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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)

CONTENTS

This Report is authorised for public release on 28 November 2014

CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	30 Sept 2014 RM'000	31 Dec 2013 RM'000 (Audited)
ASSETS			
Property, plant and equipment		40,918	22,319
Investment properties		387	394
Intangible assets	A1(b)	1,629,602	456,160
Investment in joint venture		26,971	122,245
Investment in associate		5,969	5,171
Other investments		1,525	-
Goodwill on consolidation		148,670	2,504
Deferred tax assets		13,111	8,730
Long term trade receivables	A1(d)	196,955	157,502
Long term other receivables		558	548
Deposits, cash and bank balances		32,212	20,572
Total Non-Current Assets		**2,096,878**	**796,145**
Inventories		1,349	1,109
Amount due from contract customers		10,651	1,164
Trade receivables	A1(d)	175,220	192,841
Other receivables, deposits and prepayments		9,754	5,796
Tax recoverable		8,076	4,909
Available-for-sale financial assets		133,540	25,460
Deposits, cash and bank balances		315,034	23,477
Total Current Assets		**653,624**	**254,756**
TOTAL ASSETS		**2,750,502**	**1,050,901**
EQUITY AND LIABILITIES			
Share capital		218,246	218,246
Reserves		619,850	387,311
Total Equity Attributable to Owners of the Company		**838,096**	**605,557**
Non-controlling interests		525,471	4,990
Total Equity		**1,363,567**	**610,547**
LIABILITIES			
Long-term borrowings	B7	663,134	305,172
Deferred tax liabilities		280,469	2,246
Long term trade payables		5,365	3,547
Deferred income	A1(ii)	200,617	-
Provision for heavy repairs		8,356	-
Total Non-Current Liabilities		**1,157,941**	**310,965**
Amount due to contract customers		-	336
Trade payables		69,698	60,315
Other payables and accruals		112,859	34,346
Tax liabilities		4,588	3,240
Short-term borrowings	B7	16,220	31,152
Proposed dividends	A7(b)	21,825	-
Deferred income	A1(ii)	3,804	-
Total Current Liabilities		**228,994**	**129,389**
TOTAL LIABILITIES		**1,386,935**	**440,354**
TOTAL EQUITY AND LIABILITIES		**2,750,502**	**1,050,901**
Net assets per share attributable to owners of the Company (RM)		**1.9201**	**1.3873**

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Sept 2014 RM'000	3 Months Ended 30 Sept 2013 RM'000 (restated)	9 Months Ended 30 Sept 2014 RM'000	9 Months Ended 30 Sept 2013 RM'000 (restated)
Revenue	B1	**82,289**	**58,913**	**239,692**	**202,250**
Cost of operations		(57,840)	(45,459)	(175,310)	(159,003)
Gross profit		**24,449**	**13,454**	**64,382**	**43,247**
Other operating income		279,791	5,195	294,071	19,839
Administrative and other expenses		(13,565)	(5,716)	(31,701)	(19,564)
Operating profit		**290,675**	**12,933**	**326,752**	**43,522**
Finance costs		(9,609)	(5,837)	(20,868)	(17,042)
Share of results of joint venture		772	2,234	5,428	6,104
Share of results of associate		75	185	798	433
Profit before tax	B4	**281,913**	**9,515**	**312,110**	**33,017**
Income tax expense	B5	(901)	(4,745)	(11,008)	(12,262)
Profit for the financial period		**281,012**	**4,770**	**301,102**	**20,755**
Other comprehensive income/(loss):					
Net fair value gain on available-for-sale financial assets		(35)	(47)	23	87
Foreign currency translation differences for foreign operations		5,778	5,954	(1,850)	14,919
Share of other comprehensive (loss)/income of joint venture		(18)	30	-	60
Total other comprehensive income/(loss) for the financial period		**5,725**	**5,937**	**(1,827)**	**15,066**
Total comprehensive income for the financial period		**286,737**	**10,707**	**299,275**	**35,821**

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3 Months Ended 30 Sept 2014 RM'000	3 Months Ended 30 Sept 2013 RM'000 (restated)	9 Months Ended 30 Sept 2014 RM'000	9 Months Ended 30 Sept 2013 RM'000 (restated)
Profit for the financial period attributable to:					
Owners of the Company		280,377	4,997	296,821	20,235
Non-controlling interests		635	(227)	4,281	520
		281,012	**4,770**	**301,102**	**20,755**
Total comprehensive income for the financial period attributable to:					
Owners of the Company		285,803	10,474	295,371	34,157
Non-controlling interests		934	233	3,904	1,664
		286,737	**10,707**	**299,275**	**35,821**
Basic and diluted earnings per share attributable to owners of the Company (sen):	B9	64.23	1.14	68.00	4.64

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	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
As of 1 January 2014	**218,246**	**74,176**	**2,111**	**17,347**	**40**	**(71,500)**	**365,137**	**605,557**	**4,990**	**610,547**
Retained earnings – translation adjustment		**-**	**-**	**-**	**-**	**-**	(35)	(35)	(15)	(50)
Available-for-sale financial assets		-	-	-	8	-	-	8	15	23
Foreign currency translation differences		-	-	(1,458)	-	-	-	(1,458)	(392)	(1,850)
Total other comprehensive income/ (loss) for the financial period		**-**	**-**	(1,458)	8	-	-	(1,450)	(377)	(1,827)
Profit for the financial period		-	-	-	-	-	296,821	296,821	4,281	301,102
Total comprehensive income/(loss) for the financial period		**-**	**-**	(1,458)	8	-	296,821	295,371	3,904	299,275
Transaction with owners of the Company:										
Dividends paid – FY2013		**-**	**-**	-	-	-	(4,365)	(4,365)	-	(4,365)
Proposed dividends – FY2014							(21,825)	(21,825)	-	(21,825)
Changes in ownership interests in a subsidiary		**-**	**-**	-	-	-	(36,607)	(36,607)	36,607	-
Non-controlling interest arising in business combination		**-**	**-**	-	-	-	-	-	479,985	479,985
Total transaction with owners of the Company		**-**	**-**	-	-	-	(62,797)	(62,797)	516,592	453,795
As of 30 September 2014	**218,246**	**74,176**	**2,111**	**15,889**	**48**	**(71,500)**	**599,126**	**838,096**	**525,471**	**1,363,567**

