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 OCTOBER 2006

Condensed Group Income Statement

in RM'000	Note	3 months ended 31-Oct-06 (Unaudited)	3 months ended 31-Oct-05	9 months ended 31-Oct-06 (Unaudited)	9 months ended 31-Oct-05
Gross transaction value	**8**	**952,974**	760,124	**2,877,327**	2,404,861
Revenue	**8**	**668,993**	465,238	**1,818,727**	1,488,496
Operating costs	**27**	**(409,505)**	(344,895)	**(1,201,285)**	(1,047,127)
Operating profit	**8**	**259,488**	120,343	**617,442**	441,369
Net investment income		**10,930**	10,601	**28,094**	8,920
Finance costs		**(77,985)**	(33,409)	**(214,571)**	(99,474)
Interest income		**15,792**	14,509	**46,106**	39,929
Finance costs - net		**(62,193)**	(18,900)	**(168,465)**	(59,545)
Share of post tax results from joint ventures and associate		**(1,037)**	4,565	**(7,530)**	12,915
Profit before taxation		**207,188**	116,609	**469,541**	403,659
Taxation	**18**	**(51,961)**	(31,496)	**(105,524)**	(121,577)
Profit after taxation		**155,227**	85,113	**364,017**	282,082
Attributable to:					
Tanjong's shareholders		**152,558**	86,404	**358,313**	288,233
Minority interests		**2,669**	(1,291)	**5,704**	(6,151)
		155,227	85,113	**364,017**	282,082
Earnings per share (sen)	**26**				
- Basic / Diluted		**37.8**	21.4	**88.9**	71.5

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

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 OCTOBER 2006

Condensed Group Balance Sheet

in RM'000	As at 31-Oct-06 (Unaudited)	As at 31-Jan-06 (Audited)
ASSETS		
Non-current assets		
Intangible assets	**49,130**	49,130
Property, plant and equipment	**2,742,584**	2,896,184
Lease receivables	**3,030,356**	-
Investment property	**470,000**	470,000
Investments in joint ventures and associate	**48,078**	58,414
Deferred income tax assets	**44,996**	45,382
Available-for-sale financial assets	**391,728**	400,483
Derivative financial instruments	**1,685**	2,183
	6,778,557	3,921,776
Current assets		
Inventories	**267,155**	140,002
Trade and other receivables	**405,836**	337,669
Held-for-trading financial assets	**2,716**	3,438
Available-for-sale financial assets	**26,130**	43,535
Short term placements	**944,652**	1,319,480
Cash at bank and in hand	**235,455**	29,778
	1,881,944	1,873,902
Total Assets	**8,660,501**	5,795,678
LIABILITIES		
Current liabilities		
Trade and other payables	**441,572**	372,113
Borrowings	**261,036**	459,125
Current income tax liabilities	**23,974**	19,693
	726,582	850,931
Non-current liabilities		
Borrowings	**4,038,568**	1,654,630
Other non-current liabilities	**166,410**	6,803
Deferred income tax liabilities	**755,456**	494,346
	4,960,434	2,155,779
Total Liabilities	**5,687,016**	3,006,710
NET ASSETS	**2,973,485**	2,788,968
EQUITY		
Paid up share capital	**146,107**	146,107
Share premium account	**240,808**	240,808
Fair value reserve	**116,606**	101,951
Hedging reserve	**11,590**	-
Currency translation reserve	**(4,101)**	14,394
Retained earnings	**2,352,640**	2,166,473
Total shareholders' equity	**2,863,650**	2,669,733
Minority interests in equity	**109,835**	119,235
TOTAL EQUITY	**2,973,485**	2,788,968
Net Tangible Assets per share (RM)	**6.98**	6.50
Net Assets per share (RM)	**7.37**	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.

