

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2007 (UNAUDITED)**

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This Report is authorised for public release on 28 February 2008

SUMMARY OF KEY FINANCIAL INFORMATION

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC		31 DEC	
	2007	2006 (adjusted)	2007	2006 (audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	51,106	35,413	190,969	142,902
EBITDA [i]	11,146	11,309	50,205	52,161
Operating profit	9,833	10,728	47,283	49,982
Profit before tax	9,057	10,974	46,670	50,254
Profit after tax	5,969	7,453	33,121	35,581
EPS (sen) - Basic	1.67	2.00	9.02	9.77
- Diluted	1.53	1.91	8.44	9.35
Gross DPS (sen) [v]	6.5	6.0	9.5	10.0
EBITDA margin	22%	32%	26%	37%
Operating margin	19%	30%	25%	35%
Pre-tax margin [iv]	18%	31%	24%	35%
Net margin	12%	21%	17%	25%
ROE [ii]			10%	12%
ROA [iii]			7%	10%

	31 DEC 2007	31 DEC 2006 (audited)
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.88	0.84
Net cash per share (RM)	0.10	0.34
Net gearing (times)	0.69	0.03

[i] EBITDA is defined as net profit for the period/year before finance costs, taxation, depreciation and amortisation costs (and excludes share of results of jointly-controlled entities and associates).

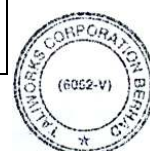
[ii] Return on Equity (ROE) is calculated by dividing the net profit for the period/year with the average of the opening and closing shareholders' equity and is tabulated for year-to-date results.

[iii] Return on Assets (ROA) is calculated by dividing the net profit for the period/year with the average of the opening and closing total assets and is tabulated for year-to-date results.

[iv] Group pre-tax includes share of after-tax results of jointly-controlled entities and associates. Kindly refer to Note A8-Segmental Reporting for a better appreciation of the pre-tax margins recorded by individual business segments.

[v] Included in the current quarter and year-to-date is a final gross dividend which is subject to approval of shareholders at the Annual General Meeting.

This Summary of Key Financial Information is not required under FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and is disclosed on a voluntary basis.



CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTE	<u>3 MONTHS ENDED</u>		<u>12 MONTHS ENDED</u>	
		<u>31 DEC</u>		<u>31 DEC</u>	
		<u>2007</u> RM'000	<u>2006</u> RM'000 (adjusted)	<u>2007</u> RM'000	<u>2006</u> RM'000 (audited)
Revenue	A8	51,106	35,413	190,969	142,902
Operating expenses		(43,663)	(27,011)	(149,042)	(97,406)
Other operating income		2,390	2,326	5,356	4,486
Operating profit		9,833	10,728	47,283	49,982
Finance cost		(1,225)	(138)	(1,550)	(595)
Share of results of joint-controlled entity (net of tax)	A1(i)	300	-	300	-
Share of results of associated companies (net of tax)	B14	149	384	637	867
Profit before tax	A8	9,057	10,974	46,670	50,254
Tax expense	B5	(3,088)	(3,521)	(13,549)	(14,673)
Profit for the financial quarter/year		5,969	7,453	33,121	35,581
Attributable to:					
Equity holders of the Company		6,266	7,472	33,748	35,656
Minority interest		(297)	(19)	(627)	(75)
Profit for the financial quarter/year		5,969	7,453	33,121	35,581
EPS (sen)	B13				
- Basic		1.67	2.00	9.02	9.77
- Diluted		1.53	1.91	8.44	9.35
DPS (sen)	B12				
- 1 st Interim		-	-	3.0	4.0
- 2 nd Interim		4.0	3.0	4.0	3.0
- Final		2.5	3.0	2.5	3.0

