

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
(Incorporated in Malaysia)

QUARTERLY ANNOUNCEMENT
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED
30 SEPTEMBER 2006

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2006

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000 (Restated)	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000 (Restated)
Revenue	11	30,683	30,805	52,713	54,524
Cost of sales		(24,599)	(24,958)	(43,759)	(44,744)
Gross profit		6,084	5,847	8,954	9,780
Other operating income		1,773	339	2,743	1,147
Marketing and distribution costs		(1,485)	(1,045)	(2,620)	(2,279)
Administration expenses		(3,819)	(3,777)	(5,860)	(6,403)
Profit from operations		2,553	1,364	3,217	2,245
Finance costs		(845)	(994)	(1,685)	(1,878)
Profit before taxation	11	1,708	370	1,532	367
Tax expense	22	(296)	(485)	(552)	(1,058)
Net profit/(loss) for the period		1,412	(115)	980	(691)
Attributable to:					
Equity holders of the Parent		1,412	(115)	980	(691)
Earnings/(loss) per ordinary share attributable to equity holders of the parent					
Basic earnings/(loss) per ordinary share (sen)	30	1.46	(0.16)	1.02	(0.94)
Fully diluted earnings/(loss) per ordinary share (sen)	31	-	-	-	-

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2006

	Note	AS AT 30.09.2006 (Unaudited) RM'000	AS AT 31.03.2006 (Audited) RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6, 12	75,326	73,803
Prepaid lease payments	2(c)	7,128	7,201
Investment in an associated company		30	-
Securities available for sale	24	4	4
		82,488	81,008
Current assets			
Inventories		18,111	18,234
Trade and other receivables		24,021	23,356
Tax recoverable		2,382	2,337
Fixed deposits with licensed banks		715	808
Cash and bank balances		581	308
		45,810	45,043
TOTAL ASSETS		128,298	126,051
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		97,346	95,325
Reserves	32	14,335	16,798
Accumulated losses		(77,266)	(78,541)
Total equity		34,415	33,582
Non-current liabilities			
Long term borrowings	26	17,237	19,804
Deferred tax liabilities		9,755	9,455
		26,992	29,259
Current liabilities			
Trade and other payables	33	34,549	32,429
Short term borrowings	26	31,347	29,804
Tax liabilities		995	977
		66,891	63,210
Total liabilities		93,883	92,469
TOTAL EQUITY AND LIABILITIES		128,298	126,051
Net assets per share attributable to equity holders of the parent (RM)		0.3535	0.3523

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

Note	Attributable to equity holders of the parent							Accumulated Losses (Restated)	Total
	-----Non-distributable-----								
	Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	Equity Component of RCLS	Irredeemable Convertible Unsecured Loan Stock			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 April 2006									
Prior year adjustment	95,325	3,136	4,577	442	737	7,906	(78,542)	33,581	
-effect of adopting FRS 139	-	-	-	-	-	-	1	1	
2(d),10(a)	95,325	3,136	4,577	442	737	7,906	(78,541)	33,582	
ICULS Interest	-	-	-	-	-	-	(147)	(147)	
Effect of adopting:									
-FRS 3	-	-	-	(442)	-	-	442	-	
2(a)									
Net income and expenses recognised directly in equity	-	-	-	(442)	-	-	295	(147)	
Net profit for the period	-	-	-	-	-	-	980	980	
Total recognised income and expenses for the period	-	-	-	(442)	-	-	1,275	833	
Conversion of ICULS	2,021	-	-	-	-	(2,021)	-	-	
At 30 September 2006	97,346	3,136	4,577	-	737	5,885	(77,266)	34,415	

