

PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 30 JUNE 2006

The Board of Directors are pleased to announce the financial results of the Group for the first quarter ended 30 June 2006.

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PROTON HOLDINGS BERHAD
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2006

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current year</u>	<u>Quarter</u>	<u>Period</u>	<u>Period</u>
	<u>quarter</u>	<u>ended</u>	<u>ended</u>	<u>ended</u>
	<u>30.06.2006</u>	<u>30.06.2005</u>	<u>30.06.2006</u>	<u>30.06.2005</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	1,418,380	2,054,296	1,418,380	2,054,296
Operating expenses	(1,535,840)	(2,117,741)	(1,535,840)	(2,117,741)
Other operating income	27,465	59,898	27,465	59,898
Loss from operations	(89,995)	(3,547)	(89,995)	(3,547)
Finance cost	(8,621)	(10,263)	(8,621)	(10,263)
Share of results of associated and jointly controlled entities (net of tax)	3,080	6,449	3,080	6,449
Loss before taxation	(95,536)	(7,361)	(95,536)	(7,361)
Taxation	36,887	(5,300)	36,887	(5,300)
Loss for the period	<u>(58,649)</u>	<u>(12,661)</u>	<u>(58,649)</u>	<u>(12,661)</u>
Attributable to:				
Equity holders of the parent	(58,649)	(12,352)	(58,649)	(12,352)
Minority interest	0	(309)	0	(309)
Loss for the period	<u>(58,649)</u>	<u>(12,661)</u>	<u>(58,649)</u>	<u>(12,661)</u>
Loss per share:				
- basic	(10.7) sen	(2.3) sen	(10.7) sen	(2.3) sen
- diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

PROTON HOLDINGS BERHAD
CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2006

	Unaudited as at 30.06.2006	Audited as at 31.03.2006
	RM'000	RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,276,258	3,312,951
Goodwill	29,008	29,008
Intangible assets	55,322	17,995
Associated and jointly controlled companies	411,790	405,665
Non-current investments	10,397	10,397
Deferred tax assets	144,713	105,786
Total Non-Current Assets	<u>3,927,488</u>	<u>3,881,802</u>
CURRENT ASSETS		
Inventories	1,608,783	1,389,005
Trade and other receivables	1,009,398	1,192,530
Tax recoverable	45,065	51,491
Current investments	212,406	211,965
Cash, bank balances and deposits	907,298	1,585,982
Total Current Assets	<u>3,782,950</u>	<u>4,430,973</u>
TOTAL ASSETS	<u><u>7,710,438</u></u>	<u><u>8,312,775</u></u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

PROTON HOLDINGS BERHAD
CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2006 (CONTINUED)

	Unaudited as at <u>30.06.2006</u>	Audited as at <u>31.03.2006</u>
	RM'000	RM'000
EQUITY AND LIABILITIES		
Share capital	549,213	549,213
Reserves	5,246,460	5,321,439
Equity attributable to equity holders of the parent	<u>5,795,673</u>	<u>5,870,652</u>
Minority interest	0	0
TOTAL EQUITY	<u>5,795,673</u>	<u>5,870,652</u>
NON-CURRENT LIABILITIES		
Long term borrowings	47,878	58,878
Provisions	41,377	41,377
Deferred tax liabilities	805	805
Total Non-Current Liabilities	<u>90,060</u>	<u>101,060</u>
CURRENT LIABILITIES		
Trade and other payables	1,059,640	1,302,370
Provisions	218,421	217,062
Taxation	15,955	16,865
Short term borrowings	530,689	804,766
Total Current Liabilities	<u>1,824,705</u>	<u>2,341,063</u>
TOTAL LIABILITIES	<u>1,914,765</u>	<u>2,442,123</u>
TOTAL EQUITY AND LIABILITIES	<u>7,710,438</u>	<u>8,312,775</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>10.55</u>	<u>10.69</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**PROTON HOLDINGS BERHAD
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2006**

	Attributable to equity holders of the parent						
	Non-distributable			Distributable			
	Share capital* RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	Minority interest RM'000	Total equity RM'000	Total equity RM'000
<u>At 1 April 2005</u>	549,213	475,617	(81,816)	4,916,935	333	5,859,949	5,860,282
Net income recognised directly in equity - Foreign exchange differences in translating foreign operations	0	0	6,457	0	(24)	6,457	6,433
Loss for the period	0	0	0	(12,352)	(309)	(12,352)	(12,661)
Total recognised income and expense for the period	0	0	6,457	(12,352)	(333)	(5,895)	(6,228)
At 30 June 2005	<u>549,213</u>	<u>475,617</u>	<u>(75,359)</u>	<u>4,904,583</u>	<u>0</u>	<u>5,854,054</u>	<u>5,854,054</u>
<u>At 1 April 2006</u>	549,213	475,617	(62,882)	4,908,704	0	5,870,652	5,870,652
Net income recognised directly in equity - Foreign exchange differences in translating foreign operations	0	0	(16,330)	0	0	(16,330)	(16,330)
Loss for the period	0	0	0	(58,649)	0	(58,649)	(58,649)
Total recognised income and expense for the period	0	0	(16,330)	(58,649)	0	(74,979)	(74,979)
At 30 June 2006	<u>549,213</u>	<u>475,617</u>	<u>(79,212)</u>	<u>4,850,055</u>	<u>0</u>	<u>5,795,673</u>	<u>5,795,673</u>

