

TANJONG public limited company

(Incorporated in England 1926 – No. 210874)
(Registered as a foreign company in Malaysia – No. 990903-V)

QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Condensed Group Income Statement

<i>in RM'000</i>	Note	3 months ended		6 months ended	
		31-Jul-06 (Unaudited)	31-Jul-05	31-Jul-06 (Unaudited)	31-Jul-05
Gross transaction value	8	<u>968,283</u>	<u>800,348</u>	<u>1,924,353</u>	<u>1,644,737</u>
Revenue	8	596,664	505,669	1,149,734	1,023,258
Operating costs	27	(426,833)	(335,927)	(791,780)	(702,232)
Operating profit	8	<u>169,831</u>	<u>169,742</u>	<u>357,954</u>	<u>321,026</u>
Net investment income/(charge)		2,050	1,631	17,164	(1,681)
Finance costs		(73,763)	(33,606)	(136,586)	(66,065)
Interest income		15,040	14,975	30,314	25,420
Finance costs - net		(58,723)	(18,631)	(106,272)	(40,645)
Share of post tax results from joint ventures and associate		(6,660)	7,254	(6,493)	8,350
Profit before taxation		<u>106,498</u>	<u>159,996</u>	<u>262,353</u>	<u>287,050</u>
Taxation	18	(25,767)	(44,696)	(53,563)	(90,081)
Profit after taxation		<u>80,731</u>	<u>115,300</u>	<u>208,790</u>	<u>196,969</u>
Attributable to:					
Tanjong's shareholders		78,766	117,744	205,755	201,829
Minority interests		1,965	(2,444)	3,035	(4,860)
		<u>80,731</u>	<u>115,300</u>	<u>208,790</u>	<u>196,969</u>
Earnings per share (sen)	26				
- Basic / Diluted		<u>19.5</u>	<u>29.2</u>	<u>51.0</u>	<u>50.0</u>

The condensed group income statement should be read in conjunction with the Group's annual financial statements for the year ended 31 January 2006.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Condensed Group Balance Sheet

<i>in RM'000</i>	As at 31-Jul-06 (Unaudited)	As at 31-Jan-06 (Audited)
ASSETS		
Non-current assets		
Intangible assets	49,130	49,130
Property, plant and equipment	2,792,931	2,896,184
Lease receivables	3,040,722	-
Investment property	470,000	470,000
Investments in joint ventures and associate	48,450	58,414
Deferred income tax assets	45,034	45,382
Available-for-sale financial assets	387,772	400,483
Derivative financial instruments	1,435	2,183
	6,835,474	3,921,776
Current assets		
Inventories	256,945	140,002
Trade and other receivables	389,849	337,669
Held-for-trading financial assets	2,281	3,438
Available-for-sale financial assets	25,354	43,535
Short term placements	942,917	1,319,480
Cash at bank and in hand	146,637	29,778
	1,763,983	1,873,902
Total Assets	8,599,457	5,795,678
LIABILITIES		
Current liabilities		
Trade and other payables	431,255	372,113
Borrowings	336,092	459,125
Current income tax liabilities	36,641	19,693
	803,988	850,931
Non-current liabilities		
Borrowings	4,055,869	1,654,630
Other non-current liabilities	77,921	6,803
Deferred income tax liabilities	733,249	494,346
	4,867,039	2,155,779
Total Liabilities	5,671,027	3,006,710
NET ASSETS	2,928,430	2,788,968
EQUITY		
Paid up share capital	146,107	146,107
Share premium account	240,808	240,808
Fair value reserve	103,561	101,951
Hedging reserve	31,854	-
Currency translation reserve	(3,232)	14,394
Retained earnings	2,302,546	2,166,473
Total shareholders' equity	2,821,644	2,669,733
Minority interests in equity	106,786	119,235
TOTAL EQUITY	2,928,430	2,788,968
Net Tangible Assets per share (RM)	6.88	6.50
Net Assets per share (RM)	7.26	6.92

The condensed group balance sheet should be read in conjunction with the Group's annual financial statements for the year ended 31 January 2006.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Condensed Group Cash Flow Statement

