



DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

**QUARTERLY ANNOUNCEMENT
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2007**

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
		31.03.2007 (Unaudited) RM'000	31.03.2006 (Unaudited) RM'000 (Restated)	31.03.2007 (Unaudited) RM'000	31.03.2006 (Audited) RM'000 (Restated)
Continuing operations					
Revenue	5	29,938	26,893	111,680	116,937
Cost of sales		(26,156)	(26,358)	(95,554)	(98,024)
Gross profit		<u>3,782</u>	<u>535</u>	<u>16,126</u>	<u>18,913</u>
Other operating income		(754)	16,188	2,617	16,906
Marketing and distribution costs		(998)	(838)	(4,620)	(4,212)
Administration expenses		1,010	(923)	(7,084)	(9,797)
Other operating expenses		(5,369)	(16,141)	(5,369)	(16,141)
Profit/(Loss) from operations		<u>(2,329)</u>	<u>(1,179)</u>	<u>1,670</u>	<u>5,669</u>
Finance costs		(718)	(1,199)	(3,144)	(3,541)
Share of loss of an associate		(17)	-	(17)	-
Profit/(Loss) before taxation	5	<u>(3,064)</u>	<u>(2,378)</u>	<u>(1,491)</u>	<u>2,128</u>
Taxation	24	<u>2,720</u>	<u>717</u>	<u>1,913</u>	<u>(616)</u>
Profit/(Loss) from continuing operations		<u>(344)</u>	<u>(1,661)</u>	<u>422</u>	<u>1,512</u>
Discontinued operation					
Profit/(Loss) from discontinued operation	13	<u>130</u>	<u>(275)</u>	<u>(99)</u>	<u>(323)</u>
Profit/(loss) for the period		<u>(214)</u>	<u>(1,936)</u>	<u>323</u>	<u>1,189</u>
Attributable to:					
Equity holders of the Parent		<u>(214)</u>	<u>(1,936)</u>	<u>323</u>	<u>1,189</u>
Earnings/(loss) per ordinary share attributable to equity holders of the parent					
Basic earnings/(loss) per ordinary share (sen)					
- from continuing operations	32	(0.35)	(2.04)	0.43	1.99
- from discontinuing operation	32	<u>0.13</u>	<u>(0.34)</u>	<u>(0.10)</u>	<u>(0.43)</u>
		<u>(0.22)</u>	<u>(2.38)</u>	<u>0.33</u>	<u>1.56</u>
Fully diluted earnings/(loss) per ordinary share (sen)	33	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	AS AT 31.03.2007 (Unaudited) RM'000	AS AT 31.03.2006 (Audited) RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	3, 10	75,766	74,525
Prepaid land lease payments	2(d), 3	6,313	6,479
Investment in an associated company		13	-
Securities available for sale	26	-	3
Total non-current assets		82,092	81,007
Current assets			
Inventories		18,060	18,234
Trade and other receivables		23,315	23,356
Current tax assets		3,264	2,337
Fixed deposits with licensed banks		756	808
Cash and bank balances		1,708	308
Total current assets		47,103	45,043
TOTAL ASSETS		129,195	126,050
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		103,526	95,325
Reserves	18	5,985	17,918
Accumulated losses		(75,425)	(79,662)
Total equity		34,086	33,581
Non-current liabilities			
Long term borrowings	28	15,322	19,804
Deferred tax liabilities		8,092	9,455
Total non-current liabilities		23,414	29,259
Current liabilities			
Trade and other payables	19	35,081	32,429
Short term borrowings	28	32,149	29,804
Current tax liabilities		-	977
Total current liabilities		67,230	63,210
Liabilities directly associated with assets classified held for sale	13	4,465	-
Total liabilities		95,109	92,469
TOTAL EQUITY AND LIABILITIES		129,195	126,050
Net assets per share attributable to equity holders of the parent (RM)		0.3293	0.3523

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007 (UNAUDITED)

