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

<u>INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)</u>

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This Report is authorised for public release on 25 February 2014

TALIWORKS CORPORATION
LGB Group

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	31 Dec 2013 RM'000	31 Dec 2012 RM'000 (Audited)
ASSETS			
Property, plant and equipment		22,319	9,716
Investment properties		394	404
Intangible assets	A1(c)(ii)	456,160	432,636
Jointly controlled entity	A1(a)	-	112,075
Investment in joint venture	A1(a)	122,245	-
Investment in associate		5,171	6,340
Goodwill on consolidation		2,504	2,504
Deferred tax assets		8,730	8,512
Long term trade receivables	A1(c)(i)	157,502	136,237
Long term other receivables		548	418
Deposits, cash and bank balances		20,572	16,903
Total Non-Current Assets		**796,145**	**725,745**
Inventories		1,109	1,223
Amount due from contract customers		1,164	67
Trade receivables	A1(c)(i)	193,826	204,315
Other receivables, deposits and prepayments		5,796	5,547
Tax recoverable		4,909	1,050
Available-for-sale financial assets		25,460	20,946
Deposits, cash and bank balances	B11	23,477	21,966
Total Current Assets		**255,741**	**255,114**
TOTAL ASSETS		**1,051,886**	**980,859**
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		387,716	348,193
Total Equity Attributable to Owners of the Company		**605,962**	**566,439**
Non-controlling interests		4,594	6,769
Total Equity		**610,556**	**573,208**
LIABILITIES			
Long-term borrowings	B7	305,172	215,417
Deferred tax liability		2,246	-
Long term trade payables	A1(c)(iii)	3,547	-
Total Non-Current Liabilities		**310,965**	**215,417**
Amount due to contract customers		336	10,029
Trade payables		61,300	51,137
Other payables and accruals		34,337	26,922
Tax liabilities		3,240	5,270
Short-term borrowings	B7	31,152	98,876
Total Current Liabilities		**130,365**	**192,234**
TOTAL LIABILITIES		**441,330**	**407,651**
TOTAL EQUITY AND LIABILITIES		**1,051,886**	**980,859**
Net assets per share attributable to owners of the Company (RM)		1.3883	1.2977

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2013 RM'000	3 Months Ended 31 Dec 2012 RM'000 (restated)	12 Months Ended 31 Dec 2013 RM'000	12 Months Ended 31 Dec 2012 RM'000 (restated)
Revenue	B1	**79,232**	61,399	**281,482**	**253,338**
Cost of operations	B13	(61,817)	(38,716)	(218,230)	(181,570)
Gross profit		**17,415**	**22,683**	**63,252**	**71,768**
Other operating income		7,741	8,157	27,580	35,307
Administrative and other expenses	B13	(16,063)	(12,140)	(38,217)	(36,050)
Operating profit		**9,093**	**18,700**	**52,615**	**71,025**
Finance costs		(6,010)	(5,617)	(23,052)	(20,542)
Share of results of jointly controlled entity	A1(a)	-	1,002	-	9,812
Share of profit of joint venture	A1(a)	4,234	-	10,338	-
Share of results of associate		(1,202)	376	(769)	751
Profit before tax	B4	**6,115**	**14,461**	**39,132**	**61,046**
Income tax expense	B5	(1,769)	(4,268)	(14,031)	(18,285)
Profit for the financial period/year		**4,346**	**10,193**	**25,101**	**42,761**
Other comprehensive income/(loss):					
Net fair value gain on available-for-sale financial assets		(24)	(117)	63	(14)
Foreign currency translation differences for foreign operations		2,109	1,372	17,028	(3,505)
Share of other comprehensive income of jointly controlled entity		-	22	-	46
Share of other comprehensive income of joint venture		101	-	161	-
Total other comprehensive income/(loss) for the financial period/year		**2,186**	**1,277**	**17,252**	**(3,473)**
Total comprehensive income for the financial period/year		**6,532**	**11,470**	**42,353**	**39,288**

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 31 Dec 2013 RM'000	3 Months Ended 31 Dec 2012 RM'000 (restated)	12 Months Ended 31 Dec 2013 RM'000	12 Months Ended 31 Dec 2012 RM'000 (restated)
Profit for the financial period/year attributable to:					
Owners of the Company		8,179	10,438	28,414	43,001
Non-controlling interests		(3,833)	(245)	(3,313)	(240)
		4,346	**10,193**	**25,101**	**42,761**
Total comprehensive income for the financial period/year attributable to:					
Owners of the Company		10,372	11,625	44,529	39,857
Non-controlling interests		(3,840)	(155)	(2,176)	(569)
		6,532	**11,470**	**42,353**	**39,288**
Basic and diluted earnings per share attributable to owners of the Company (sen):	B9	1.87	2.39	6.51	9.85

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying significant events and transactions attached to these interim financial statements.

