

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2010 (UNAUDITED)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>NOTE</u>	<u>31 MAR 2010</u> RM'000	<u>31 DEC 2009</u> RM'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		23,569	25,276
Investment properties		432	434
Concession rights		14,160	15,110
Jointly controlled entity		71,381	68,443
Associates		4,457	4,267
Goodwill on consolidation		2,039	2,007
Deferred tax assets		215	215
Long term receivables		59,954	47,000
Deposits, bank and cash balances		15,863	12,479
		192,070	175,231
CURRENT ASSETS			
Inventories		948	1,017
Trade and other receivables		138,404	176,538
Amount due from a jointly controlled entity		7,150	29,150
Tax recoverable		6,890	6,876
Investments		-	142,401
Available-for-sale financial assets	B6(a)	177,993	-
Deposits, bank and cash balances		23,958	29,235
		355,343	385,217
LESS: CURRENT LIABILITIES			
Borrowings	B8	93,487	122,407
Derivative financial instruments	B9	4,724	-
Trade and other payables		49,514	54,787
Current tax liabilities		2,012	1,916
		149,737	179,110
NET CURRENT ASSETS		205,606	206,107
LESS: NON-CURRENT LIABILITIES			
Borrowings	B8	18	23
		397,658	381,315
CAPITAL AND RESERVES			
Share capital		188,529	188,347
Reserves		203,554	187,126
Shareholders' equity		392,083	375,473
Minority interest		5,575	5,842
Total equity		397,658	381,315
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.0398	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.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTE	3 MONTHS		3 MONTHS ENDED	
		31 MAR		31 MAR	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Revenue		44,369	36,752	44,369	36,752
Cost of operations		(23,367)	(18,177)	(23,367)	(18,177)
Gross profit		21,002	18,575	21,002	18,575
Other income		1,049	2,080	1,049	2,080
Other expenses		(10,285)	(7,144)	(10,285)	(7,144)
Operating profit		11,766	13,511	11,766	13,511
Derivative gain	B9	11,694	-	11,694	-
Finance cost		(3,855)	(3,615)	(3,855)	(3,615)
Share of results of jointly controlled entity (net of tax)		2,961	1,137	2,961	1,137
Share of results of associate (net of tax)		190	259	190	259
Profit before tax		22,756	11,292	22,756	11,292
Tax expense	B4	(3,398)	(2,816)	(3,398)	(2,816)
Profit for the financial period		19,358	8,476	19,358	8,476
Attributable to:					
Equity holders of the Company		19,405	8,422	19,405	8,422
Minority interests		(47)	54	(47)	54
		19,358	8,476	19,358	8,476
Earnings per share (sen)	B11				
Basic		5.2	2.2	5.2	2.2
Diluted		5.0	2.1	5.0	2.1

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.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NOTE	<u>3 MONTHS ENDED</u>		<u>3 MONTHS ENDED</u>	
	<u>31 MAR</u>		<u>31 MAR</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	19,358	8,476	19,358	8,476
Other comprehensive income:				
Fair value of available-for-sale financial assets	61	-	61	-
Foreign currency translation differences for foreign operations	(621)	799	(621)	799
Share of other comprehensive income of jointly controlled entity and associate	(23)	-	(23)	-
Other comprehensive income for the financial quarter (net of tax)	(583)	799	(583)	799
Total comprehensive income for the financial period	18,775	9,275	18,775	9,275
Attributable to:				
Equity holders of the Company	19,099	8,912	19,099	8,912
Minority interests	(324)	363	(324)	363
	18,775	9,275	18,775	9,275

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.

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(c))	-	-	-	-	-	-	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	-	-	-	-	-	(344)	61	-	19,382	19,099	(324)	18,775
Issue of ordinary shares pursuant to:- - exercise of warrants	364	182	281	-	-	-	-	-	-	463	-	463
Transfer to/(from) reserve upon exercise of warrants	-	-	36	(36)	-	-	-	-	-	-	-	-
Dividends paid (Note A7)	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Minority interest arising in business combination (Note A9)	-	-	-	-	-	-	-	-	-	-	57	57
At 31 March 2010	377,058	188,529	22,466	6,446	2,139	1,070	651	(71,500)	242,282	392,083	5,575	397,658
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	-	-	-	-	-	490	-	-	8,422	8,912	363	9,275
Issue of ordinary shares pursuant to:- - exercise of warrants	75	38	58	-	-	-	-	-	-	96	-	96
Transfers to/(from) reserves upon exercise of ESOS options/warrants	-	-	7	(7)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(5,650)	(5,650)	-	(5,650)
At 31 March 2009	376,665	188,333	22,124	6,485	2,139	1,924	-	(71,500)	205,484	354,989	5,814	360,803