<i>in RM'000</i>	Note	6 months ended	
		31-Jul-06	31-Jul-05 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	28	371,885	373,232
Malaysian and other taxes paid		(51,274)	(57,365)
Net cash generated from operating activities		<u>320,611</u>	<u>315,867</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,201)	(64,970)
Proceeds from sale of property, plant and equipment		74	246
Construction of a resort		-	(15,533)
Net investment in joint ventures		(520)	(415)
Purchase of Available-for-sale financial assets and Held-for-trading investments		(9,217)	(80,676)
Proceeds from sale of Available-for-sale financial assets, Held-for-trading investments and derivative financial instruments		46,931	90,504
Net repayment/(investment) in an associate		260	(9,235)
Sales proceeds from disposal of an associate		-	4,295
Sales proceeds from disposal of subsidiaries		6,040	-
Acquisition of subsidiaries		(769,470)	-
Dividend income received		3,154	853
Interest received		32,809	27,664
Net cash used in investing activities		<u>(704,140)</u>	<u>(47,267)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,184,917	24,347
Repayment of borrowings		(863,375)	(7,500)
Dividends paid to Company's shareholders		(69,683)	(163,238)
Dividends paid to Minority interests		(15,480)	-
Interest paid		(115,653)	(66,863)
Net cash generated from/(used in) financing activities		<u>120,726</u>	<u>(213,254)</u>
Currency translation differences		<u>3,099</u>	<u>(3,104)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(259,704)</u>	<u>52,242</u>
Cash and cash equivalents at start of the period		1,349,258	1,177,126
Cash and cash equivalents at end of the period		<u>1,089,554</u>	<u>1,229,368</u>
Cash and cash equivalents			
Short term placements		942,917	1,210,767
Cash at bank and in hand		146,637	18,601
		<u>1,089,554</u>	<u>1,229,368</u>

The condensed group cash flow statement should be read in conjunction with the Group's annual financial statements for the year ended 31 January 2006.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Condensed Group Statement of Changes in Equity

in RM'000	Attributable to Equity Holders of Company							Total Equity	
	Paid Up Share Capital	Share Premium	Fair value Reserve	Hedging Reserve	Translation Reserve	Retained Earnings	Minority Interests	31-Jul-06 (Unaudited)	31-Jul-05
Balance as at 1 February	146,107	240,808	101,951	-	14,394	2,166,473	119,235	2,788,968	2,590,823
Movements during the period:									
Net profit for the period	-	-	-	-	-	205,755	3,035	208,790	196,969
Fair value gains on Available-for-sale financial assets	-	-	1,610	-	-	-	-	1,610	8,362
Cash flow hedges	-	-	-	31,854	-	-	-	31,854	-
Dividends	-	-	-	-	-	(69,682)	-	(69,682)	(163,238)
Realised exchange differences transferred to income statement upon disposal of subsidiaries	-	-	-	-	(13,095)	-	-	(13,095)	-
Exchange differences on foreign currency net investments	-	-	-	-	(4,531)	-	(4)	(4,535)	6,186
Dividend paid to Minority interests	-	-	-	-	-	-	(15,480)	(15,480)	-
Balance as at 31 July	<u>146,107</u>	<u>240,808</u>	<u>103,561</u>	<u>31,854</u>	<u>(3,232)</u>	<u>2,302,546</u>	<u>106,786</u>	<u>2,928,430</u>	<u>2,639,102</u>

The condensed group statement of changes in equity should be read in conjunction with the Group's annual financial statements for the year ended 31 January 2006.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

1. Basis of preparation

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in *Financial Reporting Standard (FRS) 134 - "Interim Financial Reporting"* issued by the Malaysian Accounting Standards Board and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 January 2006.

Tanjong's interim financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") (including the applicable International Accounting Standards ("IAS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations) issued and effective or issued and early adopted as at the time of preparing these statements.

The introduction of IFRS has resulted in a redefinition of Numbers Forecast Operations ("NFO") revenue in line with the revised accounting definition for gaming revenue within the UK gaming industry. Gaming transactions are now viewed as financial instruments falling within the ambit of *IAS 39 - "Financial Instruments: Recognition and Measurement"* ("*IAS 39*") which requires the resulting revenue to be disclosed at fair value, namely net of prize payouts. Accordingly, NFO revenue previously reported as gross sales proceeds is now reported net of prize payouts.