TALIWORKS CORPORATION
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CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Share Option reserve	Currency Translation reserve	Available-for-sale reserve	Merger deficit	Retained earnings	Total	Non-Controlling interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	**218,246**	**74,176**	**2,205**	**1,458**	**(23)**	**(71,500)**	**341,877**	**566,439**	**6,769**	**573,208**
Available-for-sale financial assets	-	-	-	-	63	-	-	63	-	63
Share of other comprehensive income of joint venture	-	-	-	-	-	-	161	161	-	161
Foreign currency translation differences	-	-	-	15,890	-	-	-	15,890	1,138	17,028
Total other comprehensive income for the financial year	-	-	-	15,890	63	-	161	16,114	1,138	17,252
Profit for the financial year	-	-	-	-	-	-	28,414	28,414	(3,313)	25,101
Total comprehensive income for the financial year	-	-	-	15,890	63	-	28,575	44,528	(2,175)	42,353
Transactions with Owners of the Company:										
Transfer from reserve upon ESOS options lapsed	-	-	(94)	-	-	-	-	(94)	-	(94)
Dividends paid	-	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)
At 31 December 2013	**218,246**	**74,176**	**2,111**	**17,348**	**40**	**(71,500)**	**365,541**	**605,962**	**4,594**	**610,556**

TALIWORKS CORPORATION
LGB Group

CONDENSED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company									
	Note	Share capital RM'000	Share premium RM'000	Share Option reserve RM'000	Currency Translation reserve RM'000	Available-for-sale reserve RM'000	Merger deficit RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling interest RM'000	Total Equity RM'000
At 1 January 2012											
-As previously stated		**218,246**	**74,176**	**2,248**	**4,634**	**14**	**(71,500)**	**277,537**	**505,355**	**7,338**	**512,693**
Effects of change in accounting policy	B14	**-**	**-**	**-**	**-**	(31)	**-**	22,938	22,907	**-**	22,907
At 1 January 2012, as restated		**218,246**	**74,176**	**2,248**	**4,634**	**(17)**	**(71,500)**	**300,475**	**528,262**	**7,338**	**535,600**
Available-for-sale financial assets		-	-	-	-	(6)	-	(8)	(14)	-	(14)
Share of other comprehensive income of jointly controlled entity		-	-	-	-	-	-	46	46	-	46
Foreign currency translation differences		-	-	-	(3,176)	-	-	-	(3,176)	(329)	(3,505)
Total other comprehensive (loss)/income for the financial year		**-**	**-**	-	(3,176)	(6)	-	38	(3,144)	(329)	(3,473)
Profit for the financial year		-	-	-	-	-	-	43,001	43,001	(240)	42,761
Total comprehensive (loss)/income for the financial year		**-**	**-**	-	(3,176)	(6)	-	43,039	39,857	(569)	39,288
Transaction with owners of the Company:											
Transfer to/(from) reserve upon ESOS options lapsed		-	-	(43)	-	-	-	-	(43)	-	(43)
Dividends paid								(1,637)	(1,637)	-	(1,637)
Total transaction with owners of the Company		**-**	**-**	(43)	-	-	-	(1,637)	(1,680)	-	(1,680)
At 31 December 2012		**218,246**	**74,176**	**2,205**	**1,458**	**(23)**	**(71,500)**	**341,877**	**566,439**	**6,769**	**573,208**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying significant events and transactions attached to these interim financial statements.

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CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2013 RM'000	12 Months Ended 31 Dec 2012 RM'000 (Audited)
CASH FLOWS FROM/(USED) IN OPERATING ACTIVITIES		
Profit before tax	39,132	61,046
Adjustments for:		
Non-cash items	18,271	(6,236)
Interest income	(859)	(702)
Finance costs	23,061	20,542
Operating Profit Before Working Capital Changes	79,605	74,650
Net increase in long term receivables, trade and other receivables, amount due from contract customer and inventories	(12,430)	(70,462)
Net increase in trade and other payables and amount due to contract customers	19,025	33,623
Cash Generated From Operations	86,200	37,811
Income tax paid	(18,985)	(14,949)
Income tax refunded	1,115	45
Net Cash From Operating Activities	**68,330**	**22,907**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	860	672
Property, plant and equipment:		
- proceeds from disposal	192	94
- purchase	(14,802)	(2,657)
Purchase of intangible assets	(5,879)	(127,950)
Available-for-sale financial assets:		
- purchase	(36,315)	(21,500)
- proceeds from redemption	32,453	15,016
Redemption of preference shares from associate	400	-
Decrease in cash restricted	3	1,759
Placement of deposits pledged as security	(3,672)	(2,318)
Net Cash Used In Investing Activities	**(26,760)**	**(136,884)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Interest paid	(28,554)	(15,509)
Dividends paid	(4,911)	(1,637)
Repayment of borrowings	(99,011)	(129,227)
Drawdown of borrowings	93,610	252,246
Repayment of finance lease payables	(219)	(201)
Net Cash (Used In)/ From Financing Activities	**(39,085)**	**105,672**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,485	(8,305)
Effects of foreign exchange rate changes	(937)	(234)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	17,015	25,554
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	**18,563**	**17,015**

CONDENSED STATEMENTS OF CASH FLOWS

	12 Months Ended 31 Dec 2013 RM'000	12 Months Ended 31 Dec 2012 RM'000 (Audited)
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	30,732	26,100
Bank and cash balances	13,317	12,769
Total deposits, bank and cash balances	44,049	38,869
Less: Deposits pledged as security for banking facilities	(20,572)	(16,900)
Less: Bank and cash balances restricted	-	(3)
Less: Bank Overdraft	(4,914)	(4,951)
	18,563	**17,015**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying significant events and transactions attached to these interim financial statements.

PART A – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO MFRS 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 MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board.

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 2012. The significant events and transactions 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 Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs with effect from 1 January 2013 relevant to the Group as follows:-

MFRSs, Amendments to MFRSs

MFRS 7	Financial Instruments: Disclosures (Amendment relating to Disclosures - Offsetting Financial Assets and Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle

The application of the above MFRSs, Amendments to MFRSs did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group, except as follows:-

Impact of the application of MFRS 11

The Directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of MFRS 11. The Directors concluded that the Group's investment in Cerah Sama Sdn. Bhd., which was classified as a jointly controlled entity under MFRS 131, should be classified as a joint venture under MFRS 11. The said entity's net assets and share of profit/(loss) will be presented in the consolidated statement of financial position and in the consolidated income statement as "investment in joint venture" and "share of profit/(loss) of joint venture" respectively. Other than the abovementioned presentation changes, the application of MFRS 11 has no material impact on the Group financial statements.

