TALIWORKS CORPORATION
LGB Group

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

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

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This Report is authorised for public release on 25 Feb 2011

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTE	31 DEC 2010 RM'000	31 DEC 2009 RM'000 (audited)
ASSETS			
Property, plant and equipment		23,822	25,276
Investment properties		424	434
Concession rights		13,181	15,110
Jointly controlled entities		75,441	68,443
Associates		4,971	4,267
Goodwill on consolidation		2,523	2,007
Deferred tax assets		524	215
Long term receivables	A1(d)	133,304	47,000
Deposits, bank and cash balances		15,909	12,479
Total non-current assets		**270,099**	**175,231**
Inventories		1,054	1,017
Trade and other receivables	A1(d)	104,083	176,538
Amount due from a jointly controlled entity		-	29,150
Tax recoverable		3,914	6,876
Available-for-sale financial assets	A1(b)(v)	23,752	142,401
Deposits, bank and cash balances		137,284	29,235
Total current assets		**270,087**	**385,217**
TOTAL ASSETS		**540,186**	**560,448**
EQUITY AND LIABILITIES			
Share capital		218,246	188,347
Reserves		257,914	187,126
Total equity attributable to owners of the Company		**476,160**	**375,473**
Non-controlling interest		5,853	5,842
Total equity		**482,013**	**381,315**
LIABILITIES			
Borrowings	B8	18	23
Total non-current liabilities		**18**	**23**
Borrowings	B8	2,809	122,407
Trade and other payables		51,178	54,787
Current tax liabilities		4,168	1,916
Total current liabilities		**58,155**	**179,110**
TOTAL LIABILITIES		**58,173**	**179,133**
TOTAL EQUITY AND LIABILITIES		**540,186**	**560,448**
Net assets per share attributable to owners of the Company (RM)		**1.0909**	**0.9968**

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	NOTE	3 MONTHS ENDED 31 DEC 2010 RM'000	3 MONTHS ENDED 31 DEC 2009 RM'000	12 MONTHS ENDED 31 DEC 2010 RM'000	12 MONTHS ENDED 31 DEC 2009 RM'000
Revenue		**44,144**	**44,731**	**173,111**	**158,917**
Cost of operations		(24,921)	(18,905)	(90,164)	(75,535)
Gross profit		**19,223**	**25,826**	**82,947**	**83,382**
Other income		2,967	2,672	6,629	9,094
Other expenses		(7,752)	(9,310)	(35,053)	(32,867)
Operating profit		**14,438**	**19,188**	**54,523**	**59,609**
Loss on de-recognition of derivative financial liabilities and redemption of Convertible Bonds	A1(b)(v)	(25,019)	-	(25,019)	-
Fair value gain on embedded derivatives contained within the Convertible Bonds	A1(b)(iv)	-	-	15,770	-
Finance cost		(3,208)	(5,108)	(15,283)	(16,108)
Share of results of jointly controlled entities, net of tax		3,324	224	12,172	6,915
Share of results of associate, net of tax		216	(14)	704	630
(Loss) /profit before tax		**(10,249)**	**14,290**	**42,867**	**51,046**
Tax expense	B4	(3,333)	(2,438)	(14,412)	(12,053)
(Loss)/ profit for the financial period/year		**(13,582)**	**11,852**	**28,455**	**38,993**
Attributable to:					
Owners of the Company		(13,620)	11,954	28,178	38,561
Non-controlling interest		38	(102)	277	432
		(13,582)	**11,852**	**28,455**	**38,993**
(Loss)/Earnings per share (sen)	B10				
Basic		(3.07)	3.17	7.15	10.24
Diluted		(3.07)	3.08	7.03	9.74