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	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
		Attributable to owners of the Company									
As of 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		-	-	-	-	87	-	-	87	-	87
Share of other comprehensive income of joint venture		-	-	-	-	-	-	60	60	-	60
Foreign currency translation differences		-	-	-	13,775	-	-	-	13,775	1,144	14,919
Total other comprehensive income for the financial period		-	-	-	13,775	87	-	60	13,922	1,144	15,066
Profit for the financial period		-	-	-	-	-	-	20,235	20,235	520	20,755
Total comprehensive income for the financial period		-	-	-	13,775	87	-	20,295	34,157	1,664	35,821
Transactions with Owners of the Company:											
Dividends paid		-	-	-	-	-	-	(4,911)	(4,911)	-	(4,911)
As of 30 September 2013		**218,246**	**74,176**	**2,205**	**15,233**	**64**	**(71,500)**	**357,261**	**595,685**	**8,433**	**604,118**

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying significant events and transactions attached to these interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS

	9 Months Ended 30 Sept 2014 RM'000	9 Months Ended 30 Sept 2013 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	312,110	33,017
Adjustments for:		
Non-cash items	(243,053)	7,908
Interest income	(1,966)	(449)
Finance costs	20,868	17,042
Operating Profit Before Working Capital Changes	87,959	57,518
Net increase in inventories, amount due from contract customers, trade and other receivables and amount due from joint venture	(47,907)	(14,110)
Net increase in amount due to contract customers and trade and other payables	87,343	2,803
Cash Generated From Operations	127,395	46,211
Income tax paid	(16,647)	(14,750)
Income tax refunded	9,136	887
Net Cash From Operating Activities	**119,884**	**32,348**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,081	488
Property, plant and equipment:		
- proceeds from disposal	108	35
- purchase	(5,006)	(2,267)
Purchase of intangible assets	(15,696)	(2,035)
Investment in joint venture	(27,000)	-
Acquisition of subsidiary (net cash acquired)	304,835	-
Available-for-sale financial assets:		
- purchase	(45,535)	(18,900)
- proceeds from redemption	29,672	26,488
Placement of deposits pledged as security	(11,640)	(1,056)
Decrease in proceeds deposited in the designated bank accounts	16	3,336
Net Cash From Investing Activities	**231,835**	**6,089**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(18,268)	(22,350)
Repayment of borrowings	(89,692)	(93,603)
Drawdown of borrowings	57,480	89,460
Repayment of finance lease payables	(236)	(157)
Dividends paid	(4,365)	(4,911)
Net Cash Used In Financing Activities	**(55,081)**	**(31,561)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	296,638	6,876
Effects of foreign exchange rate changes	(151)	699
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD	15,044	11,888
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	**311,531**	**19,463**

CONDENSED STATEMENTS OF CASH FLOWS

	9 Months Ended 30 Sept 2014 RM'000	9 Months Ended 30 Sept 2013 RM'000 (Restated)
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with licensed banks	308,272	30,959
Cash and bank balances	38,974	11,204
Total deposits, cash and bank balances	347,246	42,163
Less: Deposits pledged as security	(32,212)	(17,959)
Less: Proceeds deposited in the designated bank accounts	(3,503)	(1,791)
Less: Overdraft	-	(2,950)
	311,531	**19,463**

The Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2013. 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 following:-

(i) *adoption of new Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs and IC Interpretations (“IC Int”) mandatory for annual financial periods beginning on or after 1 January 2014 relevant to the Group as follows*:-

MFRSs, Amendments to MFRSs and IC Interpretations

Amendments to MFRS 10, MFRS 12, and MFRS 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements - Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation-offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets-Recoverable Amount Disclosures for Non - Financial Assets
MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)
IC Int 21	Levies

The application of the above MFRSs, Amendments to MFRSs and IC Int did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

As at the date of authorisation of these interim financial statements, the following new MFRSs, Amendments to MFRSs and IC Interpretations were in issue but not yet effective and have not early adopted by the Group:-

MFRSs and Amendments to MFRSs

MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively and Transition Disclosures)
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010)
MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)

Annual improvements to MFRSs 2010 - 2012 cycle (issued in February 2014)
Annual improvements to MFRSs 2011 - 2013 cycle (issued in February 2014)

The Group plans to apply the abovementioned MFRSs in the annual financial statements when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group in the period of initial application.

A1 – Basis of Preparation (continued)

(ii) *Adoption of significant accounting policies arising from the establishment of control over a former joint venture arising from acquisition*

As announced to the stock exchange on 23 June 2014 and 8 August 2014, the Company carried out an internal re-organisation exercise ("Re-organisation") in several stages to rationalise the structure of the Group so as to enhance the operational efficiency of the Group in undertaking any new project investments.

