



SCIENTEX INCORPORATED BERHAD

(Company No: 7867-P)
(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 October 2006

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the financial quarter ended 31 October 2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	31.10.2006 RM'000	31.10.2005 RM'000	31.10.2006 RM'000	31.10.2005 RM'000
Revenue	156,456	145,221	156,456	145,221
Operating profit	13,394	11,600	13,394	11,600
Interest expense	(1,139)	(903)	(1,139)	(903)
Investing results	75	272	75	272
Profit before tax	12,330	10,969	12,330	10,969
Taxation	(1,785)	(1,873)	(1,785)	(1,873)
Net profit for the period	10,545	9,096	10,545	9,096
Attributable to:				
Equity holders of the parent	8,204	6,836	8,204	6,836
Minority interest	2,341	2,260	2,341	2,260
Net profit for the period	10,545	9,096	10,545	9,096
Earnings per share attributable to equity holders of the parent (sen):				
Basic	13.04	11.04	13.04	11.04
Diluted	12.97	10.93	12.97	10.93

(The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 31 July 2006)



SCIENTEX INCORPORATED BERHAD

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CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 October 2006

	AS AT END OF FINANCIAL QUARTER ENDED 31.10.2006 RM'000 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31.07.2006 RM'000 (Audited)
Non-current assets		
Property, plant and equipment	194,922	194,909
Land held for development	110,981	109,296
Prepaid lease payments	35,071	38,404
Investment in associates	13,940	13,813
Other investments	4,435	4,598
Intangible assets	1,978	2,088
	361,327	363,108
Current assets		
Development properties	27,199	24,233
Inventories	62,652	60,858
Trade and other receivables	116,193	117,702
Cash and cash equivalents	32,357	25,910
	238,401	228,703
Current liabilities		
Trade payables and other payables	107,524	107,430
Borrowings	59,163	65,158
Provision for taxation	3,340	2,124
	170,027	174,712
Net current assets	68,374	53,991
	429,701	417,099
Financed by :		
Share capital	69,318	63,525
Reserves	205,682	196,923
Equity attributable to equity holders of the parent	275,000	260,448
Minority interests	96,390	95,024
Total equity	371,390	355,472
Non-current liabilities		
Borrowings	21,551	23,984
Other long term liabilities	267	250
Deferred tax liabilities	36,493	37,393
	58,311	61,627
	429,701	417,099
Net assets per share attributable to ordinary equity holders of the parent (RM)	4.16	4.12

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 July 2006)



SCIENTEX INCORPORATED BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2006**

	-----Attributable to Equity Holders of the Parent-----											Minority interests RM'000	Total RM'000
	Reserves					Distributable							
	Issued capital RM'000	Share premium RM'000	Property revaluation surplus RM'000	Share buybacks reserves RM'000	Foreign exchange reserves RM'000	Treasury shares RM'000	Warrant and other reserves RM'000	Capital redemption reserves RM'000	Equity : compensation reserve RM'000	Retained profits RM'000	Minority interests RM'000	Total RM'000	
At 1 August 2006	63,525	11,232	49,613	-	(770)	(849)	461	13,500	-	123,736	95,024	355,472	
Net profit for the period	-	-	-	-	-	-	-	-	-	8,204	2,341	10,545	
Issued during the financial period pursuant to warrants	5,793	8,631	-	-	-	-	-	-	-	-	-	14,424	
Acquisition of treasury shares	-	-	-	-	-	(8,012)	-	-	-	-	-	(8,012)	
Share-based payment under ESOS	-	-	-	-	-	-	-	-	81	-	51	132	
Currency translation differences, representing net loss not recognised in the income statement	-	-	-	-	(145)	-	-	-	-	-	-	(145)	
Additional interest in existing subsidiary	-	-	-	-	-	-	-	-	-	-	(972)	(972)	
Share of foreign exchange reserves	-	-	-	-	-	-	-	-	-	-	(54)	(54)	
At 31 October 2006	69,318	19,863	49,613	-	(915)	(8,861)	461	13,500	81	131,940	96,390	371,390	
At 1 August 2005	62,088	9,092	47,245	387	(375)	(387)	461	12,300	-	112,540	97,794	341,145	
Prior year adjustments (Note A2)	-	-	-	-	-	-	-	-	-	(8,056)	(5,054)	(13,110)	
At 1 August 2005 (restated)	62,088	9,092	47,245	387	(375)	(387)	461	12,300	-	104,484	92,740	328,035	
Net profit for the period	-	-	-	-	-	-	-	-	-	6,836	2,260	9,096	
Currency translation differences, representing net loss not recognised in the income statement	-	-	-	-	(150)	-	-	-	-	-	-	(150)	
Additional interest in existing subsidiaries	-	-	-	-	-	-	-	-	-	-	(984)	(984)	
Share of foreign exchange reserve	-	-	-	-	-	-	-	-	-	-	(38)	(38)	
Redemption of preference shares	-	-	-	-	-	-	-	1,200	-	(1,200)	-	-	
At 31 October 2005	62,088	9,092	47,245	387	(525)	(387)	461	13,500	-	110,120	93,978	335,959	

