

MERCES HOLDINGS BERHAD

(Company No. 6403-X)

(Incorporated in Malaysia)

The Board of Directors is pleased to announce the following unaudited consolidated results of the Group

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

(Unaudited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/03/2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2006 RM'000	CURRENT YEAR TODATE 31/03/2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2006 RM'000
Revenue	2,259	810	2,259	810
Operating expenses	(1,828)	(1,772)	(1,828)	(1,772)
Other operating income	-	350	-	350
Profit/(Loss) from operations	431	(612)	431	(612)
Interest expenses	(173)	(341)	(173)	(341)
Interest income	-	-	-	-
Profit/(Loss) Before tax	258	(953)	258	(953)
Taxation	-	-	-	-
Profit/(Loss) after tax	<u>258</u>	<u>(953)</u>	<u>258</u>	<u>(953)</u>
Attributable to :				
Equity holder of the parent	257	(952)	257	(952)
Minority interest	<u>1</u>	<u>(1)</u>	<u>1</u>	<u>(1)</u>
	<u>258</u>	<u>(953)</u>	<u>258</u>	<u>(953)</u>
Earning per shares (Sen)				
a) Basic	0.05	(1.87)	0.05	(1.87)
b) Diluted	N/A	N/A	N/A	N/A

(The condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006 and the accompanying notes attached to the interim financial statements).

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	As at end of current quarter 31/03/2007 RM'000	As at preceding year end 31/12/2006 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, Plant and Equipment	927	954
Investment properties	2,340	2,340
Land held for development	17,250	17,250
	<u>20,517</u>	<u>20,544</u>
CURRENT ASSETS		
Property Development Expenditure	28,762	28,762
Amount due by customers for contract works	169	169
Trade receivables	48,623	46,364
Other receivables and deposits	7,472	7,472
Fixed deposit with a licence bank	355	355
Cash and Bank Balance	47	47
	<u>85,428</u>	<u>83,169</u>
TOTAL ASSETS	<u><u>105,945</u></u>	<u><u>103,713</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of parent -		
Share Capital	51,000	51,000
Retained earnings	(28,623)	(28,881)
	<u>22,377</u>	<u>22,119</u>
Minority interest	2,061	2,061
Total equity	<u>24,438</u>	<u>24,180</u>
NON-CURRENT LIABILITIES		
Borrowing	-	-
CURRENT LIABILITIES		
Trade payables	24,175	22,376
Non-trade payables and accruals	7,691	7,516
Short term borrowings	35,404	35,404
current tax payable	14,237	14,237
	<u>81,507</u>	<u>79,533</u>
Total liabilities	<u>81,507</u>	<u>79,533</u>
TOTAL EQUITY AND LIABILITIES	<u><u>105,945</u></u>	<u><u>103,713</u></u>
Net assets per share	0.44	0.43

(The Condensed Consolidated Balance Sheets should be read in conjunction with the audited

Annual Financial Report for the year ended 31 December 2006 and the accompanying notes
attached to the interim financial statements)

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR
THE FIRST QUARTER ENDED 31 MARCH 2006**

	Current Quarter ended 31/03/2007 RM'000	Preceding year Quarter 31/03/2006 RM'000
PROFIT/(LOSS) BEFORE TAX	258	(953)
ADJUSTMENTS AS FOLLOWS -		
Add back Depreciation	27	97
Less gain on disposal of property, plant & equipment	-	-
Add back loss on disposal of subsidiaries	-	523
Add back Interest expenses	173	341
Less Interest income	-	-
Operating profit/(loss) before changes in working capital	<u>458</u>	<u>8</u>
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in receivable	(2,259)	618
(Increase)/decrease in property development expendit	-	(2,384)
Increase/(decrease) in payable	<u>1,974</u>	<u>1,140</u>
Cash flow generated from operations	<u>173</u>	<u>(618)</u>
Taxation paid	-	-
Net cash flows from operating activities	<u>173</u>	<u>(618)</u>
INVESTING ACTIVITIES		
Interest received	-	-
Proceeds from disposal of property, plant and equipment	-	-
	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
Repayment of bank borrowings	-	-
Interest expenses	-	(341)
	<u>(173)</u>	<u>(341)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(15,747)	(18,995)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>(15,747)</u>	<u>(19,954)</u>

(The Condensed Consolidated Cash flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006 and the accompanying notes attached to the interim financial statements)

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

	Share Capital RM'000	Retained earnings/ Accumulated Losses RM'000	Minority Interest RM'000	Total RM'000
Current Quarter				
Balance as at 1 January 2007	51,000	(28,881)	2,061	24,180
Loss for the period	-	258	-	258
	<u>51,000</u>	<u>(28,623)</u>	<u>2,061</u>	<u>24,438</u>
Balance as at 31 March 2007	<u>51,000</u>	<u>(28,623)</u>	<u>2,061</u>	<u>24,438</u>
Preceding Year corresponding Quarter				
Balance as at 1 January 2006	51,000	(26,401)	2,020	26,619
Loss for the period	-	(952)	(1)	(953)
	<u>51,000</u>	<u>(27,353)</u>	<u>2,019</u>	<u>25,666</u>
Balance as at 31 March 2006	<u>51,000</u>	<u>(27,353)</u>	<u>2,019</u>	<u>25,666</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006 and the accompanying notes attached to the interim financial statements)

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PART A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The Interim Financial statements are unaudited and have been prepared in accordance with the requirements of FRS134 - "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 financial year ended 31st December 2006.

