

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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008 (UNAUDITED)**

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**This Report is authorised for public release on 28 August 2008**

**SUMMARY OF KEY FINANCIAL INFORMATION**

	<b>3 MONTHS ENDED</b>		<b>6 MONTHS ENDED</b>		<b>12 MONTHS</b>
	<b>30 JUN</b>		<b>30 JUN</b>		<b>ENDED</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>31 DEC 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>(audited)</b>
					<b>RM'000</b>
Revenue	69,565	40,727	134,916	80,050	190,969
EBITDA [i]	14,120	13,332	33,057	26,797	50,192
Operating profit	13,484	12,792	31,784	25,729	47,270
Profit before tax	12,020	12,820	28,743	25,873	46,657
Profit after tax	8,615	9,285	20,484	18,732	33,108
EPS (sen) - Basic	2.3	2.5	5.5	5.0	9.0
- Diluted	2.1	2.4	5.3	4.8	8.4
Gross DPS (sen)	3.0	3.0	3.0	3.0	9.5
EBITDA margin	20%	33%	25%	33%	26%
Operating margin	19%	31%	24%	32%	25%
Pre-tax margin [ii]	17%	31%	21%	32%	24%
Net margin	12%	23%	15%	23%	17%
ROE [iii]			6%	6%	10%
ROA [iv]			3%	5%	7%

	<b>30 JUN 2008</b>	<b>30 JUN 2007</b>	<b>31 DEC 2007</b>
			<b>(audited)</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.89	0.85	0.88
Net cash per share (RM)	0.14	0.41	0.10
Gearing (times)	0.69	0.03	0.69

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

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

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

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

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	NOTE	<u>3 MONTHS ENDED</u>		<u>6 MONTHS ENDED</u>	
		<u>30 JUN</u>		<u>30 JUN</u>	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	A8	<b>69,565</b>	<b>40,727</b>	<b>134,916</b>	<b>80,050</b>
Operating expenses		(57,487)	(28,986)	(106,095)	(56,072)
Other operating income		1,406	1,051	2,963	1,751
<b>Operating profit</b>		<b>13,484</b>	<b>12,792</b>	<b>31,784</b>	<b>25,729</b>
Finance cost		(3,596)	(109)	(7,155)	(228)
Share of results of jointly controlled entity (net of tax)		1,970	-	3,809	-
Share of results of associates (net of tax)		162	137	305	372
<b>Profit before tax</b>	A8	<b>12,020</b>	<b>12,820</b>	<b>28,743</b>	<b>25,873</b>
Tax expense	B4	(3,405)	(3,535)	(8,259)	(7,141)
<b>Profit for the financial quarter/period</b>		<b>8,615</b>	<b>9,285</b>	<b>20,484</b>	<b>18,732</b>
Attributable to:					
Equity holders of the Company		8,568	9,300	20,484	18,779
Minority interest		47	(15)	-	(47)
<b>Profit for the financial quarter/period</b>		<b>8,615</b>	<b>9,285</b>	<b>20,484</b>	<b>18,732</b>
<b>EPS (sen)</b>	B12				
- Basic		<b>2.3</b>	<b>2.5</b>	<b>5.5</b>	<b>5.0</b>
- Diluted		<b>2.1</b>	<b>2.4</b>	<b>5.3</b>	<b>4.8</b>
<b>DPS (sen)</b>		<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>NOTE</u>	<b>30 JUN 2008</b> <b>RM'000</b>	<b>31 DEC 2007</b> <b>RM'000</b> <b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		24,702	24,892
Investment properties		450	455
Concession rights		15,702	15,408
Jointly controlled entity		59,647	55,838
Associates		23,950	23,645
Goodwill on consolidation		2,007	2,007
Deferred tax assets		84	84
Long term receivables		56,328	56,328
Deposits, bank and cash balances		18,629	22,484
		<b>201,499</b>	<b>201,141</b>
<b>CURRENT ASSETS</b>			
Inventories		904	1,041
Trade and other receivables		125,125	107,956
Amount due from a jointly controlled entity		52,250	52,250
Tax recoverable		1,559	304
Investments	B6(a)	230,115	197,630
Deposits, bank and cash balances		33,805	44,306
		<b>443,758</b>	<b>403,487</b>
<b>LESS: CURRENT LIABILITIES</b>			
Borrowings (secured)	B8	2,886	2,973
Trade and other payables		68,081	43,168
Taxation		2,797	1,712
Proposed Dividend		6,958	-
		<b>80,722</b>	<b>47,853</b>
<b>NET CURRENT ASSETS</b>		<b>363,036</b>	<b>355,634</b>
<b>LESS: NON-CURRENT LIABILITIES</b>			
Deferred tax liability		28	28
Borrowings	B8	2,909	4,238
Convertible bonds (unsecured)		223,341	218,884
		<b>226,278</b>	<b>223,150</b>
		<b>338,257</b>	<b>333,625</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		188,144	187,698
Reserves		145,500	141,426
<b>Shareholders' equity</b>		<b>333,644</b>	<b>329,124</b>
Minority interest		4,613	4,501
<b>Total equity</b>		<b>338,257</b>	<b>333,625</b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<b>0.8867</b>	<b>0.8767</b>

