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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010 (UNAUDITED)

CONTENTS

This Report is authorised for public release on 23 Aug 2010

TALIWORKS CORPORATION
LGB Group

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTE	30 JUNE 2010 RM'000	31 DEC 2009 RM'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		22,886	25,276
Investment properties		429	434
Concession rights		13,912	15,110
Jointly controlled entities		74,116	68,443
Associates		4,617	4,267
Goodwill on consolidation		2,039	2,007
Deferred tax assets		215	215
Long term receivables	A1(d)	75,044	47,000
Deposits, bank and cash balances		15,863	12,479
		209,121	**175,231**
CURRENT ASSETS			
Inventories		1,034	1,017
Trade and other receivables	A1(d)	148,650	176,538
Amount due from a jointly controlled entity		7,150	29,150
Tax recoverable		6,888	6,876
Investments	A1(b)(v)	-	142,401
Available-for-sale financial assets	B6(a)	157,817	-
Deposits, bank and cash balances		28,163	29,235
		349,702	**385,217**
LESS: CURRENT LIABILITIES			
Borrowings	B8	95,666	122,407
Derivative financial liabilities	A1(b)(iv)	10,369	-
Trade and other payables		49,209	54,787
Current tax liabilities		2,547	1,916
		157,791	**179,110**
NET CURRENT ASSETS		**191,911**	**206,107**
LESS: NON-CURRENT LIABILITIES			
Borrowings	B8	1,168	23
		399,864	**381,315**
CAPITAL AND RESERVES			
Share capital		188,803	188,347
Reserves		205,920	187,126
Shareholders' equity		**394,723**	**375,473**
Minority interest		5,141	5,842
Total equity		**399,864**	**381,315**
Net assets per share attributable to ordinary equity holders of the Company (RM)		**1.0453**	**0.9968**

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTE	3 MONTHS 30 JUNE 2010 RM'000	3 MONTHS 30 JUNE 2009 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000	6 MONTHS ENDED 30 JUNE 2009 RM'000
Revenue		**42,044**	**38,269**	**86,413**	**75,021**
Cost of operations		(21,513)	(18,619)	(44,880)	(36,796)
Gross profit		**20,531**	**19,650**	**41,533**	**38,225**
Other income		894	2,214	1,943	4,294
Other expenses		(9,483)	(8,460)	(19,768)	(15,604)
Operating profit		**11,942**	**13,404**	**23,708**	**26,915**
Fair value (loss)/gain on derivative financial liabilities	A1(b)(iv)	(5,645)	-	6,049	-
Finance cost		(4,004)	(3,713)	(7,859)	(7,328)
Share of results of jointly controlled entities (net of tax)		2,706	1,369	5,667	2,506
Share of results of associate (net of tax)		160	273	350	532
Profit before tax		**5,159**	**11,333**	**27,915**	**22,625**
Tax expense	B4	(3,891)	(3,040)	(7,289)	(5,856)
Profit for the financial period		**1,268**	**8,293**	**20,626**	**16,769**
Attributable to:					
Equity holders of the Company		1,681	8,058	21,086	16,480
Minority interests		(413)	235	(460)	289
		1,268	**8,293**	**20,626**	**16,769**
Earnings per share (sen)	B10				
Basic		0.46	2.14	5.59	4.38
Diluted		0.42	2.03	5.28	4.15

