

**WAWASAN TKH HOLDINGS BERHAD (540218-A)**  
**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

	<b>3 months Ended 31-Mar-08 RM'000</b>	<b>3 Months Ended 31-Mar-07 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	-906	-5,821
Adjustments for:		
Non-cash items	-722	2,308
Non-operating items (net of income)	2,003	634
<b>Operating profit before working capital changes</b>	<u>375</u>	<u>-2,879</u>
Net change in current assets	-11,073	(1413)
Net change in current liabilities	3,106	-3,459
Payment for non-operating expenses (net of income)	-2,003	-634
	<u>-9,970</u>	<u>-5,506</u>
<b>Net cash flow generated from/(used in) operating activities</b>	<u>-9,595</u>	<u>(8,385)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of property, plant and equipment	-	4
Purchase of property, plant and equipment	-3,506	-7,262
Bank overdrafts net of cash & balances of subsidiaries disposed of	5,756	-
Payment for intangible asset	-127	-28
<b>Net cash flow used in investing activities</b>	<u>2,123</u>	<u>-7,286</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance from substantial shareholder	6,861	1,152
Bank borrowings drawdown	11,992	13,505
Repayment of borrowings	-5,586	-401
<b>Net cash flow generated from/(used in) financing activities</b>	<u>13,267</u>	<u>14,256</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,795	(1,415)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	-6,104	-3,779
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>(309)</u>	<u>(5,194)</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Fixed deposits with licensed banks	389	1,026
Cash and bank balances	1,467	1,393
Bank Overdrafts (included within short term borrowings in Note B9)	-1,776	(7,168)
less: fixed deposits pledged with licensed banks	-389	(445)
	<u>(309)</u>	<u>(5,194)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim Financial Statements.

Effect on divestment on the financial position of the Group as at 31 March 2008 :

Property, plant & equipment	7,887
Intangible asset	619
Inventories	6,224
Cash & bank balances/deposit placed with licensed bank	189
Bank overdrafts	-5,946
Trade & other receivables	8,741
Loans and borrowings	-16,642
Trade & other payables	-9,274
Group's share of net identifiable assets and liabilities	<u>-8,202</u>
Goodwill on acquisition (net of impairment)	3,900
Gain on disposal	8,202
Consideration received ( set off against advances from substantial shareholder)	3,900
Cash & cash equivalents disposed of	<u>5,756</u>
<b>Net cash inflow to the Group</b>	<u>9,656</u>

**WAWASAN TKH HOLDINGS BERHAD (540218-A)**  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31-Mar-08 RM'000	Preceding Year Corresponding Quarter 31-Mar-07 RM'000	Current Year ToDate 31-Mar-08 RM'000	Preceding Year Corresponding Period 31-Mar-07 RM'000
<b>Continuing Operations</b>					
Revenue		20,678	20,836	20,678	20,836
Cost of sales		-23,971	-23,966	-23,971	-23,966
Gross loss		-3,293	-3,130	-3,293	-3,130
Other income		22	2,152	22	2,152
Distribution expenses		-162	-234	-162	-234
Administrative expenses		-2,052	-2,372	-2,052	-2,372
Other expenses		(110)	(7)	(110)	(7)
Finance costs		(1,574)	(230)	(1,574)	(230)
Loss before taxation		(7,169)	(3,821)	(7,169)	(3,821)
Income tax expense	B5	-	-	-	-
Loss for the period from continuing operations		(7,169)	(3,821)	(7,169)	(3,821)
<b>Discontinued operations</b>					
Loss from discontinued operations		-1,939	-2,000	(1,939)	-2,000
Gain on disposal of discontinued operations		8,202	-	8,202	-
Profit/(loss) after tax from discontinued operations		6,263	-2,000	6,263	(2,000)
Loss for the period		-906	-5,821	-906	-5,821
<b>Attributable to :</b>					
Shareholders of the Company		(906)	(5,821)	(906)	(5,821)
Minority Interest		-	-	-	-
(Loss)/Earnings per share					
<b>Basic (sen)</b>					
from continuing operations		(5.01)	-2.67	(5.01)	-2.67
from discontinued operations		4.38	-1.40	4.38	-1.40
		(0.63)	(4.07)	(0.63)	(4.07)
<b>Diluted (sen)</b>					
from continuing operations		(4.95)	(2.65)	(4.95)	(2.65)
from discontinued operations		4.33	-1.38	4.33	-1.38
		(0.62)	(4.03)	(0.62)	(4.03)

