KIG GLASS INDUSTRIAL BERHAD
(163144-V)
(Incorporated in Malaysia)

PART A - EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRS) 134 (FORMERLY KNOWN AS MASB 26), INTERIM FINANCIAL REPORTING

1. *BASIS OF PREPARATION*

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) 134 (formerly known as MASB 26), Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. The explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant in understanding the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

The accounting policies and methods of computation used in the interim financial statements are the same as those used in the financial statements for the year ended 31 December 2005.

2. *AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS*

The auditors’ report on the financial statements for the year ended 31 December 2005 were qualified as the auditors did not express an opinion as to whether the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

The auditors’ view were based on the following factors:

1) As at 31 December 2005, included in receivables and payables in the Group and of the Company are the amounts due from and to related parties amounting to RM 5.34 million and RM 6.38 million respectively. They are unable to obtain independent confirmations or sufficient appropriate audit evidence to ascertain the completeness and appropriate carrying amounts of these balances.

2) The Company has given corporate guarantees for secured and unsecured banking facilities utilized by its subsidiaries, including one of the subsidiaries incorporated in the People’s Republic of China, and, as at 31 December 2005, recognized a provision in respect of these guarantees amounting to RM 19 million based on the outstanding amounts owing to bankers by its subsidiaries. The directors of the Group and of the Company are unable to provide us with the amounts of corporate guarantees given nor other documents to support these guarantees. They are unable to obtain sufficient appropriate audit evidence as to the extent of the guarantees provided and whether the amount provided as at 31 December 2005 is appropriate.

3) The Company has recognized impairment losses on property, plant and equipment amounting to RM 73.2 million based on the estimated selling prices provided by its banker. They are not given any documentary evidence to support the amount of impairment losses provided other than the estimated selling prices provided by the banker and as such there is uncertainty about the actual recoverable amount of these property, plant and equipment.

4) The financial statements of its subsidiaries, Zibo Jiali Glass Industry Co. Ltd and Zibo Jiali Royalex Glass Co. Ltd, are not available. In addition, the directors of the Group and of the Company are unable to provide the status of the application for voluntary bankruptcy and strike off. In view of the uncertainty and there being no alternative audit procedures they could perform, they have not been able to obtain sufficient appropriate audit evidence as to whether these entities are appropriately classified as subsidiaries and accordingly whether their financial statements should be consolidated. The non-annexure is a non-compliance with the Ninth Schedule of the Companies Act, 1965.

5) The appropriateness of preparing the financial statements of the Group and of the Company to continue as a going concern is dependent upon the formulation of an appropriate restructuring scheme and its successful implementation and the success of the future operations of the Group and of the Company. The financial statements of the Group do not include any adjustments relating to the amounts and classification of assets and liabilities, which may be necessary should the Group and the Company be unable to continue as going concerns.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not affected by any significant seasonal or cyclical factors in the current quarter. However, the ceramic roofing tiles business is generally dependent on the state of the domestic property market.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

Other than provisions for crystallisation of corporate guarantees given to subsidiary companies and impairment losses on plant and equipment, which were provided for in the financial year ended 31 December 2005, there were no unusual items affecting the assets, liabilities, equity, net income, or cash flows during the financial quarter ended 31 March 2006.

5. *CHANGES IN ESTIMATES*

There were no changes in estimates that have a material effect in the current quarter.

6. DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debts, equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter under review.

7. DIVIDENDS PAID

No dividend has been paid or declared since the end of the previous financial year.

PART A - EXPLANATORY NOTES PERSUANT TO FRS 134 (FORMERLY KNOWN AS MASB 26) (CONT'D)

8. SEGMENT INFORMATION

	Segment Revenue		Loss Before Tax	
	3 months ended			
	31.3.2006 RM '000	31.03.2005 RM '000	31.3.2006 RM '000	31.03.2005 RM '000
Malaysia	2,948	11,361	(1,706)	(4,534)
China	0	5,317	(0)	(2,567)
Total	2,948	16,678	(1,706)	(7,101)

Segmental reporting by business segments has not been prepared as the Group's operations are substantially in manufacturing only.

For the current quarter under review, the results of its China subsidiary, Zibo Jiali Glass Industry Co. Ltd (Zico) are not available for consolidation. On 21 March 2006, Zico applied for voluntary bankruptcy at the Zibo City Middle Court in the People's Republic of China following the cessation of operations, the removal of inventories and plant and equipment by its creditors. As a result of this, the Company is of the opinion that the Company is currently unable to exercise management control over this subsidiary and there are difficulties in establishing the fair carrying value of the assets and liabilities in this subsidiary. Accordingly, the financial results of this subsidiary are not available to be consolidated for the current quarter.

