



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2013**  
**(UNAUDITED)**

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**This Report is authorised for public release on 28 August 2013**

**CONDENSED STATEMENTS OF FINANCIAL POSITION**

	<u>Note</u>	<u>30 Jun 2013</u> <u>RM'000</u>	<u>31 Dec 2012</u> <u>RM'000</u> <u>(Audited)</u>
<b>ASSETS</b>			
Property, plant and equipment		10,880	9,716
Investment properties		399	404
Intangible assets		447,919	432,636
Jointly controlled entities		115,975	112,075
Investment in associate		6,588	6,340
Goodwill on consolidation		2,504	2,504
Deferred tax assets		9,891	8,512
Long term trade receivables	A1(c)	150,878	136,237
Long term other receivables		481	418
Deposits, cash and bank balances		15,236	16,903
<b>Total Non-Current Assets</b>		<b>760,751</b>	<b>725,745</b>
Inventories		1,286	1,223
Amount due from contract customers		2,844	67
Trade receivables	A1(c)	180,400	204,315
Other receivables, deposits and prepayments		5,126	5,547
Tax recoverable		1,190	1,050
Available-for-sale financial assets		29,308	20,946
Deposits, cash and bank balances	B11	18,089	21,966
<b>Total Current Assets</b>		<b>238,243</b>	<b>255,114</b>
<b>TOTAL ASSETS</b>		<b>998,994</b>	<b>980,859</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		218,246	218,246
Reserves		371,876	348,193
<b>Total Equity Attributable to Owners of the Company</b>		<b>590,122</b>	<b>566,439</b>
Non-controlling interests		8,200	6,769
<b>Total Equity</b>		<b>598,322</b>	<b>573,208</b>
<b>LIABILITIES</b>			
Long-term borrowings	B7	291,474	215,417
<b>Total Non-Current Liabilities</b>		<b>291,474</b>	<b>215,417</b>
Amount due to contract customers		-	10,029
Trade payables		52,263	51,137
Other payables and accruals		17,276	26,922
Tax liabilities		5,949	5,270
Short-term borrowings	B7	33,710	98,876
<b>Total Current Liabilities</b>		<b>109,198</b>	<b>192,234</b>
<b>TOTAL LIABILITIES</b>		<b>400,672</b>	<b>407,651</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>998,994</b>	<b>980,859</b>
Net assets per share attributable to owners of the Company (RM)		<u>1.3520</u>	<u>1.2977</u>

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

		3 Months Ended		6 Months Ended	
		30 Jun		30 Jun	
		2013 RM'000	2012 RM'000 (restated)	2013 RM'000	2012 RM'000 (restated)
Revenue	B1,B13	<b>78,700</b>	61,703	<b>143,337</b>	<b>104,799</b>
Cost of operations		(61,375)	(41,340)	(111,928)	(76,669)
<b>Gross profit</b>		<b>17,325</b>	<b>20,363</b>	<b>31,409</b>	<b>28,130</b>
Other operating income	B4,B13	6,640	15,889	14,644	21,829
Administrative and other expenses	B4	(6,978)	(7,280)	(15,464)	(17,281)
<b>Operating profit</b>		<b>16,987</b>	<b>28,972</b>	<b>30,589</b>	<b>32,678</b>
Finance costs		(5,500)	(5,438)	(11,205)	(9,357)
Share of results of jointly controlled entities		2,216	2,537	3,870	7,220
Share of results of associate		67	106	248	250
<b>Profit before tax</b>	B4	<b>13,770</b>	<b>26,177</b>	<b>23,502</b>	<b>30,791</b>
Income tax expense	B5	(4,049)	(5,299)	(7,517)	(9,416)
<b>Profit for the financial period</b>		<b>9,721</b>	<b>20,878</b>	<b>15,985</b>	<b>21,375</b>
<b>Other comprehensive income/(loss):</b>					
Net fair value gain on available-for-sale financial assets		46	10	134	70
Foreign currency translation differences for foreign operations		5,716	5,324	8,965	676
Share of other comprehensive income of jointly controlled entity		4	(8)	30	14
<b>Total other comprehensive income for the financial period</b>		<b>5,766</b>	<b>5,326</b>	<b>9,129</b>	<b>760</b>
<b>Total comprehensive income for the financial period</b>		<b>15,487</b>	<b>26,204</b>	<b>25,114</b>	<b>22,135</b>