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>6 MONTHS ENDED 30 JUN 2008 RM'000</b>	<b>6 MONTHS ENDED 30 JUN 2007 RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	28,743	25,873
Adjustments for:		
Non-cash items	(4,435)	1,312
Interest income	(585)	(732)
Finance cost	7,155	228
Operating profit before working capital changes	30,878	26,681
Changes in working capital:		
Net change in current assets	(16,956)	4,725
Net change in current liabilities	24,880	(1,780)
Net cash inflow from operations	38,802	29,626
Interest paid	(2,665)	(240)
Interest received	611	749
Tax paid	(8,429)	(6,197)
Net cash inflow from operating activities	28,319	23,938
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary company	-	(5,207)
Purchase of property, plant & equipment	(684)	(1,034)
Placement in Investments, net of redemptions	(31,801)	(10,184)
Dividend received from Investments	1,062	493
Net cash outflow from investing activities	(31,423)	(15,932)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of ordinary shares pursuant to exercise of ESOS options and Warrants	1,322	665
Dividends paid	(11,121)	(8,185)
Repayment of borrowings	(1,453)	(1,529)
Decrease in deposit balances pledged as security	3,855	1,540
Net cash outflow from financing activities	(7,397)	(7,509)
Net change during the financial period	(10,501)	497
At beginning of financial period	44,306	46,755
At end of financial period	<b>33,805</b>	<b>47,252</b>
Cash and cash equivalents comprised the following balance sheet amounts:		
Deposits with licensed banks	29,129	44,667
Bank and cash balances	23,305	26,411
Total deposits, bank and cash balances	52,434	71,078
Less: Deposits pledged as security	(18,629)	(23,826)
	<b>33,805</b>	<b>47,252</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
Attributable to equity holders of the Company