A1 – Basis of Preparation (continued)

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

Foreign currency	31 Dec 2013 RM	30 Sep 2013 RM	31 Dec 2012 RM
1 US Dollar (USD)	3.28	3.26	3.06
1 Singapore Dollar (SGD)	2.59	2.60	2.50
100 Hong Kong Dollars (HKD)	42.24	42.04	39.45
100 Chinese Renminbi (RMB)	54.11	53.25	49.08

(c) Critical Accounting Judgment and Key Sources of Estimation Uncertainty

The preparation of these interim financial statements requires the Board to make critical judgments, estimates and assumptions that may affect the application of accounting policies and the amounts recognised in these financial statements.

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

(i) *to the classification and carrying amount of trade receivables of Sungai Harmoni Sdn Bhd ("SHSB") and Taliworks (Langkawi) Sdn Bhd ("TLSB"), wholly owned subsidiaries of the Company.*

(a) *SHSB - Due under a Debt Settlement Agreement ("DSA")*

Arising from the DSA with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") in 2005, a total of RM64.827 million was agreed to be settled via ten installments, commencing from 31 December 2006 and ending on 31 December 2015. It is assumed that the remaining 8th to 10th installments will be paid as scheduled in accordance with the terms of the DSA and as such, no further provision of discounting will be required beyond what has been previously been discounted and the accumulated provision for discounting made previously will continue to unwind during the remaining tenure of the DSA.

(b) *SHSB - Invoiced Amounts*

As at the end of the financial year, the invoiced amounts due and owing by SPLASH amounted to RM260.3 million. There have been recent media reports that the Federal Government and the Selangor State Government are close to concluding the restructuring of the water sector in Selangor which may have an implication on the timing of repayment of these receivables.

Nevertheless, in the absence of further developments regarding the outcome of the said restructuring, the Group has estimated that approximately RM88.8 million of the receivables from SPLASH will be paid in the next twelve months, and as such has been classified as current. The remaining outstanding balance is expected to be paid progressively between 2015 and 2017 and accordingly, have been classified as long term trade receivables.

Arising from the above estimation, a net impact of RM0.193 million was made in the current quarter (YTD – RM8.934 million), comprising:-

(a) an additional provision for discounting on a deferred payment consideration of RM3.729 million (YTD – RM22.864 million) which was set-off against revenue; and

(b) a reversal of discounting of receivables amounting to RM3.536 million (YTD – RM13.930 million) recognised as Other Income.

A1 – Basis of Preparation (continued)

(c) *TLSB – Amount due from the Kedah State Government*

As at the end of the financial year, the invoiced amounts due and owing from the Kedah State Government amounted to RM10.995 million. Subsequent to the financial year, the State Government has offered to settle RM9.647 million over 4 installments, commencing from May 2014 to November 2014. Thus, this amount has been classified as being current whilst the remaining outstanding balance has been reclassified as long term receivables and accordingly, a provision of discounting of RM0.08 million was made in the current quarter and financial year.

The above critical accounting judgments and estimates will be re-assessed as and when there are further developments in the restructuring of the water sector in Selangor, as the case maybe, or where actual payments are received and these may have a significant impact to future amounts recognised in the financial statements.

(ii) *to the carrying amount of intangible asset of Ningxia ECO Wastewater Treatment Co Ltd, a 70% owned subsidiary, which has secured a 30-year concession under build-operate-transfer basis to construct and operate the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Ningdong Energy Chemical Base in Yinchuan, People's Republic of China ("the Facilities").*

During the financial year, the Group held negotiations for the authorities to take-over the Facilities which was partially completed. Recently the authorities made an offer to take-over the Facilities at approximately RMB38.572 million ("Transfer Price"), the price of which the Group did not agreed to. Subsequently, the Group engaged a firm of valuers to determine the fair value of the Facilities and valuation exercise is still ongoing as at the end of the reporting period.

In the absence of a final negotiated price, the Group has assessed the impairment on the intangible asset by comparing the carrying value of the intangible asset and the Transfer Price and arising therefrom, the Group has made an impairment of approximately RMB19.652 million (equivalent to RM10.144 million) in the current quarter and financial year.

Should the parties subsequently agreed to a price which is higher than the Transfer Price, the Group will provide for reversal of impairment in the coming quarters.

(iii) *to the classification and carrying amount of trade payables of Taliworks Construction Sdn. Bhd ("TCSB"), a wholly owned subsidiary of the Company.*

At the end of the financial year, the outstanding retention sum owing to contractors amounted to approximately RM5.572 million. Out of this amount, the Group anticipated that RM0.942 million will be paid in the next 12 months and thus has been classified as current. The remaining outstanding balance has been classified as long term payables, and is expected to be released to the said contractors between 2015 and 2018. Due to the expected delay in outflow payments, a notional interest income of RM1.083 million was made in the current quarter and financial year.

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.

However, an emphasis of matter had been included by the auditors to draw attention on the uncertainty over the collectability of amounts owing by SPLASH due to an impasse; as well as the key bases and assumptions used by the Directors in estimating the recoverable amounts of the intangible assets of the Group.

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

Save for the significant transactions listed in Note B4, there are 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 year.

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 year.

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

During the current quarter and financial year, there was no issuance, cancellation, repurchase, resale or repayment of equity or debt securities by the Company, save and except for, the following ESOS options that had lapsed:-

	Number of ESOS options exercised		Number of ESOS options lapsed		Balance remaining unexercised as at the reporting year
	Current quarter	YTD	Current quarter	YTD	
ESOS options at RM1.31 per share	-	-	10,000	10,000	33,000
ESOS options at RM1.90 per share	-	-	177,000	177,000	3,984,000

The ESOS options, if not exercised, will expire on 29 September 2015.