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

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
	<u>30 Jun</u>		<u>30 Jun</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>(restated)</u>		<u>(restated)</u>
<b>Profit for the financial period attributable to:</b>				
Owners of the Company	9,600	21,080	15,238	21,727
Non-controlling interests	121	(202)	747	(352)
	<b>9,721</b>	<b>20,878</b>	<b>15,985</b>	<b>21,375</b>
<b>Total comprehensive income for the financial period attributable to:</b>				
Owners of the Company	15,000	26,062	23,683	22,561
Non-controlling interests	487	142	1,431	(426)
	<b>15,487</b>	<b>26,204</b>	<b>25,114</b>	<b>22,135</b>
<b>Basic and diluted earnings per share attributable to owners of the Company (sen):</b>				
B9	<u>2.20</u>	<u>4.83</u>	<u>3.49</u>	<u>4.98</u>

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



**CONDENSED STATEMENTS OF CHANGES IN EQUITY**

Attributable to owners of the Company

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-Controlling interest</u> RM'000	<u>Total Equity</u> RM'000
<b>At 1 January 2013</b>	<b>218,246</b>	<b>74,176</b>	<b>2,205</b>	<b>1,458</b>	<b>(23)</b>	<b>(71,500)</b>	<b>341,877</b>	<b>566,439</b>	<b>6,769</b>	<b>573,208</b>
Available-for-sale financial assets	-	-	-	-	134	-	-	134	-	134
Share of other comprehensive income of jointly controlled entity	-	-	-	-	-	-	30	30	-	30
Foreign currency translation differences	-	-	-	8,281	-	-	-	8,281	684	8,965
<b>Total other comprehensive income for the financial period</b>	-	-	-	8,281	134	-	30	8,445	684	9,129
Profit for the financial period	-	-	-	-	-	-	15,238	15,238	747	15,985
<b>Total comprehensive income for the financial period</b>	-	-	-	8,281	134	-	15,268	23,683	1,431	25,114
<b>At 30 June 2013</b>	<b>218,246</b>	<b>74,176</b>	<b>2,205</b>	<b>9,739</b>	<b>111</b>	<b>(71,500)</b>	<b>357,145</b>	<b>590,122</b>	<b>8,200</b>	<b>598,322</b>



**CONDENSED STATEMENTS OF CHANGES IN EQUITY**

Attributable to owners of the Company

<u>Note</u>	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Share Option reserve</u> RM'000	<u>Currency Translation reserve</u> RM'000	<u>Available-for-sale reserve</u> RM'000	<u>Merger deficit</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000	<u>Non-Controlling interest</u> RM'000	<u>Total Equity</u> RM'000
<b>At 1 January 2012</b>										
<b>-As previously stated</b>	<b>218,246</b>	<b>74,176</b>	<b>2,248</b>	<b>4,634</b>	<b>14</b>	<b>(71,500)</b>	<b>277,537</b>	<b>505,355</b>	<b>7,338</b>	<b>512,693</b>
Effects of change in accounting policy	-	-	-	-	(31)	-	22,938	22,907	-	22,907
<b>At 1 January 2012, as restated</b>	<b>218,246</b>	<b>74,176</b>	<b>2,248</b>	<b>4,634</b>	<b>(17)</b>	<b>(71,500)</b>	<b>300,475</b>	<b>528,262</b>	<b>7,338</b>	<b>535,600</b>
Available-for-sale financial assets	-	-	-	-	70	-	-	70	-	70
Share of other comprehensive income of jointly controlled entity	-	-	-	-	-	-	14	14	-	14
Foreign currency translation differences	-	-	-	750	-	-	-	750	(74)	676
<b>Total other comprehensive (loss)/income for the financial period</b>	-	-	-	750	70	-	14	834	(74)	760
Profit for the financial period	-	-	-	-	-	-	21,727	21,727	(352)	21,375
<b>Total comprehensive (loss)/income for the financial period</b>	-	-	-	750	70	-	21,741	22,561	(426)	22,135
<b>Transaction with owners of the Company:</b>										
Transfer to/(from) reserve upon ESOS options lapsed	-	-	(15)	-	-	-	15	-	-	-
<b>Total transaction with owners of the Company</b>	-	-	(15)	-	-	-	15	-	-	-
<b>At 30 June 2012</b>	<b>218,246</b>	<b>74,176</b>	<b>2,233</b>	<b>5,384</b>	<b>53</b>	<b>(71,500)</b>	<b>322,231</b>	<b>550,823</b>	<b>6,912</b>	<b>557,735</b>