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>NOTE</u>	<u>31 DEC 2007</u> <u>RM'000</u>	<u>31 DEC 2006</u> <u>RM'000</u> <u>(audited)</u>
NON-CURRENT ASSETS			
Property, plant and equipment		24,892	6,122
Investment properties		455	465
Intangible assets		2,007	-
Concession rights		15,408	16,188
Jointly-controlled entity		55,838	-
Associated companies		23,645	23,008
Deferred tax assets		84	9
Long term receivables		56,328	61,036
Deposits, bank and cash balances		22,343	25,366
		201,000	132,194
CURRENT ASSETS			
Inventories		1,041	981
Trade and other receivables		107,951	91,808
Advances to jointly-controlled entity		52,250	-
Tax recoverable		304	424
Short-term investments	B7(a)	197,630	79,464
Deposits, bank and cash balances		44,447	46,755
		403,623	219,432
LESS: CURRENT LIABILITIES			
Borrowings	B9	2,973	3,185
Trade and other payables		43,150	26,326
Taxation		1,712	2,940
		47,835	32,451
NET CURRENT ASSETS		355,788	186,981
LESS: NON-CURRENT LIABILITIES			
Deferred tax liability		28	86
Borrowings	B9	4,238	4,757
Convertible bonds (unsecured)		218,884	-
		223,150	4,843
		333,638	314,332
CAPITAL AND RESERVES			
Share capital		187,698	186,694
Reserves		141,439	126,835
Shareholders' equity		329,137	313,529
Minority interest		4,501	803
Total equity		333,638	314,332
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.8768	0.8397

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	<u>12 MONTHS ENDED 31 DEC 2007 RM'000</u>	<u>12 MONTHS ENDED 31 DEC 2006 RM'000 (audited)</u>
OPERATING ACTIVITIES		
Profit before tax	46,670	50,254
Adjustments for:		
Non-cash items	4,914	(196)
Interest income	(2,148)	(2,613)
Finance cost	1,550	595
Operating profit before working capital changes	50,986	48,040
Changes in working capital:		
Net change in current assets	(6,256)	21,404
Net change in current liabilities	8,627	(27,000)
Net cash inflow from operations	53,357	42,444
Interest paid	(434)	(609)
Interest received	2,072	2,659
Tax paid	(14,790)	(13,687)
Net cash inflow from operating activities	40,205	30,807
INVESTING ACTIVITIES		
Acquisition of subsidiary company	(5,207)	-
Acquisition of jointly-controlled entity	(55,538)	-
Advances to jointly-controlled entity	(52,250)	-
Dividend received from an associate company	-	4,050
Purchase of property, plant & equipment	(11,081)	(2,289)
Proceeds from disposal of property, plant, equipment	-	151
Placement in short-term investments, net of redemptions	(116,452)	(78,373)
Dividend received from short-term investments	1,024	26
Net cash outflow from investing activities	(239,504)	(76,435)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares pursuant to private placement of shares, net of share issue expenses	-	22,731
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS options and Warrants	3,323	5,404
Proceeds from issuance of convertible bonds	218,250	-
Dividends paid	(24,566)	(23,802)
Finance lease principal payments	(98)	(99)
Repayment of bank borrowings	(2,941)	(3,183)
Decrease in deposit balances pledged as security	3,023	7,820
Net cash inflow from financing activities	196,991	8,871
Net change during the financial year	(2,308)	(36,757)
At beginning of financial year	46,755	83,512
At end of financial year	44,447	46,755



CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (continued)

Cash and cash equivalents comprised the following balance sheet amounts:

Deposits with licensed banks
Bank and cash balances
Total deposits, bank and cash balances
Less: Deposits pledged as security

<u>12 MONTHS ENDED 31 DEC 2007 RM'000</u>	<u>12 MONTHS ENDED 31 DEC 2006 RM'000 (audited)</u>
27,384	66,984
39,406	5,137
66,790	72,121
(22,343)	(25,366)
44,447	46,755

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to these interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Number of shares	Nominal value	Share premium	Warrant reserve	Currency Translation reserve	Merger deficit	Share Option reserve	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
At 1 January 2007	373,389	186,694	17,625	6,545	(60)	(71,500)	-	174,225	313,529	803	314,332
Net profit for the financial year								33,748	33,748	(627)	33,121
Issue of ordinary shares pursuant to exercise of:-											
- ESOS options	1,997	999	2,311						3,310		3,310
- exercise of Warrants	10	5	9	(1)					13		13
2nd interim dividend FY06								(8,185)	(8,185)		(8,185)
Final dividend FY06								(8,188)	(8,188)		(8,188)
1st interim dividend FY07								(8,193)	(8,193)		(8,193)
Minority interest on investment in subsidiary companies									-	4,351	4,351
Share option granted under ESOS			536				2,393		2,929		2,929
Currency translation differences					174				174	(26)	148
At 31 December 2007	375,369	187,698	20,481	6,544	114	(71,500)	2,393	183,407	329,137	4,501	333,638
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 financial year								35,656	35,656	(75)	35,581
Issue of ordinary shares pursuant to:-											
- private placement of shares	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)
2nd interim dividend FY05								(5,073)	(5,073)		(5,073)
Final dividend FY05								(7,982)	(7,982)		(7,982)
1st interim dividend FY06								(10,747)	(10,747)		(10,747)
Currency translation differences					(228)				(228)	(11)	(239)
At 31 December 2006 (audited)	373,389	186,694	17,625	6,545	(60)	(71,500)	-	174,225	313,529	803	314,332

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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

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 2006. 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 2006.

