

TRONOH CONSOLIDATED MALAYSIA BERHAD 27676-V**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 JANUARY 2006**

(The figures have not been audited)

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 quarter under review because of their nature, size, or incidence except for :-

- i) the gain on disposal of IJM Plantations Berhad ("IJMP") shares of RM6.864 million, and
- ii) allowance for decline in market value of quoted investments of RM1.240 million.

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year under review because of their nature, size, or incidence except for :-

- i) the gain on disposal of IJMP shares of RM6.864 million, and
- ii) allowance for decline in market value of quoted investments of RM2.646 million.

5. Changes in Estimates of Amount Reported Previously

There were no changes in estimates of amounts reported in prior interim periods 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 issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year.

7. Dividends Paid

The amount of dividends paid during the financial year ended 31 January 2006 were as follows:

	RM'000
(a) 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.	
(b) In respect of the financial year ended 31 January 2006	
Interim dividend of 5 sen per share tax exempt.	14,082
The dividend was paid on 15 November 2005.	
	<hr/> 35,036 <hr/>

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	107,140	73,632	180,772	501,922	504,900	1,006,822
Property & development	4,528	0	4,528	10,502	0	10,502
Manufacturing & trading	13,883	9,858	23,741	40,781	51,314	92,095
Investment	92	0	92	648	0	648
Others	39	0	39	154	0	154
Elimination	0	(83,490)	(83,490)	0	(556,214)	(556,214)
Total	125,682	0	125,682	554,007	0	554,007

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	9,463	1,436	10,899	64,735	6,546	71,281
Property & development	638	33	671	(294)	191	(103)
Manufacturing & trading	2,312	8	2,320	7,767	44	7,811
Investment	(1,658)	137	(1,521)	(5,511)	431	(5,080)
Others	(9)	0	(9)	7	0	7
Total	10,746	1,614	12,360	66,704	7,212	73,916

The primary reporting segment information of the Group is in respect of business segments as the Group's risks and returns are affected predominantly by the differences in the products and services it produces.

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 current quarter under review that have not been reflected in the interim financial report for the current quarter.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 January 2006.

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 for the following, which is written in bold and underlined:-

The Australian tax authority had issued a notice of assessment dated 23 May 2003 **and subsequently amended its assessment on 7 February 2006** to Golden Solitaire (Australia) B.V. ("GSA"), an overseas subsidiary of the Company, indicating that GSA is subject to a capital gains tax of AUD86,230,151, an additional tax for late lodgment of AUD200 and an interest charge of **AUD119,052,083.60** (as at the date of the **amended** 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 **and subsequently amended its assessment on 12 January 2006** to the Company for a capital gains tax of AUD443,623 and a total interest charge of **AUD606,234** (as at the date of the **amended** 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. **Both the Company and GSA have, on 12 January 2006 and 25 January 2006 respectively, through its solicitors lodged an application to the Federal Court of Australia to appeal to the Federal Court against the disallowance of GSA's and the Company's Notice of Objections.** 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 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	5,091
Authorised and contracted for	0
	<u>5,091</u>

14. Review of Performance

For the financial year and quarter under review, the Group recorded lower turnover as compared to previous periods due to the tapering off of Tanjung Bin Power Plant project and new contracts undertaken by the Group are at initial stages of progress where contributions are low.

For the quarter under review, the Group registered a profit before tax of RM28.911 million as compared to the preceding year corresponding quarter's profit of RM29.417 million. Despite a lower revenue, the Group recorded a slightly higher profit in the quarter under review mainly due to gain on sale of quoted investments as compared to the preceding year corresponding quarter's profit.

For the current financial year, the Group achieved a profit before tax of RM115.877 million as compared to the preceding year's profit of RM131.266 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 RM28.911 million as compared to the preceding quarter's profit of RM29.778 million. The lower profit was mainly due to lower contract revenue, slightly lower interest income and lower profits from Islamic deposits in the current quarter, which was compensated by gain on sale of quoted investments.

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 an improved performance for the current financial year ending 31 January 2007, barring unforeseen circumstances.

17. Profit Forecast or Profit Guarantee

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

18. Taxation

	Current Quarter Ended		Year-To-Date Ended	
	31/01/2006 RM'000	31/01/2005 RM'000	31/01/2006 RM'000	31/01/2005 RM'000
Current taxation	1,301	4,528	21,219	20,539
Deferred taxation (Over)/under provided in prior years	(255) (179)	(99) (583)	(355) 325	(135) (583)
Share of tax of associates and jointly controlled entities	3,813	2,952	12,870	11,562
Tax expense	4,680	6,798	34,059	31,383

The effective tax rate for the Group for the financial year 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. There have been no development as at the date of this announcement.