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

**CONDENSED STATEMENTS OF CASH FLOWS**

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2013</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2012</u> <u>RM'000</u>
<b>CASH FLOWS FROM/(USED) IN OPERATING ACTIVITIES</b>		
Profit before tax	23,502	30,791
Adjustments for:		
Non-cash items	5,318	(88)
Interest income	(301)	(205)
Finance costs	11,205	9,357
Operating Profit Before Working Capital Changes	39,724	39,855
Changes in working capital:		
Net change in current assets	5,047	(40,632)
Net change in current liabilities	(12,478)	9,154
Cash Generated From Operations	32,293	8,477
Income tax paid	(8,303)	(7,599)
Income tax refunded	51	-
Net Cash From Operating Activities	<b>23,941</b>	<b>878</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Interest received	355	221
Property, plant and equipment:		
- proceeds from disposal	28	36
- purchase	(2,101)	(2,603)
Purchase of intangible assets	(2,024)	(125,824)
Available-for-sale financial assets:		
- purchase	(18,000)	(12,500)
- proceeds from redemption	9,975	11,988
Withdrawal/(Placement) of deposits pledged as security	1,667	(550)
Net Cash Used In Investing Activities	<b>(10,100)</b>	<b>(129,232)</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Interest paid	(15,594)	(680)
Repayment of borrowings	(89,295)	(130,143)
Drawdown of borrowings	84,444	252,081
Repayment of finance lease payables	(123)	-
Net Cash (Used In)/ From Financing Activities	<b>(20,568)</b>	<b>121,258</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,727)</b>	<b>(7,096)</b>
Effects of foreign exchange rate changes	167	(53)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL PERIOD</b>	<b>17,015</b>	<b>25,554</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD</b>	<b>10,455</b>	<b>18,405</b>

**CONDENSED STATEMENTS OF CASH FLOWS**

	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2013</u> <u>RM'000</u>	<u>6 Months</u> <u>Ended</u> <u>30 Jun</u> <u>2012</u> <u>RM'000</u>
Cash and cash equivalents comprised the following amounts in the statements of financial position:		
Deposits with financial institutions	22,013	22,132
Bank and cash balances	11,312	13,156
Total deposits, bank and cash balances	33,325	35,288
Less: Deposits pledged as security for banking facilities	(15,233)	(15,132)
Less: Bank and cash balances restricted	(3)	(1,751)
Less: Bank Overdraft	(7,634)	-
	<b>10,455</b>	<b>18,405</b>

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

**PART A – SIGNIFICANT EVENTS AND TRANSACTIONS PURSUANT TO  
MFRS 134: INTERIM FINANCIAL REPORTING**

**A1 – Basis of Preparation**

- (a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board.

The interim financial statements should be read in conjunction with the latest audited financial statements of the Company and its subsidiaries (“Group”) for the financial year ended 31 December 2012. The significant events and transactions attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the previous financial year.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the adoption of new Malaysian Financial Reporting Standards (MFRSs) and Amendments to MFRSs with effect from 1 January 2013 relevant to the Group as follows:-

**MFRSs, Amendments to MFRSs**

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

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

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

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

<u>Foreign currency</u>	<u>30 Jun</u> <u>2013</u> <u>RM</u>	<u>31 Mar</u> <u>2013</u> <u>RM</u>	<u>31 Dec</u> <u>2012</u> <u>RM</u>	<u>30 Jun</u> <u>2012</u> <u>RM</u>
1 US Dollar (USD)	3.16	3.09	3.06	3.18
1 Singapore Dollar (SGD)	2.50	2.50	2.50	2.50
100 Hong Kong Dollars (HKD)	40.74	39.85	39.45	40.97
100 Chinese Renminbi (RMB)	51.49	49.81	49.08	50.02

## **A1 – Basis of Preparation (continued)**

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

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

In these interim financial statements, critical estimates were made to the carrying amount of trade receivables of Sungai Harmoni Sdn Bhd (“SHSB”) and Taliworks (Langkawi) Sdn Bhd (“TLSB”), wholly owned subsidiaries of the Company.

#### *(i) SHSB - Due under a Debt Settlement Agreement (“DSA”)*

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

#### *(ii) SHSB - Invoiced Amounts*

As at the end of the reporting period, the invoiced amounts due and owing from SPLASH amounted to RM237.5 million. The Group estimates that approximately RM81 million will be received in the next twelve months, and as such has been classified as current. The balance outstanding of RM156.5 million is expected to be received progressively between 2014 and 2016 and accordingly, have been classified as non-current.