	Number of shares	Nominal value	Share premium	Warrant reserve	Share Option reserve	Currency Translation reserve	Merger deficit	Retained earnings	Shareholders' equity	Minority interest	Total Equity
	'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2008</b>	<b>375,396</b>	<b>187,698</b>	<b>19,945</b>	<b>6,544</b>	<b>2,929</b>	<b>114</b>	<b>(71,500)</b>	<b>183,394</b>	<b>329,124</b>	<b>4,501</b>	<b>333,625</b>
Net profit for the financial period								20,484	20,484		20,484
Issue of ordinary shares pursuant to:-											
- exercise of ESOS options	408	204	503						707		707
- exercise of warrants	484	242	373						615		615
Transfers to and from reserves upon exercise of ESOS options / warrants			718	(48)	(670)				-		-
2nd interim dividend FY07								(11,121)	(11,121)		(11,121)
Final dividend FY07								(6,958)	(6,958)		(6,958)
Currency translation differences						793			793	112	905
<b>At 30 June 2008</b>	<b>376,288</b>	<b>188,144</b>	<b>21,539</b>	<b>6,496</b>	<b>2,259</b>	<b>907</b>	<b>(71,500)</b>	<b>185,799</b>	<b>333,644</b>	<b>4,613</b>	<b>338,257</b>
<b>At 1 January 2007</b>	<b>373,389</b>	<b>186,694</b>	<b>17,625</b>	<b>6,545</b>	-	(60)	(71,500)	174,225	313,529	803	314,332
Net profit for the financial period	-	-	-	-	-	-	-	18,779	18,779	(47)	18,732
Issue of ordinary shares pursuant to:-											
- exercise of ESOS options	507	254	411	-	-	-	-	-	665	-	665
2nd interim dividend FY06	-	-	-	-	-	-	-	(8,185)	(8,185)	-	(8,185)
Final dividend FY06	-	-	-	-	-	-	-	(8,188)	(8,188)	-	(8,188)
Minority interest on investment in subsidiary companies	-	-	-	-	-	-	-	-	-	4,351	4,351
Currency translation differences	-	-	-	-	-	(16)	-	-	(16)	17	1
<b>At 30 June 2007</b>	<b>373,896</b>	<b>186,948</b>	<b>18,036</b>	<b>6,545</b>	-	(76)	(71,500)	<b>176,631</b>	<b>316,584</b>	<b>5,124</b>	<b>321,708</b>

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to these interim financial statements.

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

**A1 – Basis of Preparation**

- (a) The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiary companies (“Group”) for the year ended 31 December 2007. 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 financial year ended 31 December 2007.

The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the most recent audited financial statements except for the adoption of the following revised and amended Financial Reporting Standards (“FRS”) and new Interpretations issued by the Malaysian Accounting Standards Board (“MASB”) effective for financial periods beginning on or after 1 January 2008:

- FRS 107 Cash Flow Statements
  - FRS 111 Construction Contracts
  - FRS 112 Income Taxes
  - FRS 118 Revenue
  - FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
  - FRS 134 Interim Financial Reporting
  - FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- 
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations
  - IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
  - IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
  - IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
  - IC Interpretation 6 Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment
  - IC Interpretation 7 Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies
  - IC Interpretation 8 Scope of FRS 2

FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group and does not have any financial impact on these interim financial statements.

### A1 – Basis of Preparation (cont'd)

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

<u>Foreign currency</u>	<u>30 Jun 2008</u>	<u>31 Dec 2007</u>	<u>30 June 2007</u>
	RM	RM	RM
1 US Dollar	3.27	3.32	3.46
100 Hong Kong Dollars	41.87	42.55	45.37
100 Chinese Renminbi	47.64	45.43	44.20

### A2 – Auditors' Reports

The auditors' report on the financial statements of the Company and its subsidiary companies for the most recent audited financial statements was not subject to any qualification.

### A3 – Comments about the Seasonal or Cyclicity of Interim Operations

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

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

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

### A5 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current 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 or repayment of equity or debt securities by the Company save and except for the issuance of new ordinary shares of RM0.50 each from the exercise of:-

	During the Current Quarter	Year-to-date	Balance remaining unexercised as at the reporting period
ESOS options at RM1.31 per share *	32,000	116,000	243,000
ESOS options at RM1.90 per share *	67,000	292,000	4,944,500
Warrants at RM1.27 per share **	471,000	483,800	69,930,900

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

\*\* *expiring on 21 September 2010*

## A6 – Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities (cont'd)

During the current quarter, the Company announced a final conversion price re-set to RM2.16 from RM2.50 in respect of the RM225,000,000 nominal value of convertible bonds (“Convertible Bonds”) issued on 6 December 2007. The conversion price re-set was made in accordance with the Trust Deed dated 29 November 2007 constituting the Convertible Bonds. Unless redeemed or converted in accordance with the principal terms and conditions, the Convertible Bonds will mature on 5 December 2012.

