

Dai Hwa Holdings (M) Berhad
(Company No. 296139-X)
(Incorporated in Malaysia)

Interim Financial Report
31 March 2006

Dai Hwa Holdings (M) Berhad

(Company No. 296139-X)
(Incorporated in Malaysia)

Condensed consolidated balance sheet at 31 March 2006 - unaudited

	Note	31.3.2006 RM'000	31.12.2005 RM'000
Assets			
Property, plant and equipment	A10	38,020	38,020
Other receivables		4,274	3,594
Due from holding company		205	205
Due from related companies		309	409
Tax recoverable		369	366
Cash and cash equivalents		2,094	2,898
Total current assets/Total assets		<u>45,271</u>	<u>45,492</u>
Equity			
Share capital		112,700	112,700
Reserves		(69,140)	(68,772)
Total equity attributable to shareholders of the Company/Total equity		<u>43,560</u>	<u>43,928</u>
Liabilities			
Trade and other payables/ Total current liabilities/Total liabilities		<u>1,711</u>	<u>1,564</u>
Total equity and liabilities		<u>45,271</u>	<u>45,492</u>
Net assets per share (RM)		<u>0.39</u>	<u>0.39</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

Dai Hwa Holdings (M) Berhad

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Condensed consolidated income statement for the period ended 31 March 2006 - unaudited

	Note	Individual 3 months ended 31 March		Cumulative 3 months ended 31 March	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue		--	--	--	--
Cost of sales		--	--	--	--
Gross profit		--	--	--	--
Other income		62	92	62	92
Other expenses		(439)	(356)	(439)	(356)
Operating loss		(377)	(264)	(377)	(264)
Interest income		9	6	9	6
Net loss for the period		<u>(368)</u>	<u>(258)</u>	<u>(368)</u>	<u>(258)</u>
Attributable to:					
Shareholders of the Company/ Net loss for the period		<u>(368)</u>	<u>(258)</u>	<u>(368)</u>	<u>(258)</u>
Loss per share					
Basic loss per ordinary share (sen)	B13	<u>(0.33)</u>	<u>(0.23)</u>	<u>(0.33)</u>	<u>(0.23)</u>

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

Dai Hwa Holdings (M) Berhad

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Condensed consolidated statement of changes in equity for the period ended 31 March 2006 - unaudited

	Share capital RM'000	← <i>Non-distributable</i> → Share premium RM'000	Revaluation reserves RM'000	Accumulated losses RM'000	Total RM'000
<i>At 1 January 2006</i>	112,700	7,829	1,564	(78,165)	43,928
Net loss for the period	--	--	--	(368)	(368)
<i>At 31 March 2006</i>	<u>112,700</u>	<u>7,829</u>	<u>1,564</u>	<u>(78,533)</u>	<u>43,560</u>
<i>At 1 January 2005</i>	112,700	7,829	1,564	(76,935)	45,158
Net loss for the period	--	--	--	(258)	(258)
<i>At 31 March 2005</i>	<u>112,700</u>	<u>7,829</u>	<u>1,564</u>	<u>(77,193)</u>	<u>44,900</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

Dai Hwa Holdings (M) Berhad

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Condensed consolidated cash flow statement for the period ended 31 March 2006 - unaudited

	3 months ended 31 March	
	2006 RM'000	2005 RM'000
Cash flows from operating activities		
Net loss for the period	(368)	(258)
Adjustment for:-		
Interest income	<u>(9)</u>	<u>(6)</u>
Operating loss before working capital changes	(377)	(264)
Changes in working capital:		
Other receivables	(680)	(194)
Trade and other payables	147	(19)
Due from holding company	--	(54)
Due from related companies	<u>100</u>	<u>--</u>
Cash used in operations	(810)	(531)
Interest received	9	6
Income taxes paid	<u>(3)</u>	<u>(7)</u>
Net cash used in operating activities/ Net decrease in cash and cash equivalents	(804)	(532)
Cash and cash equivalents at beginning of period	<u>2,898</u>	<u>2,865</u>
Cash and cash equivalents at end of period	<u><u>2,094</u></u>	<u><u>2,333</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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A. Notes to the Interim Financial Report

1. Basis of preparation

The interim financial report is unaudited and has been prepared on the realisation basis and in compliance with FRS 134₂₀₀₄, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2005.

The preparation of an interim financial report in conformity with FRS 134₂₀₀₄, Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

2. Changes in accounting policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

The revised accounting standards have no material effect to the interim financial statements.

3. Audit qualification

The auditors' report of two subsidiaries, namely Dai Hwa Electronics (Malaysia) Sdn Bhd and Daimik Electronic Industrial Co. Sdn Bhd were subject to "except for" qualification in respect of the recoverability of other receivables amounting to RM636,100 and RM1,451,463 respectively.

