

METECH GROUP BERHAD
(Company No. 219350 - H)
(Incorporated in Malaysia)
Notes to the interim financial report

1. Basis of preparation

This interim report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) No. 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2006.

The significant accounting policies and presentation applied in the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2006.

2. Auditors’ qualification

The auditors have expressed an unqualified opinion on the Company’s statutory financial statements for the year ended 31 December 2006 in their report dated 16 April 2007.

3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter and current financial period to date.

4. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the period under review.

5. Change in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

6. Change in debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the current financial year-to-date.

7. Dividend paid

No dividend was paid for the current quarter ended 31 March 2007.

8. Segment revenue and results

No segment information by business activities have been prepared as the Group’s activities involved is primarily in one sector of operations only.

9. Revaluation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

There were no material write-down in property, plant and equipment during the quarter under review.

10. Material post balance sheet events

There were no material post balance sheet events subsequent to the period under review.

11. Changes in Group's composition

There were no changes in the composition of the Group for the current quarter and financial year-to-date, other than the following:-

- i) On 29 September 2006, the Company announced the intention to acquire an additional 1% comprising 24,500 ordinary shares of RM1.00 each in the capital of Chaun Choung Corporation (M) Sdn. Bhd., an 50% associate company of Metech Group for a total consideration of RM100,000. The acquisition was completed on 7 February 2007 upon getting the approval from the Ministry of International Trade and Industry on 29 January 2007.
- ii) On 28 February 2007, Metech Aluminium Industries Sdn. Bhd. ("MAI"), a 51% owned subsidiary company of Metech Group, has further subscribed 59,999 ordinary shares of RM1.00 each representing 60% of the total issued and paid up share capital of Kosmo Indah Sdn. Bhd., a 50% owned company of MAI, for a total cash consideration of RM59,999.00.
- iii) On 11 May 2007, the Company announced it has entered into a Share Sale Agreement to acquire the 40% comprising 2,000,000 "B" class ordinary shares of RM1.00 each in the capital of Metech-Sanwa (J.V.) Sdn. Bhd., for a total cash consideration of RM1,638,000. Upon completion, Metech-Sanwa (J.V.) Sdn. Bhd. will become a wholly-owned subsidiary of the Company.

12. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets during the period under review.

13. Review of performance of the current quarter and current financial year to date

The Group recorded a net loss of RM1.158 million for the current quarter and current year to date as compared to the net profit of RM1.735 million in the preceding year corresponding quarter and year to date ended 31 December 2006.

The net loss was attributed by the poor contributions from the main subsidiaries of the Group where the squeeze on the contribution margin was felt most due to the high cost of the raw material purchased towards the end of 2006.

14. Variation of results against preceding quarter

The Group recorded a decrease of 10.67% or RM5.654 million in revenue, RM47.328 million for the current quarter as compared to RM52.982 million in the preceding quarter ended 31 December 2006.

It resulted in the net loss of RM1.158 million as compared to the net profit of RM1.037 million in the preceding quarter. The drop in the performance was mainly due to the drop in turnover and the lower profit margin due to the higher raw materials cost.

15. Current year prospects

Barring any unforeseen circumstances and with the expected commencement of commercial production in the newly constructed factory in the second half of 2007 and the continued commitments to explore for new source of raw materials supplies, new products, new markets and new opportunities, the management is confident that the overall performance of the Group will improve for the better.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 March 2007 RM'000	Preceding Year Corresponding Quarter 31 March 2006 RM'000	Current Year To date 31 March 2007 RM'000	Preceding Year To date 31 March 2006 RM'000
Current taxation				
- Based on results for the period	143	457	143	457
-Prior year	-	(33)	-	(33)
	143	424	143	424
Deferred taxation				
- Based on results for the period	-	-	-	-
- Prior period	-	-	-	-
	-	-	-	-
Tax expense	143	424	143	424

The disproportionate tax charge is mainly due to certain subsidiaries were making profits during the period under review.

18. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date

There were no profits on sale of unquoted investments and properties as there were no disposals of investments and properties during the period under review.

19. Purchase or disposal of quoted securities

There were no material purchases or disposals of quoted shares for the period under review.

Investments in quoted securities as at 31 March 2007.

	Cost RM'000	Book value RM'000	Market Value RM'000
Total quoted investment	1,220	57	114

20. Status of corporate proposals

There were no corporate proposals made by the Company during the financial period to date.

21. Group borrowings and debts securities

	31 March 2007 RM'000
Current	
Secured	41
Unsecured	67,306
	<u>67,347</u>
Non-current	
Secured	9,823
Unsecured	1,134
	<u>10,957</u>

Foreign currency borrowings included in the above are RM1,060,832 denominated in USD. .

22. Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

23. Changes in material litigation

There were no changes in material litigation within the Group for the current quarter and financial period to-date.

24. Proposed dividend

The shareholders' have today approved the payment of a first and final dividend of 2% less 27% tax amounting to RM591,300 for the financial year ended 31 December 2006.

25. (Loss)/Earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share for the current quarter and current period to date are based on the net loss attributable to ordinary shareholders of RM1.158 million and on the number of ordinary shares outstanding of 40,500,000.

26. Capital commitments

31 March 2007

RM'000

Property, plant and equipment
Contracted but not provided for

7,000

27. Related party transactions

There were no non-recurrent related party transactions during the period under review.

BY ORDER OF THE BOARD

Lam Voon Kean

Company Secretary

Dated this 28 May 2007