

**TEBRAU TEGUH BERHAD**

(Company No. 8256-A)

**INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE  
2004****CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current quarter 30.06.04 RM'000</b>	<b>Previous year corresponding quarter 30.06.03 RM'000</b>	<b>6 months ended 30.06.04 RM'000</b>	<b>6 months ended 30.06.03 RM'000</b>
Revenue	8,284	25,997	25,472	33,851
Other operating income	2,152	5,254	2,161	5,254
Operating expenses	(19,554)	(18,611)	(18,182)	(28,244)
Profit/(Loss) from operations	(9,116)	12,640	(9,451)	10,861
Finance costs	(64)	(28)	(294)	(672)
Share of results of associated companies	-	172	-	172
Profit/(Loss) before taxation	(9,180)	12,784	(9,745)	10,361
Taxation	32	3	(123)	(107)
Profit/(Loss) after taxation	(9,148)	12,787	(9,868)	10,254
Minority interest	-	-	-	-
Net profit/(loss) for the period	(9,148)	12,787	(9,868)	10,254
<b>EARNINGS/(LOSS) PER SHARE</b>				
Basic (sen)	(1.37)	1.91	(1.47)	1.53
Diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the year ended 31 December 2003.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>Unaudited as at 30.06.04 RM'000</b>	<b>Audited as at 31.12.03 RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and machinery	3,936	3,863
Investments in associated companies	637	637
Investment properties	1,602	1,602
Other investments	120	120
Land held for future development	189,035	189,035
Deferred tax assets	544	544
	<u>195,874</u>	<u>195,801</u>
<b>CURRENT ASSETS</b>		
Development properties	411,692	416,603
Trade receivables	43,474	61,984
Other receivables	25,273	26,738
Cash and bank balances	9,962	10,416
	<u>490,401</u>	<u>515,742</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	28,277	53,294
Other payables	3,008	8,848
Borrowings	7,946	7,095
Tax payable	-	671
	<u>39,231</u>	<u>69,909</u>
<b>NET CURRENT ASSETS</b>		
	<u>451,170</u>	<u>445,833</u>
	<u>647,044</u>	<u>641,634</u>
<b>FINANCED BY:</b>		
Share capital	334,864	334,864
Reserves	154,830	164,698
Shareholders' equity	<u>489,694</u>	<u>499,562</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	15,506	349
Deferred taxation	141,844	141,723
	<u>647,044</u>	<u>641,634</u>
Net tangible assets per share (RM)	0.73	0.75

The Condensed Consolidated Balance Sheets should be read in conjunction with the annual audited financial statements for the year ended 31 December 2003.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital RM'000	Share premium RM'000	Exchange fluctuation reserve RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 January 2003</b>	111,500	438,781	(314)	(373,901)	176,066
Issue of share capital	223,364	89,346	-	-	312,710
Net profit for the year	-	-	-	10,472	10,472
Realised upon disposal of subsidiaries	-	-	314	-	314
<b>At 31 December 2003</b>	334,864	528,127	-	(363,429)	499,562
<b>At 1 January 2004</b>	334,864	528,127	-	(363,429)	499,562
Net loss for the period	-	-	-	(9,868)	(9,868)
Accumulated losses written off against share premium account	-	(302,306)	-	302,306	-
<b>At 30 June 2004</b>	334,864	225,821	-	(70,991)	489,694

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the annual audited financial statements for the year ended 31 December 2003.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>6 months ended 30.06.04 RM'000</b>	<b>6 months ended 30.06.03 RM'000</b>
Net cash used in operating activities	(15,941)	(100,554)
Net cash generated from/(used in) investing activities	(226)	89,791
Net cash generated from financing activities	15,713	11,344
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(454)	581
Cash and cash equivalents at beginning of year	10,416	4,606
	<hr/>	<hr/>
Cash and cash equivalents at the end of quarter	9,962	5,187
	<hr/> <hr/>	<hr/> <hr/>
 Cash and cash equivalents comprise:		
Cash and bank balances	9,872	5,187
Deposit with licensed banks	90	-
	<hr/>	<hr/>
	9,962	5,187
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The Condensed Consolidated Cash Flow Statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2003

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

**1. INTRODUCTION**

The interim financial statements of Tebrau Teguh Berhad (“the Company” or “TTB”) and of the Group are unaudited and have been prepared under the historical cost convention and in accordance with Malaysian Accounting Standards Board (“MASB”) 26 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2003. The accounting policies, method of computation and basis of consolidation adopted for the interim financial statements are applied consistent with the property and development industry, the Companies Act 1965 and the Approved Accounting Standards.

With effect from 1 January 2004, the Company and the Group adopted MASB 32 for the first time. The adoption of MASB 32 has not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year. However, the Group’s comparative amounts as at 31 December 2003 have been restated:

	<b>Previously stated RM’000</b>	<b>Adjustments RM’000</b>	<b>Restated balance RM’000</b>
Land held for development properties	416,603	(1,916)	414,686
Trade receivables	61,984	1,916	63,900

The following 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 year ended 31 December 2003.

