



**VERSATILE CREATIVE BERHAD**  
**(Company No. : 603770-D)**

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2006**  
**(The figures have not been audited)**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Period Ended</b>	<b>Period Ended</b>
	<b>30/6/06</b>	<b>30/6/05</b>	<b>30/6/06</b>	<b>30/6/05</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Revenue	18,141	16,851	33,712	32,888
Cost of Sales	(15,267)	(13,568)	(28,422)	(26,819)
Gross Profit	2,874	3,283	5,290	6,069
Other Operating Expenses	(3,131)	(2,619)	(6,214)	(5,094)
Other Income	464	38	558	92
Operating Results	207	702	(366)	1,067
Interest Income	6	19	14	27
Financing Costs	(761)	(671)	(1,411)	(1,319)
(Loss)/Profit before Taxation	(548)	50	(1,763)	(225)
Tax Expense	(16)	(57)	(31)	(203)
(Loss)/Profit for the period	(564)	(7)	(1,794)	(428)
<b>Loss per share - Basic (sen)</b>	<b>(0.51)</b>	<b>(0.01)</b>	<b>(1.62)</b>	<b>(0.39)</b>
<b>Loss per share - Diluted (sen)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>



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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006**  
**(The figures have not been audited)**

	As at 30/6/2006 RM '000	As at 31/12/2005 RM '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	46,001	48,111
Prepaid Interest in Leased Land	1,549	1,562
Goodwill on Consolidation	29,770	29,770
Other Investments	39,925	33,993
	<u>117,245</u>	<u>113,436</u>
<b>Current Assets</b>		
Inventories	6,044	5,928
Trade Receivables	20,082	22,896
Other Receivables, deposits and prepayments	1,937	1,578
Tax Recoverable	790	568
Fixed deposits with licensed banks and a financial institution	565	552
Cash and Bank Balances	806	2,331
	<u>30,224</u>	<u>33,853</u>
<b>Total Assets</b>	<u>147,469</u>	<u>147,289</u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share Capital	110,643	110,643
Accumulated Losses	(26,230)	(24,436)
Reserves	3,000	3,000
<b>Total Equity</b>	<u>87,413</u>	<u>89,207</u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Term Loans (Secured)	14,843	17,015
Hire Purchase Creditors	765	1,463
Deferred Taxation	5,647	5,647
	<u>21,255</u>	<u>24,125</u>
<b>Current Liabilities</b>		
Trade Payables	6,473	6,230
Other Payables and Accruals	7,750	3,678
Borrowings	18,395	17,849
Term Loans (Secured)	4,358	4,350
Hire Purchase Creditors	1,825	1,850
	<u>38,801</u>	<u>33,957</u>
<b>Total Liabilities</b>	60,056	58,082
<b>Total Equity and Liabilities</b>	<u>147,469</u>	<u>147,289</u>
<b>Net Assets per share (RM)</b>	<u>0.7900</u>	<u>0.8063</u>



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006**  
**(The figures have not been audited)**

	Period Ended 30/6/2006 RM '000	Period Ended 30/06/2005 RM '000
<b>Cash Flows From Operating Activities</b>		
Net cash generated from operating activities	8,224	2,424
<b>Cash Flows from Investing Activities</b>		
Net cash used in investing activities	(6,647)	(778)
<b>Cash Flows from Financing Activities</b>		
Net cash used in financing activities	(4,443)	(5,347)
Net Change in Cash & Cash Equivalents	<u>(2,866)</u>	<u>(3,701)</u>
Cash & cash equivalents at beginning of the period	(345)	(934)
Cash & cash equivalents at end of the period	<u>(3,211)</u>	<u>(4,635)</u>
<b>Cash and cash equivalents included in the cash flow statement comprises:</b>		
Cash and Bank Balances	806	723
Bank Overdrafts	<u>(4,017)</u>	<u>(5,358)</u>
	<u>(3,211)</u>	<u>(4,635)</u>



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2006**  
**(The figures have not been audited)**

	Share Capital RM '000	Non-Distributable Capital Redemption Reserve RM '000	Accumulated Losses RM '000	Total Equity RM '000
At 1 January 2006	110,643	3,000	(24,436)	89,207
Net loss for the period	-	-	(1,794)	(1,794)
<b>At 30 June 2006</b>	<b>110,643</b>	<b>3,000</b>	<b>(26,230)</b>	<b>87,413</b>
At 1 January 2005	110,643	3,000	(24,401)	89,242
Net loss for the period	-	-	(428)	(428)
<b>At 30 June 2005</b>	<b>110,643</b>	<b>3,000</b>	<b>(24,829)</b>	<b>88,814</b>



**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE  
SECOND QUARTER ENDED 30 JUNE 2006**

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**A. DISCLOSURE REQUIREMENTS AS PER FRS 134**

**Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The quarterly financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2005.

**Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of a total of 20 new/revised Financial Reporting Standards and other interpretations (herein thereafter referred as FRSs) effective for the financial statements commencing 1 January 2006 for 18 FRSs and 1 October 2006 for 2 FRSs.

The Group has decided for early adoption of the 2 new/revised FRSs for the financial period beginning 1 October 2006.

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:

**a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortization. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, for more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised over its estimated useful life of not more than 25 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortization of RM2,941,540 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM29,770,596 ceased to be amortised. This has the effect of reducing the amortization charges by RM339,409 in the current quarter and RM678,818 in the financial period ended 30 June 2006.

**b) FRS 117: Leases**

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments for the leasehold land represents prepaid interest in leased land and are amortised on a straight-line basis over the lease term. Prior to 1

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January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 January 2006, the unamortized amount of leasehold land is retained as the carrying amount of prepaid interest in leased land. The reclassification of leasehold land as prepaid interest in leased land has been accounted for retrospectively and the comparative amounts as at 31 December 2005 have been restated, as follows:-

	As restated	As previously stated
	RM'000	RM'000
Property, Plant and Equipment	48,111	49,673
Prepaid Interest in Leased Land	1,562	-

**Audit Report Qualification and Status of Matters Raised**

The annual audited financial statements of the Group for the year ended 31 December 2005 were not subject to any qualifications.

**Seasonal or Cyclical Nature of Operations**

The Group operates in three main business segments which can be affected by seasonal and cyclical factors of operations.

**Items of Unusual Nature**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter.

**Changes in Estimates**

There were no significant changes in the estimates which give a material effect for the current quarter.

**Valuation of property, plant and equipment**

Land and buildings have been brought forward, without amendment from the audited financial statements for the financial year ended 31 December 2005.

**Changes in Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares for the current interim financial period under review.

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**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2006****Dividends Paid**

There were no dividends paid in the current interim period under review.

**Material Events Subsequent to the Balance Sheet Date**

There were no material events subsequent to the end of the current interim period that have not been reflected in the financial statements for the said period as at the date of this report.

**Changes in the Composition of the Group**

There were no other changes in the composition of the Group for the current quarter under review.

**Segment Information**

Segmental information for the financial period ended 30 June 2006.

	Paper products 2006 RM'000	Plastic products 2006 RM'000	Colour Separation & Printing 2006 RM'000	Others 2006 RM'000	Elimination 2006 RM'000	Consolidated 2006 RM'000
<b>Business Segments</b>						
Revenue from external customers	10,847	14,836	8,029	-	-	33,712
Inter-segment revenue	96	-	55	-	(151)	-
Total revenue	<u>10,943</u>	<u>14,836</u>	<u>8,084</u>	<u>-</u>	<u>(151)</u>	<u>33,712</u>
<b>Operating Results</b>	<u>(828)</u>	<u>756</u>	<u>179</u>	<u>(455)</u>	<u>(18)</u>	<u>(366)</u>
Interest Income						14
Financing Costs						(1,411)
Loss before Taxation						<u>(1,763)</u>
Tax Expense						<u>(31)</u>
Net loss for the period						<u>(1,794)</u>

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Segmental information for the financial period ended 30 June 2005.

	<b>Paper products 2005 RM'000</b>	<b>Plastic products 2005 RM'000</b>	<b>Colour Separation &amp; Printing 2005 RM'000</b>	<b>Others 2005 RM'000</b>	<b>Elimination 2005 RM'000</b>	<b>Consolidated 2005 RM'000</b>
<b>Business Segments</b>						
Revenue from external customers	10,494	14,796	7,509	89	-	32,888
Inter-segment revenue	142	-	30	-	(172)	-
Total revenue	<u>10,636</u>	<u>14,796</u>	<u>7,539</u>	<u>89</u>	<u>(172)</u>	<u>32,888</u>
<b>Operating Results</b>	<u>489</u>	<u>1,389</u>	<u>248</u>	<u>(380)</u>	<u>(679)</u>	<u>1,067</u>
Interest Income						27
Financing Costs						(1,319)
Loss before Taxation						(225)
Tax Expense						(203)
Net loss for the period						<u>(428)</u>

**Changes in Contingent Liabilities**

At the date of this report, there were no contingent liabilities in respect of the Group.