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

Note	Attributable to equity holders of the parent							Accumulated Losses (Restated)	Total
	Share Capital	Share Premium	Revaluation Reserves	Non-distributable Reserve on Consolidation	Equity Component of RCCLS	Irredeemable Convertible Preference Shares	Irredeemable Convertible Unsecured Loan Stock		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2005	73,269	3,136	3,848	491	737	20,391	9,176	(79,587)	31,461
ICULS Interest	-	-	-	-	-	-	-	(218)	(218)
Net income and expenses recognised directly in equity	-	-	-	-	-	-	-	(218)	(218)
Net loss for the period	-	-	-	-	-	-	-	(691)	(691)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(909)	(909)
Amortisation for the period	-	-	-	(25)	-	-	-	25	-
Conversion of ICULS	437	-	-	-	-	-	(437)	-	-
At 30 September 2005	73,706	3,136	3,848	466	737	20,391	8,739	(80,471)	30,552

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2006

	Period to date	
	30.09.2006	30.09.2005
	(Unaudited)	(Unaudited)
	RM'000	RM'000
		(Restated)
Net cash generated from operating activities	6,419	3,973
Net cash used in investing activities	(5,226)	(2,277)
Net cash used in financing activities	<u>(685)</u>	<u>(2,216)</u>
Net increase/(decrease) in cash and cash equivalents	508	(520)
Cash and cash equivalents as at beginning of financial period	<u>(6,798)</u>	<u>(9,938)</u>
Cash and cash equivalents as at end of financial period*	<u>(6,290)</u>	<u>(10,458)</u>
 *Cash and cash equivalents at the end of the financial period comprise the following:		
Fixed deposits with licensed banks	715	2,604
Cash and bank balances	581	2,617
Bank overdrafts	<u>(6,871)</u>	<u>(13,075)</u>
	(5,575)	(7,854)
Less: Fixed deposits pledged to licensed banks	<u>(715)</u>	<u>(2,604)</u>
	<u>(6,290)</u>	<u>(10,458)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(1) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRSs) 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 March 2006. These explanatory notes attached to the interim financial statements provides 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.

(2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 March 2006 except for the adoption of the new/revised Financial Reporting Standards (“FRSs”). The MASB issued a total of twenty one (21) new/revised FRSs on which Eighteen (18) FRSs are effective for accounting period beginning on or after 1 January 2006. The MASB in 2006 issued three (3) new/revised FRSs on which two (2) FRSs are effective for accounting period beginning on or after 1 October 2006 and the other standards has been deferred.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s interim financial statements for the period ended 30 September 2006 including early adoption the three (3) FRSs issued by the MASB in 2006, on the basis that these FRSs are currently in issue.

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

(a) FRS 3: Business Combinations

The new FRS 3 has resulted in the Group ceasing annual negative goodwill amortisation. Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities, and contingent liabilities over cost of acquisition (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in profit or loss. Prior to 1 April 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM441,829 was derecognised with a corresponding decrease in accumulated losses.

(b) FRS 101: Presentation of Financial Statements

The current period’s presentation of the Group’s financial statements is based on the revised requirement of FRS 101, with the comparatives restated to conform with the current period’s presentation.

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(c) 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 made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land is apportioned into a lease of land in proportion to the relative fair value of the leasehold interests in the land element of the lease at the inception of the lease. Prior to 1 January 2006, leasehold land was classified a Property, Plant and Equipment and was stated at valuation less accumulated depreciation and impairment losses. The leasehold land were last revalued between September 2005 and May 2006 and are based on valuations carried out by the independent professional valuers on open market value or direct comparison basis.

Upon the adoption of the revised FRS 117 at 1 April 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 10(a), certain comparative amounts as at 31 March 2006 have been restated.

(d) FRS 139: Financial Instruments: Recognition and Measurement

In prior years, the accounting policies for certain financial instruments were as follows:

- a. equity investments held on a continuing basis for an identifiable long-term purpose were classified as investments securities and stated at cost less impairment;
- b. other non-current investments were stated at cost less allowance for diminution which is other than temporary.

With effect from 1 April 2006, and in accordance with FRS 139, the following new accounting policies are adopted for the financial instruments mentioned above:

- c. All non-trading investments are classified as securities available-for-sale and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statements for the period in which the impairment is identified. Any subsequent increase in the fair value of securities available-for-sale is recognised directly in equity.