The accounting policies and methods of computation adopted by the Company and the Group in preparing its financial statements are consistent with the audited financial statements for the year ended 31st December 2006.

Investment Property

Investment property, comprising land and building is held for rental yield and is not occupied by the Group. The investment property using the cost model which is in accordance with the measurement of property, plant and equipment unless the investment property criteria to be classified as Assets Held for Sale in accordance with FRS 5. In accordance with FRS 140, investment property is and presented as a separate line item in non-current assets. Investment property is measured at depreciated cost less any impairment. In prior years, investment property was not separately classified and was presented as part of property, plant and equipment.

A2. Audit Report Qualification

The financial statements for the year ended 31 December 2006 was reported on without any qualification.

A3. Seasonal or Cyclical Factors

The business operations of the Group for the quarter under review are not affected by any seasonal or cyclical factors.

A4. Nature and Amount of Unusual Items

There were no unusual items which affect the assets, liabilities, equity, net income or cash flow of the Group for the current quarter and financial year todate.

A5. Nature and Amount of Changes in Estimates

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

A6. Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current financial period todate.

A7. Dividends Paid

The Company did not make any payment of dividends during the quarter and financial year todate.

A8. Segmental Reporting

	Turnover RM'000	Profit/(Loss) before taxation RM'000	Total Assets Employed RM'000
Construction	2,259	258	322

Property Development	-	-	-
Property & investment holdings	-	-	-
	<u>2,259</u>	<u>258</u>	<u>322</u>

Geographical segment information is not significant to the Group as the principal activities occur predominantly in Malaysia.

A9. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment has been brought forward without any amendments from the annual financial statements for the financial year ended 31 December 2006.

A10. Material Events Subsequent to the end of the Period Under Review

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statement for the current quarter as at the date of this report.

A11. Change in Composition of Group

There were no changes in the composition of the Group during the period under review.

A12. Change in Contingent Liabilities

There were no material changes in contingent liabilities or contingent assets since the last annual financial statements.

PART B : ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of Performance

The Group's revenue was mainly derived from construction works. For the current quarter, turnover was RM 2.259 million, 278% higher than previous year's corresponding period of RM 0.810 million.

Profit before tax for the 1st quarter ended 31 Mar 2007 was RM 0.258 million compared to the loss before tax of RM 0.953 million reported in the previous year corresponding period.

B2. Comparison with immediate preceding quarter

Turnover for the current quarter was RM2.259 million compared to RM6.530 million reported in the immediate preceding quarter. Profit for the current quarter was RM 0.258 million compared to loss of 5.766 million in the immediate preceding quarter.

B3. Current Year Prospect

In view that market for the property development remains soft, the directors do not expect an improvement in the results of the Group for the remaining period of financial year ending 31 December 2007.

B4. Variance of Actual Profit from Profit Forecast

Not applicable as the Company did not issue any profit forecast.

B5. Taxation

The taxation shown in the Quarterly Report on Unaudited Consolidated Income Statement comprised of -

	Current Quarter RM'000	Current Year To date RM'000
Taxation for current quarter/year	-	-
Recovery of previous year's taxes	-	-
	<u>-</u>	<u>-</u>

B6. Profit/(Loss) on Sale of Unquoted Investments or Properties

There were no profit/(loss) on sale of investment and/or properties during the period under review.

B7. Quoted Securities

There were no purchase or disposal of quoted securities for the current quarter and financial year to date.

B8. Corporate Proposals

There were no corporate proposals announced and uncompleted for the current quarter and financial year to date.

B9. Group Borrowings and Debt Securities

Group Borrowings as at 31 March 2007 are as follows -

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) Short Term Borrowings			
Bank overdraft	19,148	634	19,782
Revolving credits	5,410	-	5,410
Bankers acceptance	144	-	144
Term loans/Bridging loans	<u>10,702</u>	<u>-</u>	<u>10,702</u>
	<u>35,404</u>	<u>634</u>	<u>36,038</u>
(b) Long Term Borrowing			
Term loans/Bridging loans	<u>-</u>	<u>-</u>	<u>-</u>

There were no borrowings or debt securities denominated in foreign currencies.

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this report.

B11. Material Litigations

The changes in material litigations (including status of any pending material litigation) since the last annual balance sheet as at 31 December 2006 are listed in the Appendix 1 attached hereto.

B12. Dividend

The Board of directors does not recommend any interim dividend for the financial quarter ended 31 March 2007.

B13. Earning Per Share

Basic earning per share is calculated by dividing the net profit/(loss) after taxation for the quarter by weighted average number of ordinary shares in issue during the quarter.

	Individual Quarter	Cumulative Quarter
Net Earnings/(Loss) (RM '000)	258	258
Weighted average number of ordinary share in issue('000)	51,000	51,000
Earnings/(Loss) per share (sen)	0.050	0.050

Diluted EPS is not applicable for the Period under review.