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTE	3 MONTHS ENDED 31 DEC		12 MONTHS ENDED 31 DEC	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(Loss)/ profit for the financial period/year		**(13,582)**	**11,852**	**28,455**	**38,993**
Other comprehensive income:					
Reclassification Adjustments - fair value of available-for-sale financial assets		(1,199)	-	(430)	-
Foreign currency translation differences for foreign operations		329	(204)	(800)	(61)
Share of other comprehensive income of jointly controlled entities and associate		(34)	-	(4)	-
Other comprehensive income for the financial quarter/year, net of tax		**(904)**	**(204)**	**(1,234)**	**(61)**
Total comprehensive (loss)/ income for the financial period/year		**(14,486)**	**11,648**	**27,221**	**38,932**
Attributable to:					
Owners of the Company		(14,605)	11,839	27,363	38,541
Non-controlling interest		119	(191)	(142)	391
		(14,486)	**11,648**	**27,221**	**38,932**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	Number of shares	Nominal value	Share premium	Warrant reserve	Share Option reserve	Currency Translation reserve	Fair Value reserve	Merger deficit	Retained earnings	Shareholders' equity	Non-Controlling interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010, as previously stated	**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**-**	**(71,500)**	**226,442**	**375,473**	**5,842**	**381,315**
Effects of applying FRS139 *(Note A1(b)(vi))*	-	-	-	-	-	-	590	-	7,769	8,359	-	8,359
At 1 January 2010, as restated	**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**590**	**(71,500)**	**234,211**	**383,832**	**5,842**	**389,674**
Total comprehensive income for the financial year	-	-	-	-	-	(381)	(430)	-	28,174	27,363	(142)	27,221
Issue of ordinary shares pursuant to exercise of ESOS/warrants	59,797	29,899	46,060	-	-	-	-	-	-	75,959	-	75,959
Transfer to/(from) reserve upon exercise of warrants	-	-	5,962	(5,962)	-	-	-	-	-	-	-	-
Transfer to/(from) reserve upon expiry of warrants	-	-	-	(520)	-	-	-	-	520	-	-	-
Transfer to/(from) reserves upon exercise of ESOS	-	-	5	-	(5)	-	-	-	-	-	-	-
Transfer to/(from) reserves upon expiry of ESOS	-	-	-	-	(167)	-	-	-	167	-	-	-
FRS 2 Share-based Payments					317					317	-	317
Dividends paid *(Note A7)*	-	-	-	-	-	-	-	-	(11,311)	(11,311)	-	(11,311)
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	-	-	-	153	153
At 31 December 2010	**436,491**	**218,246**	**74,176**	**-**	**2,284**	**1,033**	**160**	**(71,500)**	**251,761**	**476,160**	**5,853**	**482,013**

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont'd)

Attributable to owners of the Company

	Number of shares	Nominal value	Share premium	Warrant reserve	Share Option reserve	Currency Translation reserve	Fair Value reserve	Merger deficit	Retained earnings	Shareholders' equity	Non-Controlling interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	**376,590**	**188,295**	**22,059**	**6,492**	**2,139**	**1,434**	**-**	**(71,500)**	**202,712**	**351,631**	**5,451**	**357,082**
Total comprehensive income for the financial year	-	-	-	-	-	(20)	-	-	38,561	38,541	391	38,932
Issue of ordinary shares pursuant to:-												
- exercise of warrants	104	52	80	-	-	-	-	-	-	132	-	132
Transfers to/(from) reserves upon exercise of ESOS options/warrants	-	-	10	(10)	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(14,831)	(14,831)	-	(14,831)
At 31 December 2009	**376,694**	**188,347**	**22,149**	**6,482**	**2,139**	**1,414**	**-**	**(71,500)**	**226,442**	**375,473**	**5,842**	**381,315**

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 MONTHS ENDED 31 DEC 2010 RM'000	12 MONTHS ENDED 31 DEC 2009 RM'000
OPERATING ACTIVITIES		
Profit before tax	42,867	51,046
Adjustments for:		
Non-cash items	2,156	(8,547)
Interest income	(663)	(743)
Finance cost	15,283	16,108
Operating profit before working capital changes	59,643	57,864
Changes in working capital:		
Net change in current assets	(22,705)	(13,241)
Net change in current liabilities	(3,034)	(17,260)
Net cash inflow from operations	33,904	27,363
Interest paid	(2,575)	(5,090)
Interest received	642	815
Tax paid	(9,657)	(14,699)
Net cash inflow from operating activities	22,314	8,389
INVESTING ACTIVITIES		
Acquisition of subsidiaries company	(464)	-
Amount due from jointly controlled entity	29,150	9,350
Proceeds from disposal of property, plant & equipment	71	74
Purchase of property, plant & equipment	(3,486)	(1,112)
Dividends received	3,877	-
Proceeds from redemption of available-for-sale financial assets, net of placements	121,911	69,364
Capital repayment from associate	-	21,538
Dividends received from available-for-sale financial assets	100	33
Net cash inflow from investing activities	151,159	99,247
FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares	75,959	132
Dividends paid	(11,311)	(14,831)
Repayment of borrowings	(19)	(1,569)
(Increase)/Decrease in deposits pledged as security	(3,430)	1,722
Redemption of Convertible Bonds *(Note A1(b)(v))*	(125,746)	(119,360)
Net cash outflow from financing activities	(64,547)	(133,906)
Effect of foreign exchange rate changes	(877)	(121)
Net change in cash and cash equivalents during the financial year	108,049	(26,391)
Cash and cash equivalents at beginning of financial year	29,235	55,626
Cash and cash equivalents at end of financial year	**137,284**	**29,235**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