The Re-organisation involved some of the Company's subsidiaries and joint venture in the toll highway division which gave rise to a business combination. As a result, the Group applied MFRS3- Business Combinations when it established control over a former joint venture, Cerah Sama Sdn Bhd ("CSSB"). Therefore:-

(a) where a business combination was achieved in stages, the Group's previously held interest in CSSB was re-measured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain of approximately RM272.7 million ("Gain on Restructuring") was recognised in profit or loss. Amounts arising from interest in CSSB prior to the acquisition date that have previously been recognised in other comprehensive income were reclassified to profit or loss.

At the acquisition date, the acquisition of CSSB is accounted for using the acquisition method in accordance with MFRS3- Business Combinations and MFRS10- Consolidated Financial Statements, and the use of the equity method was discontinued;

(b) goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in CSSB, and the fair value of the Group's previously held equity interest in CSSB over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed;

(c) recognised the identifiable assets and liabilities of CSSB at their fair values at the acquisition date. The fair value of CSSB was estimated based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group is currently undergoing an exercise to determine the fair values to be assigned to CSSB's identifiable assets and liabilities pursuant to the requirements on MFRS3- Business Combinations. Upon finalisation of this exercise, the resulting goodwill on consolidation will be adjusted accordingly.

Arising from the Re-organisation, the Group has adopted the following significant accounting policies:-

(i) Intangible Assets – Highway Concession

Intangible assets comprising highway concession is stated at cost less accumulated amortisation and impairment losses.

Highway concession cost include expenditure that is directly incurred on the design, construction and upgrading of the Cheras-Kajang Highway. Subsequent costs are included in the assets carrying amount, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. All other repair and maintenance are charged to the income statement during the financial period/year in which they are incurred.

A1 – Basis of Preparation (continued)

The computation for the amortisation of highway concession for each financial period/year is based on the following formula:-.

$$\frac{\text{Cumulative toll revenue up to-date}}{\text{Projected toll revenue till end of concession}} \times \text{Cost, less: Accumulated amortisation brought forward}$$

(ii) Deferred Income

Deferred income comprise of the following:

(a) fees received from third parties for the use of ancillary facilities along the Highway, which is recognised in profit or loss on a straight-line basis over the concession period; and

(b) Government compensation received as a result of changes made to the terms and conditions of the Concession Agreement in respect of the Cheras-Kajang Highway. Government compensation is initially recognised in the statement of financial position at the fair value of consideration received. Government compensation is subsequently recognised to profit or loss on a systematic basis over the concession period in which it was intended to compensate.

(iii) Revenue Recognition

Toll revenue is accounted for as and when toll is chargeable for the usage of the Highway.

(b) The Intangible Assets of the Group comprise of concession rights, highway concession and the intangible asset model, as defined in IC Interpretation 12.

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

Foreign currency	30 Sept 2014 RM	30 Jun 2014 RM	31 Dec 2013 RM	30 Sept 2013 RM
1 US Dollar (USD)	3.28	3.21	3.28	3.26
1 Singapore Dollar (SGD)	2.86	2.57	2.59	2.60
100 Hong Kong Dollars (HKD)	42.25	41.43	42.24	42.04
100 Chinese Renminbi (RMB)	53.43	51.76	54.11	53.25

(d) 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 to the classification and carrying amount of trade receivables of Sungai Harmoni Sdn Bhd ("SHSB") as follows:-

A1 – Basis of Preparation (continued)

As at the end of the financial period, the invoiced amounts due and owing by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") amounted to RM313.2 million. Based on current repayment pattern, the Group estimates 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 assumed to be paid progressively between 2016 and 2018 and accordingly, have been classified as long term trade receivables.

Arising from the above estimation, a net impact of RM7.801 million was made in the current quarter, comprising:-

(i) an additional provision for discounting on a deferred payment consideration of RM10.543 million which was set-off against revenue; and

(ii) a reversal of discounting of receivables amounting to RM2.742 million recognised as Other Income.

The above critical accounting judgment and estimate will be re-assessed on a periodic basis as they may have a significant impact to future amounts recognised in the financial statements.

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 a customer and the key bases and assumptions used by the Directors in estimating the recoverable amounts of the intangible assets.

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 financial impact arising from the Re-organisation and the disposal by the Group of an indirect interest in CSSB as further elaborated in Note A9(b) below, 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 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.

As at the end of the financial period, the Company has 33,000 ESOS options at RM1.31 per share and 3,984,000 ESOS options at RM1.90 per share. The ESOS options, if not exercised, will expire on 29 September 2015.

A7 – Dividends Paid

(a) Shareholders of the Company had, in the Annual General Meeting held on 18 June 2014, approved the payment of a final single-tier dividend of 1.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM4,364,916 in respect of the financial year ended 31 December 2013. The dividends were paid on 25 June 2014.

(b) On 25 September 2014, the Board declared a first interim single-tier dividend of 5.0 sen per share on 436,491,580 ordinary shares of RM0.50 each, amounting to approximately RM21,824,579 in respect of the financial year ending 31 December 2014. The dividends were paid on 12 November 2014.

(c) On 25 September 2014, the Company announced a dividend policy whereby the Board approved a dividend payout ratio of not less than 75% of the Group's consolidated profit after tax (excluding exceptional items) for the financial year ending 31 December 2015 onwards subject to the several considerations as listed in the said policy.

