

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Income Statements****For the financial period ended 30 April 2007***(The figures have not been audited)*

	Individual period		Cumulative period	
	Current year quarter 30-04-07	Preceding year corresponding quarter 30-04-06	Current year to-date 30-04-07	Preceding year corresponding period 30-04-06
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Revenue	22,910	71,649	22,910	71,649
Cost of sales	(14,622)	(40,675)	(14,622)	(40,675)
Gross profit	8,288	30,974	8,288	30,974
Other income	18,781	678	18,781	678
Administrative and other expenses	(13,998)	(25,625)	(13,998)	(25,625)
Loss on deconsolidation of a subsidiary	(982)	0	(982)	0
Finance costs	(14,065)	(8,788)	(14,065)	(8,788)
Share of results of jointly controlled entities	41	(7)	41	(7)
Loss before tax	(1,935)	(2,768)	(1,935)	(2,768)
Income tax credit/(expense)	2,415	(2,281)	2,415	(2,281)
Profit/(loss) for the year	480	(5,049)	480	(5,049)
Attributable to:				
Equity holders of the Company	1,096	(5,016)	1,096	(5,016)
Minority interest	(616)	(33)	(616)	(33)
	480	(5,049)	480	(5,049)
Profit/(loss) per share attributable to equity holders of the Company:				
Basic (sen)	0.17	(0.80)	0.17	(0.80)
Diluted (sen)	0.17	not applicable	0.17	not applicable

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 January 2007.

The above condensed consolidated income statements as of 30 April 2007 has been reviewed by the auditors whose report dated 26 June 2007 expressed a qualified conclusion.

TALAM CORPORATION BERHAD (1120-H)**Condensed Consolidated Balance Sheet
As at 30 April 2007**

	Unaudited as at end of current quarter 30-04-07 RM000	Audited as at preceding financial year end 31-01-07 RM000
ASSETS		
Non-current assets		
Property, plant and equipment	194,447	196,458
Land held for property development	1,159,340	1,155,469
Investment properties	84,622	84,622
Prepaid lease payments	11,648	11,821
Interest in jointly controlled entities	9,369	9,328
Other investment	76,332	76,332
Sinking funds held by trustees	1,024	6,810
Total non-current assets	<u>1,536,782</u>	<u>1,540,840</u>
Current assets		
Property development costs	1,204,491	1,202,717
Inventories	62,223	71,291
Current tax assets	4,615	4,728
Trade and other receivables	357,508	343,947
Cash and bank balances	27,727	15,282
Asset classified as held for sale	40,049	40,049
Total current assets	<u>1,696,613</u>	<u>1,678,014</u>
TOTAL ASSETS	<u>3,233,395</u>	<u>3,218,854</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	642,423	642,423
Treasury shares	(844)	(844)
Reserves	(311,363)	(313,363)
Equity attributable to equity holders of the Company	<u>330,216</u>	<u>328,216</u>
Minority interest	<u>14,275</u>	<u>14,750</u>
Total equity	<u>344,491</u>	<u>342,966</u>
Non-current liabilities		
Borrowings	144,656	144,776
Other long term payables	76,232	76,620
Deferred tax liabilities	2,211	4,116
	<u>223,099</u>	<u>225,512</u>
Current liabilities		
Provision for liabilities	110,822	130,172
Borrowings	690,565	694,250
Trade and other payables	1,238,935	1,199,924
Deferred progress billings	444,920	444,920
Current tax liabilities	180,563	181,110
	<u>2,665,805</u>	<u>2,650,376</u>
Total liabilities	<u>2,888,904</u>	<u>2,875,888</u>
TOTAL EQUITY AND LIABILITIES	<u>3,233,395</u>	<u>3,218,854</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.53</u>	<u>0.52</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 January 2007.

The above condensed balance sheet as of 30 April 2007 has been reviewed by the auditors whose report dated 26 June 2007 expressed a qualified conclusion.

