



**SELOGA HOLDINGS BERHAD**  
(Company No: 361052-H)  
Incorporated In Malaysia

**NOTES TO THE QUARTERLY FINANCIAL REPORT  
YEAR ENDED 31 DECEMBER 2005**

**SELECTED EXPLANATORY NOTES: FRS 134 PARA 16**

**A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (formerly known as MASB Standards), FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2004.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 31 December 2004.

**A2 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2004 was not qualified.

**A3 Comments About Seasonal or Cyclical Factors**

The Group's operations are not affected by seasonal and cyclical factors.

**A4 Unusual Items Due to their Nature, Size or Incidence**

There were no unusual items which affect the assets, liabilities, equity, net income or cash flows of the Group.

**A5 Changes in Estimates**

There were no changes in the estimates of amounts, which give a material effect in the current quarter.

**A6 Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter except for the issuance of 585,513 ordinary shares of RM1 each, pursuant to the conversion of RM585,513 nominal amount of irredeemable convertible unsecured loan stocks ("ICULS") issued at 100% of its nominal value.

**A7 Dividends Paid**

There was no dividend paid by the Company for the current financial year.

**A8 Segmental Information**

There are no material business segments other than that of the construction segment. The geographical segments of the Group are presented below:

	Total Revenue from External Customers		Segment Assets	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysia	100,448	-	129,198	114,515
Africa	11,250	-	3,555	2,097
ASEAN	900	-	71	234
	<u>112,598</u>	<u>-</u>	<u>132,824</u>	<u>116,846</u>

**A9 Carrying Amount of Revalued Assets**

The Group did not carry out any valuation on its property, plant and equipment for the current financial year.

**A10 Subsequent Events**

As at the date of this report, there were no material events subsequent to the end of the year under review that have not been reflected in the financial statement.

**A11 Changes in Composition of the Group**

There are no changes in the composition of the Group for the current quarter.

**A12 Changes in Contingent Liabilities and Contingent Assets**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2004 except for the provision of financial assistance by Seloga Holdings Berhad ("SHB") for the cost over-run of up to USD5.0 million (RM18.75 million based on the exchange rate of USD1.00:RM3.75) to Kemaman Bitumen Company Sdn. Bhd. ("KBSB"), effectively a 47% owned associated company of SHB.

**A13 Capital Commitments**

There was no capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2005.

**SELECTED EXPLANATORY NOTES: BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B1 Performance Review**

The Group recorded higher revenue for the current quarter ended 31 December 2005 of RM35.0 million as compared to RM28.0 million in the preceding year's quarter ended 31 December 2004. This is due to higher billings achieved from projects on-going locally and overseas during the current quarter.

The Group recorded a net profit before taxation of RM0.5 million for the current quarter ended 31 December 2005 as compared to a loss before taxation of RM2.4 million in the preceding year's quarter ended 31 December 2004. The profit in the current quarter was mainly attributed to Taman Nusantara project and overseas projects.

**B2 Material Change in Profit/Loss Before Taxation**

The Group recorded a net profit before taxation of RM0.5 million for the current quarter compared to a loss before taxation of RM0.9 million in the previous quarter. The profit in the current quarter was mainly attributed to Taman Nusantara project and overseas projects.

**B3 Prospects of the Group**

The outlook for the local construction industry is expected to remain challenging, characterised by intense competition for construction jobs among the market players. The Group is continuously sourcing new projects which could generate an acceptable profit margin on a negotiated basis.

The Group has broadened its earnings base with the construction of show units for the overseas projects. The Group is now in a good position to secure more projects overseas. The negotiations are progressing well and are anticipated to materialise in the near future and is expected to further contribute positively to the Group's future performance.

In addition, the Group has ventured into the manufacture of bitumen through a Joint Venture ("JV"). The JV company shall focus its efforts on the construction of this specialized bitumen plant in 2005 and 2006. Upon the successful implementation of the program for the construction, the plant is expected to start commissioning in the last quarter of 2006 and to contribute positively in 2007.

**B4 Profit Forecast**

Not applicable as there was no forecast/profit guarantee.

**B5 Taxation**

The current quarter taxation represents a reversal of deferred taxation.

**B6 Unquoted Investments and Properties**

There were no sale of unquoted investments and properties during the current quarter.

**B7 Quoted Investments**

There was no sale or purchase of quoted investments during the current quarter.

	<u>As at 31/12/2005</u> RM'000
Total investment at cost	1
Total Investment at carrying value/book value	-
Total investment at market value	-

**B8 Status of Corporate Proposals**

Except for the following proposal which is in various stages of implementation, there were no other new corporate proposals:

Proposed Acquisition of Infra Expert Development Sdn Bhd ("IED")

On 30 September 2004, the Group entered into a conditional share sale and purchase agreement with Md. Anwar Bin Mamood, Syed Amir Abidin Jamalullail and Dato' Badarudin Bin Abdul Khalid (collectively the "Vendors") for the proposed acquisition by SHB from the Vendors who collectively holds 51% equity interest in IED comprising 2,550,000 ordinary shares of RM1.00 each ("IED Shares") for a total cash consideration of RM10 million.

