



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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2006 (UNAUDITED)

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This Report is authorised for public release on 28 February 2007

CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTE	<u>3 MONTHS ENDED</u>		<u>12 MONTHS ENDED</u>	
		<u>31 DECEMBER</u>		<u>31 DECEMBER</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>
Revenue	A8 (a)	35,413	41,979	142,902	196,135
Operating expenses		(25,984)	(34,745)	(96,379)	(148,303)
Other operating income		1,678	9,309	3,838	11,252
Operating profit		11,107	16,543	50,361	59,084
Finance cost		(138)	(44)	(595)	(791)
Share of results of associated companies		(4,116)	(42)	867	(503)
Profit before tax	A8 (b)	6,853	16,457	50,633	57,790
Taxation	B5	(4,656)	(2,169)	(15,808)	(13,734)
Profit after tax		2,197	14,288	34,825	44,056
Attributable to: Equity holders of the parent		2,224	14,404	34,908	44,069
Minority interest		(27)	(116)	(83)	(13)
		2,197	14,288	34,825	44,056
EPS (sen)	B13				
- Basic		0.60	4.09	9.56	12.51
- Diluted		0.57	4.02	9.16	12.27
DPS (sen)					
- 1 st interim	A7(c)	-	-	4.0	3.0
- 2 nd interim	B12	3.0	2.0	3.0	2.0
- Proposed Final	B12	3.0	3.0	3.0	3.0

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>31 DEC 2006</u> <u>RM'000</u>	<u>31 DEC 2005</u> <u>RM'000</u> <u>(RESTATED)</u>
NON-CURRENT ASSETS			
Property, plant and equipment	A1 (ii) (f)	6,122	5,278
Investment properties	A1(ii) (f)	465	476
Concession rights		16,188	17,665
Associated companies		23,008	26,191
Deferred tax assets		29	8
Long term receivables		61,036	64,174
Deposits, bank and cash balances	A1 (ii) (f)	25,366	26,721
		132,214	140,513
CURRENT ASSETS			
Inventories		981	927
Trade and other receivables		90,249	109,758
Amount due from an associated company		-	200
Tax recoverable		61	723
Short-term investments	B7(a)	79,490	-
Deposits, bank and cash balances	A1 (ii)(f)	47,889	89,977
		218,670	201,585
CURRENT LIABILITIES			
Borrowings (secured and interest bearing)	B9	3,185	3,405
Trade and other payables		25,883	53,140
Taxation		3,377	2,323
		32,445	58,868
NET CURRENT ASSETS		186,225	142,717
LESS: NON-CURRENT LIABILITIES			
Deferred tax liability		106	15
Borrowings (secured and interest bearing)	B9	4,757	8,558
		4,863	8,573
		313,576	274,657
CAPITAL AND RESERVES			
Share capital		186,694	176,131
Share premium		17,625	51
Warrant reserves		6,545	6,547
Currency translation reserve		(60)	168
Merger deficit		(71,500)	(71,500)
Retained earnings		173,477	162,371
Shareholders' equity		312,781	273,768
Minority interest		795	889
Total equity		313,576	274,657
Net assets per share (RM)		0.8398	0.7797

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

	12 MONTHS ENDED	
	<u>31 DEC 2006</u>	<u>31 DEC 2005</u>
	<u>RM'000</u>	<u>RM'000</u>
OPERATING ACTIVITIES		
Net profit attributable to equity holders of the Company	34,908	44,069
Adjustments for:		
Non-cash items	17,884	9,985
Interest income	(2,637)	(2,782)
Interest expense	595	791
Operating profit before working capital changes	<u>50,750</u>	<u>52,063</u>
Changes in working capital:		
Net change in current assets	22,787	55,223
Net change in current liabilities	(27,243)	(33,205)
Net cash inflow from operations	<u>46,294</u>	<u>74,081</u>
Interest paid	(609)	(791)
Tax paid	(15,262)	(10,043)
Net cash inflow from operating activities	<u>30,423</u>	<u>63,247</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	151	14,310
Purchase of property, plant & equipment	(2,289)	(1,505)
Interest received	2,659	2,782
Dividend received	4,050	17,774
Placement into short-term investments, net of redemptions	(79,490)	-
Net cash (outflow)/inflow from investing activities	<u>(74,919)</u>	<u>33,361</u>
FINANCING ACTIVITIES		
Proceeds from private placement of shares, net of share issue expenses	22,731	-
Proceeds from exercise of ESOS options and Warrants	5,406	82
Proceeds from rights issue of Warrants	-	6,547
Decrease/(increase) in deposit balances pledged as security	7,820	(2,406)
Repayment of borrowings	(3,282)	(27,457)
Dividends paid	(23,802)	(15,216)
Net cash inflow/(outflow) from financing activities	<u>8,873</u>	<u>(38,450)</u>
Net change in cash and cash equivalents	(35,623)	58,158
Cash and cash equivalents at beginning of financial year	<u>83,512</u>	<u>25,354</u>
Cash and cash equivalents at end of financial year	<u>47,889</u>	<u>83,512</u>

