



07021976

1 March 2007



Securities & Exchange Commission
Division of Corporate Finance
Room 3094 (3-G)
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Sirs

SUPPL

Re : Exemption No. 82-3319
Issuer : Silverstone Corporation Berhad

We enclose herewith a copy of the Financial Results Announcement dated 28 February 2007, Re: Second Quarterly Report for the financial period ended 31 December 2006 for filing pursuant to exemption granted to the Company under rule 12g3-2(b) of the Securities Exchange Act of 1934.

Please contact the undersigned if you have any queries.

Yours faithfully
SILVERSTONE CORPORATION BERHAD

WONG PHOOI LIN
Secretary

PROCESSED

B MAR 23 2007
THOMSON
FINANCIAL

c.c Ms Andres Estay - The Bank of New York
ADR Department
101 Barclay St., 22nd Floor
New York
NY 10286

Handwritten signature/initials
3/21



Financial Results

Ownership transfer to SILVERSTONE CORPORATION on 28/02/2007 05:24:56 PM
Submitted by SILVERSTONE CORPORATION on 28/02/2007 05:48:19 PM
Reference No SC-070228-3B2CC

Submitting Merchant Bank :
 (if applicable)
 Submitting Secretarial Firm Name :
 (if applicable)

- * Company name : SILVERSTONE CORPORATION BERHAD
- * Stock name : SILSTON
- * Stock code : 5061
- * Contact person : WONG PHOOI LIN
- * Designation : SECRETARY

Part A1: QUARTERLY REPORT

- * Financial Year End : 30/06/2007 16
- * Quarter : 1 Qtr 2 Qtr 3 Qtr 4 Qtr Other
- * Quarterly report for the financial period ended : 31/12/2006
- * The figures : have been audited have not been audited

Please attach the full Quarterly Report here:

SCB-07Q2.xls

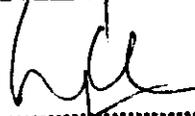
Remarks:

Part A2: SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
* 31/12/2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2006 <input checked="" type="checkbox"/> 16	31/12/2005 <input checked="" type="checkbox"/> 16	31/12/2006 <input checked="" type="checkbox"/> 16	31/12/2005 <input checked="" type="checkbox"/> 16
	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000
1 Revenue	121,358	127,150	243,601	253,901
2 Profit/(loss) before tax	-5,015	-12,381	-13,411	-17,000

SILVERSTONE CORPORATION BERHAD (41313-D)


 Secretary 28 FEB 2007

3	Profit/(loss) for the period	-4,998	-12,361	-13,408	-16,996
4	Profit/(loss) attributable to ordinary equity holders of the parent	5,024	11,308	13,159	14,688
5	Basic earnings/(loss) per share (sen)	1.48	3.34	3.87	4.34
6	Proposed/Declared dividend per share (sen)	0.00	0.00	0.00	0.00

		AS AT END OF CURRENT QUARTER*	AS AT PRECEDING FINANCIAL YEAR END
7	Net assets per share attributable to ordinary equity holders of the parent (RM)	0.4200	0.4700

Remarks :

Note: For full text of the above announcement, please access the Bursa Malaysia website at www.bursamalaysia.com

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2006 ¹⁶	31/12/2005 ¹⁶	31/12/2006 ¹⁶	31/12/2005 ¹⁶
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	RM'000	RM'000	RM'000	RM'000
1	Gross interest income	1,888	3,477	3,963
2	Gross interest expense	7,701	8,032	15,855

Remarks :

Note: The above information is for the Exchange internal use only.

