

PROTON HOLDINGS BERHAD  
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2007

The Board of Directors are pleased to announce the financial results of the Group for the fourth quarter ended 31 March 2007.

Index	Page
Condensed Consolidated Income Statements	2
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Changes in Equity	4
Condensed Consolidated Cash Flow Statements	5
Notes to the Financial Statements	
1) Accounting policies and basis of preparation	6-8
2) Auditors' Report on preceding annual financial statements	8
3) Comments about seasonal or cyclical factors	8
4) Unusual items due to their nature, size or incidence	8
5) Changes in estimates	9
6) Individually significant items	9
7) Debt and equity securities	9
8) Dividends	9
9) Segmental reporting	10
10) Property, Plant and Equipment	10
11) Changes in the composition of the Group	10
12) Subsequent events	10
13) Contingent Assets and Contingent Liabilities	10
14) Performance Review	11
15) Material Change in loss before taxation of current quarter compared to preceding quarter	11
16) Commentary on Prospects	11
17) Profit Forecast	11
18) Income tax expense	12
19) Sale of unquoted investments and properties	12
20) Quoted Securities	12
21) Group borrowings and debt securities	13
22) Off balance sheet financial instruments	13
23) Changes in Material Litigation	14
24) (Loss)/ Earnings per share	14
25) Capital Commitments	15
26) Status of Corporate Proposals	15
27) Authorised for issue	15

**PROTON HOLDINGS BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE QUARTER ENDED 31 MARCH 2007**

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<u>Current</u>	<u>Quarter</u>	<u>Period</u>	<u>Period</u>
	<u>quarter</u>	<u>ended</u>	<u>ended</u>	<u>ended</u>
	<u>31.03.2007</u>	<u>Restated</u>	<u>31.03.2007</u>	<u>Restated</u>
	<u>RM'000</u>	<u>31.03.2006</u>	<u>RM'000</u>	<u>31.03.2006</u>
		<u>RM'000</u>		<u>RM'000</u>
Revenue	1,265,924	1,784,206	4,921,388	7,796,932
Operating expenses	(1,314,369)	(1,733,346)	(5,642,569)	(7,994,450)
Other operating income	44,046	49,405	136,678	230,544
(Loss)/Profit from operations	(4,399)	100,265	(584,503)	33,026
Finance costs	(9,154)	(11,507)	(38,344)	(43,878)
Share of results of associated and jointly controlled entities (net of tax)	1,715	2,117	2,981	28,837
(Loss)/Profit before taxation	(11,838)	90,875	(619,866)	17,985
Taxation	10,925	35,991	28,505	28,409
(Loss)/Profit for the period	<u>(913)</u>	<u>126,866</u>	<u>(591,361)</u>	<u>46,394</u>
<b>Attributable to:</b>				
Equity holders of the parent	(913)	126,866	(591,361)	46,690
Minority interests	-	-	-	296
(Loss)/Profit for the period	<u>(913)</u>	<u>126,866</u>	<u>(591,361)</u>	<u>46,394</u>
<b>(Loss)/Earnings per share:</b>				
- basic (sen)	(0.2)	23.1	(107.7)	8.4
- diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2006

**PROTON HOLDINGS BERHAD**  
**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007**

	<b>Unaudited as at 31.03.2007 RM'000</b>	<b>Audited as at 31.03.2006 RM'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,174,368	3,312,951
Goodwill	29,008	29,008
Intangible assets	174,115	17,995
Associated and jointly controlled companies	391,263	405,665
Non-current investments	10,397	10,397
Deferred tax assets	-	105,786
<b>Total Non-Current Assets</b>	<u>3,779,151</u>	<u>3,881,802</u>
<b>CURRENT ASSETS</b>		
Inventories	1,272,833	1,389,005
Trade and other receivables	1,140,382	1,192,530
Tax recoverable	132,476	51,491
Current investments	73,448	211,965
Cash, bank balances and deposits	616,475	1,585,982
<b>Total Current Assets</b>	<u>3,235,614</u>	<u>4,430,973</u>
<b>TOTAL ASSETS</b>	<u>7,014,765</u>	<u>8,312,775</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		
Share capital	549,213	549,213
Reserves	4,679,850	5,321,439
Equity attributable to equity holders of the parent	<u>5,229,063</u>	<u>5,870,652</u>
<b>TOTAL EQUITY</b>	<u>5,229,063</u>	<u>5,870,652</u>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	76,151	58,878
Provisions	49,842	41,377
Other non-current liabilities	55,443	-
Deferred tax liabilities	755	805
<b>Total Non-Current Liabilities</b>	<u>182,191</u>	<u>101,060</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,241,007	1,302,370
Provisions	196,068	217,062
Taxation	1,053	16,865
Short term borrowings	165,383	804,766
<b>Total Current Liabilities</b>	<u>1,603,511</u>	<u>2,341,063</u>
<b>TOTAL LIABILITIES</b>	<u>1,785,702</u>	<u>2,442,123</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>7,014,765</u>	<u>8,312,775</u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	9.52	10.69