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) the adoption of new accounting policy for Jointly-Controlled Entities

Jointly-controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

During the current financial period, the Company completed the acquisition of a 55% of the issued and paid-up share capital of Cerah Sama Sdn Bhd (“CSSB”). Pursuant to a shareholders’ agreement, Taliworks and another of the shareholder of CSSB has contractually agree to share control over the economic activities of CSSB where strategic financial and operating decisions relating to the activities of the company require unanimous consent of both parties. As such, the Company has recognised CSSB as a jointly-controlled entity.

The Group’s interest in the jointly-controlled entity will be accounted for in the consolidated financial statements by the equity method of accounting. Equity method of accounting involves recognising the Group’s share of the post acquisition movements within the reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of investment which includes goodwill on acquisition (net of accumulated impairment loss).

- (ii) the adoption of new accounting policy for Convertible Bonds (“CB”)

The CB were issued at 97% of the nominal value and redeemable at a premium of 119.95% of the nominal value on the maturity date. The CB are initially recognised at cost, being the total consideration received. After initial recognition, the CB will subsequently be measured at amortised cost using the effective interest method. Coupon payments of 2.25% per annum payable semi-annually in arrears are recognised as finance costs in the income statement on accrual basis.

- (iii) the adoption by the Group of the revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) effective for financial periods beginning 1 January 2007 as follows:-

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The adoption of FRS 117 and FRS 124 does not have any financial impact on these interim financial statements.

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

FRS 117: Leases

The adoption of the revised FRS 117 will result in a retrospective change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land is now classified as operating lease, the minimum lease payments or the upfront payments made are allocated between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease term. At 31 December 2007, the Group does not have any leasehold land held for own use to be reclassified.

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 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 financial quarter and year, save and except for:-

- (i) the issuance of RM225,000,000 nominal value of CB at 97% of the nominal value, raising net proceeds of RM218,250,000 during the financial quarter;
- (ii) the acquisition of a jointly-controlled entity, CSSB, for a cash consideration of RM55,538,000 and shareholders’ advances made to CSSB amounting to RM55,250,000 during the financial quarter; and
- (iii) the following exceptional charges made to the Consolidated Income Statement:-
 - (a) an amount of RM2,929,000 in respect of charges required to be made under FRS2: Share-based Payments during the financial year. In the previous financial quarter, the Company granted a total of 6,410,000 ESOS options to eligible directors and employees under the “Taliworks Employees’ Share Option Scheme” (expiring 29 September 2010, unless extended by the Company) at an exercise price of RM1.90 per share;
 - (b) an amount of RM3,345,000 of expenses incurred during the financial year (RM2,552,000 incurred in the current quarter) in relation to the issuance of the CB and acquisition of CSSB; and

- (c) an amount of RM994,820 in respect of accrued interest payable and accretion of discount for the CB issued on 6 December 2007.

A5 – Accounting Estimates

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

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

During the current financial period and year, there was no issuance or repayment of equity or debt securities by the Company save and except for:-

Equity

- (a) the issuance of new ordinary shares of RM0.50 each from the exercise of:-

	During the Current Quarter	Year-to-date	Balance remained unexercised as at year-to-date
ESOS options at RM1.31 per share	96,500	824,000	359,000
ESOS options at RM1.90 per share	1,113,500	1,173,000	5,236,500
Warrants 2005/10 at RM1.27 per share	10,300	10,300	70,414,700

Debt Securities

- (a) the issuance of RM225,000,000 nominal value of CB at 97% of the nominal value.

A7 – Dividends Paid

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

	<u>RM'000</u>
<u>In respect of the financial year ended 31 December 2006</u>	
• 2nd interim gross dividend of 3.0 sen per share on 373,757,500 ordinary shares of RM0.50 each, less income tax at 27%, paid on 2 April 2007	<u>8,185</u>
• Final gross dividend of 3.0 sen per share on 373,896,000 ordinary shares of RM0.50 each, less income tax at 27%, paid on 6 July 2007	<u>8,188</u>
<u>In respect of the financial year ended 31 December 2007</u>	
• 1 st interim gross dividend of 3.0 sen per share on 374,166,500 ordinary shares of RM0.50 each, less income tax at 27%, paid on 15 October 2007	<u>8,193</u>

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.