Arising from the above estimation, a net impact of RM3.129 million was made in the current quarter (YTD – RM6.150 million), comprising:-

- (a) an additional provision for discounting on a deferred payment consideration of RM6.821 million (YTD – RM13.689 million) which was set-off against revenue; and
- (b) a reversal of discounting of receivables amounting to RM3.692 million (YTD - RM7.539 million) recognised as Other Income.

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

The Kedah State Government has offered to settle the outstanding amount via various scheduled payments, commencing from May 2013 and ending in November 2013. Hence, it is assumed that the scheduled payments will be paid in the next twelve months to settle the outstanding amount of RM18.72 million and accordingly, this amount has been classified as being current.

The above critical estimates will be re-assessed as and when actual payments are received and this 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 trade receivable due to an impasse; as well as the key bases and assumptions used by the Directors in estimating the recoverable amounts of the intangible assets. An emphasis of matter had also been highlighted by the auditor of a subsidiary company as disclosed in the audited financial statements.

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

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

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

Save as disclosed in Note A1(c)(ii) and significant transactions listed in Note B4, there are no items affecting the assets, liabilities, equity, net income or cash flows of the Group that were unusual because of their nature, size or incidence during the current quarter and financial 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 43,000 ESOS options at RM1.31 per share and 4,161,000 ESOS options at RM1.90 per share. The ESOS options, if not exercised, will expire on 29 September 2015.

### **A7 – Dividends Paid**

There were no dividends paid during the financial quarter or financial period.

Subsequent to the financial period, shareholders of the Company had, in the Annual General Meeting held on 26 June 2013, approved the payment of a final gross dividend of 1.5 sen per share on 436,491,580 ordinary shares of RM0.50 each, less income tax at 25%, amounting to approximately RM4,910,530 in respect of the financial year ended 31 December 2012. The dividends were paid on 31 July 2013.

### **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 liquidation of Taliworks-IBI Technologies International Limited, a 70% owned subsidiary, on 9 January 2013 wherein a provisional liquidator was appointed.

## A10 – Changes in Contingent Liabilities or Contingent Assets

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

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

RM'000

Secured against deposits pledged to the financial institutions

Decrease in bank guarantees issued to third parties for services rendered and as performance bonds on behalf of an unincorporated joint venture 1,000

- (b) Litigations

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

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

Puresino Guanghan had on 27 March 2013 received a Civil Judgement dated 26 January 2013 from the Sichuan Province High Court, which overruled the Sichuan Deyang Intermediate People's Court Civil Judgement (2010) No.61. The decision of the Court was final and as a result thereof, a reversal of litigation claims previously accrued in the financial statements amounting to RM2.139 million was recognised in that financial period.

### A11-Operating Segments

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

3 months ended 30 June	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Others</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u> (restated)	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u> (restated)
Revenue										
Total revenue	43,510	39,964	12,537	12,714	29,522*	10,941	962^	6,330	86,531	69,949
Inter-segment revenue	-	-	(139)	(136)	-	(520)	(871)	(6,285)	(1,010)	(6,941)
External revenue	43,510	39,964	12,398	12,578	29,522	10,421	91	45	85,521	63,008
Reconciliation:										
Difference in accounting policy (see note below)	(6,821)	(1,305)	-	-	-	-	-	-	(6,821)	(1,305)
Revenue as per statement of comprehensive income	36,689	38,659	12,398	12,578	29,522	10,421	91	45	<b>78,700</b>	<b>61,703</b>

\* Including RM121,000 (Q2FY12: RM2,464,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

^ Including dividend income of Nil (Q2FY12: RM5,250,000) received from a subsidiary.

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

3 months ended 30 June	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Earnings before finance costs, depreciation and amortisation and income tax expense	14,893	30,006	7,277	4,753	1,120	245	2,216	2,537	2,879	7,272	28,385	44,813
Depreciation and amortisation	(117)	(156)	(4,386)	(4,138)	(59)	(89)	-	-	(59)	(55)	(4,621)	(4,438)
Finance costs	14,776	29,850	2,891	615	1,061	156	2,216	2,537	2,820	7,217	23,764	40,375
Inter-segment results	-	-	(5,150)	(5,001)	(5)	3	-	-	(563)	(668)	(5,718)	(5,666)
	510	510	293	463	-	-	-	-	(5,146)	(9,611)	(4,343)	(8,638)
Segment results	15,286	30,360	(1,966)	(3,923)	1,056	159	2,216	2,537	(2,889)	(3,062)	13,703	26,071
Share of results of associates											67	106
Profit before tax											13,770	26,177
Income tax expense											(4,049)	(5,299)
Profit for the financial period as per statement of comprehensive income											<b>9,721</b>	<b>20,878</b>