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2006.

**PROTON HOLDINGS BERHAD**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 MARCH 2007**

	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Foreign Translation Reserves</u> RM'000	<u>Retained Earnings</u> RM '000	<u>Total</u> RM '000	<u>Minority Interest</u> RM '000	<u>Total Equity</u> RM'000
<b>Audited</b>							
<b>At 1 April 2005</b>	549,213	475,617	(81,816)	4,916,935	5,859,949	333	5,860,282
Foreign exchange differences in translation, representing net expense recognised directly in equity			18,934		18,934	(37)	18,897
Profit for the period				46,690	46,690	(296)	46,394
Total recognised income and expense for the year	-	-	18,934	46,690	65,624	(333)	65,291
Final dividend for the financial year ended 31 March 2005				(54,921)	(54,921)		(54,921)
<b>At 31 March 2006</b>	<b>549,213</b>	<b>475,617</b>	<b>(62,882)</b>	<b>4,908,704</b>	<b>5,870,652</b>	<b>0</b>	<b>5,870,652</b>
<b>(Unaudited)</b>							
<b>At 1 April 2006</b>	549,213	475,617	(62,882)	4,908,704	5,870,652	-	5,870,652
Foreign exchange differences in translation, representing net expense recognised directly in			(22,767)		(22,767)	-	(22,767)
Loss for the period				(591,361)	(591,361)	-	(591,361)
Total recognised income and expense for the period	-	-	(22,767)	(591,361)	(614,128)	-	(614,128)
Final dividend for the financial year ended 31 March 2006				(27,461)	(27,461)	-	(27,461)
<b>At 31 March 2007</b>	<b>549,213</b>	<b>475,617</b>	<b>(85,649)</b>	<b>4,289,882</b>	<b>5,229,063</b>		<b>5,229,063</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2006.

**PROTON HOLDINGS BERHAD**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE QUARTER ENDED 31 MARCH 2007**

	<b>Unaudited</b> <b>12 months ended</b> <b>31.03.2007</b> <b>RM'000</b>	<b>Audited</b> <b>12 months ended</b> <b>31.03.2006</b> <b>RM'000</b>
CASH FLOWS USED IN OPERATING ACTIVITIES	(86,603)	(347,470)
CASH FLOWS USED IN INVESTING ACTIVITIES	(270,112)	(420,747)
CASH FLOWS GENERATED FROM / (USED IN) FINANCING ACTIVITIES	126,923	(120,586)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(229,792)</u>	<u>(888,803)</u>
EXCHANGE RATE EFFECTS	(2,690)	5,070
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	693,192	1,576,925
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	<u><u>460,710</u></u>	<u><u>693,192</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
CASH, BANK BALANCES AND DEPOSITS	616,475	1,585,982
BANK OVERDRAFTS	(105,765)	(175,949)
CASH RECEIVED FROM GOVERNMENT UNDER AUTO DEVELOPMENT FUND	(50,000)	-
FIXED DEPOSITS PLEDGED AS SECURITY	<u>-</u>	<u>(716,841)</u>
	<u><u>460,710</u></u>	<u><u>693,192</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the financial year ended 31 March 2006.

**PROTON HOLDINGS BERHAD**  
**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2007**

**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The Quarterly Consolidated Financial Statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Quarterly Consolidated Financial Statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 March 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 financial year ended 31 March 2006.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 March 2006, except for the changes arising from the adoption of the following new/revised Financial Reporting Standards ("FRS") that are effective for financial period beginning 1 April 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 any significant financial impact to the Group.

The Group has not adopted FRS 117 : Leases, FRS 124 : Related Party Disclosures and FRS 139 : Financial Instruments: Recognition and Measurement as these standards are not yet effective for the current quarter under review.

