

Aktif Lifestyle Corporation Berhad
Company No. 289534-K
(Incorporated In Malaysia)

SELECTED EXPLANATORY NOTES – MASB 26 Para 16

a. BASIS OF PREPARATION

The interim condensed financial statements for the 4th financial quarter ended 28 February 2006 are un-audited and have been prepared in accordance with Accounting Standard MASB 26 (Interim Financial Reporting) issued by the Malaysian Accounting Standard Board (“MASB”) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 28 February 2005.

The accounting policies and methods of computation adopted by the Group in the interim financial reports are consistent with those adopted in the annual financial statements for the financial year ended 28 February 2005.

The Sale and Purchase of Shares Agreement dated 31 October 2003 for the sale of the Company’s subsidiary, Aktif Lifestyle Stores Sdn. Bhd. (hereafter referred to as “ALS”) and three of its operating subsidiaries, (hereafter referred to as “ALS Group”) to CP Properties Sdn. Bhd. was completed on 18 June 2004.

The financial results of the ALS Group were deconsolidated from the financials of the Group from 18 June 2004.

b. AUDIT REPORT

The auditors report for the financial year ended 28 February 2005 has not been qualified.

The auditors report on the restated accounts for the financial year ended 29 February 2004 has not been qualified except for the following:

“The financial statements of the Group for the year ended 28 February 2001 had reflected a write back of liability for dividends that had been payable. A subsidiary, Aktif Lifestyle Stores Sdn. Bhd. (“ALS”), had in financial year ended 28 February 2001, written back a liability for dividends amounting to RM4,593,548 that had been payable to a former shareholder of ALS. We have not obtained sufficient appropriate audit evidence to support the view that it was appropriate for this liability to have been written back”.

c. SEASONAL OR CYCLICAL FACTORS

The result of the Group was not affected by any seasonal or cyclical factors for the current quarter under review.

d. ITEMS EFFECTING NET INCOME AND CASH FLOW

There were no items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 28 February 2006.

e. CHANGES IN ESTIMATES

There is no material change in estimate of amounts reported in prior interim periods of the current financial quarter or in prior financial years that have a material effect in the current interim period.

f. ISSUANCE AND REPAYMENTS

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial period to date.

g. DIVIDENDS

No dividend was paid or declared by the Company during the current financial quarter

h. SEGMENTAL REPORTING

The Group's segmental report for the financial period to date ended 28 February 2006 was as follows:

	<u>Turnover</u>	<u>(Loss)</u> <u>before tax</u>
	RM'000	RM'000
Investment holding	103	(144)
Retailing & others	13	(7)
Total	<u>116</u>	<u>(151)</u>

i. PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. There was no valuation of property, plant and equipment in the current financial quarter.

j. MATERIAL EVENTS SUBSEQUENT TO END OF THE INTERIM FINANCIAL PERIOD SUBSEQUENT EVENTS

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

k. CHANGES IN COMPOSITION OF THE GROUP

For the current financial quarter and financial year-to-date, the Group was not involved in any business combination, acquisition or disposal of subsidiaries and long term investments, restructuring or discontinuance of operation other than the execution of a conditional Restructuring Agreement with Integrated M & G Industries Berhad on 1 June 2005. A comprehensive Proposed Restructuring Scheme that relates to the Restructuring Agreement with Integrated M & G Industries Berhad was submitted to Securities Commission ("SC") by Avenue Securities Sdn. Bhd. ("Avenue") for their consideration and approval on 16 August 2005. The said Proposed Restructuring Scheme was rejected by SC vide their letter dated 28 December 2005. On 27 January 2006, Avenue had submitted an appeal to SC for a review of its decision on the Proposed Restructuring Scheme.

l. CONTINGENT LIABILITIES

There were no contingent liabilities disclosed in the audited annual accounts for the year ended 28 February 2005 except that:

"As disclosed in the financial statements of the Group for ended 28 February 2002, Aktif Lifestyle Stores Sdn. Bhd. ("ALS"), a subsidiary company, is being sued for a total sum of RM9,170,000 for terminating a lease agreement. ALS solicitors are of the opinion that the claim is without merit as the lease is void and deemed terminated by reason of frustration and misrepresented by the landlord. The plaintiff has issued an amended statement of claim for a revised total sum of RM19,483,000. ALS has filed its defense and counterclaim. The case is now pending hearing by the court.

The Company pursuant to the Sale and Purchase of Shares Agreement with CP Properties Sdn. Bhd. on the sale of ALS Group, indemnify and keep CP Properties Sdn. Bhd. against all costs, losses, damages, expenses, liabilities, penalties, actions, claims, proceedings and demands which CP Properties Sdn. Bhd. and ALS may incur suffer or sustain as a result of or in connection with any statement or successful claims made by the Plaintiff."

During the quarter under review CP Properties Sdn. Bhd. had made a claim of RM 214,097.21 for money paid out to RHB bank on a bank guarantee pertaining to fit out guarantee issued by RHB bank favoring Merit Properties Sdn. Bhd. in respect of rental space at Johore Baru City Square. Despite the Company's written confirmation to CP Properties Sdn. Bhd. on 13 July 2005 on its inability to concur the payment to RHB's demand, CP Properties Sdn. Bhd. had made the said payment to RHB's demand.

