

AKN TECHNOLOGY BHD
(Incorporated in Malaysia - Company No. 126552 P)
CONDENSED CONSOLIDATED INCOME STATEMENTS
For The 9 months Ended 31 December 2005
(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	2005 QUARTER ENDED 31-12-05 RM'000	2004 QUARTER ENDED 31-12-04 RM'000	2005 YEAR TO DATE 31-12-05 RM'000	2004 YEAR TO DATE 31-12-04 RM'000
Revenue	111,985	89,261	321,762	303,140
Operating Expenses	(123,864)	(86,067)	(345,613)	(286,510)
Other Operating Income	568	715	1,550	958
(Loss)/Profit from Operations	(11,311)	3,909	(22,301)	17,588
Finance costs, net	(1,960)	(1,844)	(4,650)	(5,567)
Share of losses of associated companies	(85)	(158)	(282)	(369)
(Loss)/Profit before taxation	(13,356)	1,907	(27,233)	11,652
Taxation	(27)	(1,139)	(679)	(1,598)
(Loss)/Profit after taxation	(13,383)	768	(27,912)	10,054
Minority interests	(69)	397	1,117	1,231
Net (Loss)/Profit attributable to shareholders	(13,452)	1,165	(26,795)	11,285
(Loss)/Earnings per share				
(i) Basic (sen)	(11.65)	0.96	(23.10)	9.23
(ii) Fully diluted (sen) *	(11.65)	0.95	(23.10)	9.09

* The effect on the basic (loss)/earnings per share for the current quarter arising from the assumed conversion of the existing Employees Share Options Scheme ("ESOS") is anti-dilutive. Accordingly, the diluted earnings per share for the current quarter is presented as equal to basic earnings per share.

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2005)

AKN TECHNOLOGY BHD
CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2005 & 31 March 2005

	(UNAUDITED) QUARTER ENDED December 2005 RM'000	(AUDITED) YEAR ENDED March 2005 RM'000
Property, plant and equipment	135,884	133,836
Intangible Assets	23,820	6,165
Investment in Associated Company	922	1,204
Other Investment	13,790	13,790
Deferred Tax Assets	464	464
 Current Assets		
Inventories	58,440	58,546
Trade Receivables	103,073	86,813
Other Receivables	36,413	11,888
Shorfall in Profit Guarantee	-	-
Short Term Investment	8,500	4,500
Deposits With Licensed Banks	34,245	36,768
Cash and Bank Balances	14,903	23,341
	<u>255,574</u>	<u>221,856</u>
 Current Liabilities		
Trade Payables	53,353	52,509
Other Payables	29,982	14,129
Short Term Borrowings	60,748	29,272
Provision for taxation	2,499	2,267
	<u>146,582</u>	<u>98,177</u>
 Net Current Assets	108,992	123,679
	<u>283,872</u>	<u>279,138</u>
 Financed By		
Share Capital	126,332	126,332
Share Premium	53,213	53,213
Reserves		
Treasury shares	(32,433)	(28,155)
Exchange Difference Reserve	(1,257)	(243)
Retained Profits	37,159	63,954
Shareholders' Equity	<u>183,014</u>	<u>215,101</u>
 Minority Interests	618	1,186
	<u>183,632</u>	<u>216,287</u>
 Long Term Borrowings		
Borrowings	99,982	62,592
Deferred Tax Liabilities	258	259
	<u>283,872</u>	<u>279,138</u>
 Net assets per share (sen)	159	183
	-	-

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31st March 2005)

AKN TECHNOLOGY BHD
Condensed Consolidated Cash Flow Statement
For the nine months ended 31 December 2005/2004