	12 MONTHS ENDED 31 DEC 2010 RM'000	12 MONTHS ENDED 31 DEC 2009 RM'000
Cash and cash equivalents comprised the following amounts in the statement of financial position:		
Deposits with financial institutions	138,262	25,647
Bank and cash balances	14,931	16,067
Total deposits, bank and cash balances	153,193	41,714
Less: Deposits pledged as security	(15,909)	(12,479)
	137,284	**29,235**

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to these interim financial statements.

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PART A – EXPLANATORY NOTES PURSUANT TO
FRS 134: INTERIM FINANCIAL REPORTING

A1 – Basis of Preparation

(a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the adoption of new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010 relevant to the Group as follows:-

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

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A1 – Basis of Preparation (cont'd)

(b) Changes in accounting policy

Other than the application of FRS 8, FRS 101, FRS 139 and IC Interpretation 9, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial statements of the Group.

(i) FRS 8 *Operating segments*, requires the Group's segment information to be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker, i.e. 'management approach'. The Group presents its segment information based on its business segment, which is consistent to its internal management reports. This standard does not have any significant impact on the financial results of the Group. The Group has identified the Executive Committee as the chief operating decision-maker.

(ii) FRS 101 *Presentation of financial statements (as revised)*, prohibits the presentation of non-owner changes in equity in the statement of changes in equity. All non-owner changes in equity are required to be shown in the performance statement as total comprehensive income. Comparatives, with the exception of the requirement under FRS 139, had been restated in conformity to this revised standard. This standard does not have any significant impact on the financial results of the Group.

(iii) FRS 139 *Financial Instruments: Recognition and Measurement*, establishes principles for recognising and measuring financial assets and financial liabilities. Financial instruments are initially recorded at fair value and are subsequently measured in accordance to its classification. The Group determines its classification on initial recognition and on first adoption of the standard on 1 January 2010.

- Trade receivables: With the adoption of FRS 139, trade receivables are initially fair valued and subsequently carried at amortised cost less impairment.. An impairment loss is recognised for trade receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

  In subsequent periods, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is taken to the income statement.

- Investments: Prior to the adoption of FRS 139, investments in quoted unit trusts were stated at the lower of costs or market value on a portfolio basis. Under FRS 139, these investments determined by the Group as available-for-sale ("AFS") financial assets are measured at fair value with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is de-recognised or determined to be impaired at which time the cumulative gain or loss is recognised in the income statement and removed from the fair value reserve.

- Convertible Bonds: Prior to the adoption of FRS 139, the Convertible Bonds 2007/2012 ("Convertible Bonds") issued by the Company were initially recognised at net proceeds received upon issuance and adjusted subsequently for accretion of discount to maturity. Under FRS 139, embedded derivatives contained within the Convertible Bonds and deemed not closely related to the host contract are separately accounted for as derivatives and are fair valued at the inception date. Subsequent measurement of the embedded derivatives are done at fair value at each reporting date and the difference taken to the income statement.

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A1 – Basis of Preparation (cont'd)

(iv) IC interpretation 9 *Reassessment of Embedded Derivatives*, requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as derivative when the entity first becomes a party to the contract.

In these interim financial statements, the amount recognised as derivative financial liabilities was determined by reference to the fair value of the embedded derivatives contained within the Convertible Bonds at the date of inception of the Convertible Bonds. The fair value of the embedded derivatives is computed using the Black-Scholes model and the key parameters used in arriving at their fair values are as disclosed below:-

