

**The North Borneo Corporation Berhad (Company No : 8387-M)**  
**NOTES TO THE FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS  
("FRS") 134**

**A1 Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting.

The interim financial statements have been prepared based on the accounting policies and methods of computation consistent with those adopted in the re-issued annual financial statements for the year ended 31 December 2004 on a break up basis. The annual financial statements for the year ended 31 December 2005 have yet to be audited.

**A2 Declaration of audit qualification**

There was no audit qualification in the previous re-issued annual financial statements for the year ended 31 December 2004 although the auditors' report contains an "Except for" opinion in respect of the registers of the company which have been retained by Securities Commission and are therefore not kept at a location in accordance with the requirements of the Companies Act, 1965. The annual financial statements for the year ended 31 December 2005 have yet to be audited, and the Board of Directors have made an application to Bursa Malaysia Securities Berhad for an extension of time to issue its annual audited accounts for the year ended 31 December 2005 on 17 April 2006 as the Company's previous auditors, Messrs Ernst & Young resigned during the period. By a letter dated 3.05.2006, Bursa Malaysia Securities Berhad did not approve the Company's application for the extension of time. The Board of Directors have nominated a new firm of Auditors in replacement but require confirmation from shareholders at an Extraordinary General Meeting.

**A3 Seasonal or cyclical factors**

The operations of the Group were not affected by any seasonal or cyclical factors.

**A4 Unusual items**

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence for the financial year under review.

**A5 Material changes in the quarterly results compared to the results of the preceding quarter**

There were no material changes in the current quarter's results as compared to the results of the preceding quarter.

**A6 Issuance or repayment of debt and equity securities**

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the financial year under review.

**A7 Dividend paid**

No dividend was paid during the financial year under review.

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**A8      Segmental reporting**

	Investment		
(RM 000)	Holding	Others	Consolidated
<u>Industry segments:</u>			
REVENUE			
Externalsales	-	-	-
Intersegment sales	-	-	-
Total revenue	-	-	-
RESULT			
Segment results	(18)	(21)	(39)
Finance costs	-	-	(1,226)
Taxation	-	-	-
Loss after taxation	(18)	(21)	(1,265)
Minority interests			-
Loss for the period			<b>(1,265)</b>
ASSETS and LIABILITIES			
Segment assets	712	950	<b>1,662</b>
Segment liabilities	162,775	604	<b>163,379</b>
OTHER INFORMATION			
Depreciation	2	21	<b>23</b>
<u>Geographical segment:</u>	Malaysia	Bermuda	Consolidated
Total revenue from external customers		-	<b>0</b>
Segment assets	1,652	10	<b>1,662</b>

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**A9 Valuation of property, plant and equipment**

The values of property, plant and equipment were adjusted to their estimated realisable values on a forced sale basis as determined by the Directors on the advice of an independent professional valuer during the audit of the previous re-issued annual financial statements for the year ended 31 December 2004.

**A10 Subsequent events**

There were no material events as at the date of this announcement that will affect the results of the financial year under review.

**A11 Changes in the composition of the Group**

There were no changes in the composition of the Group for the financial year under review.

**A12 Contingent liabilities**

		31.3.2006	31.12.2005
		RM 000	RM 000
Secured:			
a)	Accrued interest waived subject to the successful implementation of the Rescue cum Restructuring Scheme	14,644	13,418
b)	Bank guarantee facility secured by a second fixed and floating charge over all the present and future fixed and floating assets of the Company and one of its subsidiary companies	5,000	5,000
Unsecured:			
c)	Corporate guarantees given to financial institutions for credit facilities granted to a third party	17,743	17,743
d)	A legal suit served on the Company as second Defendant in respect of a corporate guarantee given to a financial institution for credit facility granted to a third party	362	362

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**B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**B1 Review of performance**

The Group recorded a loss before taxation of RM1.265 million for the current quarter under review mainly attributable to interest costs of RM1.226 million.

**B2 Comments on material change in profit before taxation for the quarter reported on as compared with the immediate preceding quarter**

There were no material changes in profit before taxation for the current quarter as compared with the immediate preceding quarter.

**B3 Prospects**

There are no expectations that the Group's operations or financial results will improve in the near future until the completion of the proposed revised rescue cum restructuring exercise. The Securities Commission had approved an extension of time until 23 July 2006 for the Company to complete the Revised Scheme.

