

NOTES TO THE INTERIM FINANCIAL REPORT - Financial Period ended 31 March 2006**1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with the reporting requirements set out in Financial Reporting Standards ("FRS") No. 134 – "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2005.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2005. Until the last financial year ended 31 December 2005, the financial statements of the Group were prepared in accordance with the standards issued by the Malaysian Accounting Standard Board ("MASB"). Following the changes in reporting regulations required by the MASB, the Group's quarterly financial statements have therefore been prepared in accordance with the Financial Reporting Standards (FRSs) that have come into effect for financial periods beginning on or after 1 January 2006. Adoption of these FRSs has not resulted in any material changes to the presentation and valuation the financial statements except for: -

FRS 3 - Business Combinations**Goodwill**

The adoption of this new FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less impairment losses and is tested for impairment in value in accordance with FRS 136 (Impairment of Assets) annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit and loss and no subsequent reversal is made. There is no impairment loss recorded during the current quarter. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years at RM769,510 per year or RM192,378 per quarter.

Negative Goodwill

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as "negative goodwill"), after reassessment, is now recognized immediately in profit or loss. Prior to 1 January 2006, negative goodwill was credited to the Profit and Loss Account on a straight-line basis over 10 years at RM998,077 per year or RM249,519 per quarter. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM4,990,383 was derecognized with a corresponding credit to retained earnings. This change in accounting policy is accounted for prospectively for business combinations taking place on or after 1 January 2006.

The effect of the aforementioned changes in treatment of goodwill and negative goodwill on the results of the current quarter is a net increase of RM57,141 in the Group loss before tax and Group loss after tax.

2 Qualification of Financial Statements

There was no qualification on the Group's preceding annual financial statements by the auditors save for a modified opinion drawing attention to the fact that the preparation of the financial statements on a going concern basis is dependent on the final approval of financial institution lenders and the successful implementation of the proposed debt restructuring scheme mentioned in Note 20 (4) below.

3 Seasonal or Cyclical Factors

There were no material seasonal or cyclical factors affecting the performance of the Group for the current quarter and financial year-to-date.

4 Unusual Items

There were no unusual items affecting the Group for the current quarter and financial year-to-date except for the provision for doubtful collection of a debt of RM8,472,904. The circumstances surrounding the collectibility of this debt have changed and the Directors have considered it prudent to make a provision for it.

5 Changes in Estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

6 Issuances or Repayment of Debt and Equity Securities

There were no issuances or repayment of debt and equity securities during the current quarter and financial year-to-date.

7 Dividend

No dividend has been paid in the current quarter and financial year-to-date and none has been recommended for payment for the current quarter and financial year-to-date.

8 Segmental Analysis

Analysis by geographical location:

	Revenue RM million	Profit/(loss) before taxation RM million
Current Quarter		
Malaysia	5,162	(4,226)
Outside Malaysia	2,365	(0,097)
Financial Year to date		
Malaysia	5,162	(4,226)
Outside Malaysia	2,365	(0,097)

No segmental analysis by industry has been prepared as the Group is primarily engaged in manufacturing.

9 Valuation of Property, Plant and Equipment

The carrying values of freehold and leasehold land, buildings, plant and machinery are based on the valuations incorporated in the audited financial statements for the financial year ended 31 December 2005, which comply with the provisions of the revised FRS 116: Property Plant and Equipment.

10 Material Subsequent Events

There were no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

11 Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the current quarter and financial year-to-date.

12 Contingent Liabilities

The changes in contingent liabilities (all pertaining to the Company and in respect of guarantees given for credit granted to subsidiaries by financial institutions and trade creditors) since the last annual balance sheet date to 25 May 2006 the latest practical date which is not earlier than 7 days from the issue of this interim financial report are as follows:

	RM million
Balance as at 31 December 2005	96.945
Addition	3.635
Balance as at 25 May 2006	100.580

13 Review of Performance of the Company and its Principal Subsidiaries

Trading conditions for all the Group's products remained unpromising. Price cutting by competitors in the rubber insulation division continued unabated with the result that margins were further eroded. Against high raw material costs and intense competition all the major operating divisions continued to suffer losses.

The Group recorded a turnover of RM7.527 million and a loss after tax of RM4.323 million before exceptional items for the quarter and financial year-to-date ended 31 March 2006.

