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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2011 (UNAUDITED)

CONTENTS

This Report is authorised for public release on 23 August 2011

TALIWORKS CORPORATION
LGB Group

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	30 JUNE 2011 RM'000	31 DEC 2010 RM'000 (restated)
ASSETS			
Property, plant and equipment	A1(b)(i), B15	5,016	3,539
Investment properties		419	424
Concession rights		12,725	13,181
Intangible assets	A1(b)(i), B15	20,840	20,395
Jointly controlled entities	A1(b)(ii), B15	75,706	71,155
Associate		5,573	4,971
Goodwill on consolidation		2,504	2,504
Deferred tax assets		2,690	2,867
Long term receivables	A1(d)	156,872	133,304
Deposits, bank and cash balances		17,276	15,909
Total non-current assets		**299,621**	**268,249**
Inventories		957	1,054
Trade and other receivables		120,774	103,534
Tax recoverable		3,902	3,903
Available-for-sale financial assets		21,447	23,752
Deposits, bank and cash balances		113,731	137,284
Total current assets		**260,811**	**269,527**
TOTAL ASSETS		**560,432**	**537,776**
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		281,541	255,986
Total equity attributable to owners of the Company		**499,787**	**474,232**
Non-controlling interest		6,090	5,890
Total equity		**505,877**	**480,122**
LIABILITIES			
Borrowings	B8	12	18
Total non-current liabilities		**12**	**18**
Borrowings	B8	2,804	2,809
Trade and other payables		47,820	50,650
Taxation		3,919	4,177
Total current liabilities		**54,543**	**57,636**
TOTAL LIABILITIES		**54,555**	**57,654**
TOTAL EQUITY AND LIABILITIES		**560,432**	**537,776**
Net assets per share attributable to owners of the Company (RM)		**1.1450**	**1.0865**

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	3 MONTHS ENDED 30 JUNE 2011 RM'000	3 MONTHS ENDED 30 JUNE 2010 RM'000 (restated)	6 MONTHS ENDED 30 JUNE 2011 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000 (restated)
Revenue		**52,944**	**41,479**	**93,554**	**85,848**
Cost of operations		(27,193)	(21,739)	(49,075)	(45,340)
Gross profit		**25,751**	**19,740**	**44,479**	**40,508**
Other operating income		1,530	894	2,133	1,943
Administrative expenses		(8,742)	(8,692)	(17,437)	(18,743)
Others - Derivative (loss)/ gain		-	(5,645)	-	6,049
Operating profit		**18,539**	**6,297**	**29,175**	**29,757**
Finance cost		-	(4,004)	(541)	(7,859)
Share of results of jointly controlled entities	A1(b)(ii) B15	2,998	3,179	4,532	6,598
Share of results of associate		330	160	602	350
Profit before tax		**21,867**	**5,632**	**33,768**	**28,846**
Tax expense	B4	(4,292)	(3,891)	(7,831)	(7,289)
Profit for the financial period		**17,575**	**1,741**	**25,937**	**21,557**
Attributable to:					
Owners of the Company		17,215	2,154	25,711	22,017
Non-controlling interest		360	(413)	226	(460)
		17,575	**1,741**	**25,937**	**21,557**
Earnings per share attributable to owners of the Company (sen)	B10				
- basic		3.94	0.57	5.89	5.84
- diluted		3.94	0.54	5.89	5.51