**B4 Variances of profit forecast and profit guarantee**

This note is not applicable to the Group as neither the profit forecast nor profit guarantee was published.

**B5 Taxation**

There is no tax charge as the Group is incurring losses during the financial year under review.

**B6 Profits/(losses) on sale of unquoted investments and properties**

There were no sale of unquoted investments and properties during the financial year under review.

**B7 Purchase or disposal of quoted securities**

There were no purchases nor disposals of quoted securities during the financial year under review.

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**B8      Status of corporate proposals**

On 24 January 2005, the Company ("NBC") had obtained a conditional approval from the Securities Commission ("SC") for the Proposed Revised Rescue cum Restructuring Scheme ("Revised Scheme") as follows:

- i) Proposed Scheme of Arrangement under Section 176 of the Companies Act 1965 between NBC, its existing shareholders and LLT Resources Berhad ("LLT"), whereby all the existing shareholders of NBC will exchange their existing 66,124,000 NBC shares for 3,306,200 new LLT shares on the basis of one new LLT share for every twenty existing NBC shares held by each of the existing shareholder of NBC;
- ii) Proposed acquisition by LLT, via LLT Plantations Sdn Bhd (LPSB), of the following land from Seatex Plantations Sdn Bhd (SPSB):
  - a) Seatex Estate for a purchase consideration of RM25,000,000 to be satisfied by an amount owing to SPSB by LPSB;
  - b) Benta Estate for a purchase consideration of RM33,000,000 to be satisfied by an amount owing to SPSB by LPSB;
  - c) Arishah Estate for a purchase consideration of RM47,000,000, be satisfied by an amount owing to SPSB by LPSB;
  - d) Desa Beruntung Land for a purchase consideration of RM26,700,000 to be satisfied by an amount owing to SPSB by LPSB;
- iii) Proposed acquisition by LLT, via Super Worth Ventures Sdn Bhd of a piece of plantation land (converted into mixed development land) from Prospell Enterprise Sdn Bhd ("PESB") for a purchase consideration of RM90,000,000 to be satisfied by the issuance of 90,000,000 new LLT shares, at par;
- iv) Proposed acquisition by LLT of the entire issued and paid-up capital of SPSB, comprising of 37,768,087 shares, from Yoke Hoh Sdn Bhd ("YHSB"), for a purchase consideration of RM75,425,517 to be satisfied by the issuance of 75,425,517 new LLT shares, at par;
- v) Proposed settlement and restructuring of total debt owing by NBC Group to its creditors by the issuance of 27,547,577 new LLT shares, at par and Proposed settlement of existing NBC's preferential creditors of RM773,307 by way of cash through internally-generated funds by LLT in the ordinary course of business after the completion of the Revised Scheme;
- vi) Proposed disposal of the NBC Group by LLT to a special-purpose vehicle for a nominal value of RM1;
- vii) Proposed special issue of 10,000,000 new LLT shares to Bumiputera investors to be identified, at par value;
- viii) Proposed issuance of 19,647,910 new LLT shares arising from the capitalisation of the existing amount owing by SPSB to YHSB pursuant to the Proposed SPSB acquisition;
- ix) Proposed placement of YHSB, PESB and/or creditors of NBC (excluding preferential creditors) of LLT shares to enable LLT to meet the public shareholding requirement;
- x) Proposed de-listing of NBC from the Main Board of the Bursa Malaysia, and in its place, the listing of and quotation for the entire issued and paid-up ordinary share capital of LLT on the Main Board of Bursa Malaysia; and
- xi) Proposed issuance and listing of up to 225,927,204 new LLT shares to be issued for items (i), (iii), (iv), (v), (vii) and (viii).

The details of the Revised Scheme approved and conditions imposed by the Securities Commission can be obtained through the announcement dated 25 January 2005.

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The SC had vide its letter dated 10 March 2005 informed NBC that the application by the Company on the Proposed Exemption to YHSB, PESB, Looh Lim Teng Holdings Sdn Bhd , Dato' Looh Keo @ Looh Lim Teng and parties acting in concert with them namely, Chin Yew Lian and Leong Sze Eam ("Concerted Parties") from the obligation to undertake a mandatory offer to acquire the remaining ordinary shares in LLT not already owned by them upon completion of the Revised Scheme will now be considered under Practice Note 2.9.1 of the Malaysian Code on Take-overs and Mergers, 1998 instead of under Practice Note 2.9.3. The details of the conditions imposed for the approval of the Proposed Exemption can be obtained through the announcement dated 18 Mar 2005.

