

TRONOH CONSOLIDATED MALAYSIA BERHAD 27676-V**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 JULY 2005****1. Basis of Preparation**

The interim financial report of the Group has been prepared in accordance with FRS 134 (formerly known as MASB 26), "Interim Financial Reporting" and paragraph 9.22 Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 January 2005.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted in the Group's most recent audited financial statements for the financial year ended 31 January 2005.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the financial year ended 31 January 2005 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any 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.

5. Changes in Estimates of Amount Reported Previously

There were no changes in estimates of amounts reported in prior interim period of the current financial year and in the prior financial year 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

For the current financial year-to-date, no dividend has been paid. For the preceding year's corresponding period, no dividend was paid.

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	135,611	133,303	268,914	259,654	252,083	511,737
Property & development	1,906	0	1,906	3,180	0	3,180
Manufacturing & trading	9,922	14,174	24,096	17,910	27,492	45,402
Investment	82	0	82	451	0	451
Others	38	0	38	77	0	77
Elimination	0	(147,477)	(147,477)	0	(279,575)	(279,575)
Total	147,559	0	147,559	281,272	0	281,272

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	RM'000	RM'000
Engineering & construction	21,060	2,078	23,138	37,661	3,598	41,259
Property & development	(1,025)	51	(974)	(1,413)	109	(1,304)
Manufacturing & trading	1,704	20	1,724	2,700	27	2,727
Investment	(1,496)	52	(1,444)	(2,512)	78	(2,434)
Others	8	0	8	14	0	14
Total	20,251	2,201	22,452	36,450	3,812	40,262

9. Valuation of 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 years have been brought forward without amendment.

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

Material events subsequent to the end of the period under review that have not been reflected in the financial statements for the current quarter include :-

- i) Tronoh Consolidated Malaysia Berhad (“TCMB”) received a notice of allotment of Renounceable Rights Issue dated 15 July 2005 from IJM Corporation Berhad (“IJM”) for issue of new warrants at an issue price of RM0.05 per warrant on the basis of one (1) Warrant for every (5) existing shares held as at 5.00 p.m. on 11 July 2005. TCMB has fully subscribed for its entitlement of 18,206,872 IJM warrants subsequent to the end of the reporting period.
- ii) Zelan Holdings (M) Sdn Bhd, a wholly-owned subsidiary of TCMB, in consortium with Marubeni Corporation and Tokyu Construction Co, Ltd., jointly accepted a Letter of Tender for the design, building, testing and commissioning of a new A-380 hangar/workshop facilities and associated M&E works at the Kuala Lumpur International Airport, Malaysia.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current period ended 31 July 2005 except for the following:

- i) On 20 June 2005, TCMB acquired 100% equity interest in Tronoh Consolidated (Labuan) Ltd. This has no material impact on the Group for the financial year-to-date.
- ii) On 1 June 2005, Zelan Holdings (M) Sdn Bhd, a subsidiary of TCMB acquired 100% equity interest in Zelan Consolidated (Overseas) Sdn Bhd. This has no material impact on the Group for the financial year-to-date.
- iii) On 1 June 2005, Zelan Holdings (M) Sdn Bhd, a subsidiary of TCMB acquired 100% equity interest in Zelan Middle East Ltd. This has no material impact on the Group for the financial year-to-date.
- iv) On 20 May 2005, Zelan Holdings (M) Sdn Bhd, a subsidiary of TCMB acquired a 50% equity interest in Zelan EPC Limited (Hong Kong), a company incorporated in Hong Kong. Zelan EPC Limited (Hong Kong) in turn has a 99.9% equity interest in Zelan Projects Private Limited which was incorporated on 19 April 2005. This has no material impact on the Group for the financial year-to-date.
- v) On 17 June 2005, Zelan Holdings (M) Sdn Bhd, a subsidiary of TCMB acquired a 49% equity interest in Saharkan Zelan (Thailand) Co. Ltd. This has no material impact on the Group for the financial year-to-date.

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	2,677
Authorised and contracted for	512
	<u>3,189</u>

14. Review of Performance

For the quarter under review, the Group registered a profit before tax of RM31.023 million as compared to the preceding year corresponding quarter's profit of RM22.868 million. The higher profit in the quarter under review was mainly due to higher contract revenue and lower allowance for decline in market value of quoted investments as compared to the preceding year corresponding quarter's profit

For the current financial year-to-date, the Group achieved a profit before tax of RM57.188 million as compared to the preceding year corresponding period's profit of RM74.969 million, which was inclusive of the gains on disposal of investments of RM28.508 million.

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 RM31.023 million as compared to the preceding quarter's profit of RM26.165 million. This higher profit was mainly due to higher contract revenue in the current quarter.

