

**TEBRAU TEGUH BERHAD****INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2004****CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 30.09.04 RM'000	Previous year corresponding quarter 30.09.03 RM'000	9 months ended 30.09.04 RM'000	9 months ended 30.09.03 RM'000
Revenue	6,614	58,059	32,086	91,910
Other operating income	753	405	2,914	5,659
Operating expenses	(20,770)	(55,696)	(57,855)	(83,941)
Profit/(Loss) from operations	(13,403)	2,768	(22,855)	13,628
Finance costs	(24)	(194)	(319)	(866)
Share of results of associated companies	-	44	-	217
Profit/(Loss) before taxation	(13,428)	2,618	(23,173)	12,979
Taxation	462	(870)	339	(977)
Profit/(Loss) after taxation	(12,966)	1,748	(22,835)	12,002
Minority interest	-	-	-	-
Net profit/(loss) for the period	(12,966)	1,748	(22,835)	12,002

EARNINGS/(LOSS) PER SHARE

Basic (sen)	(1.94)	0.26	(3.41)	1.79
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.

TEBRAU TEGUH BERHAD
(Company No. 8256-A)

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited as at 30.09.04 RM'000	Audited as at 31.12.03 RM'000
NON-CURRENT ASSETS		
Property, plant and machinery	4,401	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
	196,339	195,801
CURRENT ASSETS		
Development properties	411,197	416,603
Trade receivables	34,614	61,984
Other receivables	27,017	26,738
Cash and bank balances	6,779	10,416
	479,607	515,742
CURRENT LIABILITIES		
Trade payables	32,406	53,294
Other payables	3,194	8,848
Borrowings	7,054	7,095
Tax payable	(508)	671
	42,146	69,909
NET CURRENT ASSETS		
	437,461	445,833
	633,800	641,634
FINANCED BY:		
Share capital	334,864	334,864
Reserves	141,863	164,698
Shareholders' equity	476,727	499,562
NON-CURRENT LIABILITIES		
Borrowings	15,939	349
Deferred taxation	141,134	141,723
	633,800	641,634
Net tangible assets per share (RM)	0.71	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.

TEBRAU TEGUH BERHAD
(Company No. 8256-A)

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
At 1 January 2003	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
At 31 December 2003	334,864	528,127	-	(363,429)	499,562
At 1 January 2004	334,864	528,127	-	(363,429)	499,562
Net loss for the period	-	-	-	(22,835)	(22,835)
Accumulated losses written off against share premium account	-	(302,306)		302,306	-
At 30 September 2004	334,864	225,821	-	(83,957)	476,727

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.

TEBRAU TEGUH BERHAD
(Company No. 8256-A)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	9 months ended 30.09.04 RM'000	9 months ended 30.09.03 RM'000
Net cash used in operating activities	(18,181)	(101,013)
Net cash generated from/(used in) investing activities	(687)	92,239
Net cash generated from financing activities	15,231	12,068
Net increase/(decrease) in cash and cash equivalents	(3,637)	3,293
Cash and cash equivalents at beginning of year	10,416	4,606
Cash and cash equivalents at the end of quarter	6,779	7,899

Cash and cash equivalents comprise:

Cash and bank balances	6,624	7,809
Deposit with licensed banks	155	90
	6,779	7,899

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

TEBRAU TEGUH BERHAD
 (Company No. 8256-A)
 NOTES TO 3RD QUARTER FINANCIAL REPORT
 FOR THE PERIOD ENDED 30 SEPTEMBER 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 development and construction industries, 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 as follows:

	Previously stated as at 31 Dec 2003 RM’000	Adjustments RM’000	Restated balance as at 31 Dec 2003 RM’000
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.

4. UNUSUAL ITEMS

During the 2nd quarter 2004, the Company implemented the write off of the accumulated losses as at 16 April 2003 amounted RM302.306 million against its

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

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 September 2004.

7. DIVIDENDS

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

8. VALUATION OR 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.

9. 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.

10. GROUP COMPOSITION

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

11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

Contingent liabilities of the Group comprise the following:

	30.09.04	30.09.03
	RM'000	RM'000
Corporate guarantees given by the Company for facilities granted to a subsidiary	6,567	-
Performance bond issued by subsidiaries involved in construction activities	5,524	-