TALAM CORPORATION BERHAD (1120-H)

Condensed Consolidated Statement of Changes in Equity

For the financial period ended 30 April 2007

(The figures have not been audited)

	<----- Non-Distributable Reserve ----->						Distributable			Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Capital Reserve RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Equity Component of ICULS RM'000	Reserve Retained Earnings / (Accumulated Losses) RM'000	Attributable to Equity Holders of the Company Total RM'000	Minority Interest RM'000	
At 1 February 2006	641,028	(844)	11,201	124,551	33,418	652	(489,766)	320,240	19,158	339,398
Foreign currency translation , representing net income recognised directly in equity	-	-	-	-	3,378	-	-	3,378	770	4,148
Loss for the period	-	-	-	-	-	-	(5,016)	(5,016)	(33)	(5,049)
Total recognised income and expenses for the period	-	-	-	-	3,378	-	(5,016)	(1,638)	737	(901)
Conversion of 7% ICULS 2003/2006	685	-	-	-	-	(685)	-	-	-	-
Equity component of 7% ICULS 2003/2006	-	-	-	-	-	33	-	33	-	33
At 30 April 2006	641,713	(844)	11,201	124,551	36,796	-	(494,782)	318,635	19,895	338,530
At 1 February 2007	642,423	(844)	11,201	124,551	32,414	-	(481,529)	328,216	14,750	342,966
Foreign currency translation , representing net income recognised directly in equity	-	-	-	-	904	-	-	904	141	1,045
Profit for the year	-	-	-	-	-	-	1,096	1,096	(616)	480
Total recognised income and expenses for the period	-	-	-	-	904	-	1,096	2,000	(475)	1,525
At 30 April 2007	642,423	(844)	11,201	124,551	33,318	-	(480,433)	330,216	14,275	344,491

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2007.

TALAM CORPORATION BERHAD (1120-H)

Condensed consolidated cash flow statement
For the financial period ended 30 April 2007

(The figures have not been audited)

	Current year to-date RM '000	Preceding year corresponding period RM '000
Net cash generated from operating activities	6,239	55,076
Net cash generated from/(used in) investing activities	3,179	(59,474)
Net cash generated from/(used in) financing activities	1,905	(2,048)
Net increase/(decrease) in cash and cash equivalents	<u>11,323</u>	<u>(6,446)</u>
Effects of exchange rate changes	1,045	4,148
Cash and cash equivalents at beginning of the financial year	4,098	720
Cash and cash equivalents at end of the financial period	<u>16,466</u>	<u>(1,578)</u>

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances	16,649	12,952
Deposits	<u>11,078</u>	<u>59,092</u>
	<u>27,727</u>	<u>72,044</u>
Bank overdrafts	<u>(11,261)</u>	<u>(15,005)</u>
	<u>16,466</u>	<u>57,039</u>
Less : Short term deposit restricted in use	-	(58,617)
	<u>16,466</u>	<u>(1,578)</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 January 2007.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: 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 audited financial statements for the year ended 31 January 2007.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the latest audited annual financial statements.

These 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 January 2007.

A2. Annual Audited Report

Refer to annexure attached.

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not affected by any material seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items that have material effects on the assets, liabilities, equity, net income, or cash flows for the current financial year-to-date.

A5. Material Changes in Estimates

There was no change to estimate that have a material effect in the current quarter.

A6. Debt and Equity Securities

There were no issuance and repayment of debt and equity security, share buy-back, shares cancellation during the quarter under review.

A7. Dividends

No dividends have been paid since the beginning of the current financial period.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

A8. Segment Information

	3 months ended 30 April 2007 RM'000	3 months ended 30 April 2006 RM'000
Segment Revenue		
Property Investment and Development	19,389	68,309
Hotel and Recreation	3,521	3,340
Total / External Revenue	<u>22,910</u>	<u>71,649</u>
Segment Results		
Property Investment and Development	534	(1,316)
Hotel and Recreation	(2,469)	(1,452)
Loss before tax	<u>(1,935)</u>	<u>(2,768)</u>

A9. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the latest audited annual 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 financial statements for the interim period.

A11. Changes in the Composition of The Group

There were no material changes in the composition of the Group for the current quarter and financial year-to-date save as on 28 February 2007, a subsidiary, Noble Rights Sdn Bhd has been wound-up. As such, it has been deconsolidated from the Group's financial statements.