## A7 – Dividends Paid

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

In respect of the financial year ended 31 December 2007 RM'000

- 2nd interim gross dividend of 4.0 sen per share on 375,718,600 ordinary shares of 11,121 RM0.50 each, less income tax at 26%, paid on 28 March 2008

## A8 – Segmental Reporting

Segmental information is presented in respect of the Group’s business segments, which is the Group’s primary basis of segmental reporting.

### (a) Revenue

	<b>3 Months Ended <u>30 Jun 2008</u> RM'000</b>	<b>3 Months Ended <u>30 Jun 2007</u> RM'000</b>	<b>6 Months Ended <u>30 Jun 2008</u> RM'000</b>	<b>6 Months Ended <u>30 Jun 2007</u> RM'000</b>
Water business (Malaysia)	33,809	31,598	67,390	63,586
Construction (Malaysia)	32,911	7,472	62,205	13,123
Waste management (China)	2,820	1,657	5,293	3,341
Investment holding and others	25	-	28	-
	<b>69,565</b>	<b>40,727</b>	<b>134,916</b>	<b>80,050</b>



**A8 – Segmental Reporting (cont’d)**
**(b) Profit Before Tax**

	<b>3 Months Ended 30 Jun 2008 RM’000</b>	<b>3 Months Ended 30 Jun 2007 RM’000</b>	<b>6 Months Ended 30 Jun 2008 RM’000</b>	<b>6 Months Ended 30 Jun 2007 RM’000</b>
Water business	13,276	12,481	27,132	25,447
Construction	(624)	684	4,838	1,254
Waste management	916	300	994	395
Investment holding and others	803	11,923	(174)	11,326
	14,371	25,388	32,790	38,422
Elimination	(887)	(12,596)	(1,006)	(12,693)
<b>Operating profit</b>	<b>13,484</b>	<b>12,792</b>	<b>31,784</b>	<b>25,729</b>
Finance cost	(3,596)	(109)	(7,155)	(228)
Share of results of a jointly controlled entity	1,970	-	3,809	-
Share of results of associates	162	137	305	372
<b>Profit before tax</b>	<b>12,020</b>	<b>12,820</b>	<b>28,743</b>	<b>25,873</b>

**A9 – Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment has been brought forward without amendment from the most recent audited financial statements.

**A10 – Material Subsequent Events**

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

**A11 – 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 other than the acquisition of a wholly owned subsidiary, Destinasi Teguh Sdn. Bhd. for a cash consideration of RM2,500.

**A12 – Changes in Contingent Liabilities or Contingent Assets**

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

	<b>RM’000</b>
<u>Secured</u>	
Bank guarantees issued to third parties for services rendered and as performance bonds on behalf of subsidiaries	<u>7,573</u>
Bank guarantees issued to third parties for services rendered and as performance bonds	<u>16,386</u>

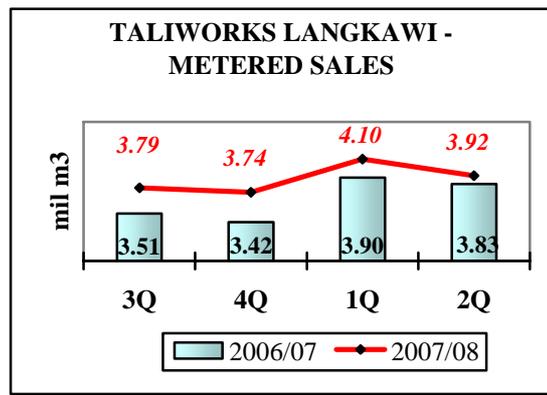
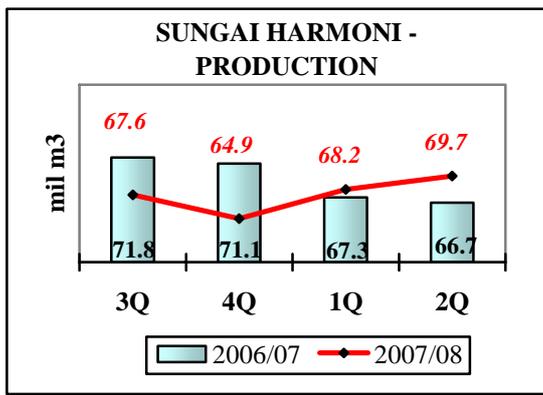
**PART B – EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 – Review of Performance**