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.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR 2010</u> <u>RM'000</u>	<u>3 MONTHS</u> <u>ENDED</u> <u>31 MAR 2009</u> <u>RM'000</u>
OPERATING ACTIVITIES		
Profit before tax	22,756	11,292
Adjustments for:		
Non-cash items	(13,344)	(1,910)
Interest income	(68)	(133)
Finance cost	3,855	3,615
Operating profit before working capital changes	13,199	12,864
Changes in working capital:		
Net change in current assets	17,426	(6,820)
Net change in current liabilities	(5,786)	(7,564)
Amount due from jointly controlled entity	22,000	-
Net cash inflow/(outflow) from operations	46,839	(1,520)
Interest paid	(1)	-
Interest received	80	171
Tax paid	(3,316)	(3,739)
Net cash inflow/(outflow) from operating activities	43,602	(5,088)
INVESTING ACTIVITIES		
Acquisition of subsidiary company	(76)	-
Purchase of property, plant & equipment	(171)	(199)
Redemption of AFS Investments, net of placements	(34,000)	29,465
Dividend received from AFS Investments	24	-
Net cash (outflow)/inflow from investing activities	(34,223)	29,266
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS options and Warrants	463	96
Dividends paid	(11,311)	(5,650)
Repayment of borrowings	(5)	(5)
Decrease in deposit balances pledged as security	(3,384)	(10)
Net cash outflow from financing activities	(14,237)	(5,569)
Effect of foreign exchange rate changes	(419)	364
Net change in cash and cash equivalents during the financial period	(5,277)	18,973
Cash and cash equivalents at beginning of financial period	29,235	55,626
Cash and cash equivalents at end of financial period	23,958	74,599
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with financial institutions	22,563	25,589
Bank and cash balances	17,258	63,221
Total deposits, bank and cash balances	39,821	88,810
Less: Deposits pledged as security	(15,863)	(14,211)
	23,958	74,599

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.

**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 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 relevant new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010 as follows:-

FRSs, Amendments to FRSs and Interpretations

FRS 7 and its Amendments	Financial Instruments: Disclosure
FRS 8 and its Amendments	Operating Segments
FRS 101	Presentation of Financial Statements (revised 2009)
FRS 123 and its Amendments	Borrowing Costs
FRS 139 and its Amendments	Financial Instruments: Recognition and Measurement
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 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
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 138	Intangible Assets
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

A1 – Basis of Preparation (continued)

(b) Changes in accounting policy

Other than for the application of FRS 8, FRS 101, FRS 139 and IC Interpretation 9, the application of the above relevant 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.

Financial assets are classified as either financial assets at fair value through profit or loss (‘FAFVPL’), loans and receivables (‘LR’), held to maturity investments (‘HTM’) or available-for-sale financial assets (‘AFS’). The Group’s financial assets include trade and other receivables, investments and deposits and bank and cash balances.

- Trade receivables: Prior to the adoption of FRS 139, trade receivables were carried at invoice amount less allowance for doubtful debts. Under FRS 139, these are initially stated at fair value and subsequently at amortised cost using effective interest rate (EIR) method. Gains and losses arising from the de-recognition of loans and receivables, EIR amortisation and impairment losses are recognised in 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 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.
- (iv) In accordance with FRS 139, the recognition, de-recognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of re-measurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial years are adjusted to the opening retained profits and other opening reserves as disclosed in the Statement of Changes in Equity.
 - (v) 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.

A1 – Basis of Preparation (continued)

(c) Impact on opening balances

In accordance with the transitional provisions for FRS 139, the above changes are applied prospectively and the 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:-

<u>As at 1 January 2010</u>	<u>As previously stated</u> RM'000	<u>Effect of FRS 139</u> RM'000	<u>As restated</u> 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 instrument	-	(16,418)	(16,418)
Borrowings (Convertible bonds – liability component)	(119,377)	32,001	(87,376)
Equity			
Retained earnings	(226,442)	(7,769)	(234,211)
AFS reserve	-	(590)	(590)

As at the date of this report, the Group has not applied the following FRSs, Amendments to FRSs and Interpretations which have been issued by the Malaysian Accounting Standards Board, but not yet effective:

FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 3 (revised) Business Combinations	1 July 2010
FRS 127 (revised) Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010

The Group will apply the above applicable standards by the effective dates. The adoption of the above FRSs, Amendments to FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the financial statements of the Group.