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

As at 30 June	<u>Water treatment, supply and distribution</u>		<u>Waste management</u>		<u>Construction</u>		<u>Toll highway</u>		<u>Others</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment assets	343,489	313,199	491,881	483,755	28,427	9,050	115,975	86,544	19,222	22,351	998,994	914,899
Segment liabilities	(45,365)	(45,872)	(298,370)	(282,328)	(21,435)	(7,465)	-	-	(35,502)	(44,406)	(400,672)	(380,071)
Net segment assets/(liabilities)	<b>298,124</b>	<b>267,327</b>	<b>193,511</b>	<b>201,427</b>	<b>6,992</b>	<b>1,585</b>	<b>115,975</b>	<b>86,544</b>	<b>(16,280)</b>	<b>(22,055)</b>	<b>598,322</b>	<b>534,828</b>

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

<u>3 months ended 30 June</u>	<u>Revenue</u>		<u>Total assets</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	66,181 <sup>^</sup>	46,661	506,471	430,272
China / Hong Kong SAR	12,519	15,042	492,329	484,374
Singapore	-	-	194	253
	<b>78,700</b>	<b>61,703</b>	<b>998,994</b>	<b>914,899</b>

<sup>^</sup> inclusive of provision for discounting on the deferred payment consideration of RM6,821,000 (Q2FY12: RM1,305,000)

**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*

	<u>3 Months</u> <u>Ended</u> <u>30 June 2013</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2013</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2012</u> <u>RM'000</u> <u>(restated)</u>
Water treatment, supply and distribution	43,510	39,744	39,964
Construction ( <i>note 1</i> )	29,522	20,346	10,421
Waste management	12,398	11,415	12,578
Others	91	-	45
	<b>85,521</b>	<b>71,505</b>	<b>63,008</b>
Less: Provision for discounting on a deferred payment consideration	(6,821)	(6,868)	(1,305)
	<b>78,700</b>	<b>64,637</b>	<b>61,703</b>

*Note 1*

Including RM121,000 (Q1FY13: RM2,297,000; Q2FY12: RM2,464,000) construction revenue recognised pursuant to IC Interpretation 12 - Service Concession Arrangements from the construction of a public service infrastructure.

(b) *Profit Before Tax*

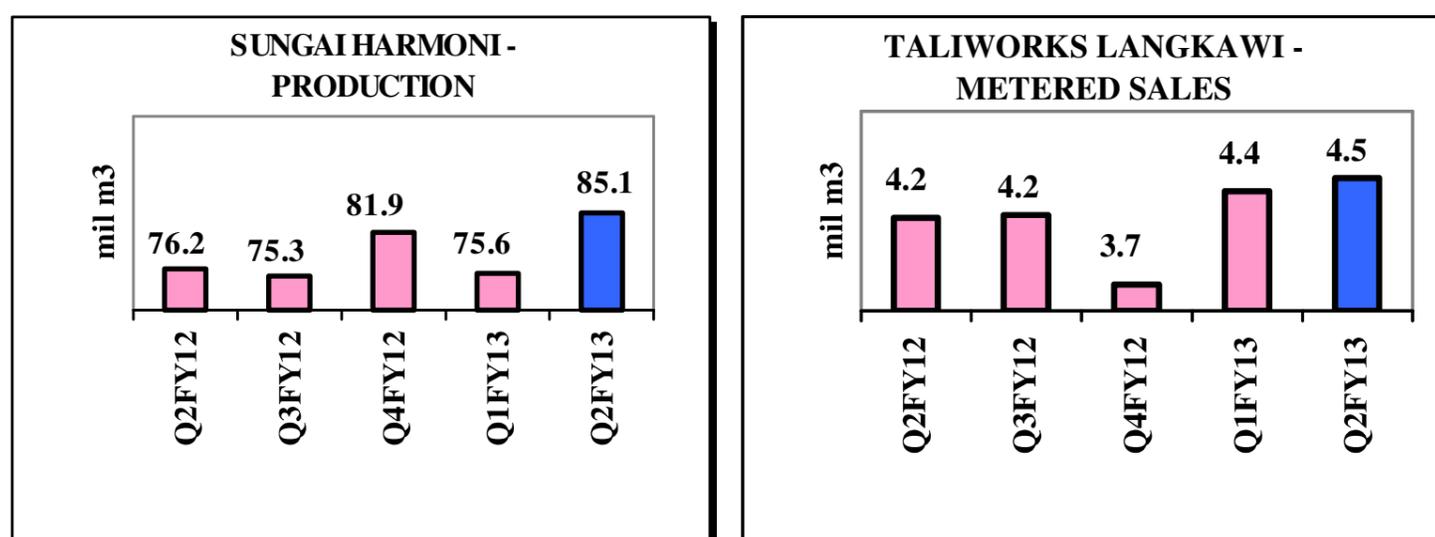
	<u>3 Months</u> <u>Ended</u> <u>30 June 2013</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>31 Mar 2013</u> <u>RM'000</u>	<u>3 Months</u> <u>Ended</u> <u>30 June 2012</u> <u>RM'000</u> <u>(restated)</u>
Water treatment, supply and distribution	15,286	12,730	30,360
Construction ( <i>note 1</i> )	1,061	859	156
Waste management	3,131	3,313	1,024
Investment holding and others	(2,491)	(3,301)	(2,568)
<b>Operating profit</b>	<b>16,987</b>	<b>13,601</b>	<b>28,972</b>
Finance cost	(5,500)	(5,705)	(5,438)
Share of results of a jointly controlled entity	2,216	1,654	2,537
Share of results of associate	67	181	106
<b>Profit before tax</b>	<b>13,770</b>	<b>9,731</b>	<b>26,177</b>