(The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2006)



SCIENTEX INCORPORATED BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the financial quarter ended 31 October 2006

	3 MONTHS ENDED 31.10.2006 RM'000	3 MONTHS ENDED 31.10.2005 RM'000
Net cash generated from operating activities	10,839	27,270
Net cash used in investing activities	(2,383)	(7,246)
Net cash used in financing activities	(1,137)	(14,698)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,319	5,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	24,591	19,871
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	31,910	25,197

Cash and cash equivalents in the cash flow statement comprise :

Cash and bank balances	28,914	23,918
Short term deposits	3,443	2,202
Bank overdrafts	(447)	(923)
	31,910	25,197

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 July 2006)

SCIENTEX INCORPORATED BERHAD

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NOTES TO THE INTERIM FINANCIAL REPORT **FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2006**

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134, Interim Financial Reporting and Chapter 9 Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements for the year ended 31 July 2006.

The accounting policies and method of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 July 2006, except for the adoption of the following new/revised FRSs effective for financial period beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
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 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the following revised FRS for the financial period beginning 1 August 2006.

FRS 117	Leases
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The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

One of the Company's subsidiaries operates an equity-settled, share-based compensation plan for the employees of the Group, the Scientex Packaging Berhad Executives' Share Option Scheme ("ESOS"). Prior to 1 August 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity compensation reserve.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at grant date and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to be vested by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective. The financial impact to the Group arising from this change in accounting policy is as follow:

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A1 Basis of preparation (Contd.)

(a) FRS 2: Share-based Payment (Contd.)

	3 months ended	
	31.10.2006	31.10.2005
	RM'000	RM'000
Decrease in net profit for the period	132	-
Decrease in net profit attributable to equity holders of the parent	81	-

(b) FRS 3: Business Combinations

The adoption of the revised 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 August 2006, goodwill was amortised on a straight-line basis over its estimated useful life of five (5) years.

(c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests 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 net profit or loss for the period. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total equity attributable to equity holders of the parent and to minority interests.

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

(d) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in accounting policy relating to the classification of leasehold land. Leasehold land was previously classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. With the adoption of FRS 117, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed under FRS 117 Paragraph 67A. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively. Comparatives which have been restated due to this change in accounting policy are disclosed in Note A2.

A2 Comparatives

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

	Previously stated RM'000	Adjustments		Restated RM'000
		FRS 2 RM'000	FRS 117 RM'000	
As at 31 July 2006				
Property, plant and equipment	233,313	-	(38,404)	194,909
Prepaid lease payments	-	-	38,404	38,404

A3 Audit report

The Group's preceding annual financial statements for the financial year ended 31 July 2006 was not qualified.

A4 Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors.

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A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current financial quarter under review.

A6 Material changes in estimates

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

A7 Changes in debts and equity securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares except for the following :

(i) Treasury shares

During the current financial quarter ended 31 October 2006, the Company repurchased 2,883,200 ordinary shares of its issued share capital from the open market for a total cost of RM8.0 million. The repurchased shares are held as treasury shares. As at 31 October 2006, the number of treasury shares held is 3,231,000 ordinary shares.

(ii) Conversion of warrants

During the current financial quarter ended 31 October 2006, the Company issued 5,792,800 ordinary shares of RM1 each arising from the conversion of warrants at an issue price of RM2.49 per ordinary share.

A8 Dividends paid

No dividend has been paid in the current financial quarter under review.