	Fair Value measured on inception date RM'000	Fair Value measured as at 1 January 2010 RM'000	Fair Value measured as at 30 Sept 2010 RM'000
Type of Derivative Derivative financial liabilities (included in current liabilities): Derivatives embedded in the Convertible Bonds issued	44,292	16,418	648
Derivative gain/(losses) - difference in fair value measured in inception date and 1 January 2010 adjusted to opening retained earnings in accordance with the transitional provisions of FRS 139	-	27,874	-
- cumulative difference in fair value measured on 1 January 2010 and 30 September 2010 credited to the Income Statement	-	-	15,770
Key Parameters used in valuing the embedded derivatives:			
Option price (RM)	0.8466	0.3138	0.0124
Implied/historical volatility (%)	34.80	44.95	21.68
Dividend yield (%)	2.76	4.46	4.89

(v) On 6 December 2010 *(being the 3rd anniversary of the Issue Date of the Convertible Bonds)*, holders of the Convertible Bonds exercised their option to early redeem the outstanding RM113,000,000 nominal value of Convertible Bonds at the Early Redemption Amount *(as defined in the Trust Deed dated 29 November 2007 constituting the Convertible Bonds)* for RM125,746,400.

The loss on the early redemption of the Convertible Bonds and the subsequent de-recognition of the embedded derivatives contained within the Convertible Bonds was determined as follows:-

	RM'000
Redemption price for the Convertible Bonds	125,746
Less: Carrying value of the Convertible Bonds	(100,079)
Less: Carrying value of embedded derivatives contained within the Convertible Bonds as at 30 September 2010 *	(648)
	25,019

A1 – Basis of Preparation (cont'd)

* *There was no material movement in the carrying value of embedded derivatives contained within the Convertible Bonds from 1 October 2010 to 5 December 2010*

(vi) In accordance with FRS 139, the recognition, de-recognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. Pursuant to the transitional provisions of FRS 139 for first time adoption, adjustments arising from re-measuring the financial instruments at the beginning of the financial year are to be recognised as adjustments to the opening retained earnings or another appropriate reserve ("Day 1 Adjustments").

Comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as follows:-

As at 1 January 2010	As previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Non Current Assets			
Long term receivables			
- Gross amount	47,000	20,816	67,816
- Less: Impairment	-	(7,814)	(7,814)
- Net amount	47,000	13,002	60,002
Current Assets			
Trade and other receivables	176,538	(20,816)	155,722
Available-for-sale financial assets *(previously classified as Investments)*	142,401	590	142,991
Current Liabilities			
Derivative financial liabilities *(Note A1(b)(iv))*	-	16,418	16,418
Borrowings (Convertible bonds)	119,377	(32,001)	87,376
Equity			
Retained earnings	226,442	7,769	234,211
Fair Value reserve	-	590	590

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

Foreign currency	31 Dec 2010 RM	30 Sept 2010 RM	31 Dec 2009 RM
1 US Dollar	3.09	3.09	3.43
1 Singapore Dollar	2.39	2.35	-
100 Hong Kong Dollars	39.64	39.76	44.18
100 Chinese Renminbi	46.74	46.10	50.19

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A1 – Basis of Preparation (cont'd)

(d) Critical Accounting Estimates and Judgments

The preparation of interim financial statements requires the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

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

(i) the determination of the fair value of derivatives which give rise to the fair value changes in the income statement was based on an option pricing model adopted and the key parameters used as mentioned in Note A(b)(iv);

(ii) based on the current repayments received to-date and the Group's best estimate, about RM59 million in the trade receivables of one of the subsidiaries, Sungai Harmoni Sdn Bhd, were assumed to be realised between 2012 and 2013 and as such, has been reclassified as non-current trade receivables and impaired in accordance with FRS 139.

About RM40 million representing the 7^{th} to 10^{th} installments under the Debt Settlement Agreement with Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") on 2 August 2005 is assumed to be fully repaid between 2012 to 2015 in accordance with the said agreement.

(iii) based on the current repayments received to-date and the Group's best estimate, about RM43 million in trade receivables of one of the subsidiaries, Taliworks (Langkawi) Sdn Bhd, were assumed to be realised after twelve months from the reporting period and as such, has been reclassified as non-current trade receivables and impaired in accordance with FRS 139.

A2 – Auditors' Reports

The auditors' report on the financial statements of the Group and the Company for the most recent audited financial statements were not subject to any qualification.

A3 – Comments about the Seasonal or Cyclicality of Interim Operations

There are no significant seasonal or cyclical factors affecting the operations of the Group.

A4 – Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial year except:-

(a) the effects arising from the adoption of FRS 139 as mentioned in Note A1 above;

(b) the effects from the early redemption of the Convertible Bonds mentioned in Note A1(b)(v) above.

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.