The full text of the Company's Dividend Policy can be downloaded at:-
http://www.bursamalaysia.com/market/listed-companies/company-announcements/1749309

A8 – Material Subsequent Events

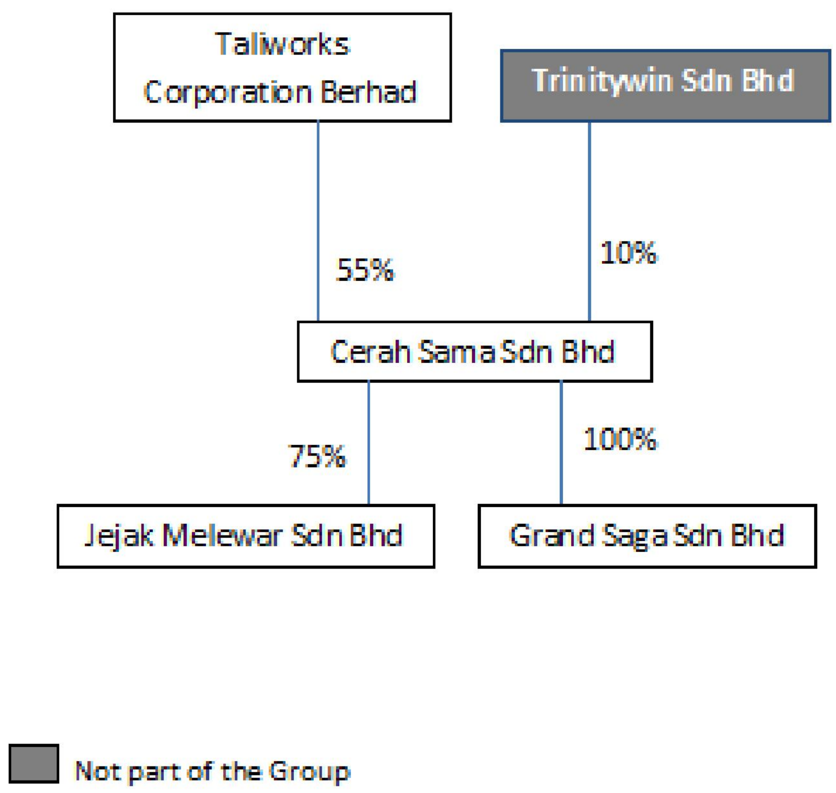
There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

A9 – Changes in Composition of the Group

There were no changes to the composition of the Group during the current quarter and financial period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinued operations, except for the changes in the structure of the Group arising from the following:-

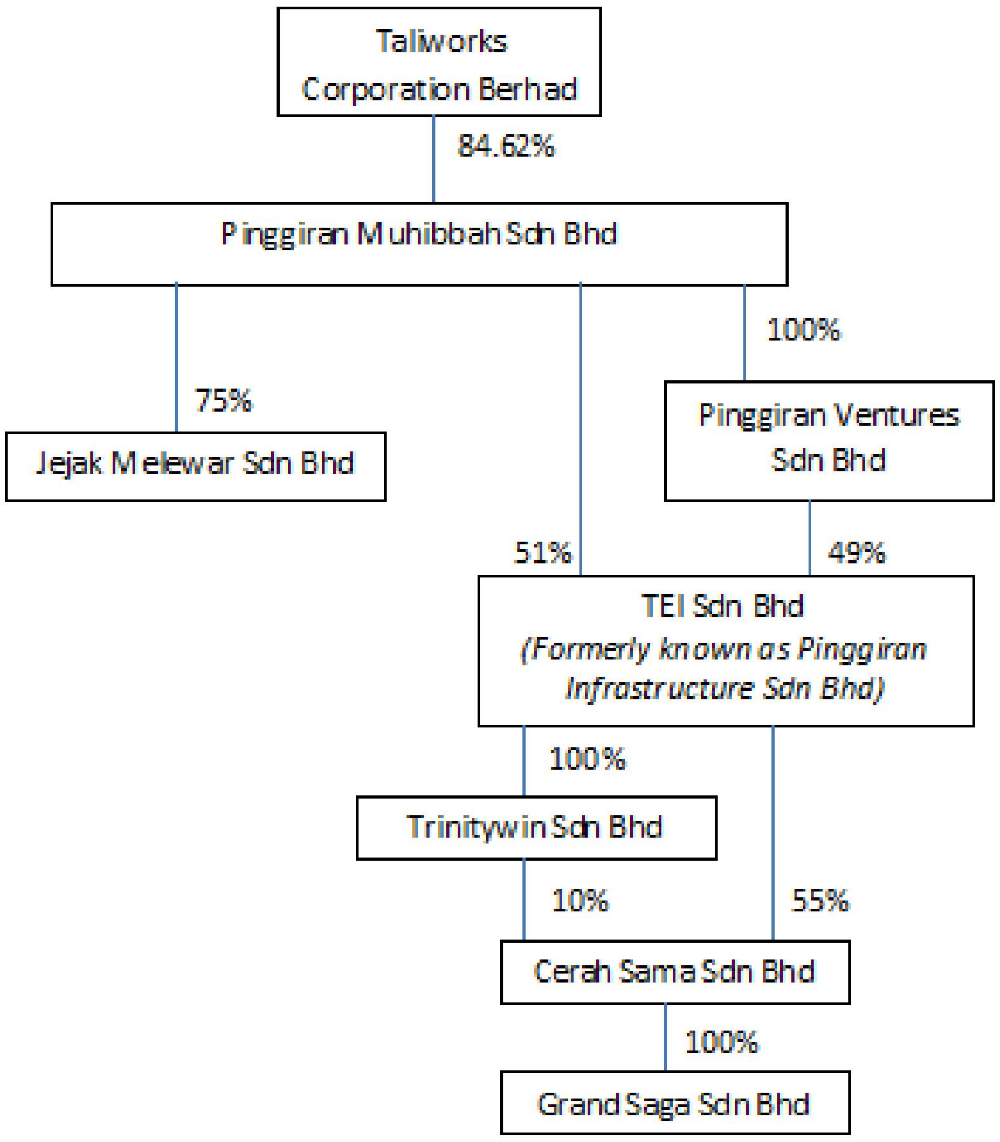
(a) the Re-organisation carried out by the Group which resulted in the changes to the composition of the Group as follows:-

Before the Re-organisation



A9 – Changes in Composition of the Group (continued)

After the Re-organisation



(b) the disposal of 100% equity interest in Pinggiran Ventures Sdn. Bhd. ("PVSB") by Pinggiran Muhibbah Sdn Bhd ("PMSB") to the Employees Provident Fund Board for a cash consideration of RM68.683 million as announced to the stock exchange on 11 August 2014. The disposal which was completed on 5 September 2014, reduced the Group's effective shareholding in CSSB from 55% to 28.05%. Arising from the disposal, PVSB ceased to be a subsidiary.