Note	Attributable to equity holders of the parent						Accumulated Losses (Restated)	Total
	-----Non-distributable-----							
	Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	Equity Component of RCSLS	Irredeemable Convertible Unsecured Loan Stock		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2006	95,325	3,136	4,577	442	737	7,906	(78,542)	33,581
Effects of adopting								
-FRS 3	2(a)	-	-	(442)	-	-	442	-
-FRS 117	2(d)	-	-	1,562	-	-	(1,562)	-
At 1 April 2006, as restated		95,325	3,136	6,139	-	737	(79,662)	33,581
Capitalisation of ICULS interest		295	-	-	-	-	(295)	-
Realisation of revaluation reserve		-	-	(4,209)	-	-	4,209	-
Transfer from deferred tax liabilities		-	-	182	-	-	-	182
Net income and expenses recognised directly in equity		295	-	(4,027)	-	-	3,914	182
Net profit for the year		-	-	-	-	-	323	323
Total recognised income and expenses for the year		295	-	(4,027)	-	-	4,237	505
Conversion of ICULS		7,906	-	-	-	(7,906)	-	-
At 31 March 2007		103,526	3,136	2,112	-	737	(75,425)	34,086

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006 (AUDITED)

Note	Attributable to equity holders of the parent							Accumulated Losses	Total
	Non-distributable				Equity Component of RCLS	Irredeemable Convertible Preference Shares	Irredeemable Convertible Unsecured Loan Stock		
Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	RM'000				RM'000	RM'000
At 1 April 2005	73,269	3,136	3,848	491	737	20,391	9,176	(79,587)	31,461
Capitalisation of ICULS interest	395	-	-	-	-	-	-	(395)	-
Realisation of revaluation reserve	-	-	(114)	-	-	-	-	114	-
Revaluation of property, plant and equipment	-	-	1,171	-	-	-	-	-	1,171
Transferred to deferred tax liabilities	-	-	(328)	-	-	-	-	-	(328)
Profit guarantee	-	-	-	-	-	-	-	137	137
Net income and expenses recognised directly in equity	395	-	729	-	-	-	-	(144)	980
Net profit for the year	-	-	-	-	-	-	-	1,189	1,189
Total recognised income and expenses for the year	395	-	729	-	-	-	-	1,045	2,169
Amortisation for the year	-	-	-	(49)	-	-	-	-	(49)
Capitalisation of ICULS interest	437	-	-	-	-	-	(437)	-	-
Conversion of ICULS	833	-	-	-	-	-	(833)	-	-
Conversion of ICPS	20,391	-	-	-	-	(20,391)	-	-	-
At 31 March 2006	95,325	3,136	4,577	442	737	-	7,906	(78,542)	33,581

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Year to date	
		31.03.2007 (Unaudited) RM'000	31.03.2006 (Audited) RM'000 (Restated)
Net cash generated from operating activities		12,840	7,637
Net cash used in investing activities		(2,032)	(358)
Net cash from financing activities		<u>(8,764)</u>	<u>(4,140)</u>
Net increase in cash and cash equivalents		2,044	3,139
Cash and cash equivalents as at beginning of financial year		<u>(6,799)</u>	<u>(9,938)</u>
Cash and cash equivalents as at end of financial year		<u>(4,755)</u>	<u>(6,799)</u>
*Cash and cash equivalents at the end of the financial year comprise the following:			
Fixed deposits with licensed banks		756	808
Cash and bank balances		1,708	308
Bank overdrafts-continuing operations	28	(5,899)	(7,210)
Bank overdraft-discontinued operation	13	<u>(564)</u>	<u>-</u>
		(3,999)	(6,094)
Less: Fixed deposits pledged to licensed banks		<u>(756)</u>	<u>(705)</u>
		<u>(4,755)</u>	<u>(6,799)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(1) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRSs) 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 for the year ended 31 March 2006. These explanatory notes attached to the interim financial statements provides 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 31 March 2006.

(2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the year ended 31 March 2006 except for the adoption of the new/revised Financial Reporting Standards ("FRSs"). The MASB issued a total of twenty three (23) new/revised FRSs on which eighteen (18) FRSs are effective for accounting period beginning on or after 1 January 2006. The MASB in 2006 issued five (5) new/revised FRSs on which two (2) FRSs are effective for accounting period beginning on or after 1 October 2006, two (2) FRSs are effective for accounting period beginning on or after 1 January 2007 and the other standard has been deferred.

The Board of Directors has determined the above accounting policies to be adopted in the preparation of the Group's interim financial statements for the financial period beginning 1st April 2006 except for the deferred FRSs and the two (2) FRSs issued by the MASB beginning on or after 1 January 2007.

The principal effects of the changes in accounting policies resulting from the adoption of new/revised FRSs are as follows:

(a) FRS 3: Business Combinations

The new FRS 3 has resulted in the Group ceasing annual negative goodwill amortisation. Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities, and contingent liabilities over cost of acquisition (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 April 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM441,829 was derecognised with a corresponding decrease in accumulated losses.