Puresino (Guanghan) Water Co., Ltd. (“Puresino Guanghan”), a 70% owned subsidiary of Taliworks (Sichuan) Limited, has commenced commercial operations in September 2007. The company was granted an exclusive 30-year concession rights to undertake, manage and operate the 50 million litres per day Guanghan San Xin Dui wastewater treatment plant within the Guanghan City in Sichuan Province, Peoples' Republic of China. The said concession will expire on 31 July 2033. For the purposes of the segmental reporting, revenue and results of this wastewater operation have been included under “Waste Management” as the contribution from wastewater is not a significant segment at the present moment to be separately disclosed.

(a) Revenue

	3 Months Ended 31 Dec 2007 RM'000	3 Months Ended 31 Dec 2006 RM'000	12 Months Ended 31 Dec 2007 RM'000	12 Months Ended 31 Dec 2006 RM'000 (audited)
Water business	30,821	32,511	126,322	131,608
Construction	17,637	1,050	56,554	4,632
Waste management	2,648	1,852	8,093	6,662
	51,106	35,413	190,969	142,902

(b) Profit Before Tax

	3 Months Ended 31 Dec 2007 RM'000	3 Months Ended 31 Dec 2006 RM'000 (adjusted)	12 Months Ended 31 Dec 2007 RM'000	12 Months Ended 31 Dec 2006 RM'000 (audited)
Water business	11,513	10,541	47,172	49,804
Construction	2,143	1,106	7,503	1,273
Waste management	(500)	(445)	(335)	104
Investment holding and others	66,881	28,595	75,936	28,241
	80,037	39,797	130,276	79,422
Elimination	(70,204)	(29,069)	(82,993)	(29,440)
Operating profit	9,833	10,728	47,283	49,982
Finance cost	(1,225)	(138)	(1,550)	(595)
Share of results of a jointly- controlled entity	300	-	300	-
Share of results of associated companies	149	384	637	867
Profit before tax	9,057	10,974	46,670	50,254

Analysis of secondary reporting by geographical location was not presented as the Group’s activities are primarily in Malaysia.



A9 – Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without amendment from the previous annual financial statements.

A10 – Material Subsequent Events

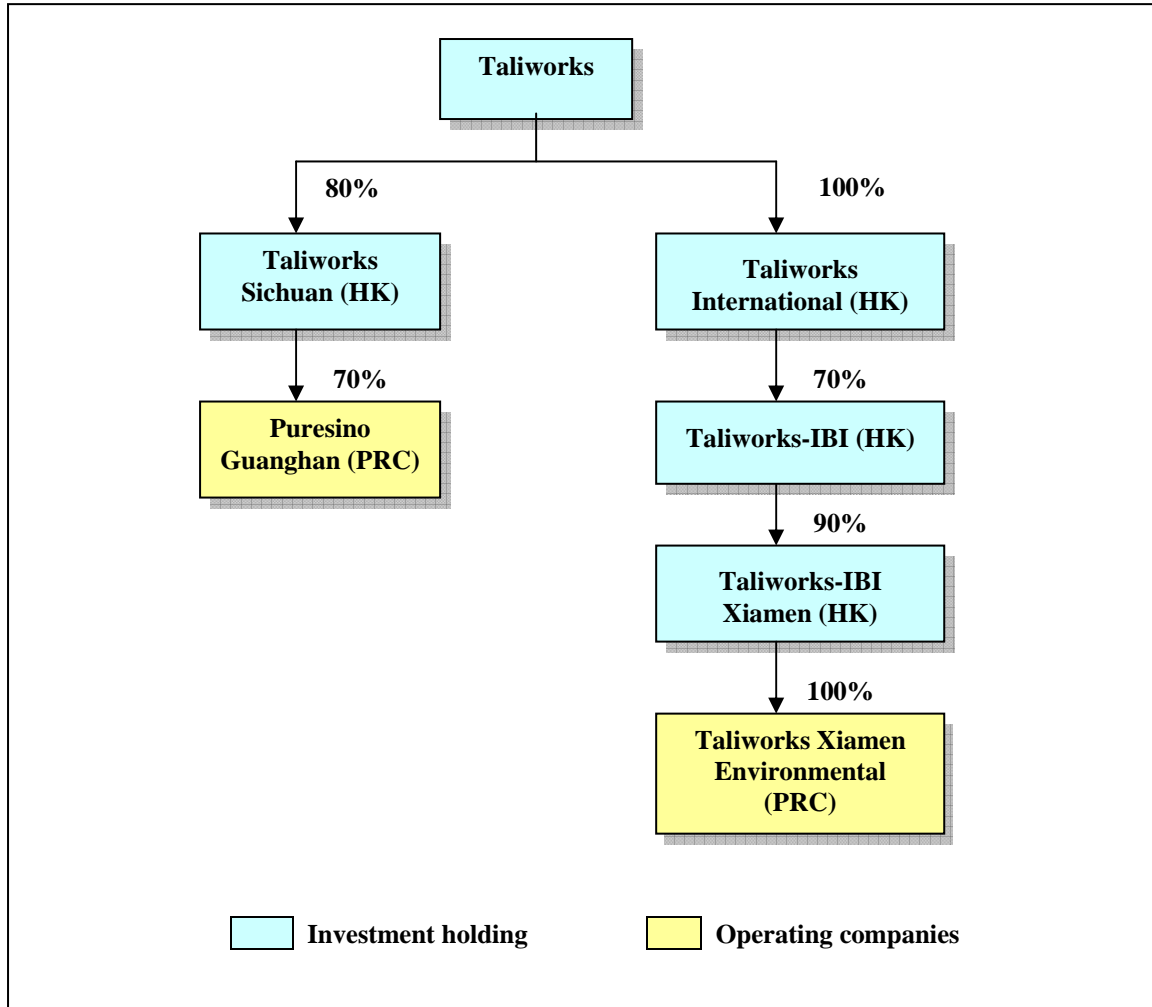
There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements except as announced by the Company, if any, subsequent to the end of the financial year.