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 MONTHS ENDED 30 JUNE		6 MONTHS ENDED 30 JUNE	
	2011 RM'000	2010 RM'000 (restated)	2011 RM'000	2010 RM'000 (restated)
Profit for the financial period	**17,575**	**1,741**	**25,937**	**21,557**
Other comprehensive income:				
Available-for-sale financial assets	(456)	132	(11)	193
Foreign currency translation differences for foreign operations	186	70	(190)	(551)
Share of other comprehensive income of jointly controlled entities and associate	19	29	19	6
Other comprehensive income for the financial period, net of tax	**(251)**	**231**	**(182)**	**(352)**
Total comprehensive income for the financial period	**17,324**	**1,972**	**25,755**	**21,205**
Attributable to:				
Owners of the Company	16,856	2,406	25,555	21,963
Non-controlling interest	468	(434)	200	(758)
Total comprehensive income for the financial period	**17,324**	**1,972**	**25,755**	**21,205**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company											
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Fair Value reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Shareholders' equity RM'000	Non-Controlling interest RM'000	Total Equity RM'000
At 1 January 2011, as previously stated		**436,491**	**218,246**	**74,176**	**-**	**2,284**	**1,014**	**160**	**(71,500)**	**254,138**	**478,518**	**5,890**	**484,408**
Effects of adopting IC Interpretation 12	B15	-	-	-	-	-	-	-	-	(4,286)	(4,286)	-	(4,286)
At 1 January 2011, as restated		**436,491**	**218,246**	**74,176**	**-**	**2,284**	**1,014**	**160**	**(71,500)**	**249,852**	**474,232**	**5,890**	**480,122**
Total comprehensive income for the financial period		-	-	-	-	-	(164)	(11)	-	25,730	25,555	200	25,755
Transactions with owners:													
Transfers to/(from) reserves upon ESOS options lapsed		-	-	-	-	(36)	-	-	-	36	-	-	-
At 30 June 2011		**436,491**	**218,246**	**74,176**	**-**	**2,248**	**850**	**149**	**(71,500)**	**275,618**	**499,787**	**6,090**	**505,877**
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 adopting IC Interpretation 12		-	-	-	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Effects of adopting FRS 139		-	-	-	-	-	-	590	-	10,226	10,816	-	10,816
At 1 January 2010, as restated		**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**590**	**(71,500)**	**231,286**	**380,907**	**5,842**	**386,749**
Total comprehensive income for the financial period		-	-	-	-	-	(253)	193	-	22,023	21,963	(758)	21,205
Transactions with owners:													
Issue of ordinary shares pursuant to exercise of warrants		912	456	714	-	-	-	-	-	-	1,170	-	1,170
Transfers to/(from) reserves upon exercise of warrants		-	-	85	(85)	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Non-controlling 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)**	**241,998**	**392,729**	**5,141**	**397,870**

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 MONTHS ENDED 30 JUNE 2011 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	33,768	28,846
Adjustments for:		
Non-cash items	(1,249)	8,866
Interest income	(323)	(129)
Finance cost	536	7,859
Operating profit before working capital changes	32,732	45,442
Changes in working capital:		
Net change in current assets	(44,569)	(8,908)
Net change in current liabilities	(2,827)	(5,476)
Amount due from jointly controlled entity	-	22,000
Net cash (outflow)/ inflow from operations	(14,664)	53,058
Interest paid	(541)	(1,269)
Interest received	339	122
Tax paid	(7,912)	(6,670)
Net cash (outflow)/ inflow from operating activities	(22,778)	45,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant & equipment:		
- Proceeds from disposal	79	-
- Purchase	(3,111)	(332)
Acquisition of a subsidiary company	-	(76)
Available-for-sale financial assets:		
- Purchase	(103,000)	(31,928)
- Dividends	-	77
- Proceeds from redemption	106,866	-
Cash frozen pursuant to an on-going litigation	(1,634)	-
Placement/ (withdrawal) of deposit balances pledged as security	267	(3,384)
Net cash outflow from investing activities	(533)	(35,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	-	1,170
Dividends paid	-	(11,311)
Repayment of borrowings	(9)	(10)
Net cash outflow from financing activities	(9)	(10,151)
Effect of foreign exchange rate changes	(233)	(519)
Net change in cash and cash equivalents during the financial period	(23,553)	(1,072)
Cash and cash equivalents at beginning of financial period	137,284	29,235
Cash and cash equivalents at end of financial period	**113,731**	**28,163**

	6 MONTHS ENDED 30 JUNE 2011 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000 (restated)
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	19,049	18,913
Bank and cash balances	111,958	25,113
Total deposits, bank and cash balances	131,007	44,026
Less: Deposits pledged as security	(15,642)	(15,863)
Less: Cash restricted	(1,634)	-
	113,731	**28,163**

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to these interim financial statements.

