

TRONOH CONSOLIDATED MALAYSIA BERHAD 27676-V**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 OCTOBER 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

The amount of dividends paid during the financial period ended 31 October 2005 was as follows:

RM'000

In respect of the financial year ended 31 January 2005 as reported in the directors' report of that year:

First and final dividend of 6 sen per share tax exempt
and 2 sen per share, less income tax at 28%

20,954

The dividend was paid on 22 August 2005.

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	135,128	179,185	314,313	394,782	431,268	826,050
Property & development	2,794	0	2,794	5,974	0	5,974
Manufacturing & trading	8,988	13,964	22,952	26,898	41,456	68,354
Investment	105	0	105	556	0	556
Others	38	0	38	115	0	115
Elimination	0	(193,149)	(193,149)	0	(472,724)	(472,724)
Total	147,053	0	147,053	428,325	0	428,325

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	17,611	1,512	19,123	55,272	5,110	60,382
Property & development	481	49	530	(932)	158	(774)
Manufacturing & trading	2,755	9	2,764	5,455	36	5,491
Investment	(1,341)	216	(1,125)	(3,853)	294	(3,559)
Others	2	0	2	16	0	16
Total	19,508	1,786	21,294	55,958	5,598	61,556

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

There were no material events subsequent to the end of the period under review that have not been reflected in the quarterly financial statements.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current period ended 31 October 2005 except for the purchase of additional 3,300,000 ordinary shares of RM1.00 each in IJM for a cash consideration of approximately RM4.88 per share 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, except the following, which is written in bold and underlined:-

The Australian tax authority had issued a notice of assessment dated 23 May 2003 to Golden Solitaire (Australia) B.V. ("GSA"), an overseas subsidiary of the Company, indicating that GSA is subject to a capital gains tax liability of AUD86,230,151, an additional tax liability for late lodgment of AUD200 and an interest liability of AUD56,830,372 (as at the date of the notice of assessment) in respect of disposal of shares in 1998. In addition, the Australian tax authority had also issued a notice of assessment dated 24 June 2003 to the Company for a capital gains tax liability of AUD443,623 and a total interest liability of AUD299,273 (as at the date of the notice of assessment) in respect of disposal of shares in the same company in 1998. Notices of objection have been filed **and the Australian tax authority has issued decisions on the objections disallowing the primary grounds of objection but as yet has not issued amended assessments.** The issue arises as a result of the Australian tax authority's interpretation of a tax treaty and/or a change in foreign tax legislation around the time of disposals.

Based on the legal advice, no provisions have been made.

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	3,225
Authorised and contracted for	0
	<u>3,225</u>

14. Review of Performance

For the quarter under review, the Group registered a profit before tax of RM29.778 million as compared to the preceding year corresponding quarter's profit of RM26.880 million. Despite lower revenue, the Group recorded higher profit in the quarter under review mainly due to higher margin achieved on contracts 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 RM86.966 million as compared to the preceding year corresponding period's profit of RM101.849 million, which was inclusive of the gains on disposal of investments of RM28.508 million.

15. Comparison of Profit Before Tax for the Current Quarter with Immediate Preceding Quarter

For the current quarter, the Group recorded a profit before taxation of RM29.778 million as compared to the preceding quarter's profit of RM31.023 million. The lower profit was mainly due to slightly lower contract revenue, lower interest income and lower profits from Islamic deposits 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	
	31/10/2005 RM'000	31/10/2004 RM'000	31/10/2005 RM'000	31/10/2004 RM'000
Current taxation	6,499	6,700	19,918	16,011
Deferred taxation	(12)	(11)	(100)	(36)
(Over)/under provided in prior years	0	0	504	0
Share of tax of associates and a jointly controlled entity	2,882	2,324	9,057	8,610
Tax expense	9,369	9,013	29,379	24,585

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 disposals of quoted securities for the current quarter and financial year-to-date under review.

There were purchases of 3,300,000 IJM ordinary shares of RM1.00 each by the Group during the current quarter under review and financial year-to-date, as follows: -

- (i) at cost = RM16,133,387
- (ii) at carrying value = RM16,133,387
- (iii) at market value = RM15,840,000

20. Quoted Securities (Continued)

During the current quarter and financial year-to-date under review, the Group subscribed for 18,206,872 IJM warrants at an issue price of RM0.05 per warrant as follows:-

(i)	at cost	= RM910,344
(ii)	at carrying value	= RM910,344
(iii)	at market value	= RM7,828,955

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

(i)	at cost	= RM481,973,898
(ii)	at carrying value	= RM473,627,331
(iii)	at market value	= RM481,045,275

21. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 19 December 2005.

22. Borrowings and Debt Securities

	As at 31.10.05 RM'000
(i) Current borrowings	
Secured:-	
-Term loans	13,873
Unsecured:-	
-Hire purchase liabilities	<u>988</u>
	<u>14,861</u>
(ii) Non current borrowings	
Secured:-	
-Term loans	15,204
Unsecured:-	
-Hire purchase liabilities	1,182
	<u>16,386</u>
Total	<u>31,247</u> =====

23. Off Balance Sheet Financial Instruments

The position of forward foreign exchange contracts of the Group as at 12 December 2005 is as follows:-

	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)	21 June 2005 to 2 February 2006	Singapore Dollar (SGD)	Ringgit Malaysia (RM)	SGD 2,500	1 SGD = RM2.302	5,755
iv)	21 June 2005 to 2 February 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 450	1 USD = RM3.762	1,693
v)	3 August 2005 to 6 February 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 130	1 USD = RM3.70	481
vi)	1 December 2005 to 25 May 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 750	1 USD = RM3.744	2,808

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	
	31/10/05	31/10/04	31/10/05	31/10/04
Group's profit after taxation and minority interest (RM' Million)	19.536	17.100	56.735	76.156
Weighted average number of ordinary shares in issue (Million)	281.632	281.632	281.632	281.632
Earnings per share (sen)				
(a) Basic	6.94	6.07	20.15	27.04
(b) Diluted	6.94	6.07	20.15	27.04

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

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 current financial year-to-date.

The interim dividend was paid on 15 November 2005.

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 19 December 2005.

By order of the Board

Muhammad Firdaus Bin Abdullah
Secretary

Kuala Lumpur
19 December 2005