A11 – Changes in Composition of the Group

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

- (a) On 10 January 2007, an 80% subsidiary company, Taliworks (Sichuan) Ltd (“Taliworks Sichuan”), was incorporated in Hong Kong with an authorised share capital of HKD20,000,000 of which HKD15,000,000 comprising 15,000,000 ordinary shares of HKD1.00 each was issued and paid-up. The principal activity of Taliworks Sichuan is investment holding.
- (b) On 24 April 2007, Taliworks Sichuan acquired 70% equity interest in Puresino (Guanghan) Water Co. Ltd, a company incorporated in the People’s Republic of China which has been granted an exclusive 30-year concession rights to undertake, manage and operate the Guanghan San Xin Dui wastewater treatment plant.
- (c) On 4 June 2007, Taliworks International Limited (“Taliworks International”), a wholly owned subsidiary company of Taliworks, incorporated a 70% owned subsidiary company, Taliworks-IBI Technologies International Limited (“Taliworks-IBI”). Taliworks-IBI was incorporated in Hong Kong with an authorised and issued share capital of HKD200,000 comprising 200,000 ordinary shares of HKD1.00 each. The principal activity of Taliworks-IBI is investment holding.
- (d) On 15 June 2007, Taliworks-IBI incorporated a 90% owned subsidiary company, Taliworks-IBI Technologies (Xiamen) Limited (“Taliworks-IBI Xiamen”). Taliworks-IBI Xiamen was incorporated in Hong Kong with an authorised share capital of HKD500,000 of which HKD100,000 comprising 100,000 ordinary shares of HKD1.00 each was issued. The principal activity of Taliworks-IBI Xiamen is as an investment holding company for manufacturing and trading activities of environmental protection related business.
- (e) On 20 November 2007, Taliworks-IBI Xiamen incorporated a 100% owned subsidiary company, Taliworks (Xiamen) Environmental Technologies Co. Ltd (“Taliworks (Xiamen) Environmental”). Taliworks (Xiamen) Environmental was incorporated as a foreign investment enterprise in the People’s Republic of China with a registered capital of HKD2,000,000. The principal activity of Taliworks (Xiamen) Environmental is in research and development, production of various environmental biochemical bacteria and consultancy services related to environmental technologies.