The condensed consolidated income statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**WAWASAN TKH HOLDINGS BERHAD (540218-A)**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

	Non-distributable Attributable to shareholders of the Company				Distributable		
	Ordinary Share Capital RM'000	Irredeemable Convertible Unsecured Loan Stocks (Equity Component) RM'000	Other Reserves	(Accumulated Losses)/ Retained Profit RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
<b><u>For the 3 months quarter ended 31 March 2008</u></b>							
Balance as at 1 January 2008	143,041	1,420	6,429	-108,265	42,625	-	42,625
Issuance during the year	-	-	-	-	0	-	0
Conversion/adjustment during the period	-	-	-1	-	(1)	-	(1)
Foreign currency translation	-	-	-109	-	(109)	-	(109)
Net loss for the period	-	-	-	-906	(906)	-	(906)
Balance as at 31 March 2008	<u>143,041</u>	<u>1,420</u>	<u>6,319</u>	<u>-109,171</u>	<u>41,609</u>	<u>-</u>	<u>41,609</u>
<b><u>For the 3 months quarter ended 31 March 2007</u></b>							
Balance as at 1 January 2007	143,019	1,416	44	-83,968	60,511	-	60,511
Issuance during the year	-	-	-	-	-	-	-
Conversion during the period	-	-	-	-	-	-	-
Foreign currency translation	-	-	-30	-	-30	-	(30)
Net loss for the period	-	-	-	-5,821	-5,821	-	-5,821
Balance as at 31 March 2007	<u>143,019</u>	<u>1,416</u>	<u>14</u>	<u>(89,789)</u>	<u>54,660</u>	<u>-</u>	<u>54,660</u>

The condensed consolidated income statement of changes in equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**WAWASAN IKH HOLDINGS BERHAD (540218-A)**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2008**

	UNAUDITED AS AT 31-Mar-08 RM'000	AUDITED AS AT 31-Dec-07 RM'000
	Note	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	80,012	87,143
Intangible assets	26,956	31,348
Prepaid lease payments	11,450	11,582
Receivables, deposits and prepayments	-	2,098
<b>CURRENT ASSETS</b>		
Receivable, deposits and prepayments	19,841	19,549
Inventories	13,970	19,662
Current tax assets	1,047	1,045
Cash and cash equivalents	1,856	1,610
	36,714	41,866
<b>CURRENT LIABILITIES</b>		
Payables and accruals	18,554	26,874
Short term borrowings	B9 16,650	28,798
Provision for taxation	-	21
	35,204	55,693
<b>NET CURRENT ASSETS/ LIABILITIES</b>	1,510	-13,827
<b>NON CURRENT LIABILITIES</b>		
Payables and accruals	B9 33,826	27,646
Long term borrowings	43,027	46,607
Deferred taxation	1,445	1,445
Irredeemable Convertible Unsecured Loan Stocks (Liability Component)	21	21
	78,319	75,719
	41,609	42,625
<b>FINANCED BY:-</b>		
Share capital	143,041	143,041
Other reserves	6,319	6,429
Accumulated losses	-109,171	-108,265
Irredeemable Convertible Unsecured Loan Stocks (Equity Component)	1,420	1,420
<b>Total equity attributable to shareholders of the Company</b>	41,609	42,625
Minority interest	-	-
<b>Total equity</b>	41,609	42,625
Net Assets Per Share (RM)	0.29	0.30

The condensed consolidated balance sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

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Net change in current assets	-11,073	(1,413)
Net change in current liabilities	3,106	-3,459
Payment for non-operating expenses (net of income)	-2,003	-634
	<u>-9,970</u>	<u>-5,506</u>
<b>Net cash flow generated from/(used in) operating activities</b>	<u>-9,595</u>	<u>(8,385)</u>
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less: fixed deposits pledged with licensed banks	-389	(445)
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Effect on divestment on the financial position of the Group as at 31 March 2008 :

Property, plant & equipment	7,887
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Cash & cash equivalents disposed of	5,756
<b>Net cash inflow to the Group</b>	<u>9,656</u>

**PART A: EXPLANATORY NOTES IN COMPLIANCE WITH FRS 134, PARAGRAPH 16**

**A1. Basis of preparation of interim financial report**

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements as set out in Financial Reporting Standards ('FRS') No. 1342004: Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2007.

