

**KAI PENG BERHAD (32395-P)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**THIRD QUARTER ENDED 31 MARCH 2006**

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**A. Explanatory Notes To The Quarterly Report For The Third Quarter Ended 31 March 2006 As Per Financial Reporting Standards (“FRS”) No. 134 - Interim Financial Reporting**

**A1. Accounting Policies**

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards ("FRS") 134, Interim Financial Reporting (formerly known as MASB 26) and Chapter 9, Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Group's audited financial statements for the year ended 30 June 2005.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the year ended 30 June 2005.

**A2. Audit Qualification on Annual Financial Statements**

The auditors' report on the financial statements for the year ended 30 June 2005 was not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The Group's operations are not significantly affected by any seasonal or cyclical factors.

**A4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2006.

**A5. Material Changes in Accounting Estimates**

There were no changes in accounting estimates for financial period under review or prior financial years.

**A6. Issuance or Repayment of Debts and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

**A7. Dividend Paid**

There was no dividend paid during the financial period ended 31 March 2006.

**A8. Segmental Reporting**

The Group's segment revenue and results for the current financial period to date are as follows:-

	Manufacturing and Distribution	Steel Fabrication and Engineering	Services	Intra-group Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External revenue	108,501	-	7,057	-	115,558
Inter-segment	-	-	-	-	-
Segment revenue					<u>115,558</u>
<b>Results</b>					
Segment results					(23,189)
Interest income on short term deposits					<u>620</u>
Loss from operations					(22,569)
Finance costs					<u>(2,306)</u>
Loss before taxation					(24,875)
Taxation					<u>(316)</u>
Loss after taxation					(25,191)
Minority interest					<u>-</u>
Net loss for the period					<u>(25,191)</u>

No geographical segment information is presented as the Group operates principally within Malaysia.

**A9. Valuations of Property, Plant and Equipment**

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

**A10. Subsequent Material Events**

There were no subsequent material events as at the date of this report that will affect the financial results of the current quarter under review.

**A11. Changes in the Composition of the Group**

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

**A12. Changes in Contingent Liabilities or Contingent Assets**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

**B. Explanatory Notes To The Quarterly Report For The Third Quarter Ended 31 March 2006 As Per Bursa Malaysia Listing Requirements****B1. Review of the Performance**

Revenue increased by 1.21% from RM114.2 million to RM115.6 million on a year-on-year comparison. The Group recorded RM23.1 million loss before tax in this quarter as compared to RM0.3 million profit before tax for the preceding year's corresponding quarter. This is mainly due to the settlement arrangement arising out of the consent judgement as disclosed in Note B11 (a).

**B2. Comparison with Preceding Quarter's Result**

Revenue decreased from RM45.5 million in the immediate preceding quarter to RM33.0 million this quarter in the current financial period. The decrease is mainly due to lower sales from the manufacturing and trading of steel bars.

**B3. Prospects**

The Group will continue to assess and develop action plans for growth to improve efficiency and productivity.

**B4. Variances from Profit Forecast and Profit Guarantee**

The Group does not announce any profit forecast nor profit guarantee during the financial quarter.

**B5. Taxation**

	Current Quarter Ended 31.03.2006 RM'000	Current Year To Date Ended 31.03.2006 RM'000
Current year tax	-	316
Under/(Over) provision in respect of prior year	-	-
Transfer (from)/to deferred taxation	-	-
	-	316

The effective tax rate for the Group is higher than the statutory tax rate as losses of certain subsidiary companies cannot be set off against taxable profits made by other subsidiary companies and certain expenses which are not deductible for tax purposes.

**B6. Sales of Unquoted Investments and Properties**

There were no sale of unquoted investments and properties during the quarter under review.

**B7. Particulars of Purchase or Disposal of Quoted Securities**

(a) There were no purchases or disposals of quoted securities for the current quarter and financial year-to-date.

(b) Investments in quoted shares as at 31 March 2006 are as follows:-

	<b>RM'000</b>
At cost	33
At net book value	13
At market value	17

**B8. The Status of Corporate Proposal**

There was no corporate proposal announced or not completed as at the date of this quarterly report.

**B9. Borrowings and Debt Securities**

The Group's total borrowings (all denominated in Ringgit Malaysia) as at 31 March 2006 were as follow: -

	<b>Secured RM '000</b>	<b>Unsecured RM '000</b>	<b>Total RM '000</b>
<b>Short term borrowings</b>			
Revolving credit	249	-	249
Bills payable	36,819	-	36,819
Bank overdrafts	-	1,518	1,518
Term loans	6,453	641	7,094
	<u>43,521</u>	<u>2,159</u>	<u>45,680</u>
<b>Long term borrowings</b>			
Term loans	10,647	-	10,647
	<u>10,647</u>	<u>-</u>	<u>10,647</u>
<b>Total</b>	<b><u>54,168</u></b>	<b><u>2,159</u></b>	<b><u>56,327</u></b>

**B10. Off Balance Sheet Financial Instruments**

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

**B11. Material Litigation**

Save as disclosed below, there were no pending material litigation as at the date of this report:-

- a) The Company had on 17 April 2006 announced that the dispute with GEA Power Cooling Systems Inc ("GEA") has been resolved amicably. The Company and GEA has entered into a Consent Judgment agreement on 12 April 2006 whereby the Company will pay GEA a sum of USD\$3,000,000.00 over a 3 years period.

- b) Kai Peng Berhad ("Plaintiff") Vs Maju Holdings Sdn Bhd ("Defendant")

Our appeal to the Judge in Chambers had been dismissed with cost. We shall proceed with setting the matter down for trial.

- c) The application to strike out Hap Sing Engineering Works & 15 Others –vs- Kai Peng Berhad ("KPB") & 3 others writ summon had been dismissed with cost on 12 January 2006. We appeal to the Judge in Chambers. The appeal was heard on 13 April 2006. The appeal has been fixed for decision on 26 June 2006.

**B12. Dividends**

No interim dividends have been recommended.

**B13. Earnings Per Share****(a) Basic Earnings Per Share**

The basic earnings per share is calculated by dividing the profit/(loss) after taxation by the weighted average number of ordinary shares in issue as follows:

	<b>Current Quarter</b>	<b>Financial Year-To-Date</b>
<b>Earnings</b>		
Net loss for the period (RM'000)	(23,066)	(25,191)
Weighted average number of ordinary shares in issue ('000)	100,948	100,948
Basic earnings per share (sen)	(22.85)	(24.95)

**(b) Diluted Profit/(Loss) Per Share**

There is no dilution in the earnings per share during the current quarter and financial period to-date.

BY ORDER OF THE BOARD

Chan Lai Choon  
Company Secretary  
Petaling Jaya  
31st May 2006