* Ordinary Share of RM1 each.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

PROTON HOLDINGS BERHAD
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR QUARTER ENDED 30 JUNE 2006

	<u>Current period</u> <u>to date</u>	<u>Preceding period</u> <u>to date</u>
	<u>30.06.2006</u>	<u>30.06.2005</u>
	RM'000	RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES	(187,837)	(254,092)
CASH FLOWS USED IN INVESTING ACTIVITIES	(186,219)	(95,259)
CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	62,352	(10,424)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(311,704)	(359,775)
EXCHANGE RATE EFFECTS	(7,990)	2,474
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	693,192	1,576,925
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>373,498</u>	<u>1,219,624</u>
	As at <u>30.06.2006</u>	As at <u>30.06.2005</u>
	RM'000	RM'000
CASH AND CASH EQUIVALENTS COMPRISE:		
CASH, BANK BALANCES AND DEPOSITS	907,299	2,118,474
BANK OVERDRAFTS	(203,606)	(193,132)
FIXED DEPOSITS PLEDGED AS SECURITY	(330,195)	(705,718)
	<u>373,498</u>	<u>1,219,624</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

PROTON HOLDINGS BERHAD

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2006

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Quarterly Consolidated Financial Statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Quarterly Consolidated Financial Statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2006. 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 year ended 31 March 2006.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 March 2006, except for the changes arising from the adoption of the following new/revised Financial Reporting Standards ("FRS") that are effective for financial period beginning 1 April 2006:

FRS 2	Share-based Payment
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 above FRSs does not have any significant financial impact to the Group.

The Group has not adopted FRS 117- Leases, FRS 124- Related Party Disclosures and FRS 139- Financial Instruments: Recognition and Measurement as these standards are not yet effective for the current quarter financial statements.

All changes in the accounting policies have been made in accordance with transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application other than those stated otherwise.

Emunerated below are the changes in policies, presentation and disclosures in the financial statements of the Group resulting from the adoption of the new and revised-:

(a) FRS 3 : Business Combination

The adoption of FRS 3 has resulted in changes in accounting policy for goodwill. The accounting policy for goodwill is now extended to cover the following:

- (i) Recognition of contingent liabilities and intangible assets as part of allocation of the cost of acquisition;
- (ii) Recognition of the excess in fair value of the net identifiable assets acquired over the cost of acquisition immediately to the Consolidated Income Statement;
- (iii) Allocation of goodwill to cash generating units for the purpose of impairment testing. Each cash-generating unit represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination; and
- (iv) Impairment of goodwill is charged to Consolidated Income Statement as and when it arises and reversal is not allowed.

The above changes in accounting policy have been applied prospectively.

(b) FRS 101 : Presentation of Financial Statements

The adoption of FRS 101 has no financial impact on the Group but has affected the presentation of minority interest, share of results in associates and jointly controlled entities and certain disclosures. In the Consolidated Balance Sheet, minority interests are now presented within total equity. In the Consolidated Income Statement, minority interest are presented as an allocation of the net profit or loss for the period. The movement in minority is now presented in the Statement of Changes in Equity. Consequently, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest are shown in the Statement of Changes in Equity. Share of results in associates and jointly controlled entities is now disclosed net of taxation in the Consolidated Income Statement.

The presentation of the comparatives has been restated to conform with the current period's presentation.

	As previously reported	Reclassification	As reclassified
	RM'000	RM'000	RM'000
Income Statements			
Share of results of associated and jointly controlled entities	9,513	(3,064)	6,449
Loss before taxation	(4,297)	(3,064)	(7,361)
Taxation	(8,364)	3,064	(5,300)

(c) FRS 116 : Property, Plant and Equipment

The adoption of FRS 116 has resulted in extension of the accounting policy on property, plant and equipment as follows:

- (i) The cost of property, plant and equipment includes costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the assets;
- (ii) The assets' residual values and useful life are reviewed and adjusted as appropriate at least at each financial year-end; and

- (iii) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The Group has applied the aforesaid and no material adjustment resulted from this assessment.