The same accounting policies and methods of computation as disclosed in the audited accounts for the year ended 31 December 2007 have been adopted in the preparation of the first quarter ended 31 March 2008 condensed financial statements, except for the adoption of FRSs and Interpretations issued by Malaysian Standards Board ("MASB") that are effective for the Group for the financial period beginning after 1 January 2008 as stated in the Note 1 (a) of the notes to the audited financial statements for the year ended 31 December 2007.

The adoption of all FRSs mentioned above does not have significant financial impact on the Group.

**A2. Audit report**

The audited financial statements for the Group and the Company for the financial year ended 31 December 2007 were not subject to any qualification.

**A3. Seasonal and cyclical factors**

The disposal foodwares business, being the main contributor to the Group for the current quarter and financial year to date is subject to factors affecting the disposal food wares industry. The performances of startup automotive parts manufacturing and automotive sales businesses are affected by the seasonality and cyclicity factors of the automotive industry. The other business segments are not affected by the seasonal or cyclical factors.

**A4. Unusual and extraordinary items**

The other income for the current quarter and financial year ended 31 December 2007 include the gain of disposal of investment in automotive subsidiaries of RM8.202 million ( as disclosed in note B6 below).

Except for the above, there were no unusual items affecting assets, liabilities, equity, net income or cash for the current quarter and financial year to date 31 March 2008

**WAWASAN TKH HOLDINGS BERHAD (540218-A)**

Notes to the interim financial report for the first quarter ended 31 March 2008

The figures have not been audited

**A5. Changes in estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or prior financial year that have a material effect in the current interim period.

**A6. Issuance and repayment of debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the first quarter ended 31 March 2008.

**A7. Dividends paid**

There was no dividend paid during the current quarter/ financial period ended 31 March 2008.

**A8. Segmental reporting**

<i>Business segment</i>	3 months ended 31 March 2008	
	Revenue	Profit/(loss) before tax
	RM'000	RM'000
<b><i>Continuing Operations</i></b>		
1 Manufacturing		
- Disposable food wares	17,319	(5,823)
2 Mining of refined kaolin	3,359	(726)
3 Investment holding	-	(239)
Unallocated corporate expenses		(381)
Total	20,678	(7,169)
<b><i>Discontinued Operations</i></b>		
- Automotive parts	2,345	(1,731)
-Automotive sales and services	1,716	(208)
Gain on disposal of discontinued operations	-	8,202
	24,739	(906)

No segmental information is provided on a geographical basis as the Group's activities are conducted wholly in Malaysia.

**A9. Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendment from the audited financial statements for the year ended 31 December 2007.

**A10. Material events subsequent to the balance sheet date**

There were no material events subsequent to the end of the quarter and financial period-to-date up to the date of this report,

**A11. Changes in composition of the Group**

On 31 March 2008, the Company completed the disposal of its entire issued and paid-up ordinary shares and irredeemable convertible preference shares held in TKH Auto Parts Sdn Bhd, TKH Manufacturing Sdn. Bhd., Automotive Design Services Sdn. Bhd., Automotive Seat Assembly Sdn. Bhd. and Momentum Suria Sdn. Bhd. ("Automotive Subsidiaries") for a total cash disposal consideration of RM3,900,000, via set-off against the advances due by the Company to Wawasan TKH Sdn. Bhd. ("WTKHSB") as per the Share Sale Agreement entered into with WTKHSB on 31 January 2008.

**A12. Contingent liabilities**

Contingent liabilities of the Company as at 29 May 2008 include the following:-

	RM'000
Corporate guarantees for credit facilities of subsidiaries	
- Continuing operations	68,278
- Discontinued operations*	<u>23,543</u>
	<u>91,821</u>

\* The corporate guarantees are currently awaiting approval for release from the respective financial institutions

**A13. Capital commitments**

Capital commitments as at 31 March 2008 are as follows:

	RM '000
Property, plant and equipment	
- Approved and contracted for	<u>700</u>



**A14. Related party transactions**

There were no significant related party transactions entered into by the Group during the financial quarter under review.

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**B1. Review of performance**

The Group registered a lower pretax loss of RM0.9 million (net of RM8.2 million gain on divestment of Automotive Subsidiaries) for the current quarter against a pretax loss of RM5.8 million in the preceding year corresponding first quarter. A higher revenue of RM25.7mil was registered for the current quarter vis-à-vis RM23.5 million in first quarter last year.