Diagram 1



A12 – Changes in Contingent Liabilities or Contingent Assets

The contingent liabilities of the Group as at the end of the financial year are as follows:-

	RM'000
<u>Secured</u>	
Bank guarantees issued to third parties as performance bonds on behalf of subsidiary companies	8,673
Bank guarantees issued to third parties for services rendered and as performance bonds	11,978



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

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

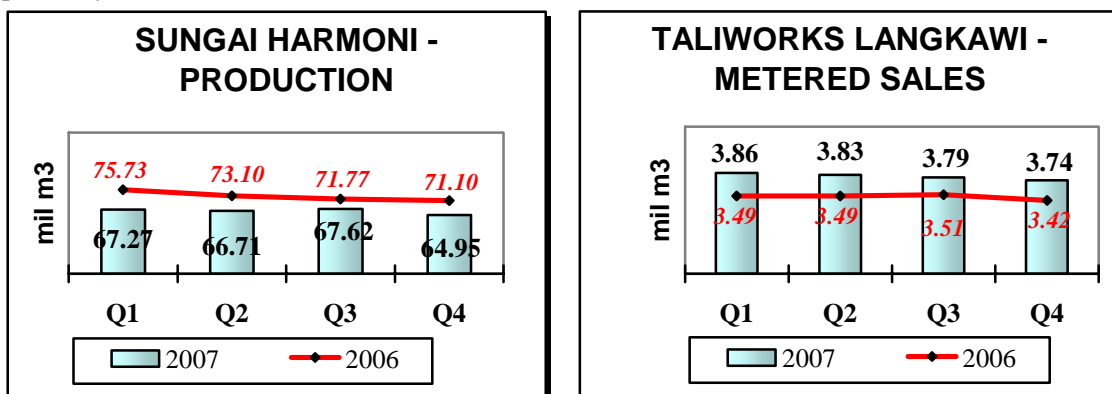
	3 Months Ended 31 Dec 2007 RM'000	3 Months Ended 31 Dec 2006 RM'000
Revenue	51,106	35,413
Operating profit	9,833	10,728
Profit before taxation	9,057	10,974

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

Revenue (+44%)

Group revenue was about 44% higher than that recorded in the corresponding quarter. This was mainly contributed from construction activities from the Bekalan Air Padang Terap Project which commenced in the last quarter of 2006. However, revenue from the water business declined by about 5% due to lower production recorded in SSP1 at Sungai Harmoni Sdn Bhd (“Sungai Harmoni”). When compared to the corresponding quarter, the production from SSP1 registered a decline of about 9% from 71.10 m3 (781 MLD) to 64.95 m3 (714 MLD). On the other hand, Taliworks Langkawi Sdn Bhd (“Taliworks Langkawi”) enjoyed about 9% growth from 3.42 m3 (37.3 MLD) to 3.74 m3 (40.7 MLD) over the corresponding quarter.

The following are the production and metered sales data for Sungai Harmoni and Taliworks Langkawi respectively:-



On a year-to-year, production output from SSP1 declined from 291.71 mil m3 (799 MLD) to 266.55 mil m3 (730 MLD), a drop of about 9%, whilst in Taliworks Langkawi, metered sales increased about 9% to 15.22 mil m3 (41.7 MLD) from 13.91 mil m3 (38.1 MLD) a year ago.

Profit before Taxation (-18%)

In spite of the exceptional charges made to the Income Statement as highlighted in section A4 (iii)(b) and (c), the Group registered only a slight decline in the profit before tax of RM1.9 million. This is primarily due to higher contribution from construction activities and higher profitability recorded in the water division.

Whilst revenue from water business decreased by about RM1.7 million, the division as a whole enjoyed increased profitability as a result of lower rehabilitation expenses incurred compared to the corresponding quarter.

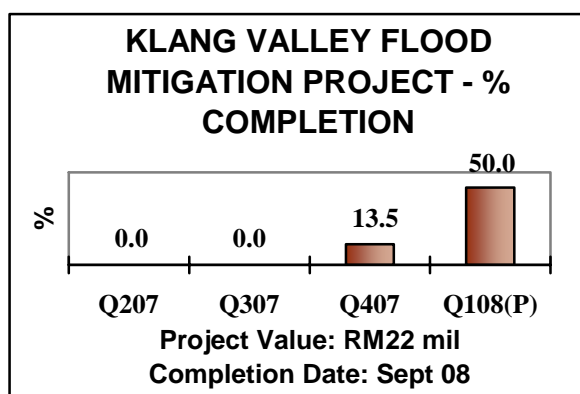
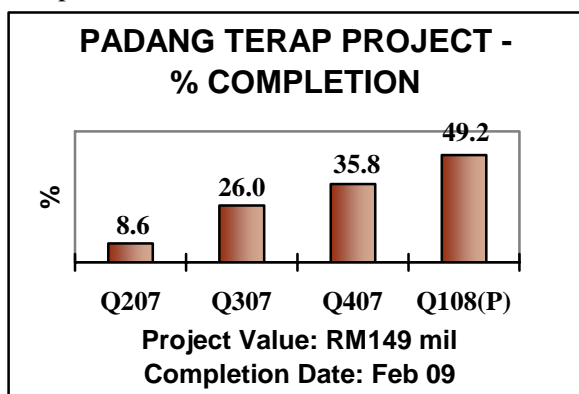
B2 – Review of Performance (Comparison with Preceding Quarter’s Results)