The cash consideration was arrived at on a willing buyer-willing seller basis, after taking into consideration IED's development rights for the Nusantara Project which is valued at RM25 million, based on the valuation carried out on 15 September 2004 by Messrs. Knight Frank, an independent professional valuer.

Further to the announcement on 30 September 2004, the Group had on 2 December 2004 entered into a Supplemental Agreement with the Vendors to vary certain terms and conditions of the conditional share sale and purchase agreement as follows:-

- (i) The cash purchase consideration for the Proposed Acquisition has been revised from RM10 million to RM8 million to be paid in the following manner:
  - RM5 million on a date falling one month (or such later time as SHB and the Vendors may agree in writing) from the date when all the conditions precedent have been fulfilled ("Completion Date"); and
  - RM3 million on the date falling on the third anniversary of the Completion Date or upon full satisfaction of all debts due and payable by IED to SHB and/or any of SHB's subsidiaries as recorded in SHB's and/or such subsidiaries' audited accounts as at 31 December 2004, whichever is later.
- (ii) An additional condition precedent to the Conditional IED SPA which requires IED to furnish sufficient proof to the satisfaction of SHB, that IED has no less than five years unexpired duration of development rights in respect of the Nusantara Project pursuant to the Development and Sale and Purchase Agreement dated 22 February 1999 between Prolink Development Sdn. Bhd. And IED.

Further to the announcements made on 30 September 2004 and 2 December 2004, the Group announced on 10 January 2005 that the Foreign Investment Committee has no objection to the Proposed Acquisition subject to IED maintaining at least 49% Bumiputera equity interest at all times.

The Proposed Acquisition is still subject to the fulfilment of certain conditions precedent by IED as well as the approval of the shareholders of SHB at an Extraordinary General Meeting to be convened in due course.

**B9 Borrowings and Debt Securities**

<u>Secured Loans as at 31 December 2005</u>	<i>Long Term</i> RM'000	<i>Short Term</i> RM'000
Bank Overdraft	-	8,004
Short Term Advance	-	5,732
Term Loan	17,920	11,097
Hire Purchase Creditors	117	276
	18,037	25,109

The above loans are denominated in Ringgit Malaysia.

**B10 Off Balance Sheet Financial Instruments**

On 9 May 2003, the Company issued RM24 million nominal value seven year zero coupon irredeemable convertible unsecured loan stock ("ICULS") to Segi Resources Sdn Bhd, a joint venture ("JV") partner to the Segi-Seloga Jaya JV turnkey project.

The ICULS are convertible into new ordinary shares on a semi-annual basis commencing six months from the issuance date to the day immediately preceding the Maturity Date, 7 May 2010, based on the cumulative certified billing amount/turnover of the Segi-Seloga Jaya JV turnkey project.

ICULS conversion details are as follows:

Total ICULS issued	24,000,000
less conversions completed on :	
- 24 December 2003	(232,604)
- 19 May 2004	(128,401)
- 25 November 2004	(589,760)
- 9 May 2005	(1,018,162)
- 17 November 2005	(585,513)
Total ICULS converted to shares	(2,554,440)
Balance of ICULS as at 31/12/2005	21,445,560

**B11 Changes in Material Litigation**

There were no changes in material litigation since the last quarter except for the following:

Kuala Lumpur High Court Suit No. D7-22-50-2002, Seloga Jaya Sdn. Bhd. ("SJSB") vs UEM Genisys Sdn. Bhd. ("UEMG") under which UEMG issued a S218 Notice against SJSB on 17 December 2002 for an alleged debt of RM1,386,646.84 in respect of sub-contract works carried out by UEMG as a nominated sub-contractor for a project undertaken by SJSB for Subang Jaya Hotels Development Sdn. Bhd., a subsidiary of Faber Group Berhad ("FGB"). On 9 January 2003, SJSB filed this suit against UEMG seeking inter alia an injunction to restrain UEMG from commencing winding up proceedings. The grounds of the suit and application are inter alia that there is no debt owing because the sub-contract works have been fully and finally settled by 1,386,646 FGB ICULS issued by FGB pursuant to a Section 176 Scheme as full and final settlement of the said sub-contract works. The High Court Judge has on the 4<sup>th</sup> March 2004 dismissed SJSB's application with cost.

SJSB filed an application for appeal against the High Court's decision. On 14 June 2004, the Court of Appeal ordered UEMG to restrain from filing or proceeding with a winding up petition against SJSB pending the hearing and disposal of SJSB's Notice of Appeal.

Subsequently, on 20 October 2005, UEMG was wound up. The Court has given a long mention date for the outcome of UEMG's status to be determined before proceeding on this matter.

**B12 Dividend**

No dividend has been declared for the financial year ended 31 December 2005. There were no dividends paid in respect of the corresponding financial year.

**B13 Earnings Per Share**

The basic earnings per share is derived based on the net profit attributable to ordinary shareholders for the current quarter ended 31 December 2005 of RM0.5 million divided by the weighted average number of ordinary shares issued during the current quarter of 112,328,051.

The fully diluted earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM0.5 million by the weighted average number of ordinary shares in issue during the period, adjusted for the dilutive effects of all potential ordinary shares, i.e. ICULS, of 133,773,611.

**B13 Authorisation for Issue**

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2006.