(d) FRS 121 : The Effects of Changes in Foreign Exchange Rates

The adoption of FRS 121 has no material effect on the Group's policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. All of the Group's entities have the same functional currency as their measurement currency.

(e) FRS 127 : Consolidated and Separate Financial Statements

The adoption of FRS 127 has resulted in a change in accounting policy on recognition of subsidiaries by the inclusion of existence and effect of potential voting rights that are currently exercisable in assessing control.

The adoption of this FRS does not have any financial impact on the Group.

(f) FRS 138 : Intangible Assets

The adoption of FRS 138 had resulted in extension of the accounting policy on Intangible Assets and the implication is summarised as follows:

Computer software amounting to RM18.0 million was previously capitalised as an integral component of property, plant and equipment. Under FRS 138 which is applied prospectively, such computer software is now recognised separately as an intangible asset and amortised over the useful lives. This policy revision has no significant effect to the income statement.

Intangible Assets also now includes development cost of products where such costs meet the asset recognition criteria in FRS 138. The amount capitalised in this quarter is RM39.4 million and the cost is amortised over the expected useful life upon commercial launch of the products.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited annual financial statements were not subject to any qualification.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The businesses of the Group were not materially affected by any seasonal or cyclical factors during the quarter ended 30 June 2006.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2006.

5. CHANGES IN ESTIMATES

Other than described in Notes 1(c) and 1(f), there were no changes in estimates that have had a material effect in the current quarter.

6. INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 30 June 2006 are as follows:

	<u>Current quarter</u> RM Million
<u>Income Statement</u>	
R&D and project expenditure written off	65.9
Depreciation	106.2

7. DEBT AND EQUITY SECURITIES

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Repayment of secured long term loan	324,968	324,968
Repayment of unsecured long term loan	10,576	10,576

Other than as disclosed above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

8. DIVIDENDS

There were no dividends paid or declared during the current quarter.

A final tax exempt dividend of 5 sen per ordinary share in respect of the financial year ended 31 March 2006, has been proposed by the Directors for shareholders' approval at the forthcoming Annual General Meeting.

9. SEGMENTAL INFORMATION

Analysis of the Group's revenue and results by geographical locations are as follows:

	<u>Current year to date</u>			
	<u>Malaysia</u>	<u>Other countries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RM Million	RM Million	RM Million	RM Million
<u>Revenue</u>				
Third party sales	1,112.9	305.5	0	1,418.4
Inter-segment sales	52.3	47.1	(99.4)	0
Total Revenue	<u>1,165.2</u>	<u>352.6</u>	<u>(99.4)</u>	<u>1,418.4</u>
<u>Result</u>				
Segment operating loss	(142.6)	(21.1)	57.5	(106.2)
Unallocated income				6.1
Interest expense				(8.6)
Interest income				10.1
Share of net profits of associated companies and jointly controlled entities	1.9	1.2	0	3.1
Income taxes of Company and subsidiary companies				36.9
Net loss after tax				<u>(58.6)</u>

Included in third party sales from Malaysia are export sales of RM60.8 million during the period.

10. PROPERTY, PLANT & EQUIPMENT

There are no changes to the valuation of property, plant and equipment since the previous annual financial statements.

11. CHANGES IN THE COMPOSITION OF THE GROUP

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

12. SUBSEQUENT EVENTS

There were no other material subsequent events between the end of the current quarter and the date of this announcement.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets of the Group.

There are no changes in the contingent liabilities of the Group since the last annual balance sheet date to the date of this announcement.

14. PERFORMANCE REVIEW

The group registered a loss before tax of RM95.5 million for the current financial period compared to a loss before tax of RM7.4 million in the corresponding period last year. This was mainly due to lower volumes generated in a sluggish and competitive environment. In addition, the decline in revenue was not proportionate to the percentage decrease in operating expenditure. Additional promotional expenses were incurred to boost sales. Further, due consideration was given in respect of higher depreciation and amortisation expenses arising from change in estimates as detailed in notes 1(c) and 1(f). Expectation of further price reductions have also led to more cautious attitude amongst prospective customers and have caused reduced sales in the industry.

15. MATERIAL CHANGE IN LOSS BEFORE TAXATION OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

The Group recorded a loss before tax of RM95.5 million compared to a profit of RM88.9 million recorded in the previous quarter. The loss was primarily due to lower sales volume recorded. Operating expenditure, however, did not reduce in tandem with the reduction in sales revenue due to higher inventories write down, higher depreciation and amortisation incurred.