A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2012	RM'000
• Final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less income tax at 25%, paid on 31 July 2013	4,911

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

There were no changes to the composition of the Group during the current quarter and financial year including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations, except for the liquidation of Taliworks-IBI Technologies International Limited, a 70% owned subsidiary, wherein Joint and Several Liquidators were appointed with effect from 29 October 2013 pursuant to the Order of the High Court of the Hong Kong Special Administrative Region.

A10 – Changes in Contingent Liabilities or Contingent Assets

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

(a) Bank facilities to facilitate issuance of performance guarantees and tender bonds for the Group's bidding for overseas projects, and performance bonds on contracts for the management, operation and maintenance of water treatment plants and construction contracts.

	RM'000
Secured against deposits pledged to the financial institutions	
Decrease in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of an unincorporated joint venture	(1,000)
Decrease in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	(363)
Increase in bank guarantees issued to third parties for services rendered and as performance bonds	189

(b) Litigations

There were no material changes to the status of litigations requiring re-assessment of present obligations in relation to these litigations except for the following case:-

(i) Sichuan Provincial Economic and Technological Investment Guarantee Centre ("the Plaintiff") against 1st Defendant: Puresino (Guanghan) Water Co., Ltd. ("Puresino Guanghan"), a subsidiary of the Company; 2nd Defendant: Beijing Puresino-Boda Environmental Engineering Co., Ltd; 3rd Party: Sichuan Watson Environmental Engineering Co., Ltd; 3rd Party: China Electronic System Engineering 3rd Construction Co., Ltd.

Puresino Guanghan had on 27 March 2013 received a Civil Judgement dated 26 January 2013 from the Sichuan Province High Court, which overruled the Sichuan Deyang Intermediate People's Court Civil Judgement (2010) No.61. The decision of the Court was final and as a result thereof, a reversal of litigation claims previously accrued in the financial statements amounting to RM1.961 million was recognised in that financial year.

(ii) Hua Sheng Construction Group Co Ltd ("Hua Sheng") against Ningxia Eco Wastewater Treatment Co Ltd ("Ningxia Eco"), a subsidiary of the Company

Further to the disclosure made in Note 41(b)(ii) to the audited financial statements, the Applicant had applied for a further arbitration from the China International Economic and Trade Arbitration Commission, Shanghai sub-commission ("CIETAC") and the Respondent had on 15 October 2013 received a new arbitration notice. The details of the arbitration application are as follows:-

1) The penalty for breach of contract to be borne by the Respondent shall be raised from the rate stated in the contract i.e., 8% to 20% of the total contract value;
2) The penalty amount to be paid by the Respondent would be equivalent to RMB11,298,900, being the total contract value of RMB63,200,000 x 89.39% x 20%. (work done before termination of contract was 10.61%); and
3) The Respondent shall bear the arbitration cost, applicant's legal cost and property preservation fee.

The first arbitral hearing was held on 17 January 2014, whereby, the Respondent has filed a counter-claim on the Applicant for breach of contract based on the ground that the Applicant has stopped project work without the consent of the Respondent. Due to the Respondent's counter-claim, a second arbitral hearing will be fixed and the parties were ordered to submit further evidence.

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.

3 months ended 31 December	Water treatment, supply and distribution 2013 RM'000	Water treatment, supply and distribution 2012 RM'000	Waste management 2013 RM'000	Waste management 2012 RM'000	Construction 2013 RM'000	Construction 2012 RM'000 (restated)	Others 2013 RM'000	Others 2012 RM'000	Total 2013 RM'000	Total 2012 RM'000 (restated)
Revenue										
Total revenue	45,945	40,271	11,554	10,674	26,133*	18,368	1,081^	4,780	84,713	74,093
Inter-segment revenue	-	-	(144)	(134)	(636)	(6,942)	(972)	(4,743)	(1,752)	(11,819)
External revenue	45,945	40,271	11,410	10,540	25,497	11,426	109	37	82,961	62,274
Reconciliation:										
Difference in accounting policy (see note below)	(3,729)	(875)	-	-	-	-	-	-	(3,729)	(875)
Revenue as per statement of comprehensive income	42,216	39,396	11,410	10,540	25,497	11,426	109	37	**79,232**	**61,399**

* Including RM NIL (Q4FY12: RM1,192,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

^ Including dividend income of RM NIL (Q4FY12: RM4,350,000) received from a subsidiary.

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

3 months ended 31 December	Water treatment, supply and distribution 2013 RM'000	Water treatment, supply and distribution 2012 RM'000 (restated)	Waste management 2013 RM'000	Waste management 2012 RM'000 (restated)	Construction 2013 RM'000	Construction 2012 RM'000 (restated)	Toll highway 2013 RM'000	Toll highway 2012 RM'000	Others 2013 RM'000	Others 2012 RM'000 (restated)	Total 2013 RM'000	Total 2012 RM'000 (restated)
Earnings before finance costs, depreciation and amortisation and income tax expense	16,601	19,357	(5,452)	(1,151)	4,252	1,560	4,234	1,002	778	(1,227)	20,413	19,541
Depreciation and amortisation	(114)	(126)	(4,372)	(3,351)	(80)	(29)	-	-	(243)	(48)	(4,809)	(3,554)
	16,487	19,231	(9,824)	(4,502)	4,172	1,531	4,234	1,002	535	(1,275)	15,604	15,987
Finance costs	-	-	(5,863)	(5,162)	(7)	12	-	-	(617)	(683)	(6,487)	(5,833)
Inter-segment results	510	510	563	4,276	-	(5)	-	-	(2,873)	(850)	(1,800)	3,931
Segment results	16,997	19,741	(15,124)	(5,388)	4,165	1,538	4,234	1,002	(2,955)	(2,808)	7,317	14,085
Share of results of associate											(1,202)	376
Profit before tax											6,115	14,461
Income tax expense											(1,769)	(4,268)
Profit for the financial period as per statement of comprehensive income											**4,346**	**10,193**