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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 early redemption of the Convertible Bonds and the issuance of new ordinary shares of RM0.50 each from the exercise of:-

	During the Current Quarter	Number of ESOS/ Warrants exercised for the year	Balance remaining unexercised as at the reporting period
ESOS options at RM1.31 per share^	-	165,000	75,000
ESOS options at RM1.90 per share^	-	15,000	# 4,310,000
Warrants at RM1.27 per share *	-	59,617,080	-

* *In accordance with the deed poll constituting the warrants 2005/2010, the warrants shall expire on 21 September 2010 and any remaining warrants unexercised will be deemed null and void and cease to be exercisable thereafter. At that the date of expiry of the warrants, a total of 10,171,420 warrants remained unexercised*

\# *after taking into account 173,000 ESOS options that lapsed during the financial year*

^ *the expiry date of these unexercised ESOS options have been further extended by another 5 years to 29 September 2010*

A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2009	RM'000
• 2nd interim gross dividend of 4.0 sen per share on 377,058,480 ordinary shares of RM0.50 each, less income tax at 25%, paid on 29 March 2010	11,311

A8 – Material Subsequent Events

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

A9 – Changes in Composition of the Group

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

(i) On 16 January 2010, a 45% owned associated company, C.G.E Utilities (M) Sdn. Bhd. was voluntarily wounded up;

(ii) On 5 March 2010, Taliworks International Limited ("TIL"), a wholly owned subsidiary of Taliworks, completed the acquisition of a 70% equity interest in Taliworks ECO Pte Ltd (formerly known as Eco3 Technology and Engineering Pte Ltd ("Taliworks ECO")) for a cash consideration of Singapore Dollars 70,000;

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A9 – Changes in Composition of the Group (cont'd)

(iii) On 8 April 2010, the Company acquired a 50% equity interest in a jointly controlled entity, Prolific Equity Sdn. Bhd. ("PESB"), for a total cash consideration of RM50. PESB was incorporated in Malaysia on 11 May 2009 as a general trading company and is currently dormant. PESB has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM100 comprising 100 ordinary shares of RM1.00 each has been issued and fully paid-up;

(iv) On 4 June 2010, TIL incorporated a 70% owned subsidiary, TILGEA Consortium Sdn. Bhd. ("TILGEA") in Malaysia as an investment holding company. TILGEA has an authorised share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each of which RM10 comprising 10 ordinary shares of RM1.00 each has been issued and fully paid-up;

(v) On 17 June 2010, Taliworks ECO established a wholly owned subsidiary, Ningxia ECO Wastewater Treatment Co., Ltd. as a foreign investment enterprise in the People's Republic of China. The principal activity of the company is to undertake the construction and management of the Linhe Integrated Industrial Park Wastewater and Recycled Water Treatment Plant in Yinchuan in the PRC with a wastewater treatment capacity of 50 million litres per day under a build-operate-transfer ("BOT") concept;

(vi) On 9 December 2010, a 63% indirectly owned subsidiary, Taliworks (Xiamen) Environmental Technologies Co Ltd, a company incorporated in the People's Republic of China, announced that it is in the process of a voluntary winding up.

A10 – Operating Segments

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

	Water treatment and distribution		Construction		Waste Management		Investment holding and others		Total	
	RM'000		RM'000		RM'000		RM'000		RM'000	
3 months ended 31 December	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	34,894	33,689	5,230	7,368	3,974	3,686	46	(12)	44,144	44,731
Inter-segment revenue	-	-	6,757	5,990	152	390	5,697	605	12,606	6,985
Total revenue	**34,894**	33,689	**11,987**	13,358	**4,126**	4,076	**5,743**	593	**56,750**	51,716
Segment results	11,976	13,899	545	5,298	2,409	(3)	4,753	(3,538)	19,683	15,656
Inter-segment elimination	-	-	-	-	(15)	(55)	(5,230)	3,587	(5,245)	3,532
Operating profit/(loss)	**11,976**	13,899	**545**	5,298	**2,394**	(58)	**(477)**	49	**14,438**	19,188
Loss on de-recognition of financial liabilities *(Note A1(b)(v))*									(25,019)	
Finance cost									(3,208)	(5,108)
Share of results of jointly controlled entities									3,324	224
Share of results of associate									216	(14)
(Loss)/ Profit before tax									**(10,249)**	14,290