A10 – Changes in Contingent Liabilities or Contingent Assets

There were no material changes to the status of litigations requiring re-assessment of present obligations in relation to these litigations since the last audited date of the statement of financial position.

A11-Operating Segments

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

3 months ended 30 Sept	Water treatment, supply and distribution		Waste management		Construction		Toll operations		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
Total revenue	55,323	43,559	13,800	12,065	15,243	8,623	8,534	-	1,220^	12,077	94,120	76,324
Inter-segment revenue	-	-	(149)	(146)	(92)	-	-	-	(1,047)	(11,819)	(1,288)	(11,965)
External revenue	55,323	43,559	13,651	11,919	15,151	8,623	8,534	-	173	258	92,832	64,359
Reconciliation:												
Difference in accounting policy (see note below)	(10,543)	(5,446)	-	-	-	-	-	-	-	-	(10,543)	(5,446)
Revenue as per statement of comprehensive income	44,780	38,113	13,651	11,919	15,151	8,623	8,534	-	173	258	**82,289**	**58,913**

^ *Including dividend income of RM Nil (Q3FY13: RM10,680,000) received from the subsidiaries and a joint venture.*

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

3 months ended 30 Sept	Water treatment, supply and distribution 2014 RM'000	Water treatment, supply and distribution 2013 RM'000	Waste management 2014 RM'000	Waste management 2013 RM'000	Construction 2014 RM'000	Construction 2013 RM'000	Toll operations 2014 RM'000	Toll operations 2013 RM'000	Others 2014 RM'000	Others 2013 RM'000	Total 2014 RM'000	Total 2013 RM'000
Earnings before finance costs, depreciation and amortisation and income tax expense	13,966	14,458	8,225	5,959	490	(1,841)	6,270	2,235	342,144	15,867	371,095	36,678
Depreciation and amortisation	(148)	(107)	(4,334)	(4,000)	(120)	(61)	(2,614)	-	(724)	(54)	(7,940)	(4,222)
	13,818	14,351	3,891	1,959	370	(1,902)	3,656	2,235	341,420	15,813	363,155	32,456
Finance costs	-	-	(5,385)	(5,443)	(7)	(27)	(3,108)	-	(1,419)	(597)	(9,919)	(6,067)
Inter-segment results	510	510	448	317	60	-	89	-	(72,505)	(17,886)	(71,398)	(17,059)
Segment results	14,328	14,861	(1,046)	(3,167)	423	(1,929)	637	2,235	267,496	(2,670)	281,838	9,330
Share of results of associate											75	185
Profit before tax											281,913	9,515
Income tax expense											(901)	(4,745)
Profit for the financial period as per statement of comprehensive income											**281,012**	**4,770**

As at 30 Sept	Water treatment, supply and distribution 2014 RM'000	Water treatment, supply and distribution 2013 RM'000	Waste management 2014 RM'000	Waste management 2013 RM'000	Construction 2014 RM'000	Construction 2013 RM'000	Toll operations 2014 RM'000	Toll operations 2013 RM'000	Others 2014 RM'000	Others 2013 RM'000	Total 2014 RM'000	Total 2013 RM'000
Segment assets	388,645	342,851	506,760	504,647	45,544	32,520	1,629,085	117,992	180,468	25,646	2,750,502	1,023,656
Segment liabilities	(59,718)	(45,518)	(309,510)	(308,768)	(34,436)	(27,033)	(882,423)	-	(100,848)	(38,219)	(1,386,935)	(419,538)
Net segment assets/(liabilities)	**328,927**	**297,333**	**197,250**	**195,879**	**11,108**	**5,487**	**746,662**	**117,992**	**79,620**	**(12,573)**	**1,363,567**	**604,118**

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

3 months ended 30 Sept	Revenue 2014 RM'000	Revenue 2013 RM'000	Total assets 2014 RM'000	Total assets 2013 RM'000
Malaysia	68,638^	46,830^	2,238,545	517,806
China / Hong Kong SAR	13,651	12,083	511,763	505,665
Singapore	-	-	194	185
	82,289	**58,913**	**2,750,502**	**1,023,656**

^ *including provision for discounting on the deferred payment consideration of RM10,543,000 (Q3FY13: RM5,446,000)*