The auditors' report of the Group was subject to "except for" qualification in respect of the effect of any adjustments which may be required for the recoverability of other receivables of RM2.1 million of the Group.

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A. Notes to the Interim Financial Report

4. Seasonal or cyclical factors

The seasonal or cyclical factors are not applicable to the Group as the Group has ceased its entire business operations on 15 August 2003.

5. Unusual items affecting the assets, liabilities, equity, net income, or cash flows

There are no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group for the current quarter.

6. Material changes in estimates

There are no material changes in estimates for the current quarter.

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

There are no issuances, cancellations, repurchases, resale and repayments of debts and equity.

8. Dividends paid

There was no dividend paid during the quarter under review.

9. Segment information

Segmental information is not applicable as the Group has ceased its entire business operations on 15 August 2003.

10. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous report.

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A. Notes to the Interim Financial Report

11. Material events subsequent to period end

There are no material events subsequent to the end of the period reported that have not been reflected in this quarterly report.

12. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter.

13. Contingent liabilities and contingent assets

The Group does not have any contingent liabilities and contingent assets since the last annual balance sheet date.

14. Related parties

There are no significant related party transactions for the current quarter.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

1. Review of performance

The Group reported higher operating loss of RM0.377 million for the first quarter ended 31 March 2006 as compared to RM0.264 million of the preceding year corresponding quarter mainly due to higher other operating expenses in the current quarter.

2. Variation of result against preceding quarter

The operating loss for the current quarter of RM0.377 million is higher than the immediate preceding quarter of RM0.267 million mainly due to higher other operating income in the preceding quarter.

3. Future prospects

The Group has ceased its entire business operations on 15 August 2003.

Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide a letter dated 22 August 2003 notified the Company that it has been determined by Bursa Securities as an affected listed issuer pursuant to Paragraph 2.1 of Practice Note No. 10/2001 (“PN 10”) of the Bursa Securities Listing Requirements (“Bursa Securities LR”) and that the Company is required to comply with the provisions and requirements under PN 10 of the Bursa Securities LR. Accordingly, the Company had on 29 August 2003 made an initial announcement to Bursa Securities pursuant to the said requirement.

The Company had on 27 August 2004 made the Requisite Announcement (“RA”) pursuant to PN 10 issued in relation to Paragraph 8.16 of the Bursa Securities LR.

The Company also made an announcement on the revised restructuring scheme on 14 October 2004. In light of the revision to the original Proposals under the RA, the Company had applied for an extension of time for a period of 2 months from 22 October 2004 to 22 December 2004 and a second application for extension of time of 9 days from 22 December 2004 to 31 December 2004 on 22 October 2004 and 20 December 2004 respectively to submit its regularisation plan to the relevant authorities for approval. The above applications were approved by Bursa Securities on 4 November 2004 and 27 December 2004 respectively. The revised proposals were announced to Bursa Securities on 28 December 2004 and submitted to the relevant authorities on 31 December 2004.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

3. Future prospects – cont.

The Company has obtained Bank Negara Malaysia's ("BNM") approval vide its letter dated 18 February 2005 for the Company's application in relation to the proposed issue of irredeemable convertible unsecured loan stocks to be issued as part consideration for the Proposals. The Ministry of International Trade and Industry ("MITI") has also approved the Company's application in relation to the Proposals on 9 March 2005 and such approval is subject to the approval of the Securities Commission ("SC") for the Proposals.

In view of the status of the Proposals, the Company had on 27 April 2005 announced its application for further extension of two months from 30 April 2005 to 30 June 2005 to obtain all necessary approvals for the implementation of its Proposals. Bursa Securities had vide its letter dated 10 May 2005, advised the Company that it will await the outcome of the Company's application to the relevant authorities. Bursa Securities also stipulated that:-

- (a) in the event the Company fails to obtain any of the necessary approvals from the relevant authorities for the implementation of its regularisation plan, Bursa Securities reserves the right to commence proceedings for suspension and/or de-listing of the securities of the Company from the official list of Bursa Securities and no further extension of time will be granted to the Company; and
- (b) in the event the Company obtains the necessary approvals from the relevant authorities, the Company must proceed to implement its regularisation plan expeditiously within the time frame stipulated by the relevant authorities.

The SC had vide its letter dated 24 June 2005 rejected the Proposals as the SC is of the view that the Proposals were not comprehensive. An appeal to the SC to reconsider its decision in respect of the Proposals had been submitted on 15 July 2005.

After considering the status of the Proposals and the appeal, the Company, on 6 September 2005, announced to Bursa Securities of its decision not to proceed with the appeal.

On 14 September 2005, the Company submitted an application to Bursa Securities for an extension of time of six months to 13 March 2006 to make a new requisite announcement setting out a new regularisation proposal for the Company to comply with PN 10 requirements ("Application").