*Note 1*

Includes RM11,000 (Q1FY13: RM209,000; Q2FY12: RM224,000) construction profit recognised pursuant to IC Interpretation 12 – Service Concession Arrangements from the construction of an infrastructure by a subsidiary.

## B1 – Analysis of Performance (continued)

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



### Analysis of Y-o-Y Results

#### Revenue

The Group revenue increased from RM61.7 million to RM78.7 million mainly due to higher contribution from construction and the water treatment, supply and distribution business (before taking into account the impact from provision for discounting).

At the operating level, the water treatment, supply and distribution business, recorded an increase in revenue from RM40.0 million to RM43.5 million on account of impressive growth numbers from both the Sungai Selangor Water Treatment Works Phase I (“SSP1”) and Langkawi operations where SSP1 registered a 11.6% growth in production (i.e. from 76.21 million m3 (or 837 MLD) to 85.08 million m3 (or 935 MLD)) whereas Langkawi operations recorded an increase in metered sales of 6.9% i.e. to 4.48 million m3 from 4.19 million m3 due to continued increases in demand for treated water, both in Selangor and in Langkawi.

In SSP1, production was also 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” (“SSP1 Pipeline Project”), which was completed in the current quarter.

In the construction segment, the increase in revenue from RM10.4 million to RM29.5 million was mainly attributable to the on-going Mengkuang Dam Expansion Project and to a lesser extent, from the SSP1 Pipeline Project.

As for the waste management segment, production from the four municipal wastewater treatment plants with recycled facilities in Yinchuan, PRC (“Yinchuan TOT Project”) undertaken by a subsidiary, Taliworks (Yinchuan) Wastewater Co Ltd registered a robust growth of over 9.8% (i.e. from 27.87 million m3 (or 306 MLD) to 30.61 million m3 (or 336 MLD)). However, contribution to revenue dropped marginally in the current quarter mainly due to recognition of waiver of value-added tax (“VAT”) as Other Income in the current quarter as opposed to inclusion of VAT in revenue previously and to a lesser extent, from a substantial drop in production by over 16.3% in the Guanghai operations as a result of equipment failure which hampered production.

## **B1 – Analysis of Performance (continued)**

### Profit

The Group's profit before taxation ("PBT") showed a sharp decline to RM13.8 million in the current quarter as compared to RM26.2 million achieved a year ago primarily attributable to the discounting of deferred payments on a trade receivable, whereby an additional provision for discounting of about RM3.1 million was made during the quarter as compared to a reversal of discounting of RM13.4 million made in the corresponding quarter. However, stripping out the effect, the PBT was actually up by RM4.1 million contributed positively from all of the business segments with the exception of the toll highway division which recorded a minor drop in contribution.

In line with the better performance from both the water treatment, supply and distribution (excluding the impact from provision for discounting) and the construction segments, the PBT for these segments has also increased compared to the corresponding period.

In the waste management business, although the revenue recorded a marginal drop as compared to previous year, current quarter registered an increase in PBT of RM2.1 million primarily due to higher production coupled with the lower cost of production recorded in Taliworks (Yinchuan) Wastewater as a result of higher production levels.