A12. Contingent Liabilities

The Company has provided the following corporate guarantees:-

	RM'000
To financial institutions for	
- facilities granted to subsidiaries	<u>157,942</u>
To non-financial institutions for	
- facilities granted to subsidiaries	320,000
- purchase of land by subsidiaries	<u>213,206</u>

The Company has contingent liabilities of up to RM188 million pursuant to an Option Agreement entered into on 14 July 2003, correspondingly there is a contingent asset of 800 acres of land value estimated at RM200 million.

A13. Capital Commitments

The Company has a capital commitment of up to RM150 million pursuant to the Option Agreement entered on 10 January 2005 in relation to the Sukuk Al-Ijarah Issuance of RM150 million.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

The Group revenue decreased by 68.0% as compared to the corresponding quarter in the preceding year mainly attributable to lower progress billings resulting from the financial restructuring undertaken by the Group.

The Group recorded an improvement from a loss of RM5.0 million in the corresponding quarter in the preceding year to a profit of RM0.48 million in the current quarter mainly due to the reversal of provision for liquidated ascertained damages amounting to RM16.4 million of a particular project of a subsidiary where housebuyers' approval for waiver via a court convened meeting has been obtained and court sanction procured.

For the quarter under review, the total finance costs of RM14.0 million charged to the income statement include RM7.7 million arising from continued accrual of finance costs on the Group's defaulted borrowings as approval from the relevant authorities to proceed with the debt restructuring scheme as detailed out in Note B8 is pending. Should the scheme be approved and successfully implemented, these accrued finance costs would potentially be reversed in the future.

B2. Comparison with Preceding Quarter's Results

The Group recorded a pre-tax loss for the current quarter of RM1.9 million, a decrease by 111.3% from a pre-tax profit of RM17.1 million in the immediate preceding quarter mainly due to lower locked in sales resulting from substantial stalled property development projects in the Group.

B3. Prospects

During the financial year ended 31 January 2007, IJM Construction Sdn Bhd ("IJMC") was appointed as principal contractor by the Group for construction works in relation to several development projects for a total consideration of RM700 million. The appointment of IJMC is expected to enhance the income stream of the Group to help strengthen the Group's financial position and to ensure completion of the projects concerned. With the resumption of construction works, the Group would be able to sell its completed unsold units of the launched phases of the projects concerned on a build-and-sell basis.

As such, the Board of Directors is of the opinion that considering the recent developments in the Group, it is confident that there will be a better prospect for the financial year.

B4. Profit Forecast and Guarantee

This note is not applicable.

TALAM CORPORATION BERHAD (1120-H)**Interim financial report for the period ended 30 April 2007***(The figures have not been audited)***NOTES TO CONDENSED FINANCIAL STATEMENTS****B5. Income Tax Expenses**

	Current Quarter ended 30 April 2007 RM '000	3 months Cumulative to 30 April 2007 RM '000
Current tax expense	(37)	(37)
Over provision of prior year tax expense	2,452	2,452
	<u>2,415</u>	<u>2,415</u>
Loss before taxation	<u>(1,935)</u>	<u>(1,935)</u>
Effective Tax Rate	<u>N/A</u>	<u>N/A</u>

The computation of effective tax rate for the current quarter is not applicable due to the Group losses incurred by certain subsidiary companies.

B6. Disposal of Unquoted Investments and/or Properties

There is no sale of unquoted investments or properties during the quarter under review.

B7. Purchase or Disposal of Quoted Securities

There is no purchase or disposal of quoted investments during the quarter under review.

B8. Status of Corporate Proposals

The Company had on 1 September 2006 announced that it is an affected listed issuer pursuant to Practice Note No. 17/2005 of the Listing Requirements of Bursa Malaysia Securities Berhad.

In this regard, the Company's advisor, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) had on 30 April 2007 on behalf of the Company's Board of Directors submitted to the Securities Commission the following proposals to regularise its financial condition:

- (a) proposed reduction in the share capital of the Company by the cancellation of RM0.30 of the par value of each existing ordinary share of RM1.00 each in the Company ("Proposed Capital Reduction");
- (b) proposed reduction of RM124,551,076.73 in the share premium account of the Company and the credit arising therefrom to be set-off against the accumulated losses of the Company;

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B8. Status of Corporate Proposals (Contd.)