A9 Segment information

Segment information is presented in respect of the Group's business segments.

Current financial quarter ended 31 October 2006

<u>Revenue</u>	RM'000
Manufacturing	127,525
Property development	24,604
Trading	4,340
Investment holding	1,661
Elimination : Inter-segment revenue	(1,674)
Total revenue	<u>156,456</u>

<u>Results</u>	RM'000
Manufacturing	6,531
Property development	5,930
Trading	218
Investment holding	715
Operating profit	<u>13,394</u>

A10 Valuation of property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the audited financial statements for the year ended 31 July 2006.

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A11 Events subsequent to the end of the reporting period

Subsequent to the end of the current financial quarter:

(i) Treasury Shares

The Company repurchased 2,694,000 ordinary shares of its issued share capital from the open market for a total cost of approximately RM8,268,090. The repurchased shares are held as treasury shares. As at the date of this report, the directors have approved the cancellation of 1,918,756 units of treasury shares. As such, the balance number of treasury shares held is 4,006,244.

(ii) Conversion of warrants

The Company issued 2,600,856 ordinary shares of RM1 each through the conversion of warrants at an issue price of RM2.49 per ordinary share. As a result, the total number of ordinary shares increased from 69,317,900 to 70,000,000 upon the cancellation of 1,918,756 units of treasury shares. The warrants expired on 4 December 2006.

Other than the above, there were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statements for the said period as at the date of this report.

A12 Changes in the composition of the Group

(i) Disposal of subsidiary

On 9 August 2006, a subsidiary of the Company, Scientex Metro Holdings Sdn. Bhd. ("SMHSB") entered into a Share Sale and Purchase Agreement ("Agreement") to dispose of its entire equity interest of 652,837 ordinary shares of RM1.00 each, representing 100% of the issued and paid-up share capital in Scientex Metro Sdn. Bhd. ("SMSB") for a total cash consideration of RM4,100,000. Upon completion of the Agreement, SMHSB shall enter into a put option agreement with the purchaser wherein SMHSB shall grant the purchaser an option to sell and the right to require SMHSB to purchase the entire issued and paid-up share capital of SMSB at an option price of RM4,100,000. The put option expires on the date of issuance of Certificate of Fitness for Occupation for any building that may be erected on the land held by SMSB or a period of two years from the date of the put option agreement, whichever is earlier.

The Agreement was completed on 20 October 2006. Subsequently, SMSB ceased to be a subsidiary of the Group.

(ii) Incorporation of subsidiary

A subsidiary of the Company, Jadychem (M) Sdn. Bhd. incorporated a wholly-owned subsidiary, namely PT. Jadychem Indonesia in Jakarta, Indonesia with an issued and paid-up capital of USD100,000. The principal activity of PT. Jadychem Indonesia is sales and marketing of polyurethane adhesives.

A13 Contingent liabilities

There were no contingent liabilities or assets for the Group as at the end of the current financial quarter under review.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD
INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2006

B1 Review of performance

The Group recorded a revenue of RM156.5 million for the financial quarter ended 31 October 2006, an increase of approximately 7.7% as compared with the preceding financial year corresponding quarter's revenue of RM145.2 million. The increase in revenue was mainly attributable to higher sales contribution from the industrial packaging division.

Profit before taxation of the Group for the financial quarter ended 31 October 2006 was RM12.3 million, an increase of approximately 12.4% over the profit before taxation of RM11.0 million recorded in the preceding financial year corresponding quarter. The higher profit before tax achieved by the Group was due to better performance by all divisions.

B2 Variations of the quarterly results as compared to the results of the preceding quarter

For the current financial quarter under review, the Group recorded a revenue of RM156.5 million, an increase of approximately 1.2% as compared to the preceding quarter's revenue of RM154.5 million. The increase was mainly due to improvement in sales from the industrial packaging division.

Profit before taxation increased by 3.0%, from RM12.0 million to RM12.3 million. The increase was in line with the increase in revenue.

B3 Current financial year prospects

Barring any unforeseen circumstances, the Directors are of the opinion that the Group's performance for the financial year ending 31 July 2007 is expected to be satisfactory.

B4 Variations of actual profit from forecast profit

This note is not applicable, as the Group did not issue and publish any profit forecast for the current financial quarter under review.