The segment assets and segment liabilities of the Group are as follows:

As at 31 December	Water treatment, supply and distribution 2013 RM'000	Water treatment, supply and distribution 2012 RM'000	Waste management 2013 RM'000	Waste management 2012 RM'000	Construction 2013 RM'000	Construction 2012 RM'000	Toll highway 2013 RM'000	Toll highway 2012 RM'000 (restated)	Others 2013 RM'000	Others 2012 RM'000	Total 2013 RM'000	Total 2012 RM'000 (restated)
Segment assets	360,030	331,129	497,174	477,357	35,821	38,993	122,245	112,075	36,616	21,305	1,051,886	980,859
Segment liabilities	(47,616)	(43,966)	(315,725)	(287,675)	(26,228)	(27,332)	-	-	(51,761)	(48,678)	(441,330)	(407,651)
Net segment assets/(liabilities)	**312,414**	**287,163**	**181,449**	**189,682**	**9,593**	**11,661**	**122,245**	**112,075**	**(15,145)**	**(27,373)**	**610,556**	**573,208**

The following is an analysis of the Group's revenue and total assets by geographical areas:

3 months ended 31 December	Revenue 2013 RM'000	Revenue 2012 RM'000 (restated)	Total assets 2013 RM'000	Total assets 2012 RM'000 (restated)
Malaysia	61,986^	49,667	552,866	502,940
China / Hong Kong SAR	11,246	11,732	498,790	477,749
Singapore	-	-	230	170
	73,232	**61,399**	**1,051,886**	**980,859**

^ *including provision for discounting on the deferred payment consideration of RM3,729,000 (Q4FY12: RM875,000)*

PART B – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 – Analysis of Performance

(a) Revenue

	3 Months Ended 31 Dec 2013 RM'000	3 Months Ended 30 Sep 2013 RM'000	3 Months Ended 31 Dec 2012 RM'000 (restated)
Water treatment, supply and distribution	45,945	43,559	40,271
Construction *(note 1)*	25,497	8,623	11,426
Waste management	11,410	11,919	10,540
Others	109	258	37
	82,961	64,359	62,274
Less: Provision for discounting on a deferred payment consideration	(3,729)	(5,446)	(875)
	79,232	**58,913**	**61,399**

Note 1

Including RM NIL (Q3FY13: RM163,000; Q4FY12: RM1,192,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

(b) Profit Before Tax

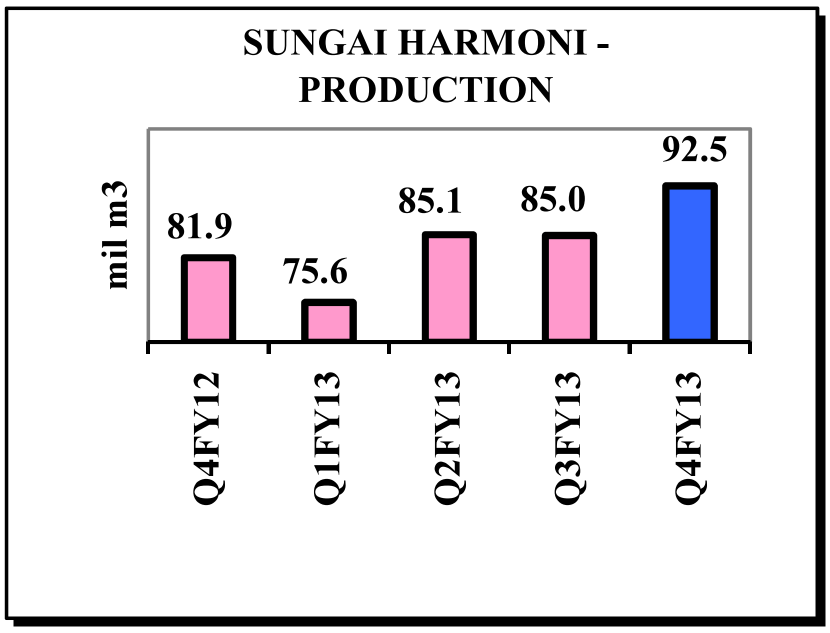
	3 Months Ended 31 Dec 2013 RM'000	3 Months Ended 30 Sep 2013 RM'000	3 Months Ended 31 Dec 2012 RM'000 (restated)
Water treatment, supply and distribution	16,997	14,861	19,741
Construction *(note 1)*	4,172	(1,902)	1,526
Waste management	(9,565)	2,221	(278)
Investment holding and others	(2,511)	(2,247)	(2,289)
Operating profit	**9,093**	**12,933**	**18,700**
Finance cost	(6,010)	(5,837)	(5,617)
Share of profit of joint venture / results of a jointly controlled entity	4,234	2,234	1,002
Share of results of associate	(1,202)	185	376
Profit before tax	**6,115**	**9,515**	**14,461**