SILVERSTONE CORPORATION BERHAD (41515-D)

Secretary

28 FEB 2007



SILVERSTONE CORPORATION BERHAD (41515-D)

(Incorporated in Malaysia)

**Interim Report for the
Second Quarter Ended
31 December 2006**

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Interim report for the second quarter ended 31 December 2006

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2006	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2005	CURRENT YEAR TO DATE 31/12/2006	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2005
	RM'000	RM'000	RM'000	RM'000
Revenue	121,358	127,150	243,601	253,901
Operating expenses	(133,574)	(132,639)	(257,863)	(256,011)
Other operating income	18,232	3,477	18,709	4,811
Profit/(Loss) from operations	4,016	(2,012)	4,447	2,701
Finance costs	(7,701)	(8,032)	(15,855)	(15,975)
Share of results of associated companies	(1,330)	(2,317)	(2,003)	(3,726)
Loss before taxation	(5,015)	(12,361)	(13,411)	(17,000)
Taxation	17	-	3	4
Net loss for the period	(4,998)	(12,361)	(13,408)	(16,996)
Attributable to :				
- Equity holders of the parent	(5,024)	(11,308)	(13,159)	(14,688)
- Minority interests	26	(1,053)	(249)	(2,308)
Net loss for the period	(4,998)	(12,361)	(13,408)	(16,996)
Loss per share attributable to equity holders of the parent (sen) :				
- Basic	25	(1.48)	(3.34)	(3.87)
- Diluted	25	(1.48)	(3.34)	(3.87)

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

SILVERSTONE CORPORATION BERHAD (41515-D)
(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2006

(The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	AS AT END OF CURRENT QUARTER 31/12/2006 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/6/2006 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		325,010	331,794
Associated companies		236,976	247,331
Investments		76,266	99,194
Deferred tax assets		19,804	19,804
Deferred expenditure		450	450
Goodwill on consolidation		11,675	11,675
		<u>670,181</u>	<u>710,248</u>
Current Assets			
Inventories		100,787	96,106
Investments		39,120	27,717
Trade and other receivables		122,412	130,825
Deposits with financial institutions		13,361	16,281
Cash and bank balances		29,840	30,683
		<u>305,520</u>	<u>301,612</u>
TOTAL ASSETS		<u>975,701</u>	<u>1,011,860</u>
EQUITY AND LIABILITIES			
Share capital		340,046	339,283
Reserves		(195,591)	(178,262)
Equity attributable to equity holders of the parent		144,455	161,021
Minority interests		78,906	80,777
Total equity		<u>223,361</u>	<u>241,798</u>
Non-Current Liabilities			
Redeemable cumulative convertible preference shares		30,575	31,414
Bonds and debts	21	150,117	365,919
Deferred liabilities		266	275
Deferred tax liabilities		377	377
		<u>181,335</u>	<u>397,985</u>
Current Liabilities			
Trade and other payables		107,755	109,381
Provisions		8,598	8,692
Short term borrowings	21	123,029	133,597
Bonds and debts	21	331,557	120,221
Tax liabilities		66	186
		<u>571,005</u>	<u>372,077</u>
TOTAL EQUITY AND LIABILITIES		<u>975,701</u>	<u>1,011,860</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>0.42</u>	<u>0.47</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

SILVERSTONE CORPORATION BERHAD (43515-D)
(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2006
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	← Attributable to equity holders of the parent →					Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserves RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
31 December 2006								
At 1 July 2006	339,283	81,600	55,633	42,947	(358,442)	161,021	80,777	241,798
Effects of adopting FRS 3	1 a)	-	-	(33,613)	33,613	-	-	-
	339,283	81,600	55,633	9,334	(324,829)	161,021	80,777	241,798
Conversion of redeemable cumulative convertible preference shares	763	76	-	-	-	839	-	839
Translation loss on net equity of foreign subsidiaries	-	-	(2,011)	(34)	-	(2,045)	(916)	(2,961)
Share in post-acquisition reserves of associated companies	-	-	(2,201)	-	-	(2,201)	(706)	(2,907)
Net loss for the period	-	-	-	-	(13,159)	(13,159)	(249)	(13,408)
At 31 December 2006	340,046	81,676	51,421	9,300	(337,988)	144,455	78,906	223,361
31 December 2005								
At 1 July 2005	338,535	81,525	60,497	45,883	(366,524)	159,916	83,603	243,519
Translation gains on net equity of foreign subsidiaries	-	-	2,418	-	-	2,418	(485)	1,933
Share in post-acquisition reserves of associated companies	-	-	1,001	-	-	1,001	1,985	2,986
Transferred to capital reserve	-	-	-	5	(5)	-	-	-
Amortisation of negative goodwill	-	-	-	(784)	-	(784)	-	(784)
Net loss for the period	-	-	-	-	(14,688)	(14,688)	(2,308)	(16,996)
At 31 December 2005	338,535	81,525	63,916	45,104	(381,217)	147,863	82,795	230,658