	31-Dec-05 RM'000	31-Dec-04 RM'000
(Loss)/profit before tax	(27,233)	11,652
Adjustment for :		
Amortisation and depreciation	14,100	16,732
Share of losses of associate company	282	369
Loss/(Gain) on disposal of property ,plant and equipment	7,192	(93)
Operating (loss)/profit before working capital	(5,659)	28,660
(Increase).decrease in receivables	(40,785)	2,218
Decrease/(Increase) in inventories	106	(10,421)
Increase/(decrease) in payables	16,697	(25,565)
Cash used in operations	(29,641)	(5,108)
Taxes paid	(448)	(745)
Net cash used in operating activities	(30,089)	(5,853)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in subordinated loan	(4,000)	-
Acquisition of subsidiary	(19,211)	-
Minority interest of subsidiary acquired	549	-
Net proceed from disposal of subsidiaries	-	5,118
Additional investment in associate company	-	(955)
Purchase of property, plant and equipment	(21,215)	(6,732)
Purchase of treasury shares	(4,278)	(23,945)
Product development expenditure	(2,361)	(1,702)
Proceeds from disposal of property, plant & equipment	1,792	93
Net cash used in investing activities	(48,724)	(28,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(2,525)
Proceeds from issue of shares	-	28,828
Net changes in long term borrowings	37,390	(1,345)
Net changes in short term borrowings	26,265	(42,594)
Net cash generated from/(used in) financing activities	63,655	(17,636)
EFFECTS OF EXCHANGE RATE CHANGES	(1,014)	(34)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,158)	(51,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	59,011	99,054
CASH AND CASH EQUIVALENTS AT 31 December 2005/2004	42,839	47,408

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash on hand and at bank	14,903	20,876
Fixed deposits and placement in banks	34,245	29,355
Bank overdrafts	(6,351)	(2,127)
Effect of exchange rate	42	(696)
	42,839	47,408

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31st March 2005 and the explanatory notes attached)

AKN TECHNOLOGY BHD
Condensed Consolidated Statement of Changes in Equity
For the nine months ended 31 December 2005

	←		Non-Distributable	→		
	Share	Share	Foreign	Treasury	Distributable	
	Capital	Premium	Exchange	Shares	Retained	Total
	(RM)	(RM)	Reserve & Special Reserve (RM)	(RM)	Profits (RM)	(RM)
For the 9 months period ended ended 31 December 2005						
At 1 April 2005	126,332	53,213	(243)	(28,155)	63,954	215,101
Arising from exercise of options and warrants	-	-	-	-	-	-
Currency translation differences not recognised in income statement	-	-	(1,014)	-	-	(1,014)
Purchase of treasury shares	-	-	-	(4,278)	-	(4,278)
Net Loss for nine months ended 31 December 2005	-	-	-	-	(26,795)	(26,795)
Balance at 31 December 2005	126,332	53,213	(1,257)	(32,433)	37,159	183,014
For the 9 months period ended 31 December 2004						
At 1 April 2004	115,749	49,013	(177)	-	96,135	260,720
Transfer to special reserve	-	(14,049)	14,049	-	-	-
Goodwill on consolidation written off	-	-	(14,049)	-	-	(14,049)
Arising from exercise of options and warrants	10,582	18,247	-	-	-	28,829
Currency translation differences not recognised in income statement	-	-	(34)	-	-	(34)
Dividend paid	-	-	-	-	(2,525)	(2,525)
Purchase of treasury shares	-	-	-	(23,945)	-	(23,945)
Net Profit for nine months ended 31 December 2004	-	-	-	-	11,285	11,285
Balance at 31 December 2004	126,331	53,211	(211)	(23,945)	104,895	260,281

(The Condensed Consolidation Statements of changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31st March 2005)

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation.

The interim financial report is unaudited and is prepared in accordance with FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”)’s Listing Requirements, and should be read in conjunction with the Group’s financial statement for the year ended 31st March, 2005.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31st March, 2005.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report of the preceding annual financial statements was not subject to any qualification.

3. Comments About Seasonal or Cyclical Factors

The peak and trough cycles of the semiconductor industry have been volatile over the past several years such that even industry associations have not been successful in predicting them. Recent trends have shown that peaks and troughs alternate between them within a 18 to 24 months period.

4. Unusual Items Due to their Nature, Size or Incidence

There are no unusual items during the quarter except those as disclosed in note 14 pertaining to the continued losses incurred by a subsidiary as a result of a fire.

5. Changes in Estimates

There were no changes in estimates during the quarter.

6. Debt and Equity Securities.

There were no issuance and repayment of debt and equity securities during the quarter.

