

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

QUARTERLY ANNOUNCEMENT
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED
31 DECEMBER 2006

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2006

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
		31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000 (Restated)	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000 (Restated)
Revenue	5	29,029	35,520	81,742	90,044
Cost of sales		(25,638)	(26,922)	(69,397)	(71,666)
Gross profit		<u>3,391</u>	<u>8,598</u>	<u>12,345</u>	<u>18,378</u>
Other operating income		751	(349)	3,494	798
Marketing and distribution costs		(1,006)	(1,095)	(3,626)	(3,374)
Administration expenses		(2,486)	(2,184)	(8,346)	(8,587)
Profit from operations		<u>650</u>	<u>4,970</u>	<u>3,867</u>	<u>7,215</u>
Finance costs		(838)	(879)	(2,523)	(2,757)
Profit/(Loss) before taxation	5	<u>(188)</u>	<u>4,091</u>	<u>1,344</u>	<u>4,458</u>
Tax expense	23	<u>(255)</u>	<u>(275)</u>	<u>(807)</u>	<u>(1,333)</u>
Net profit/(loss) for the period		<u>(443)</u>	<u>3,816</u>	<u>537</u>	<u>3,125</u>
Attributable to:					
Equity holders of the Parent		<u>(443)</u>	<u>3,816</u>	<u>537</u>	<u>3,125</u>
Earnings/(loss) per ordinary share attributable to equity holders of the parent					
Basic earnings/(loss) per ordinary share (sen)	31	<u>(0.45)</u>	<u>5.08</u>	<u>0.56</u>	<u>4.17</u>
Fully diluted earnings/(loss) per ordinary share (sen)	32	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 NINE MONTHS PERIOD ENDED 31 DECEMBER 2006

	Note	AS AT 31.12.2006 (Unaudited) RM'000	AS AT 31.03.2006 (Audited) RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7, 10, 3(a)	75,110	73,803
Prepaid lease payments	2(c), 3(a)	7,090	7,201
Investment in an associated company		30	-
Securities available for sale	25	3	3
Total non-current assets		82,233	81,007
Current assets			
Inventories		19,807	18,234
Trade and other receivables		22,944	23,356
Tax recoverable		2,421	2,337
Fixed deposits with licensed banks		745	808
Cash and bank balances		2,037	308
Total current assets		47,954	45,043
TOTAL ASSETS		130,187	126,050
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		97,346	95,325
Reserves	17	14,335	16,798
Accumulated losses		(77,783)	(78,542)
Total equity		33,898	33,581
Non-current liabilities			
Long term borrowings	27	16,221	19,804
Deferred tax liabilities		9,905	9,455
Total non-current liabilities		26,126	29,259
Current liabilities			
Trade and other payables	18	35,673	32,429
Short term borrowings	27	33,532	29,804
Tax liabilities		958	977
Total current liabilities		70,163	63,210
Total liabilities		96,289	92,469
TOTAL EQUITY AND LIABILITIES		130,187	126,050
Net assets per share attributable to equity holders of the parent (RM)		0.3482	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.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 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 RCCLS	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	95,325	3,136	4,577	442	737	7,906	(78,542)	33,581	
ICULS Interest	-	-	-	-	-	-	(220)	(220)	
Effect of adopting: -FRS 3	2(a)	-	-	(442)	-	-	442	-	
Net income and expenses recognised directly in equity	-	-	-	(442)	-	-	222	(220)	
Net profit for the period	-	-	-	-	-	-	537	537	
Total recognised income and expenses for the period	-	-	-	(442)	-	-	759	317	
Conversion of ICULS	2,021	-	-	-	-	(2,021)	-	-	
At 31 December 2006	97,346	3,136	4,577	-	737	5,885	(77,783)	33,898	

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2005

Note	Attributable to equity holders of the parent							Accumulated Losses (Restated)	Total
	-----Non-distributable-----				Equity Component of RCLS	Irredeemable Convertible Preference Shares	Irredeemable Convertible Unsecured Loan Stock		
Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	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	-	-	-	-	-	-	-	(321)	(321)
Net income and expenses recognised directly in equity	-	-	-	-	-	-	-	(321)	(321)
Net profit for the period	-	-	-	-	-	-	-	3,125	3,125
Total recognised income and expenses for the period	-	-	-	-	-	-	-	2,804	2,804
Amortisation for the period	-	-	-	(37)	-	-	-	-	(37)
Capitalisation of ICULS interest	437	-	-	-	-	-	(437)	-	-
Conversion of ICULS	833	-	-	-	-	-	(833)	-	-
Conversion of ICPS	2,133	-	-	-	-	(2,133)	-	-	-
At 31 December 2005	76,672	3,136	3,848	454	737	18,258	7,906	(76,783)	34,228

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 NINE MONTHS PERIOD ENDED 31 DECEMBER 2006