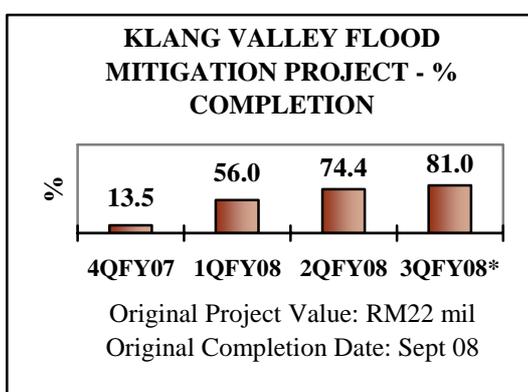
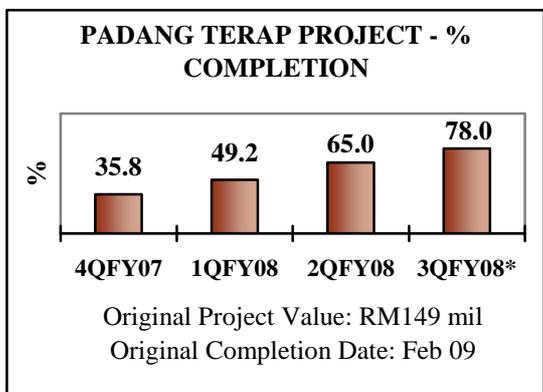
(i) Operational Performance

The following is the operational performance from two of the major revenue contributors to the Group.

(a) *Water Business*



(b) *Construction*



\* The 3QFY08 represent the Group's best estimates and there is no assurance that these can be achieved. Actual results may differ from the projections as a result of a number of risks and uncertainties, some of which are beyond the control of the Group.

\*\* The Company has submitted variation orders for work done on the Klang Valley Flood Mitigation project which has yet to be approved by the employer.

**B1 – Review of Performance (cont'd)**

(ii) Financial Performance

(a) *Revenue*

	<b>3 Months Ended 30 Jun 2008 RM'000</b>	<b>3 Months Ended 31 Mar 2008 RM'000</b>	<b>3 Months Ended 30 Jun 2007 RM'000</b>
Water business	33,809	33,581	31,598
Construction	32,911	29,294	7,472
Waste management	2,820	2,473	1,657
Investment holding and others	25	3	-
	<b>69,565</b>	<b>65,351</b>	<b>40,727</b>

(b) *Profit Before Tax*

	<b>3 Months Ended 30 Jun 2008 RM'000</b>	<b>3 Months Ended 31 Mar 2008 RM'000</b>	<b>3 Months Ended 30 Jun 2007 RM'000</b>
Water business	13,276	13,856	12,481
Construction	(624)	5,462	684
Waste management	916	78	300
Investment holding and others	803	(977)	11,923
	14,371	18,419	25,388
Elimination	(887)	(119)	(12,596)
<b>Operating profit</b>	<b>13,484</b>	<b>18,300</b>	<b>12,792</b>
Finance cost	(3,596)	(3,559)	(109)
Share of results of a jointly controlled entity	1,970	1,839	-
Share of results of associates	162	143	137
<b>Profit before tax</b>	<b>12,020</b>	<b>16,723</b>	<b>12,820</b>

Revenue

Y-o-Y, the Group revenue was about RM28.8 million (or 71%) higher. This was mainly due to the higher construction activities where the revenue recognised on a percentage of completion method was at a larger quantum i.e. 15.8% (2QFY07: 4.7%) and 18.4% (2QFY07: nil) for the Padang Terap project and Klang Valley Flood Mitigation project respectively.