All changes in the accounting policies have been made in accordance with transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application other than those stated otherwise.

Enumerated below are the changes in policies, presentation and disclosures in the financial statements of the Group resulting from the adoption of the new and revised-:

(a) FRS 3 : Business Combination

The adoption of FRS 3 has resulted in changes in accounting policy for goodwill. The accounting policy for goodwill is now extended to cover the following:

- (i) Recognition of contingent liabilities and intangible assets as part of the allocation of the cost of acquisition;
- (ii) Recognition of the excess in fair value of the net identifiable assets acquired over the cost of acquisition immediately to the income statement;
- (iii) Allocation of goodwill to cash generating units for the purpose of impairment testing. Each cash-generating unit represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination; and
- (iv) Impairment of goodwill is charged to Consolidated Income Statement as and when it arises and reversal is not allowed.

The above changes in accounting policy have been applied prospectively.

(b) FRS 101: Presentation of Financial Statements

The adoption of FRS 101 has no financial impact on the Group but has affected the presentation of minority interest, share of results in associates and jointly controlled entities and certain disclosures. In the Consolidated Balance Sheets, minority interest is now presented within total equity. In the Consolidated Income Statement, minority interest is presented as an allocation of the net profit or loss for the period. The movement in minority interest is now presented in the Statement of Changes in Equity. Consequently, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest are shown in the Statement of Changes in Equity. Share of results in associates and jointly controlled entities is now disclosed net of taxation in the consolidated income statement.

The effects of the change in presentation on the Group's prior period's Income Statements are as follows :

	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
<u>Income Statement for the 3 months ended 31 March 2006</u>			
Share of results of associated and jointly controlled entities	6,395	(4,278)	2,117
Profit before taxation	95,153	(4,278)	90,875
Taxation	31,713	4,278	35,991
Profit after taxation	126,866	-	126,866
<u>Income Statement for the 12 months ended 31 March 2006</u>			
Share of results of associated and jointly controlled entities	38,924	(10,087)	28,837
Profit before taxation	28,072	(10,087)	17,985
Taxation	18,322	10,087	28,409
Profit after taxation	46,394	-	46,394



- (c) **FRS 116 : Property, Plant and Equipment**  
The adoption of FRS 116 has resulted in the extension of the accounting policy on property, plant and equipment as follows:
- (i) The cost of property, plant and equipment includes costs of dismantling, removal and restoration, and the obligation incurred as a consequence of installing the assets;
  - (ii) The assets' residual values and useful life are reviewed and adjusted as appropriate at least at each financial year-end; and
  - (iii) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.
- (d) **FRS 121 : The Effects of Changes in Foreign Exchange Rates**  
The adoption of FRS 121 has no material effect on the Group's policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. All of the Group's entities have the same functional currency as their measurement currency.
- (e) **FRS 127 : Consolidated and Separate Financial Statements**  
The adoption of FRS 127 has resulted in a change in accounting policy on recognition of subsidiaries by the inclusion of existence and effect of potential voting rights that are currently exercisable in assessing control.
- (f) **FRS 138 : Intangible Assets**  
The adoption of FRS 138 had resulted in extension of the accounting policy on Intangible Assets and the impact is as follows:
- (i) Computer software was previously capitalised as an integral component of property, plant and equipment. Under FRS 138 which is applied prospectively, such computer software is now recognised separately as an intangible asset and amortised over the useful lives. This policy revision has no significant effect to the income statement.
  - (ii) Intangible Assets also now includes development cost of products where such costs meet the asset recognition criteria in FRS 138 and the cost is amortised over the expected useful life upon commercial launch of the products.

Standards currently in issue and adopted in Malaysia are subject to interpretations issued from time to time, and further standards may be issued, by the Malaysian Accounting Standards Board that will be adopted for our financial years beginning on or after 1 April 2006. The interpretation and application of these accounting standards are continuing to evolve locally and internationally. Therefore, the full financial effect of reporting under FRS as it will be applied and reported on the Group's first FRS Financial Statements for the financial year ended 31 March 2007 may be subject to change.

## **2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

## **3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The businesses of the Group were not materially affected by any seasonal or cyclical factors during the quarter ended 31 March 2007.

## **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 financial year ended 31 March 2007.

## 5. CHANGES IN ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. In order to enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a risk of causing a significant adjustment to the carrying amounts of assets and liabilities are in the following areas:

- i) impairment of goodwill on the acquisition of subsidiary,
- ii) impairment of property, plant and equipment,
- iii) assessment of the recoverability of deferred tax assets,
- iv) depreciation of property, plant and equipment, and
- v) provisioning for inventory write down.