AKTIF LIFESTYLE CORPORATION BERHAD

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES – Bursa Malaysia Securities Berhad. (“Bursa Securities”) Listing Requirements

a. REVIEW OF PERFORMAMCE OF THE COMPANY AND ITS SUBSIDIARIES

The Group reported a turnover and pre-tax loss of RM0.018 million and RM0.024 million for the quarter respectively compared to turnover of RM0.007 million and a pre-tax loss of RM0.104 million in the previous year’s corresponding quarter. The current quarter’s turnover was mainly in respect of dividend received. There was a decrease in the impairment of investment on quoted securities amounting to RM0.06 million during the quarter.

b. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

There is no significant change in the quarterly results compared to the results of the preceding quarter as the Group has no core business since the disposal of ALS Group on 31 October 2003. The date of disposal was recognized in the books on 18 June 2004. The Group recorded a small loss of RM0.024 million for the current quarter and compared with the preceding year corresponding quarter loss amounting to RM0.104 million. The profit for the quarter under review was due to the dividends received on investment and the write back on the impairment of investments.

The disposal of the ALS Group improved the financial position considerably but left the Group without core business. No significant change on the Shareholders’ fund of the Group was recorded since the date of disposal. The Shareholders’ fund of the Group as at 28 February 2005 was positive RM2.28 million. The Shareholder’s fund as at 28 February 2006 stood at RM2.13 million. The change during the current financial year was mainly due to the expenses (professional fees and application fees) incurred in the preparation of the comprehensive Proposed Restructuring Scheme that was submitted to Securities Commission on 16 August 2005.

c. PROSPECT FOR THE NEXT FINANCIAL YEAR.

No significant changes are expected for the Group in the next quarter for the financial year ending 28 February 2007. The closing down of the specialty store in August 2004 had left the Group without a core business .

The Company:

1. On 31 May 2005, the Company entered into a conditional restructuring agreement (“Restructuring Agreement”) with Integrated M&G Industries Berhad, (a company incorporated to facilitate the Proposed Restructuring Scheme) and Dato’ Mohamed bin Jamrah, Teh Li Li, Amarjit Singh A/L

Kartar Singh, Balveer Kaur A/P Tahil Singh and Kiranjit Singh A/L Amarjit Singh (collectively known as “Vendors”) to implement a restructuring scheme which seeks to regularize the financial condition and the Company’s operation via inter-alia, the injection of viable new businesses in order that the Company’s operations are restored to a level that warrants its continued listing on Bursa Securities.

2. A comprehensive Proposed Restructuring Scheme was submitted to SC by the merchant banker, Avenue, on 16 August 2005 but was rejected by SC via their letter dated 28 December 2005. Avenue, on 27 January 2006, had submitted an appeal to SC to review its decision on the Proposed Restructuring Scheme. The Proposed Restructuring Scheme, if successfully implemented will have the new listed Group be involved in the business of quarrying, manufacturing, trading of granite products as well as the supply and installation of marble and granite related products.

d. VARIANCE ON PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in any public document as at the end of February 2005.

e. TAXATION

	4th Quarter ended Feb <u>2006</u>	<u>2005</u>	Cum.Quarter ended Feb <u>2006</u>	<u>2005</u>
	RM’000	RM’000	RM ‘000	RM’000
Major components of tax expenses				
Current tax expenses	-	-	-	-
Under provision in prior years	-	-	-	(57)
Deferred tax expense	-	-	-	(57)
Total	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>(57)</u>

No taxation is provided for in the current quarter for the current financial year ended 28 February 2006. As at 28 February, 2005 the Group has unutilized tax losses brought forward of approximately RM 7.1 million and unutilized capital allowances brought forward is nil, these unused tax losses are available indefinitely for set off against future taxable profits of the respective subsidiaries.

f. PROFIT FROM THE SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES

There was no sale of unquoted investments and / or properties for the current quarter ended 28 February 2006.

g. PURCHASE/DISPOSAL OF QUOTED SECURITIES

There was no disposal or acquisition of quoted shares (both quoted in Malaysia and outside Malaysia) during the quarter ended 28 February 2006.

h. QUOTED SECURITIES

Investments in quoted securities as at 28 February 2006 are as follows:

	<u>At cost</u>	<u>At book value</u>	<u>At market value</u>
	RM	RM	RM
	'000	'000	'000
Quoted in Malaysia	1,349	1,178	1,379
Quoted outside Malaysia	279	279	1007
Total	1,628	1,457	2,386

i. CORPORATE PROPOSALS ANNOUNCED DURING THE CURRENT QUARTER AND TO DATE

On 16 December 2005, Avenue, on behalf of the Board of Directors of the Company, had made an application to Bursa Securities for a further six (6) months extension to obtain the approval from the relevant authorities after the expiry of four (4) months from the date of submission of the Proposed Comprehensive Restructuring Scheme to SC on 16 August 2005.