**2. AUDITORS’ REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2003**

The Auditors’ Report of the financial statements of the Company and of the Group for the year ended 31 December 2003 were not subject to any qualification.

**3. SEASONAL OR CYCLICAL FACTORS**

The Group’s business operations are not seasonal but cyclical in nature, which is dependent on the economic conditions in Malaysia.

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

**4. UNUSUAL ITEMS**

During the current quarter, the Company implemented the write off of the accumulated losses as at 16 April 2003 amounted RM302.306 million against its share premium account. The Securities Commission had approved the reduction in the share premium account on 4 April 2002 whilst the shareholders of the Company approved it on 30 December 2002 and 30 June 2004. The High Court's approval was granted on 9 December 2003.

Other than the above, there were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review because of their nature, size, or incidence.

**5. CHANGES IN ESTIMATES**

There were no changes in estimates of amounts reported in previous quarters of the current financial year or changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter, except those covered under note 13.

**6. DEBTS AND EQUITY SECURITIES**

There were no issuances and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2004.

**7. DIVIDENDS**

No dividends are recommended, have been declared, or have been paid during the financial quarter and year to-date ended 30 June 2004.

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

**8. SEGMENTAL REPORTING**

**Analysis by Activities**

	<b>Turnover</b>		<b>Profit/Loss before</b>	
	<b>Year To Date</b>		<b>Taxation</b>	
	<b>30.06.04</b>	<b>30.06.03</b>	<b>30.06.04</b>	<b>30.06.03</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property development	14,048	8,710	(1,598)	(8,108)
Construction	12,229	18,778	(6,011)	113
Hospitality	-	7,839	-	(2,146)
	<u>26,277</u>	<u>35,327</u>	<u>(7,609)</u>	<u>(10,141)</u>
Share of results of associated company	-	172	-	172
Consolidation adjustment	(805)	(1648)	(78)	(57,741)
	<u>25,472</u>	<u>33,851</u>	<u>(7,687)</u>	<u>(67,710)</u>
Unallocated corporate expenses	-	-	(1,764)	78,743
Interest expense	-	-	(294)	(672)
	<u>25,472</u>	<u>33,851</u>	<u>(9,745)</u>	<u>10,361</u>

No segmental reporting on geographical location is prepared as the Group's activities are carried out in Malaysia.

**9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2003.

**10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD**

There were no material events subsequent to the end of the current quarter that have not been reflected in the quarterly financial statements.

**11. GROUP COMPOSITION**

There were no material changes in the composition of the Group during the financial quarter under review.

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

**12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

Contingent liabilities of the Group comprise the following:

	<b>31.03.04</b>	<b>31.03.03</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given by the Company for facilities granted to a subsidiary	6,567	-
Performance bond issued by subsidiaries involved in construction activities	*4,979	-

\* The amount of performance bonds has been reduced to RM4.979 million from preceding quarter of RM7.923 million. The reduction was due to the expiration and the surrender of performance bonds.

**13. REVIEW OF PERFORMANCE**

	<b>Current quarter 30.06.04 RM'000</b>	<b>Preceding quarter 30.03.04 RM'000</b>	<b>Previous year corresponding quarter 30.06.03 RM'000</b>	<b>6 months ended 30.06.04 RM'000</b>	<b>6 months ended 30.06.03 RM'000</b>
Turnover	8,284	17,188	25,997	25,472	33,851
Profit/Loss) after taxation	(9,148)	(720)	12,787	(9,868)	10,361

(i) Comparison with previous corresponding quarter and financial period

The lower turnover for the current quarter as compared to the previous corresponding quarter was mainly due to lower sale of houses and lower construction billings. The lower sale of houses was the result of the soft property market conditions whilst the lower construction billings were the result of existing construction contracts nearing completion.

The turnover for the 6 months ended 30 June 2004 was lower than the previous corresponding period as the turnover in the previous period included hospitality activities that were disposed of in April 2003.

The loss after taxation of the Group in the current quarter and for the 6 months ended 30 June 2004 was mainly due to increase in cost of sales for development project and recognition of loss, both actual and foreseeable losses on construction contracts that have been completed and nearing completion. In addition, the profit after taxation in the previous year corresponding quarter and financial period included the gain of disposal of subsidiaries.



**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

(ii) Comparison with the preceding quarter

The lower turnover in the current quarter as compared to the preceding quarter was mainly due to lower sale of houses and lower construction billings. The lower sale of houses was the result of the soft property market conditions whilst the lower construction billings were the result of existing construction contracts nearing completion.

The increase in loss after taxation for the current quarter as compared to the preceding quarter was mainly due to increase in cost of sales for development project and recognition of loss, both actual and foreseeable losses on construction contracts that have been completed and nearing completion.

**14. CURRENT YEAR PROSPECTS**

The Group's performance for the current financial year is expected to be moderate.

For property development, the Group is focusing on selling and completion the existing projects. No new projects are expected to be launch n 2004. Barring any unforeseen circumstances, the next launch of products is expected in the first quarter of 2005.

For construction, the Group remain focus on completing existing uncompleted construction contracts and provision of maintenance work on contracts under defect liability period.