The accounting policies applied subsequent to the Group's annual audited financial statements for the year ended 31 January 2006 are in relation to the acquisition of two power plants in Egypt on 2 March 2006.

The power purchase agreements ("PPA") governing the Group's Egyptian operations require the power plants to be transferred back to the Egyptian Electricity Holding Company ("EEHC") upon expiry of the PPA under a build, operate and transfer arrangement thereby transferring substantially all the risks and rewards incidental to the ownership of the plant to EEHC. As such, the aforementioned arrangement, which is deemed to contain a lease element, is required to be accounted for in accordance with *IFRS adopted IAS 17 - "Leases"* as a finance lease, as the arrangement meets the required criteria of a finance lease in the Standard.

Accordingly, the present value of the lease payments, which is the contracted capacity payment due from EEHC, is classified as finance lease receivables in the Balance Sheet at an amount equal to the net investment in the lease.

Finance lease income is recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return on the outstanding finance lease receivable.

Energy payments from EEHC are recognised as revenue as and when the contracted power is delivered.

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Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

2. Qualification of preceding annual financial statements

There was no audit qualification to the preceding annual audited financial statements of the Group.

3. Seasonal / cyclical factors

The principal business operations of the Group are not materially affected by seasonal or cyclical factors.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the period under review.

5. Material changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in the prior financial years.

6. Movements in debt and equity securities

6.1 Issuance and repayment of debt securities

Except as disclosed in the Quarterly Report for the quarter ended 30 April 2006, there was no issuance and repayment of debt securities for the quarter under review.

6.2 Issuance of equity securities

There was no issuance of equity securities for the period under review.

7. Dividend paid

	Gross per ordinary share	Paid on
Fourth interim dividend for FY 31 January 2006	12.0 sen	5 May 2006
First interim dividend for FY 31 January 2007	12.0 sen	28 July 2006

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

8. Segmental results

(a) Primary reporting format – business segments

<i>in RM' 000</i>	Power Generation	Gaming	Property Investment	Liquefied Petroleum Gas	Leisure	Others	Group
Period ended 31 July 2006							
Gross transaction value*							<u>1,924,353</u>
Revenue							
Total revenue	810,735	274,025	29,349	7,160	34,820	-	1,156,089
Inter-segment elimination	-	-	(6,355)	-	-	-	(6,355)
External revenue	<u>810,735</u>	<u>274,025</u>	<u>22,994</u>	<u>7,160</u>	<u>34,820</u>	<u>-</u>	<u>1,149,734</u>
Results							
Operating profit/(loss)	332,593	38,168	19,638	(691)	(29,110)	(2,644)	357,954
Net investment income							17,164
Finance costs	(123,939)	-	(3,348)	-	(4,919)	(4,380)	(136,586)
Interest income							30,314
Share of post tax results from							
- joint ventures	3,550	(11,478)	-	-	1,379	-	(6,549)
- associate	-	-	-	-	-	56	56
	<u>3,550</u>	<u>(11,478)</u>	<u>-</u>	<u>-</u>	<u>1,379</u>	<u>56</u>	<u>(6,493)</u>
Profit before taxation							<u>262,353</u>
Taxation							<u>(53,563)</u>
Profit after taxation							<u>208,790</u>
Other segment items							
Capital expenditure	6,006	3,414	84	-	2,700	1,424	13,628
Depreciation	107,439	4,547	462	-	11,869	437	124,754
As at 31 July 2006							
Segment assets	6,112,121	136,490	480,315	-	327,487	59,504	7,115,917
Joint ventures and associate	10,976	5,332	-	-	30,713	1,429	48,450
Unallocated assets							1,435,090
Total assets							<u>8,599,457</u>
Segment liabilities	352,348	89,110	22,657	-	36,205	8,858	509,178
Borrowings	3,770,740	-	120,000	-	331,666	169,555	4,391,961
Unallocated liabilities							769,888
Total liabilities							<u>5,671,027</u>

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Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

8. Segmental results (continued)

(a) Primary reporting format – business segments (continued)

