

**TRONOH CONSOLIDATED MALAYSIA BERHAD 27676-V**

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE QUARTER ENDED 30 APRIL 2006**

**1. Basis of Preparation**

The interim financial report of the Group has been prepared in accordance with FRS 134, "Interim Financial Reporting" and paragraph 9.22 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 2006.

The significant 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 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 February 2006:

|         |  |
|---------|--|
| FRS 3   | Business Combinations  |
| FRS 5   | Non-Current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements                         |
| FRS 102 | Inventories  |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors         |
| FRS 110 | Events after the Balance Sheet Date                          |
| FRS 116 | Property, Plant and Equipment                                |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates             |
| FRS 127 | Consolidated and Separate Financial Statements               |
| FRS 128 | Investments in Associates                                    |
| FRS 131 | Interests in Joint Ventures                                  |
| FRS 132 | Financial Instruments: Disclosure and Presentation           |
| FRS 133 | Earnings Per Share   |
| FRS 136 | Impairment of Assets   |
| FRS 138 | Intangible Assets  |
| FRS 140 | Investment Property  |

The adoption of the new/revised FRSs mentioned above did not result in a significant financial impact on the Group except for the effects of the following FRSs discussed below:

*FRS 3: Business Combinations and FRS 136: Impairment of Assets*

The adoption of these new FRSs have resulted in the Group ceasing its annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006.

## 1. **Basis of Preparation (Continued)**

### *FRS 3: Business Combinations and FRS 136: Impairment of Assets (Continued)*

Prior to 1 February 2006, goodwill was amortised on a straight line basis over its estimated useful life of 20 years. The carrying amount of goodwill as at 31 January 2006 of RM47.338 million ceased to be amortised. This has the effect of reducing the amortisation charge by RM0.667 million for the current quarter ended 30 April 2006.

### *FRS 5: Non-Current Assets Held for Sale and Discontinued Operations*

The Group has applied FRS 5 prospectively in accordance with its transitional provisions, which has resulted in a change in accounting policy on the recognition of non-current assets held for sale.

An item is classified as non-current asset held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset held for sale is classified in accordance with FRS 5. Immediately before classification to non-current asset as held for sale, the carrying amount of the asset for disposal is measured in accordance with applicable FRSs. Then, on initial classification as non-current asset held for sale, the asset is recognised at the lower of carrying amount and fair value less costs to sell.

As at 1 February 2006, the Group reclassified certain properties previously held under property, plant and equipment and investment properties to non-current assets held for sale in accordance with FRS 5.

### *FRS 101: Presentation of Financial Statements*

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of results of associates and joint ventures and other disclosures. In the consolidated balance sheet, minority interest is now presented within total equity. In the consolidated income statement, minority interest is presented as an allocation of the total profit for the period. A similar requirement is also applicable to the statement of changes of equity, where it requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period showing separately the amounts attributable to equity holders of the parent and to minority interest.

Share of results in associates and joint ventures is now disclosed net of tax and minority interest in the consolidated income statement.

The current period's presentation of the Group's financial statement is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

## 1. **Basis of Preparation (Continued)**

### *FRS 121: The Effects of Changes in Foreign Exchange Rates*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising from translating functional currency into presentation currency of either the reporting entity or the foreign operation for preparation of consolidated financial statement, are to be recognised as a separate component of the equity. Previously, such exchange differences were taken to the income statement. This change in accounting policy does not have significant financial impact on the Group.

### *FRS 140: Investment Property*

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Investment properties are now stated at cost and measured in accordance with the requirements of FRS 116. Prior to 1 February 2006, investment properties were stated at cost less any impairment in value.

The comparatives at 31 January 2006 have been restated, as highlighted in Note 2 below.

## 2. **Comparatives**

The following comparative amounts have been restated due to the adoption of FRS 101 and FRS 140:

|                                     | As<br>previously<br>stated<br>RM'000 | Effects on<br>adoption of<br>FRS<br>RM'000 | As<br>restated<br>RM'000 |
|-------------------------------------|--------------------------------------|--|--------------------------|
| <b>As at 31 January 2006</b>        |                                      |  |                          |
| Property, plant and equipment       | 31,696                               | (1,007)                                    | 30,689                   |
| Investment properties               | 7,365                                | 1,007                                      | 8,372                    |
|                                     |                                      |  |                          |
| <b>3 months ended 30 April 2005</b> |                                      |  |                          |
| Share of results of associates      | 9,414                                | (3,203)                                    | 6,211                    |
| Taxation                            | (10,178)                             | 3,203                                      | (6,975)                  |

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Group's financial statements for the financial year ended 31 January 2006 was not subject to any qualification.

**4. Seasonal or Cyclical Factors**

The Group's operations were not materially affected by any seasonal or cyclical factors.

**5. Unusual Items**

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

- i) the gain on disposal of IJM Corporation Berhad ("IJM") warrants of RM6.794 million.
- ii) the gain on disposal of IJM Plantations Berhad ("IJMP") shares of RM1.908 million.
- iii) Write back of allowance for decline in market value of quoted investments of RM2.218 million.