Revenue from the water business also improved by about 7% driven mainly by Taliworks Langkawi Sdn Bhd (“Taliworks Langkawi”) where the company enjoyed about 3% growth in metered sales from 3.82 million m<sup>3</sup> to 3.92 million m<sup>3</sup> and a hike in Bulk Sales Rate (“BSR”) from RM1.70/m<sup>3</sup> to RM1.92/m<sup>3</sup> effective 1 January 2008. Sungai Selangor Water Treatment Works Phase I (“SSP1”) also saw higher production of 4% from 66.7 million m<sup>3</sup> to 69.7 million m<sup>3</sup>.

Q-o-Q, total revenue recorded was higher by about RM4.2 million (or 6%). This was primarily due to additional revenue recognised in the construction activities on account of work completed on certain variation orders for the Klang Valley Flood Mitigation project.



## **B1 – Review of Performance (cont'd)**

Metered sales from Taliworks Langkawi dropped by about 4% from 4.09 million m<sup>3</sup> to 3.93 million m<sup>3</sup> whilst production from SSP1 registered a slight increase of 2% from 68.2 million m<sup>3</sup> to 69.7 million m<sup>3</sup>. SSP1 has been recording a gradual increase in production since the fourth quarter of last year.

### Profit before Taxation

Y-o-Y, the Group registered a small drop in the profit before tax by about RM0.8 million. In spite of the substantial increase in construction revenue, the quarter recorded a loss on construction activities as a result of the recent surge in the cost of construction materials which affected the whole industry. Based on the projected cost to complete the current projects on hand, the Group has revised downwards the estimated construction profits in the current quarter.

Higher financing cost was incurred from the Convertible Bonds which were issued in December 2007. However, the impact was moderated by higher contribution from the water business and waste management segments and from the share of after-tax results of a newly acquired jointly controlled entity, Cerah Sama Sdn Bhd (“CSSB”), the acquisition of which was completed towards the end of last year.

Q-o-Q, Group profit before tax fell by about RM4.7 million (or 28%) mainly from the downward revision in the estimated construction profits.

## **B2 – Current Year Prospects**

The recent developments in the local environment particularly the coming into force of the Water Services Industry Act 2006, the unfavourable external factors and the surge in construction cost may have a varying degree of impact to the business of the Group.

Nevertheless, the Group expects to perform better compared to the previous year in view of a few positive developments that has taken place last year namely from (1) the acquisition of a 55% stake in CSSB and (2) the successful securing of a substantial funding from the issuance of the Convertible Bonds.

The issuance of the Convertible Bonds has raised net proceeds of about RM218 million and this will enhance the capability of the Group to expand its business (including acquisition of assets/business and joint-ventures with other investors) specifically in the water, highway, toll road, construction, infrastructure and waste management projects, both locally and abroad. The current global financial crisis has also opened a window of opportunity for the Group to look into the acquisition of assets/businesses at more attractive valuations.

## **B3 – Profit Forecasts or Profit Guarantees**

Not applicable as no profit forecast or guarantees was published.

## **B4 – Taxation**

The tax expense is in respect of the estimated Malaysian income tax charge for the period. The effective tax rate of the Group for the financial period is higher than the statutory tax rate of 26% primarily due to certain expenses not allowed as tax deductions, losses incurred by certain subsidiaries which were not available to be set-off against taxable profits in other companies within the Group and tax effect of share of results of jointly controlled entity and associates.