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTE	3 MONTHS ENDED 30 JUNE 2010 RM'000	3 MONTHS ENDED 30 JUNE 2009 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000	6 MONTHS ENDED 30 JUNE 2009 RM'000
Profit for the financial period		**1,268**	**8,293**	**20,626**	**16,769**
Other comprehensive income:					
Fair value of available-for-sale financial assets		132	-	193	-
Foreign currency translation differences for foreign operations		70	(501)	(551)	298
Share of other comprehensive income of jointly controlled entities and associate		29	-	6	-
Other comprehensive income for the financial quarter (net of tax)		**231**	**(501)**	**(352)**	**298**
Total comprehensive income for the financial period		**1,499**	**7,792**	**20,274**	**17,067**
Attributable to:					
Equity holders of the Company		1,933	7,866	21,032	16,778
Minority interests		(434)	(74)	(758)	289
		1,499	**7,792**	**20,274**	**17,067**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Number of shares	Nominal value	Share premium	Warrant reserve	Share Option reserve	Currency Translation reserve	Fair Value reserve	Merger deficit	Retained earnings	Shareholders' equity	Minority interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010, as previously stated	**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**-**	**(71,500)**	**226,442**	**375,473**	**5,842**	**381,315**
Effects of applying FRS139 (Note A1(b)(v))	-	-	-	-	-	-	590	-	7,769	8,359	-	8,359
At 1 January 2010, as restated	**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**590**	**(71,500)**	**234,211**	**383,832**	**5,842**	**389,674**
Total comprehensive income for the financial period	-	-	-	-	-	(253)	193	-	21,092	21,032	(758)	20,274
Issue of ordinary shares pursuant to:- - exercise of ESOS/warrants	912	456	714	-	-	-	-	-	-	1,170	-	1,170
Transfer to/(from) reserve upon exercise of warrants	-	-	85	(85)	-	-	-	-	-	-	-	-
Dividends paid (Note A7)	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Minority interest arising from business combination	-	-	-	-	-	-	-	-	-	-	57	57
At 30 June 2010	**377,606**	**188,803**	**22,948**	**6,397**	**2,139**	**1,161**	**783**	**(71,500)**	**243,992**	**394,723**	**5,141**	**399,864**
At 1 January 2009	**376,590**	**188,295**	**22,059**	**6,492**	**2,139**	**1,434**	**-**	**(71,500)**	**202,712**	**351,631**	**5,451**	**357,082**
Total comprehensive income for the financial period	-	-	-	-	-	185	-	-	16,480	16,665	402	17,067
Issue of ordinary shares pursuant to:- - exercise of warrants	98	49	75	-	-	-	-	-	-	124	-	124
Transfers to/(from) reserves upon exercise of ESOS options/warrants	-	-	10	(10)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(9,181)	(9,181)	-	(9,181)
At 30 June 2009	**376,688**	**188,344**	**22,144**	**6,482**	**2,139**	**1,619**	**-**	**(71,500)**	**210,011**	**359,239**	**5,853**	**365,092**

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	3 MONTHS ENDED 30 JUNE 2010 RM'000	3 MONTHS ENDED 30 JUNE 2009 RM'000
OPERATING ACTIVITIES		
Profit before tax	27,915	22,625
Adjustments for:		
Non-cash items	9,797	(3,515)
Interest income	(129)	(200)
Finance cost	7,859	7,328
Operating profit before working capital changes	45,442	26,238
Changes in working capital:		
Net change in current assets	(8,908)	(18,092)
Net change in current liabilities	(5,476)	(12,272)
Amount due from jointly controlled entity	22,000	-
Net cash inflow/(outflow) from operations	53,058	(4,126)
Interest paid	(1,269)	(2,535)
Interest received	122	238
Tax paid	(6,670)	(6,910)
Net cash inflow/(outflow) from operating activities	45,241	(13,333)
INVESTING ACTIVITIES		
Acquisition of subsidiary company	(76)	-
Purchase of property, plant & equipment	(332)	(391)
Placements of available-for-sale financial assets, net of redemptions	(31,928)	(21,037)
Capital repayment from associate	-	21,323
Dividends received from available-for-sale financial assets	77	-
Net cash outflow from investing activities	(32,259)	(105)
FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	1,170	124
Dividends paid	(11,311)	(5,650)
Repayment of borrowings	(10)	(1,530)
(Increase)/Decrease in deposits pledged as security	(3,384)	1,753
Net cash outflow from financing activities	(13,535)	(5,303)
Effect of foreign exchange rate changes	(519)	115
Net change in cash and cash equivalents during the financial period	(1,072)	(18,626)
Cash and cash equivalents at beginning of financial period	29,235	55,626
Cash and cash equivalents at end of financial period	**28,163**	**37,000**
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with financial institutions	18,913	16,022
Bank and cash balances	25,113	33,426
Total deposits, bank and cash balances	44,026	49,448
Less: Deposits pledged as security	(15,863)	(12,448)
	28,163	**37,000**