Condensed Group Cash Flow Statement

in RM'000	Note	9 months ended 31-Oct-06 (Unaudited)	9 months ended 31-Oct-05
Cash flows from operating activities			
Cash generated from operations	**28**	**762,082**	546,977
Malaysian and other taxes paid		**(81,922)**	(87,290)
Net cash generated from operating activities		**680,160**	459,687
Cash flows from investing activities			
Purchase of property, plant and equipment		**(27,046)**	(78,453)
Proceeds from sale of property, plant and equipment		**130**	4,543
Construction of a resort		**-**	(33,808)
Purchase of Available-for-sale financial assets		**(16,666)**	(85,035)
Proceeds from sale of Available-for-sale financial assets		**67,983**	121,508
Net investment in joint ventures		**(993)**	(517)
Net repayment from/(investment in) an associate		**260**	(14,961)
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		**10,691**	10,919
Interest received		**45,808**	40,037
Net cash used in investing activities		**(683,263)**	(31,472)
Cash flows from financing activities			
Proceeds from borrowings		**1,198,944**	24,347
Repayment of borrowings		**(963,375)**	(22,500)
Dividends paid to Company's shareholders		**(172,916)**	(198,079)
Dividends paid to Minority interests		**(15,480)**	-
Interest paid		**(205,373)**	(111,672)
Net cash used in financing activities		**(158,200)**	(307,904)
Currency translation differences		**(7,848)**	(2,981)
Net (decrease)/increase in cash and cash equivalents		**(169,151)**	117,330
Cash and cash equivalents at start of the period		**1,349,258**	1,177,126
Cash and cash equivalents at end of the period		**1,180,107**	1,294,456
Cash and cash equivalents			
Short term placements		**944,652**	1,267,397
Cash at bank and in hand		**235,455**	27,059
		1,180,107	1,294,456

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 OCTOBER 2006

Condensed Group Statement of Changes in Equity

	Attributable to Equity Holders of Company							Total Equity	
in RM'000	Paid Up Share Capital	Share Premium	Fair value Reserve	Hedging Reserve	Translation Reserve	Retained Earnings	Minority Interests	31-Oct-06 (Unaudited)	31-Oct-05 (Unaudited)
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	-	-	-	-	-	358,313	5,704	**364,017**	282,082
Fair value gains on Available-for -sale financial assets	-	-	14,655	-	-	-	-	**14,655**	267
Cash flow hedges	-	-	-	11,590	-	-	-	**11,590**	-
Dividends	-	-	-	-	-	(172,916)	-	**(172,916)**	(198,079)
Realised exchange differences transferred to income statement upon disposal of subsidiaries	-	-	-	-	(13,095)	-	-	**(13,095)**	-
Exchange differences on foreign currency net investments	-	-	-	-	(5,400)		(3)	**(5,403)**	5,776
Dividend paid to Minority interests	-	-	-	-	-	-	(15,480)	**(15,480)**	-
Reduction in Deferred tax attributable to investment property revaluation surplus	-	-	-	-	-	770	379	**1,149**	-
Balance as at 31 October	146,107	240,808	116,606	11,590	(4,101)	2,352,640	109,835	**2,973,485**	2,680,869

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.

TANJONG public limited company

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 OCTOBER 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 respect of the following:

(a) Recognition of lease arrangement in accordance with IFRS adopted IAS 17-"Leases"

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.

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

1. Basis of preparation (continued)

(b) Accounting recognition of Government Subsidies in accordance with IFRS adopted IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance"

The Group has been informed by InvestitionsBank des Lands Brandenburg (the Investment Bank of the State Government of Brandenburg, Federal Republic of Germany or "ILB") that it has fulfilled the conditions precedent relating to the drawdown of a Government grant ("Grant") totalling €17.4 million (approximately RM81 million). The Grant was approved in respect of qualifying capital expenditure incurred by the Tropical Islands ("TI") subsidiaries pursuant to the development and construction of the TI Resort in Germany.

The key remaining terms and conditions of the Grant are that during the mandatory period of five years to 31 October 2010, the assets that qualify for the Grant must remain within the TI subsidiaries unless they are replaced by assets of equivalent or higher value and the TI subsidiaries are to have a minimum staff establishment of 500 full time or equivalent positions. In undertaking the fulfillment of these terms and conditions, the Group has provided a bank guarantee of €18 million and a corporate guarantee of €2 million. The obligations under these guarantees shall cease to have effect once a claim out of these guarantees has not been asserted or made by the ILB by 31 October 2011.

In accordance with *IFRS adopted IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance"*, the Grant of €17.4 million is being recognised as income proportionately over the mandatory period of five years. The guarantees totalling €20 million are disclosed by way of Note 12, in accordance with *IFRS adopted IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets"*.