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the second quarter ended 31 December 2006
(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	<u>Note</u>	CURRENT YEAR TO DATE 31/12/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2005 RM'000
<u>OPERATING ACTIVITIES</u>			
Loss before taxation		(13,411)	(17,000)
Adjustments for:			
Non-cash items		16,929	15,212
Non-operating items		11,892	11,164
Operating profit before changes in working capital		15,410	9,376
Changes in working capital:			
Net changes in current assets		1,976	12,962
Net changes in current liabilities		(3,489)	13,389
		13,897	35,727
<u>INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment		(5,810)	(12,261)
Others		7,838	6,754
		2,028	(5,507)
<u>FINANCING ACTIVITIES</u>			
Bank borrowings and bonds redemption		(15,986)	(25,761)
Short term deposits earmarked for bonds redemption		3,081	2,651
Others		(2,899)	(66)
		(15,804)	(23,176)
Net changes in cash & cash equivalents		121	7,044
Effects of exchange rate changes		(1,314)	597
Cash & cash equivalents at beginning of the period		30,077	17,911
Cash & cash equivalents at end of the period		28,884	25,552

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the second quarter ended 31 December 2006
(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policies and methods of computation

The interim financial statements have been prepared in accordance with the Financial Reporting Standard ("FRS") 134 : "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2006.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new / revised FRSs effective for the financial period beginning 1 July 2006 :

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs does not have a significant financial impact on the Group except for the following:

a) FRS 3: Business Combinations

The adoption of FRS 3 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 July 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years.

The carrying amount of goodwill as at 1 July 2006 of RM11.7 million will cease to be amortised. This has the effect of reducing the amortisation charges by RM0.2 million and RM0.4 million in the current quarter and financial year-to-date respectively.

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 acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 July 2006 of RM33.6 million was derecognised with a corresponding decrease in opening accumulated losses.

1. Accounting policies and methods of computation (Cont'd)

b) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

The current period's presentation of the Group's financial statements is based on the requirements of the revised FRS 101, with the comparatives restated to conform with the current period's presentation.

The following comparative amounts have been restated due to the adoption of new / revised FRSs :

	<u>Reported Previously</u> RM'000	<u>Adjustments</u> RM'000	<u>Restated</u> RM'000
3 Months Ended 31 December 2005			
- Share of results of associated companies	(2,907)	590	(2,317)
- Taxation	590	(590)	-
Net adjustment		-	
	<u>Reported Previously</u> RM'000	<u>Adjustments</u> RM'000	<u>Restated</u> RM'000
6 Months Ended 31 December 2005			
- Share of results of associated companies	(4,305)	579	(3,726)
- Taxation	583	(579)	4
Net adjustment		-	

2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2006 was not qualified. However, the auditors drew attention to the financial position of the Group concerning the portion of AMB Bonds and SPV Debts issued pursuant to the Group Wide Restructuring Scheme ("GWRS") that are due for redemption/repayment within the next twelve (12) months and the steps taken by the Group to meet its obligations.

3. Comments about seasonal or cyclical factors

The operations of the Group are not subject to material seasonal or cyclical effect during the current quarter and financial year-to-date.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

5. Changes in estimates

There were no material changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

6. Debt and equity securities

During the quarter, the Group has redeemed/repaid RM1.35 million AMB Bonds and USD1.01 million (equivalent to RM3.65 million) SPV Debts.