16. COMMENTARY ON PROSPECTS

The automotive industry is expected to continue to experience lower sales. Lower trade-in values, high interest rates, tightening in credit screening and loan approvals are expected to further dampen demand for new cars. Intense competition is expected to result in increased promotional expenses and hence will affect profitability.

Despite the difficult operating environment the Group will continue its efforts to regain its domestic market share and improve its operating environment to improve competitiveness. The Group is cautiously optimistic that it will emerge from the current downturn with improved performance.

17. PROFIT FORECAST

The Group did not issue any profit forecast or profit guarantee in respect of the current period.

18. INCOME TAX EXPENSE

	<u>Current quarter</u> RM'000	<u>Current period to date</u> RM'000
Current taxation - charge		
Arising in Malaysia	(1,691)	(1,691)
Arising outside Malaysia	(301)	(301)
	<hr/>	<hr/>
Deferred tax - credit	(1,992)	(1,992)
	38,879	38,879
	<hr/>	<hr/>
	36,887	36,887
	<hr/>	<hr/>
Effective tax rate	(38.6%)	(38.6%)

The principal impact on group income tax comes from Perusahaan Otomobil Nasional Sdn. Bhd. (PONSb). The current taxation charge is mainly arising from tax on interest income. The negative effective tax rate of -38.6% for the current quarter and current year to date (compared to the Malaysian statutory tax rate of 28%) is mainly attributable to the recognition of deferred tax asset in PONSb for the current quarter under review.

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of unquoted securities and properties for the current quarter.

20. QUOTED SECURITIES

a) Total purchases and disposals of quoted securities for the current quarter and year to date are as follows:

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Total purchases	96,642	96,642
Total disposals	97,185	97,185
Total gain on disposal	4,000	4,000

b) As at 30 June 2006, details of the Group's quoted securities are as follows:

	RM'000
At cost	119,777
At carrying value	119,777
At market value	121,960

21. GROUP BORROWINGS AND DEBT SECURITIES

The Group borrowings as at 30 June 2006 are as follows:

	Total RM'000
Long Term Borrowings:	
Unsecured:	
Long term loans	104,914
Portion repayable within 12 months	(57,036)
	<hr/>
Total Long Term Borrowings	47,878

21. GROUP BORROWINGS AND DEBT SECURITIES (CONTINUED)

Short Term Borrowings:	
Unsecured:	
Current portion of long term loans	57,036
Banker acceptances	1,327
Bank overdrafts	42,454
	100,817
Secured:	
Current portion of long term loans	268,720
Bank overdrafts	161,152
Total Short Term Borrowings	530,689
Total Borrowings	578,567

The details of the borrowings denominated in respective currencies are as follows:

	Ringgit <u>Malaysia</u>	Pounds <u>Sterling</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>Functional Currency</u>			
Ringgit Malaysia	106,242	0	106,242
Pounds Sterling	0	472,325	472,325
Total	106,242	472,325	578,567

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 21 August 2006, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments is as follows:

	<u>Total</u>	<u>Less than</u>	<u>6 months</u>	<u>Maturity</u>
	RM'000	<u>6 months</u>	<u>to 1 year</u>	<u>More than</u>
		RM'000	RM'000	<u>1 year</u>
				RM'000
Foreign exchange contracts	165,222	149,812	14,381	1,029

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payable and receivable. The contract exchange rates were used on the settlement of the payables and receivables. The net position to the Group as at 21 August 2006 is favourable by approximately RM1,801,000.

The contracts are executed with creditworthy financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their respective financial strength.

23. CHANGES IN MATERIAL LITIGATION

A supplier had obtained a judgement in default against a subsidiary company for RM12.2 million after failing to reach a formal agreement. Management had obtained legal opinion that the claims are without basis and an action to strike out a portion of the claim (ie. RM7.2million) would be successful. Judgement in default was set aside on 19 August 2005. The striking out application is fixed for hearing on 18 October 2006. Pre-trial case management is fixed on 20 September 2006.

24. LOSS PER SHARE

	Current quarter and year to date
<u>Loss per share</u>	
Net loss attributable to equity holders (RM'000)	58,649
Weighted average number of shares ('000)	549,213
Loss per share (sen)	10.7

Diluted EPS

Diluted EPS is not applicable at 30 June 2006 as there are no dilutive potential ordinary shares.

25. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2006 are as follows:

Authorised by Directors and contracted	RM Million 263.1
Authorised by Directors and not contracted	4,925.1
	<hr/>
	5,188.2
	<hr/> <hr/>

26. STATUS OF CORPORATE PROPOSALS

Not applicable.

27. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 August 2006.

BY ORDER OF THE BOARD

**MOHD NIZAMUDDIN MOKHTAR
COMPANY SECRETARY**

29 August 2006
Shah Alam