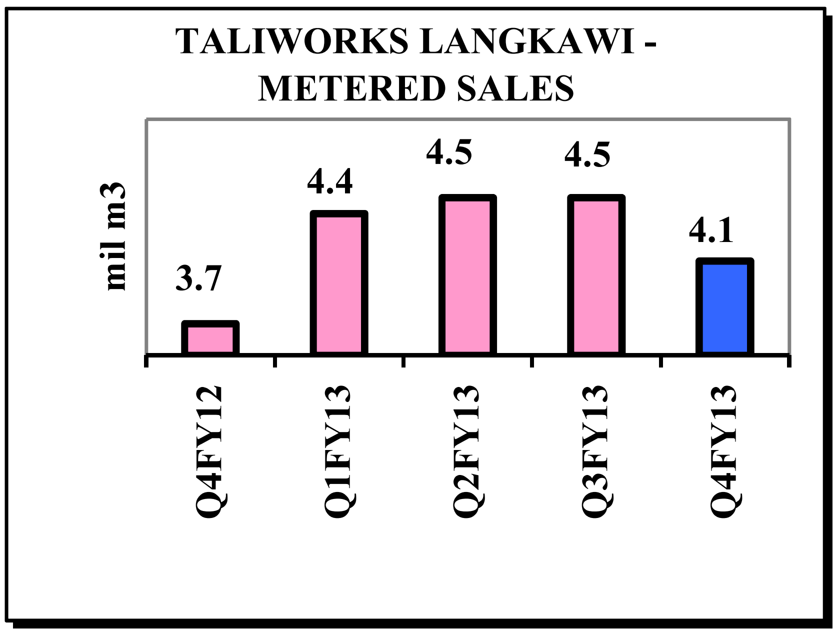
Note 1

Including RM NIL (Q3FY13: RM15,000; Q4FY12: RM109,000) construction profit recognised pursuant to IC Interpretation 12 – Service Concession Arrangements from the construction of an infrastructure by a subsidiary.

B1 – Analysis of Performance (continued)

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





<u>Analysis of Y-o-Y Results</u>

<u>Revenue</u>

The Group revenue recorded an increase from RM62.3 million to RM83.0 million in the current quarter mainly due to higher contribution from the construction business and to a lesser extent from the water treatment, supply and distribution business. However, after taking into account the impact from the provision for discounting, the Group revenue was lower at RM79.2 million as compared to RM61.4 million achieved a year ago.

At the operating level, the water treatment, supply and distribution business, registered an increase in revenue from RM40.3 million to RM45.9 million attributable to the higher production from the Sungai Selangor Water Treatment Works Phase I ("SSP1") and from the increase in metered sales at the Langkawi operations. SSP1 registered a hefty jump of 12.9% in production (i.e. from 81.9 million m3 (or 844 MLD) to 92.5 million m3 (or 1,005 MLD) boosted by the completion of the "Projek Menaik Taraf Skim Sungai Selangor Fasa 1 Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya – Package 2: Construction and Completion of Raw Water Pumping Main and Inter-connection at Matang Pagar Reservoir" during the year whereas Langkawi operations show an increase in metered sales of 10.5% i.e. from 3.71 million m3 to 4.10 million m3 although demand for treated water came off considerably compared to the previous three quarters.

The increase in revenue in the construction segment, from RM11.4 million to RM25.5 million was mainly attributable to the on-going Mengkuang Dam Expansion Project.

As for the waste management segment, the revenue was higher by RM0.9 million as compared to last year. This was mainly due to higher production from the four municipal wastewater treatment plants with recycled facilities in Yinchuan ("Yinchuan TOT Project") where production was up by over 3.2% at approximately 30.85 million m3 (or 335 MLD). The effect of obtaining a tax exemption on value-added tax ("VAT") in the corresponding quarter also contributed to the higher revenue in the current quarter as the tax exemption resulted in a reduction in revenue recorded in the corresponding quarter as the waiver of VAT was recognised as Other Income as opposed to inclusion of VAT in revenue prior to that quarter.

B1 – Analysis of Performance (continued)

Profit

The Group's profit before taxation ("PBT") recorded a sharp decline to RM6.1 million in the current quarter compared to RM14.5 million achieved a year ago, primarily attributable to the following:-

(a) the effect from the impairment of intangible asset referred to in Note A1(c)(ii); and

(b) the net impact of discounting effect of trade receivables whereby additional provision for discounting was made as compared to a reversal of discounting in the corresponding quarter.

In the water treatment, supply and distribution business, profit saw a decrease of RM2.7 million as compared to the corresponding quarter. However, after stripping out the effects of the discounting described above, profit contribution from this segment was at RM17.0 million compared to RM16.7 million in the corresponding quarter despite the much higher revenue recorded. This was mainly due to higher operating costs especially unit electrical costs in SSP1 (arising from non application of special industrial tariff rate for electricity in SSP1) in the current quarter.

In the waste management business, although the revenue was higher as compared to previous year, profit has slumped drastically by RM11.5 million mainly attributable to impairment of intangible asset as mentioned above.

As for the joint venture, the Group's share of profits was considerably higher although the Average Daily Traffic ("ADT") recorded a marginal growth of 0.3% with ADT standing at 136,046 vehicles per day. This came about from lower deferred tax provision and additional income realised from the disposal of an investment, lower repairs and maintenance and provisioning for heavy repairs.

The Group's share of results of associate, was lower compared to last year due to loss on disposal of the latter's investment in its associate company, in the current quarter.

Analysis of Q-o-Q Results

Revenue

Compared to the previous quarter, the Group revenue increased by RM18.6 million i.e. from RM64.4 million to RM83.0 million (before taking into account the impact from provision for discounting), mainly attributable to higher contribution from construction business.

Whilst metered sales in Langkawi operations recorded a decline of 8.2% in the current quarter, the water treatment, supply and distribution business registered an increase in revenue boosted by the higher production of 8.8% from the SSP1 operations due to sustained demand for treated water.