(3) Comments about Seasonal or Cyclical Factors

The Group's performance is affected by the increased activity in the trading segment during the major festivals period.

(4) Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review except for the following:

- adoption of FRS 3 whereby annual amortisation of negative goodwill was ceased and was derecognised with a corresponding decrease in accumulated losses;
- adoption of FRS 117 whereby leasehold land was reclassified as a prepaid lease payments on 1 April 2006 instead of as an item of the Property, Plant and Equipment;

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- adoption of FRS 139 whereby non-trading investments are classified as securities available-for-sale and carried at fair value.

(5) Nature and Amount of Extraordinary or Exceptional Items

There were no extraordinary or exceptional items for the financial quarter under review.

(6) Nature and Amount of Changes in Estimates

The revised FRS 116: Property, Plant and Equipment require the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group has revised certain useful life and residual value of the plant and machinery and the revision does not have a material impact to the financial results.

There were no other significant changes in estimates that have a material effect in the current quarter results.

(7) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares held as treasury and resale of treasury shares for current quarter except for the issue of additional shares as detailed below:

On 31 July 2006, the Company issued 2,020,829 new ordinary shares of RM1.00 each pursuant to the conversion of RM2,020,829 nominal amount of Irredeemable Convertible Unsecured Loan Stocks 2004-2007 (ICULS). With this conversion the remaining outstanding ICULS as at 30th September 2006 stands at RM5,885,561.

(8) Dividend Paid

There was no dividend paid for the 2nd quarter ended 30th September 2006.

(9) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2006 was not qualified.

(10) Comparative Figures

- (a) The following comparative figures have been restated due to the adoption of the new and revised FRSs:

As at 31 March 2006	Note	As previously reported (Audited)	Effects of changes in accounting policies	Restated
		RM'000	RM'000	RM'000
BALANCE SHEETS				
Non-current assets				
Property, plant and equipment	6, 12	81,004	(7,201)	73,803
Prepaid lease payments	2(b)	-	7,201	7,201
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Accumulated losses	2(d)	78,542	(1)	78,541

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(10) Comparative Figures (con't)

- (b) The following comparative figures have been restated due to correction of the Irredeemable Convertible Preferences Shares (ICULS) interest wrongly debited to income statements, instead of changes in equity in prior period ended 30 September 2005. Accordingly, the following comparative figures have been restated to reflect the correction and ensure comparability with the current period presentation. Details of restatement are as follows:

As at 30 September 2005	As previously reported (Unaudited)	Effect of changes	Restated
	RM'000	RM'000	RM'000
INCOME STATEMENTS			
Individual Quarter			
Finance costs	(1,103)	109	(994)
Profit before tax	261	109	370
Net loss for the period	(224)	109	(115)
Basic loss per share (sen)	(0.30)	0.14	(0.16)
Cumulative Quarter			
Finance costs	(2,096)	218	(1,878)
Profit before tax	149	218	367
Net loss for the period	(909)	218	(691)
Basic loss per share (sen)	(1.23)	0.29	(0.94)
STATEMENT OF CHANGES IN EQUITY			
ICULS interest	-	(218)	(218)

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(11) Segmental Reporting

The Group's operations comprise of the following business segments:

Manufacturing	:	Manufacture and sales of consumer and industrial products
Trading	:	Wholesaler/retailer of foodstuff and marketing of sport-wear
Property rental	:	Rental of property
Investment holdings & others	:	Investment holdings, dormant and inactive companies

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	25,524	26,191	42,993	45,515
Trading	5,272	4,934	10,045	9,625
Property rental	-	-	-	-
Investment holding	690	531	1,380	725
Total revenue including inter-segment sales	31,486	31,656	54,418	55,865
Elimination of inter-segment sales	(803)	(851)	(1,705)	(1,341)
Total revenue	30,683	30,805	52,713	54,524

Segment Results

Manufacturing	1,945	1,108	1,023	1,140
Trading	(577)	(478)	(1,049)	(565)
Property rental	(1)	10	12	(36)
Investment holding	(633)	(92)	1,912	(6,539)
	734	548	1,898	(6,000)
Eliminations	974	(178)	(366)	6,367
Profit before taxation	1,708	370	1,532	367

There is no geographical segmental analysis as the operations of the Group are conducted within Malaysia.