## B5 – Profits on Sale of Unquoted Investments and Properties

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

## B6 – Purchase or Disposal of Quoted Securities

- (a) There were no purchases or disposals of quoted securities for the current quarter and financial period except for the investment and redemption in quoted unit trusts included in Investments. As at the end of the reporting period, the Investments of the Group were as follows:-

	<b>RM'000</b>
Book value	230,115
Carrying amount	230,115
Market value	<u>231,679</u>

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

## B7 – Status of Corporate Proposals Announced But Not Completed

- (i) *Status of Corporate Proposals*

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

- (ii) *Status of Proposed Utilisation of Proceeds*

As at 22 August 2008 (being a date not earlier than 7 days from the date of this report), the status of utilisation of proceeds raised from the issuance of the Convertible Bonds was as follows:-

	<b>Total Net Proceeds Raised (RM'000)</b>	<b>Amount Unutilised (RM'000)</b>
(i) For future local and overseas business expansion	196,400	176,166
(ii) For general working capital purposes (current requirements and those arising from future local and overseas business expansion)	21,850	20,150
<b>TOTAL</b>	<b>218,250</b>	<b>196,316</b>

- (a) *Depending on the funding requirements of the Company, its subsidiaries and its joint venture companies, the Company may re-allocate the amount of proceeds to be utilised between each of the abovementioned categories.*
- (b) *In addition, any proceeds not fully utilised under (i) above within the stipulated timeframe will be utilised for general working capital purposes if not re-allocated during the stipulated timeframe. Proceeds under (i) above may also be utilised to fund any shareholders' advances to CSSB.*
- (c) *The proceeds are to be utilised within 2 years from the issuance of the Convertible Bonds. There was no deviation in the utilisation of proceeds.*

## B8 – Group Borrowings and Debt Securities

Included in the borrowings are:-	Short Term		Long Term	
	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000
Hire purchase	28	-	51	-
Bank borrowings	2,858	-	-	-
Government support loan	-	-	-	2,858
	2,886	-	51	2,858

Borrowings denominated in foreign currency are:-	US Dollars'000	Renminbi'000
	<b>Secured:</b>	
Not later than one year	875	-
	875	-
<b>Unsecured:</b>		
Later than one year but not later than five years	-	6,000
	875	6,000

## B9 - Off Balance Sheet Financial Instruments

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

## B10 - Material Litigations

As at 22 August 2008 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any pending material litigations against the Company or its subsidiary companies.

## B11 – Dividends

The Board is pleased to declare a first interim dividend of 3.0 sen per share less income tax at 26%, in respect of the current financial year ending 31 December 2008, be payable on 29 September 2008 to depositors who are registered in the Record of Depositors at the close of business on 12 September 2008.

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

- Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 12 September 2008 in respect of transfers; and
- Shares bought on the Bursa Securities on cum entitlement basis according to the Rules of Bursa Securities.

## B12 - 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.

**B12 - Earnings Per Share (“EPS”) (cont’d)**
**(b) Diluted earnings per share**

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

	<b>3 Months Ended 30 Jun 2008</b>	<b>3 Months Ended 30 Jun 2007</b>	<b>6 Months Ended 30 Jun 2008</b>	<b>6 Months Ended 30 Jun 2007</b>
<b>(a) Basic earnings per share</b>				
Net Profit attributable to equity holders of the Company (RM'000)	8,568	9,300	20,484	18,779
Weighted average number of shares in issue ('000)	375,797	373,830	375,653	373,692
Basic EPS (sen)	<b>2.3</b>	<b>2.5</b>	<b>5.5</b>	<b>5.0</b>
<b>(b) Diluted earnings per share</b>				
Net Profit attributable to equity holders of the Company (as adjusted) (RM'000)	8,568	9,300	27,138	18,779
Weighted average number of shares in issue (as adjusted) ('000)	407,792	392,109	511,778	392,582
Diluted EPS (sen)	<b>2.1*</b>	<b>2.4</b>	<b>5.3</b>	<b>4.8</b>

\* The Convertible Bonds that could potentially dilute the earnings per share have been excluded from the computation of the current quarter diluted earnings per share because of its anti-dilutive effect.

**B13 – Authorisation for Release**

This Interim Financial Report for the current quarter and financial period ended 30 June 2008 has been seen and approved by the Board for public release.

By Order of the Board  
Ng Yim Kong  
Company Secretary (LS 0009297)  
28 August 2008

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