The contribution from construction segment was higher in the current quarter as a result of the reduction in the scope of work in the on-going Mengkuang Dam Expansion Project in the previous quarter whereby a component of the project was not be required to be undertaken. Consequently, revenue (and estimated construction profits) was revised downwards and adjusted in the previous quarter to reflect the lower contribution from this project, couple with a reduction in the amount of variation order in one of the projects had been the factors that contributed to a sharp decline in revenue from the construction division ("Project Revisions") in the previous quarter.

In the waste management business, revenue was lower by RM0.5 million on account of lower recycled water sales from Yinchuan plant during the winter season, coupled with lower waste processed in Tianjin Panlou Transfer Station.

B1 – Analysis of Performance (continued)

Profit

For the current quarter, the Group registered a lower PBT of RM6.1 million compared to RM9.5 million in the previous quarter attributable to the impairment of intangible asset recorded in the waste management segment.

Stripping the effects from the discounting, the profit contribution from water treatment, supply and distribution business was at RM17.0 million compared to RM17.2 million in the previous quarter despite recording higher revenue levels. This was due to higher operating costs, as well as maintenance and rehabilitation expenses incurred in both SSPI and Langkawi operations.

The higher profit recorded in the construction segment in the current quarter was a direct consequence of the Project Revisions described above.

Due to the recognition of impairment of intangible asset in the waste management sector, the profit contribution from this sector compromised resulting in a drastic drop compared to the previous quarter despite recording almost similar revenue levels.

In the toll highway division, the share of results in a joint venture was higher compared to the previous quarter despite the lower ADT by 2.2%. This was mainly attributable to lower deferred tax provision and additional income realised from the disposal of an investment during the quarter.

The Group's share of results of associate, was lower compared to last year due to loss on disposal of the latter's investment in its associate company, in the current quarter.

B2 – Prospects for 2014

The operating profit of the Group is largely driven by the performance of the water treatment, supply and distribution business as this segment contributes the bulk of the revenue and profits. The Group expects that SSP1, which is the main contributor to the Group, will be able to run its production above its design capacity of 950 MLD, subject to availability of treatable raw water, given that the plant has been producing above the 1,000 MLD mark after having completed an upgrading programme during the year to optimise its treatment capacity.

However, the current uncertainties in the outcome of the restructuring of the Selangor water sector may weigh down on the Group's performance given the fair value adjustments are required on deferred consideration from continued delays in receiving payments if the matter is not resolved. Nevertheless, there have been encouraging announcements by both the Federal Government and State Government of Selangor in finally resolving the issue, the impact of which could be positive to the Group's results if the long outstanding amount owing to the Group can be addressed and payments expedited.

In the construction segment, the on-going Mengkuang Dam Expansion Project in Pulau Pinang is expected to continue to contribute positively to the Group given that the project has advanced into its third year of construction. Although there has been a slight delay in the schedule, the Group is optimistic that it will be able to catch up with the scheduled progress by the second quarter of 2014.

In the waste management division, the Group is expected to progressively undertake the expansion and upgrading of the four wastewater treatment plants under the Yinchuan TOT Project in 2014 to 2015. The project will continue to negatively impact the Group's performance in 2014 due to significant financing and amortisation costs. The resumption of operations in the Guanghan San Xin Dui wastewater treatment plant in the first quarter of 2014 is expected to contribute positively to this division.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecasts or guarantees were issued or published.

TALIWORKS CORPORATION
LGB Group

B4 – Profit before tax

Included in the profit before tax are the following items:

	Current Quarter 3 Months Ended 31 Dec 2013 RM'000	Year-to-date 12 Months Ended 31 Dec 2013 RM'000
Revenue		
Provision for discounting on receivables *(Note A1(c)(i)(b))*	(3,729)	(22,864)
Other operating income:		
Interest income :		
- on fixed deposits with licensed banks	410	859
- retention sum (*Note A1(c)(iii)*)	1,083	1,083
Dividend from available-for-sale financial assets	193	512
Rental income	12	20
Unwinding of discount on receivables	244	977
Reversal of discounting of receivables	3,874	14,268
Unrealised foreign exchange gain	291	1,605
Realised foreign exchange gain	63	163
Realised gain on available-for-sale financial assets	2	90
Reversal of over-accrual of litigation claims	(237)	1,970
Waiver of value-added tax	1,134	4,926
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(4,808)	(18,189)
Unrealised foreign exchange losses	23	(702)
Impairment of property, plant and equipment	(18)	(18)
Impairment of Intangible asset (*Note A1(c)(ii))*	(10,144)	(10,144)
Provision for discounting on receivables*(Note A1(c)(i)(c))*	(81)	(81)

Save as disclosed above, the other items required under Chapter 9, Appendix B, Part A(16) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") are not applicable.

B5 – Taxation

	Current Quarter 3 Months Ended 31 Dec 2013 RM'000	Year-to-date 12 Months Ended 31 Dec 2013 RM'000
Malaysian income tax:-		
- Current year tax	1,754	18,336
- Over-provision of tax in prior years	(4,167)	(6,355)
Foreign income tax	-	3
Deferred tax expense	4,182	2,047
	1,769	**14,031**

The tax expense is in respect of the estimated Malaysian and foreign income tax charges, over-provision of income taxes, and deferred tax for the year. 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 profits of joint venture 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.

B6 – Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed as at end of the reporting year.

B7 – Group Borrowings and Debt Securities

Included in the borrowings of the Group are:-

	←---------Short Term--------------→			←------------Long Term--------------→		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Finance lease liabilities	276	-	276	554	-	554
Government loan	-	3,246	3,246	-	-	-
Term loans (a)	12,716	-	12,716	284,618	-	284,618
Revolving credit (b)	10,000	-	10,000	20,000	-	20,000
Overdraft	-	4,914	4,914	-	-	-
	22,992	8,160	31,152	305,172	-	305,172

(a) Secured by a subsidiary to finance the acquisition of the Yinchuan TOT Project.