Revenue (-15%)

	3 Months Ended 31 Dec 2007 RM'000	3 Months Ended 30 Sep 2007 RM'000
Water business	30,821	31,915
Construction	17,637	25,794
Waste management	2,648	2,104
	51,106	59,813

Compared to the previous quarter, total revenue recorded was lower by RM8.7 million (or about 15%.) This was due to comparatively lower percentage of completion recognised from the construction activities from the Padang Terap project. Production from SSP1 recorded lower figures from 67.62 m³ (743 MLD) to 64.95 m³ (714 MLD) (or by about 4%). Metered sales from Taliworks Langkawi reported a marginal decrease from 3.79 m³ (41.2 MLD) to 3.74 m³ (40.7 MLD).

The following is the status of completion of two existing construction projects undertaken by the Group:-



* *The Q1FY08 projections represent the Group’s best estimates and there is no assurance that these can be achieved. Actual results may differ from the projections as a result of a number of risks and uncertainties, some of which are beyond the control of the Group.*

Profit Before Tax (-23%)

	3 Months Ended 31 Dec 2007 RM'000	3 Months Ended 30 Sep 2007 RM'000
Water business	11,513	10,212
Construction	2,143	4,072
Waste management	(500)	(230)
Investment holding and others	66,881	(2,237)
	80,037	11,817
Elimination	(70,204)	(96)
Operating profit	9,833	11,721
Finance cost	(1,225)	(97)
Share of results of jointly controlled entity	300	-
Share of results of associated companies	149	116
Profit before tax	9,057	11,740

Profit before tax of the Group registered a decrease of RM2.7 million (or about 23%). This is mainly due to lower contribution from the construction activities by about RM2.0 million for the current quarter compared to the preceding quarter and higher finance costs expensed for coupon and accretion of discount on the CB. The higher profits generated from the water division was attributable to the absence of FRS2 charge of RM2.0 million incurred in the preceding quarter.

B3 – Current Year Prospects

The Group expects to perform better in the following year in view of a few positive developments that has taken place in 2007 namely from (1) the recent acquisition of a 55% stake in CSSB (which holds a 100% equity in Grand Saga Sdn Bhd, the toll operator of the Cheras-Kajang Highway) and (2) the successful securing of a substantial funding from the issuance of the CB.

CSSB is positioned as the flagship vehicle through which the Group, in partnership with The South East Asian Strategic Assets (“SEASAF”) will engage in the business of developing and operating toll roads in Malaysia and the Association of Southeast Asian Nations (“ASEAN”) region.

The issuance of the CB has raised net proceeds of about RM218 million and this will enhance the capability of the Group to expand its business (including acquisition of assets/business) specifically in any water, highway, toll road, construction, infrastructure and waste management projects, both locally and abroad.

B4 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B5 – Taxation

	3 Months Ended 31 Dec 2007 RM'000	12 Months Ended 31 Dec 2007 RM'000
Malaysian income tax:-		
- Current year tax	3,223	13,724
- Under/(Over) provision of tax in prior years	(2)	(42)
- Deferred tax	(133)	(133)
	3,088	13,549

The effective tax rate of the Group for the financial year is higher than the statutory tax rate of 27% primarily due to certain expenses not allowed as tax deductions (including charges to the Income Statement from FRS2: Share-based Payment) and losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group. The Company has utilised unused tax losses to offset taxable profits from its construction activities.