Other than those disclosed in note 6, there were no significant changes in estimates that have had a material effect in the current quarter under review.

## 6. INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the current quarter ended 31 March 2007 are as follows:

<u>Income Statement</u>	<u>Current quarter</u>
	RM'million
Write back of current taxation no longer required	(55.0)
Tax credit arising from the settlement of disputes with the IRB	(82.5)
Write back of inventories previously written down	(52.6)
Depreciation and amortisation (net)	30.2
Deferred tax assets written off	127.1

## 7. DEBT AND EQUITY SECURITIES

	<u>Current quarter</u>	<u>Financial year to date</u>
	RM'000	RM'000
Drawdown of unsecured long term loan	76,151	76,151
Repayment of secured long term loan	-	(601,608)
Repayment of unsecured long term loan	-	(56,613)

## 8. DIVIDENDS

No dividend is recommended for the financial year ended 31 March 2007.

The shareholders approved a final tax exempt dividend of 5 sen (2005: 10 sen) per ordinary share in respect of the financial year ended 31 March 2006 at the last Annual General Meeting held on 8 September 2006. The dividend was paid on 13 October 2006 to shareholders on the Register of Members and Record of Depositors at the close of business on 14 September 2006.

## 9. SEGMENTAL REPORTING

Analysis of the Group's revenue and results by geographical locations are as follows:

	Financial year ended			
	Malaysia RM'million	Other countries RM'million	Eliminations RM'million	Consolidated RM'million
<u>Revenue</u>				
Third Party sales	3,738.9	1,182.5	-	4,921.4
Inter-segment sales	243.0	124.8	(367.8)	0
Total revenue	<u>3,981.9</u>	<u>1,307.3</u>	<u>(367.8)</u>	<u>4,921.4</u>
<u>Result</u>				
Segmental operating loss	(391.8)	(176.7)	(49.5)	(618.0)
Interest expense				(38.3)
Interest income				33.5
Share of results net of tax of associated companies & jointly controlled entities	7.1	(4.2)		2.9
Income taxes of Company and subsidiary companies				28.5
Net loss after tax				<u>(591.4)</u>

The segmental operating loss for other countries is stated after eliminating an intra-group gain of RM409.1 million which arose as a result of internal share capital and debt restructuring exercise in respect of three overseas subsidiaries. There is no impact on the consolidated results and financial position.

Included in third party sales from Malaysia are export sales of RM342.6 million during the financial year under review.

## 10. PROPERTY, PLANT & EQUIPMENT

There are no changes to the valuation of property, plant and equipment since the previous annual financial statements.

## 11. CHANGES IN THE COMPOSITION OF THE GROUP

On 30 January 2007, Perusahaan Otomobil Nasional Sdn Bhd ("PONSB"), a wholly-owned subsidiary company of PROTON entered into a conditional sale and purchase agreement with Tracoma Holdings Berhad ("Tracoma") for PONSB and/or its nominee(s) to acquire from Tracoma the remaining 49% equity interest in PT Proton Tracoma Motors not already held by PONSB ("Proposed Acquisition"). As at todate, the Proposed Acquisition is pending approval from the Securities Commission of Malaysia and Badan Koordinasi Penanaman Modal ('Indonesian Capital Investment Coordinating Board'). The Proposed Acquisition is expected to be completed in the second quarter of the calendar year 2007.

Other than the above, there are no changes to the composition of the Group in the quarter under review.

## 12. SUBSEQUENT EVENTS

There are no subsequent events between the end of the current quarter and the date of this announcement.

## 13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets of the Group.

Aside from as disclosed in Note 23(a), there are no changes in the contingent liabilities of the Group since the last annual balance sheet date to the date of this announcement.

#### **14. PERFORMANCE REVIEW**

The Malaysia auto industry environment continues to soften in the current year due to the lacklustre secondary market and stringent loan approvals.

In addition, intense competition from other marques in terms of year-end discounts to clear their 2006 stocks affected PROTON sales & registration and its consequential market share. As a result, the Group registered a loss before tax of RM619.9 million for the current financial year compared to a profit before tax of RM18.0 million recorded in last year. In addition, provision for claims in respect of prior years project development costs, higher component costs, additional expenditure required for promotions and higher cost of raw materials also contributed to losses for the current financial year under review.