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 2010. 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 2011 relevant to the Group as follows:-

FRSs, Amendments to FRSs and Interpretations

FRS1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based payment: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 17	Distribution of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139	Improvements to FRSs (2010)

Other than as disclosed in this Interim Report, 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.

(b) Changes in Accounting Policy

IC Interpretation 12 - Service Concession Arrangements

(i) IC Interpretation 12 applies to public service concession operators and requires the Group to record its concession assets comprising Property, Plant and Equipment as Intangible Assets at costs less accumulated amortisation less impairment losses. The adoption of IC Interpretation 12 has been accounted for as a change in accounting policy which is required to be adopted retrospectively in accordance with the transitional provisions of IC Interpretation 12. Certain comparative amounts have been restated as disclosed in Note B15 below.

Revenue Recognition - Construction revenue

The intangible asset model, as defined in IC Interpretation 12, applies to service concession arrangements where the grantor has not provided a contractual guarantee in respect of the amount receivable for constructing and operating the asset. Under the intangible asset model, during the construction or upgrade phase, the Group records an intangible asset representing the right to charge users of the public service and recognised revenue from the construction or upgrade of the infrastructure. Income and expenses associated with construction contracts are recognised in accordance with the percentage of completion method in FRS 111 – Construction Contracts.

On the adoption of IC Interpretation 12, the Group has not recognised any margin on past construction services as such margin could not be reliably measured.

Borrowing costs

Borrowing costs incurred in connection with an arrangement falling within the scope of IC Interpretation 12 will be expensed as incurred, unless the Group recognises an intangible asset under the Interpretation. In this case, borrowing costs are capitalised in accordance with the general rules of FRS 123 - Borrowing Costs.

(ii) A jointly controlled entity, Cerah Sama Sdn Bhd ("CSSB") adopted IC Interpretation 12 which requires CSSB:-

(a) to record its concession assets comprising Expressway Development Expenditure ("EDE") as Intangible Assets at cost less amortisation and impairment losses and amortise the concession assets pursuant to FRS 138 – Intangible Assets, and

(b) to provide for the maintenance obligations such as pavement upgrades and slope repairs (heavy repairs) pursuant to FRS 137 – Provisions, Contingent Liabilities and Contingent Assets.

Prior to the adoption of IC Interpretation 12, CSSB amortised EDE by reference to the projected toll revenue over the concession period and heavy repairs using straight line method over a period of 7 years. However, there are differing views regarding the appropriateness of certain methods in amortising intangible asset contained in an expressway concession arrangement, and the deliberation within the accounting profession in Malaysia over this matter is currently still on-going. Pending the finalisation of any consensus by the accounting profession over this matter, CSSB had continued to amortise its intangible asset contained in the expressway concession arrangement by reference to the projected toll revenue over the concession period. The Group will continue to monitor the progress and outcome of the on-going deliberation and will review the existing amortisation method should such need arise.

Nevertheless, upon adopting the pronouncement of IC Interpretation 12 retrospectively on 1 January 2011, CSSB has reversed the carrying amount of the heavy repairs as at 31 December 2010 to the retained earnings and provided for the maintenance obligations pursuant to FRS 137. As a result thereof, certain comparative amounts have been restated as disclosed in Note B15 below.

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

Foreign currency	30 June 2011 RM	31 Mar 2011 RM	30 June 2010 RM
1 US Dollar	3.02	3.03	3.24
1 Singapore Dollar	2.46	2.40	2.31
100 Hong Kong Dollars	38.78	38.87	41.58
100 Chinese Renminbi	46.70	46.19	47.72

(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, critical estimates and judgments were made to the carrying amount of the trade receivables of the following subsidiaries:-

(i) Sungai Harmoni Sdn Bhd - based on past payments pattern and the Group's best estimate, approximately RM89.9 million contractually due within the next 12 months is expected to be received between 2012 and 2013. As such, this amount, classified as non-current, has been impaired by approximately RM1.41 million in the current reporting period (Q1 FY11: RM1.15 million) and approximately RM5.56 million on an accumulative basis.