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

<u>Foreign currency</u>	<u>31 Mar 2010</u> RM	<u>31 Dec 2009</u> RM	<u>31 Mar 2009</u> RM
1 US Dollar	3.26	3.43	3.65
1 Singapore Dollar	2.33	-	-
100 Hong Kong Dollars	42.02	44.18	47.06
100 Chinese Renminbi	47.79	50.19	53.35

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 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

Save for the adjustments to opening balances disclosed in Note 1(c) and the fair value changes arising from implementation of FRS 139, 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.

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 *	-	-	240,000
ESOS options at RM1.90 per share *	-	-	# 4,409,000
Warrants at RM1.27 per share **	363,980	363,980	69,424,520

* *expiring on 29 September 2010 (unless extended by the Company)*

** *expiring on 21 September 2010*

after taking into account 89,000 ESOS options that lapsed during the financial period

A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2009	RM'000
<ul style="list-style-type: none"> 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

A8 – Material Subsequent Events

Save as disclosed below, there were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

- On 8 April 2010, the Company acquired 50% equity interest in 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 of which RM100 comprising 100 ordinary shares of RM1.00 each has been issued and fully paid-up.

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.

- Taliworks International Limited (“TIL”), a wholly owned subsidiary, completed the acquisition of 70% equity interest in Eco3 Technology and Engineering Pte Ltd (“Eco3”) for a cash consideration of Singapore Dollars 70,000. Pursuant thereto, Eco3 will establish a wholly owned foreign enterprise in the People’s Republic of China (“PRC”) to be funded by a US Dollars 4,000,000 interest-free shareholders’ loan from TIL.

Eco3 has on 29 October 2009 entered into an agreement with the Yinchuan City Ningdong Energy Chemical Industrial Zone Management Committee, a public authority representing the Government of the Province of Ningxia, PRC, for the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Industrial Zone in Yinchuan with a waste water treatment capacity for the build-operate-transfer project of 50 million liters per day for Zone A of the Linhe Integrated Industrial Park for a total project cost of Chinese Renminbi 70,000,000 (“Linhe Project”).

The assets and liabilities arising from the acquisition are as follows:

	<u>At date of acquisition</u> RM’000
Property, plant and equipment	4
Other receivables	483
Bank and cash balances	94
Other payables	(386)
Total net asset	195
Less: Minority interest	(57)
Net asset acquired	138
Goodwill arising on acquisition	32
	170
Less: Cash and cash equivalents acquired	(94)
Total purchase consideration	76

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.

	<u>Water business</u> RM'000		<u>Construction</u> RM'000		<u>Waste Management</u> RM'000		<u>Investment holding and others</u> RM'000		<u>Total</u> RM'000	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>3 months ended</u> <u>31 March</u>										
External revenue	35,452	33,067	5,717	-	3,191	3,678	9	7	44,369	36,752
Inter-segment revenue	-	-	5,698	-	163	417	510	510	6,371	927
Total revenue	35,452	33,067	11,415	-	3,354	4,095	519	517	50,740	37,679
Segment results	14,381	13,224	569	(684)	(1,481)	1,179	(1,604)	(86)	11,865	13,633
Inter-segment results elimination									(99)	(122)
Derivative gain									11,694	-
Finance cost									(3,855)	(3,615)
Share of results of jointly controlled entity									2,961	1,137
Share of results of associate									190	259
Profit before tax									22,756	11,292
Segment assets	222,469	125,334	68,652	67,446	66,289	71,996	302,445	542,250	659,855	807,026
Inter-segment assets elimination									(195,385)	(235,516)
Investments in jointly controlled entity									71,381	62,665
Investments in associate									4,457	24,473
Unallocated assets									7,105	5,853
Total assets									547,413	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.