<i>in RM' 000</i>	Power Generation	Gaming	Property Investment	Liquefied Petroleum Gas	Leisure	Others	Group
Period ended 31 July 2005							
Gross transaction value*							<u>1,644,737</u>
Revenue							
Total revenue	550,393	375,915	36,162	15,087	53,839	-	1,031,396
Inter-segment elimination	-	-	(8,138)	-	-	-	(8,138)
External revenue	<u>550,393</u>	<u>375,915</u>	<u>28,024</u>	<u>15,087</u>	<u>53,839</u>	<u>-</u>	<u>1,023,258</u>
Results							
Operating profit/(loss)	204,843	120,349	27,573	(547)	(32,066)	874	321,026
Net investment charge							(1,681)
Finance costs	(53,483)	-	(3,751)	-	(4,104)	(4,727)	(66,065)
Interest income							25,420
Share of post tax results from							
- joint ventures	5,470	-	-	-	2,227	-	7,697
- associate	-	-	-	-	-	653	653
	<u>5,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,227</u>	<u>653</u>	<u>8,350</u>
Profit before taxation							<u>287,050</u>
Taxation							<u>(90,081)</u>
Profit after taxation							<u>196,969</u>
Other segment items							
Capital expenditure	57,627	6,758	304	52	15,533	229	80,503
Depreciation	102,492	3,600	451	-	15,427	372	122,342
As at 31 July 2005							
Segment assets	2,943,695	133,131	492,127	8,554	311,402	35,387	3,924,296
Joint ventures and associate	5,888	21	-	-	30,252	3,799	39,960
Unallocated assets							<u>1,681,600</u>
Total assets							<u>5,645,856</u>
Segment liabilities	139,820	99,891	24,912	6,395	27,829	25,664	324,511
Borrowings	1,585,000	-	135,000	-	294,041	164,825	2,178,866
Unallocated liabilities							<u>503,377</u>
Total liabilities							<u>3,006,754</u>

* Gross transaction value represents gross sales proceeds for the NFO and revenue from other operations. NFO revenue, previously reported as gross sales proceeds, is now reported net of prize payouts in accordance with IAS 39. The impact to the disclosure of revenue is detailed below:

<i>in RM'000</i>	6 months ended	
	31-July-06	31-July-05
NFO gross sales proceeds	1,043,297	988,555
RTO revenue	5,347	8,839
Revenue from Other Operations	<u>875,709</u>	<u>647,343</u>
Gross transaction value	<u>1,924,353</u>	<u>1,644,737</u>
Less : NFO prize payouts	<u>(774,619)</u>	<u>(621,479)</u>
Revenue as presented above	<u>1,149,734</u>	<u>1,023,258</u>

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

8. Segmental results (continued)

(a) Primary reporting format – business segments (continued)

Operating profit of the Gaming segment is analysed as below:-

<i>in RM'000</i>	6 months ended	
	31-July-06	31-July-05
Gaming operating profit/(loss)		
NFO	42,237	126,192
RTO	(4,069)	(5,843)
	<u>38,168</u>	<u>120,349</u>

(b) Secondary reporting format – geographical segments

Gaming and Property Investment segment are located in Malaysia. Liquefied Petroleum Gas (“LPG”) is in China, Tropical Islands is in Germany. Power Generation segment is located in Malaysia and Egypt.

<i>in RM' 000</i>	Malaysia	Egypt	Federal Republic of Germany	Other countries	Group
Period ended 31 July 2006					
Total external revenue	837,647	270,107	34,820	7,160	1,149,734
Total capital expenditure	10,928	-	2,700	-	13,628
As at 31 July 2006					
Segment assets	3,436,892	3,293,513	327,487	58,025	7,115,917
Joint ventures and associate					48,450
Unallocated assets					1,435,090
Total assets					<u>8,599,457</u>
Period ended 31 July 2005					
Total external revenue	954,332	-	53,839	15,087	1,023,258
Total capital expenditure	64,918	-	15,533	52	80,503
As at 31 July 2005					
Segment assets	3,559,764	-	311,402	53,130	3,924,296
Joint ventures and associate					39,960
Unallocated assets					1,681,600
Total assets					<u>5,645,856</u>

Segment revenue from external customers is based on the country in which the customer is located whereas the total carrying amount of assets and capital expenditure is allocated based on the location of the assets.

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Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

9. Valuations of property, plant and equipment

The fair value of the investment property as at 31 January 2006 has been assessed internally by the Group at RM470 million.

