

**SETRON (MALAYSIA) BHD**

(Company No. 11208-M)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1<sup>st</sup> QUARTER ENDED 31<sup>st</sup> MARCH 2006**

(The figures have not been audited)

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**EXPLANATORY NOTES**

**a) Accounting Policies**

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad. The report should be read in conjunction with the audited Financial Statement of the Group for the financial 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 audited financial statements of the Group for the financial year ended 31 December 2005 except for the adoption of the relevant new and revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006.

The adoption of the FRS does not have significant financial impact on the Group.

**b) Audit Qualification**

The preceding audited annual financial statements were not subject to any qualification.

**c) Seasonal or Cyclical Factors**

The results for the quarter under review were not affected by any seasonal or cyclical factor.

**d) Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income and cash flows for the current financial quarter.

**e) Material Changes in Estimates of Amounts Reported**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current interim financial period under review.

**f) Details of Changes in Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, share held as treasury share and resale of treasury shares during the current quarter under review.

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**g) Dividend Paid**

No dividend was paid during the current financial period under review.

**h) Segmental Information**

There is no segmental reporting as the Company is primarily involved in the assembly and sale of electrical consumer products and operates wholly in Malaysia.

**i) Valuation of Property, Plant and Equipment**

There was no valuation of property, plant and equipment in current financial period. The last revaluation on the land and buildings of the Company was done in October 2005 by a firm of professional valuers.

**j) Material Events Subsequent to the End of Financial Period**

There was no material events subsequent to the end of the financial year under review except for those mentioned in notes k, 9 and 11.

**k) Changes in the Composition of the Group**

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

On 6 April 2006, the Company acquired 100% equity interest in Halifax Capital International Limited, an offshore company incorporated in Labuan, for a total consideration of USD1. The principal activity of Halifax is investment holding.

**l) Contingent Liabilities**

The contingent liabilities pursuant to corporate guarantees issued in respect of credit facilities granted to the subsidiary company are as below:-

	As At 31.03.2006 RM'000	As At 31.12.2005 RM'000
Corporate guarantees issued in respect of banking facilities granted to a subsidiary (unsecured)	749	749

There were no contingent assets as at the end of the financial quarter under review.

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**ADDITIONAL INFORMATION REQUIRED BY APPENDIX 9B OF BURSA MALAYSIA'S LISTING REQUIREMENTS**

**1) Review of Performance**

Turnover for the current quarter and year to date ended 31.03.2006 of RM3.00 million represented improvements of 81.8% when compared to the preceding year's corresponding quarter and year to date of RM1.65 million.

The pre-tax loss for current year to date of RM0.45 million was 40.6% higher than the preceding year corresponding year to date's pre-tax loss of RM0.32 million.

**2) Material Change in Loss Before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter**

Current quarter turnover of RM3.00 million was 3.2% lower than the preceding quarter of RM3.10 million and pre-tax loss for current quarter of RM0.45 million was 19.6% lower as compared to preceding quarter loss of RM0.56 million.

**3) Prospects for the Current Financial Year**

The Board and Management are aggressively identifying viable business opportunities with the aim to improve the performance of the Company.

**4) Variance of Actual and Forecast Profit**

Not applicable as no profit forecast was published.

**5) Taxation**

There was no provision of adjustment for taxation in the current quarter under review.

**6) Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investments and/or properties during the current quarter under review.

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**7) Quoted Securities**

There was no purchase or disposal of quoted securities for the current quarter under review.

**8) Status of Corporate Proposal**

There is no outstanding corporate proposal as at the date of this announcement.

**9) Group Borrowings**

The Group's borrowings of RM4,811,000 are unsecured and fully denominated in Ringgit Malaysia.

	As At 31.03.2006		
	Short Term (RM'000)	Long Term (RM'000)	Total (RM'000)
Bank Overdraft	4,801	-	4,801
Hire Purchase Creditor	3	7	10
<b>Total</b>	<b>4,804</b>	<b>7</b>	<b>4,811</b>

The Company has on 30 March 2006 accepted a long term revolving credit facility of up to RM9,750,000 ("the Facility") from Affin Merchant Bank Berhad. The Facility will be secured against the first party charge over the freehold land and buildings of the Company. The Company is in the process of executing the Facility and has yet to utilise the Facility.

**10) Off Balance Sheet Financial Instruments**

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

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**11) Changes in Material Litigation**

a) Securita ABS One Bhd Vs Setron (Malaysia) Bhd

The hearing of the appeal is now fixed on 19 July 2006. Meanwhile, the Company is negotiating with Prokhas Sdn Bhd for settlement.

b) Affin Bank Berhad (“Affin”) Vs Setron (Malaysia) Bhd

There were no changes since the last annual balance sheet date. The case is fixed for hearing of plaintiff application for summary judgment on 20<sup>th</sup> June 2006 and meanwhile, the Company is negotiating with Affin for settlement.

**12) Dividend**

No dividend has been declared by the Board for the current quarter and financial period under review.

**13) Loss Per Share**

a) Basic loss per share

Basic loss per share of the Group for the current year quarter and year to date ended 31 March 2006 are calculated based on the net loss attributable to shareholders and the weighted average number of ordinary shares in issue of 62,833,333 (2005: 62,833,333) and 62,833,333 (2005: 62,833,333) respectively.

b) Diluted loss per share

The effects on the basic loss per share for the current year quarter and the financial year to date arising from the assumed exercise of warrant 2004/2014 are anti-dilutive. As such, diluted loss per share have not been not presented.