	Water treatment and distribution		Construction		Waste Management		Investment holding and others		Total	
	RM'000		RM'000		RM'000		RM'000		RM'000	
Segment assets	**270,338**	**220,456**	**12,705**	**39,892**	**92,828**	**69,739**	**290,912**	**354,081**	**666,783**	**684,168**
Inter-segment elimination									(211,447)	(203,521)
Investments in jointly controlled entities									75,441	68,443
Investments in associate									4,971	4,267
Unallocated assets									4,438	7,091
Total assets									**540,186**	**560,448**

A11 – Changes in Contingent Liabilities or Contingent Assets

There were no changes to the contingent liabilities of the Group since the last audited date of the statement of financial position except as follows:-

	As at 31 Dec 2010 RM'000	**As at 31 Dec 2009 RM'000**
Secured against deposits pledged to the financial institutions		
Bank guarantees issued to third parties for services rendered and as performance bonds	**11,693**	**9,771**

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

B1 – Review of Performance

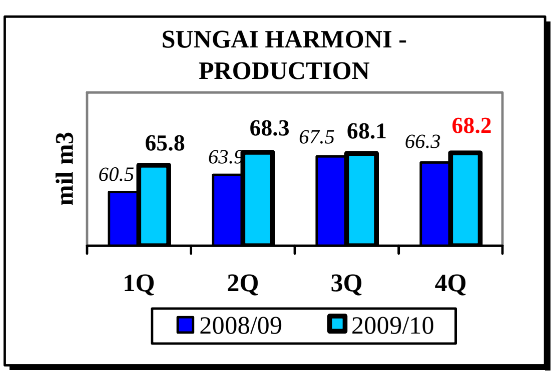
(a) Revenue

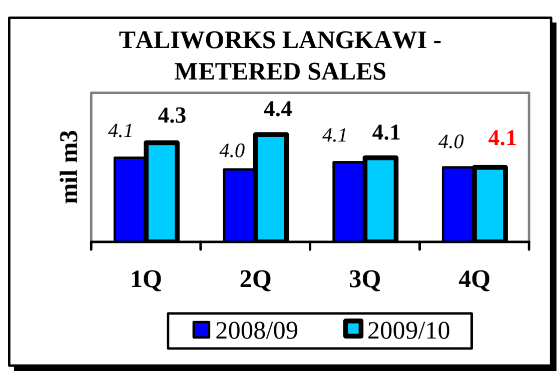
	3 Months Ended 31 Dec 2010 RM'000	3 Months Ended 30 Sept 2010 RM'000	3 Months Ended 31 Dec 2009 RM'000
Water treatment and distribution	34,894	35,206	33,677
Construction	5,230	3,665	7,368
Waste management	3,974	3,683	3,686
Others	46	-	-
	44,144	**42,554**	**44,731**

(b) Profit/(Loss) Before Tax

	3 Months Ended 31 Dec 2010 RM'000	3 Months Ended 30 Sept 2010 RM'000	3 Months Ended 31 Dec 2009 RM'000
Water treatment and distribution	11,976	15,566	13,899
Construction	545	775	5,298
Waste management	2,394	995	(58)
Investment holding and others	(477)	(959)	49
Operating profit	**14,438**	**16,377**	**19,188**
Fair value gain on derivative financial liabilities	-	9,721	-
Loss on de-recognition of financial liabilities *(Note A1(b)(v))*	(25,019)		
Finance cost	(3,208)	(4,216)	(5,108)
Share of results of a jointly controlled entities	3,324	3,181	224
Share of results of associate	216	138	(14)
(Loss)/Profit before tax	**(10,249)**	**25,201**	**14,290**

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





B1 – Review of Performance (cont'd)

Review of Y-o-Y Results

Revenue

Group revenue dropped marginally from RM44.7 million to RM44.1 million. Contribution from the water business, which accounted for the bulk of revenue, saw an increase of 3.6% on the back of higher production from Sungai Selangor Water Treatment Works Phase I ("SSP1") (+2.9% i.e. from 66.3 million m3 (or 721 MLD) to 68.21 million m3 (or 741 MLD). Metered sales from Langkawi operations were relatively flat. (+0.7% i.e. from 4.0 million m3 (43.48 MLD) to 4.02 million m3 (43.79 MLD). Meantime, contribution from construction activities has expectedly decreased as the project undertaken by the Group is almost at the tail end, with completion slated for 2nd quarter of 2011.