All inter segment transactions within the Group have been entered and established on terms and conditions that are not materially different from that entered with unrelated parties.

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(11) Segmental Reporting (con't)

The presentation of segment reporting for the current quarter has been changed in order to simplify our presentation while concurrently complying with paragraph 16(h) of Financial Reporting Standards (FRSs) 134: Interim Financial Reporting.

(12) Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the financial statements for the year ended 31 March, 2006.

(13) Material Subsequent Events

There were no material events subsequent to the end of the current quarter.

(14) Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter.

(15) Changes in Contingent liabilities and Contingent assets

There were no additional contingent liabilities or assets of the Group since the last audited financial statements, except for the following:

A third party charge on the short term leasehold land belonging to the group for increase in credit facilities of RM39,904 granted earlier to a former subsidiary company namely Skiva Holdings Sdn. Bhd..

(16) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2006 are as follows:

	RM'000
Approved by the Directors and contracted for	758
Authorised by the Directors but not contracted	<u>10,900</u>
	<u>11,658</u>

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(17) Significant Related Parties Transactions

	6 Months ended 30.09.2006
	RM
Sub contractor fees paid/payables to:	
Concordmold Technology Sdn. Bhd.	1,435,147
Professional fees paid/payables to:	
C.L. Boo & Associates	18,900
Moore Stephens Associates & Co.	18,000
MSA Tax Services Sdn. Bhd.	3,000
Rental paid to Yong Boon Leong	54,000

The terms, conditions and prices of the above transactions are not materially different from those obtainable in transactions with unrelated parties.

Related parties	Relationships
Concordmold Technology Sdn. Bhd.	Liew Young Chong who is a director of a subsidiary- Winsheng Plastic Industry Sdn. Bhd., whose wife and his brother are directors of Concordmold Technology Sdn. Bhd.
C.L. Boo & Associates	Boo King Ong who is an independent director of DENKO is also a partner of C.L. Boo & Associates.
Moore Stephens Associates & Co.	Thoolasy Das Ponniah who is an independent director of DENKO whereas his brother is a partner of Moore Stephens Associates & Co..
MSA Tax Services Sdn. Bhd.	Thoolasy Das Ponniah who is an independent director of DENKO whereas his brother is a director of MSA Tax Services Sdn. Bhd.
Yong Boon Leong	Brother of a Director, namely Yong Boon Cheong.

(18) Review of Current Quarter Performance

The Group's revenue decreased approximately by RM122 thousands or 0.40%, from RM30.805 millions in the same quarter in the preceding financial period ended 30 September 2005 to RM30.683 million in this quarter. The marginal reduction in group revenue is inline with the rationalisation of the operation of certain subsidiaries within the group.

However, the Group's pretax profit increased from RM0.370 million in the same quarter in the preceding financial year to a pretax profit of RM1.708 million for the current quarter. This is due to the continuous efforts made by the management to reduce cost of operations and improve margin.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(19) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM30.683 millions for the quarter under review. This represents an increase of RM8.653 millions in revenue or 39.28 % higher than that of its previous quarter. The increase in revenue is due to higher demand from customers and seasonal factor. The group registered a higher profit before tax of RM1.708 millions as compared to the preceding quarter ended 30 June 2006 when a loss before tax of RM0.176 millions was registered. The turnaround of the Group's performance is due to the continuous efforts made by the management to reduce the current overhead costs and improve contribution earned from the revenues.

(20) Current Year Prospects

The Group's main contribution would continue to be from manufacturing segment. The other segments which have not shown improvements are being addressed in order to improve the Group's overall performances. The directors are cautiously optimistic that the Group's performance in the current quarter will be maintained for the rest of the financial period.