(b) Secured by the Company and is repayable over four equal instalments of RM10 million a year over a duration of four years, commencing from February 2013 to 2016. The facility is secured by a deed of assignment over all dividends payable by a joint venture and a fixed deposit placement of RM0.25 million.

B8 – Changes in Material Litigations

As at 19 February 2014 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any significant changes in material litigations of the Company or its subsidiary companies, since the date of the last annual statement of financial position date except as follows:-

(a) The litigation as described in Note A10(b)(i), which was disclosed as a Subsequent Event under Note 45(B) in the audited financial statements;

(b) Civil suit by Puresino (Guanghan) Water Co. Ltd., a subsidiary of the Company ("the Plaintiff") against the Defendants: (i) Puresino International Limited ("PIL") (ii) Beijing Puresino Boda Environmental Engineering Co. Ltd. ("BODA") (iii) Miao Dongyuan (iv) Wang Shaoyin (v) Fu Shijun (vi) Li Lu

On 10 January 2013, the Plaintiff received a civil ruling issued by the Deyang City Intermediate People's Court whereby the Deyang City Intermediate People's Court dismissed the Plaintiff's claims and ordered it to bear the case handling fee of RMB66,047 and verification fee of RMB15,000. On 24 January 2013, the Plaintiff filed an appeal to the Sichuan Provincial Higher People's Court whereby the appeal was subsequently dismissed via a civil ruling received on 1 July 2013.

(c) Arbitration between Hua Sheng Construction Group Co. Ltd ("the Applicant") and Ningxia Eco Wastewater Treatment Co. Ltd ("the Respondent"), a subsidiary of the Company

The status of the arbitration is as disclosed in Note Note A10(b)(ii) of these interim financial statements.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial quarter/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the reporting date.

	Current Quarter		Year-to-date	
	3 Months Ended 31 Dec 2013	3 Months Ended 31 Dec 2012	12 Months Ended 31 Dec 2013	12 Months Ended 31 Dec 2012
Net profit attributable to owners of the Company (RM'000)	8,179	10,438	28,414	43,001
Weighted average number of shares in issue ('000)	436,492	436,492	436,492	436,492
Basic EPS (sen)	1.87	2.39	6.51	9.85

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial quarter/year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the reporting date adjusted for potential dilutive ordinary shares from the exercise of ESOS options.

The diluted earnings per share is the same as basic earnings per share calculated above as the ESOS options are anti-dilutive.

B10 – Dividends

The Board of Directors proposes to recommend for shareholders' approval at the forthcoming Annual General Meeting, a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2013, to be paid on a date to be determined.

B11 – Deposits, Bank and Cash Balances

At the end of the reporting date, foreign currencies equivalent to approximately RM9.2 million held in subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

B12 –Supplementary Information Disclosed Pursuant to the Listing Requirements of Bursa Securities

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting year, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

B12 –Supplementary Information Disclosed Pursuant to the Listing Requirements of Bursa Securities (continued)

The breakdown of the retained earnings of the Group into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Current Quarter Ended 31 Dec 2013 RM'000	Preceding Quarter Ended 30 Sep 2013 RM'000
Total retained earnings of Taliworks and its subsidiaries:		
- Realised profits	285,822	279,060
- Unrealised profits	9,632	11,247
	295,454	290,307
Total share of retained earnings from associate:		
- Realised profits	3,050	4,253
Total share of retained earnings from joint venture:		
- Realised profits	79,373	77,811
- Unrealised losses	(12,336)	(15,110)
Total Group's retained earnings	365,541	357,261

B13 – Reclassification of Comparatives

(a) Certain comparatives have been reclassified to conform to the current year's presentation as follows:

	As previously stated/ Audited RM'000	Reclassification RM'000	Restated RM'000
3 months ended 31 December 2012			
Cost of operations	37,842	874	38,716
Administrative and other expenses	13,014	(874)	12,140
12 months ended 31 December 2012			
Cost of operations	180,036	1,534	181,570
Administrative and other expenses	37,584	(1,534)	36,050

The above is in relation to certain operating cost being reclassified from administrative and other expenses to cost of operations.

(b) Certain comparatives may differ from the unaudited consolidated results announced for the 4th quarter of 2012 as they have been adjusted to take into account the audited results of the Group for the year ended 31 December 2012.

B14 - Changes in Accounting Policy in a Jointly Controlled Entity (or "joint venture" under MFRS 11)

During the previous financial year, a jointly controlled entity (or "joint venture" under MFRS 11) as described in Note A1(a)) changed the accounting policy in calculating the amortisation base for intangible assets comprising the highway concession. The jointly controlled entity adopted this change to provide a better reflection of the manner in which the benefits from the highway concession is utilised over the concession period. The change in amortisation method also aligns the basis with that of the industry.

In accordance with MFRS 108: "Accounting Policies, Changes in Accounting Estimates and Errors", the change in the amortisation base for intangible assets has been applied retrospectively and comparative figures have been restated as follows:

	As previously stated	Effects of change in accounting policy	Others	As restated
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012				
Statement of changes in equity				
Retained earnings	277,537	22,907	31	300,475

B15 – Authorisation for Release

This Interim Financial Report for the current quarter and financial year ended 31 December 2013 has been seen and approved by the Board for public release.

By Order of the Board
Chua Siew Chuan (MAICSA 0777689)
Yeow Sze Min (MAICSA 7065735)
Company Secretaries
25 February 2014

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