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

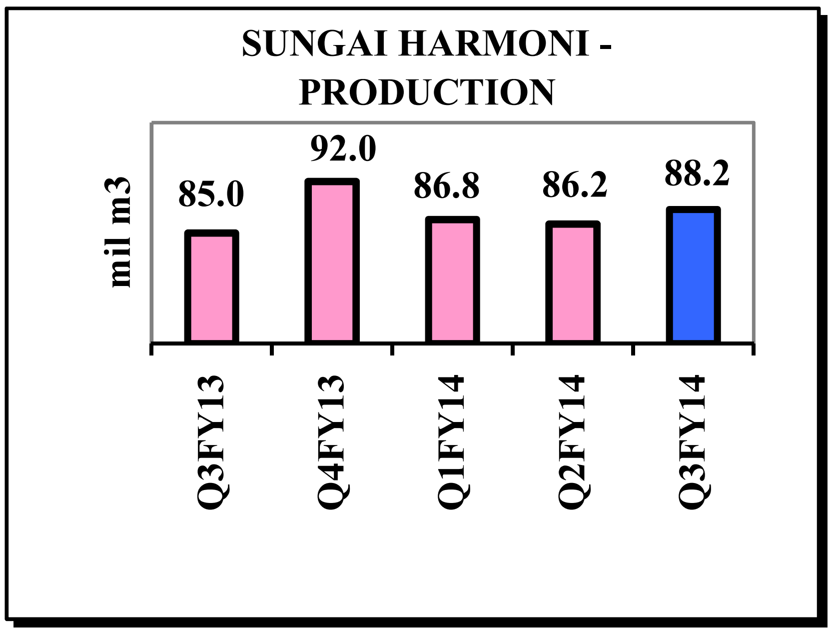
	3 Months Ended 30 Sept 2014 RM'000	3 Months Ended 30 Jun 2014 RM'000	3 Months Ended 30 Sept 2013 RM'000
Water treatment, supply and distribution	55,323	54,491	43,559
Construction	15,151	21,482	8,623
Waste management	13,651	13,369	11,919
Toll operations	8,534	-	-
Others	173	150	258
	92,832	89,492	64,359
Less: Provision for discounting on a deferred payment consideration	(10,543)	(7,692)	(5,446)
	82,289	**81,800**	**58,913**

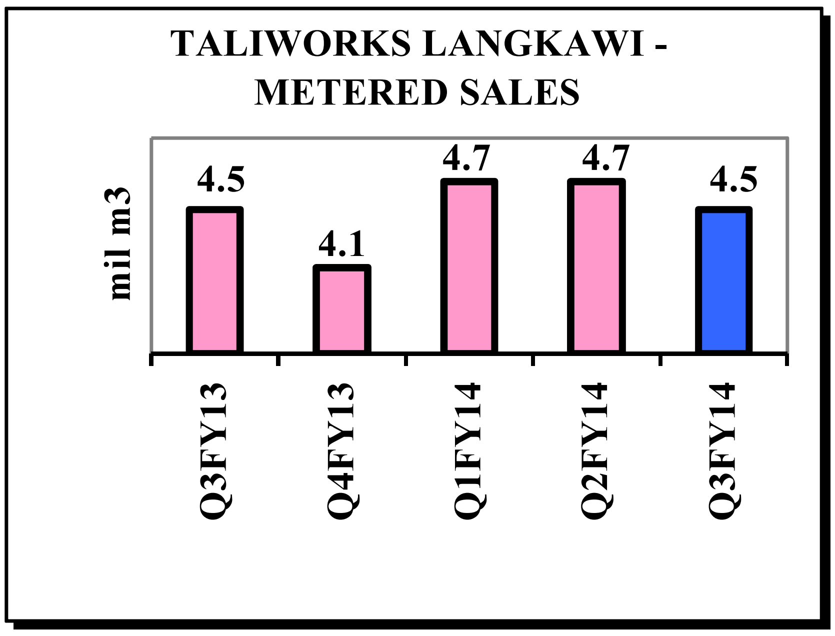
(b) Profit Before Tax

	3 Months Ended 30 Sept 2014 RM'000	3 Months Ended 30 Jun 2014 RM'000	3 Months Ended 30 Sept 2013 RM'000
Water treatment, supply and distribution	14,328	20,555	14,861
Construction	430	948	(1,902)
Waste management	4,203	3,254	2,221
Toll operations	2,972	-	-
Investment holding and others	268,742	(4,351)	(2,247)
Operating profit	**290,675**	**20,406**	**12,933**
Finance cost	(9,609)	(5,576)	(5,837)
Share of profit of joint venture	772	2,480	2,234
Share of results of associate	75	489	185
Profit before tax	**281,913**	**17,799**	**9,515**

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"):





Analysis of Y-o-Y Results

Revenue

Before taking into account the impact from the provision for discounting on a deferred payment from a customer, the Group recorded an increase in revenue from RM64.4 million to RM92.8 million in the current quarter attributable to higher contribution from all the business units and the recognition of revenue from the toll operations in the current financial reporting period as a result of the Group gaining control over CSSB as elaborated in Note A9 above. However, after taking into account the impact from the provision for discounting, the Group registered a reduction in revenue to RM82.3 million, which is still comparatively higher than the RM58.9 million achieved a year ago.

At the operating level, the water treatment, supply and distribution business recorded a substantial increase in revenue from RM43.6 million to RM55.3 million attributable to the following:-

(a) the increase in the Bulk Sales Rate ("BSR") from RM0.35/m^3 to RM0.42/m^3 for SHSB and from RM1.92/m^3 to RM2.21/m^3 for TLSB effective from 1 January 2014 ("BSR Increase") coupled with higher electricity rebates arising from increases in electricity rates; and

(b) to a certain extent from the increase in production from the Sungai Selangor Water Treatment Works Phase I ("SSP1") where SSPI registered an increase in production by 3.7% (i.e. from 85.0 million m^3 (or 924 million litres per day ("MLD")) to 88.2 million m^3 (or 958 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" in the first quarter in the previous year.

On the construction business, revenue for the quarter was higher at RM15.2 million from RM8.6 million on account of the higher percentage of completion recognised in the construction of the Mengkuang Dam Expansion Project which commenced work in the third quarter of 2011.