Despite the higher Average Daily Traffic ("ADT") by 6.5% i.e. from 130,413 vehicles per day to 138,856 vehicles per day, the Group's share of results in the jointly controlled entity was marginally less from lower recognition of government compensation, higher taxes compared to the corresponding quarter as well as arising from the discount incurred on the issuance of RM420 million Islamic Medium Term Notes (Sukuk Musharakah) under a RM750 million Sukuk Programme (which was issued on 31 January 2013).

### Analysis of Q-o-Q Results

#### Revenue

Compared to the previous quarter, the Group revenue jumped to RM78.7 million from RM64.6 million due to better performances recorded from all business segments.

At the operating level, revenue from the water treatment, supply and distribution business recorded an increase from RM39.7 million to RM43.5 million on account of higher metered production in SSP1 i.e. from 75.58 million m<sup>3</sup> (or 869 MLD recorded over a period of 87 days) to 85.08 million m<sup>3</sup> (or 935 MLD recorded over a period of 91 days). The production from SSP1 was higher by 12.6% due to continued demand for treated water in Selangor. Furthermore, metered sales from the Langkawi operations also recorded a growth of 2.2% to 4.48 million m<sup>3</sup> from 4.41 million m<sup>3</sup> in the previous quarter.

The construction segment reported higher revenue of RM29.5 million as compared to RM20.3 million in the previous quarter in tandem with the higher percentage of completion recognised from the Group's construction projects mentioned above.

In the waste management business, the increase of revenue was contributed by all of the wastewater treatment plants due in part to seasonal factors and longer operating days. In Taliworks (Yinchuan), wastewater processed rose by 5.4% from 29.05 million m<sup>3</sup> (323 MLD) to 30.61 million m<sup>3</sup> (336 MLD) exceeding its design capacity of 300 MLD. The gradual replacement of aging trucks in the Tianjin operations also saw vast improvement in the turnaround time, thus improving the efficiency of operations.

#### Profit

For the current quarter, the Group recorded a PBT of RM13.8 million compared to RM9.7 million in the previous quarter on the back of better performance from the water treatment, supply and distribution business.

## B1 – Analysis of Performance (continued)

Despite the better performance in top line numbers, the construction segment contributed marginally to the Group PBT as a result of reduction in the estimated profit in the Mengkuang Dam project after an assessment was made in the current quarter whereby a component of the project may not be required to be undertaken.

Whereas in the waste management sector, in spite of the higher revenue achieved, the profit contribution came in lower principally as a result of the reversal of litigation claims as mentioned in Note A10(b), which boosted the profit in the previous quarter.

In the toll highway division, growth in ADT was marginal at 0.8%. Nevertheless, share of results was higher on account of increases in income derived from non-toll sources. Operating expenses were comparatively lower in the current quarter as significant IT costs and business development expenses were incurred in the previous quarter.

## 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 the production from SSP1, which is the main contributor to the Group, will increase in 2013 given the uptrend in water demand and that the plant has recently completed an upgrading programme to expand its treatment capacity under the SSP1 Pipeline Project which was undertaken by the Group.

However, the current uncertainties in the outcome of the consolidation of the Selangor water concessionaires may weigh down on the Group's performance given the fair value adjustments required on deferred consideration from continued delays in receiving payments if the matter is not resolved in a timely manner.

In the construction segment, the on-going Mengkuang Dam Expansion Project in Pulau Pinang, awarded to the Group for a sum of approximately RM339 million, is expected to contribute positively to the Group. To build up its construction order book, the Group is tendering for other construction projects.

In the waste management division, the Group is expected to progressively undertake the expansion and upgrading of the four wastewater treatment plants under the Yinchuan TOT Project in 2014 to 2015. The project will continue to negatively impact the Group's performance in the current year due to significant financing and amortisation costs.

## 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:

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000
<i>Revenue</i>		
Provision for discounting on receivables ( <i>Note A1(c)(ii)</i> )	(6,821)	(13,689)
<i>Other operating income:</i>		
Interest income	135	301
Dividend from available-for-sale financial assets	116	213
Rental income	3	5
Unwinding of discount on receivables	245	489
Reversal of discounting of receivables ( <i>Note A1(c)(ii)</i> )	3,692	7,539

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000
Unrealised foreign exchange gain	475	764
Realised foreign exchange gain	83	83
Realised gain on available-for-sale financial assets	28	28
Reversal of over-accrual of litigation claims	22	2,161
Waiver of value-added tax	1,692	2,634
<i>Cost of operations, administrative and other expenses:</i>		
Realised loss on available-for-sale financial assets	-	(38)
Depreciation and amortisation	(4,622)	(9,160)
Unrealised foreign exchange losses	(712)	(712)