Bursa Securities had vide a letter dated 10 November 2005 rejected the Application and has imposed a suspension on the trading of securities of the Company with effect from 9.00 a.m., Friday, 18 November 2005 until further notice pursuant to paragraphs 8.16 and 16.02 of Bursa Securities LR.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

3. Future prospects – cont.

Bursa Securities had also vide a separate letter dated 10 November 2005 notified the Company that it is required to make a written representation to Bursa Securities within 14 days on why its securities should not be removed from the Official List of Bursa Securities. In the said letter, Bursa Securities had also informed the following:-

- (a) in the event Bursa Securities decides to de-list the Company, the securities of the Company shall be removed from the Official List of Bursa Securities upon the expiry of 14 days from the date of notification of the decision to de-list the Company, or upon such date as may be specified by Bursa Securities; and
- (b) in the event Bursa Securities decides not to de-list the Company, other appropriate action/penalty(ies) may be imposed pursuant to paragraph 16.17 of the Listing Requirements.

The Company had on 11 November 2005 made the announcement in respect of the above and subsequently announced its proposed restructuring scheme to Bursa Securities on 23 November 2005 followed by a written representation on 24 November 2005 on why Bursa Securities should not remove the securities of the Company from the Official List of Bursa Securities.

On 26 January 2006, the Company announced the revisions to the proposed restructuring scheme. Applications to the relevant authorities, namely, the SC, SC (Equity Compliance Unit) in respect of the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-Overs and MITI have been submitted on 27 January 2006.

Bursa Securities had vide a letter dated 10 February 2006 decided not to commence the de-listing procedures against the Company pending the outcome of the decision from the relevant authorities on the Company's applications of its regularisation plans. If the Company fails to obtain the relevant authorities' approval and if the Company appeals against the decision of the relevant authorities concerned, Bursa Securities will await the outcome of the Company's appeal to the relevant authorities.

The Company shall proceed to implement its regularisation plans expeditiously within the time frames stipulated by the relevant authorities in the event it obtains all relevant authorities' approvals necessary for the implementation of its regularisation plans or if it succeeds in its appeal to the relevant authorities.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

3. Future prospects – cont.

Bursa Securities' decision is without prejudice to its right to proceed to de-list the securities of the Company from the Official List of Bursa Securities in the event:-

- (a) the Company fail to obtain the approval from any of the relevant authorities necessary for the implementation of its regularisation plans and does not appeal to the relevant authorities within the time frame (or extended time frame, as the case may be) prescribed to lodge an appeal;
- (b) the Company does not succeed in its appeal against the decision of the relevant authorities; or
- (c) the Company fail to implement its regularisation plans within the time frame or extended time frame stipulated by the relevant authorities.

Bursa Securities also decided that upon the occurrence of any of the above events, the securities of the Company shall be removed from the Official List of Bursa Securities upon the expiry of seven (7) market days from the date the Company is notified by Bursa Securities or such other date as may be specified by Bursa Securities.

On 27 March 2006, MITI approved the Proposed Restructuring Scheme, subject to the followings:-

- (i) the approval from SC in respect of the FIC Guidelines; and
- (ii) Dai Hwa Electronics (Malaysia) Sdn Bhd, Industri Kotakayu Sdn Bhd and Daimik Electronic Industrial Co. Sdn Bhd are required to contact the Malaysia Industrial and Development Authority with regards to surrendering their manufacturing licences respectively.

4. Profit forecast

Not applicable to the Group.

5. Tax expense

There is no tax provision during the current and prior period as the Group incurred operating loss.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

6. Unquoted investments and properties

There were no disposals of unquoted investments and properties for the current quarter.

7. Quoted investments

There were no purchases or disposals of quoted securities for the current quarter.

8. Status of corporate proposal and utilisation of proceeds

- (a) Please refer to note B3 for details of the status of corporate proposals announced at the date for this quarterly report.
- (b) Utilisation of proceeds raised from any corporate proposal is not applicable to the Group.

9. Borrowing and debt securities

There were no borrowings and debts securities as at the end of the reporting period.

10. Off balance sheet financial instruments

The Group did not enter into any contracts involving off balance sheet financial instruments.

11. Material litigation

There were no pending material litigations as at the date of this quarterly report.

12. Dividends

The Board did not recommend any dividend for the quarter under review.

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B. Additional Information on Interim Financial Report required by Bursa Malaysia Securities Berhad Listing Requirements

13. Basic earnings/(loss) per share

The basic loss per share for the quarter is calculated on the net loss of RM0.368 million divided by the number of shares in issue during the quarter of 112,700,000. Diluted earning per share and weighted average number of ordinary shares are not applicable to the Group.