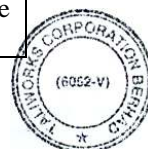


CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (Continued)

	12 MONTHS ENDED	
	<u>31 DEC 2006</u>	<u>31 DEC 2005</u>
	<u>RM'000</u>	<u>RM'000</u>
Deposits with licensed banks	66,983	105,240
Bank and cash balances	6,272	11,458
Total deposits, bank and cash balances (current and non-current)	73,255	116,698
Less: Deposits pledged as security	(25,366)	(33,186)*
	<u>47,889</u>	<u>83,512</u>

* included in this amount was RM6,465,000 pledged as security for a period of less than 12 months. In accordance with FRS 101: Presentation of Financial Statements, this amount is classified as a current asset.

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</u>	<u>Nominal value</u>	<u>Share Premium</u>	<u>Revaluation reserve</u>	<u>Warrant reserve</u>	<u>Currency translation reserve</u>	<u>Merger deficit</u>	<u>Retained earnings</u>	<u>Shareholders' equity</u>	<u>Minority interest</u>	<u>Total equity</u>
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 year								34,908	34,908	(83)	34,825
Issuance of ordinary shares from:-											
- private placement	17,000	8,500	14,450						22,950		22,950
- exercise of ESOS options	4,114	2,057	3,332						5,389		5,389
- exercise of Warrants	12	6	11		(2)				15		15
Share issue expenses			(219)						(219)		(219)
Second interim dividend for FY 2005								(5,073)	(5,073)		(5,073)
Final dividend for FY 2005								(7,982)	(7,982)		(7,982)
First interim dividend for FY 2006								(10,747)	(10,747)		(10,747)
Currency translation differences						(228)			(228)	(11)	(239)
As at 31 December 2006	373,389	186,694	17,625	-	6,545	(60)	(71,500)	173,477	312,781	795	313,576
At 1 January 2005*	352,200	176,100	-	6	-	(15)	(71,500)	133,512	238,103	883	238,986
Net profit for the year								44,069	44,069	(13)	44,056
Issuance of ordinary shares from:											
- exercise of ESOS options	60	30	49						79		79
- exercise of Warrants	3	1	2						3		3
Transfer upon disposal of Property, plant and equipment				(6)				6	-		-
Currency translation differences						183			183	19	202
Proceeds from Rights Issue of Warrants, net of expenses					6,547				6,547		6,547
Final dividend for FY 2004								(7,608)	(7,608)		(7,608)
First interim dividend for FY 2005								(7,608)	(7,608)		(7,608)
As at 31 December 2005	352,263	176,131	51	-	6,547	168	(71,500)	162,371	273,768	889	274,657

* 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 year, the Group has invested into short-term investments in the form of 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.

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 cost or market value. Cost is the weighted average of the purchase price while market value is determined based on quoted market price. 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 is 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 will be computed using the Black-Scholes model or any other appropriate models to be decided by the Board at the later date. 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 conform 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 Properties

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 Sheet has 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>
<u>FRS 101</u>			
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
<u>FRS 140</u>			
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 period except that in the current quarter, there was a reversal of a Financial Compensation recognised in the second quarter, 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

During the financial year, 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 (“Private Placement”);



- (b) 4,114,000 new ordinary shares of RM0.50 each at RM1.31 per share from the exercise of ESOS options; and
- (c) 12,000 new ordinary shares of RM0.50 each at RM1.27 per share from the exercise of Warrants 2005/2010 (“Warrants”).

