

**TRONOH CONSOLIDATED MALAYSIA BERHAD 27676-V**  
**(formerly known as TRONOH MINES MALAYSIA BERHAD)**  
**(“TCMB” or “the Group”)**

**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE PERIOD ENDED 31 OCTOBER 2004**

**1. Basis of Preparation**

The interim financial report of the Group has been prepared in accordance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 Appendix 9B of the listing requirements of Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 January 2004.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the Group’s audited financial statements for the financial year ended 31 January 2004, except for the adoption of the following new MASB standards:

- (i) MASB 31 “Accounting for Government Grants and Disclosure of Government Assistance”
- (ii) MASB 32 “Property Development Activities”

There are no changes in the accounting policies that affect the net profit or shareholders’ equity of the Group on adoption of these standards.

**2. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the Group’s financial statements for the financial year ended 31 January 2004 was not subject to any qualifications.

**3. Seasonal or Cyclical Factors**

The Group’s operations were not 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 financial period under review because of their nature, size, or incidence except for the gains on disposal of IJM Plantations Berhad (“IJMP”) shares and Arab-Malaysian Corporation Bhd (“AmCorp”) shares amounting to RM28.166 million and RM0.342 million respectively, and RM5.702 million allowance for decline in market value of quoted investments.

**4. Unusual Items (Cont'd)**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter under review except for RM1.121 million allowance for decline in market value of quoted investments.

**5. Changes in Estimates of Amount Reported Previously**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

**6. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date.

**7. Dividends Paid**

The amount of dividends paid during the financial period ended 31 October 2004 was as follows:

RM'000

In respect of the financial year ended 31 January 2004 as reported in the directors' report of that year:

First and final dividend of 4 sen per share tax exempt 11,265

The dividend was paid on 20 August 2004.

**8. Segmental Reporting**

Analysis by business segments

**Revenue:-**

	For the Current Quarter			For the Year-To-Date		
	External sales	Inter-segment sales	Total sales	External sales	Inter-segment sales	Total sales
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Engineering & construction	163,869	164,524	328,393	410,617	360,125	770,742
Property & development	570	0	570	1,411	4,802	6,213
Manufacturing & trading	13,811	16,741	30,552	33,469	33,885	67,354
Investment	82	0	82	967	0	967
Others	24	0	24	72	0	72
Elimination	0	(181,265)	(181,265)	0	(398,812)	(398,812)
Total	178,356	0	178,356	446,536	0	446,536

**8. Segmental Reporting (Cont'd)**

Analysis by business segments (Cont'd)

**Operating profit/(loss):-**

	For the Current Quarter			For the Year-To-Date		
	Segment results	Interest income/ profit from Islamic deposits	Operating profit/ (loss)	Segment results	Interest income/ profit from Islamic deposits	Operating profit/ (loss)
		RM'000	RM'000		RM'000	RM'000
Engineering & construction	16,535	1,535	18,070	43,218	3,750	46,968
Property & development	(387)	221	(166)	(564)	447	(117)
Manufacturing & trading	3,149	4	3,153	4,372	76	4,448
Investment	(512)	25	(487)	(720)	91	(629)
Others	(10)	0	(10)	(10)	0	(10)
<b>Total</b>	<b>18,775</b>	<b>1,785</b>	<b>20,560</b>	<b>46,296</b>	<b>4,364</b>	<b>50,660</b>

**9. Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Fair value adjustments that have been made at Group level on the property, plant, and equipment on the acquisition of subsidiaries in the previous annual report have been brought forward without amendment.

**10. Material Events Subsequent to the End of the Reporting Period**

Material event subsequent to the end of the period under review that has not been reflected in the financial statements for the current quarter includes Zelan Development Sdn Bhd, an indirect subsidiary of TCMB which had, on 8 November 2004, entered into an agreement with Impian Kirana Sdn Bhd to jointly develop 2 pieces of freehold land known as (i) Geran 32867 (formerly held under Certificate of Title 12619), Lot 37, Seksyen 43, Bandar and Daerah Kuala Lumpur, Negeri Wilayah Persekutuan; and (ii) Geran 32868 (formerly held under Certificate of Title 12620), Lot 38, Seksyen 43, Bandar and Daerah Kuala Lumpur, Negeri Wilayah Persekutuan.

**11. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter ended 31 October 2004 except for the following:

- i) incorporation of P.T. Zelan Indonesia, an Indonesian limited liability company, 95% owned by the Group; and
- ii) conversion of IJM Corporation Berhad (“IJM”) warrants into shares and purchase of additional IJM shares from the open market as disclosed in Note 20.

**12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

**13. Capital Commitments**

The amount of commitments as at the date of this report are as follows:-

	RM'000
<u>Property, plant and equipment</u>	
Authorised but not contracted for	3,847
Authorised and contracted for	9,227
	<u>13,074</u>

**14. Review of Performance**

For the quarter under review, the Group registered a profit before tax of RM26.880 million as compared to the preceding year corresponding quarter's profit of RM0.263 million. This was mainly due to the consolidation of Zelan Holdings (M) Sdn. Bhd. (“Zelan”) and its subsidiaries’ (“Zelan Group”) results of RM17.080 million, share of profit of its associate, IJM of RM8.537 million.