Consequently RM12 million representing 9 months benefit has been recognised in the Income Statement for the 3rd quarter ended 31 October 2006 (see Note 27).

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.

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

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

For the period under review, the following issuance and repayments were made:

1. A repayment of RM100 million of redeemable bonds by a subsidiary company for the quarter under review
2. An issuance of commercial paper (CP) of up to an amount of RM300 million by a subsidiary company for the quarter ended 30 April 2006 of which RM250 million was repaid within the same quarter.

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
Final dividend for FY 31 January 2006	22.0 sen	11 August 2006
Second interim dividend for FY 31 January 2007	12.0 sen	31 October 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

in RM' 000	Power Generation	Gaming	Property Investment	Liquefied Petroleum Gas	Leisure	Others	Group
Period ended 31 October 2006							
Gross transaction value*							2,877,327
Revenue							
Total revenue	1,274,106	446,458	44,248	7,160	56,342	-	1,828,314
Inter-segment elimination	-	-	(9,587)	-	-	-	(9,587)
External revenue	1,274,106	446,458	34,661	7,160	56,342	-	1,818,727
Results							
Operating profit/(loss)	530,102	91,150	29,874	(929)	(27,546)	(5,209)	617,442
Net investment income							28,094
Finance costs	(194,045)	-	(4,977)	-	(8,726)	(6,823)	(214,571)
Interest income							46,106
Share of post tax results from							
- joint ventures	7,457	(16,885)	-	-	1,578	-	(7,850)
- associate	-	-	-	-	-	320	320
	7,457	(16,885)	-	-	1,578	320	(7,530)
Profit before taxation							469,541
Taxation							(105,524)
Profit after taxation							364,017
Other segment items							
Capital expenditure	7,134	5,793	93	-	11,934	1,471	26,425
Depreciation	161,813	6,763	695	-	17,985	120	187,376
As at 31 October 2006							
Segment assets	6,115,242	133,896	480,321	-	416,643	31,806	7,177,908
Joint ventures and associate	14,882	95	-	-	31,425	1,676	48,078
Unallocated assets							1,434,515
Total assets							8,660,501
Segment liabilities	363,426	97,491	24,983	-	111,333	10,750	607,983
Borrowings	3,661,855	-	120,000	-	345,206	172,543	4,299,604
Unallocated liabilities							779,429
Total liabilities							5,687,016

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)

in RM' 000	Power Generation	Gaming	Property Investment	Liquefied Petroleum Gas	Leisure	Others	Group
Period ended 31 October 2005							
Gross transaction value*							2,404,861
Revenue							
Total revenue	819,789	523,001	50,695	24,910	81,370	-	1,499,765
Inter-segment elimination	-	-	(11,269)	-	-	-	(11,269)
External revenue	819,789	523,001	39,426	24,910	81,370	-	1,488,496
Results							
Operating profit/(loss)	294,033	154,479	38,029	(953)	(41,960)	(2,259)	441,369
Net investment income							8,920
Finance costs	(80,689)	-	(5,583)	-	(6,226)	(6,976)	(99,474)
Interest income							39,929
Share of post tax results from							
- joint ventures	9,661	-	-	-	2,650	-	12,311
- associate	-	-	-	-	-	604	604
	9,661	-	-	-	2,650	604	12,915
Profit before taxation							403,659
Taxation							(121,577)
Profit after taxation							282,082
Other segment items							
Capital expenditure	68,388	9,082	546	24	33,807	414	112,261
Depreciation	154,587	5,559	681	5	23,722	815	185,369
As at 31 October 2005							
Segment assets	2,883,376	149,352	487,294	9,007	312,506	51,912	3,893,447
Joint ventures and associate	11,017	21	-	-	32,125	2,066	45,229
Unallocated assets							1,706,498
Total assets							5,645,174
Segment liabilities	124,102	91,774	24,268	7,086	21,929	22,201	291,360
Borrowings	1,570,000	-	135,000	-	294,091	168,413	2,167,504
Unallocated liabilities							505,441
Total liabilities							2,964,305

* 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:

	9 months ended	
in RM'000	**31-Oct-06**	**31-Oct-05**
NFO gross sales proceeds	**1,496,895**	1,426,666
RTO revenue	**8,163**	12,700
Revenue from Other Operations	**1,372,269**	965,495
Gross transaction value	**2,877,327**	2,404,861
Less : NFO prize payouts	**(1,058,600)**	(916,365)
Revenue as presented above	**1,818,727**	1,488,496

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:-

	9 months ended	
in RM'000	**31-Oct-06**	**31-Oct-05**
Gaming operating profit/(loss)		
NFO	**99,677**	161,965
RTO	**(8,527)**	(7,486)
	91,150	154,479

(b) Secondary reporting format – geographical segments

Gaming and Property Investment segments 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.

in RM' 000	Malaysia	Egypt	Germany	Other countries	Group
Period ended 31 October 2006					
Total external revenue	1,301,102	454,123	56,342	7,160	1,818,727
Total capital expenditure	14,491	-	11,934	-	26,425
As at 31 October 2006					
Segment assets	3,385,067	3,342,113	416,643	34,085	7,177,908
Joint ventures and associate					48,078
Unallocated assets					1,434,515
Total assets					8,660,501
Period ended 31 October 2005					
Total external revenue	1,382,216	-	81,370	24,910	1,488,496
Total capital expenditure	78,430	-	33,807	24	112,261
As at 31 October 2005					
Segment assets	3,526,572	-	312,506	54,369	3,893,447
Joint ventures and associate					45,229
Unallocated assets					1,706,498
Total assets					5,645,174

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.

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

During the quarter under review, there were no changes in the composition of the Group. On 16 October 2006, the Company announced the suspension of the conduct of its Moscow Olympic Lottery draws pending a review by the joint venture partners. Discussions on the future ownership and management of the lottery operations are in the meantime, continuing.

On 4 December 2006, Tanjong Energy Holdings Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up capital of Ecoverse Limited, (a Hong Kong incorporated shelf company), comprising 1 share of HK1.00 at a total consideration of HK1.

12. Commitments and contingencies

12.1 ***Capital commitments as at 31 October 2006***

		RM million
Authorised and contracted		242
Authorised and not contracted		98
Analysed as follows:		
Investment commitments	(i)	221
Tropical Islands project capital expenditure		85
Others		34
		340

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

12. Commitments and contingencies (continued)

12.2 ***Contingencies***

As at 31 October 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 RM44.37 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 RM198.84 million);

(c) a financial institution in respect of the USD100 million (an equivalent of RM367.65 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”);

(d) a financial institution of up to USD50.19 million (an equivalent of RM184.52 million) in relation to a standby letter of credit facility obtained by KNL pursuant to the Acquisition; and

(e) a financial institution and ILB amounting to €20 million (approximately RM93 million) in respect of Government grant awarded to Tropical Islands’ subsidiaries as mentioned in Note 1 (b).

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.

	9 months ended	
in RM'000	**31-Oct-06**	**31-Oct-05**
Income credited to the Group income statement		
Lease rental and tenant service revenue	**19,370**	24,582
Management services revenue	**1,325**	433
Others	**170**	195
	20,865	25,210
Recovery of expenses and shared overhead costs	**6,748**	6,607
Expenses charged to the Group income statement		
Consultancy services	**11,813**	11,813
Provision of gas, electricity and water supplies	**4,511**	4,523
Closed circuit television broadcasting services	**2,359**	1,802
Operations & maintenance services	**1,644**	3,756
Telecommunication and related services	**1,456**	1,379
Bloodstock management, service fees, accounting & clerical services	**1,071**	1,046
Sponsorship of events	**481**	510
Sub-tenancy of premises	**390**	363
Connection and transaction fees	**188**	42
Other services	**377**	710
	24,290	25,944

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 RM204 million to RM669 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. Group profit before tax increased from RM117 million to RM207 million. This is primarily due to the inclusion in the current quarter, of the profits from the aforementioned power plants totalling RM40 million and RM21 million arising from lower NFO prize payout ratio for the current quarter of 63% as compared to the payout ratio of 67% in the corresponding quarter.

14.2 Material factors affecting financial year to date results

Group revenue has increased by RM330 million from RM1,489 million in the corresponding period in the previous year ("corresponding period") to RM1,819 million in the current nine month period ("current period"). Group operating profit is, at RM617 million, higher by RM176 million.