A7 – Dividends Paid

During the current financial year, the following dividends were paid:-

- (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 in respect of the financial year ended 31 December 2005, paid on 21 April 2006;
- (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 in respect of the financial year ended 31 December 2005, paid on 28 July 2006; and
- (c) a first interim gross dividend of 4.0 sen per share on 373,178,000 ordinary shares of RM0.50 each, less income tax at 28%, amounting to RM10,747,526 in respect of the financial year ended 31 December 2006, paid on 20 October 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*

	Current Quarter Ended 31 Dec 2006 RM'000	Current Quarter Ended 31 Dec 2005 RM'000	Cumulative Quarter Ended 31 Dec 2006 RM'000	Cumulative Quarter Ended 31 Dec 2005 RM'000
Water business	32,511	28,307	131,608	126,545
Construction*	1,050	11,712	4,632	63,108
Waste management	1,852	1,960	6,662	6,482
	35,413	41,979	142,902	196,135

(b) *Profit Before Tax*

	Current Quarter Ended 31 Dec 2006 RM'000	Current Quarter Ended 31 Dec 2005 RM'000	Cumulative Quarter Ended 31 Dec 2006 RM'000	Cumulative Quarter Ended 31 Dec 2005 RM'000
Water business	10,543	9,386	49,806	49,239
Construction *	1,064	529	1,231	2,923
Waste management	(232)	269	(54)	1,383
Investment holding and others	(268)	6,359	(622)	5,539
Operating profit	11,107	16,543	50,361	59,084
Finance cost	(138)	(44)	(595)	(791)
Share of results of associated companies	(4,116)	(42)	867	(503)
Profit before tax	6,853	16,457	50,633	57,790



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)

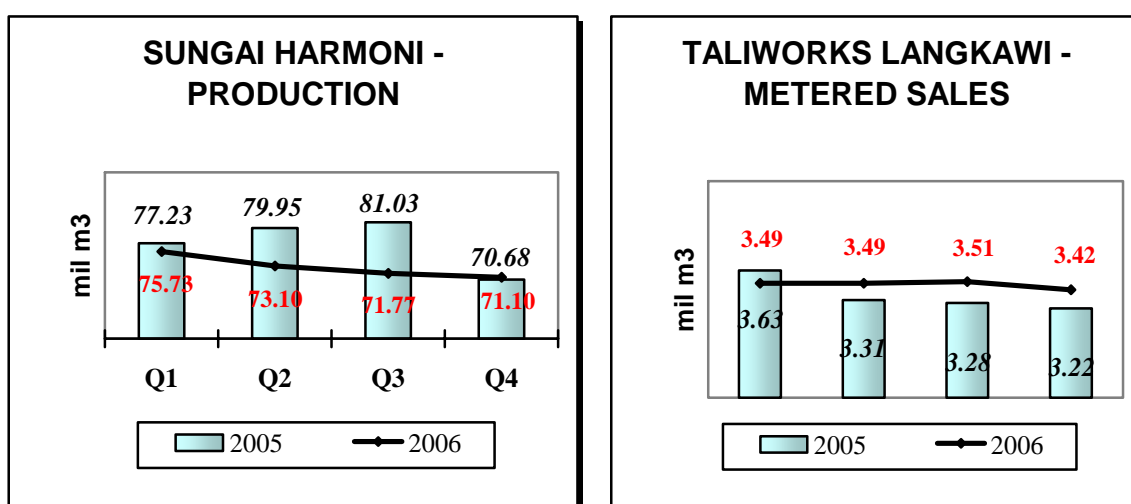
	Current Quarter Ended 31 Dec 2006 RM'000	Corresponding Quarter Ended 31 Dec 2005 RM'000
Revenue	35,413	41,979
Operating profit	11,107	16,543
Profit before taxation	6,853	16,457

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

Revenue

Group revenue was 16% lower than that recorded in the corresponding quarter. This was mainly due to the lower contribution from construction activities as the construction of water supply works to the northern region of the Central Kedah Water Supply Scheme was completed in early 2006.

The following are the production and metered sales data for Sungai Harmoni Sdn Bhd (“Sungai Harmoni”) and Taliworks Langkawi Sdn Bhd (“Taliworks Langkawi”) respectively:-



The production from Sungai Harmoni has only marginally increased compared to the corresponding quarter. However, revenue earned was much higher due to the increase in bulk sales rate from RM0.33/m³ to RM0.35/m³ in 2006 and rebates for electricity allowed under the O&M agreement arising from the increased in electricity tariffs. The average daily metered sales in Taliworks Langkawi recorded an increase of 6.2% over the corresponding quarter.