The Group's performance, mainly driven by the disposable foodwares manufacturing business, continued to be adversely affected by the difficult business environment resulting from the prevalent high prices of petrochemical resin materials, increase in energy and fuel costs and intensified competition. The disposal foodwares business registered a higher revenue at RM17.3 million (vis-a-vis RM15.5 million in the corresponding first quarter last year), while incurring a higher operating loss at RM5.7 million (before relocation expenses of RM0.1 million) compared to RM3.6 mil pretax operating loss in the preceding year corresponding first quarter. Higher finance cost and depreciation charges were incurred mainly attributable to the new manufacturing facility.

The mining of refined kaolin business incurred a pretax loss of RM0.7 million vis-a-vis RM0.4 million pretax profit in the preceding year corresponding first quarter as the margins were affected due to higher crude clay expenses and the rising operational costs arising due to hikes in fuel and energy costs. Meanwhile, the Automotive Subsidiaries continued to be affected by the slow but gradual recovery of the automotive industry and weak market sentiment in domestic car sales.

**B2. Variation of results against preceding quarter**

The Group recorded a marginally lower revenue of RM24.7 million for the current quarter over the last preceding quarter's revenue of RM25.7 million which included the 2 months sales for the months of October and November 2007 of the divested medical compounds business, while registering lower pretax loss of RM0.9 million (higher pretax operating loss of RM9.1 million, net of RM8.2 million gain on divestment of Automotive Subsidiaries) in the current quarter as compared to pretax loss of RM8.1 million in the preceding quarter.

The mining of refined kaolin business incurred higher pretax loss of RM0.7 million (compared to pretax loss of RM0.2 million in the preceding quarter) largely attributable to increase in crude clay expenses and higher fuel / energy cost. Meanwhile, the Automotive Subsidiaries continued to be affected by the slow recovery of the automotive industry. The automotive parts manufacturing division

registered marginally lower pretax loss of RM1.7 million (vis-à-vis preceding quarter pretax loss at RM1.8 million), whilst the automotive sales and services maintained a pretax loss of RM0.2million.

**B3. Current year prospects**

The divestment of the automotive parts and automotive sales and services businesses with prolonged gestation period will allow for further consolidation of its financial resources and enhance focus on turnaround of the core businesses. The Group will further pursue various strategic initiatives to enhance competitive position and to manage operating costs amidst the challenging and complex business environment. With the disposable food wares business achieving full production with the new manufacturing facility coupled with the additions of new machineries, it is expected that the division will further increase its export market reach and expand into new range of products. Meanwhile, measures will continue to be taken in mitigating the escalating fuel cost and crude clay expenses of the mining of refined kaolin business. The Group is expected to reduce its losses and is set on a stronger footing for recovery and growth.

**B4. Variance of actual and forecast profit**

This is not applicable as there is no profit forecast or guarantee issued.

**B5. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	Current year quarter ended 31/3/08 RM'000	Preceding year quarter ended 31/3/07 RM'000	Current year to date 31/3/08 RM'000	Preceding year corresponding period 31/3/07 RM'000
Current tax :				
Malaysian Tax				
Overprovision	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-

**B6. Profits/(losses) on sales of unquoted investments and/or properties**

On 31 January 2008, the Company entered into a conditional Share Sale Agreement ('SSA') to dispose of the entire issued and paid up ordinary shares and irredeemable convertible preference shares held in TKH Auto Parts Sdn Bhd, TKH Manufacturing Sdn Bhd, Automotive Design Services Sdn Bhd, Automotive Seat Assembly Sdn Bhd and Momentum Suria Sdn Bhd for a total cash disposal consideration of RM3,900,000, via set-off against the advances due by the Company to Wawasan TKH Sdn. Bhd. ("WTKHSB"). A gain on disposal of investment of RM8.202 million was realized upon completion of the SSA on 31 March 2008.

There were no other sales or purchases of unquoted investment and/or property during the current quarter and financial period ended 31 March 2008.

**B7. Quoted and marketable investments**

There were no sales or purchases of quoted and marketable investments during the current quarter and financial period ended 31 March 2008.