The Group continues to seek new opportunities for its core businesses i.e. property development and construction to further expand its future earnings.

**15. PROFIT FORECAST**

The Group has not provided any profit forecast in a public document.

**16. TAXATION**

	<b>Current year quarter 30.06.2004 RM'000</b>	<b>6 months cumulative to date 30.06.2004 RM'000</b>
<b>Income tax expense</b>		
Current year	32	(123)
	<u>32</u>	<u>(123)</u>

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

Current year taxation was due to deferred tax at Group level resulting from charge out of land cost.

**17. UNQUOTED INVESTMENTS AND PROPERTIES**

There were no purchases or sales of unquoted investments and properties for the current quarter and financial year to date.

**18. QUOTED INVESTMENTS**

There were no purchase or sale of quoted securities for the current quarter and financial year to date.

There were no investments in quoted securities as at the end of the current quarter.

**19. STATUS OF CORPORATE PROPOSALS**

The status of corporate exercise announced but not completed is set out below.

The proposed capitalisation and issuance of 4,999,998 new ordinary shares of RM1.00 each in Langkawi Airport Hotel Sdn Bhd ("LAH"), a wholly owned subsidiary of the Company ("Proposed Capitalisation") has been approved by the shareholders of the Company on 30 December 2003. The completion of the Proposed Capitalisation is now pending the necessary approvals needed to be obtained by Ekran Berhad, the proposed subscriber of the new shares in LAH to be issued.

**20. BORROWINGS AND DEBT SECURITIES**

Details of the Group's borrowings as at 30 June 2004 are as follows:

	<b>Current RM'000</b>	<b>Non current RM'000</b>
Bridging loans (secured)*	7,867	15,233
Hire purchase liabilities	79	273
Total	<u>7,946</u>	<u>15,506</u>

\* As at 30 June 2004, a total loans of RM23.1 million was drawdown from the total facilities of RM35 million bridging loan under the Principle of Bai'bithaman Ajil with Bank Kerjasama Rakyat Malaysia Bhd. Approximately RM7.9 million of the drawdown amount is due and payable within 12 months.

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

**21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off-balance sheet financial instruments.

**22. MATERIAL LITIGATION**

<b>Case No./Parties</b>	<b>Remarks and status</b>
1 <u>Industrial Court Case No. 7/4-381/97</u>  Granite Industries Berhad ("GIB") (Delima Resort Langkawi) vs Mr Mohanadas a/l C.K. Kumaran	This legal case is in relation to termination of employment.  The case was struck out on 9 June 2004.
2 <u>Kuala Lumpur High Court No. D7-22-2202-01</u>  Gerak Reka Aktiek Sdn Bhd vs GIB	The legal case is in relation to a claim for professional fees on work done in respect of a proposed condominium and townhouse project on Lots 1852 and 1853, Mukim Ampang, Kuala Lumpur. The plaintiff is claiming RM400,000 plus costs.  On 5 April 2004, the Senior Assistant Registrar directed that the case file be transferred to the Civil Division from the Commercial Division of the Kuala Lumpur High Court. As at the date hereof, no hearing date has been fixed.
3 Kuala Lumpur High Court No. D7-22-1299-99  GIB vs Malayan Banking Berhad ("MBB")	The legal case is in relation to the a claim of RM2,674,828.83 plus costs and interest made by GIB against MBB.  Awaiting date for hearing of MBB's appeal at the High Court of Appeal.

These above three (3) legal matters are the continuing responsibility of Diamond League Sdn Bhd pursuant to the Deed of Sale cum Trust Deed dated 26 April 2002 entered with the Company. Since the cases have been taken up under the Company's name, it is therefore prudent to make the necessary provisions. Full provision of potential liabilities has been made in the financial statements for items 1 and 2. The outcome of the legal cases will not have any effect on the financial position of the Company.

**NOTES TO 2ND QUARTER FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2004**

<b>Case No./Parties</b>	<b>Remarks and status</b>
4 <u>Johor Bahru High Court No. 24-2894-2003(4)</u>  Tebrau Bay Sdn Bhd (“TBSB”) vs United Victoria Sdn Bhd and Kong Sun Enterprise Sdn Bhd	This legal case is in relation to a claim of RM12.6 million by TBSB, a wholly owned subsidiary of the Company, against the Defendants in respect of the sale of 51% equity interest in Asset Nusantara Development Sdn Bhd to the Defendants.  Awaiting the hearing date.
5 On 22 November 2003, the Company issued a letter of demand to MDSB Sdn Bhd for the balance of the purchase price of RM25 million which was due on 15 October 2003 pursuant to the Deed of Sale cum Trust Deed dated 26 April 2002 (as supplemented by a Supplemental Deed of Sale cum Trust Deed dated 15 April 2003)	The Board of Directors has instructed its solicitors to commence legal action against MDSB Sdn Bhd to recover the sum.

**23. EARNINGS/(LOSS) PER SHARE**

The basic earnings/(loss) per share for the financial period has been calculated based on the Group’s earnings/(loss) after taxation and dividend by the 669,727,143 ordinary shares of RM0.50 each in issue during the financial period. There have been no dividends paid in the current period to date and in the prior year.