(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Prior to 1 January 2006, non-current assets held for sale were neither classified nor presented as non-current assets, current assets or liabilities. There were no differences in the measurement of non-current assets held for sale and for those for continuing use. Upon the adoption of FRS 5, non-current assets held for sale and current liabilities and are stated at lower of carrying amount and fair value less cost to sell.

Prior to 1 January 2006, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the Board of Directors have approved. FRS 5 requires a component of an entity to be classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, or is part of a single coordinated major line of business or geographical area of operations or is a subsidiary required exclusively with a view to resale.

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(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations (cont'd)

The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under the previous policy due to the stricter criteria in FRS 5.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. There is no reclassification for non-current assets held for sale in the balance sheet in respect of previous financial year to reflect the classification in the current financial year. However, certain comparative figures in income statements have been re-presented to conform with the current year presentation of the discontinued operation. The effect on adopting FRS 5 is disclosed in Note 13.

(c) FRS 101: Presentation of Financial Statements

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

(d) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term. Lease of land is apportioned into a lease of land in proportion to the relative fair value of the leasehold interests in the land element of the lease at the inception of the lease. Prior to 1 January 2006, leasehold land was classified as Property, Plant and Equipment and was stated at valuation less accumulated depreciation and impairment losses. The leasehold land were last revalued between September 2005 and May 2006 and are based on valuations carried out by the independent professional valuers on open market value or direct comparison basis.

Upon the adoption of the revised FRS 117 at 1 April 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and is disclosed in Note 3; certain comparative amounts as at 31 March 2006 have been restated.

(3) Comparative Figures

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

	Note	As previously reported (Audited)	Effects of changes in accounting policies		Restated
		RM'000	FRS 3 RM'000	FRS117 RM'000	RM'000
As at 31 March 2006					
Increase/(Decrease)					
BALANCE SHEETS					
Property, plant and equipment	2(d)	81,004	-	(6,479)	74,525
Prepaid land lease payments	2(d)	-	-	6,479	6,479
Reserve on consolidation	2(a)	442	(442)	-	-
Revaluation reserve	2(d)	4,577	-	1,562	6,139
Accumulated losses		(78,542)	442	(1,562)	(79,662)

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(4) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2006 was not qualified.

(5) Segmental Reporting

The Group's operations comprise of the following business segments:

Manufacturing	:	Manufacture and sales of consumer and industrial products
Trading	:	Wholesaler/retailer of foodstuff and marketing of sport-wear
Property rental	:	Rental of property
Investment holdings & others	:	Investment holdings, dormant and inactive companies

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Manufacturing	23,770	20,986	90,567	95,581
Trading	6,495	6,204	21,849	22,547
Property rental	-	-	-	-
Investment holdings & others	1,190	7,100	5,260	8,514
Total revenue including inter-segment sales	31,455	34,290	117,676	126,642
Elimination of inter-segment sales	(1,517)	(7,397)	(5,996)	(9,705)
Total revenue from continuing operations	29,938	26,893	111,680	116,937
<u>Segment Results</u>				
Manufacturing	(5,767)	(9,775)	(5,148)	(4,969)
Trading	27	(1,011)	(1,181)	(1,336)
Property rental	6	(318)	203	(405)
Investment holdings & others	(2,052)	20,558	1,915	15,740
	(7,786)	9,454	(4,211)	9,030
Eliminations	4,739	(11,832)	2,737	(6,902)
Share of loss of an associate	(17)	-	(17)	-
Profit/(Loss) before taxation from continuing operations	(3,064)	(2,378)	(1,491)	2,128

There is no geographical segmental analysis as the operations of the Group are conducted within Malaysia.

All inter segment transactions within the Group have been entered and established on terms and conditions that are not materially different from that entered with unrelated parties.

The presentation of segment reporting for the current quarter has been changed in order to simplify our presentation while concurrently complying with paragraph 16(h) of Financial Reporting Standards (FRSs) 134: Interim Financial Reporting.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(6) Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review except for the following:

- adoption of FRS 3 whereby annual amortisation of negative goodwill was ceased and was derecognised with a corresponding decrease in accumulated losses;
- adoption of FRS 5 whereby non-current assets held for sale were classified as non-current assets, current assets or liabilities and are stated at lower of carrying amount and fair value less cost to sell; and
- adoption of FRS 117 whereby leasehold land was reclassified as a prepaid lease payments on 1 April 2006 instead of as an item of the Property, Plant and Equipment.

(7) Nature and Amount of Changes in Estimates

There were no significant changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years.