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS 134: INTERIM FINANCIAL REPORTING

A1 – Basis of Preparation

(a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market 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 subsidiaries ("Group") for the financial year ended 31 December 2009. The 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 previous financial year.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the adoption of new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010 relevant to the Group as follows:-

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

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A1 – Basis of Preparation (cont'd)

(b) Changes in accounting policy

Other than the application of FRS 8, FRS 101, FRS 139 and IC Interpretation 9, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

(i) FRS 8 *Operating segments*, requires the Group's segment information to be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker, i.e. 'management approach'. The Group presents its segment information based on its business segment, which is consistent to its internal management reports. This standard does not have any significant impact on the financial results of the Group. The Group has identified the Executive Committee as the chief operating decision-maker.

(ii) FRS 101 *Presentation of financial statements (as revised)*, prohibits the presentation of non-owner changes in equity in the statement of changes in equity. All non-owner changes in equity are required to be shown in the performance statement as total comprehensive income. Comparatives, with the exception of the requirement under FRS 139, had been restated in conformity to this revised standard. This standard does not have any significant impact on the financial results of the Group.

(iii) FRS 139 *Financial Instruments: Recognition and Measurement*, establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Financial instruments are initially recorded at fair value and are subsequently measured in accordance to its classification. The Group determines its classification on initial recognition and on first adoption of the standard on 1 January 2010.

- Trade receivables: Prior to the adoption of FRS 139, trade receivables were carried at invoice amount less allowance for doubtful debts. With the adoption of FRS 139, an impairment loss is recognised for trade receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

  In subsequent periods, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is taken to the income statement.

- Investments: Prior to the adoption of FRS 139, investments in quoted unit trusts were stated at the lower of costs or market value on a portfolio basis. Under FRS 139, these investments determined by the Group as available-for-sale ("AFS") financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired and removed from the fair value reserve.

- Convertible Bonds: Prior to the adoption of FRS 139, the Convertible Bonds issued by the Company were initially recognised at net proceeds received upon issuance and adjusted subsequently for accretion of discount to maturity. Under FRS 139, multiple embedded derivatives contained within the Convertible Bonds and deemed not closely related to the host contract are accounted for as derivatives and separately fair valued at the inception date with subsequent measurement of fair value at each reporting date and the difference taken to the income statement.

A1 – Basis of Preparation (cont'd)

(iv) IC interpretation 9 *Reassessment of Embedded Derivatives*, requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as derivative when the entity first becomes a party to the contract.

In these interim financial statements, the amount recognised as derivative financial liabilities was determined by reference to the fair value of the embedded derivatives at the date of inception of the Convertible Bonds. The fair value of the embedded derivatives is computed using the Black-Scholes model and the key parameters used in arriving at their fair values are as disclosed below:-

	Fair Value measured on inception date	Fair Value measured as at 1 January 2010	Fair Value measured as at 30 June 2010
Type of Derivatives			
Derivative financial liabilities (included in current liabilities):			
Derivatives embedded in the Convertible Bonds issued (RM'000)	44,292	16,418	10,369
Derivative gain/(losses)			
- difference in fair value measured in inception date and 1 January 2010 adjusted to opening retained earnings in accordance with the transitional provisions of FRS 139	-	27,874	
- difference in fair value measured on 1 January 2010 and 31 March 2010 charged to the Income Statement in the previous quarter	-	-	11,694
- to be charged to the Income Statement in the current quarter			(5,645)
Key Parameters used in valuing the embedded derivatives:			
Option price (RM)	0.846647	0.313828	0.198200
Implied/historical volatility (%)	34.80	44.95	42.14
Dividend yield (%)	2.759	4.458	4.846

There are no credit, market and liquidity risks associated with the above derivative nor are there any cash requirements.