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

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

**7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year.

**8. 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.

## 9. Segmental Reporting

Analysis by business segments for the quarter and financial year to date:

|   | Engineering<br>&<br>construction<br>RM'000 | Property<br>&<br>development<br>RM'000 | Manufacturing<br>&<br>trading<br>RM'000 | Investment<br>&<br>Others<br>RM'000 | Total<br>RM'000 |
|---|--|--|---|-------------------------------------|-----------------|
| <b><u>Revenue</u></b>                                   |  |  |   |                                     |                 |
| Total   | 138,760                                    | 6,135                                  | 29,718                                  | 334                                 | 174,947         |
| Inter-segment   | (6,445)                                    | 0                                      | (13,074)                                | 0                                   | (19,519)        |
| External  | <b>132,315</b>                             | <b>6,135</b>                           | <b>16,644</b>                           | <b>334</b>                          | <b>155,428</b>  |
| <b><u>Results</u></b>                                   |  |  |   |                                     |                 |
| Segment profit/<br>(loss)                               | 13,800                                     | (1,663)                                | 3,372                                   | 666                                 | 16,175          |
| Gain on disposal<br>of investments                      |  |  |   | 8,773                               | 8,773           |
| Interest income   | 1,357                                      | 42                                     | 42                                      | 164                                 | 1,605           |
| Finance costs   |  |  |   |                                     | (343)           |
| Share of results<br>of associates and<br>joint ventures | 8,062                                      |  |   |                                     | 8,062           |
| Profit before<br>taxation                               |  |  |   |                                     | 34,272          |
| Taxation  |  |  |   |                                     | (6,277)         |
| Profit for the<br>period                                |  |  |   |                                     | <b>27,995</b>   |

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.

## 10. 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.

## 11. 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) Subsequent to the period under review, Tronoh Consolidated Malaysia Berhad ("TCMB") sold 1,660,000 IJM warrants for a cash consideration of RM1,930,702.

**11. Material Events Subsequent to the End of the Reporting Period (Continued)**

- (ii) Subsequent to the period under review, TCMB sold 580,000 IJMP shares for a cash consideration of RM867,824.
- (iii) On 14 June 2006, Zelan Holdings (M) Sdn Bhd (“ZHSB”), a wholly owned subsidiary of TCMB, and Bagan Pesona Sdn Bhd (“BPSB”) executed a Share Sale Agreement (“SSA”) for the purchase of 875,000 ordinary shares of European Profile (M) Sdn Bhd (“EPMSB”) for a cash consideration of RM7,525,000 from Bagan Pesona Sdn Bhd. The acquisition of the shares would increase ZHSB’s equity interest in EPMSB from 55% to 80%.

The purchase of the shares shall be subject to the conditions as set out in the SSA.

This transaction has no material impact on the Group.

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

There were no changes in the composition of the Group during the current quarter ended 30 April 2006 except for the following:

- i) On 10 April 2006, ZHSB acquired an additional 98,000 shares in Sahakarn Zelan (Thailand) Co. Ltd. This transaction has no material impact on the Group for the financial year-to-date.
- ii) On 13 April 2006, TCMB acquired 100% equity interest in TCMB Power Sdn. Bhd. This transaction has no material impact on the Group for the financial year-to-date.
- iii) On 13 April 2006, TCMB acquired 100% equity interest in TCMB Energy Ventures Sdn Bhd. This transaction has no material impact on the Group for the financial year-to-date.

**13. 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:-

### 13. **Changes in Contingent Liabilities or Contingent Assets (Continued)**

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 (as at the date of the amended notice of assessment) in respect of disposal of shares in the same company in 1998. **The Australian tax authority recently on 9 May 2006 had issued to the Company a General Interest Charge for AUD625,612.21.** 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.

### 14. **Capital Commitments**

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

|                                      | RM'000       |
|--------------------------------------|--------------|
| <u>Property, plant and equipment</u> |              |
| Authorised but not contracted for    | 4,504        |
| Authorised and contracted for        | 0            |
|                                      | <u>4,504</u> |

### 15. **Review of Performance**

For the current quarter under review, the Group recorded higher turnover due to contribution from new projects secured during the last financial year and higher revenue recognised from the property development business unit.

For the current quarter under review, the Group registered a profit before tax of RM34.272 million as compared to the preceding year corresponding quarter's profit of RM22.962 million. The higher profit was mainly due to higher revenue earned, writeback of allowance for decline in market value of investments and gain on disposal of investments as compared to the preceding year corresponding quarter's profit.

**16. 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 RM34.272 million as compared to the preceding quarter's profit of RM28.911 million. The higher profit was mainly due to higher contract revenues, write back of allowance for decline in market value of investments and higher gain on disposal of investments.