About RM46 million representing the 6^{th} to 10^{th} installments under the Debt Settlement Agreement ("DSA") with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd on 2 August 2005 is assumed to be fully repaid between 2011 to 2015 in accordance with the said agreement. The impact of discounting amounting to RM4.36 million was recognised in respect of the deferred instalment terms under the DSA.

(ii) Taliworks (Langkawi) Sdn Bhd – The amount due to the company as at the end of the reporting period of RM45.6 million was classified as current. In the current financial period, due to the receipt of slow payments, the Group revised its expectation of the timing of payments.

Accordingly, an amount due of approximately RM38.0 million was deemed to be non-current (Q1FY11: RM43.0 million). Arising from the lesser amount deemed as non-current, a reversal of impairment loss amounting to approximately RM0.25 million in the current reporting period was made. Nevertheless, to account for the anticipated delay in receiving payments, approximately RM1.19 million on an accumulative basis of provision for impairment has been made.

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 that in the current quarter, the profit of the Group was positively impacted by the Settlement Agreement, further described in Section B1 below.

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 except arising from the adoption of IC Interpretation 12 - Service Concession Arrangements.

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.

As at the end of the financial period, the Company has 63,000 unexercised ESOS options at RM1.31 per share and 4,243,000 unexercised ESOS options at RM1.90 per share.

A7 – Dividends Paid

There were no dividends paid during the current quarter or financial period.

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) The establishment of a 100% indirectly owned subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co Ltd ("Taliworks (Yinchuan)") in the People's Republic of China ("PRC") on 6 May 2011 to undertake the Project (as defined in Note B7(b)); and

(ii) Taliworks (Xiamen) Environmental Technologies Co. Ltd., a 63% indirectly owned subsidiary, which was wound up on 23 June 2011.

A10 – Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities of the Group since the last audited date of the statement of financial position are as follows:-

	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	**10,738**
Bank guarantees issued to third parties for services rendered and as performance bonds	**8,849**

A11-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 treatment and distribution RM'000		Waste Management RM'000		Construction RM'000		Toll highway RM'000		Others RM'000		Total RM'000	
3 months ended 30 June	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)	2011	2010 (restated)
Total revenue	37,842	36,797	3,431	3,103	*16,718	4,731	-	-	546	1,212	58,537	45,843
Inter-segment revenue	-	-	(127)	(157)	(3,653)	(2,532)	-	-	(510)	(1,110)	(4,290)	(3,799)
External revenue	37,842	36,797	3,304	2,946	13,065	2,199	-	-	36	102	54,247	42,044
Reconciliation	(1,304)	(565)	1								(1,303)	(565)
Revenue as per Statements of Income											**52,944**	**41,479**
Results												
Segment results	13,238	14,504	730	58	6,781	(212)	2,998	3,179	(2,933)	(576)	20,814	15,799
Reconciliations:												
Inter-segment results											723	(678)
Others - Derivative gain											-	(5,645)
Finance cost											-	(4,004)
Share of results of associate											330	160
Profit before tax											21,867	5,632
Tax expense											(4,292)	(3,891)
Profit for the period as per Statements of Income											**17,575**	**1,741**

* *including RM3.895 million construction revenue recognized pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure.*

Note: Segment policy is to show the effect of discounting of revenue by reducing revenue recognised instead of within operating expenses.

	Revenue by geographical area		Non-current assets by geographical area	
	30 June 2011 RM'000	30 June 2010 RM'000 (restated)	30 June 2011 RM'000	30 June 2010 RM'000 (restated)
Malaysian operations	45,708	38,533	261,243	176,300
Non-Malaysian operations (primarily in China)	7,236	2,946	38,378	33,752
	52,944	41,479	**299,621**	**210,052**