(v) In accordance with FRS 139, the recognition, de-recognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. Pursuant to the transitional provisions of FRS 139 for first time adoption, adjustments arising from re-measuring the financial instruments at the beginning of the financial period are to be recognised as adjustments to the opening retained earnings or another appropriate reserve.

A1 – Basis of Preparation (cont'd)

Comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as follows:-

As at 1 January 2010	As previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Non Current Assets			
Long term receivables	47,000	13,002	60,002
Current Assets			
Trade and other receivables	176,538	(20,816)	155,722
Investments	142,401	(142,401)	-
Available-for-sale financial assets	-	142,991	142,991
Current Liabilities			
Derivative financial liabilities (Note A1(b)(iv))	-	16,418	16,418
Borrowings (Convertible bonds – liability component)	119,377	(32,001)	87,376
Equity			
Retained earnings	226,442	7,769	234,211
Fair Value reserve	-	590	590

(c) The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	30 June 2010 RM	31 Mar 2010 RM	30 June 2009 RM
1 US Dollar	3.24	3.26	3.52
1 Singapore Dollar	2.31	2.33	-
100 Hong Kong Dollars	41.58	42.02	45.45
100 Chinese Renminbi	47.72	47.79	51.55

(d) Critical Accounting Estimates and Judgments

The preparation of interim financial statements requires the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In these interim financial statements, the following are the critical estimates and judgments made:-

(i) the determination of the fair value of derivatives which give rise to the fair value changes was based on an option pricing model adopted and the key parameters used (Note A(b)(iv));

(ii) the trade receivables of one of the subsidiaries, Sungai Harmoni Sdn Bhd, were assumed to be realised within twelve months after the reporting period on the basis that the Selangor water consolidation exercise ("Exercise") will be able to complete within that period. However, if the Exercise cannot complete by then, the Group estimates that based on current repayment pattern, an amount of approximately RM32-34 million will be required to be reclassified as non current receivables and subsequently be impaired in accordance with FRS 139;

A1 – Basis of Preparation (cont'd)

(iii) based on the Group's best estimate, about RM37 million in trade receivables of one of the subsidiaries, Taliworks (Langkawi) Sdn Bhd, were anticipated to be realised after twelve months from the reporting period and as such, has been reclassified as non current receivables and impaired in accordance with FRS 139.

A2 – Auditors' Reports

The auditors' report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification.

A3 – Comments about the Seasonal or Cyclicality of Interim Operations

There are no significant seasonal or cyclical factors affecting the 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 those arising from the adoption of FRS 139 as disclosed in Note A1 above.

A5 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years of the Group that have had a material effect in the current quarter and financial period.

A6 – Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities

During the current quarter and financial period, there was no issuance, cancellation, repurchase, resale or repayment of equity or debt securities by the Company, save and except for, the issuance of new ordinary shares of RM0.50 each from the exercise of:-

	During the Current Quarter	Year-to-date	Balance remaining unexercised as at the reporting period
ESOS options at RM1.31 per share *	45,000	45,000	195,000
ESOS options at RM1.90 per share *	15,000	15,000	# 4,344,000
Warrants at RM1.27 per share **	488,500	852,480	68,936,020

* *expiring on 29 September 2010 (unless extended by the Company)*
** *expiring on 21 September 2010*
\# *after taking into account 139,000 ESOS options that lapsed during the financial period*

A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2009	RM'000
• 2nd interim gross dividend of 4.0 sen per share on 377,058,480 ordinary shares of RM0.50 each, less income tax at 25%, paid on 29 March 2010	11,312

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A8 – Material Subsequent Events

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

A9 – Changes in Composition of the Group

Save as disclosed below, there were no changes to the composition of the Group during the current quarter and financial period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations.