In addition to this, as reported in the Interim Report for the corresponding quarter, contribution from the construction segment recorded a sharp decline following a reduction in the scope of work in the Mengkuang Dam Expansion Project after an assessment was made whereby a component of the project was not be required to be undertaken. As a result thereof, revenue (and estimated construction profits) was revised downwards and adjusted in the corresponding reporting period to reflect the lower contribution from this project. A reduction in the amount of variation order previously recognised in one of the projects was also another factor that contributed to the decline in revenue from the construction division in that reporting period ("Project Revisions").

B1 – Analysis of Performance (continued)

In the waste management segment, the revenue was marginally higher by RM1.7 million at RM13.7 million on account of tariff revisions ("Tariff Revision") in both the operations in Yinchuan and Tianjin with the four municipal wastewater treatment plants with recycled facilities in Yinchuan ("Yinchuan TOT Project") registering a 4.8% increase in the quantity of wastewater effluent treated to 32.22 million m^3 (or 350 MLD).

In the toll operations, the Cheras-Kajang highway ("Highway") recorded a lower Average Daily Traffic ("ADT") by 7.5% i.e. 128,709 vehicles per day compared to 139,161 vehicles per day achieved in the corresponding period as a result of the ongoing Klang Valley Mass Rapid Transit project ("MRT") by the Federal Government that substantially cover the entire stretch of the Highway. Revenue from the division is recorded both from toll revenue as well as government compensation.

Profit

Due to the exceptional Gain on Restructuring, the Group saw a hefty jump to RM281.9 million in profit before taxation ("PBT") compared to just RM9.5 million recorded a year ago.

At the operating level, despite the higher revenue seen in the water treatment, supply and distribution business, profit came in lower by RM0.5 million as compared to the corresponding quarter. Nevertheless, after stripping out the effects of the discounting, profit contribution from this segment in the current quarter stood at RM22.0 million as compared to RM17.2 million a year ago on account of increase in revenue. However, profitability was impacted by higher operating costs especially unit electricity costs due to the revision in electricity tariff ("Electricity Tariff Increase") effective from 1 January 2014, as well as higher maintenance and rehabilitation expenses incurred in the SSPI operations.

Compared to the corresponding quarter, the profit contribution from construction registered a PBT of RM0.43 million compared to a loss of RM1.9 million due to the impact of the Project Revisions mentioned above.

In the waste management business, the higher profits recorded compared to the corresponding period was mainly from the effect of the Tariff Revision and lower production and overhead costs.

Analysis of Q-o-Q Results

Revenue

For the current quarter, the Group revenue was higher by RM3.3 million i.e. from RM89.5 million to RM92.8 million (before taking into account the impact from provision for discounting) mainly attributable to the recognition of contribution from the toll highway business. However, the increase in revenue was mitigated by the lower contribution from the construction segment.

Revenue from the water treatment, supply and distribution business recorded a marginal increase from RM54.5 million to RM55.3 million on account of the increase in production levels in SSP1 operations. Sales of treated water in SSP1 recorded an increase of 2.3% i.e. from 86.2 million m3 (or 947 MLD) to 88.2 million m3 (or 958 MLD) whereas metered sales from the Langkawi operations registered a dip of 4.5% from 4.66 million m3 to 4.45 million m3.

The significant decrease in revenue in the construction segment, from RM21.5 million to RM15.2 million was attributable to the lower percentage of completion recognised from the on-going Mengkuang Dam Expansion Project whereas in the waste management business, the increase in revenue was marginal.

Profit

For the current quarter, the Gain on Restructuring resulted in the Group's PBT to be significantly up at RM281.9 million compared to the previous quarter's RM17.8 million.

B1 – Analysis of Performance (continued)

In the water treatment, supply and distribution segment, after stripping the effects from the discounting, the profit contribution came in lower at RM22.0 million as compared to RM24.2 million in the previous quarter despite the higher revenue recorded. This was mainly attributable to higher unit operating cost from increases in the rehabilitation and maintenance expenses incurred in the SSP1 operations.

The decrease in PBT for construction segment was in line with the decrease in revenue recorded in the current quarter.

In the waste management sector, despite the marginal increase in revenue, the quantum of increase in PBT was much higher by RM0.9 million attributable to lower operating expenses incurred in the Yinchuan TOT Project due to continued management's effort to rationalise costs in the project.

In the toll highway division, ADT was lower by 1.6% at 128,709 vehicles per day compared with last quarter. For the current quarter, the division contributed close to RM3.0 million to group PBT as a subsidiary, resulting in the lower share of results from joint venture. Arising from the consolidation of the financial results of the toll highway division, finance costs of the Group have also increased due to the higher exposure by the Group to external borrowings.

B2 – Current Year Prospects

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 continue to run its production above its design capacity of 950 MLD due to continuous increase in demand for treated water in the Klang Valley.

However, the current uncertainties in the outcome of the position of Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") in 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.

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. During the financial period, the Group commenced work on the Pengagihan Semula Kapasiti Reka Bentuk Air Terawat dari Loji Rawatan Air Sungai Selangor Fasa 3 (SSP3) – Sebagai Projek Mitigasi Kekurangan Bekalan Air di Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya (Pakej 3: Kerja-kerja Membekal dan Memasang Paip Keluli Bergarispusat 1200 mm dan Kerja-kerja Berkaitan dari Bukit Jelutong, Shah Alam ke Bukit Raja, Klang, Selangor) for a contract sum of approximately RM30.6 million, to be completed within a year.

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 the next two years. Our first undertaking is to upgrade and expand one of the water treatment plants for an estimated amount of RMB162 million (RM85.082 million) before proceeding to the following phases. The upgrade and expansion of the wastewater treatment plant #3 has commenced in the previous quarter and is anticipated to take a year to complete. In the meantime, pending the increase in tariff rates arising from the upgrade and expansion programme, the project will continue to negatively impact the Group's performance due to significant financing and amortisation costs.