10. Material events subsequent to the end of the financial period

There have been no material events subsequent to the end of the financial period.

11. Changes in the composition of the Group

Tanjong Energy Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had on 18 May 2006, acquired the entire issued and paid-up capital of Global Energy Services N.V (formerly known as Corinthian Holdings N.V.), comprising 6,000 shares of USD1.00 each at a total consideration of USD6,000, thus making it a wholly-owned subsidiary of the Company.

Apart from the above and as reported in the previous quarter, there were no changes in the composition of the Group during the quarter under review.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

12. Commitments and contingencies

12.1 Capital commitments as at 31 July 2006

	RM million
Authorised and contracted	228
Authorised and not contracted	138
Analysed as follows:	
Investment commitments	(i) 221
Tropical Islands project capital expenditure	95
Others	50
	<u>366</u>

- (i) Represents mainly the Group's equity contribution commitment in the Taweelah B project.

12.2 Contingencies

As at 31 July 2006, the Group has provided the following guarantees and indemnities in favour of:

- (a) a financial institution in Abu Dhabi in respect of a bank guarantee issued to Abu Dhabi Water and Electricity Company pursuant to the Power and Water Purchase Agreement in relation to Taweelah B Independent Water and Power Project in Abu Dhabi, United Arab Emirates ("Project Taweelah") up to the maximum amount of AED44.32 million (an equivalent of RM44.48 million);
- (b) a financial institution and Taweelah United Power Company in respect of Pendekar Power (Labuan) Ltd's required capital contribution in Project Taweelah, up to the maximum amount of AED198.6 million (an equivalent of RM199.33 million);
- (c) a financial institution in respect of the USD100 million (an equivalent of RM368.75 million) standby letters of credit/bank guarantee facility obtained by Kuasa Nusajaya (L) Ltd ("KNL") pursuant to its acquisition of two power generating companies, Suez Gulf Power SAE ("Suez Gulf") and Port Said East Power SAE ("Port Said") and an operating company, Egyptian Operating Company SAE from EDF International SA in Egypt ("Acquisition"); and
- (d) a financial institution of up to USD33 million (an equivalent of RM121.69 million) in relation to a standby letter of credit facility obtained by KNL pursuant to the Acquisition.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part A Explanatory notes in compliance with reporting requirements of FRS 134 - Interim Financial Reporting

13. Significant related party disclosures

The following is a summary of material transactions which have been contracted in the ordinary course of business and on normal commercial terms between the Group and companies that are associated with:

- (i) The trustee of the trust that is associated with the family of Ananda Krishnan Tatparanandam and foundations including those for charitable purposes (“the Trust”); and
- (ii) Ananda Krishnan Tatparanandam and his family.

The trustee of the Trust is the controlling shareholder of the Company as defined by the United Kingdom Financial Services Authority Listing Rules.

<i>in RM'000</i>	6 months ended	
	31-July 06	31-July -05
<i>Income credited to the Group income statement</i>		
Lease rental and tenant service revenue	12,883	18,302
Management services revenue	1,028	116
Others	112	127
	<u>14,023</u>	<u>18,545</u>
<i>Recovery of expenses and shared overhead costs</i>	<u>4,321</u>	<u>4,177</u>
<i>Expenses charged to the Group income statement</i>		
Consultancy services	7,875	7,875
Provision of gas, electricity and water supplies	3,324	3,246
Closed circuit television broadcasting services	1,711	1,275
Technical advisory, operations & maintenance services	1,644	2,500
Telecommunication and related services	960	984
Bloodstock management, service fees, accounting & clerical services	809	717
Sponsorship of events	482	190
Sub-tenancy of premises	261	357
Connection and transaction fees	150	250
Software support and license fees	-	385
Equipment lease rentals	-	140
Other services	270	138
	<u>17,486</u>	<u>18,057</u>

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 JULY 2006

Part B Explanatory notes in compliance with Bursa Securities Listing Requirements (Part A of Appendix 9B)

14. Review of performance

14.1 Material factors affecting current quarter's results

Group revenue for the current quarter increased by RM91 million to RM597 million over the corresponding quarter in the previous year (“corresponding quarter”) mainly due to the maiden contribution from the Egyptian power plants following the completion of their acquisition on 2 March 2006.