- (c) proposed share split involving the subdivision of every 1 existing ordinary share of RM0.70 each in the Company after the Proposed Capital Reduction into 3.5 new ordinary shares of RM0.20 each;
- (d) proposed restructuring and settlement of debts due and owing to the lenders of the Group, which involves, inter-alia, the:
 - (i) proposed issuance of RM286,002,000 nominal value of 5-year redeemable convertible preference shares (“RCPS”) at RM0.20 each (“Proposed RCPS Issue”);
 - (ii) proposed issuance of up to a total of RM397,344,413 nominal value of 4 classes of zero coupon 5-year redeemable convertible secured loan stocks (“RCSLS”) i.e. RCSLS-A, RCSLS-B, RCSLS-C and RCSLS-D, at 100% of their nominal values (“Proposed RCSLS Issue”);
 - (iii) proposed issuance of up to RM150,000,000 nominal value of 10-year Al-Bai Bithaman Ajil Islamic Debt Securities (“Settlement BaIDS”) at 100% of its nominal value (“Proposed Settlement BaIDS Issue”); and
 - (iv) disposal of certain assets pursuant to the Proposed Divestment Programme (as defined in (e) below)
- (e) divestment programme of the Group’s assets, the proceeds of which shall be utilised to pare down the Group’s borrowings and to raise funds for working capital purposes;
- (f) proposed assumption by the Company of the indebtedness from Ambang Sentosa Sdn Bhd (“ASSB”) in respect of the outstanding RM498.0 million nominal value of Asset-Backed Al-Bai Bithaman Ajil Islamic Debt Securities;
- (g) strategic alliance between the Company and IJM Corporation Berhad (“IJM”) vide:
 - (i) the appointment of IJM Construction Sdn Bhd, a wholly-owned subsidiary of IJM, as the principal contractor to construct and complete a majority of the Group’s stalled property development projects; and
 - (ii) the joint-venture with IJM Properties Sdn Bhd (“IJMP”), a wholly-owned subsidiary of IJM, in respect of certain property development projects whereby IJMP will be the lead driver in terms of sales and project implementation.
- (h) proposed appointment of Tan Sri Dato’ Hj Lamin Bin Hj Mohd Yunus, Mr. Loy Boon Chen, Mr. Lee Swee Seng and Puan Sri Datin Thong Nyok Choo to the Board of Directors.

The proposed RCPS and Settlement BaIDS issuance would be used to settle the obligations to ASSB.

The proposed RCSLS issuance would be used to settle the obligations to MuNIF noteholders, Maxisegar Sdn. Bhd. BaIDs holders and certain financial institutions.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B9. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 30 April 2007 are as follows:

	<u>Secured</u>	<u>Unsecured</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Short term borrowings	670,454	20,111	690,565
Long term borrowings	143,500	1,156	144,656
	<u>813,954</u>	<u>21,267</u>	<u>835,221</u>

Foreign currency borrowings included above:	Foreign	RM
	Currency	Equivalent
	'000	'000
Chinese Renminbi	<u>89,724</u>	<u>39,793</u>

B10. Off Balance Sheet Risk Financial Instruments

The Group did not contract for any financial instruments with off balance sheet risk as at the date of this announcement.

B11. Material Litigation

a) Maxisegar Sdn Bhd Vs. Silver Concept Sdn Bhd

By an agreement dated 31 March 1997 made between Silver Concept Sdn Bhd ("Silver Concept") and Maxisegar Sdn Bhd ("Maxisegar"), Silver Concept agreed to sell and Maxisegar agreed to purchase 1,142.48 acres of land in Mukim Batang Kali and in Mukim Rasa, all in the District of Ulu Selangor ("the said Agreement").

Pursuant to the said agreement, Maxisegar has paid a total sum of RM 42.071 million to Silver Concept being 10% deposit and second installment.