TALIWORKS CORPORATION
LGB Group

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

B1 – Review of Performance

(a) Revenue

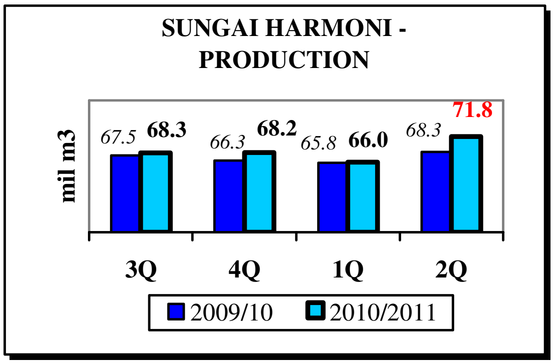
	3 Months Ended 30 June 2011 RM'000	3 Months Ended 31 Mar 2011 RM'000	3 Months Ended 30 June 2010 RM'000
Water treatment and distribution	37,842	35,814	36,797
Construction	*13,065	2,932	2,199
Waste management	3,304	3,196	2,946
Others	36	11	102
	54,247	41,953	42,044
Less: Provision for impairment from effects of discounting	(1,303)	(1,343)	(565)
	52,944	**40,610**	**41,479**

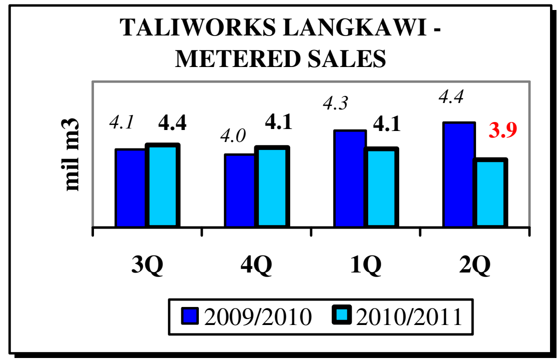
* *including RM3.895 million construction revenue recognized pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of an infrastructure.*

(b) Profit Before Tax

	3 Months Ended 30 June 2011 RM'000	3 Months Ended 31 Mar 2011 RM'000	3 Months Ended 30 June 2010 RM'000 (restated)
Water treatment and distribution	13,238	12,555	14,504
Construction	6,781	(162)	(212)
Waste management	718	246	(1,129)
Investment holding and others	(2,198)	(2,003)	(1,221)
Fair value loss on derivative financial liabilities	-	-	(5,645)
Operating profit	**18,539**	**10,636**	**6,297**
Finance cost	-	(541)	(4,004)
Share of results of a jointly controlled entities	2,998	1,534	3,179
Share of results of associate	330	272	160
Profit before tax	**21,867**	**11,901**	**5,632**

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





Review of Y-o-Y Results

Revenue

Group revenue (before provision for impairment from effects of discounting) increased by RM12.2 million (+29%) from RM42.0 million to RM54.2 million, primarily due to higher contribution from construction activities.

Contribution from construction activities had increased arising from the recognition of construction revenue under IC Interpretation 12 as well as from the full and final settlement of all disputes and claims in relation to one of the projects undertaken by the Company where a sum of RM6.0 million was agreed upon under the said settlement ("Settlement Agreement"). Kindly refer to the Company's announcement dated 1 June 2011 on the settlement.

Revenue from the water business was higher by about RM1.0 million in tandem with a 5.0% increase in production in SSP1 from 68.32 million m3 (or 751 MLD) to 71.76 million m3 (or 772 MLD) and the effect from the revision in the Bulk Sales Rate ("BSR") of Taliworks (Langkawi) Sdn Bhd to RM2.11/m3 from RM1.92/m3 commencing 1 January 2011. Nevertheless, metered sales in the Langkawi operations saw a marked decline by 11.7% to 3.93 million m3, down from 4.45 million m3.

Revenue from waste management for this quarter has increased marginally to RM3.3 million from RM2.9 million. In the corresponding quarter, the temporary closure of operations for one month to facilitate a major refurbishment of the Tianjin waste transfer station facility had reduced the tonnage of waste processed.

Profit

For the quarter, the Group recorded profit before taxation ("PBT") of about RM21.9 million, which was substantially higher than the PBT of RM5.6 million achieved a year ago mainly due to:-

(a) the effects from the fair value loss on derivative financial liabilities of RM5.6 million ("Fair Value Loss") in the corresponding quarter pursuant to the then adoption of Amendments to FRS 139 - Financial Instruments: Recognition and Measurement and IC Interpretation 9 - Reassessment of Embedded Derivatives;

(b) the savings of finance costs due to the redemption of the convertible bonds of the Company in the previous financial year; and

(c) the positive impact from the Settlement Agreement.