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

B1 – Review of Performance

(a) *Revenue*

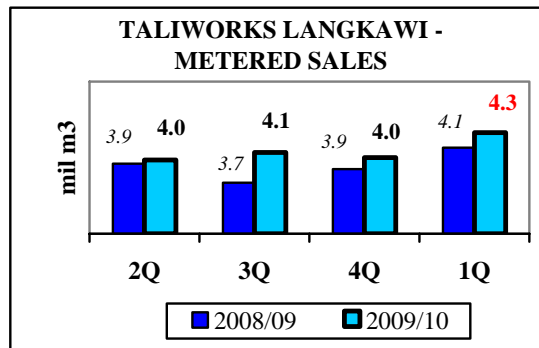
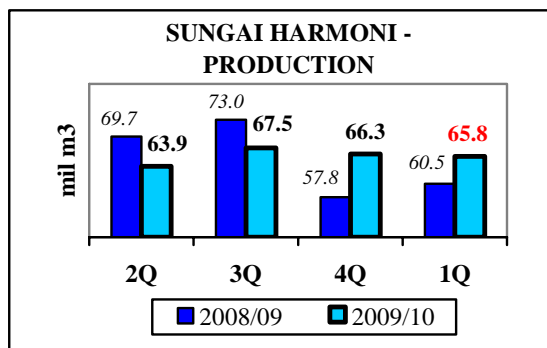
	3 Months Ended <u>31 Mar 2010</u> RM'000	3 Months Ended <u>31 Dec 2009</u> RM'000 (audited)	3 Months Ended <u>31 Mar 2009</u> RM'000
Water business	35,452	33,677	33,067
Construction	5,717	7,368	-
Waste management	3,191	3,686	3,678
Others	9	-	7
	44,369	44,731	36,752

(b) *Profit Before Tax*

	3 Months Ended <u>31 Mar 2010</u> RM'000	3 Months Ended <u>31 Dec 2009</u> RM'000 (audited)	3 Months Ended <u>31 Mar 2009</u> RM'000
Water business	14,381	13,899	13,224
Construction	569	5,298	(684)
Waste management *	(1,515)	(58)	1,121
Investment holding and others *	(1,669)	49	(150)
Operating profit	11,766	19,188	13,511
Derivative gain	11,694	-	-
Finance cost	(3,855)	(5,108)	(3,615)
Share of results of a jointly controlled entity	2,961	224	1,137
Share of results of associates	190	(14)	259
Profit before tax	22,756	14,290	11,292

* after elimination of inter-segment results

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 RM36.8 million to RM44.4 million due primarily to the contribution of RM5.7 million from the Company's sole construction project. Revenue from the water business improved by 7% as a result of higher production from Sungai Selangor Water Treatment Works Phase I ("SSP1") (+9% i.e. from 60.5 mil m3 (672 MLD) to 65.8 mil m3 (731 MLD)) and higher metered sales from Langkawi operations (+5% i.e. from 4.13 mil m3 to 4.33 mil m3). Meanwhile, revenue from waste management division was lower by 13% due to the decrease in waste processed from both the Tianjin (-9% i.e. from 987 ton/day to 896 ton/day) and Guanghan (-10% i.e. from 2.30 mil m3 to 2.08 mil m3) operations.

Profit

Excluding the effects of derivative gains, the Group chalked up profit before taxation ("PBT") of about RM11.1 million, slightly less than the PBT achieved in the corresponding quarter of RM11.3 million. Operationally, the Group's performance was enhanced from the increased production levels at SSP1 and Langkawi operations, contribution from the construction division and higher share of profits from a jointly-controlled entity, Cerah Sama Sdn Bhd ("Cerah Sama"), arising from better traffic numbers (ADT 214,491 compared to 191,595) and higher recognition of deferred income for the year of RM11.3 million compared to RM4.2 million for the previous year.

On the other hand, Group results were adversely affected by the lower waste processed and pre-operating expenses having to be incurred in relation to the Linhe Project, mentioned in Note A9 above (which resulted in the waste management segment to incur losses in the quarter), unrealised foreign exchange losses from the strengthening of the Malaysian Ringgit and increase finance costs from higher amortised discount of convertible bonds.

Review of Q-o-Q Results

Revenue

Revenue decreased marginally to RM44.4 million. The better performance recorded at the water division was negated by the lower revenue contribution from construction business and lower production volume from the waste management segment.

Profit

Although Group revenue was flat at RM44.4 million, PBT (excluding the effects of derivative gains) registered a decrease of RM3.2 million from RM14.3 million to RM11.1 million. The lower PBT was due to comparably higher contribution from construction segment in the previous quarter owing to the downward revision to the estimated project costs in the previous quarter, the pre-operating expenses incurred for the Linhe Project, the effects of foreign exchange fluctuations and higher amortised discount mentioned above.

On a positive note, the drop in PBT was moderated by higher revenue from the water division, lower finance costs and higher share of results from Cerah Sama. In the previous quarter, Cerah Sama was impacted by higher amortisation expense following the upward revision to the carrying value of its concession assets and changes to its accounting policy on recognition of deferred income.

B2 – Current Year Prospects

The financial results of the Group are 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 improve from the current levels given the better economic environment.