In the short to medium term, the Group is optimistic on the prospects of new infrastructure businesses, in particular mature operating infrastructure assets, which the Group has identified to be a new growth area. The recent establishment of a special purpose vehicle, TEI Sdn Bhd *(formerly known as Pinggiran Infrastructure Sdn Bhd)*, strengthens the Group's position to pursue this business opportunity both locally and abroad, given that the core expertise of the Group lies in the management and operations of concession-based assets/businesses.

B3 – Profit Forecasts or Profit Guarantees

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

B4 – Profit before tax

Included in the profit before tax are the following items:

	Current Quarter 3 Months Ended 30 Sept 2014 RM'000	Year-to-date 9 Months Ended 30 Sept 2014 RM'000
Revenue		
Provision for discounting on receivables *(Note A1(d))*	(10,543)	(30,217)
Other operating income:		
Interest income on fixed deposits with licensed banks	1,639	1,967
Interest income imputed on retention sum	146	146
Dividend from available-for-sale financial assets	541	751
Rental income	44	56
Unwinding of discount on receivables	131	395
Reversal of discounting of receivables (*Note A1(d))*	2,742	13,410
Unrealised foreign exchange gain	(43)	46
Realised gain on available-for-sale financial assets	70	76
Waiver of value-added tax	1,466	3,964
Gain on restructuring	272,700	272,700
Cost of operations, administrative and other expenses:		
Depreciation and amortisation	(7,940)	(18,607)
Reversal of interest income imputed on retention sum	25	-
Unrealised foreign exchange losses	(299)	(1,275)
Realised loss on available-for-sale financial assets	2	-

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 30 Sept 2014 RM'000	Year-to-date 9 Months Ended 30 Sept 2014 RM'000
Malaysian income tax:-		
- Current year tax	5,808	17,912
- Priors year tax	48	48
Deferred tax expense	(4,955)	(6,952)
	901	**11,008**

The tax expense is in respect of the estimated Malaysian income tax charges and deferred tax for the financial period. The effective tax rate of the Group varied from the statutory tax rate principally due to non deductibility of certain expenses and/or non taxability of certain income, as the case maybe, 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 period.

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	96	-	96	1,069	-	1,069
Government loan	-	3,206	3,206	-	-	-
Term loans (a)	12,918	-	12,918	278,468	-	278,468
IMTNs (b)	-	-	-	383,597	-	383,597
	13,014	3,206	16,220	663,134	-	663,134

(a) Primary comprise of a term loan of RMB526.5 million secured by a subsidiary, Taliworks (Yinchuan) Wastewater Treatment Co. Ltd. to finance the acquisition of the Yinchuan TOT Project.

(b) Islamic Medium Term Notes ("IMTN") issued by a subsidiary, CSSB, in January 2013 under a Sukuk Musharakah Programme of up to RM750 million in nominal value.

	RM'000
Nominal value of the IMTN issued	420,000
Premium paid for exchanging the IMTN	(38,051)
Transaction costs	(2,308)
	(40,359)
Amortised to income statement	3,956
	(36,403)
	383,597

In the previous financial year, the then outstanding IMTNs brought forward of RM380 million were exchanged with the issuance of new IMTNs with a nominal value of RM420 million. The premium on exchange amounting to RM38.051 million and transaction costs incurred to facilitate the exchange of IMTNs were taken against the proceeds raised and are amortised over the period of the new IMTNs.

The IMTNs are secured by the following:

(i) Deposits with licensed financial institution, set aside under the company's Financial Reserve Account; and

(ii) Certain of the company's equity interest in its subsidiaries.

B8 – Changes in Material Litigations

As at 20 November 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 the material litigations since the date of the last annual statement of financial position date except that the Company had announced on 5 November 2014 of a litigation involving one of its subsidiaries. However, the Group does not expect any material financial impact arising from the said litigation.

B9 – Earnings Per Share ("EPS")

(a) Basic earnings per share

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

	Current Quarter		Year-to-date	
	3 Months Ended 30 Sept 2014	3 Months Ended 30 Sept 2013	9 Months Ended 30 Sept 2014	9 Months Ended 30 Sept 2013
Net profit attributable to owners of the Company (RM'000)	280,377	4,997	296,821	20,235
Weighted average number of shares in issue ('000)	436,492	436,492	436,492	436,492
Basic EPS (sen)	64.23	1.14	68.00	4.64

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period 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 is not recommending any dividends for the current quarter.

B11 –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 period, 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.

B11 –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 30 Sept 2014 RM'000	Preceding Quarter Ended 30 Jun 2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised profits	583,426	299,957
- Unrealised profits	11,881	7,588
	595,307	307,545
Total share of retained earnings from associate:		
- Realised profits	3,848	3,773
Total share of retained earnings from joint venture:		
- Realised profits	(29)	78,000
- Unrealised losses	-	(12,119)
Total Group's retained earnings	599,126	377,199

B12 – 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 30 September 2013			
Cost of operations	44,485	974	45,459
Administrative and other expenses	6,690	(974)	5,716
9 months ended 30 September 2013			
Cost of operations	156,413	2,590	159,003
Administrative and other expenses	22,154	(2,590)	19,564

The above is in relation to certain expenses being reclassified from Administrative and other expenses to Cost of operations.

B13 – Authorisation for Release

This Interim Financial Report has been seen and approved by the Board for public release.

By Order of the Board
Tan Bee Hwee (MAICSA 7021024)
Queck Wai Fong (MAICSA 7023051)
Company Secretaries
28 November 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