On the waste management segment, it recorded higher revenue by about 8% from increase in waste processed from the Tianjin operations (+2.3% i.e. 90,804 tons (998 tons/day) processed to 92,909 tons (1,021 tons/day) whilst waste processed in the Guanghan operations were up by 29% from 2.6 million m3 to 3.4 million m3.

Profit

During the quarter, the Group chalked up a loss before taxation compared to a profit of RM14.3 million y-o-y. This is primarily due to the early redemption of the Convertible Bonds which resulted in a loss being charged to the income statement.

At the operating level, operating profit was lower at RM14.4 million compared to RM19.2 million a year ago. This was mainly due to lesser contribution from the construction activities. In the corresponding quarter, the estimated project costs were revised downward and the cumulative effect from the increase in margins was reflected in that quarter.

Whilst revenue from the water business has increased by about 3.6%, the division saw a decline in the profits arising mainly from impairment due to the application of FRS 139 *(refer to Note A1(d)(ii) and (iii)).* The electricity and chemical costs per unit of production particularly in SSP1 continued to trend higher on account of highly coloured raw water and occasional high levels of other pollutants. In the waste management sector, higher waste processed, capitalisation of certain expenses and favourable exchange rates saw a marked improvement in contribution from this sector.

Review of Q-o-Q Results

Revenue

Revenue was up 4% from RM42.5 million to RM44.1 million q-o-q due to increases recorded in both the construction and waste management segments. Production from SSP1 was relatively similar to the previous quarter's 68 million m3 whilst metered sales from Langkawi operations was down by almost 3% to 4.02 million m3.

Profit

Compared to the previous quarter's profit before taxation of RM25.2 million, the Group recorded a loss of about RM10.2 million in the current quarter. In the previous quarter, a fair value gain on embedded derivatives contained within the Convertible Bonds was booked in whereas a loss on the de-recognition of the financial liabilities and the early redemption of Convertible Bonds was charged as an expense in the current quarter.

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B1 – Review of Performance (cont'd)

At the operating level, operating profit was RM14.4 million compared to RM16.4 million, a decrease of about RM2.0 million (or about 12%). The decrease was rather significant in the water business due to the impairment made in the current quarter to comply with FRS 139 as well as utility rebates that was enjoyed in the previous quarter. In the current quarter, there was a change in the critical estimate and judgement made where the previous held assumption that the Selangor water consolidation was able to be concluded by year end, was no longer achievable. Thus, as mentioned in Note A1(d)(ii), some of the trade receivables has been reclassified as long term and impaired accordingly.

In the waste management sector, higher waste processed, capitalisation of certain expenses and favourable exchange rates contributed to the improved performance in the sector.

B2 – Current Year Prospects

The operating profit of the Group is largely driven by the performance of the water business as this segment contributes the bulk of the revenue and profits. The Group is optimistic that the overall water demand will remain intact given the better economic environment.

During the year, the Group announced several transactions which are expected to increase the Group's profile within the industrial and municipal waste management business in the People's Republic of China, ("PRC").

The Linhe project undertaken on a Build-Operate-Transfer ("BOT") basis is expected to commence operations in the later part of 2011 and the Meihua project also undertaken on a BOT basis is expected to commence construction of its facility this year.

In respect of the proposed take-over of four (4) existing municipal waste water treatment plants with recycled water facilities in Yinchuan, Province of Ningxia, the transaction is expected to be completed by the first half of this year.

B3 – Profit Forecasts or Profit Guarantees

Not applicable as no profit forecast or guarantees was published.

B4 – Taxation

	3 Months Ended 31 Dec 2010 RM'000	12 Months Ended 31 Dec 2010 RM'000
Malaysian income tax:-		
- Current year tax	3,348	14,445
- Over-provision in prior years	102	84
Foreign income tax	192	192
Deferred tax expense	(309)	(309)
	3,333	**14,412**

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax for the period and 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 results of jointly controlled entity and associates, receipt of tax exempt dividend income and capital gains arising from the redemption of available-for-sale financial assets, losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group.

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B5 – Profits on Sale of Unquoted Investments and Properties

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

B6 – Purchase or Disposal of Quoted Securities

(a) There were no purchases or disposals of quoted securities for the current quarter and financial year except for the placement and/or redemption of quoted money market unit trust funds which are categorised as available-for-sale financial assets.

(b) There were no investments in quoted shares as at end of the reporting year.