The above were partly offset by write-back of certain provisions as well as lower research and development cost in the current financial year under review.

Based on the current year performance, the Group did not achieve its headline KPIs as announced on 22 March 2006.

#### **15. MATERIAL CHANGE IN LOSS BEFORE TAXATION OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER**

The Group recorded a lower loss before tax of RM11.8 million compared to loss before tax of RM272.0 million recorded in the previous quarter as a result of improved sales volume, lower provision of depreciation and higher other income arising from the disposal of short term investments. In addition, write back of certain provisions also contributed to the lower losses in current quarter.

Similarly, the Group recorded a lower loss after tax of RM0.9 million compared to a loss after tax of RM281.5 million in the previous quarter. During the quarter, several adjustments were made in respect of the taxation charge involving write backs and settlement of disputes more particularly set out in Note 18.

#### **16. COMMENTARY ON PROSPECTS**

Malaysia's 1st Quarter 2007 automotive sales continued to stay weak as represented by registered passenger cars declining by 9% compared to the corresponding period last year.

The macro economics and industry related factors such as low trade-in values for second hand cars, stringent screening and approval by finance institutions with the consequential high rejection rate are expected to dampen vehicle sales. In addition, increasing competition from other marques with competitively priced new models are affecting PROTON vehicle sales & registration and its consequential market share.

The Board expects the trading conditions for the Group to remain challenging due to higher cost of components as experienced by the industry and margins will come under pressure from the intense competition.

In response to the challenging and competitive business landscape in the automotive industry, the Group has undertaken several business turnaround initiatives involving cost efficiency improvement in the areas of manufacturing and reduction in bills of materials ('BOM'), working capital optimization, and rationalization of value chain through vendor and dealer management. In addition, with the current on-going promotions and the anticipated introduction of new models in the third quarter of the calendar year, the Group expects improved sales in 2007.

#### **17. PROFIT FORECAST**

The Group did not issue any profit forecast or profit guarantee in respect of the current financial year under review.

## 18. INCOME TAX EXPENSE

	Current quarter	Financial year to date
	RM'000	RM'000
Current		
Malaysia		
-provision	(4,152)	7
-Write back / Tax credit arising from the settlement of disputes with the IRB	(137,425)	(137,452)
Outside Malaysia	638	1,910
	(140,939)	(135,535)
Deferred tax		
-current year movement	2,909	(20,075)
-written off	127,105	127,105
	(10,925)	(28,505)
Effective tax rate	-92.3%	-4.6%

The principal impact on group current taxation in Malaysia is mainly attributable to Perusahaan Otomobil Nasional Sdn. Bhd. (PONSB) while that arising outside Malaysia is attributable to Lotus Group International Ltd.

Similarly, the impact on group deferred taxation is mainly attributable to PONS B. During the current quarter, deferred tax asset brought forward amounting to RM127.1 million was written off.

During the year, PONS B secured significant progress in the settlement of certain issues in disputes with the Inland Revenue Board allowing the company to recognize as income tax credits of RM82 million and to write back tax provision of RM55 million which is no longer required.

The net effect of the above development is an effective tax rate for the current quarter of -92.3%.

For the current year to date, the low effective tax rate of -4.6% is the net effect of the above reduction and provision written back offset by expenses disallowed for tax deduction.

## 19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of unquoted investments and properties for the current quarter under review.

## 20 QUOTED SECURITIES

(a) Total purchases and disposals of quoted securities for the current quarter and financial year to date are as follows:

	Current quarter	Financial year to date
	RM'000	RM'000
Total purchases	31,324	284,513
Total disposal	174,030	423,030
Gain on disposals	30,687	49,895

(b) As at 31 March 2007, details of the Group's quoted securities are as follows:

	RM'000
At cost	73,448
At carrying value / book value	73,448
At market value	76,036

## 21 GROUP BORROWINGS AND DEBT SECURITIES

	Total RM'000
<u>Long Term Borrowings:</u>	
Unsecured:	
Long term loans	135,769
Portion repayable within 12 months	(59,618)
Total Long Term Borrowings	<u>76,151</u>
<u>Short Term Borrowings:</u>	
Unsecured:	
Current portion of long term loans	59,618
Banker acceptances	-
Bank overdrafts	27,128
	<u>86,746</u>
Secured	
Current portion of long term loans	-
Bank overdrafts	78,637
Total Short Term Borrowings	<u>165,383</u>
<b>Total Borrowings</b>	<b><u>241,534</u></b>

