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 (“Private Placement”) announced on 24 February 2005. The Securities Commission has granted a final extension of a further six (6) months to 27 October 2006 to fully implement the Private Placement. As at the date hereof, the Company had placed out 17,000,000 new shares under the Private Placement at a price of RM1.35 per share which raised gross proceeds of RM22,950,000 to the Company.

### *(ii) Status of Proposed Utilisation of Proceeds*

As at 23 August 2006 (being a date not later than 7 days from the date of this report), the utilisation of proceeds raised from the Private Placement was as follows:-

	<b>Proposed Utilisation as announced on 4 May 2005* (RM'000)</b>	<b>Actual Proceeds Raised (RM,000)</b>	<b>Amount Utilised as at 23 August 2006 (RM'000)</b>
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)	27,520	-	7,935
Payments to suppliers of chemical products to the Group for operating and maintenance of various water treatment plants	2,500	-	1,586
Contractual payment of technical and royalty fees under existing operations and maintenance contract	12,500	-	2,082
Estimated expenses for the corporate exercise	800	-	241
<b>TOTAL</b>	<b>43,320</b>	<b>22,950</b>	<b>11,844</b>

\* *On the assumption that 35,220,000 ordinary shares of RM0.50 each were placed at a price of RM1.23 per share*



## B9 – Group Borrowings and Debt Securities

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

	<u>US Dollars</u> <u>'000</u>
No later than one year	875
Later than one year but not later than two years	875
Later than two years but not later than five years	875
	<hr/> 2,625

## B10- Off Balance Sheet Financial Instruments

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

## B11- Material Litigations

There are 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 4.0 sen per share on 374,570,500 ordinary shares of RM0.50 each (as at 23 August 2006), less income tax at 28%, amounting to RM10,787,630 in respect of the current financial year ending 31 December 2006, be payable on 20 October 2006 to depositors who are registered in the Record of Depositors at the close of business on 29 September 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 29 September 2006 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 (“EPS”)

### (a) *Basic earnings per share*

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of shares in issue.

### (b) *Diluted earnings per share*

The diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of shares in issue and issuable from the exercise of outstanding ESOS options and warrants 2005/2010 of the Company.





	<b>Current Quarter Ended 30 June 2006 (unaudited)</b>	<b>Current Quarter Ended 30 June 2005 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2006 (unaudited)</b>	<b>Cumulative Quarter Ended 30 June 2005 (unaudited)</b>
<b>(a) Basic Earnings per share</b>				
Net Profit attributable to equity holders of the Company (RM'000)	13,547	10,106	24,366	20,378
Weighted average number of shares in issue ('000)	363,074	352,200	357,667	352,200
Basic EPS (sen)	<b>3.73</b>	<b>2.87</b>	<b>6.81</b>	<b>5.79</b>
<b>(b) Diluted Earnings per share</b>				
Net Profit attributable to equity holders of the Company (RM'000)	13,547	n/a	24,366	n/a
Weighted average number of shares in issue ('000)	363,074	n/a	357,667	n/a
Effects of dilution from exercise of:-				
- Warrants ('000)	13,094	n/a	13,094	n/a
- ESOS options ('000)	814	n/a	814	n/a
	376,982	n/a	371,575	n/a
Diluted EPS (sen)	<b>3.59</b>	<b>n/a</b>	<b>6.56</b>	<b>n/a</b>

*Note:*

*The comparatives for the basic EPS have been adjusted for a Share Split of 1 ordinary share of RM1.00 each into 2 new ordinary shares of RM0.50 each.*

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