9. *CARRYING AMOUNT OF REVALUED ASSETS*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. There was no valuation made for the quarter under review.

10. SUBSEQUENT EVENTS

On 8 November 2005, the Company announced that it is an affected issuer under Practice Note 17/2005. On 13 December, 2005, the Company entered into an Agreement To Negotiate with Permintex Holdings Sdn Bhd ("PHSB"), to negotiate and explore the possilibilty of a reverse take-over of the Company by PHSB. The validity of the Agreement To Negotiate was subsequently extended by mutual agreement to 13 May 2006.

On 11 May 2006, the Company entered into a Restructuring Agreement with PHSB and Permintex Berhad, a wholly-owned subsidiary of PHSB ("Permintex") in respect of the reverse take-over of the Company by PHSB through Permintex.

The proposed Restructuring Scheme will comprise the following:

(a) Proposed Acquisition of PISB, PSTSB, PESB and PRD
(b) Proposed Shareholders' Scheme
(c) Proposed Debt Settlement
(d) Proposed Placement
(e) Proposed Transfer of Listing Status
(f) Proposed Disposal

PART A - EXPLANATORY NOTES PERSUANT TO FRS 134 (FORMERLY KNOWN AS MASB 26) (CONT'D)

11. *CHANGES IN THE COMPOSITION OF THE GROUP*

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

12. *CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS*

There were no material changes in contingent liabilities and assets since the last annual balance sheet as at 31 December 2005.

13. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2006.

14. RELATED PARTY TRANSACTIONS

	3 months Ended 31.03.2006 RM'000
Sales of finished goods to :	
Companies in which the director, Mr Lam Tin Sing, has interest :	
Global Tableware Inc. Sdn. Bhd.	127
Sales commission paid to :	
Company in which the director, Mr Lam Tin Sing has interest :	
Global Tableware Inc. Sdn. Bhd.	9
Other interest expense paid to :	
Company in which a director, Mr Agus Nursalim , has interest :	
P.T. Kedaung Industrial Ltd.	13

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

15. *PERFORMANCE REVIEW*

The Group recorded lower revenues of RM2.95 million for the current quarter ended 31 March 2006 as compared to RM16.7 million in the preceding year's corresponding quarter. The decrease was due to the fact that the Company and its subsidiary, Zibo Jiali Glass Industry Co. Ltd had both ceased production operations.

However, the Group recorded a lower loss before taxation of RM1.71 million for the current quarter as compared to RM7.10 million in the preceding year's corresponding period. The lower loss was mainly attributable to the following factors:

(a) The deconsolidation of its loss making subsidiary, Zibo Jiali Glass Industry Co. Ltd (Zico). Please refer to note 8 above for further explanation.

(b) Lower depreciation charge due to recognition of impairment losses on property, plant and equipment in the last financial year ended 31 December 2005.

In the opinion of the directors, except for the exceptional items as disclosed above, there are no other items, transactions or events of a material and unusual nature which have arisen from 31 March 2006 to the date of this report, which would substantially affect the financial results of the Group and of the Company for the period ended 31 March 2006.

16. *VARIATION OF RESULTS AGAINST PRECEDING QUARTER*

The Group's turnover decreased to RM2.95 million for the current quarter as compared to the RM9.18 million in the preceding quarter. Reasons for the decrease were mainly as per the above explanation note 15.

Loss before taxation decreased to RM1.71 million as compared to RM62.45 million in the preceding quarter. Reasons for the decrease are as per the above explanation in note 15 and also largely due to the significant expenses incurred in the preceding quarter, which are as follows:

(a) Write down write down of inventories of the Group amounting to RM 6.9 Million.

(b) Impairment loss on plant and equipment including buildings of the Group amounting to RM 47.1 million.

17. *COMMENTARY ON PROSPECTS*

The scale of losses incurred by the Company over the years have significantly eroded its share capital base and the current net liability position of the Company has demonstrated the Company's lack of working capital to support its existing operations. In view of the above, the directors of the Company are compelled to protect the long-term interests of the shareholders and creditors, to prevent delisting of the Company.

Due to insolvency, the company has recently been classified under Practice Note 17. Accordingly, the directors are of the opinion that the prospects for the rest of the year are not expected to improve.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)

18. *PROFIT FORECAST OR PROFIT GUARANTEE*

Not applicable.

19. *TAXATION*

There is no tax charge for the Group as the Company and its subsidiaries are in a tax loss position for the current quarter ended 31 March 2006.