(21) Profit Forecast and Profit Guarantee

The profit forecast is not applicable for the current quarter under review.

There are no further developments on the outstanding profit guarantee as reported in the Audited Financial Statements for the year ended 31 March 2006.

(22) Tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000
Income tax:				
Malaysia income tax	(146)	(645)	(252)	(825)
Deferred tax	(150)	160	(300)	(233)
	<u>(296)</u>	<u>(485)</u>	<u>(552)</u>	<u>(1,058)</u>

The effective tax rate of the group for the current period to-date is higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, as Group tax relief is not available and certain expenses which are not deductible for tax purposes.

(23) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties in the current quarter under review.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(24) Securities available for sale

There was no purchase or disposal of quoted security for the financial period ended 30 September 2006.

Details of securities available for sale as at 30 September 2006 are as follows:

	As at 30.09.2006 (Unaudited) RM	As at 31.03.2006 (Audited) RM (Restated)
Included within securities available-for-sale:		
Quoted shares, at cost	2,800	2,800
Quoted shares, at book value	3,975	3,420
Quoted shares, at market value	3,975	3,420
Unquoted shares, at realisable value	1	1
	<hr/>	<hr/>

(25) Status of Corporate Proposals

There were no corporate proposals announced or not completed as at the date of this announcement.

(26) Group borrowings and debt securities as at 30 September 2006:

Details of the unaudited Group borrowings and debt securities as at 30 September 2006 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt securities</u>						
Redeemable Convertible Secured Loan Stocks (RCSLS)	3,317	-	3,317	1,633	-	1,633
<u>Other borrowings</u>						
Bank Overdrafts	-	-	-	6,780	91	6,871
Bills Payable and Bankers Acceptance	-	-	-	12,906	115	13,021
Short Term payable	-	-	-	6,206	-	6,206
Hire Purchase payable	4,406	-	4,406	3,616	-	3,616
Long Term payable	9,514	-	9,514	-	-	-
TOTAL	17,237	-	17,237	31,141	206	31,347

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(27) Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this announcement.

(28) Details of pending material litigation

- (i) *Beau Industries Sdn. Bhd. Vs New Height Marketing Sdn. Bhd. (1st defendant)*
Beau Industries Sdn. Bhd. Vs Denko Industrial Corporation Berhad (2nd defendant)
Kuala Lumpur High Court Suit No. D5-22-397-2005
Kuala Lumpur High Court Suit No. D4-22-1526-2005

On 23 February, 2005, a Notice of Demand was served by the Plaintiff for RM991,175.25 in respect of goods sold and delivered.

A writ of summons was served on the Company on 24 May, 2005. An announcement to Bursa Securities Malaysia Berhad (“Bursa Securities”) was made on 25 May, 2005. The Company’s solicitor has filed the defence and the Plaintiff had obtained a Summary Judgment against the Defendants on 3 March, 2006.

The High Court on 3 August, 2006 has dismissed an appeal against the decision of the Senior Assistant Registrar dated 3 March 2006. Consequently, on 14 August, 2006, the plaintiff had served a statutory notice under section 218 of the Companies Act, 1965. On the same date, the Company had notified its solicitor to apply for a stay of execution, pending an appeal at the Court of Appeal. However, on 5th September 2006, the company has fully settled the judgement sum.

In consequence thereof, the Company had instructed its solicitor to withdraw its application for stay of execution fixed for hearing on 20 September 2006 as well as the Notice of Appeal filed at the Court of Appeal with no order as to costs.

- (ii) *Superb Strike Enterprise Vs New Height Marketing Sdn. Bhd.*
Kuala Lumpur Session Court Suit No. 7-52-8911-2005

On 22 March, 2005, a Notice of Demand was served by the Plaintiff for RM40,247.44 in respect of goods sold and delivered.