14 Quarterly analysis

For the quarter under review, the Group incurred a loss before taxation of

RM7.527 million compared to a loss before taxation and exceptional items of RM4.064 million on a turnover of RM8.238 in the immediate preceding quarter. Lower turnover due to the cessation of the corrugating operations with yet to be matched lower overheads has made operating margins poorer. Overheads for the corrugating operations are expected to come down in the next quarter after all redundant costs cease.

15 Prospects for the current Financial Year

The initial steps taken to venture into coal mining and trading are progressing well. The Group has been able to source and will be making the first delivery with a promising margin. The Group is confident that this business will grow with the increased demand for coal regionally and globally given the current spiralling petroleum prices. Steps are also being taken to review the existing manufacturing operations of rubber insulation and roto-moulded plastics on their long term viability. If necessary, unviable operations will be closed down. The Board is guardedly optimistic that with the anticipated commencement of the development of the land in Sepang, the completion of the review of the manufacturing operations, the resolution of the financial institution debts through the proposed debt restructuring scheme and the development of the coal mining and trading operations, the Group will see an improvement of its fortunes.

16 Profit Forecast or Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in a public document.

17 Taxation

Taxation comprises :

	Current Quarter 31/03/2006 RM million	Financial Year-To- Date 31/03/2006 RM million
Current taxation	-	-
Deferred taxation	-	-
Underprovision in prior years	-	-
Total provision for taxation	-	-

18 Sale of Unquoted Investments and/or Properties

There were no disposals of investments and/or properties during the current quarter and financial year-to-date.

19 Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial year-to-date. As at 31 March 2006, the Group did not hold any quoted securities.

20 Status of Corporate Proposals

- (1) Designation as PN 17 Stock
Following the implementation of enhanced regulations by the Malaysia Securities Exchange Berhad ("MSEB") to further strengthen the stock exchange, the Company was on 5 May 2006 designated as a PN 17 (amended) company which requires the Company to regularise its financial condition within 8 months of the designation, failing which MESB will commence proceedings to de-list the Company's shares from the stock exchange.

The Board is confident that the proposed debt restructuring scheme will be approved by the financial institution lenders and with the commencement of the Group's activities in property development and coal mining and trading, the PN 17 designation on the Company will be lifted in due course.

- (2) Proposed Private Placement
In view of the present PN 17 designation on the Company, the proposed private placement has been called off.
- (3) Proposed New Employees' Share Option Scheme ("Proposed New ESOS")
The application to the Bursa Malaysia Securities for the listing of the additional shares is in the process of being submitted.
- (4) Proposed Debt Restructuring Scheme
On 4 June 2004 the Company announced that it had distributed a concept paper proposing a debt restructuring to financial institutional lenders of the Group for consideration. The details of the debt restructuring scheme are being worked out with the financial institutional lenders.

To protect the implementation of the proposed scheme and at the request of a major financial institution lender, the Company and certain subsidiaries had, on 28 November 2005, applied to Court under S.176 of the Companies Act, 1965 and obtained on 2 December 2005 a ninety-day restraining order expiring on 1 March 2006 to give the Company and the subsidiaries the necessary time to work out with all the lenders the proposed scheme which, the Company believes, will be to the benefit of all parties i.e. the financial institution lenders, the shareholders and the employees.
The restraining order was subsequently extended to 22 September 2006 by the Court.

Under the proposed scheme:

- (i) All secured lenders are requested to realise the security held by them to settle the outstanding debts. Any surplus available after settlement will be for the account of the borrower companies.
- (ii) All unsecured lenders, the total of whose debts amounts to RM66.937 million as at 31 December 2004, will be fully settled by an issue of RM25 million ICULS in the Company at nominal value with the unsecured lenders waiving a total of RM41.473 million or about 62% of those debts due from the Group.

21 Group Borrowings and Debt Securities

Total group borrowings as at 31 March 2006 are as follows:

	RM'000	RM'000
Long-term Bank Borrowings		
Secured	146	
Unsecured	-	
Total Long-term Bank Borrowings		146
Short-term Bank Borrowings		
Secured	53,926	
Unsecured	60,519	
Total Short-term Bank Borrowings		114,445
		<u>114,591</u>

The Group borrowings are being restructured as mentioned in Note 20 (4).

22 Off Balance Sheet Financial Instruments

As at 25 May 2006 the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, there were no financial instruments with off balance sheet risk that have not been reflected in this interim financial report.