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

There were no sale of unquoted investments and properties for the current quarter and financial year under review.

20. Quoted Securities

There were no disposals of quoted securities for the current quarter and financial year under review except for the following:-

During the quarter under review and financial year under review, the Group disposed of 6,250,000 IJMP shares, 200,000 Arab Malaysian Corporation Berhad shares and 186,333 Media Prima Berhad shares for cash considerations of RM6.864 million, RM0.259 million and RM0.330 million respectively.

20. Quoted Securities (Continued)

There were purchases of 3,300,000 IJM Corporation Berhad ("IJM") ordinary shares of RM1.00 each by the Group for the financial year, as follows: -

(i)	at cost	= RM16,133,387
(ii)	at carrying value	= RM16,133,387
(iii)	at market value	= RM14,784,000

During the financial year 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	= RM6,554,447

The investments in quoted securities as at 31 January 2006 are as follows:-

(i)	at cost	= RM481,467,988
(ii)	at carrying value	= RM471,881,171
(iii)	at market value	= RM440,388,148

21. Status of Corporate Proposals Announced

There were no corporate proposals announced but not completed as at 28 March 2006.

22. Borrowings and Debt Securities

		As at 31.01.06 RM'000
(i)	Current borrowings	
	Secured:-	
	-Term loans	13,964
	Unsecured:-	
	-Bills payable	2,300
	-Hire purchase liabilities	<u>1,094</u>
		<u>17,358</u>
(ii)	Non current borrowings	
	Secured:-	
	-Term loans	11,412
	Unsecured:-	
	-Hire purchase liabilities	1,400
		<u>12,812</u>
	Total	30,170 =====

23. Off Balance Sheet Financial Instruments

The position of forward foreign exchange contracts of the Group as at 21 March 2006 is as follows:-

	Tenure	Currency to be received	Currency to be paid	Amount in foreign currency '000	Contractual rate	RM'000 Equivalent
i)	1 December 2005 to 25 May 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 485	1 USD= RM3.744	1,814
ii)	5 January 2006 to 10 July 2006	Singapore Dollar (SGD)	Ringgit Malaysia (RM)	SGD 480	1 SGD= RM2.274	1,092
iii)	24 February 2006 to 24 August 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 150	1 USD= RM3.678	552
iv)	24 February 2006 to 24 August 2006	US Dollar (USD)	Ringgit Malaysia (RM)	USD 100	1 USD= RM3.678	368
v)	24 February 2006 to 24 August 2006	Singapore Dollar (SGD)	Ringgit Malaysia (RM)	SGD 1,727	1 SGD= RM2.276	3,931
vi)	27 February 2006 to 1 September 2006	Brunei Dollar (BND)	Ringgit Malaysia (RM)	BND 210	1 BND= RM2.276	478

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 year 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 year.

	Current Quarter Ended		Year-To-Date Ended	
	31/01/06	31/01/05	31/01/06	31/01/05
Group's profit after taxation and minority interest (RM' Million)	23.425	21.622	80.160	97.778
Weighted average number of ordinary shares in issue (Million)	281.632	281.632	281.632	281.632
Earnings per share (sen)				
(a) Basic	8.32	7.68	28.46	34.72
(b) Diluted	8.32	7.68	28.46	34.72

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) A proposed final dividend of 5 sen per share, tax exempt, amounting to RM14.082 million and 5 sen per share, less income tax at 28%, amounting to RM10.139 million, have been recommended by the Directors, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

b) Previous corresponding period: 6 sen per share tax exempt amounting to RM16.898 million and 2 sen per share less income tax at 28% amounting to RM4.056 million, paid on 22 August 2005.

c)	Total dividend for the current financial year		
		<u>sen/share</u>	<u>RM'million</u>
	i) Interim dividend of 5 sen per share, tax exempt	5	14.082
	ii) Proposed final dividend as per (a) above		
	- 5 sen per share, tax exempt	5	14.082
	- 5 sen per share, less income tax at 28%	5	10.139
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		15	38.303
		=====	=====

26. Dividends (Continued)

Dividend entitlement date:

NOTICE IS ALSO HEREBY GIVEN THAT the Shareholders who are registered in the Register of Members and Record of Depositors at close of business on 1 August 2006 shall be entitled to the final dividend, which, if approved, will be paid on 15 August 2006.

A depositor shall qualify for the entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 11 August 2006 in respect of ordinary shares.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Malaysia Securities Exchange Berhad.

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 March 2006.

By order of the Board

Muhammad Firdaus Bin Abdullah
Secretary

Kuala Lumpur
28 March 2006