B6 – Profits on Sale of Unquoted Investments and Properties

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

B7 – Purchase or Disposal of Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and financial year except for the investment 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:-

	RM'000
Book value	197,630
Carrying amount	197,630
Market value	197,745

- (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*

The following corporate proposals which were announced on 16 July 2007 have been completed during the financial quarter:-

- (a) The proposed acquisition of a total of 327,250 ordinary shares of RM1.00 each representing 55% of the issued and paid-up share capital of CSSB from Bunga Abadi Sdn Bhd for a purchase consideration of approximately RM55.54 million; and
- (b) The proposed issuance of up to RM225 million nominal value of CB.

For further information on the Proposals above, please refer to the Company's announcements or the Circular to Shareholders dated 5 November 2007. The announcements and the Circular can be downloaded from Bursa Securities <http://www.bursamalaysia.com>.

(ii) *Status of Proposed Utilisation of Proceeds*

As at 22 February 2008 (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 CB by the Company on 6 December 2007 was as follows:-

	Total Net Proceeds Raised (RM'000)	Amount Unutilised (RM'000)	Intended Timeframe for Utilisation	Deviation
(i) For future local and overseas business expansion	196,400	176,166	Within 2 years from the issuance of the CB	None at this moment
(ii) For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	20,150	Within 2 years from the issuance of the CB	None at this moment
TOTAL	218,250	196,316		

- (a) Depending on the funding requirements of the Company, its subsidiaries and its joint venture companies, 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 CSSB.

B9 – 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 purchases	69	-	60	-
Bank borrowings	2,904	-	1,452	-
Government support loan	-	-	-	2,726
	2,973	-	1,512	2,726

Borrowings denominated in foreign currency are:-	US Dollars'000	Renminbi'000
	Secured:	
Not later than one year	875	-
Later than one year but not later than two years	438	-
	1,313	-
Unsecured:		
Later than one year but not later than five years	-	6,000
	1,313	6,000

B10- Off Balance Sheet Financial Instruments

As at 22 February 2008 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any contracts on financial instruments with off balance sheet risk.



B11- Material Litigations

As at 22 February 2008 (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.

B12– Dividends

Second Interim Dividend

The Board is pleased to declare a second interim gross dividend of 4.0 sen per share less income tax at 26%, in respect of the current financial year ended 31 December 2007, be payable on 28 March 2008 to depositors who are registered in the Record of Depositors at the close of business on 17 March 2008.

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

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 17 March 2008 in respect of transfers; and
- b) Shares bought on the Bursa Securities on cum entitlement basis according to the Rules of Bursa Securities.

Proposed Final Dividend

The Board is also pleased to recommend a final gross dividend of 2.5 sen per share less income tax at 26%, in respect of the current financial year ended 31 December 2007 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 9.5 sen per share, less income tax of between 26% to 27% (2006: 10.0 sen per share, less income tax of between 27% to 28%).

General Dividend Policy

The amount of dividends paid and declared for the current financial year 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. The weighted average number of shares in issue is adjusted for potential dilutive shares from the exercise of outstanding ESOS options and Warrants of the Company.



	3 Months Ended 31 Dec 2007	3 Months Ended 31 Dec 2006 (adjusted)	12 Months Ended 31 Dec 2007	12 Months Ended 31 Dec 2006 (audited)
(a) Basic Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	6,266	7,472	33,748	35,656
Weighted average number of shares in issue ('000)	374,095	373,318	374,050	365,116
Basic EPS (sen)	1.67	2.00	9.02	9.77
(b) Diluted Earnings per share				
Net Profit attributable to equity holders of the Company (RM'000)	6,266	7,472	33,748	35,656
Weighted average number of shares in issue ('000)	374,095	373,318	374,050	365,116
Effects of dilution from exercise of:-				
- Warrants ('000)	33,914	17,502	25,250	15,889
- ESOS options ('000)	1,342	266	333	238
	409,351	391,086	399,633	381,243
Diluted EPS (sen)	1.53	1.91	8.44	9.35

B14 – Adjustments and Restatement of Comparatives

In the previous interim report for the fourth quarter ended 31 December 2006, the Company de-recognised and reversed out RM4.5 million as share of results of an associated company which was initially recognised in the interim report during the second quarter ended 30 June 2006. For better comparison of the interim financial statements, the comparatives have been restated to exclude the earlier reversal, where relevant, as indicated in this Interim Report.

Comparatives may differ from the unaudited consolidated results announced for the 4th quarter 2006 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2006.

B15 – Authorisation for Release

This Interim Financial Report for the financial period and year ended 31 December 2007 has been seen and approved by the Board for public release.

By Order of the Board
 Ng Yim Kong
 Company Secretary (LS 0008343)
 28 February 2008

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>