The current quarter's profit before tax of RM106 million was lower by RM53 million as compared to the profit before tax for the corresponding quarter mainly due to a significant increase in the NFO prize payout from 62% to 74% in the Gaming segment in the current quarter.

14.2 Material factors affecting financial year to date results

Group revenue has increased by RM127 million from RM1,023 million in the corresponding period in the previous year (“corresponding period”) to RM1,150 million in the current six month period (“current period”). Group operating profit is higher by RM37 million at RM358 million.

Power Generation's revenue increased by 48% from RM550 million to RM811 million in the current period mainly due to the maiden contribution from the Egyptian power plants following the completion of the acquisition of these plants on 2 March 2006. The higher revenue has in turn contributed primarily to the increase of the segment's operating profit by RM128 million or 62% to RM333 million in the current period.

As explained in Notes 1 & 8, revenue from the NFO business is now disclosed after deduction of prize payouts. Gross sales proceeds from the NFO business increased by 6% to RM1,043 million from RM989 million due to improved demand. The NFO prize payout ratio for the period however increased from 63% to 74%. Accordingly, Gaming segment revenues are stated at RM274 million for the period under review, compared to RM376 million as restated for the previous period. Consequent upon the significant increase in prize payout, the operating profit for the gaming segment has likewise reduced from RM120 million to RM38 million.

As a result of the reduced number of visitors to Tropical Islands, revenue from the Leisure segment decreased to RM35 million from RM54 million in the previous period. This was however mitigated by increases in average spend per visitor and lower operating expenses thereby resulting in a lower operating loss being recorded at RM29 million as compared to RM32 million in the previous period.

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14. Review of performance

14.2 Material factors affecting financial year to date results (continued)

Net investment income has increased due to the inclusion of the gain on the disposal of LPG plants totalling RM19 million during the year.

Net finance costs increased from RM41 million to RM106 million as a result of the consolidation of interest expense arising from the inclusion of the results of the Egyptian power plants and finance costs incurred on the additional borrowings to finance the acquisition of these plants.

The results from joint ventures and associate for the period includes losses totalling RM11.5 million relating to the lottery operations in Moscow.

For the period under review, Group profit attributable to shareholders increased by RM4 million from RM202 million to RM206 million. Net earnings per share increased by 1.0 sen from 50.0 sen to 51.0 sen.

15. Variation of current quarter's profit before tax to preceding quarter

The current quarter's profit before taxation of RM106 million is lower than the preceding quarter's profit before taxation of RM156 million mainly due to the lower contribution from Gaming, increase in operating loss from Tropical Islands due to lower attendance and the absence of the gain from the disposal of the Liquefied Petroleum Gas business in China which was recognised in the preceding quarter.

16. Prospects for the remaining period to the end of the financial year

The Directors expect that the following factors will impact the Group's prospects for the remaining period to the end of the financial year:-

- (i) incremental contribution arising from the Egyptian power plants;
- (ii) improving demand for the Group's gaming products in line with initiatives to increase its market presence and product competitiveness;
- (iii) a return to a normalized prize payout trend in the NFO segment;
- (iv) continuing losses in Tropical Islands which could increase as a result of closure of the dome for planned capital improvements; and
- (v) exposure to interest fluctuations on unhedged floating rate borrowings amounting to RM1,184 million (see Note 22).

Barring unforeseen circumstances, the Board anticipates a satisfactory performance by the Group for the remaining period to the end of the financial year.

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17. Variance to profit forecast or shortfall in profit guarantee (only applicable to the final quarter)

The Group did not issue a profit forecast during the period under review.

18. Taxation

<i>in RM'000</i>	Current Quarter		Year to Date	
	31-July-06	31-July-05	31-July-06	31-July-05
Malaysian Taxation				
Income tax				
- Current year	27,911	33,147	53,076	67,431
- Prior year	(6)	164	(3,528)	219
	27,905	33,311	49,548	67,650
Deferred tax	(2,137)	11,323	4,013	22,387
	25,768	44,634	53,561	90,037
Foreign Taxation				
	(1)	62	2	44
	25,767	44,696	53,563	90,081

The effective tax rates of 24.2% and 20.4% for the current quarter and year to date respectively are lower than the statutory tax rate of 28% due mainly to the net income from the Egyptian plants and the capital gain from the sale of the LPG business which are not subject to income tax.