During the financial year-to-date, the issued and paid-up share capital of the Company was increased from RM339,282,956 to RM340,046,086 by the issuance of 763,130 new ordinary shares of RM1.00 each pursuant to the conversion of 839,443 redeemable cumulative convertible preference shares of RM0.01 each ("RCCPS") at a conversion price of RM1.10 per new share satisfied solely by the tender of the RCCPS for cancellation by the Company. Consequent upon the cancellation of the RCCPS, the issued and paid-up capital of RCCPS of the Company decreased from RM314,144.87 to RM305,750.44.

Other than the above, there was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.

7. Dividends paid

There were no dividends paid during the current quarter and financial year-to-date.

8. Segmental information

The Group's segmental information for the financial year-to-date was as follows:

	REVENUE			Segment Results RM'000
	Total RM'000	Inter - Segment RM'000	External RM'000	
Motor	94,922	-	94,922	(1,382)
Tyre	148,069	291	147,778	192
Investment & others	910	9	901	5,637
	<u>243,901</u>	<u>300</u>	<u>243,601</u>	
Profit from operations				4,447
Finance costs				(15,855)
Share of results of associated companies				(2,003)
Loss before taxation				<u>(13,411)</u>

9. Carrying amount of revalued assets

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

10. Subsequent events

The Company has been classified as an affected listed issuer pursuant to Practice Note No.17/2005 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("PN17"). As the Company was not able to make the requisite announcement on its regularisation plan pursuant to PN17, the trading of the securities of the Company was suspended on 24 January 2007.

Bursa Securities had subsequently on 28 February 2007 decided to de-list the trading of the Company's securities from the Official List of Bursa Securities on 8 March 2007 as the Company does not have an adequate level of financial condition and operation to warrant continued listing. The Company will be making an appeal on the said decision.

11. Changes in composition of the Group

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

12. Changes in contingent liabilities and contingent assets

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

13. Performance review

Revenue was marginally lower for the six months under review at RM243.6 million due mainly to lower sales of tyres. However, the strengthening of Ringgit against the US Dollar had enabled the Group to book in a gain of RM14.3 million whilst during the quarter an impairment loss of RM12.6 million was provided for its investment in quoted securities.

14. Comment on material change in profit before taxation

	Current Year Quarter 31/12/2006 RM'000	Immediate Preceding Quarter 30/09/2006 RM'000
Revenue	<u>121,358</u>	<u>122,243</u>
Profit/(Loss) before taxation :-		
Holding and subsidiary companies	(3,685)	(7,723)
Associated companies	(1,330)	(673)
	<u>(5,015)</u>	<u>(8,396)</u>

The Group recorded lower loss for the quarter under review due mainly to the recognition of a foreign exchange gain on its US Dollar borrowings as Ringgit appreciated against the US Dollar at end of the quarter.

15. Commentary on prospects

Our automotive and local tyre manufacturing businesses are expected to continue to operate under a more challenging business environment amidst the high raw material prices and stiff competition.

16. Profit forecast or profit guarantee

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

17. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2005 RM'000	CURRENT YEAR TO DATE 31/12/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2005 RM'000
Income tax:				
Current year	2	18	16	18
Over provision in prior years	(19)	(18)	(19)	(22)
	<u>(17)</u>	<u>-</u>	<u>(3)</u>	<u>(4)</u>

The tax provision of the Group for the current quarter and financial year-to-date is principally due to certain expenses which are not deductible for tax purposes.

18. Sale of unquoted investments and properties

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

19. Quoted securities

- a. There were no purchases or disposal of quoted securities for the current quarter and financial year-to-date.
- b. Details of investments in quoted securities (excluding investments in associates) as at the end of the reporting period were as follows :

	RM'000
At cost	39,797
At book value	10,008
At market value	6,438

20. Corporate proposals

There were no corporate proposals pending completion for the current quarter and financial year-to-date.