During the quarter, the Company bought back 248,000 of its own shares for a total cash consideration of RM122,030. The highest and the lowest price paid per share were RM0.50 and RM0.485 respectively. The said shares are currently held as treasury shares.

There were no cancellation of shares and resale of treasury shares during the quarter.

7. Dividend Paid

There were no dividends paid during the quarter.

8. Segmental Information

NINE MONTHS ENDED 31/12/2005

Analysis by Business Activities	<u>Manufacturing</u> RM'000	<u>Designing, Engineering and Distribution</u> RM'000	<u>Group</u> RM'000
<i>External revenue</i>	83,713	238,049	321,762
<i>Segmental results</i>	(26,137)	3,836	(22,301)
<i>Share of loss of associated company</i>			(282)
<i>Finance cost</i>			(4,650)
<i>Taxation</i>			(679)
<i>Loss after taxation</i>			(27,912)
<i>Minority interests</i>			1,117
<i>Net Loss for the period</i>			(26,795)

9. Carrying Amount of Revaluation Assets

The properties which were revalued have been brought forward from the previous financial statements and there were no valuation of property, plant and equipment during the quarter.

10. Subsequent Events

There were no material event between 31st December 2005 and 17th February 2006 that have not been reflected in the interim financial statements for the quarter ended 31st December 2005.

11. Changes in the Composition Of the Group

On 25th October, 2005, the Company announced that the Group was in the process of placing its three wholly owned subsidiaries, Tecpac Limited (Tecipac), Protek Asia Limited (Protek) and Pacgem Enterprises Limited (Pacgem) under members' voluntary winding-up exercise pursuant to the local legislation in British Virgin Island(BVI).

Tecipac, Protek and Pacgem are dormant companies after transferring all their businesses and assets to Dragon Technology Limited pursuant to an internal re-organisation exercise initiated on 31st December, 2004. Dragon Technology Limited is also a wholly owned subsidiary of AKN Technology Bhd.

The members' voluntary winding-up exercise has been completed and accordingly Tecpac, Protek and Pacgem have been deregistered.

Both the internal re-organisation and the voluntary winding-up exercise as referred to above do not have any financial and operational effect on the Group.

12. Contingent Liabilities and Contingent Assets

There was no contingent liability as at 17th February, 2006 (the latest practicable date not earlier than 7 days from date of issue of this quarterly report).

13. Material Event

On 27th June, 2005, the premise of our subsidiary, AKN Industries Sdn. Bhd. (AKNI) situated at Phase 1, Bayan Lepas Industrial Zone was substantially destroyed by fire. The net book value of fixed assets (comprising machinery, equipments and furniture and fittings) and stock worth approximately RM38 million and RM2.2 million respectively were damaged as a result of the fire. Currently, the loss adjuster appointed by the insurance company pertaining to the fire and consequential loss policy taken by AKNI is in the process of finalising the claim amount. The management envisaged that it will take approximately five to seven months to restore the production facilities of AKNI.

The directors are of the considered opinion that this unfortunate event is not of a material magnitude that will affect the going concern of the Group.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Securities

14. Performance Review

The Group generated revenue of RM112.0 million for the quarter ended 31st December, 2005; an increase of RM22.8 million as compared to the corresponding quarter.

However, the Group suffered a loss after tax but before minority interest of RM13.4 million as compared to a profit of RM0.7 in the corresponding quarter. This is due to the losses suffered by the leadframe operations resulting from the fire that has damaged the premise and the plating facilities of AKN Industries Sdn. Bhd in June 2005. During the quarter, the leadframe operations suffered a loss of RM12.3 million due to low volume of sales, high cost of out-sourcing of plating activities and compensation claimed by customers.

For the quarter under review, the DDD division also suffered a loss before tax of RM0.6 million despite generating revenue of RM88.2 million. This is primarily due to lower margins arising from stiff competition particularly in Greater China. However for the nine months ended 31st December, 2005, the DDD division recorded a profit before tax of RM3.0 million.

When compared to the immediate preceding quarter, the Group's turnover has increased by RM16.0 million which is contributed mainly by the manufacturing division.

15. Comment on Material Change in (Loss)/Profit Before Taxation

There were no material changes in (loss)/profit before taxation for the quarter other than those as disclosed in Note 14 above.