12. SEGMENTAL REPORTING

Analysis by Activities

	Turnover		Profit/Loss before	
	Year To Date		Taxation	
	30.09.04	30.09.03	30.09.04	30.09.03
	RM'000	RM'000	RM'000	RM'000
Property development	18,579	27,418	(3,524)	(8,606)
Construction	14,562	58,929	(14,142)	1,655
Hospitality		7,839	-	(2,146)
	<u>33,141</u>	<u>94,186</u>	<u>(17,666)</u>	<u>(9,097)</u>
Share of results of associated company	-	217	-	217
Consolidation adjustment	(1,055)	(2,493)	(2,669)	(55,068)
	<u>32,086</u>	<u>91,910</u>	<u>(20,336)</u>	<u>(63,948)</u>
Unallocated corporate expenses	-	-	(2,519)	77,793
Interest expense	-	-	(319)	(866)
	<u>32,086</u>	<u>91,910</u>	<u>(23,173)</u>	<u>12,979</u>

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

13. REVIEW OF PERFORMANCE

- (i) Comparison with the previous corresponding quarter and financial period

The lower turnover for the current quarter and for the 9 months ended 30 September 2004 compared to the previous year corresponding quarter and 9 months ended was mainly due to the lower sale of houses as a result of the soft property market condition and lower construction billings as a result of existing contracts nearing completion. In addition, the turnover for the previous 9 months included the turnover from the hospitality activities which were disposed of in April 2003.

The loss after taxation of the Group in the current quarter and for the 9 months ended 30 September 2004 was mainly due to recognition of actual and foreseeable losses on construction contracts that have been completed and nearing completion. In addition, the profit after taxation in the previous

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

year corresponding quarter and financial period included the gain of disposal of subsidiaries.

(ii) Comparison with the preceding quarter

The lower turnover for the current quarter as compared to the preceding quarter was mainly due to lower revenue from the construction activities. Nevertheless, the property development activities continue to contribute lower revenue due to lower sale of apartment as the result of the soft property market conditions.

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

14. PROSPECTS

The Group's performance for the current financial year is not expected to improve.

For property development, the Group is focusing on selling and completion the existing projects. New projects are being developed and expected to be launched in 2005.

Jabatan Perumahan Negara has awarded Tebrau Bay Sdn. Bhd., a wholly-owned subsidiary of the Company with a construction contract valued at RM83.75 million in October 2004 for the design, build and completion of 1,500 units of low cost flats in Taman Sri Stulang, Johor Bahru. The contribution from this contract will commence from 2005. The Group also remain focus on completion of the 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.

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

16. TAXATION

	Current year quarter 30.09.2004 RM'000	9 months cumulative to date 30.09.2004 RM'000
Income tax expense		
Malaysian Income Tax		
- previous year	248	250
- current year	-	-
Transfer to/(from) deferred taxation	(709)	(589)
	<hr/> <hr/> (461) <hr/> <hr/>	<hr/> <hr/> (339) <hr/> <hr/>

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 remain pending the necessary approvals needed to be obtained by Ekran Berhad, the proposed subscriber of the new shares in LAH to be issued.

20. BORROWING AND DEBT EQUITIES

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

	Current RM'000	Non current RM'000
Bridging loans (secured)*	6,862	15,233
Hire purchase liabilities	192	706
Total	<hr/> <hr/> 7,946 <hr/> <hr/>	<hr/> <hr/> 15,939 <hr/> <hr/>

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

As at 30 September 2004, RM23.1 million was drawdown from the total facilities of RM35 million bridging loan under the Principle of Bai'ithaman Ajil with Bank Kerjasama Rakyat Malaysia Bhd. Approximately RM6.9 million of the drawdown amount is being repay via the redemption from sale of development properties products whilst the balance of RM16.2 million is payable in 2007.

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off-balance sheet financial instruments.

22. MATERIAL LITIGATION

Case No./Parties	Remarks and status
1 <u>Kuala Lumpur High Court No. D7-22-2202-01</u> Gerak Reka Akitek 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.
2 Kuala Lumpur High Court No. D7-22-1299-99 GIB vs Malayan Banking Berhad ("MBB")	The legal case is in relation to the claim of RM2,674,828.83 plus costs and interest made by GIB against MBB. Case management has been fixed on 5 January 2005.
3 <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. The case which was fixed for hearing and decision on 8 November 2004 has been rescheduled to 21 December 2004.
4 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	The Board of Directors has instructed its solicitors to commence legal action against MDSB Sdn Bhd to recover the sum. The solicitors are preparing legal documentation to proceed with legal proceeding.

TEBRAU TEGUH BERHAD
(Company No. 8256-A)
NOTES TO 3RD QUARTER FINANCIAL REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2004

Case No./Parties	Remarks and status
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 above legal case nos. 1 and 2 are the continuing responsibility of Diamond League Sdn Bhd ("DLSB") pursuant to the Deed of Sale cum Trust Deed dated 26 April 2002 entered into between DLSB and 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 item 1. The outcome of the legal cases will not have any effect on the financial position of the Company.

23. EARNINGS AND 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.