For the year, the total production from Sungai Harmoni was 291.70 million m3 (2005: 308.89 million m3), a decrease of 5.6% whilst Taliworks Langkawi recorded metered sales of 13.91 million m3 (2005: 13.44 million m3), an increase of 3.5%.

Profit before Taxation

The operating profit and profit before tax of the Group recorded a decrease of RM5.4 million and RM9.6 million respectively compared to the corresponding quarter primarily from the following transactions:-

- (a) included in the 2005 results was a profit from the disposal of certain properties of the Company amounting to RM6.6 million;
- (b) in the second quarter of 2006, the Group recorded a one-off income of RM4.5 million from the share of results of a 45% owned associated company, CGE Utilities (M) Sdn Bhd (“CGEU”), arising from the receipt by CGEU of a financial compensation of RM25 million (“Financial Compensation”) under a deed of settlement dated 23 October 2003 (“Deed of Settlement”). The Financial Compensation was in respect of the early termination of the company’s 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. It was construed that the balance RM10 million will distributed to the shareholders in the proportion of their shareholding in the company.

However, the matter was subsequently deliberated and it was later determined and agreed by the shareholders that Veolia Water is entitled to the full RM10 million without any apportionment. As such, the earlier recognition of the share of results of CGEU was reversed in the current quarter. The Group expects to receive its share of the Financial Compensation upon liquidation of CGEU, which is scheduled to complete by 2008. The proceeds from the share of the Financial Compensation will be applied towards recovering the Company's cost of investment in CGEU and will not be recognised as income.

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

(a) Revenue

	Current Quarter Ended 31 Dec 2006 RM’000	Previous Quarter Ended 30 Sept 2006 RM’000
Water business	32,511	32,957
Construction	1,050	-
Waste management	1,852	1,543
	35,413	34,500

There was no significant variance in revenue recorded from the previous quarter.



(b) Profit Before Tax

	Current Quarter Ended 31 Dec 2006 RM'000	Previous Quarter Ended 30 Sept 2006 RM'000
Water business	10,543	11,927
Construction	1,064	-
Waste management	(232)	10
Investment holding and others	(268)	(434)
Operating profit	11,107	11,503
Finance cost	(138)	(151)
Share of results of associated companies	(4,116)	361
Profit before tax	6,853	11,713

The operating profit of the Group recorded a slight decrease of approximately 3% compared to the previous quarter mainly due to lower production/consumption from both plants in Sungai Harmoni and Taliworks Langkawi as well as the higher upkeep expenses incurred as part of the on-going rehabilitation and maintenance programme in Taliworks Langkawi. In the waste management sector, segmental loss was recorded in the current quarter mainly due to higher fuel and utilities consumption during the cold season and the year end contractual payments to employees.

The reduction in the share of results of associated companies has been elaborated in Note B1 above.

B3 – Current Year Prospects

With the commencement of the Bekalan Air Padang Terap Project which the Group secured in the 3rd quarter of 2006, the Group will be expecting higher turnover and profit contribution from construction activities in 2007. Taliworks Langkawi would also see a rate increase from RM1.70/m³ to RM1.92/m³ commencing 1 January 2007.

With a healthy operating cash flow, the Group will continue with its efforts to focus its resources to grow its water, waste and wastewater segments as well as sourcing for viable infrastructure projects that can generate recurring income, both locally and abroad.

B4 – Profit Forecast

Not applicable as no profit forecast was published.

B5 – Taxation

	Current Quarter Ended 31 Dec 2006 RM'000	Cumulative Quarter Ended 31 Dec 2006 RM'000
Malaysian income tax:-		
Current tax:		
- Current year	3,448	14,959
- Under provision in prior years	803	444
- Deferred Tax	70	70
	4,321	15,473
Foreign income tax	335	335
	4,656	15,808



The effective tax rate of the Group for the financial year is higher than the statutory tax rate due to certain expenses not allowed as tax deductions, losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group and under-provision of taxation in prior years in one of the subsidiary companies.