19. Sale of unquoted investments and/or properties

There were no disposals of unquoted investments or properties during the period under review.

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20. Quoted securities

<i>in RM'000</i>	Current Quarter	Year to Date
(a) Summary of dealings in quoted securities for the period ended 31 July 2006		
(i) Total purchase consideration	2,412	9,169
(ii) Total sale proceeds	3,922	13,977
(iii) Total profit on disposal	401	1,801
(b) Investments in quoted securities as at the end of the reporting period:		
(i) At cost		54,255
(ii) At book value/market value		103,291

21. Status of corporate proposals announced but not completed

There have been no corporate proposals announced but not completed.

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22. Group borrowings and debt securities

<i>in RM'000</i>	Short Term	Long Term	As at 31-July-06
Secured			
<i>Denominated in RM</i>			
Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") ¹	45,000	280,000	325,000
Al-Murabahah Medium Term Notes ¹ Serial bonds ²	-	15,000	15,000
Commercial paper ²	-	830,000	830,000
Al-Bai' Bithaman Ajil ("ABBA") ³	50,000	-	50,000
	15,000	105,000	120,000
	110,000	1,230,000	1,340,000
<i>Denominated in GBP</i>			
Term loan ⁴	-	169,555	169,555
<i>Denominated in EURO</i>			
Transferable loan facility ⁵	-	139,144	139,144
Term loan ⁶	25,299	167,223	192,522
	25,299	306,367	331,666
<i>Denominated in USD</i>			
Term loan ⁷	21,258	519,477	540,735
Secured loan-International Finance Corporation Loan ("IFC") ⁸	72,160	1,192,894	1,265,054
Senior secured loan ⁸	-	363,608	363,608
Secured working capital loan ⁸	7,375	23,968	31,343
	100,793	2,099,947	2,200,740
Unsecured			
<i>Denominated in RM</i>			
Redeemable bonds	100,000	250,000	350,000
	336,092	4,055,869	4,391,961

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22. Group borrowings and debt securities (continued)

- ¹ These debt securities are secured by way of assignment of Pahlawan Power Sdn Bhd's ("Pahlawan") rights, titles, benefits and interest in and under certain insurances procured by Pahlawan in relation to its properties, assets and business and all amounts standing to the credit of its finance service reserve account.
- ² These debts were undertaken by Panglima Power Sdn Bhd and are secured against a debenture over its assets and properties, a charge over its landed properties, an assignment of its rights, titles, benefits and interest in and under certain insurances and project agreements and an assignment of all amounts standing to the credit of a designated project and finance service reserve account of Panglima.
- ³ The loan is secured by a fixed legal charge over Menara Maxis and a corporate guarantee by Tanjong plc.
- ⁴ The £25 million loan drawdown by Invest Allied Limited is secured by way of a corporate guarantee issued by Tanjong plc.
- ⁵ The €30 million loan which has been drawdown by Tanjong Entertainment (L) Ltd is secured by way of a corporate guarantee issued by Tanjong plc.
- ⁶ The €41.5 million loan is secured by Tanjong plc undertaking in proportion to its equity interest of 75% in Tropical Islands, to provide cash flow support which amount is capped at the principal and interest due in any one year only.
- ⁷ The USD150 million term loan, which has been drawdown by KNL is secured by way of a charge over shares in KNL, an assignment of KNL's rights to be paid proceeds of certain claims if such claims are made in relation to the Acquisition, an assignment of KNL's rights under hedging contracts, an assignment of shareholder's loan and charges over certain accounts and receivables.
- ⁸ These loans are secured by pledge of shares in Port Said and Suez Gulf entities owning power plants in Egypt, mortgages over their assets, assignments of shareholder loan agreement, project agreements, interest rate hedging agreements, insurances, receivables and certain accounts, and a corporate guarantee by Electricite de France.

Analysis of Group Borrowings	RM'000
Fixed rate loans	1,988,608
Floating rate loans	
Partially hedged	1,219,158
Unhedged	1,184,195
Balance as at 31 July 2006	<u>4,391,961</u>

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23. Off-balance sheet financial instruments

Not applicable as the adoption of IAS 39 requires all off-balance sheet financial instruments to be recognised in the financial statements.