Power Generation's revenue increased by 55% from RM820 million to RM1,274 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 RM236 million or 80% to RM530 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 5% to RM1,497 million from RM1,427 million due to the improved demand for NFO products. Despite the significant drop in the NFO prize payout ratio in the current quarter, the cumulative prize payout ratio for the nine month period remains to be high at 71% as compared to 64% in the corresponding period. Accordingly, the Gaming segment revenues are lower at RM447 million as compared to RM523 million recorded for the previous period. Consequent upon the significant increase in prize payout for the nine month period, the operating profit for the Gaming segment has reduced from RM155 million to RM91 million.

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

14. Review of performance

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

As anticipated, revenue from the Leisure segment has decreased to RM56 million from RM81 million in the previous period, pending the introduction of additional attractions to widen the demographic appeal of the resort to increase the frequency of visits. The effect of this decrease has however been mitigated by successful measures to improve average visitor spend and reduce operating expenses. Additionally, the Group had during the quarter successfully obtained Government grant totaling €17.4 million of which €2.6 million or RM12 million has been recognised in the current period in accordance with *IFRS adopted IAS 20 : "Accounting for Government Grants and Disclosure of Government Assistance"*, the basis of which is fully explained in Note 1 (b). Arising from this, the segment has recorded a lower operating loss of RM28 million as compared to the RM42 million loss in the previous period.

Net investment income has increased due to the inclusion of the gain on the disposal of LPG plants totaling RM19 million during the year. Net finance costs increased from RM60 million to RM169 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 include losses totaling RM17 million representing a full provision of the investment in the lottery operations in Moscow.

For the period under review, Group profit attributable to shareholders increased by RM70 million from RM288 million to RM358 million. Net earnings per share increased by 17.4 sen from 71.5 sen to 88.9 sen.

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

The current quarter's profit before taxation of RM207 million is higher than the preceding quarter's profit before taxation of RM106 million mainly due to the lower NFO prize payout of 63% in the current quarter against 74% in preceding quarter.

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

Subject to any other unforeseen circumstances, the Directors expect that the following factors may impact the Group's prospects for the remaining period to the end of the financial year:-

(i) continuing losses in Tropical Islands which should increase as a result of closure of the dome for planned capital improvements; and

(ii) exposure to interest rate fluctuations on unhedged floating rate borrowings amounting to RM1,199 million (see Note 22).

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

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

	Current Quarter		Year to Date	
in RM'000	**31-Oct-06**	**31-Oct-05**	**31-Oct-06**	**31-Oct-05**
Malaysian Taxation				
Income tax				
- Current year	**27,661**	23,363	**80,737**	91,017
- Prior year	**230**	(1,392)	**(3,298)**	(1,396)
	27,891	21,971	**77,439**	89,621
Deferred tax	**22,827**	9,569	**26,840**	31,956
	50,718	31,540	**104,279**	121,577
Foreign Taxation				
- Current year	**25**	(44)	**27**	-
- Deferred tax	**1,218**	-	**1,218**	-
	51,961	31,496	**105,524**	121,577

The effective tax rates of 25.1% and 22.5% for the current quarter and year to date respectively are lower than the statutory tax rate 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.

The Group has an unutilised reinvestment tax allowance ("RA") of approximately RM950 million, arising from capital expenditure incurred in relation to the construction of Panglima power plant. This RA is available to be set off against the future income of Panglima Power Sdn Bhd, resulting in lower tax expense, in the financial years (i.e. between years ending 31 January 2008 to 2013) in which the RA is expected to be utilised.

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

19. Sale of unquoted investments and/or properties

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

20. Quoted securities

in RM'000	**Current Quarter**	**Year to Date**
(a) Summary of dealings in quoted securities for the period ended 31 October 2006		
(i) Total purchase consideration	5,462	14,631
(ii) Total sale proceeds	11,456	25,436
(iii) Total profit on disposal	8,800	20,805
(b) Investments in quoted securities as at the end of the reporting period:		
(i) At cost		50,920
(ii) At book value/market value		111,513

21. Status of corporate proposals announced but not completed

There have been no corporate proposals announced but not completed.