B5 Taxation

Details of tax expense for the current financial quarter were as follows : -

	3 months ended	
	31.10.2006	31.10.2005
	RM'000	RM'000
In respect of current quarter:		
- Income tax	2,737	1,702
- Deferred taxation	(900)	-
In respect of prior year :		
- Income tax	-	117
	<u>1,837</u>	<u>1,819</u>
Share of taxation of associates	<u>(52)</u>	<u>54</u>
	<u>1,785</u>	<u>1,873</u>

The Group's effective tax rates for the current financial quarter is lower than the statutory income tax rate mainly due to utilisation of tax incentives by some of the subsidiaries.

B6 Profit/(loss) on sale of unquoted investments and/or properties

During the current financial quarter, a subsidiary of the Company, SMHSB, disposed of 652,837 ordinary shares representing 100% of equity interest in SMSB to third party for a total cash consideration of RM4,100,000. There was a net gain of approximately RM760,000, out of which the amount attributable to the equity holders of the parent is approximately RM380,000.

Other than the above, there was no profit or loss on sale of unquoted investment and/or properties outside the ordinary course of the Group's business for the current financial quarter under review.

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B7 Quoted securities

(a) There were no additions or disposals of quoted securities for the current financial quarter under review.

(b) There were no investments in quoted securities as at the end of the current financial quarter under review.

B8 Status of corporate proposals

There were no material corporate proposals announced and not completed as at the date of this report.

B9 Borrowings and debt securities

The Group's borrowings as at 31 October 2006 were as follows :-

a) Long Term Borrowings	RM'000	RM'000
Term Loan		
-Secured	287	
-Unsecured	21,264	21,551
b) Short Term Borrowings		
- Secured		
Term loan	890	
Other bank borrowings	5,497	
- Unsecured		
Term loan	7,672	
Other bank borrowings	45,104	59,163
		<u>80,714</u>
		RM'000
Included in total borrowings are borrowings denominated in foreign currencies		Equivalent
- United States Dollars		46,771
- Japanese Yen		155
		<u>46,926</u>

B10 Off balance sheet financial instruments

As at 22 December 2006, the Group had entered into foreign exchange options and forward contracts to hedge its exposure in US Dollar.

Foreign Currency	Contract amount	Maturity Date
US Dollar	600,000	10 Jan 2007 - 22 Jan 2007

Foreign exchange options and forward contracts are entered into to hedge the Group's exposure in foreign currencies. The contracted rates will be used to convert the foreign currency amounts into Ringgit Malaysia.

The Group does not foresee any significant credit and market risks associated with the above foreign exchange options and contracts as these contracts are entered into with credit worthy financial institutions.

Any exchange differences is recognised in the income statement upon maturity of the options and contracts.

There are no cash outlay requirements for the above foreign exchange options and contracts.

Other than as disclosed above, there were no other off balance sheet financial instruments entered into by the Group as at the date of this report.

B11 Material litigation

There was no material litigation involving any member of the Group as at the date of this report.

B12 Dividends

(a) A final dividend of 6% tax exempt in respect of the previous financial year ended 31 July 2006 has been approved by the shareholders at the Annual General Meeting.

(b) The total net dividends paid/payable for the financial year ended 31 July 2006 were approximately 22%, comprising tax exempt dividend of 11% and 15% taxable dividend.

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B13 Earnings per share

		3 months ended	
		31.10.2006	31.10.2005
a) Basic earnings per share			
Net profit attributable to equity holders of the parent	(RM'000)	8,204	6,836
Weighted average number of ordinary shares in issue	('000)	62,926	61,908
Basic earnings per share	(sen)	<u>13.04</u>	<u>11.04</u>

b) Fully diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue during the financial quarter has been adjusted for the effects of dilutive potential ordinary shares due to the conversion of warrants into ordinary shares.

		3 months ended	
		31.10.2006	31.10.2005
Net profit attributable to equity holders of the parent	(RM'000)	8,204	6,836
Weighted average number of ordinary shares in issue	('000)	62,926	61,908
Number of shares that would have been issued due to the conversion of warrants at no consideration	('000)	310	616
Adjusted weighted average number of ordinary shares in issue	('000)	63,236	62,524
Diluted earnings per share	(sen)	<u>12.97</u>	<u>10.93</u>

Lau Wing Hong (MAICSA 7010572)
Company Secretary

28 December 2006