A writ of summon was received from the Plaintiff and announcement to Bursa Securities has been made on 10 June, 2005. The Court has fixed the case for decision on 8 December, 2006. This liability has been accounted for accordingly in the Subsidiary’s accounts except for the interest that may arise thereon.

- (iii) *Mount Resource Sdn. Bhd. Vs New Height Marketing Sdn. Bhd.*
Kuala Lumpur Session Court Suit No. 5-52-8637-2005

On 22 March 2005, a Notice of Demand was served by the Plaintiff for RM75,385.50 in respect of goods sold and delivered.

The Plaintiff has filed a summons in court and announcement to Bursa Securities was made on 20 June 2005. The Plaintiff’s application for summary judgment on 13 March 2006 was dismissed by the Court. However, the plaintiff had submitted an appeal against the decision on 20 March 2006. The Court has allowed the plaintiff to enter judgment against the defendant. This liability has been accounted for accordingly in the Subsidiary’s accounts except for the interest that may arise thereon.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(28) Details of pending material litigation (Con't)

(iv) *Duchess Marketing Sdn. Bhd. Vs New Height Marketing Sdn. Bhd*

Kuala Lumpur Session Court Suit No. 10-52-6548-2005

Kuala Lumpur Session Court Suit No. 8-52-25318-2005

On 23 February, 2005, a Notice of Demand was served by the Plaintiff for RM132,448 in respect of goods sold and delivered.

A writ of summon was received from the Plaintiff on 24 May, 2005. An announcement to Bursa Securities was made on 26 May, 2005. The Company instructed the solicitor to act on behalf and requested a grace period to complete verification of the alleged sum. The plaintiff had re-filed the suit under KLSC SN. 8-52-25318-2005. On 17 May, 2006 the plaintiff obtained summary judgment against the defendant. On 16 November, 2006 a statutory notice pursuant to Section 218 of the Companies Act, 1965 was served by the Plaintiff's Solicitors.

This liability has been accounted for accordingly in the subsidiary's accounts except for the interest that may arise thereon.

Other than the above, there are no new developments on the outstanding legal cases of the Company and its Subsidiaries and there are no additional material litigation reported in this current quarter. The liabilities that arose from the material litigations had been accounted for accordingly in the Company and its Subsidiaries accounts except for the any incidental costs that may arise thereon.

(29) Dividend Payable

The Directors do not recommend any interim dividend in the current quarter.

(30) Basic Earnings/(Loss) Per Ordinary Share

The basic earnings/(loss) per ordinary share of the Group are calculated by dividing the net profit/(loss) for the current period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000 (Restated)	30.09.2006 (Unaudited) RM'000	30.09.2005 (Unaudited) RM'000 (Restated)
Profit/(loss) attributable to ordinary equity holders of the parent	1,412	(115)	980	(691)
Weighted average number of ordinary shares in issue ('000)	96,687	73,706	96,010	73,706
Basic earnings/(loss) per share (sen)	1.46	(0.16)	1.02	(0.94)

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(31) Fully diluted Earnings/(Loss) Per Ordinary Share

Fully diluted earnings/(loss) per ordinary share for the current period was not presented as there was an anti-dilutive effect on the conversion of RCSLS and ICULS to ordinary shares.

(32) Reserves

	As at 30.09.2006 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	4,577	4,577
Reserve on consolidation	-	442
Redeemable convertible secured loan stocks (RCSLS)	737	737
Irredeemable convertible unsecured loan stocks (ICULS)	5,885	7,906
	<hr/>	<hr/>
	14,335	16,798
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(33) Trade and other payables

	As at 30.09.2006 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000
Trade creditors	14,073	12,934
Other creditors and accruals	15,354	14,690
Provision for corporate guarantee	5,004	4,757
Amounts owing to directors	118	48
	<hr/>	<hr/>
	34,549	32,429
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Amounts owing to directors

Amounts owing to directors represent provision for directors' fees and allowances payable for the current financial period which are unsecured, interest free and have no fixed term of repayment.

(34) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 28 November 2006.