20. *SALE OF UNQUOTED INVESTMENTS AND PROPERTIES*

There were no sales of unquoted investments or properties during the quarter under review.

21. *QUOTED SECURITIES*

There were no purchases or disposals of quoted investments or securities during the quarter under review.

22. *CORPORATE PROPOSALS*

There were no other corporate proposals announced during the period under review.

23. *BORROWINGS AND DEBT SECURITIES*

		As at 31.03.2006 RM'000
(a)	Secured borrowings	53,473
	Unsecured borrowings	50,235
		103,708
(b)	Short term	103,693
	Long term	15
		103,708
(c)	Denominated in:-	
	- Ringgit Malaysia	98,077
	- US Dollars	5,631
		103,708

24. *OFF BALANCE SHEET FINANCIAL INSTRUMENTS*

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

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)

25. *CHANGES IN MATERIAL LITIGATION*

(a) In the previous year, Bumiputra-Commerce Bank (L) Limited, a licensed offshorse bank, filed a Writ of Summons in the High Court of Sabah and Sarawak in Kuching against one of the Company's subsidiaries, KIG Ceramics Industrial Sdn Bhd. ("KIGC"), for allegedly defaulting to pay quarterly principal installment repayments amounting to USD 1.49 million. The outstanding balance in respect of the Offshore Term Loan Facility stood at approximately USD 2.23 million. As at to date, no further legal action has been taken by the banker.

(b) On 20 May 2005, Bumiputra-Commerce Bank Berhad ("BCB"), served a Notice of Demand on the Company for claim of an aggregate outstanding amount of RM51,089,794 in respect of credit facilities granted to the Company. On 9 January 2006, BCB notified the Company that it has converted the floating charge on all the present and future, fixed and floating assets of the Company to a fixed charge as the Security for the banking facilities.

(c) On 7 October 2005, Bumiputra-Commerce Bank Berhad, served a Notice of Demand on the Company for claim of defaulted banking facilities granted its subsidiary, KIGC for an aggregate outstanding sum of RM9,861,015, for which the Company acted as corporate guarantor. As at to date, no further action has been taken by the banker. In the current financial statements, the Company has accrued the liabilities in relation to this corporate guarantee.

(d) On 12 December 2005, another lender of KIGC, United Overseas Bank (Malaysia) Berhad ("UOB"), commenced legal proceedings and obtained judgment against KIGC for default of principal and interest. As the Company gave a corporate guarantee for the aforesaid borrowings, the Company has been served with a winding-up petition. The winding-up petition is predicated on the basis that the Company is deemed to be unable to pay RM3.95 million comprising RM2.9 million due under an Overdraft Facility and RM1.05 million due under a Bankers' Acceptance Facility as a 30 June 2005 with interest at the rate of 3.5% per annum above the Base Lending Rate at 6.0% per annum calculated on a monthly rest basis from 1 July 2005 until settlement. On 27 March 2006, the Company obtained a stay of the winding-up petition for three months effective from 24 March 2006. The Company has accrued the liabilities in relation to this corporate guarantee given in the current financial statements.

(e) Another subsidiary of the Company, Zibo Jiali Glass Industry Co Ltd ("ZICO"), has been served with a letter from one of the bankers to recall the outstanding loan principal of USD1.4 million. As the Company gave a corporate guarantee for the aforesaid borrowings, the bank has filed a Writ of Summons in the High Court of the Republic of Singapore on 30 March 2005 for the default payment of loan from ZICO amounting to USD1.44 million and the interest on the principal sum at the rate of 7.5% above Singapore Interbank Offered Rate ("SIBOR") compounded monthly from 1 February 2005 until the date of full payment. In the current financial statements. the Group and the Company have accrued the liabilities in relation to this corporate guarantee

(f) As at the date of this report, there were no changes in material litigation.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA (CONT'D)

26. *DIVIDEND PAYABLE*

The Board of Directors has not recommended any interim dividend for the current quarter and current financial year-to-date.

27. *EARNINGS PER SHARE*

	3 months ended	
	31.03.2006	31.03.2005
(a) Basic loss per share		
Net loss for the period (RM'000)	(1,706)	(6,318)
Number of ordinary shares in issue ('000)`	163,033	163,033
Basic loss per share (sen)	**(1.05)**	**(3.88)**

(b) Diluted earnings per share

The Group has not issued any financial instruments, contracts or options that may entitle its ordinary shareholders to any dilutive potential ordinary shares.

By Order of the Board

Dr. Nik Norzrul Thani
Director

Date: 26 May 2006