	Period to date	
	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000 (Restated)
Net cash generated from operating activities	8,581	3,424
Net cash used in investing activities	(7,076)	(5,896)
Net cash from financing activities	<u>1,069</u>	<u>1,516</u>
Net increase/(decrease) in cash and cash equivalents	2,574	(956)
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>(4,224)</u>	<u>(10,894)</u>

*Cash and cash equivalents at the end of the financial period comprise the following:

Fixed deposits with licensed banks	745	2,609
Cash and bank balances	2,037	2,993
Bank overdrafts	<u>(6,286)</u>	<u>(13,887)</u>
	(3,504)	(8,285)
Less: Fixed deposits pledged to licensed banks	<u>(720)</u>	<u>(2,609)</u>
	<u>(4,224)</u>	<u>(10,894)</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.

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 three (23) 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 five (5) new/revised FRSs on which two (2) FRSs are effective for accounting period beginning on or after 1 October 2006, two (2)) FRSs are effective for accounting period beginning on or after 1 January 2007 and the other standard has been deferred.

The Board of Directors has determined the above accounting policies to be adopted in the preparation of the Group's interim financial statements for the financial period beginning 1st April 2006 except for the deferred FRSs and the two (2) FRSs issued by the MASB beginning on or after 1 January 2007.

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.

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

(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 3(a), certain comparative amounts as at 31 March 2006 have been restated.

(3) Comparative Figures

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

	Note	As previously reported (Audited)	Effects of changes in accounting policies	Restated
		RM'000	RM'000	RM'000
As at 31 March 2006				
BALANCE SHEETS				
Non-current assets				
Property, plant and equipment	7, 10	81,004	(7,201)	73,803
Prepaid lease payments	2(c)	-	7,201	7,201

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- (b) The following comparative figures have been restated due to correction of the Irredeemable Convertible Unsecured Loan Stock (ICULS) interest wrongly debited to income statements, instead of changes in equity in prior period ended 31 December 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 31 December 2005	As previously reported (Unaudited)	Effect of changes	Restated
	RM'000	RM'000	RM'000
INCOME STATEMENTS			
Individual Quarter			
Finance costs	(982)	103	(879)
Profit before tax	3,988	103	4,091
Net profit for the period	3,713	103	3,816
Basic earnings per share (sen)	4.84	0.24	5.08
Cumulative Quarter			
Finance costs	(3,078)	321	(2,757)
Profit before tax	4,137	321	4,458
Net profit for the period	2,804	321	3,125
Basic loss per share (sen)	3.66	0.51	4.17
STATEMENT OF CHANGES IN EQUITY			
ICULS interest	-	(321)	(321)

(4) Auditors' Report on Preceding Annual Financial Statements

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

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

(5) 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		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	23,804	29,080	66,797	74,595
Trading	5,309	6,718	15,354	16,343
Property rental	-	-	-	-
Investment holdings & others	2,690	689	4,070	1,414
Total revenue including inter-segment sales	31,803	36,487	86,221	92,352
Elimination of inter-segment sales	(2,774)	(967)	(4,479)	(2,308)
Total revenue	29,029	35,520	81,742	90,044
<u>Segment Results</u>				
Manufacturing	(404)	3,666	619	4,806
Trading	(159)	240	(1,208)	(325)
Property rental	185	(51)	197	(87)
Investment holdings & others	1,772	1,673	3,684	(4,866)
	1,394	5,528	3,292	(472)
Eliminations	(1,582)	(1,437)	(1,948)	4,930
(Loss)/Profit before taxation	(188)	4,091	1,344	4,458

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.

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.

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

(6) 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;

(7) 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.

(8) 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.

(9) Dividend Paid

There was no dividend paid for the 3rd quarter ended 31st December 2006.

(10) 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.

(11) 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 .

(12) Changes in the Composition of the Group

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

(13) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2006 are as follows:

	RM'000
Approved by the Directors and contracted for	1,040
Authorised by the Directors but not contracted	11,806
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	12,846
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(14) 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 RM119,311 granted earlier to a former subsidiary company namely Skiva Holdings Sdn. Bhd..

(15) Material Subsequent Events

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

(16) Significant Related Parties Transactions

	9 Months ended 31.12.2006
	RM
Sub contractor fees paid/payables to: Concordmold Technology Sdn. Bhd.	2,094,202
Professional fees paid/payables to: C.L. Boo & Associates	33,180
Moore Stephens Associates & Co.	27,000
MSA Tax Services Sdn. Bhd.	42,200
Rental paid to Yong Boon Leong	81,000

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.