B2 – Current Year Prospects (continued)

Whilst the water business will continue to provide a recurring and steady income stream to the Group, the Group is increasing its efforts to expand its business specifically in the field of water, waste and infrastructure to meet its goal of having equal contribution from both the domestic front and overseas markets.

As mentioned in Note A9 above, the Group acquired a subsidiary which will be undertaking the construction and management of a waste water treatment facility on a build-operate-transfer basis within the Linhe Integrated Industrial Park, Ningxia, China. It is anticipated that the Group will be able to secure other waste management projects with its increased presence in China.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	3 Months Ended 31 Mar 2010 RM'000
Malaysian income tax:-	
- Current year tax	3,416
- Under-provision in prior years	(18)
	3,398

The tax expense is in respect of the estimated Malaysian income tax charge for the period. The effective tax rate of the Group is lower than the statutory tax rate principally due to the non taxable gain on fair value changes.

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 investment and redemption of quoted money market unit trust funds included as AFS Investments.
- (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 bonds by Destinasi Teguh Sdn Bhd (“DTSB”), a special purpose vehicle that will act as a funding conduit to raise funds for the Group. The approval from the Securities Commission to implement the proposal will expire on 28 May 2010, unless a further approval for extension of time is granted. The Company intends to submit an application to the SC for extension of time.

Details of the proposed issuance of the DTSB bonds are contained in the announcement by the RAM Rating Services Berhad on 10 November 2009.

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

 (ii) *Status of Proposed Utilisation of Proceeds*

As at 13 May 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	(25,484)	51,556
(ii) For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	-	9,150
TOTAL	218,250	(25,484)	60,706

(a) *Depending on the funding requirements of the Company, its subsidiaries and its joint venture companies namely Cerah Sama Sdn Bhd (“CSSB”), 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.*

(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.*

B8 – Group Borrowings and Debt Securities

Included in the borrowings are:-	Short Term		Long Term	
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000
Hire purchase	19	-	18	-
Government support loan	-	2,867	-	-
Convertible bonds – liability component	-	90,601	-	-
	19	93,468	18	-

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.

B9 – Derivative Financial Instruments

	Fair Value measured on inception date	Fair Value measured as at 1 January 2010	Fair Value measured as at 31 Mar 2010
<u>Type of Derivatives</u>			
Current derivative financial instrument:			
Derivatives embedded in the Convertible Bonds issued (RM'000)	44,292	16,418	4,724
<u>Derivative gain</u>			
- adjusted to opening retained profits	-	27,874	-
- charged to income statement	-	-	11,694
<u>Key Parameters</u>			
<u>in valuing the embedded derivatives:</u>			
Option price (RM)	0.846647	0.313828	0.090291
Implied/historical volatility (%)	34.80	44.95	30.98
Dividend yield (%)	2.759	4.458	4.679

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.

The Convertible Bonds have been re-classified as current liabilities in the previous quarter 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*).

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.

The total amount recognised as a financial liability is 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 above.

There are no credit, market and liquidity risks associated with the above derivative.

B10 – Material Litigations

As at 13 May 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.



B11 – 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 31 Mar 2010	3 Months Ended 31 Mar 2009	3 Months Ended 31 Mar 2010	3 Months Ended 31 Mar 2009
Net Profit attributable to equity holders of the Company (RM'000)	19,405	8,422	19,405	8,422
Weighted average number of shares in issue ('000)	376,784	376,637	376,784	376,637
Basic EPS (sen)	5.2	2.2	5.2	2.2

(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 31 Mar 2010	3 Months Ended 31 Mar 2009	3 Months Ended 31 Mar 2010	3 Months Ended 31 Mar 2009
Net Profit attributable to equity holders of the Company (as adjusted) (RM'000)	19,405	8,422	19,405	8,422
Weighted average number of shares in issue (as adjusted) ('000)	385,880	398,605	385,880	398,605
Diluted EPS (sen)	5.0	2.1	5.0	2.1

* 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.

B12 – Adjustments and Restatement of Comparatives

Comparatives may differ from the unaudited consolidated results announced for the 4th quarter 2009 as they have been adjusted to reflect the audited results of the Group for the year ended 31 December 2009.

B13 – Dividends

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

B14 – Authorisation for Release

This Interim Financial Report for the current quarter and financial year ended 31 March 2010 has been seen and approved by the Board for public release.

By Order of the Board
Ng Yim Kong
Company Secretary (LS 0009297)
19 May 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 has participated 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>