21. Borrowings and debt securities

The Group's borrowings and debt securities as at the end of the reporting period are as follows :

	Short Term RM'000	Long Term RM'000	Total RM'000
Borrowings :			
Secured	79,042	-	79,042
Unsecured	43,987	30,575	74,562
	<u>123,029</u>	<u>30,575</u>	<u>153,604</u>
Bonds and debts:			
AMB Bonds	76,827	55,124	131,951
SPV Debts	254,730	94,993	349,723
	<u>331,557</u>	<u>150,117</u>	<u>481,674</u>
Total	<u>454,586</u>	<u>180,692</u>	<u>635,278</u>

The Group's borrowings and debt securities are denominated in the following currencies :

	Foreign Currency '000	RM'000
Borrowings:		
Ringgit Malaysia	-	88,690
US Dollar	8,010	28,288
Rmb	80,981	36,628
		<u>153,604</u>
Bonds and Debts:		
Ringgit Malaysia	-	131,951
US Dollar	99,072	349,723
		<u>481,674</u>

22. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the data of this report.

23. Changes in material litigation

The Group does not have any material litigation, which in the opinion of the Directors, would have a material adverse effect on the financial results of the Group.

24. Dividend proposed

The Board does not recommend any interim dividend for the current quarter and financial year-to-date.

25. Loss per share

Basic

Loss per share is calculated by dividing the Group's net loss for the period attributable to equity holders of the parent by the weighted average number of ordinary shares of the Company in issue of 340.05 million and 339.92 million for the current quarter and financial year-to-date respectively (2006:338.54 million).

Diluted

There is no dilution for the loss per share for the period as the diluted loss per share remains the same as the basic loss per share.

26. Status of conditions imposed by the Securities Commission ("SC")

The SC has imposed certain conditions in its approval of the Group Wide Restructuring Scheme which included the requirements to disclose the following:

- (a) Status of the turnaround exercise for loss-making operations; and
- (b) Status of the proposed divestment programme.

Please refer to Appendix I to II for details of the above.

Status of the turnaround exercise for loss-making operations

The steps taken to turnaround the loss-making operations include, amongst others, the following:

- (i) Strengthening of key management personnel in respect of operational improvement;
- (ii) Implementation of stricter control mechanism to monitor operational cost efficiencies;
- (iii) Enhancing overall productivity efficiencies by restructuring the operational procedures through adoption of better industry practices; and
- (iv) Close monitoring of the progress of the loss-making companies, including regular review of the performance of the companies concerned, assessment of the effectiveness of the operations and management restructuring exercises and remedial actions required.

Steps taken or to be taken	Status and progress
<p>(a) <u>Associated companies</u> Nanjing Jincheng Machinery Co Ltd</p> <p>(i) Appointment of new key management staff including General Manager and reorganisation of the sales and marketing network tasks to meet stringent performance target.</p> <p>(ii) Introduction of new practices and procedures on sourcing of component parts to reduce cost of purchases.</p> <p>(iii) Maximisation of efficiency of existing production capabilities and divestment of idle assets.</p> <p>Suzuki Assemblers Malaysia Sdn Bhd and Lion Suzuki Marketing Sdn Bhd ("SAM Group")</p> <p>With the disposal of 51% equity interest in both companies to Suzuki Motor Corporation, Japan ("SMC"), the Directors expect the SAM Group to be designated as one of the regional production bases for "Suzuki" motorcycles for the ASEAN market. The strategic alliance with SMC will enable the SAM Group to tap on their marketing and technical expertise.</p> <p>A corporate restructuring of the the Suzuki motorcycle business in Malaysia has been undertaken where:</p> <p>(a) the Company had on 7 September 2005 completed the disposal of its balance 49% equity interest in Lion Suzuki Marketing Sdn Bhd ("LSM") to Suzuki Assemblers Malaysia Sdn Bhd ("SAM"). Consequent thereupon, the Company's interest in LSM was held indirectly via the Company's 49% equity interest in SAM; and</p> <p>(b) the Company had on 27 February 2006 entered into the following agreements in respect of the proposed merger of the Suzuki business ("Proposed Merger"):</p> <p>(i) a Joint Venture Agreement with SMC and Hicom Holdings Berhad for participation of 20% equity interest in a joint-venture company, Suzuki Motorcycle Malaysia Sdn Bhd ("SMM") ("JV"); and</p> <p>(ii) a Share Sale Agreement for the disposal of its balance 49% equity interest in SAM to SMM ("Disposal"). Consequent upon the JV and the Disposal, the Company shall have an interest in both LSM and SAM via the Company's 20% equity interest in SMM.</p> <p>The Proposed Merger has been implemented.</p> <p>(b) Similar steps are also being applied to other loss-making subsidiary and associated companies with the view to turning them around.</p>	<p>(i) Implemented</p> <p>(ii) Implemented</p> <p>(iii) On-going</p> <p>On-going</p> <p>On-going</p>