**B8. Status of corporate proposals**

**Proposed Par Value Reduction; Proposed Amendments to Memorandum Of Association; & Proposed Rights Issue (collectively referred to as "Proposals")**

On 4 April 2008, the Company has obtained approval from the Securities Commission for the Proposed Rights Issue. The proposed reduction of the issued and paid-up share capital of the Company involves the cancellation of RM 0.80 of the par value of each existing ordinary share of RM 1.00 each. The capital reserves of up to a maximum of RM 115.6 million created will allow elimination of its accumulated losses. The proposed amendments to the Memorandum of Association of the Company is to facilitate the change in the par value of the ordinary shares from RM1.00 to RM0.20 as a result of the Proposed Par Value Reduction. The Company will then implement its proposed renounceable rights issue of up to 144,482,230 Rights Shares together with up to 72,241,115 new Warrants for free, on the basis of two (2) Right Shares together with one (1) free Warrant for every two (2) ordinary shares of RM0.20 each of the Company on the entitlement day at an issue price to be determined at a later date. On 8 April 2008, the Company obtained the approval from Bank Negara Malaysia for the issuance of up to 72,241,115 free new detachable warrants to be issued under the Proposed Rights Issue, to shareholders who may be non-residents.

The Proposals are subject to shareholders approval at an Extraordinary General meeting to be convened.

**B9. Group borrowings**

The Group's borrowings as at 31 March 2008 are as follows:

	RM'000
Short –term borrowings:-	
Unsecured	4,968
Secured	11,682
	(a) <u>16,650</u>
Long term borrowings :	
Secured	43,027
	<u>59,677</u>
ICULS (liability component)	21
Total Borrowings	<u>59,698</u>
 <u>Other Borrowings</u>	
Amount due to substantial shareholder – non current	(b) 33,826
Total group's borrowings	<u>93,524</u>

(a) Included in the short term borrowings are bank overdrafts outstanding at RM1.776 million.

(b) Included in the payables and accruals is the advances from Wawasan TKH Sdn Bhd which bear interest at 8.25% per annum and are not repayable in the next twelve months.

**B10. Off balance sheet financial instrument**

The Group does not have any financial instruments with off balance sheet risk as at 31 March 2008 apart from outstanding forward foreign exchange contracts amounting to USD300,000 in foreign currency (i.e. equivalent amount of RM958,000 ) maturing on 14 April to 25 June 2008 used for hedging purposes on the Group's sales and purchases.

There is no credit risk to the financial instruments as these forward foreign exchange contracts are executed with creditworthy financial institutions and the possibility of non-performance by these financial institutions are remote. There is no market risk i.e. the value of the financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or issuer or factors affecting all securities traded in the market, as the value of the forward foreign exchange contracts are fixed. The cash requirement of these forward foreign exchange contracts will be financed by internal funds.

The related accounting policies are as follows:

“Financial derivatives hedging instruments are used in the Group's risk management of foreign currency with respect to its financial assets and liabilities. The underlying foreign currency assets and liabilities are translated at their respective hedged exchange rates. Hedging costs are recognized in the income statement as and when incurred.”

The Directors are of the opinion that the risks associated with the said forward foreign exchange contract will not have any material financial impact on the Group since the total amount of such contracts is small.

**B11. Changes in material litigation**

The Company is not aware of any proceedings against the Company or its subsidiaries that is pending or threatened or of any fact likely to give rise to any proceedings, which might materially and/or adversely affect the position or business of the Company or any of its subsidiaries as at 29 March 2008.

**B12. Dividend**

No dividend was proposed or declared during the current quarter and the financial period ended 31 March 2008.

**B13. Loss per share**

The basic loss per share for the financial period has been calculated based on the consolidated profit after tax and minority interest divided by the weighted average number of ordinary shares outstanding during the period.

	3 months ended/ Year-to-date ended 31 March 2008		
	Continuing operations	Discontinued operations	Total
Net (loss) / profit attributed to shareholders (RM'000)	(7,169)	6,263	(906)
Weighted average number of shares ('000)	143,041	143,041	143,041
Basic (loss) / profit per share (sen)	(5.01)	4.38	(0.63)

**B14. Comparative figures**

Pursuant to Note A11 and Note B6 above on discontinued operations, the following comparative figures in the consolidated income statement have been re-presented to show the results of discontinued operations separately from continuing operations and certain comparative amounts have been reclassified to conform to the current year's presentation

	As restated RM'000	As previously stated RM'000
<b>Income Statement</b>		
Revenue	20,836	23,493
Cost of sales	(23,966)	(26,200)
Gross loss	(3,130)	(2,707)
Other income	2,152	2,271
Distribution expenses	(234)	(1,558)
Administrative expenses	(2,372)	(3,186)
Finance costs	(230)	(634)
Loss before taxation	(3,821)	(5,821)
Loss after tax from continuing operations	(3,821)	(5,821)
Loss from discontinued operations	(2,000)	-