(8) Comments about Seasonal or Cyclical Factors

The Group's performance is affected by the increased activity in the trading segment during major festivals period.

(9) Dividend Paid

There was no dividend paid for the 4th quarter ended 31st March 2007.

(10) Valuations of Property, Plant and Equipment

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

(11) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares held as treasury and resale of treasury shares for current quarter except for the issuance of additional shares as detailed below:

- (i) On 8 March 2007, RM5,885,561 being the remaining outstanding sum of the 3-year 5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") which was issued on 15 March 2004 had matured and was automatically converted into fully paid-up share capital of the Company on the basis of every one (1) ICULS for every one (1) new ordinary share of RM1.00 each.
- (ii) On 8 March 2007, the final interest payment on RM5,885,561 nominal amount of 3 year 5% ICULS of RM294,277 was paid by way of capitalising it into 294,277 new ordinary shares of RM1.00 each.

(12) Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter.

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(13) Discontinued Operation

On 25 February 2005, the Company announced that a subsidiary company, New Height Marketing Sdn. Bhd. (NHMSB), had entered into a Stock Purchase Agreement with a third party, namely Grand Bell Trading Sdn. Bhd. for the sale of inventories and trademark of "Skiva" for a total consideration of RM1,826,530 and RM1,473,470 respectively. Accordingly, the Group ceased its operations of manufacturing and foundation garments thereon.

The results and cash flows of discontinued operation are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	-	(31)	-	(31)
Loss before tax	(39)	(463)	(268)	(511)
Tax expenses	169	188	169	188
Profit/(Loss) for the period from a discontinued operation	130	(275)	(99)	(323)
			Year to date	
			31.03.2007	31.03.2006
			(Unaudited)	(Audited)
			RM'000	RM'000
Cash flows from operation activities			(631)	2,109
Cash flows from investing activities			146	115
Cash flows from financing activities			(135)	(440)
Total cash flows			(620)	(1,784)

The major classes of assets and liabilities of NHMSB classified held as sale on the consolidated balance sheet as at 31 March 2007 are as follows:

	As at 31.03.2007 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000
Liabilities		
Trade and other payables	2,445	-
Bank overdraft	564	-
Term loan	914	-
Hire-purchase creditors	37	-
Current tax liabilities	505	-
Liabilities directly associated with assets classified held for sale	4,465	-

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(14) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2007 are as follows:

	RM'000
Approved by the Directors and contracted for	240
Authorised by the Directors but not contracted	16,395
	<hr/>
	16,635
	<hr/>

(15) Changes in Contingent liabilities and Contingent assets

There were no additional contingent liabilities or assets of the Group since the last audited financial statements, except for, a third party charge on the short term leasehold land belonging to the group for increase in finance costs of RM181,996 granted earlier to a former subsidiary company namely Skiva Holdings Sdn. Bhd..

(16) Material Subsequent Events

On 23 April 2007, the court has granted a winding-up order against a subsidiary company, New Height Marketing Sdn. Bhd. ("NHMSB"). Consequently, official receiver has been appointed to be the official liquidator of NHMSB. This has caused the Company to lose its rights to govern the financial and operating policies of NHMSB. Hence, NHMSB will be deconsolidated from the Group with effective from 23 April 2007. There were no other material events subsequent to the end of the current quarter.

(17) Significant Related Parties Transactions

	12 Months ended 31.03.2007 (Unaudited) RM	12 Months ended 31.03.2006 (Audited) RM
Sub contractor fees paid/payables to:		
Concordmold Technology Sdn. Bhd.	2,446,533	1,145,805
Professional fees paid/payables to:		
C.L. Boo & Associates	43,889	38,080
Moore Stephens Associates & Co.	38,500	19,500
MSA Tax Services Sdn. Bhd.	55,700	48,000
Rental paid to Yong Boon Leong	108,000	108,000

The terms, conditions and prices of the above transactions are not materially different from those obtainable in transactions with unrelated parties.

Related parties	Relationships
Concordmold Technology Sdn. Bhd.	Liew Young Chong who is a director of a subsidiary-Winsheng Plastic Industry Sdn. Bhd., whose wife and his brother are directors of Concordmold Technology Sdn. Bhd..
C.L. Boo & Associates	Boo King Ong who is an independent director of DENKO is also a partner of C.L. Boo & Associates.
Moore Stephens Associates & Co. and MSA Tax Services Sdn. Bhd.	Thoolasy Das Ponniah who is an independent director of DENKO whereas his brother is a partner of Moore Stephens Associates & Co..
Yong Boon Leong	Brother of a Director, namely Yong Boon Cheong.