For the current financial year-to-date, the Group achieved a profit before tax of RM101.849 million as compared to the preceding year corresponding period's profit of RM10.509 million. This was mainly due to the consolidation of Zelan Group's result of RM47.244 million, share of profit of IJM of RM30.905 million and gains on disposal of investments of RM28.508 million offset against goodwill amortization of RM2 million and the allowance for decline in market value of quoted investments of RM5.702 million. The preceding year corresponding period's profit had included recoveries from a subsidiary under receivership of RM7.802 million.

The acquisitions of IJM and Zelan were completed in the third and fourth quarter of the financial year ended 31 January 2004 respectively.

**15. Comparison of Profit/(Loss) Before Tax for the Current Quarter with Immediate Preceding Quarter**

For the current quarter, the Group recorded a profit before taxation of RM26.880 million as compared to the preceding quarter's profit of RM22.868 million which is mainly due to the lower allowance for decline in market value of quoted investments. The allowance made during the quarter was RM1.121 million compared to RM4.581 million in the immediate preceding quarter.

**16. Current Year Prospects**

Considering the size of the existing order book, the Group remains confident of an improved performance for this financial year, barring unforeseen circumstances.

**17. Profit Forecast or Profit Guarantee**

There was no profit forecast or profit guarantee issued for the current financial year-to-date.

**18. Taxation**

	Current Quarter Ended		Cumulative Current Year-To-Date Ended	
	31/10/2004 RM'000	31/10/2003 RM'000	31/10/2004 RM'000	31/10/2003 RM'000
Current taxation	6,700	296	16,011	1,354
Deferred taxation	(11)	0	(36)	0
Overprovided in prior years	0	0	0	(218)
Share of tax of associates and joint ventures	2,324	1	8,610	2
Tax expense	9,013	297	24,585	1,138

The effective tax rate for the Group for the current financial year-to-date is lower than the statutory tax rate primarily due to RM28.508 million gain on disposal of shares that is not subject to tax.

For the current quarter, the effective tax rate for the Group is higher than the statutory tax rate primarily due to certain expenses not allowable for tax purposes.

**19. Profit/(Loss) on Sale of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the current quarter and financial year-to-date under review.

**20. Quoted Securities**

There were no disposals of quoted securities for the current quarter under review. For the financial year-to-date under review, the Group disposed of 20,650,000 IJMP shares and 800,000 AmCorp shares for cash considerations of RM28.166 million and RM1.270 million respectively.

There were 3,000,000 IJM shares purchased by the Group during the current quarter under review and year-to-date, as follows: -

(i)	at cost	= RM14,008,360
(ii)	at carrying value	= RM14,008,360
(iii)	at market value	= RM14,100,000

During the current quarter under review, the Group had exercised 591,828 IJM warrants that were acquired earlier at RM1.96 each into 591,828 shares at RM2.76 each as follows:-

(i)	at cost	= RM2,793,428
(ii)	at carrying value	= RM2,793,428
(iii)	at market value	= RM2,781,592

For the financial year-to-date under review, the Group had exercised 15,891,828 IJM warrants that were acquired earlier at RM1.96 each into 15,891,828 shares at RM2.76 each as follows:-

(i)	at cost	= RM75,009,428
(ii)	at carrying value	= RM75,009,428
(iii)	at market value	= RM74,691,592

The investments in quoted securities as at 31 October 2004 are as follows:-

(i)	at cost	= RM464,930,167
(ii)	at carrying value	= RM459,228,123
(iii)	at market value	= RM451,409,828

**21. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at 30 December 2004.

**22. Borrowings and Debt Securities**

	<b>As at 31.10.04 RM'000</b>
<b>(i) Current borrowings</b>	
Secured:-	
-Term loans	1,698
Unsecured:-	
-Hire purchase liabilities	1,017
-Bankers' acceptance	<u>1,973</u>
	<u>4,688</u>
<b>(ii) Non current borrowings</b>	
Secured:-	
-Term loans	15,083
Unsecured:-	
-Hire purchase liabilities	1,689
	<u>16,772</u>
<b>Total</b>	<b>21,460</b> =====

**23. Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instruments including foreign currency contracts nor has it entered into any during the current quarter and financial year-to-date.

**24. Basic Earnings Per Share**

The basic earnings per share for the financial period has been calculated based on the Group's consolidated profit after taxation and minority interest divided by the weighted average number of ordinary shares outstanding at the end of the period.

	Current Quarter Ended		Cumulative Current Year-To-Date Ended	
	31/10/04	31/10/03	31/10/04	31/10/03
Group's profit after taxation and minority interest (RM' Million)	17.100	(0.031)	76.156	9.435
Weighted average number of ordinary shares in issue, adjusted for the effect of rights issue (Million)	281.632	91.750	281.632	91.750
<b>Earnings per share (sen)</b>				
<b>(a) Basic</b>	6.07	(0.03)	27.04	10.28
<b>(b) Diluted</b>	N/A	N/A	N/A	N/A

**25. Changes in Material Litigation**

There were no changes in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries since the last annual balance sheet date of 31 January 2004.

**26. Dividends**

No interim dividend has been declared for the financial period ended 31 October 2004. There was no dividend declared in the preceding year's corresponding period.

**27. Comparative Figures**

Comparative figures, where applicable, have been modified to conform with the current quarter and year-to-date presentation.

**28. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 30 December 2004.

**By order of the Board**

**Muhammad Firdaus Bin Abdullah  
Raja Azmi Bin Raja Nazuddin  
Secretaries**

**Kuala Lumpur  
30 December 2004**