24. Changes in material litigation

There is no material litigation since the last annual balance sheet date to the date of issue of this quarterly report.

25. Dividend

Tanjong continues to pursue a progressive dividend policy that seeks to achieve a balance between long-term capital growth and immediate cash returns. To this end, the Company intends to maintain an attractive payout ratio at around current levels, whilst conserving adequate funds to enable it to pursue new investment opportunities that will be critical to its long term growth.

Pursuant to the above policy, your Board is recommending the following:

A second interim gross dividend of **12 sen per share, less Malaysian income tax at 28%** in respect of the financial year ending 31 January 2007 (the "**Second Interim Dividend**") has been declared payable on **31 October 2006** to those shareholders on record of the Company **at the close of business on 20 October 2006** subject to the following paragraphs.

The Register of Members of the Company will be closed from 21 October 2006 to 23 October 2006 (both dates inclusive) for the purpose of determining each shareholder's entitlement to the **Second Interim Dividend**.

Each person whose name appears in the Register of Members or the Record of Depositors as **at the close of business on 20 October 2006** (the "**Second Interim Dividend Record Date**") shall be entitled to participate in the **Second Interim Dividend** in respect of those Tanjong shares of which they are registered as member or recorded as depositor as at the **Second Interim Dividend Record Date**.

Valid transfers received by the **Company's Branch Registrars in Malaysia, Symphony Share Registrars Sdn. Bhd. at Level 26, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia, or the Company's Principal Registrars in the United Kingdom, Capita IRG Plc at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, by the close of business at 5.00 p.m. (local time) on 20 October 2006, will be registered by the Second Interim Dividend Record Date.**

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25. Dividend (continued)

A holder of a Securities Account maintained with the Bursa Malaysia Depository Sdn. Bhd. (“Depositor”) shall qualify for entitlement only in respect of:-

- (a) **shares transferred** into the Depositor’s Securities Account **before 4.00 p.m. (Malaysian time)** on **20 October 2006** in respect of transfers;
- (b) **shares deposited** into the Depositor’s Securities Account **before 12.30 p.m. (Malaysian time)** on **18 October 2006** in respect of shares which are exempted from mandatory deposit; and
- (c) **shares bought** on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

26. Earnings per share (“EPS”)

The basic and diluted EPS for the current and cumulative quarter are computed as follows:

	<i>Current Quarter</i>	<i>Cumulative Quarter</i>
Profit after tax attributable to shareholders (RM'000)	78,766	205,755
Weighted average number of ordinary shares	<u>403,256,136</u>	<u>403,256,136</u>
Basic and diluted EPS (sen)	<u>19.5</u>	<u>51.0</u>

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Part C Additional explanatory notes

27. Analysis of operating costs – additional disclosures under income statement

<i>in RM'000</i>	3 months ended		6 months ended	
	31-Jul-06	31-Jul-05	31-Jul-06	31-Jul-05
Cost of sales	388,564	303,537	708,546	610,112
Distribution costs	13,564	13,827	25,837	28,937
Administrative expenses	19,475	11,693	48,217	53,559
Other operating expenses	5,230	6,870	9,180	9,624
Total operating costs	426,833	335,927	791,780	702,232

28. Cash generated from operations – additional disclosures under cash flow statement

<i>in RM'000</i>	6 months ended	
	31-Jul-06	31-Jul-05
Profit after taxation	208,790	196,969
Adjustments for:		
- Depreciation	124,754	122,342
- Net investment (income)/charge	(17,164)	1,681
- Finance costs	136,586	66,065
- Interest income	(30,314)	(25,420)
- Share of post tax results from joint ventures and associate	6,493	(8,350)
- Taxation	53,563	90,081
- Adjustment for other non-cash items	(4,788)	96
Changes in working capital	(106,035)	(70,232)
Cash generated from operations	371,885	373,232

By Order of the Board

Siuagamy Ramasamy
Group Company Secretary

27 September 2006
Kuala Lumpur

Copies of the Unaudited Results of the Tanjong Group for the second quarter ended 31 July 2006 are available to the public during office hours at the Company's registered office in the United Kingdom at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England.