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 financial year except for the investment and redemption in quoted unit trusts included in Short-Term Investments. As at the end of the reporting period, the Short-Term Investments of the Group were as follows:-

	<u>RM'000</u>
Book value	79,490
Carrying amount	79,490
Market value	79,565

- (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

On 24 December 2006, the Company announced the following transactions:-

- b) Share Transfer Agreement between Taliworks International Limited (“TIL”), a wholly-owned subsidiary, and Puresino International Limited (“PHK”) for the proposed cash acquisition of 70% equity interest in Puresino (Guanghan) Water Co., Ltd (“Puresino Guanghan”) for RMB17,000,000 (equivalent to about RM7.7 million based on an exchange rate of RM1 : RMB2.21) (“the Proposed Acquisition”);
- c) Joint-Venture Agreement between TIL and Puresino-Boda Environmental Engineering Co Ltd (“Puresino-Boda”) to undertake, operate and manage the 30-year transfer-operate-transfer (“TOT”) concession for the 50 million litres per day (“MLD”) Guanghan San Xin Dui Waste water treatment plant (“Guanghan WWTP”) through Puresino Guanghan; and
- d) Memorandum and Articles of Association with Puresino-Boda to define, document and regulate the powers and objects as well as the internal regulations of Puresino Guanghan.

For further information and the salient terms of the agreements, please refer to our earlier announcement to Bursa Securities (<http://www.bursamalaysia.com>) dated 27 December 2006.

Other than the above, there were no proposals announced but not completed as of the date hereof.



(ii) *Status of Proposed Utilisation of Proceeds*

As at 22 February 2007 (being a date not earlier than 7 days from the date of this report), the utilisation of proceeds raised from the Private Placement (referred to in Note A6(a)) implemented during the financial year was as follows:-

	Proposed Utilisation as announced on 4 May 2005* (RM'000)	Actual Proceeds Raised (RM'000)	Amount Utilised as at 22 February 2007 (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)	27,520	-	13,675
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	-	7,285
Estimated expenses for the corporate exercise	800	-	241
TOTAL	43,320	22,950	22,787

* *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 at 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:-

	US Dollars '000
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	437
	<hr/> 2,187

B10- Off Balance Sheet Financial Instruments

As at 22 February 2007 (being a date not earlier than 7 days from the date of this report), there were no contracts on financial instruments with off balance sheet risk.

B11- Material Litigations

As at 22 February 2007 (being a date not earlier than 7 days from the date of this report), there were no pending material litigations against the Company or its subsidiary companies.



B12– Dividends

Second Interim Dividend

The Board is pleased to declare a second interim gross dividend of 3.0 sen per share on 373,489,500 shares of RM0.50 each (as at 6 February 2007), less income tax at 27%, amounting to RM8,179,420 in respect of the current financial year ended 31 December 2006, be payable on 2 April 2007 to depositors who are registered in the Record of Depositors at the close of business on 16 March 2007.

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

- e) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 16 March 2007 in respect of transfers; and
- f) Shares bought on the Bursa Securities on cum entitlement basis according to the Rules of Bursa Securities.

Proposed Final Dividend

The Board is also pleased to recommend a final gross dividend of 3.0 sen per share on 373,489,500 shares of RM0.50 each (as at 6 February 2007), less income tax at 27%, amounting to RM8,179,420 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 paid and declared in respect of the current financial year would be 10.0 sen per share, less income tax of between 27% to 28% (2005: 8.0 sen per share, less income tax of 28%).

General Dividend Policy

The amount of dividends paid and declared for the current financial year has complied with the Company's general dividend policy of distributing not less than 50% of its net earnings as gross dividends for the three financial years commencing 31 December 2006.

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 of the Company.

	Current Quarter Ended 31 Dec 2006	Current Quarter Ended 31 Dec 2005	Cumulative Quarter Ended 31 Dec 2006	Cumulative Quarter Ended 31 Dec 2005
(a) Basic Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	2,224	14,404	34,908	44,069
Weighted average number of shares in issue ('000)	373,318	352,245	365,116	352,211
Basic EPS (sen)	0.60	4.09	9.56	12.51
(b) Diluted Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	2,224	14,404	34,908	44,069
Weighted average number of shares in issue ('000)	373,318	352,245	365,116	352,211
Effects of dilution from exercise of:-				
- Warrants ('000)	17,502	6,081	15,889	6,541
- ESOS options ('000)	266	311	238	340
	391,086	358,637	381,243	359,092
Diluted EPS (sen)	0.57	4.02	9.16	12.27

B14 - Comparatives

Certain of the comparatives differ from the unaudited consolidated results announced during the 4th quarter 2005 as they have been adjusted to reflect the audited financial statements of the Group for the year ended 31 December 2005.

B15 – Authorisation for Release

This Interim Financial Report for the financial period and year ended 31 December 2006 has been seen and approved by the Board for public release.

By Order of the Board
Nuruluyun Binti Abdul Jabar
Company Secretary (MIA 9113)
28 February 2007

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>