23 Material Litigation

The Group is not engaged in any material litigation as at 25 May 2006, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report, saved as disclosed below:

- (1) Writ of Summons filed by ISB against Tai Chin Enterprise Sdn. Bhd ("TCE") & 2 others
ISB has on 11 October 2000 made a demand against TCE for the sum of RM83,447.98 in respect of goods sold and delivered by ISB together with interest and costs. On 5 June 2002, ISB obtained an order in terms of its application for summary judgment (Order 28A). Judgment Notice has been issued on 23 April 2003 and the solicitors for ISB are in the midst of proceeding with Winding-Up Proceedings against TCE and Bankruptcy Action against the guarantors for TCE. The solicitors for ISB are of the opinion that ISB has a good arguable case.
- (2) Writ of Summons filed by ISB against Sin Rubtech Consultancy Sdn. Bhd. ("SRC")
ISB has reached an out-of court settlement with SRC.
- (3) Writ of Summons filed by Incaplas Marketing (M) Sdn. Bhd. ("IMMSB") against

Edu-Power Educational Supplies ("EPES") and Teh Eng Teck ("Teh")
 On 5 October 2001 IMMSB made a claim against Mohammad Reffel Bin Abdul Sheer (trading as Edu-Power Educational Supplies) & Another for a sum of RM 85,421.71. EPES is represented by Mann & Associates whilst Teh is currently not represented by solicitors. A Statement of Reply to EPES was duly filed on 19 April 2004. The Klang Session Court has granted Judgement in Default against Teh on 25 October 2004 and has fixed 1 December 2004 as the next mention date for EPES to file and serve their Bundle of Documents (if any). EPES is currently contesting against IMMSB's claim. The solicitors for IMMSB are of the opinion that the success of the case would very much depend on the various witnesses' oral testimony to prove that goods were indeed delivered and that IMMSB is entitled to the amount claimed at the full trial stage.

- (4) Writ of Summons filed by Kotak Kajang Industries Sdn. Bhd. ("KKISB") against G.S.C. Paper Packaging Sdn. Bhd. ("GSC")
 On 7 August 2003, KKISB made a claim against GSC for a sum of RM220,262.01 as sum due and owing for goods sold and delivered by KKISB together with interest at the rate of 2% per month on every due account. On 6 April 2004, KKISB entered into a summary judgment against GSC. The Order of Summary Judgment has been extracted from the Butterworth Sessions Court on 14 May 2004. KKISB's solicitors are of the opinion that the chances of recovery for the sum of RM220,262.01 and any interest thereon are fairly good in view of the execution proceedings to be taken against GSC by issuing Notice under S. 218 of the Act and subsequently proceeding with the winding up of GSC.
- (5) Serving of Borang 16D by The Bank of Nova Scotia Berhad ("TBNSB") on Teratai Perdana Sdn Bhd ("TPSB")
 On 20 August 2005, TBNSB, a lender included in the debt restructuring scheme mentioned in Note 20(4), served a Borang 16D on TPSB pursuant to S. 254 of the National Land Code, 1965 as notice of default in repayment of the total outstanding facilities of RM16,539,727 by ISB. The matter has been referred to the Company's solicitors who are considering the matter in consultation with the Company and the other lenders for a resolution.

The following litigious matters have now come under the ambit of S.176 (10) of the Companies Act 1965 which restrains parties from further action against the Group pending the outcome of the proposed debt restructuring scheme mentioned in Note 20 (4):

- (6) Writ of Summons filed by AmBank Berhad against ISB
 On 2 August 2004, AmBank filed a claim against ISB for repayment of the following:
 (i) overdraft facility of RM156,898.14 (as at 30 April 2004) and interest at 2.5% p.a. above the Base Lending Rate (BLR) from 1 May 2004 until final realisation and 1% penalty interest;
 (ii) bankers acceptance facility of RM183,457.12 (as at 30 April 2004) and interest at 3.5% p.a. above the BLR from 1 May 2004 until final realisation, totalling RM340,355.26 (as at 30 April 2004); and
 (iii) legal costs.

The Company is also being sued in its capacity as corporate guarantor to ISB for all the amount and interest outstanding. The summons has been served on ISB and the Company on 30 August 2004 and judgement was awarded to AmBank on 7 December 2004. The debt forms part of the Group's debts that are being restructured under the debt restructuring scheme mentioned in Note 20(4). Discussions are ongoing with AmBank.