(i) On 16 January 2010, a 45% owned associated company, C.G.E Utilities (M) Sdn. Bhd. was voluntarily wounded up;

(ii) On 5 March 2010, Taliworks International Limited ("TIL"), a wholly owned subsidiary of Taliworks, completed the acquisition of a 70% equity interest in Eco3 Technology and Engineering Pte Ltd ("ECO3") for a cash consideration of Singapore Dollars 70,000;

(iii) On 8 April 2010, the Company acquired a 50% equity interest in a jointly controlled entity, Prolific Equity Sdn. Bhd. ("PESB"), for a total cash consideration of RM50. PESB was incorporated in Malaysia on 11 May 2009 as a general trading company and is currently dormant. PESB has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM100 comprising 100 ordinary shares of RM1.00 each has been issued and fully paid-up;

(iv) On 4 June 2010, TIL incorporated a 70% owned subsidiary, TILGEA Consortium Sdn. Bhd. ("TILGEA") in Malaysia as an investment holding company. TILGEA has an authorised share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each of which RM10 comprising 10 ordinary shares of RM1.00 each has been issued and fully paid-up;

(v) On 17 June 2010, ECO3 established a wholly owned subsidiary, Ningxia ECO Wastewater Treatment Co., Ltd. as a foreign investment enterprise in the People's Republic of China ("PRC"). The principal activity of the company is to undertake the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Yinchuan in the PRC with a wastewater treatment capacity of 50 million litres per day under a build-operate-transfer ("BOT") concept.

A10 – Operating Segments

Segmental information is presented in respect of the Group's business segments, which reflect the Group's management structure and the way financial information is internally reviewed by the Group's chief operating decision maker.

	Water RM'000		Construction RM'000		Waste Management RM'000		Investment holding and others RM'000		Total RM'000	
3 months ended 30 June	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	36,797	33,749	2,199	442	2,946	4,077	102	1	42,044	38,269
Inter-segment revenue	-	-	2,532	-	157	403	1,110	510	3,799	913
Total revenue	**36,797**	**33,749**	**4,731**	**442**	**3,103**	**4,480**	**1,212**	**511**	**45,843**	**39,182**
Segment results	14,504	13,542	(212)	(550)	(1,096)	621	(576)	(89)	12,620	13,524
Inter-segment elimination	-	-	-	-	(123)	(69)	(555)	(51)	(678)	(120)
Operating profit	**14,504**	**13,542**	**(212)**	**(550)**	**(1,219)**	**552**	**(1,131)**	**(140)**	**11,942**	**13,404**
Derivative loss									(5,645)	-

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	Water RM'000		Construction RM'000		Waste Management RM'000		Investment holding and others RM'000		Total RM'000	
Finance cost									(4,004)	(3,713)
Share of results of jointly controlled entities									2,706	1,369
Share of results of associate									160	273
Profit before tax									**5,159**	**11,333**
Segment assets	**235,838**	**125,334**	**71,564**	**67,446**	**79,341**	**71,996**	**313,018**	**542,250**	**699,761**	**807,026**
Inter-segment elimination									(226,774)	(235,516)
Investments in jointly controlled entities									74,116	62,665
Investments in associate									4,617	24,473
Unallocated assets									7,103	5,853
Total assets									**558,823**	**664,501**

A11 – Changes in Contingent Liabilities or Contingent Assets

There were no changes to the contingent liabilities of the Group since the last audited date of the statement of financial position except as follows:-

	As at 30 June 2010 RM'000	**As at 31 Dec 2009 RM'000**
Secured against deposits pledged to the financial institutions		
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	**7,573**	**7,573**
Bank guarantees issued to third parties for services rendered and as performance bonds	**12,634**	**9,771**

PART B – EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Review of Performance