16. Commentary on Prospects

In view of the volatility of the semi-conductor industry, the Company has implemented steps to rationalise the operations and activities of the Group so as to widen its earnings base. The acquisition of ZD Tech Corporation Sdn. Bhd. which was completed in September, 2005 and the proposed acquisition of Paramount Discovery Sdn. Bhd as referred to in paragraph 21 below represent some of the steps undertaken.

The Group's results for the financial year 2006 has been skewed by the losses of AKN Industries Sdn. Bhd (AKNI) due to the fire that has damaged the factory and its entire plating operations in June 2005. For the nine months ended 31st December, 2005, AKNI suffered a loss of RM21.0 million and management expects a further loss in the next quarter.

The global economy, particularly the semi-conductor industry may continue to remain uncertain in the near term with a slight strengthening bias. Given the more positive outlook of the global semi-conductor industry and the on-going rationalization exercise, the Group is confident that it will turnaround in financial year ending 31st March, 2007.

17. Profit Forecast and Profit Guarantee

The Company did not issue any forecast nor profit guarantee for the current year.

18. Taxation

	Current Quarter	Year To Date
	31/12/2005	31/12/2005
	RM'000	RM'000
- Current taxation	27	679
- Deferred taxation	-	-
- Over provision in previous year	-	-
	27	679

19. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the quarter.

20. Quoted Securities

The Company and Group do not have any investment in quoted securities.

21. Corporate Proposals

On 25th November, 2005, the Company entered into an agreement to acquire the entire issued and paid-up capital of Paramount Discovery Sdn. Bhd. ("Paramount") for a total consideration of RM30.8 million. (hereinafter referred to as "Paramount Acquisition"). Paramount is an investment holding company and had on 12th September, 2005 entered into an acquisition agreement (hereinafter referred to as "Proposed Innovative Acquisition") to acquire three companies, namely Innovative Resins Sdn. Bhd., Delta Polymer Sdn. Bhd. and Innovative Polymer System Sdn. Bhd (hereinafter referred to as "Innovative Group"). Innovative Group is principally involved in the production and selling of polymer coating solutions which are being used by the glove manufacturers for the production of powder-free gloves, particularly medical and examination gloves.

The Company has obtained the approval of the Foreign Investment Committee of the Prime Minister Department and henceforth the completion of the Paramount acquisition is now subject to the completion of the Proposed Innovative Acquisition.

22. Group Borrowings and Debt Securities

Total Group's borrowings as at 31st December 2005 are as follows :-

	<u>RM'000</u>
Long Term Borrowings	
Unsecured term loans	99,903
Hire purchase payables	79

	99,982
	=====

Short Term Borrowings

	Unsecured (RM'000)	Secured (RM'000)	Total (RM'000)
Bankers' acceptances	6,430	1,908	8,338
Bank overdrafts	2,743	3,608	6,351
Revolving credit	-	17,794	17,794
Term loans	27,000	659	27,659
Hire purchase payables	-	606	606
Total	36,173	24,575	60,748

All the above borrowings are denominated in Malaysian Ringgit except for the secured revolving credit and bank overdrafts which are denominated in US dollars and Hong Kong dollars respectively.

23. Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risk.

24. Changes in Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any material proceedings pending or threatened against the Group.

25. Dividend Payable

There is no dividends payable as at 31st December, 2005.

26. (Loss)/Earnings Per Share

The earnings per share is calculated by dividing the Group's (loss)/profit after taxation and minority interests by the weighted number of ordinary shares in the respective period as follows:

	Current Year Quarter	Preceding Year Quarter	Current Year To Date	Preceding Year Correspondin g Period
<i>(Loss)/Profit after tax and MI (RM'000)</i>	(13,452)	1,165	(26,795)	11,285
Weighted Number of Ordinary Shares:-				
<i>Basic Earnings</i>	115,468,000	121,787,000	115,987,000	122,287,000
<i>Diluted Earnings*</i>	115,468,000	123,049,000	115,987,000	124,107,000

* The effect on the basic loss per share for the current quarter arising from the assumed conversion of existing ESOS is anti-dilutive. Accordingly, the diluted earnings per share for the current quarter is presented as equal to basic loss per share.