The details of the borrowings denominated in respective currencies are as follows:

<u>Functional Currency</u>	Ringgit Malaysia RM'000	Pounds Sterling RM'000	Total RM'000
	Ringgit Malaysia	135,769	-
Pounds Sterling	-	105,765	105,765
Total	<u>135,769</u>	<u>105,765</u>	<u>241,534</u>

## 22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 23 May 2007, being the latest practicable date prior to this announcement, the outstanding notional principal amount of the Group off balance sheet financial instruments is as follows:

	<u>Total</u> RM'000	<u>Maturity</u>		
		<u>Less than 6 months</u> RM'000	<u>6 months to 1 year</u> RM'000	<u>More than 1 year</u> RM'000
Foreign exchange contracts	187,033.9	144,448.0	42,585.9	-

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payable and receivable. The contract exchange rates were used on the settlement of the payables and receivables. The net position to the Group as at 23 May 2007 is unfavourable by approximately RM2.2 million.

The contracts are executed with creditworthy financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their respective financial strength.

### 23. CHANGES IN MATERIAL LITIGATION

- (a) On 26 October 2004 a supplier (Plaintiff) had obtained a judgment in default against a subsidiary company (Defendant) for RM12.2 million after failing to reach a formal agreement. Management had obtained legal opinion that the claims are without basis and an action to strike out a portion of the claim (i.e. RM7.2million) would be successful. Judgment in default was set aside on 19 August 2005. The striking out application was fixed for hearing on 18 October 2006 where the Plaintiff's solicitors requested an adjournment to file an Affidavit in Reply. The matter was fixed for Mention on 19 December 2006 pending filing of the Affidavit in Reply by the Plaintiff. The Plaintiff has filed its Affidavit in Reply on 20 November 2006 and the Defendant has replied to the Plaintiff's said Affidavit on 18 December 2006.

On 17 April 2007, Plaintiff had requested the hearing of the striking of application be adjourned pending the filing of Plaintiff's affidavit in reply to the Defendant's Affidavit in Reply which was filed 9 April 2007. The learned Judge has instructed that the Plaintiff file its Affidavit by 18 May 2007.

The learned Judge has further instructed that the Defendant file written submission in chief by 31 May 2007, the Plaintiff is to file its written submission by 12 June 2007 and Defendant to file its written submission in reply by 22 June 2007. Decision has been fixed for 29 June 2007.

In light of the striking out application the Court has vacated the Case Management date on 14 June 2007.

- (b) On 9 June 2005 a Distributor (Claimant) instituted arbitration proceedings against a subsidiary company (Respondent) as a result of the termination of its distributorship. Claimant claimed USD9,941,973 (RM37,779,497) plus general damages and interest on the grounds that the said termination was wrongful. The Final Award was released on 30 October 2006 wherein the Claimant's claim against the Respondent has been dismissed.

The Claimant has filed an Application to set aside the Arbitration Award at the Kuantan High Court.

The Respondent has filed an Application to Transfer the matter from Kuantan High Court to Kuala Lumpur High Court.

The Respondent has filed an Application for Security For Costs.

28 May 2007 – Hearing of Claimant's Application to Set Aside Arbitration Award and Respondent's aforesaid Applications before new Judge Yang Arif Pn Suraya Othman.

### 24. Loss per share

#### Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	Current quarter	Financial year to date
<u>Loss per share</u>		
Net loss attributable to equity holders (RM'000)	(913)	(591,361)
Weighted average number of shares ('000)	549,213	549,213
Loss per share (sen)	(0.2)	(107.7)

#### Diluted EPS

Diluted EPS is not applicable as at 31 March 2007 as there are no dilutive potential ordinary shares.

**25. CAPITAL COMMITMENTS**

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 March 2007 are as follows:

	RM Million
Authorised by Directors and contracted	294.0
Authorised by Directors and not contracted	<u>2,380.2</u>
	<u><u>2,674.2</u></u>

**26. STATUS OF CORPORATE PROPOSALS**

The Group does not have any corporate proposals announced but not completed at the date of this report.

**27. AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 May 2007.

BY ORDER OF THE BOARD  
MOHD NIZAMUDDIN MOKHTAR  
COMPANY SECRETARY

Shah Alam, 31 May 2007