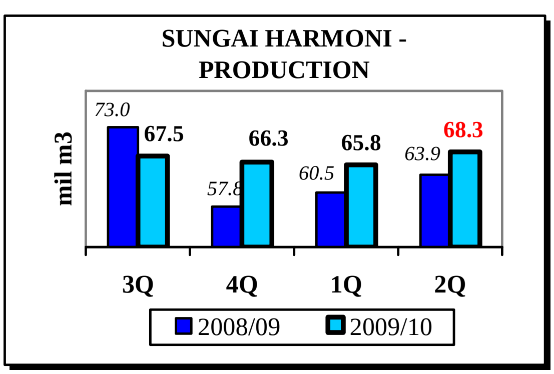
(a) Revenue

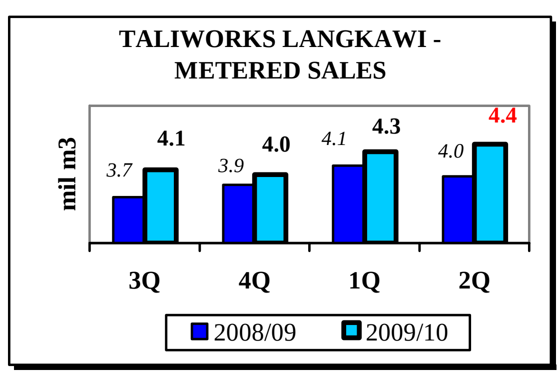
	3 Months Ended 30 June 2010 RM'000	3 Months Ended 31 Mar 2010 RM'000	3 Months Ended 30 June 2009 RM'000
Water	36,797	35,452	33,749
Construction	2,199	5,717	442
Waste management	2,946	3,191	4,077
Others	102	9	1
	42,044	**44,369**	**38,269**

(b) Profit Before Tax

	3 Months Ended 30 June 2010 RM'000	3 Months Ended 31 Mar 2010 RM'000	3 Months Ended 30 June 2009 RM'000
Water	14,504	14,381	13,542
Construction	(212)	569	(550)
Waste management	(1,219)	(1,515)	552
Investment holding and others	(1,131)	(1,669)	(140)
Operating profit	**11,942**	**11,766**	**13,404**
Derivative (loss)/gain	(5,645)	11,694	-
Finance cost	(4,004)	(3,855)	(3,713)
Share of results of a jointly controlled entities	2,706	2,961	1,369
Share of results of associate	160	190	273
Profit before tax	**5,159**	**22,756**	**11,333**

The following are the production statistics of Sungai Harmoni Sdn Bhd ("SHSB") and metered sales of Taliworks (Langkawi) Sdn Bhd ("TLSB")





B1 – Review of Performance (continued)

Review of Y-o-Y Results

Revenue

Group revenue improved from RM38.3 million to RM42.0 million with the water business accounting for the bulk of revenue. Revenue from the water business improved by almost 9% as a result of higher production from Sungai Selangor Water Treatment Works Phase I ("SSP1") (+7% i.e. from 63.94 mil m3 (703 MLD) to 68.32 mil m3 (750 MLD)) and strong metered sales recorded from Langkawi operations (+12% i.e. from 3.98 mil m3 to 4.44 mil m3).

Meanwhile, revenue from waste management dropped substantially by almost 28% due to the decrease in waste processed from both the Tianjin (-61% i.e. from 92,000 tons processed to 57,000 tons as result of a temporary closure of operations to facilitate a major refurbishment of building, plant and equipment) and Guanghan operations (-19% i.e. from 3.04 mil m3 to 2.47 mil m3 due to the partial blockage in certain sections of the city's waste collection pipe network to the wastewater treatment plant).

Profit

The Group chalked up profit before taxation ("PBT") of about RM5.2 million compared to RM11.3 million Y-o-Y, mainly due to fair value changes in derivative financial liabilities. However, operating profit was at RM11.9 million against RM13.4 million achieved a year ago. Operationally, the Group's performance was enhanced by the increased production levels at SSP1, higher metered sales recorded in the Langkawi operations and higher share of profits from a jointly-controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama"). Cerah Sama enjoyed better traffic numbers (+12% i.e. average daily traffic of 220,206 vehicles compared to 197,275) and higher deferred income to be recognised for the year (of RM11.3 million compared to RM4.2 million in the previous year).

On the other hand, the Group's operating profits were adversely affected mainly by the lower waste processed, major refurbishment costs having to be incurred in the Tianjin operations, lower returns from available-for-sale financial assets, absence of gains from capital repayment of an associated company in the previous yearand unrealised foreign exchange losses.