As to the performance of a jointly controlled entity, the Kajang-Cheras highway continue to chalk up an impressive growth with Average Daily Traffic registering a 6.3% growth y-o-y to 233,145 vehicles per day. However, share of results was lower due to provisioning for heavy repairs in line with the adoption of IC Interpretation 12 – Service Concession Arrangements as highlighted in Note A1(b)(ii) above.

At the operating level, operating profit was higher at RM18.5 million compared to RM6.3 million a year ago. This was mainly due to the effects of the Fair Value Loss in the corresponding quarter and the increase in contribution from construction activities arising from the Settlement Agreement.

In the water treatment and distribution segment, although the segment recorded higher revenue y-o-y, the reduction in operating profit came about from higher costs incurred for rehabilitation, upkeep and maintenance as well as further provisioning for impairment due to payment delays.

Whilst revenue from the waste management business shown an improvement y-o-y, this segment contributed an operating profit of RM0.7 million compared to an operating loss of RM1.1 million a year ago, due mainly due the temporary closure of the Tianjin facility and expenses incurred for the major refurbishment as highlighted above.

Review of Q-o-Q Results

Revenue

Group revenue (before provision for impairment from effects of discounting) increased by 29% from RM42.0 million to RM54.2 million, primarily due to higher contribution from construction activities and to a lesser extent, the water treatment and distribution business.

Revenue from the water treatment and distribution business increased from RM35.8 million to RM37.8 million as production from SSP1 registered a strong growth of about 8.8% at 71.76 million m3 (or 772 MLD) from 66.00 million m3 (or 742 MLD). On the other hand, the Langkawi operations recorded lower metered sales of 3.93 million m3 compared to 4.08 million m3 previously, a decline of 3.7%.

Profit

The positive impact from the Settlement Agreement was one of the main reasons the Group registering a PBT of about RM22.0 million compared to the previous quarter of RM11.9 million.

At the operating level, operating profit stood at RM18.5 million compared to RM10.6 million q-o-q, due principally to the effects of the Settlement Agreement.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water treatment and distribution business as this segment contributes the bulk of the revenue and profits. The Group is optimistic that the overall water demand, especially the production from Sungai Harmoni, which is the main contributor to the Group, will remain intact given the better economic environment.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	Current Quarter 3 Months Ended 30 June 2011 RM'000	Year-to-date 6 Months Ended 30 June 2011 RM'000
Malaysian income tax:-		
- Current year tax	4,358	7,580
Foreign income tax	34	74
Deferred tax expense	(100)	177
	4,292	**7,831**

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax 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 expenses not allowed as tax deductions, tax effect of share of results of jointly controlled entities and associate and 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 unit trusts in money market securities instruments that are not held for trading and 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

There were no corporate proposals announced but not completed as at end of the reporting period, save and except for the following:-

(a) 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 further extended to 25 November 2011. Details of the proposed issuance of the DTSB bonds are contained in the announcement by RAM Rating Services Berhad ("RAM Ratings") on 10 November 2009 (http://www.ram.com.my).

On 30 June 2011, DTSB has requested that the ratings of its proposed bond issue be kept private and as such rating updates are no longer provided by RAM Ratings.

(b) The proposed take-over of municipal waste water treatment plants with recycled facilities in the People's Republic of China for Chinese Renminbi 810,000,000 *(equivalent to approximately RM378.2 million based on the closing rate of exchange as at 30 June 2011)* on a takeover-operate-transfer basis ("Project"). The proposed transaction is subject to regulatory approvals and is pending completion.

In May 2011, approval was obtained for the establishment of Taliworks (Yinchuan) Wastewater Treatment Co Ltd with an investment size of USD129 million to be funded by equity of USD48 million and debt of USD81 million. The Group now proposes to fund the equity portion of USD48 million *(equivalent to approximately RM144.96 million based on the closing rate of exchange as at 30 June 2011)* by a combination of internal funds and bank borrowings.