On 29 December 1997, Maxisegar issued a Writ in the Kuala Lumpur High Court against Silver Concept claiming the refund of RM 42.071 million paid to Silver Concept on the grounds that the said agreement has been frustrated.

Judgment was delivered in favour of Silver Concept on 7 March 2001. Maxisegar appealed to the Court of Appeal against the Judgment and on 5 May 2005, the Court of Appeal has dismissed the Appeal.

Maxisegar has filed an application to stay of execution in the Court of Appeal and subsequently further filed to Federal Court for leave to appeal together with stay of execution against the Judgment delivered by Court of Appeal on 5 May 2005.

On 8 August 2005, the Court of Appeal granted the Order for stay of execution and the application for leave to appeal in Federal Court has been dismissed by the Federal Court on 1 March 2006. Pursuant to the Federal Court's decision, Maxisegar has provided in full for the deposit and also made a provision for judgement sum of RM38.325 million.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B11. Material Litigation (Contd.)

a) Maxisegar Sdn Bhd Vs. Silver Concept Sdn Bhd (Contd.)

On 28 March 2006, Kuala Lumpur High Court has granted a Restraining Order (“RO”) pursuant to Section 176 of the Companies Act, 1965 to Maxisegar.

The RO is valid for 90 days and effective from 28 March 2006 to facilitate the convening of creditors’ meeting concerning the implementation of a proposed debt restructuring scheme.

The Restraining Order is not expected to have material financial and operational impact on the Talam Group in view that:-

- a) The Restraining Order is to facilitate the finalization of Maxisegar’s proposed restructuring scheme; and
- b) Currently the operation of Talam Group is maintained at the level sufficient to meet the outstanding and urgent requirements of the Talam Group.

On 30 May 2006, the Kuala Lumpur High Court granted an extension to the RO for a period of 180 days effective from 27 June 2006 to 27 December 2006.

On 24 November 2006, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 27 December 2006 to 26 June 2007.

On 24 May 2007, the Kuala Lumpur High Court granted a further extension to the RO for a period of 180 days effective from 27 June 2007 to 26 December 2007.

- b) The Inland Revenue Board (“IRB”) filed a Writ of Summons on 28 April 2005 against Ukay Land Sdn Bhd (“Ukay Land”) claiming RM23,800,567.01 being balance tax payable for the years 2001 and 2002.

Ukay Land’s solicitors filed the Statement of Defense on 1 July 2005.

IRB did not proceed with the case for more than a year thereafter. However, IRB served Ukay Land’s solicitors notice of intention to proceed with the suit pursuant to Order 3 Rule 6 of the Rules of High Court 1980 on 27 July 2006.

The IRB has applied for summary judgement and order in terms was granted by the Court on 13 March 2007 due to technicality issues. Ukay Land’s solicitors have since put in application to set aside the default judgement and a stay of execution on 16 April 2007.

- c) IRB has filed a Writ of Summons on 13 April 2006 against Expand Factor Sdn Bhd (“Expand Factor”) claiming RM10,186,178.16 being balance tax payable for the years 2001, 2002 and 2003. Expand Factor’s solicitors have filed a Memorandum of Appearance and are in the process of filing the Statement of Defense.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

B11. Material Litigation (Contd.)

- d) IRB has filed a Writ of Summons on 17 April 2006 against Lestari Puchong Sdn Bhd (“Lestari Puchong”) claiming RM2,061,599.89 being balance tax payable for the year 2003. Lestari Puchong’s solicitors have filed a Memorandum of Appearance. The High Court on 29 August 2006 granted a winding up order against Lestari Puchong vide Companies Winding Up Petition No. D4-28-325-2006. A Creditor of Lestari Puchong filed a stay against the Order. Lestari Puchong’s solicitors will notify IRB that they need leave of Court to proceed with the matter pursuant to Section 226(3) of the Companies Act, 1965.
- e) IRB has filed a Writ of Summons on 23 February 2006 against Alam Johan Sdn Bhd (“Alam Johan”) claiming RM96,660.82 being balance tax payable for the year 2003. Alam Johan’s solicitors have filed Appearance and Defence. IRB has since applied for summary judgement and the Court has fixed mention on 11 September 2007 pending IRB’s solicitors to file their affidavit in reply.