On 22 December 2005, Avenue, on behalf of the Company, announced that Bursa Securities had vide their letter dated 22 December 2005 stated that since the Company had submitted its regularized plans to the relevant authorities for approval, it will wait the outcome of the Company's application to the relevant authorities. Nevertheless, Bursa Securities' decision is without prejudice to its right to proceed to commence for de-listing of the securities of the Company from the official list of Bursa Securities in the event the Company fails to obtain any of the authorities' approval necessary for the implementation of its regularization plans. No further extension of time is granted to the Company.

SC via their letter dated 28 December 2005 had rejected the Proposed Comprehensive Restructuring Scheme had been rejected. On 30 December 2005, Avenue, on behalf of the Company announced the above said matter stating the factors cited by SC on the rejection. Pursuant to Paragraph 17.04 of the SC's Policies and Guidelines on the Issue/Offer of Securities, Avenue, on behalf of the Company, had submitted an application to SC for a review of its decision on 27 January 2006.

j. GROUP BORROWINGS AND DEBTS SECURITIES

The Group does not have any borrowings as at the date of this report.

k. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any financial instrument with off balance sheet risk as at the date of this report.

l. MATERIAL LITIGATION

A third party had claimed damages against ALS arising from the termination of a lease agreement. ALS has contended that the lease is void and or deemed terminated by reason of frustration and or misrepresentation by the third party. The Plaintiff has filed the amended schedule of claims on 16 July 2003 and ALS has filed its defense and a counter claim. Solicitors for ALS have advised that there is a good prospect of success in defending the suit and in the counterclaim.

Subsequently, the Company's solicitors, Dennis Nik & Wong vide their letter dated 6 July 2004 to the Company, informed the Company that the above claim by the Plaintiff's for damages was dismissed and the Company's counterclaim allowed with damages to be assessed by the Senior Assistant Registrar.

The above matter is now at the case management stage whereby both parties had been directed by the high court to files in bundles of documents for case management hearing fixed on 20 April 2005. This was further adjourned to 28 June 2005 and again changed to 27 September 2005. The date of hearing is now fixed on 23 to 27 June 2008.

During the financial period under review in March 2004, in a related court action which the ALS had initiated in 1999 to restrain the landlord from claiming on certain guarantees issued by RHB Bank Berhad in respect of the lease, the landlord was successful in its appeal to the Court of Appeal in setting aside one of the two injunctions which was granted by the Court in respect of the guarantees. The injunction which was set aside was in respect of the guarantee for 'Fit Out Deposit' amounting to RM190,096.90. Based on the advice of lawyers, the Court of Appeal's decision does not have a financial impact on the Company in that the decision merely sets aside the injunction but did not rule as to the liability to pay on the guarantee against which the Company has denied liability by legal notice to RHB Bank Berhad. However, CP Properties Sdn. Bhd. on 20 August 2005 made a claim of RM214 097 against the Company after making payment to the guarantee relating to the "Fit Out Deposit" to RHB Bank Berhad despite the Company's prior written notice to it that the Company non agreeable to the said payment.

m. DIVIDEND

No dividend has been declared for the current financial period to date.

n. EARNINGS PER SHARE

There is no significant change to the earnings per share for the current quarter and the corresponding quarter last year. The earnings per share were a negative 0.12 sen per share this current quarter against a negative of 0.51sen for the same corresponding quarter last year. However there is a significant change in the earnings per share for the cumulative quarters between the financial year ending February 2005 and 2006. This was mainly due to the reversal of losses of the Group on the disposal of ALS Group to CP Properties Sdn. Bhd. amounting to RM 61.6 million during the financial year ending February 2005.

The earnings/loss per share of the Group for the quarter has been computed by dividing the net operating profit/loss, after the recovery of bad debts, by the weighted average number of ordinary shares in issuance during the reporting period.

	4nd. Quarter ended Feb <u>2006</u> RM'000	2005 <u>2005</u> RM'000	Cum. Quarter ended Feb <u>2006</u> RM'000	2005 <u>2005</u> RM'000
Net Profit (loss)	<u>(0.24)</u>	<u>(104)</u>	<u>(151)</u>	<u>54,691</u>
Weighted no. of Ordinary Shares in issue	<u>20,479</u>	<u>20,479</u>	<u>20,479</u>	<u>20,479</u>
Basic earning (loss) per share (sen)	<u>(0.12)</u>	<u>(0.51)</u>	<u>(0.74)</u>	<u>267.06</u>

o. MINIMUM PAID UP CAPITAL REQUIREMENTS

Under the Bursa Securities Practice Note No. 4/2001, the Group had made a First Announcement that it is an affected listed issuer on 8 May 2002. The Group had also made an Announcement that it is an affected listed issuer under Practice Note No. 10/2001 on 15 June 2004.

As set out in Paragraph i, the Company had proposed a restructuring scheme whereby upon completion of the said scheme, the enlarged share capital of Integrated M & G Industries Berhad (the company to assume the listing status of Aktif) will meet the minimum paid up capital requirement for companies to be listed on the Second Board of the Bursa Securities.