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

22. Group borrowings and debt securities

in RM'000	**Short Term**	**Long Term**	**As at 31-Oct-06**
Secured			
Denominated in RM			
Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") [1]	45,000	280,000	325,000
Al-Murabahah Medium Term Notes [1]	-	15,000	15,000
Serial bonds [2]	-	830,000	830,000
Commercial paper [2]	50,000	-	50,000
Al-Bai' Bithaman Ajil ("ABBA") [3]	15,000	105,000	120,000
	110,000	1,230,000	1,340,000
Denominated in GBP			
Term loan [4]	-	172,543	172,543
Denominated in EURO			
Transferable loan facility [5]	-	138,993	138,993
Term loan [6]	50,543	155,670	206,213
	50,543	294,663	345,206
Denominated in USD			
Term loan [7]	21,195	517,927	539,122
Secured loan-International Finance Corporation Loan ("IFC") [8]	71,944	1,189,335	1,261,279
Senior secured loan [8]	-	360,203	360,203
Secured working capital loan [8]	7,354	23,897	31,251
	100,493	2,091,362	2,191,855
Unsecured			
Denominated in RM			
Redeemable bonds	-	250,000	250,000
	261,036	4,038,568	4,299,604

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

22. Group borrowings and debt securities (continued)

[1] *These debts 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 drawndown by Invest Allied Limited is secured by way of a corporate guarantee issued by Tanjong plc.*

[5] *The €30 million loan which has been drawndown 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 drawndown 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	1,885,203
Floating rate loans	
Partially hedged	1,215,520
Unhedged	1,198,881
Balance as at 31 October 2006	4,299,604

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

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 third 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 "**Third Interim Dividend**") has been declared payable on **25 January 2007** to those shareholders on record of the Company **at the close of business on 12 January 2007** subject to the following paragraphs**.**

The Register of Members of the Company will be closed from 13 January 2007 to 15 January 2007 (both dates inclusive) for the purpose of determining each shareholder's entitlement to the **Third Interim Dividend.**

Each person whose name appears in the Register of Members or the Record of Depositors as **at the close of business on 12 January 2007 (**the "**Third Interim Dividend Record Date**") shall be entitled to participate in the **Third Interim Dividend** in respect of those Tanjong shares of which they are registered as member or recorded as depositor as at the **Third 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 12 January 2007, will be registered by the Third Interim Dividend Record Date.**

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

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 **12 January 2007** in respect of transfers;

(b) **shares deposited** into the Depositor's Securities Account **before 12.30 p.m. (Malaysian time)** on **10 January 2007** 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:

	Current Quarter	***Cumulative Quarter***
Profit after tax attributable to shareholders (RM'000)	152,558	358,313
Weighted average number of ordinary shares	403,256,136	403,256,136
Basic and diluted EPS (sen)	37.8	88.9

Part C Additional explanatory notes

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

	3 months ended		9 months ended	
in RM'000	**31-Oct-06**	**31-Oct-05**	**31-Oct-06**	**31-Oct-05**
Cost of sales	**375,390**	301,324	**1,083,936**	910,537
Distribution costs	**15,252**	16,563	**41,089**	45,499
Administrative expenses	**31,688**	25,429	**87,039**	85,005
Other operating (income)/expenses *	**(12,825)**	1,579	**(10,779)**	6,086
Total operating costs	**409,505**	344,895	**1,201,285**	1,047,127

* Includes RM12 million of government grant recognised by TI subsidiaries in the current quarter and period todate (See Note 1(b))

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

	9 months ended	
in RM'000	**31-Oct-06**	**31-Oct-05**
Profit after taxation	**364,017**	282,082
Adjustments for:		
- Finance costs	**214,571**	99,474
- Depreciation	**187,376**	185,369
- Taxation	**105,524**	121,577
- Share of post tax results from joint ventures and associate	**7,530**	(12,915)
- Net investment income	**(28,094)**	(8,920)
- Interest income	**(46,106)**	(39,929)
- Adjustment for other non-cash items	**(19,703)**	(1,163)
Changes in working capital	**(23,033)**	(78,598)
Cash generated from operations	**762,082**	546,977

By Order of the Board

Siuagamy Ramasamy — 15 December 2006
Group Company Secretary — Kuala Lumpur

*Copies of the Unaudited Results of the Tanjong Group for the third quarter ended 31 October 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.***