**Inventories**

There was an allowance made on inventories for obsolescence amounting to RM213,424 for the current financial period to date.

**Provision for Warranties**

There was no provision for warranties for the current financial period to date.



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**Changes in Tax Rate (Estimates)**

This note is not applicable.

**Capital Commitments**

At the date of this report, the capital commitments of the Group are as follow: -

	<b>2006</b>
	RM'000
Property, plant and equipment – Approved but not contract for	3,207
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**Related Party Transactions**

Significant transactions with related parties in the financial statements are as follows:-

	<b>Current Quarter Ended 30/6/2006</b>
	RM'000
<b>With a company in which Encik Shahabuddin bin Abdullah @ Lee Seng Pun, a Director, has interests :-</b>	
DI Print Solutions Sdn Bhd	
Sales	1,371
Purchases	(44)
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These transactions have been entered into in the normal course of business and have been established on terms, which are not more favorable than to third parties.

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**B. Additional information required by the Bursa Malaysia's Listing Requirements****Review of Performance**

For the quarter ended 30 June 2006, the Group recorded a revenue of RM18.141 million compared to RM16.851 million in 2005 and a loss before taxation of RM548,000 compared to a profit before taxation of RM50,000 in 2005. Loss for the second quarter ended 30 June 2006 was mainly due to allowances made on doubtful debts and inventories obsolescence.

**Variation of Results against Immediate Preceding Quarter**

Due to the seasonal factor, the Group's revenue for the current quarter amounted to RM18.141 million as compared to RM15.571 million in the first quarter ended 31 March 2006. A loss before taxation of RM548,000 was incurred in the current quarter compared to a loss before taxation of RM1.215 million in the immediate preceding quarter. The higher loss for the first quarter 2006 was mainly attributed to higher allowances made for doubtful debts and inventories obsolescence.

**Prospects**

The packaging and printing businesses continue to experience intense competition and the Directors expect the coming quarters to remain challenging. Nevertheless, continual efforts will be made to improve revenue and minimise overall costs.

**Profit Forecast**

This is not applicable.

**Tax expense**

	<b>Quarter ended 30/6/2006</b>	<b>Quarter ended 30/6/2005</b>	<b>Period ended 30/6/2006</b>	<b>Period ended 30/6/2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation for the quarter/period	16	57	31	94
Deferred Taxation for the quarter/period	-	-	-	109
	<u>16</u>	<u>57</u>	<u>31</u>	<u>203</u>

The effective tax rate was higher mainly because no group tax relief was available and certain expenses were not allowable for tax deduction.

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**Disposal of Unquoted Investments or Properties**

There were no disposals of unquoted investments or properties included in the results of the Group for the current quarter.

**Quoted Securities**

There was no purchase or disposal of quoted securities for the current quarter.

	<b>30/6/2006</b>
	RM'000
Quoted shares	
At cost	<u>37,925</u>
At market value	<u>132,467</u>

**Status of Corporate Proposals Announced**

There were no corporate proposals announced during the quarter under review.

**Borrowing and Debt Securities (Excluding Term Loans and Hire Purchase Creditors)**

(a) Group borrowings as at the end of the reporting period were as follows:-

	<b>30/6/2006</b>
	RM'000
<i>Secured</i>	
Borrowings	11,878
Bank Overdrafts	3,889
	15,767
<i>Unsecured</i>	
Borrowings	2,500
Bank Overdrafts	128
	2,628
Total Borrowings	<u>18,395</u>

(b) The above borrowings are denominated in Ringgit Malaysia. There are no foreign currencies borrowings.



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**Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments for the current quarter and financial period to date.

**Changes in Material Litigation**

As at the date of the report, the Company was not involved in any material litigation.

**Dividends**

The Board of Directors does not recommend any dividends for the current financial quarter.

**Loss per share - Basic**

Basic loss per share is calculated by dividing the Group's net loss for the period of RM1,794,105 by the number of ordinary shares in issue during the period of 110,643,081.