Review of Q-o-Q Results

Revenue

Revenue dipped marginally from RM44.4 million to RM42.0 million. The better performance recorded at the water division was primarily negated by the lower revenue contribution from construction business. Production from SSP1 was up by 4% from 65.81 mil m3 (731 MLD) to 68.32 mil m3 (750 MLD)) whilst metered sales recorded from Langkawi operations was also up by +3% from 4.33 mil m3 to 4.44 mil m3 in line with the gradual improvement in the domestic economy.

Profit

The Group recorded PBT of about RM5.2 million compared to RM22.8 million in the previous quarter mainly due to fair value changes whilst operating profit was slightly higher at RM11.9 million compared to RM11.8 million. Operationally, whilst SSP1 and Taliworks (Langkawi) chalked up better sales from higher production, the bottom line was affected by impairment losses due to continued delayed payments.

Whilst the waste management division performed financially better than the previous quarter, the reduction in waste produced and major refurbishment costs in the Tianjin operations significantly drove up the average cost of operations during the quarter. The improved performance compared to the previous quarter stemmed from the lower pre-operating expenses from the Linhe project (mentioned in note A9(v) above) in the current quarter.

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B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water business as this segment contributes the bulk of the revenue and profits. The Group is optimistic that the overall water demand will continue to show strong growth given the better economic environment.

Whilst the water business will continue to provide recurring and steady income stream, the Group is actively seeking to expand its business specifically in the waste management sector outside of Malaysia to increase the contribution from non domestic sources.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	3 Months Ended 30 June 2010 RM'000	6 Months Ended 30 June 2010 RM'000
Malaysian income tax:-		
- Current year tax	3,891	7,307
- Over-provision in prior years	-	(18)
	3,891	**7,289**

The tax expense is in respect of the estimated Malaysian income tax charge for the period. The effective tax rate of the Group varies from the statutory tax rate principally due to the non deductibility or taxability, as the case maybe, on fair value changes, expenses not allowed as tax deductions, tax effect of share of results of jointly controlled entity and associates, receipt of tax exempt dividend income and capital gains arising from the redemption of available-for-sale financial assets, losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group.

B5 – Profits on Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and properties for the current quarter and financial period.

B6 – Purchase or Disposal of Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and financial period except for the placement and/or redemption of quoted money market unit trust funds which are categorised as available-for-sale financial assets.

(b) There were no investments in quoted shares as at end of the reporting period.

B7 – Status of Corporate Proposals Announced But Not Completed

(i) Status of Corporate Proposals

There were no proposals announced but not completed as at end of the reporting period, save and except for, the proposed issuance of RM395 million of serial bonds by Destinasi Teguh Sdn Bhd ("DTSB"), a special purpose vehicle that was incorporated by the Company to act as a funding conduit to raise funds for the Group. The approval from the Securities Commission to implement the proposal has been extended to 26 November 2010.

Details of the proposed issuance of the DTSB bonds are contained in the announcement by RAM Rating Services Berhad on 10 November 2009 (http://www.ram.com.my)

B7 – Status of Corporate Proposals Announced But Not Completed (continued)

(ii) Status of Proposed Utilisation of Proceeds

As at 17 August 2010 (being a date not earlier than 7 days from the date of this report), the status of utilisation of proceeds raised from the issuance of the Convertible Bonds was as follows:-

	Total Net Proceeds Raised RM'000	Cumulative Amount Utilised from the Previous Quarters RM'000	Balance Unutilised RM'000
(i) For future local and overseas business expansion	196,400	(144,844)*	51,556
(ii) For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	(12,700)	9,150
TOTAL	**218,250**	**(157,544)**	**60,706**

(a) *Depending on the funding requirements of the Company, its subsidiaries and its joint venture companies namely Cerah Sama Sdn Bhd ("Cerah Sama"), the Company may re-allocate the amount of proceeds to be utilised between each of the abovementioned categories.*