B12. Proposed dividend

No dividend has been declared for the current financial year to-date.

B13. Earnings Per Share

b) Basic earnings per share

The calculation of earnings per share for the quarter is based on the net profit attributable to ordinary shareholders of RM1.1 million and the weighted average number of ordinary shares outstanding net of treasury shares in hand during the quarter was 628.305 million.

b) Diluted earnings per share

There is no diluted earnings per share disclosure for the preceeding year corresponding quarter as the ICPS 2003/2008 is anti-dilutive.

B14. Authorization for Issue

The interim financial reports were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 26 June 2007.

By order of the Board

Noor Azman Bin Adnan
Company Secretary

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

ANNEXURE TO ANNUAL AUDITED REPORT

A2. Annual Audited Report

- a) The auditor had qualified on the annual audit report of the Group and of the Company for the preceding financial year as follows:
- i) As disclosed in Note 21 and 26 to the Financial Statements, investment in Irredeemable Convertible Unsecured Loan Stocks and an amount owing by VVSB is carried at cost of RM76,332,000 and RM46,359,000 respectively (collectively referred to as “total investments in VVSB”). Management has represented that the total investments in VVSB are supported by the assets held by VVSB and thus are recoverable. During the current financial year, the Group has conducted independent professional valuations on the underlying assets held by VVSB and based on the valuation conducted, the total carrying value of investment in VVSB is in excess of the fair value as determined by the independent valuers by approximately RM31,691,000. Management has not made any allowance for the shortfall in the total investment in VVSB as the directors are of the opinion that the decline in value of the underlying assets is temporary in nature and that the investment is held for long term.
 - ii) As at 31 January 2007, the Group and the Company have net current liabilities of RM972,362,000 and RM20,660,000 respectively. However, as mentioned in Note 2 to the Financial Statements, the financial statements of the Group and the Company have been prepared on the basis of accounting principles applicable to a going concern. This going concern basis presumes that the Group and the Company will be able to operate profitably in the foreseeable future and consequently, the realisation of assets and settlement of liabilities will occur in the ordinary course of business. As the date of our report, the Group and the Company have submitted a Proposed Regularisation Plan to the relevant authorities referred to in Note 44 to the Financial Statements. In the event that the Proposed Regularisation Plan is not concluded successfully, without any material modifications within the anticipated time frame, the Group and the Company may not be able to realise its assets and discharge its liabilities in the normal course of business, and the basis of preparation of the financial statements as a going concern is rendered inappropriate. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities (including corporate guarantees which may crystallise as disclosed in Note 42 to the Financial Statements) that might be necessary should the Group and the Company be unable to continue as a going concern.
- b) The auditor has qualified on the annual audit report of certain subsidiaries for the preceding financial year as follows:
- 1) Audit emphasis of matters of certain subsidiaries:
 - (i) appropriateness of going concern basis of accounting is dependent on continued financial support given by the Company.
 - (ii) ability to meet obligation under the Sukuk al-Ijarah is dependent on the timely rental payments by its related companies and a third party.

TALAM CORPORATION BERHAD (1120-H)

Interim financial report for the period ended 30 April 2007

(The figures have not been audited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

A2. Annual Audited Report (Contd.)

- 2) Disclaimer of opinion on certain subsidiaries based on the following reasons:
 - (i) suffered significant losses during the year.
 - (ii) was in a capital deficiency position.
 - (iii) prepared the financial statements under the going concern basis of accounting despite doubt as to their ability to operate as a going concern.
 - (iv) defaulted on the repayment of loans and interests.
- 3) Except for opinion for certain subsidiaries:
 - (i) The auditors reported that they are unable to verify the completeness of the development costs of a development property amounting to RMB110.253 million (equivalent to RM50.186 million) as the construction of the said development property is incomplete. The directors based on the available market information are of the opinion that there is no diminution in the value of the above development properties.
 - (ii) The auditors reported that they have not obtained sufficient evidence to satisfy themselves whether impairment losses on the investment in and amount due from subsidiaries and associates in the financial statements are appropriate.
 - (iii) same as (a)(i), (b)(1)(i).