Status of Proposed Divestment Programme ("PDP")

(i) Status of the assets to be divested

Stages of the Assets to be Divested	PDP (Per GWRs)	Concluded divestment			Divestment proceeds	
		Up to December 2005	In current quarter	Current year-to-date	Received up to December 2005	Current Year (Jan - Dec 2006) Actual received In Current YTD
	RM'million	RM'million	RM'million	RM'million	RM'million	
<u>By 31 December 2002</u> Non-listed shares in automotive industry companies	54.7	54.7	-	-	-	-
<u>By 31 December 2003</u> Non-listed shares in automotive industry companies	83.8	-	-	-	-	-
<u>By 31 December 2004</u> Wuhan Fortune Motor Co Ltd (refer to (f)) (1)) Jiangxi Fuqi Motor Co Ltd (refer to (f)) (2)) Non-listed shares in automotive industry companies	42.7 17.3 13.4 73.4	43.5 7.8 -	- - -	- - -	31.3 7.8 -	4.1 - -
<u>By 31 December 2005</u> Dong Feng Lion Tyre Co Ltd (refer to (f)) (3))	75.6	23.0	-	-	23.0	-
<u>By 31 December 2006</u> Jiangxi Fuqi Motor Co Ltd (refer to (f)) (2)) Non-listed shares in automotive industry companies	11.5 83.2 94.7	7.8 -	- -	- -	7.8 -	- -
Total	382.2	136.8	-	-	69.9	4.1

Status of Proposed Divestment Programme ("PDP") (continued)

(ii) Transactions completed and the details on the utilisation of the divestment proceeds received

The details of the assets divested are as follows:

Description of assets/businesses	Proposed Utilisation		Actual Utilisation		Intended Timeframe for Utilisation		Deviation		Explanation
	RM' million	RM' million	RM' million	RM' million	Amount	%	Amount	%	
(1) Disposal by Range Grove Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 50% equity interest in Wuhan Fortune Motor Co Ltd ("Wuhan Fortune") to Tri-Ring Group Co ("Tri-Ring") for a cash consideration of Rmb1 (equivalent to approximately RM0.46); and									
Settlement of inter-company advances to Wuhan Fortune amounting to Rmb167.56 million (equivalent to approximately RM76.93 million) by Tri-Ring for a cash consideration of Rmb94.66 million (equivalent to approximately RM43.46 million) and waiver of interest accrued thereon amounting to Rmb70.82 million (equivalent to approximately RM32.51 million).									
The disposal was completed on 24 April 2003.									
(i) Estimated expenses	0.45	0.45	No requirement						
(ii) Redemption/repayment of AMB Bonds/SPV Debts	43.01	33.82	No requirement		9.19	21.37%			(i) RM1.12 million is pending repatriation from China and (ii) RM8.07 million is receivable before 15 August 2007.
	<u>43.46</u>	<u>34.27</u>							
(2) Disposal by Chrome Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 50% equity interest in Jiangxi Fuji Motor Co Ltd to Kau Hua Int'l Investment Co Ltd for a cash consideration of Rmb34.0 million (equivalent to approximately RM15.59 million).									
(i) Estimated expenses	0.03	0.03	No requirement						
(ii) Redemption/repayment of AMB Bonds/SPV Debts	15.56	5.91	No requirement		9.65	62.02%			RM9.65 million is pending repatriation from China.
	<u>15.59</u>	<u>5.94</u>							

(iii) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies identified for divestment under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the AMB Bonds/SPV Debts.

END