



### **Notes to the Interim Financial Report**

#### **A1. Accounting Policies and Methods of Computation**

The interim financial report of the Group is unaudited and has been prepared in accordance with MASB 26, Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The quarterly financial report should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 December 2004.

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2004.

#### **A2. Audit report**

The preceding financial statements of the Group for the year ended 31 December 2004 were reported without any qualification.

#### **A3. Seasonal or cyclical factors**

There were no material seasonal or cyclical factors affecting the income and performance of the Group for the financial period ended 30 September 2005.

#### **A4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting the Group for the financial period ended 30 September 2005.

#### **A5. Changes in estimates**

There were no changes in estimates for the financial period ended 30 September 2005.



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**A6. Issuances, cancellations, repurchases, resale and repayments of debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities for the financial period ended 30 September 2005 other than as mentioned below:

Employees' Share Option Scheme

The Company had obtained approval from the shareholders at the Extraordinary General Meeting on 23 August 2004 for the Employee Share Option Scheme ("ESOS") of not more than 15% of the issued share capital of the Company to eligible Directors and employees of the Group. On 26 November 2004, the Company offered 4,394,000 options to subscribe for ordinary shares to eligible Executive Director and employees at an exercise price of RM1.02, of which all were accepted. As at the current financial period-to-date:

- (i) 3,084,000 share options were exercised to date resulting in the issuance of 3,084,000 new ordinary shares of RM1.00 each pursuant to the ESOS; and

**A7. Dividend paid**

No dividend is recommended and paid for the financial period ended 30 September 2005.

**A8. Segmental Reporting**

The financial information by industry segments is not presented as the Group's activities are principally in the manufacturing and supplying of automotive and related components.

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

The Group does not state any assets based on valuation of its property, plant and equipment.

**A10. Material events subsequent to the end of the interim period**

There were no material events subsequent to the balance sheet date to be disclosed in the financial statement for the financial period ended 30 September 2005.



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**A11. Changes in the Composition of the Group**

There is no change in the contingent liabilities as disclosed in the financial period ended 30 September 2005.

**A12. Contingent Liabilities - unsecured**

There is no change in the contingent liabilities as disclosed in the financial period ended 30 September 2005.

**A13. Capital commitment**

There is no capital commitment for the financial period ended 30 September 2005.



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**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES  
BERHAD LISTING REQUIREMENT**

**B1. Review of performance**

The Group achieved a turnover of RM33.79 million for the current financial period ended 30 September 2005 which represents an increase of RM2.32 million or 7.4% as compared to the corresponding financial period. The increase is attributable to increase in demand from the customers and strong growth in the automotive industry.

The Group recorded a profit before taxation and minority interest of RM1.27 million for the current financial period ended 30 September 2005 as compared to profit before taxation and minority interest of RM889,000 in the corresponding financial period ended 30 September 2004.

**B2. Comparison with preceding quarter's results**

The Group turnover reduced by RM1,105,000 or 10.4% compared to preceding quarter. However the profit before taxation and minority interest of RM35,000 is higher compared to loss before taxation and minority interest of RM55,000 in the preceding quarter.

**B3. Prospects**

The Malaysian Automobile Association (MAA) forecast continued strong growth in the automotive sector for 2005. This is due to more new models being offered and continued low hire purchase interest rate.

As a result of this, the group expects to achieve better performance for the financial year ending December 2005.

**B4. Variance of actual profit from forecast profit**

Not applicable as no profit forecast was published.



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**B5. Sale of unquoted investment/properties**

On 16 December 2004, Diasia Ventures Sdn Bhd (“DIASIA’), a wholly owned subsidiary of AV Ventures Corporation Berhad (“AVCB”) signed a conditional sale and purchase agreement to dispose its land and building to Item Industrial Engineering Sdn Bhd (‘ITEM’) for an aggregate cash consideration of RM3.65 million. The shareholders approved the sales at the Extraordinary General Meeting held on 5 May 2005.

**B6. Purchase or disposal of quoted securities**

There were no purchases or disposal of quoted securities for the current quarter under review and financial period-to-date.