B7 – Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed as at end of the reporting year, save and except for, the proposed issuance of RM395 million of serial bonds by Destinasi Teguh Sdn Bhd ("DTSB"), a special purpose vehicle that was incorporated by the Company to act as a funding conduit to raise funds for the Group. The approval from the Securities Commission to implement the proposal has been extended to 25 May 2011.

Details of the proposed issuance of the DTSB bonds are contained in the announcement by RAM Rating Services Berhad on 10 November 2009 (http://www.ram.com.my)

B8 – Group Borrowings and Debt Securities

Included in the borrowings are:-	Short Term		Long Term	
	Secured RM'000	**Unsecured** RM'000	**Secured** RM'000	**Unsecured** RM'000
Hire purchase	5	-	18	-
Government support loan	-	2,804	-	-
	5	2,804	18	-
Total	2,809		18	

All the borrowings of the Group are denominated in Ringgit Malaysia save and except for the Government Support Loan of RMB6.0 million which is to be repaid by a subsidiary in the People's Republic of China.

B9 – Material Litigations

As at 19 February 2011 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any pending material litigations against the Company or its subsidiary companies.

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B10 – Earnings Per Share ("EPS")

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of shares in issue.

	3 Months Ended 31 Dec 2010	3 Months Ended 31 Dec 2009	12 Months Ended 31 Dec 2010	12 Months Ended 31 Dec 2009
Net Profit attributable to Owners of the Company (RM'000)	(13,620)	11,954	28,178	38,561
Weighted average number of shares in issue ('000)	443,136	376,695	393,847	376,677
Basic EPS (sen)	**(3.07)**	**3.17**	**7.15**	**10.24**

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the net profit attributable to owners of the Company (as adjusted) by the weighted average number of shares in issue (as adjusted). The net profit attributable to owners of the Company is adjusted for net savings from the after-tax effects of the financing costs of the Convertible Bonds, where applicable, as if the Convertible Bonds were converted into shares at the beginning of the financial year. The weighted average number of shares in issue is adjusted for potential dilutive shares from the exercise of outstanding ESOS options, Warrants and Convertible Bonds of the Company, where applicable.

	3 Months Ended 31 Dec 2010	3 Months Ended 31 Dec 2009	12 Months Ended 31 Dec 2010	12 Months Ended 31 Dec 2009
Net Profit attributable to Owners of the Company (as adjusted) (RM'000)	(13,620)	11,954	28,178	38,561
Weighted average number of shares in issue (as adjusted) ('000)	444,074	387,819	401,102	395,884
Diluted EPS (sen) *	**(3.07)**	**3.08**	**7.03**	**9.74**

* *The ESOS options that could potentially dilute the earnings per share have been excluded from the computation because of their anti-dilutive effect.*

B11 – Dividends

The Board is also pleased to recommend a final gross dividend of 1.5 sen per share less income tax at 25%, in respect of the current financial year ended 31 December 2010 to be approved by shareholders of the Company at the Annual General Meeting to be convened.

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B12 – Off Balance Sheet Financial Instruments

Not applicable as financial instruments with off balance sheet risk are accounted for on the statement of financial position in accordance with FRS 139.

B13 – Realised and Unrealised Profits/ Losses

On 25 March 2010, Bursa Securities issued a directive to all issuers pursuant to Paragraphs 2.06 and 2.23 of Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses. Subsequently, on 20 December 2010, Bursa Securities further issued guidance on the disclosure and format required.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses, pursuant to the said directive, is as follows:

	Current Quarter Ended 31 Dec 2010 RM'000	Preceding Quarter Ended 30 Sept 2010 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised profits	231,816	243,459
- Unrealised loss	(2,408)	(2,989)
	229,408	240,470
Total share of retained profits from associated company:		
- Realised profits	2,451	2,474
Total share of retained profits from jointly controlled entities:		
- Realised profits	19,902	21,784
Total Group's retained profits as per consolidated accounts	**251,761**	**264,728**

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B14 – Adjustments and Restatement of Comparatives

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

B15 – Authorisation for Release

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

By Order of the Board
Ng Yim Kong
Company Secretary (LS 0009297)
25 February 2011

For more information on **TALIWORKS CORPORATION BERHAD**, shareholders and the general public can access the Company's website at http://www.taliworks.com.my. The Company had participated in the CMDF-Bursa Research Scheme to facilitate greater investors' understanding of the Group. Previous copies of independent research reports on the Company can be downloaded from http://www.bursamalaysia.com

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