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

(17) Reserves

	As at 31.12.2006 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000 (Restated)
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
	<hr/>	<hr/>

(18) Trade and other payables

	As at 31.12.2006 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000
Trade creditors	16,560	12,934
Other creditors and accruals	13,898	14,690
Provision for corporate guarantee	5,131	4,757
Amounts owing to directors	84	48
	<hr/>	<hr/>
	35,673	32,429
	<hr/>	<hr/>

Provision for corporate guarantee

Provision for corporate guarantee is made for a potential obligation arising from the corporate guarantee given by the Company to a financial institution for banking facilities granted to a former subsidiary company, Skiva Holdings Sdn. Bhd..

Amounts owing to directors

Amounts owing to directors represent accruals for directors' fees and allowances payable for the current and previous financial period/year which are unsecured and interest free.

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

(19) Review of Current Quarter Performance

The Group's revenue decreased approximately by RM6.491 million or 18.27%, from RM35.520 millions in the same quarter in the preceding financial period ended 31 December 2005 to RM29.029 million in this quarter. The decreases in revenue are due to seasonal fluctuation in sales and lower production as a result of introduction of new products of the manufacturing sector in this quarter.

The Group's pretax profit decreased from RM4.091 million in the same quarter in the preceding financial year to a pretax loss of RM188 thousand for this current quarter.

(20) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM29.029 millions for the quarter under review. This represents a decrease of RM1.654 millions in revenue or 5.39 % lesser than that of its previous quarter. The decrease in revenue is due to lower demand from customers and seasonal factor. The group registered a loss before tax of RM188 thousand as compared to the preceding quarter ended 30 September 2006 when a profit before tax of RM1.708 millions was registered. The decline in profit is due to drop in change demand patterns.

(21) 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 for the rest of the financial period is expected to improve.

(22) 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.

(23) Tax expense

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000
Malaysian income tax	(105)	(125)	(357)	(929)
Deferred tax	(150)	(150)	(450)	(404)
	<u>(255)</u>	<u>(275)</u>	<u>(807)</u>	<u>(1,333)</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.

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

(24) Sale of Unquoted Investments and/or Properties

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

(25) Securities available for sale

There was no purchase or disposal of quoted security for the financial period ended 31 December 2006. Details of securities available for sale as at 31 December 2006 are as follows:

	As at 31.12.2006 (Unaudited) RM	As at 31.03.2006 (Audited) RM
Included within securities available-for-sale:		
Quoted shares, at cost	2,800	2,800
Quoted shares, at market value	4,200	3,420
Unquoted shares, at realisable value	<u>1</u>	<u>1</u>

(26) Status of Corporate Proposals

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

(27) Group borrowings and debt securities as at 31 December 2006:

Details of the unaudited Group borrowings and debt securities as at 31 December 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 and other borrowings</u>						
Redeemable Convertible Secured Loan Stocks (RCCLS)	2,214	-	2,214	2,858	-	2,858
Bank Overdrafts	-	-	-	6,263	23	6,286
Bills Payable and Bankers Acceptance	-	-	-	14,109	264	14,373
Short Term payable	-	-	-	6,274	-	6,274
Hire Purchase payable	4,286	-	4,286	3,741	-	3,741
Long Term payable	9,721	-	9,721	-	-	-
TOTAL	16,221	-	16,221	33,245	287	33,532

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

(28) Off Balance Sheet Financial Instruments

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

(29) Details of pending material litigation

- (i) *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. On 8 December, 2006 the Court allowed the Plaintiff's to enter judgment against the defendant.

This liability has been accounted for accordingly in the former Subsidiary's financial statements except for the interest that may arise thereon.

- (ii) *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's application for summary judgment on 13 March, 2006 in respect of goods sold and delivered was dismissed by the Court. Thereafter, the Plaintiff had submitted an appeal against the decision on 20 March, 2006. On 12 October, 2006 the Court allowed the Plaintiff to enter judgment against the defendant.

This liability has been accounted for accordingly in the former Subsidiary's financial statements except for the interest that may arise thereon.

- (iii) *Duchess Marketing Sdn. Bhd. Vs New Height Marketing Sdn. Bhd.*
Kuala Lumpur Session Court Suit No.: 8-52-25318-2005
Johor Bahru High Court Winding-up Suit No.: 28-234-2006

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

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. On 8 February 2007, sealed copy of the winding-up-petition was served and the petition is fixed for hearing on 16 April 2007.

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 any incidental costs that may arise thereon.

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

(30) Dividend Payable

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

(31) 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 3 months ended		CUMULATIVE QUARTER 9 months ended	
	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000 (Restated)	31.12.2006 (Unaudited) RM'000	31.12.2005 (Unaudited) RM'000 (Restated)
Profit/(loss) attributable to ordinary equity holders of the parent	(443)	3,816	537	3,125
Weighted average number of ordinary shares in issue ('000)	97,346	75,135	96,457	74,890
Basic earnings/(loss) per share (sen)	(0.45)	5.08	0.56	4.17

(32) 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.

(33) Authorised for issue

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