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(18) Reserves

	As at 31.03.2007 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000 (Restated)
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	2,112	6,139
Redeemable convertible secured loan stocks (RCSLS)	737	737
Irredeemable convertible unsecured loan stocks (ICULS)	-	7,906
	<hr/> 5,985	<hr/> 17,918

(19) Trade and other payables

	As at 31.03.2007 (Unaudited) RM'000	As at 31.03.2006 (Audited) RM'000
Trade creditors	17,413	12,934
Other creditors and accruals	12,252	14,690
Amount due to an associated company	13	-
Provision for corporate guarantee	5,285	4,757
Amounts owing to directors	118	48
	<hr/> 35,081	<hr/> 32,429

Provision for corporate guarantee

Provision for corporate guarantee is made for a potential obligation arising from the corporate guarantee given by the Company to a financial institution for banking facilities granted to a former subsidiary company, Skiva Holdings Sdn. Bhd..

Amounts owing to directors

Amounts owing to directors represent accruals for directors' fees and allowances payable for the current and previous financial year which are unsecured and interest free.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(20) Review of Current Quarter Performance

The Group's revenue increased approximately by RM3.076 million or 11.45%, from RM26.862 millions in the same quarter in the preceding financial period ended 31 March 2006 to RM29.938 million in this quarter. The increase in revenue is due to seasonal fluctuation in sales and slight increase in production as a result of the introduction of new products in the previous quarter of the manufacturing sector.

However, the Group's pre tax loss increased from RM2.841 million in the same quarter in the preceding financial year to a pretax loss of RM3.103 million for this current quarter. This was due to various provisions have been reflected in the current quarter.

(21) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM29.938 millions for the quarter under review. This represents a slight increase of RM0.909 millions in revenue or 3.13 % higher than that of its previous quarter. The increase in revenue is due to improved demand from customers and seasonal factor. The group registered a loss before tax of RM3.103 million as compared to the preceding quarter ended 31 December 2006 when it registered a lower loss before tax of RM188 thousand. The increase in loss are due to various provisions have been reflected in the current quarter.

(22) Current Year Prospects

The Group's main contribution would continue to be from manufacturing segment. The other segments which have not shown improvements are being addressed in order to improve the Group's overall performances. The directors are cautiously optimistic that the Group's performance for the rest of the financial period is expected to improve.

(23) Profit Forecast and Profit Guarantee

The profit forecast is not applicable for the current quarter under review.

There are no further developments on the outstanding profit guarantee as reported in the Audited Financial Statements for the year ended 31 March 2006.

(24) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	1,119	2,105	762	1,176
Deferred tax	1,601	(1,388)	1,151	(1,792)
	<u>2,720</u>	<u>717</u>	<u>1,913</u>	<u>(616)</u>

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(25) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties in the current quarter under review.

(26) Securities available for sale

There was no purchase of quoted security for the financial period ended 31 March 2007. However, during the reporting quarter the quoted shares held since the last audited financial statements of RM2,800 was disposed for RM4,109. Details of securities available for sale as at 31 March 2007 are as follows:

	As at 31.03.2007 (Unaudited) RM	As at 31.03.2006 (Audited) RM
Included within securities available-for-sale:		
Quoted shares, at cost	-	2,800
Quoted shares, at market value	-	3,420
Unquoted shares, at realisable value	<u>1</u>	<u>1</u>

(27) Status of Corporate Proposals

There were no corporate proposals announced or not completed as at the date of this announcement.

(28) Group borrowings and debt securities:

Details of the unaudited Group borrowings and debt securities as at 31 March 2007 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt securities and other borrowings</u>						
Redeemable Convertible Secured Loan Stocks (RCCLS)	1,846	-	1,846	3,266	-	3,266
Bank Overdrafts	-	-	-	5,798	101	5,899
Bills Payable and Bankers Acceptance	-	-	-	12,581	110	12,691
Short Term payable	-	-	-	6,201	-	6,201
Hire Purchase payable	5,335	-	5,335	4,092	-	4,092
Long Term payable	8,141	-	8,141	-	-	-
TOTAL	15,322	-	15,322	31,938	211	32,149

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(28) Group borrowings and debt securities:

Details of the audited Group borrowings and debt securities as at 31 March 2006 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt securities and other borrowings</u>						
Redeemable Convertible Secured Loan Stocks (RCSLS)	3,317	-	3,317	1,633	-	1,633
Bank Overdrafts	-	-	-	7,166	44	7,210
Bills Payable and Bankers Acceptance	-	-	-	13,614	184	13,798
Short Term payable	-	-	-	4,155	-	4,155
Hire Purchase payable	4,425	-	4,425	3,008	-	3,008
Long Term payable	12,062	-	12,062	-	-	
TOTAL	19,804	-	19,804	29,576	228	29,804

(29) Off Balance Sheet Financial Instruments

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

(30) Details of pending material litigation

- (i) *Superb Strike Enterprise Vs New Height Marketing Sdn. Bhd.*
Kuala Lumpur Session Court Suit No.: 7-52-8911-2005

On 22 March, 2005, a Notice of Demand was served by the Plaintiff for RM40,247.44 in respect of goods sold and delivered.

A writ of summon was received from the Plaintiff and announcement to Bursa Securities has been made on 10 June, 2005. On 8 December, 2006 the Court allowed the Plaintiff's to enter judgment against the defendant.

This liability has been accounted for accordingly in the former Subsidiary's financial statements except for the interest that may arise thereon.

(30) Details of pending material litigation (cont'd)

- (ii) *Mount Resource Sdn. Bhd. Vs New Height Marketing Sdn. Bhd.*
Kuala Lumpur Session Court Suit No.: 5-52-8637-2005

On 22 March 2005, a Notice of Demand was served by the Plaintiff for RM75,385.50 in respect of goods sold and delivered.

The Plaintiff's application for summary judgment on 13 March, 2006 in respect of goods sold and delivered was dismissed by the Court. Thereafter, the Plaintiff had submitted an appeal against the decision on 20 March, 2006. On 12 October, 2006 the Court allowed the Plaintiff to enter judgment against the defendant.

This liability has been accounted for accordingly in the former Subsidiary's financial statements except for the interest that may arise thereon.

- (iii) *Duchess Marketing Sdn. Bhd. Vs New Height Marketing Sdn. Bhd*
Kuala Lumpur Session Court Suit No.: 8-52-25318-2005
Johor Bahru High Court Winding-up Suit No.: 28-234-2006

On 23 February, 2005, a Notice of Demand was served by the Plaintiff for RM132,448 in respect of goods sold and delivered.

On 17 May, 2006 the plaintiff obtained summary judgment against the defendant. On 16 November, 2006 a statutory notice pursuant to Section 218 of the Companies Act, 1965 was served. On 8 February 2007, sealed copy of the winding-up-petition was served. On 23 April 2007, the Court had granted a winding-up order against NHMSB. The Court also has ordered that NHMSB to be wind-up in accordance with the Companies Act, 1965 and an official liquidator has been appointed. This liability has been accounted for accordingly in the subsidiary's accounts except for the interest that may arise thereon.

Other than the above and as indicated in Part A note 16, there are no new developments on the outstanding legal cases of the Company and its Subsidiaries and there are no additional material litigation reported in this current quarter. The liabilities that arose from the material litigations had been accounted for accordingly in the Company and its Subsidiaries accounts except for any incidental costs that may arise thereon.

(31) Dividend Payable

The Directors do not recommend any interim dividend in the current quarter.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(32) Basic Earnings/(Loss) Per Ordinary Share

The basic earnings/(loss) per ordinary share of the Group are calculated by dividing the net profit/(loss) for the current period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31.03.2007 (Unaudited) RM'000	31.03.2006 (Unaudited) RM'000 (Restated)	31.03.2007 (Unaudited) RM'000	31.03.2006 (Audited) RM'000 (Restated)
Profit/(loss) from continuing operations	(344)	(1,661)	422	1,512
Profit/(loss) from discontinued operation	130	(275)	(99)	(323)
Profit/(loss) attributable to ordinary equity holders of the parent	<u>(214)</u>	<u>(1,936)</u>	<u>323</u>	<u>1,189</u>
Weighted average number of ordinary shares in issue ('000)	98,925	81,439	97,065	75,965
Basic earnings/(loss) per share for (sen):				
- continuing operations	(0.35)	(2.04)	0.43	1.99
- discontinued operation	0.13	(0.34)	(0.10)	(0.43)
	<u>(0.22)</u>	<u>(2.38)</u>	<u>0.33</u>	<u>1.56</u>

(33) Fully diluted Earnings/(Loss) Per Ordinary Share

Fully diluted earnings/(loss) per ordinary share for the current period was not presented as there was an anti-dilutive effect on the conversion of RCSLS and ICULS to ordinary shares.

(34) Authorised for issue

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