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**

	<u>Current Quarter</u> <u>3 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000	<u>Year-to-date</u> <u>6 Months</u> <u>Ended</u> <u>30 June 2013</u> RM'000
Malaysian income tax:-		
- Current year tax	4,933	8,888
Foreign income tax	3	3
Deferred tax expense	(887)	(1,374)
	<b>4,049</b>	<b>7,517</b>

The tax expense is in respect of the estimated Malaysian and foreign income tax charges and deferred tax for the period. 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 entities 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-----→		
	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Finance lease liabilities	243	-	243	508	-	508
Government loan	-	3,089	3,089	-	-	-
Term loans (a)	12,744	-	12,744	270,966	-	270,966
Revolving credit (b)	10,000	-	10,000	20,000	-	20,000
Overdraft	5,251	2,383	7,634	-	-	-
	<b>28,238</b>	<b>5,472</b>	<b>33,710</b>	<b>291,474</b>	<b>-</b>	<b>291,474</b>

(a) Term loans were secured by a subsidiary, to finance the acquisition of the Yinchuan TOT Project.

**B7 – Group Borrowings and Debt Securities (continued)**

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

**B8 – Changes in Material Litigations**

As at 22 August 2013 (being a date not earlier than 7 days from the date of this Report), the Group is not aware of any significant changes in material litigations of the Company or its subsidiary companies, since the date of the last annual statement of financial position date except as highlighted on Note A10(b), which was disclosed as a Subsequent Event in the audited financial statements.

**B9 – Earnings Per Share (“EPS”)**

- (a) *Basic earnings per share*

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

	<u>Current Quarter</u>		<u>Year-to-date</u>	
	<u>3 Months</u>	<u>3 Months</u>	<u>6 Months</u>	<u>6 Months</u>
	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>	<u>Ended</u>
	<u>30 June 2013</u>	<u>30 June 2012</u>	<u>30 June 2013</u>	<u>30 June 2012</u>
Net profit attributable to owners of the Company (RM'000)	9,600	21,080	15,238	21,727
Weighted average number of shares in issue ('000)	436,492	436,492	436,492	436,492
Basic EPS (sen)	<u>2.20</u>	<u>4.83</u>	<u>3.49</u>	<u>4.98</u>

- (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 dividend payment for the current quarter.

**B11 – Deposits, Bank and Cash Balances**

At the end of the reporting period, foreign currencies equivalent to approximately RM6.8 million held in subsidiaries in the People's Republic of China is subject to the exchange control restrictions of that country. The restrictions will only apply if the monies are to be remitted outside the country.

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

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

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

	<u>Current Quarter Ended 30 June 2013 RM'000</u>	<u>Preceding Quarter Ended 31 Mar 2013 RM'000</u>
<b>Total retained earnings of Taliworks and its subsidiaries:</b>		
- Realised profits	282,698	276,033
- Unrealised profits	9,943	9,290
	292,641	285,323
<b>Total share of retained earnings from associate:</b>		
- Realised profits	4,067	4,000
<b>Total share of retained earnings from jointly controlled entities:</b>		
- Realised profits	75,013	72,296
- Unrealised losses	(14,576)	(14,079)
<b>Total Group's retained earnings</b>	357,145	347,540

## B13 – Adjustments and Reclassification of Comparatives

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

	<u>As previously stated RM'000</u>	<u>Reclassification RM'000</u>	<u>Restated RM'000</u>
<u>3 months ended 30 June 2012</u>			
Revenue	76,450	(14,747)	61,703
Other operating income	1,142	14,747	15,889
<u>6 months ended 30 June 2012</u>			
Revenue	124,088	(19,289)	104,799
Other operating income	2,540	19,289	21,829

The above is in relation to the reversal of discounting of receivables reclassified from revenue to other operating income.

#### **B14 - Changes in Accounting Policy in a Jointly Controlled Entity**

During the previous financial year, a jointly controlled entity changed the accounting policy in calculating the amortisation base for intangible assets comprising the highway concession. The jointly controlled entity adopted this change to provide a better reflection of the manner in which the benefits from the highway concession is utilised over the concession period. The change in amortisation method also aligns the basis with that of the industry.

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

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

#### **B15 – Authorisation for Release**

This Interim Financial Report for the current quarter and financial period ended 30 June 2013 has been seen and approved by the Board for public release.

By Order of the Board  
Chua Siew Chuan (MAICSA 0777689)  
Yeow Sze Min (MAICSA 7065735)  
Company Secretaries  
28 August 2013

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>