**B7. Taxation**

The taxation for the current quarter and financial year-to-date is as follows:

|                                    | Current quarter<br>30.09.2005<br>RM'000 | Financial Period-to-date<br>30.09.2005<br>RM'000 |
|------------------------------------|---|--|
| Tax expenses                       |   |  |
| - current period provision         | 179                                     | 718  |
| - over provision in previous years | -341                                    | -341   |
| - tax recoverable                  | -                                       | -  |
| Deferred tax expenses              |   |  |
| - reversal of temporary difference |   | -23  |
|                                    | <hr/>                                   | <hr/>  |
|                                    | -162                                    | 354  |

The effective tax rate of the Group is higher than the standard tax rate of 28% due to losses of certain subsidiaries companies cannot be set off against profit made by other subsidiary companies in the Group.

**B8. Corporate proposal**

There were no corporate proposals announced during the financial period-to-date except as follows:

On 24 February 2005, the Company announced that the timeframe to implement the Proposed Private Placement has lapsed and the Board of Directors has decided to defer the Proposed Private Placement to a later date.



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**B9. Group borrowings**

Total Group borrowings as at 30 September 2005 are as follows:-

|                                      | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|--------------------------------------|-------------------|---------------------|-----------------|
| <b>30 September 2005 (unaudited)</b> |                   |                     |                 |
| Short term borrowings                | 8,490             | -                   | 8,490           |
| Long term borrowings                 | 8,988             | -                   | 8,988           |
|                                      | <b>17,478</b>     | <b>-</b>            | <b>17,478</b>   |
| <b>31 December 2004 (audited)</b>    |                   |                     |                 |
| Short term borrowings                | 8,503             | -                   | 8,503           |
| Long term borrowings                 | 11,580            | -                   | 11,580          |
|                                      | <b>20,083</b>     | <b>-</b>            | <b>20,083</b>   |

All the borrowings are denominated in Ringgit Malaysia.

**B10. Off balance sheet financial instruments**

During the financial period, the Group did not enter into any contracts involving off-balance sheet financial instruments.

**B11. Material litigation**

Further to the disclosure in the previous quarter's report on material litigation, there is no changes in material litigation as at 30 September 2005.



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|   | <u>Individual Quarter</u>                        |   | <u>Cumulative Quarter</u>                        |  |
|---|--|---|--|--|
|   | Current<br>Year<br>Quarter<br>30/09/2005<br>'000 | Preceding<br>Year<br>Corresponding<br>@ Quarter<br>30/09/2004<br>'000 | Current<br>Year<br>To Date<br>30/09/2005<br>'000 | Preceding<br>Year<br>Corresponding<br>@ Period<br>30/09/2004<br>'000 |
| <b>a) Basic</b>   |  |   |  |  |
| Net (loss)/ profit<br>attributable to<br>shareholders (RM)              | (67)   | 252   | 201  | 400  |
| Weighted average<br>number of shares<br>outstanding                     | 43,084   | 40,000  | 43,084   | 40,000   |
| Basic (loss)/ earnings<br>per share (sen)                               | (0.16)   | 0.63  | 0.47   | 1.00   |
| <b>b) Diluted</b>   |  |   |  |  |
| Net (loss)/ profit<br>attributable to<br>shareholders (RM)              | (67)   | 252   | 268  | 148  |
| Weighted average<br>number of shares<br>for basic earnings<br>per share | 43,084   | 40,000  | 43,056   | 40,000   |
| Number of shares not<br>exercised under ESOS<br>as at 30/06/2005 *      |  | -   |  | -  |
| Number of shares that<br>would have been<br>issued at fair value        | N/A  | 40,000  | N/A  | 40,000   |
| Diluted earnings per<br>share (sen)                                     | N/A  | N/A   | N/A  | N/A  |

\* Fully diluted earnings per share – The effect on the basic earnings per share arising from the assumed exercise of ESOS is anti-dilutive. Accordingly, dilutive earnings per share was not presented.



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On behalf of the Board

**AV VENTURES CORPORATION BERHAD** (108253-W)

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**DATUK HAJI SARIP BIN HAMID**  
Chairman

c.c. Securities Commission