The SC had vide its letter dated 17 March 2005 approved the application by the Company to expand the Proposed Special Issue to include a proposed private placement of 10,000,000 new LLT shares. The details can be obtained through the announcement dated 21 March 2005.

The Court had on 30 March 2005 granted an Order pursuant to Section 176 of the Companies Act 1965 to restrain all further proceedings against the Company for a period of nine months from the date of the Order and to convene the meetings of its members and the meetings of its scheme creditors no later than nine months from the date of the Order. The details can be obtained through the announcement dated 20 April 2005.

The Order had expired on 29 December 2005 and the Summons In Chambers dated 14 December 2005 for an application for extension of time for the Order dated 30 March 2005 was struck off by the Court with liberty to file afresh on 6 March 2006.

The Equity Compliance Unit of the Securities Commission had vide its letter dated 28 April 2005, informed that they have no objection to the Revised Scheme pursuant to the Foreign Investment Committee's Guidelines on Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests. The details of the conditions imposed can be obtained through the announcement dated 3 May 2005.

Bursa Malaysia had via its letters dated 11 October 2005, 9 January 2006 and 17 April 2006 reminded NBC that it must continue to comply with the various obligations imposed under paragraph 8.14 of the Bursa Securities' Listing Requirements and PN4 to regularise its financial condition within the timeframes prescribed by the Securities Commission.

The Securities Commission had vide its letter dated 13 January 2006 approved an extension of time from 23 January 2006 to 23 July 2006 for the Company to complete the Revised Scheme.

A Scheme Creditor of the Revised Scheme, namely Sabah Development Bank Berhad informed that it is now not agreeable to the terms of the Proposed NBC Group Disposal pursuant to the Proposed Debt Restructuring. Another Scheme Creditor, namely Prokhas Sdn Bhd, being the new company to manage the residual assets of Pengurusan Danaharta Nasional Berhad, also informed that it is now withdrawing its support for the proposed Debt Restructuring.

Southern Investment Bank Berhad, has tendered its resignation as the corporate advisor in relation to the Revised Scheme with effect from 24 March 2006.

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**B9 Group borrowings and debt securities**

The Group's short-term borrowings as at the end of the reporting year are as follows:

	RM'000
Revolving credit facilities - secured	65,000
Bank overdraft - unsecured	324
	<u>65,324</u>

**B10 Off balance sheet financial instruments**

There were no financial instruments with off balance sheet risk since the last annual balance sheet date.

**B11 Material litigation**

A legal suit had been served on the Company as second Defendant by Am-Finance Berhad ("AMF") that involves a claim of RM204,521.62 and interest on the sum of RM157,761.69 at the rate of 16.21% per annum from 12 July 2003 until the full settlement date. The Company's solicitor is taking the necessary steps to defend the case. A decision will be made on the Plaintiff's motion for summary judgement on 10 July 2006.

The Company had been served a copy of the Writ of Summons dated 02 September 2004 as first Defendant and Seatex Plantations Sdn. Bhd. ("Seatex"), the acquiree company pursuant to the Proposed Rescue cum Corporate Restructuring Scheme as second Defendant by Malaysian International Merchant Bankers Berhad ("MIMB") for the sum of RM426,207.00 together with interest thereon at 10% per annum from payment due date to full settlement date in respect of the professional services rendered for the corporate exercise (of the "Original Scheme"). The Company has appointed a lawyer to defend the case.

**B12 Dividend**

No dividend has been recommended for the financial year under review.

**B13 Earnings/(Loss) per share**

The basic loss per ordinary share of RM1.00 each is calculated by dividing the net loss for the current financial year by the weighted average number of ordinary shares in issue during the financial year.

Net loss for the current financial period (RM'000)	(1,265)
Weighted average number of ordinary shares in issue ('000)	66,124
Basic loss per share (sen)	(1.91)

BY ORDER OF THE BOARD

HAR MUN MOI (MAICSA 7024186)  
 Company Secretary

Date: 31 May 2006