(b) *In addition, any proceeds not fully utilised under (i) above within the stipulated timeframe will be utilised for general working capital purposes if not re-allocated during the stipulated timeframe. Proceeds under (i) above may also be utilised to fund any shareholders' advances to Cerah Sama.*

(c) *The proceeds are to be utilised within 2 years from the issuance of the Convertible Bonds. There has been no deviation in the utilisation of proceeds.*

* *Including RM119.36 million utilised to re-purchase RM112 million nominal value of Convertible Bonds representing about 50% of the nominal value of the Convertible Bonds issued by the Company from existing holders of the Convertible Bonds.*

B8 – Group Borrowings and Debt Securities

Included in the borrowings are:-	Short Term		Long Term	
	Secured RM'000	**Unsecured** RM'000	**Secured** RM'000	**Unsecured** RM'000
Hire purchase	15	-	17	-
Government support loan	-	2,863	-	-
Convertible bonds – liability component	-	92,788	-	1,151
	15	95,651	17	1,151

(i) All the borrowings of the Group are denominated in Malaysian Ringgit save and except for the Government Support Loan of RMB6.0 million which is to be repaid by a subsidiary in the People's Republic of China.

(ii) The Convertible Bonds are classified as current liabilities wherein the Company will, at the option of the holder of any Convertible Bonds, redeem all or some of that holder's Convertible Bonds on the 3rd anniversary of the Issue Date of the Convertible Bonds *(the Issue Date being 6 December 2007)* at the Early Redemption Amount *(as defined in the Trust Deed dated 29 November 2007 constituting the Convertible Bonds).*

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TALIWORKS CORPORATION
LGB Group

B8 – Group Borrowings and Debt Securities (cont'd)

The Convertible Bonds, unless redeemed or converted in accordance with the Principal Terms and Conditions of the Trust Deed, will mature on 5 December 2012. The final conversion price has been re-set to RM2.16 (subject to anti-dilution provisions) in accordance with the Trust Deed.

B9 – Material Litigations

As at 17 August 2010 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any pending material litigations against the Company or its subsidiary companies.

B10 – 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.

	3 Months Ended 30 June 2010	3 Months Ended 30 June 2009	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009
Net Profit attributable to equity holders of the Company (RM'000)	1,681	8,058	21,086	16,480
Weighted average number of shares in issue ('000)	377,309	376,680	377,048	376,659
Basic EPS (sen)	**0.46**	**2.14**	**5.59**	**4.38**

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company (as adjusted) by the weighted average number of shares in issue (as adjusted). The net profit attributable to equity holders of the Company is adjusted for net savings from the after-tax effects of the financing costs of the Convertible Bonds as if the Convertible Bonds were converted into shares at the beginning of the financial period. The weighted average number of shares in issue is adjusted for potential dilutive shares from the exercise of outstanding ESOS options, Warrants and Convertible Bonds of the Company.

	3 Months Ended 30 June 2010	3 Months Ended 30 June 2009	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009
Net Profit attributable to equity holders of the Company (as adjusted) (RM'000)	1,681	8,058	21,086	16,480
Weighted average number of shares in issue (as adjusted) ('000)	399,696	396,765	399,401	397,007
Diluted EPS (sen)	**0.42**	**2.03**	**5.28**	**4.15**

* *The Convertible Bonds and/or ESOS options that could potentially dilute the earnings per share have been excluded from the computation because of their anti-dilutive effect.*

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B11 – Dividends

The Board is not recommending any dividend payment for the current quarter.

B12 – Off Balance Sheet Financial Instruments

Not applicable as financial instruments with off balance sheet risk are to be accounted for on the statement of financial position in accordance with FRS 139.

B13 – Authorisation for Release

This Interim Financial Report for the current quarter and financial year ended 30 June 2010 has been seen and approved by the Board for public release.

By Order of the Board
Ng Yim Kong
Company Secretary (LS 0009297)
23 August 2010

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 had participated in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Previous copies of independent research reports on the Company can be downloaded from http://www.bursamalaysia.com

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