16. Current Year Prospects

Considering the size of the existing order book and businesses being pursued both locally and overseas, the Group remains confident of maintaining its performance for the current financial year ending 31 January 2006, 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		Year-To-Date Ended	
	31/07/2005 RM'000	31/07/2004 RM'000	31/07/2005 RM'000	31/07/2004 RM'000
Current taxation	6,976	5,040	13,419	9,311
Deferred taxation	(76)	(25)	(88)	(25)
(Over)/under provided in prior years	(40)	0	504	0
Share of tax of associates and a jointly controlled entity	2,972	3,322	6,175	6,286
Tax expense	9,832	8,337	20,010	15,572

The effective tax rate for the Group is higher than the statutory tax rate primarily due to certain companies within the Group which were loss making and certain expenses which were not deductible for tax purposes.

The Inland Revenue Board commenced investigations on two (2) subsidiary companies on 13 January 2005. The outcome of the investigation is unknown as at the date of this announcement.

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 purchases and disposals of quoted securities for the current quarter under review.

The investments in quoted securities as at 31 July 2005 are as follows:-

(i)	at cost	= RM464,930,167
(ii)	at carrying value	= RM457,223,729
(iii)	at market value	= RM475,566,761

21. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 29 September 2005.

22. Borrowings and Debt Securities

		As at 31.07.05 RM'000
(i)	Current borrowings	
	Secured:-	
	-Term loans	4,557
	Unsecured:-	
	-Hire purchase liabilities	1,072
	-Bankers' acceptances	<u>316</u>
		<u>5,945</u>
(ii)	Non current borrowings	
	Secured:-	
	-Term loans	12,767
	Unsecured:-	
	-Hire purchase liabilities	1,373
		<u>14,140</u>
	Total	20,085 =====

23. Off Balance Sheet Financial Instruments

The Group has entered into the following foreign exchange forward contracts during the quarter and financial year to date :-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency	Contractual rate	RM equivalent
				'000		'000
i)	30 March 2005 to 30 March 2006	Singapore Dollar (SGD)	Ringgit Malaysia (RM)	SGD 2,500	1 SGD = RM2.302	5,755
ii)	30 March 2005 to 30 March 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 450	1 USD = RM3.75	1,688
iii)	26 May 2005 to 30 November 2005	US Dollar (USD)	Ringgit Malaysia (RM)	USD 750	1 USD = RM3.7795	2,835

23. Off Balance Sheet Financial Instruments (continued)

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency	Contractual rate	RM equivalent
				'000		'000
iv)	21 June 2005 to 2 February 2006	Singapore Dollar (SGD)	Ringgit Malaysia (RM)	SGD 2,500	1 SGD = RM2.302	5,755
v)	21 June 2005 to 2 February 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 450	1 USD = RM3.762	1,693
vi)	3 August 2005 to 6 February 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 130	1 USD = RM3.70	481

These contracts are executed with creditworthy financial institutions and therefore the Directors are of the view that, at present, the credit and market risks associated with these contracts are minimal.

24. 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		Year-To-Date Ended	
	31/07/05	31/07/04	31/07/05	31/07/04
Group's profit after taxation and minority interest (RM' Million)	20.879	14.343	37.199	59.056
Weighted average number of ordinary shares in issue (Million)	281.632	281.632	281.632	281.632
Earnings per share (sen)				
(a) Basic	7.41	5.09	13.21	20.97
(b) Diluted	7.41	5.09	13.21	20.97

The Group does not have in issue any financial instruments or other contracts that may entitle its holder to ordinary shares and therefore dilute its basic earnings per share.

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 2005.

26. Dividends

A first and final gross dividend of 6 sen per share, tax exempt, on 281,631,485 ordinary shares, amounting to RM16.898 million and 2 sen per share, less income tax at 28%, amounting to RM4.056 million in respect of the financial year ended 31 January 2005 was approved by the shareholders of the Company at its Annual General Meeting held on 27 July 2005. The said dividend was paid on 22 August 2005.

An interim tax exempt dividend of 5 sen per ordinary share of RM1.00 each was declared on 28 September 2005 by the Board of Directors in respect of the financial year ending 31 January 2006. The interim dividend will be paid on 15 November 2005 to every depositor registered in the Record of Depositors at the close of business on 20 October 2005.

The total dividend approved to date for the current financial year is 5 sen tax exempt per ordinary share of RM1.00 each.

Notice of Interim Dividend Payment and Entitlement Date

Notice is hereby given that an interim tax exempt dividend of 5 sen per ordinary share of RM1.00 each in respect of the financial year ending 31 January 2006 will be payable on 15 November 2005 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 20 October 2005. A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares deposited into the depositor's securities account before 4.00 p.m. on 18 October 2005 in respect of shares which are exempted from mandatory deposit.
- (b) shares transferred into the depositor's securities account before 4.00 p.m. on 20 October 2005 in respect of ordinary shares.
- (c) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia.

There was no dividend declared in the preceding year's corresponding period.

27. 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 28 September 2005.

By order of the Board

Muhammad Firdaus Bin Abdullah
Secretary
Kuala Lumpur
29 September 2005