- (7) Writ of Summons filed by AmBank Berhad against Kotak Kajang Industries Sdn Bhd ("KKISB")
 On 14 July 2004, AmBank filed a claim against KKISB for repayment of the following:
 (i) overdraft facility of RM148,255.25 (as at 30 April 2004) and interest at 2.5% p.a. above the Base Lending Rate (BLR) from 1 May 2004 until final realisation and 1% penalty interest;
 (ii) bankers acceptance facility of RM186,989.92 (as at 30 April 2004) and interest at 3.5% p.a. above the BLR from 1 May 2004 until final realisation;
 (iii) trust receipt facility of RM176,895.46 and interest of 2.5% p.a above BLR from 1 May 2004 until final realisation and penalty interest of 1%; and
 (iv) legal costs.

The Company is also being sued in its capacity as corporate guarantor to KKISB for all the amount and interest outstanding. The summons has been served on KKISB and the Company on 30 August 2004. Solicitors for KKISB and the Company have entered appearance on behalf of KKISB and the Company on 3 September 2004 and shall be filing the statement of defence in due course. KKISB's and the Company's solicitors are of the view that KKISB and the Company have a chance to resist any summary judgment application and proceed to trial. The debt forms part of the Group's debts that are being restructured under the debt restructuring scheme mentioned in Note 20(4).

- (8) Summons filed by Aseam Credit Sdn Bhd ("Aseam") against TVB Ventures Sdn Bhd ("TVSB")
 On 23 June 2004, Aseam sued TVSB for breach of hire purchase agreement due to its failure in payment of monthly instalments. The hire purchase agreement was terminated on 17 May 2004. Aseam is claiming a sum of RM240,207.82 (as at 13 May 2004) as damages under the hire purchase agreement and interest at 2% p.a. from 14 May 2004 until final realisation and costs. The Company is also being sued in its capacity as corporate guarantor to TVSB for all the amount and interest outstanding. The summons has been served on TVSB and the Company on 16 August 2004. Solicitors for TVSB and the Company have entered appearance on behalf of TVSB and the Company on 25 August 2004 and shall be filing the statement of defence in due course. TVSB's and the Company's solicitors are of the view that TVSB and the Company have a chance to resist any summary judgment application and proceed to trial. The debt forms part of the Group's debts that are being restructured under the debt restructuring scheme mentioned in Note 20(4).
- (9) Letter of demand issued by Southern Bank Berhad ("Southern Bank") against ISB
 Southern Bank issued a letter of demand dated 12 October 2004 to ISB demanding payment of RM317,419.96 being amount in arrears under term loan facilities outstanding as at 11 October 2004. On 29 August 2005, the Company, as guarantor, received a letter of demand demanding the repayment of the outstanding banking facilities totalling RM4,632,812 granted to ISB. The Company is currently negotiating with Southern Bank to restructure the said debt which forms part of the Group's debts that are being restructured under the debt restructuring scheme mentioned in Note 20(4).

- (10) Summons filed by United Paper Board ("UPB") on KKISB
 A writ of summons has been served on KKISB on 25 August 2005 by United Paper Board (M) Sdn Bhd, a supplier of paper to KKISB, for a claim of RM367,022 plus interest thereon from 20 July 2005 until date of settlement. The claim is being referred to the Company's solicitors for an appropriate response. Other than the interest being claimed, should the writ be successful, there is no financial or operational impact on the Group as the outstanding amount has already been accrued in the books.
- (11) Serving of a Section 218 Notice by AmBank Berhad on the Company and ISB
 On 26 October 2005, the Company and ISB received notices, as guarantor and principal debtor respectively, pursuant to S. 218 of the Companies Act, 1965 from AmBank in respect of outstanding credit facilities totalling RM340,355 plus accruing interest due from ISB to AmBank. AmBank is one of the unsecured lenders in the proposed debt restructuring scheme.

24 Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2006	Preceding Year Corresponding Quarter 31/03/2005	Current Year To Date 31/03/2006	Preceding Year Corresponding Period 31/03/2005
Earnings				
Net loss for the period (RM '000)	(12,796)	(3,281)	(12,796)	(3,281)
Weighted average number of shares ('000)	50,247	50,247	50,247	50,247
Basic earnings (loss) per share (sen)	(25.47)	(6.53)	(25.47)	(6.53)
Diluted earnings (loss) per share (sen)	Anti-dilutive	Anti-dilutive	Anti-dilutive	Anti-dilutive

By order of the Board
TECHVENTURE BHD

CHIN KIM FUNG
 Company Secretary

Kuala Lumpur
 26 May 2006