**17. 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.

**18. Profit Forecast or Profit Guarantee**

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

**19. Taxation**

|   | Current Quarter Ended |                      | Year-To-Date Ended   |                      |
|---|-----------------------|----------------------|----------------------|----------------------|
|   | 30/04/2006<br>RM'000  | 30/04/2005<br>RM'000 | 30/04/2006<br>RM'000 | 30/04/2005<br>RM'000 |
| Current taxation  | 6,289                 | 6,443                | 6,289                | 6,443                |
| Deferred taxation<br>(Over)/under<br>accruals in prior<br>years | (12)                  | (12)                 | (12)                 | (12)                 |
|   | 0                     | 544                  | 0                    | 544                  |
| Tax expense   | 6,277                 | 6,975                | 6,277                | 6,975                |

The effective tax rate for the Group for the financial year is lower than the statutory tax rate primarily due to gain on disposal of investments and writeback of allowance for decline in market value of investments which are not subject to tax.

The Inland Revenue Board commenced investigations on two (2) subsidiary companies on 13 January 2005. There has been no development as at the date of this announcement.



**20. 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 to date under review.

**21. Quoted Securities**

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

During the current quarter under review and financial year under review, the Group disposed of 1,377,013 IJMP shares, 9,544,872 IJM warrants, 300,000 Arab Malaysian Corporation Berhad shares and 1,000,000 Oriental Food Industries Holdings Berhad shares for cash considerations of RM1.908 million, RM7.271 million, RM0.380 million and RM1.290 million respectively.

There were no quoted securities purchased during the current quarter under review and year-to-date.

The investments in quoted securities as at 30 April 2006 are as follows:-

|       |                   |                 |
|-------|-------------------|-----------------|
| (i)   | at cost           | = RM479,392,744 |
| (ii)  | at carrying value | = RM472,023,644 |
| (iii) | at market value   | = RM571,498,052 |

**22. Status of Corporate Proposals Announced**

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

**23. Borrowings and Debt Securities**

|             |                               | <b>As at<br/>30.04.06<br/>RM'000</b> |
|-------------|-------------------------------|--------------------------------------|
| <b>(i)</b>  | <b>Current borrowings</b>     |                                      |
|             | Secured:-                     |                                      |
|             | - Term loans                  | 13,811                               |
|             | Unsecured:-                   |                                      |
|             | - Hire purchase liabilities   | <u>904</u>                           |
|             |                               | <u>14,715</u>                        |
| <b>(ii)</b> | <b>Non current borrowings</b> |                                      |
|             | Secured:-                     |                                      |
|             | -Term loans                   | 8.078                                |
|             | Unsecured:-                   |                                      |
|             | -Hire purchase liabilities    | 1,271                                |
|             |                               | <u>9,349</u>                         |
|             | <b>Total</b>                  | <b>24,064</b><br>=====               |

**24. Off Balance Sheet Financial Instruments**

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

|       | Tenure                               | Currency to be received | Currency to be paid   | Amount in foreign currency '000 | Contractual rate | RM'000 Equivalent |
|-------|--------------------------------------|-------------------------|-----------------------|---------------------------------|------------------|-------------------|
| i)    | 5 January 2006 to 10 July 2006       | Singapore Dollar (SGD)  | Ringgit Malaysia (RM) | SGD 331                         | 1 SGD= RM2.274   | 752               |
| ii)   | 24 February 2006 to 24 August 2006   | US Dollar (USD)         | Ringgit Malaysia (RM) | USD 150                         | 1 USD= RM3.678   | 552               |
| iii)  | 24 February 2006 to 24 August 2006   | US Dollar (USD)         | Ringgit Malaysia (RM) | USD 100                         | 1 USD= RM3.678   | 368               |
| iv)   | 24 February 2006 to 24 August 2006   | Singapore Dollar (SGD)  | Ringgit Malaysia (RM) | SGD 858                         | 1 SGD= RM2.276   | 1,952             |
| v)    | 27 February 2006 to 1 September 2006 | Brunei Dollar (BND)     | Ringgit Malaysia (RM) | BND 210                         | 1 BND= RM2.276   | 478               |
| (vi)  | 30 May 2006 to 30 November 2006      | US Dollar (USD)         | Ringgit Malaysia (RM) | USD 250                         | 1 USD= RM3.615   | 904               |
| (vii) | 5 June 2006 to 1 December 2006       | Sterling Pound (GBP)    | Ringgit Malaysia (RM) | GBP 367                         | 1 GBP RM6.72     | 2,466             |

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.

**25. 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 |          |
|---|-----------------------|----------|--------------------|----------|
|   | 30/04/06              | 30/04/05 | 30/04/06           | 30/04/05 |
| Group's profit for the period, attributable to the equity holders of the parent (RM' Million) | 27.545                | 16.320   | 27.545             | 16.320   |
| Weighted average number of ordinary shares in issue (Million)                                 | 281.632               | 281.632  | 281.632            | 281.632  |
| <b>Earnings per share (sen)</b>   |                       |          |                    |          |
| <b>(a) Basic</b>  | 9.78                  | 5.79     | 9.78               | 5.79     |
| <b>(b) Diluted</b>  | 9.78                  | 5.79     | 9.78               | 5.79     |

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.

**26. 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 2006.

**27. Dividends**

There was no dividend declared for the quarter under review. No dividend had been declared for the financial period ended 30 April 2005.

**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 28 June 2006.

**By order of the Board**

**Muhammad Firdaus Bin Abdullah**  
Secretary

**Kuala Lumpur**  
**28 June 2006**