B8 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←-----------Short Term-----------→			←-----------Long Term-----------→		
	Secured	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Hire purchase	2	-	2	12	-	12
Government support loan	-	2,802	2,802	-	-	
	2	2,802	2,804	12	-	12

The Government Support Loan relates to a loan of Chinese Renminbi 6,000,000 which is to be repaid by a subsidiary in the People's Republic of China.

B9 – Material Litigations

As at 17 August 2011 (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, other than as announced previously.

B10 – Earnings Per Share ("EPS")

(a) Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of shares in issue during the financial period.

	Current Quarter 3 Months Ended 30 June 2011	3 Months Ended 30 June 2010 (restated)	6 Months Ended 30 June 2011	Year-to-date 6 Months Ended 30 June 2010 (restated)
Net Profit attributable to owners of the Company (RM'000)	17,215	2,154	25,711	22,017
Weighted average number of shares in issue ('000)	436,492	377,309	436,492	377,048
Basic EPS (sen)	**3.94**	**0.57**	**5.89**	**5.84**

(b) Diluted earnings per share

The diluted earnings per share of the Group is calculated by dividing the net profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue during the financial period. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

In the previous financial period, the net profit attributable to owners of the Company was adjusted for net savings from the after-tax effects of the financing costs of the convertible bonds of the Company as if the convertible bonds were converted into shares at the beginning of the financial period, except when its effect is anti-dilutive. The weighted average number of ordinary shares in issue is adjusted for potential dilutive ordinary shares from the exercise of warrants and ESOS options and conversion of convertible bonds.

The convertible bonds have been fully redeemed whereas the warrants have expired in the previous financial year.

	Current Quarter			Year-to-date
	3 Months Ended 30 June 2011	3 Months Ended 30 June 2010 (restated)	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010 (restated)
Net Profit attributable to Owners of the Company (RM'000)	17,215	2,154	25,711	22,017
Weighted average number of shares in issue ('000)	436,486	399,696	436,491	399,401
Diluted EPS (sen)	**3.94**	**0.54**	**5.89**	**5.51**

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 accounted for on the statement of financial position in accordance with FRS 139.

B13 – Adjustments and Restatement of Comparatives

Comparatives may differ from the unaudited consolidated results announced for the 2nd quarter of 2010 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2010 and arising from the adoption of IC Interpretation 12.

B14 –Supplementary Information Disclosed Pursuant To Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits/(accumulated losses) at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Current Quarter Ended 30 June 2011 RM'000	Preceding Quarter Ended 31 Mar 2011 RM'000
Total retained earnings Taliworks and its subsidiaries:		
- Realised profits	253,156	259,537
- Unrealised losses	(759)	(630)
	252,397	258,907
Total share of retained earnings from associate:		
- Realised profits	3,053	2,723
Total share of retained earnings from jointly controlled entities:		
- Realised losses/ profits	23,279	(4,291)
- Unrealised profits/ losses	(3,111)	1,009
Total Group's retained earnings as per consolidated accounts	**275,618**	**258,348**

B15 – Changes in accounting policies

As results of the effects of the adoption of IC Interpretation 12 – Service Concession Arrangements, certain comparative amounts have been restated as follows:

	Balance as previously stated RM'000	Effects of IC Interpretation 12 RM'000	As restated RM'000
As at 31 December 2010			
Statements of financial position			
Non-current Assets			
Property, plant and equipment	23,934	(20,395)	3,539
Intangible Assets	-	20,395	20,395
Jointly controlled entities	75,441	(4,286)	71,155
Equity			
Retained earnings	254,138	(4,286)	249,852
Statements of Income for 6 months ended 30 June 2010			
Share of results of jointly controlled entities	5,667	931	6,598

B16 – Authorisation for Release

This Interim Financial Report for the current quarter and financial period ended 30 June 2011 has been seen and approved by the Board for public release.

By Order of the Board
Chua Siew Chuan (MAICSA 0777689)
Tan Wee Sin (MAICSA 7044797)
Company Secretaries
23 August 2011

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