

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Malaysia').

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of the 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 December 2007.

2. ADOPTION OF REVISED FINANCIAL REPORTING STANDARDS (FRSs)

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following revised FRSs and new Interpretations effective for financial periods beginning on or after 1 January 2008:

| | | |
|----------------------|---|--|
| FRS 107 | : | Cash Flow Statements |
| FRS 111 | : | Construction Contracts |
| FRS 112 | : | Income Taxes |
| FRS 118 | : | Revenue |
| FRS 120 | : | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 134 | : | Interim Financial Reporting |
| FRS 137 | : | Provisions, Contingent Liabilities and Contingent Assets |
| Amendment to FRS 121 | : | The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation |
| IC Interpretation 1 | : | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Interpretation 2 | : | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Interpretation 5 | : | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IC Interpretation 6 | : | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment |
| IC Interpretation 7 | : | Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economies |
| IC Interpretation 8 | : | Scope of FRS 2 |

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the Group's financial statements for the year ended 31 December 2007 was not qualified.

4. SEASONAL OR CYCLICAL FACTORS

The effects of seasonal or cyclical fluctuations, if any, are explained under Paragraphs 1 and 2 of Part B, i.e. Explanatory Notes Pursuant To Appendix 9B of the Listing Requirements of Bursa Malaysia below.

5. UNUSUAL ITEMS

There were no unusual items during the quarter affecting assets, liabilities, equity, net income or cash flows for the financial year ended 31 December 2008.

6. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material impact in the current reporting quarter.

7. DEBT AND EQUITY SECURITIES

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

8. DIVIDENDS PAID

There were no dividends paid in respect of the quarter ended 31 December 2008.

9. SEGMENTAL REPORTING

a) Geographical segments

| | Malaysia | Europe | United States of America | Elimination | Consolidated |
|--|-----------------|---------------|-------------------------------------|--------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 12 MONTHS YEAR ENDED 31 DECEMBER 2008 | | | | | |
| REVENUE | | | | | |
| External sales | 72,582 | 26,856 | 10,742 | - | 110,180 |
| Inter-segment sales | 30,439 | - | - | (30,439) | - |
| Total revenue | <u>103,021</u> | <u>26,856</u> | <u>10,742</u> | <u>(30,439)</u> | <u>110,180</u> |
| RESULT | | | | | |
| Segment result | 6,693 | (3,457) | (122) | 570 | 3,684 |
| Finance costs | | | | | (1,389) |
| Taxation | | | | | (1,503) |
| Profit after taxation | | | | | <u>792</u> |
| Minority interest | | | | | (8) |
| Profit for the period | | | | | <u><u>784</u></u> |

| | Malaysia | Europe | United States of America | Elimination | Consolidated |
|--|-----------------|---------------|-------------------------------------|--------------------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 12 MONTHS YEAR ENDED 31 DECEMBER 2007 | | | | | |
| REVENUE | | | | | |
| External sales | 94,445 | 42,815 | 12,818 | - | 150,078 |
| Inter-segment sales | 49,793 | - | - | (49,793) | - |
| Total revenue | <u>144,238</u> | <u>42,815</u> | <u>12,818</u> | <u>(49,793)</u> | <u>150,078</u> |
| RESULT | | | | | |
| Segment result | 24,564 | (1,719) | (559) | (1,743) | 20,543 |
| Finance costs | | | | | (780) |
| Taxation | | | | | (575) |
| Profit after taxation | | | | | <u>19,188</u> |
| Minority interest | | | | | (25) |
| Profit for the period | | | | | <u><u>19,163</u></u> |

9. SEGMENTAL REPORTING (CONTD.)

a) Geographical segments (Contd.)

Revenue by geographical location of customers

| | Quarter ended | | Year-to-date ended | |
|--------------------------|---------------|---------------|--------------------|----------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Asia | 2,140 | 956 | 6,506 | 2,568 |
| Europe | 6,318 | 20,502 | 59,100 | 85,827 |
| Malaysia | 6,030 | 9,815 | 19,588 | 26,009 |
| United States of America | 2,663 | 1,917 | 10,224 | 13,942 |
| South-West Pacific | 1,940 | 2,992 | 7,477 | 18,403 |
| Others | 982 | 1,048 | 7,285 | 3,329 |
| | <u>20,073</u> | <u>37,230</u> | <u>110,180</u> | <u>150,078</u> |

b) Business segments

The Group operates in a single industry and accordingly, the financial information by business segments is not presented.

10. VALUATIONS

There were no valuations of property, plant and equipment brought forward from the previous annual financial statements. The property, plant and equipment are stated at their historical cost less accumulated depreciation and impairment losses as at 31 December 2008.

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no material events subsequent to the end of the reporting period.

12. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter ended 31 December 2008, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

13. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 December 2008.

14. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2008.

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

1. REVIEW OF PERFORMANCE

For the quarter under review, revenue for the Group was RM20.1 million compared with RM37.2 million for the previous year's corresponding quarter. Group revenue for the year was RM110.2 million compared with RM150.1 million recorded in previous year.

The Group's profit before tax for the year was RM2.3 million compared with RM19.8 million in preceding year. However, the Group posted a loss before taxation of RM3.8 million during the quarter under review compared with a profit of RM4.7 million in the corresponding quarter last year. These were mainly due to lower sales volume, higher cost per unit arising from lower production volume and higher provision for doubtful debts.

2. MATERIAL CHANGES IN PROFIT BEFORE TAXATION FOR THE QUARTER REPORTED ON AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

Loss before taxation of the Group was RM3.8 million for the quarter ended 31 December 2008 compared to profit before taxation of RM0.2 million for the preceding quarter ended 30 September 2008. The decrease was mainly due to the lower sales volume, higher cost per unit arising from lower production volume and higher provision in doubtful debts in the quarter under review.

3. COMMENTARY ON PROSPECTS

In view of the current global financial crisis, the Group continued to adopt a caution outlook on its business. During this period, the Group will undertake a number of housekeeping initiatives to improve its productivity, enhance efficiency and rationalise its operating cost. New emerging markets are being looked into for a long term growth strategy to position the Group in the event of an economic recovery.

Barring any unforeseen circumstances, the Group's performance over the next few quarters is expected to remain challenging.

4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group is not involved in any profit guarantee arrangement or providing any forecast profit.

5. TAXATION

| | Quarter ended | | Year-to-date ended | |
|---|------------------|------------------|--------------------|--------------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| | RM | RM | RM | RM |
| Current tax: | | | | |
| Malaysian tax | (313,036) | 361,203 | 766,736 | 1,676,959 |
| Foreign tax | 10,687 | 28,038 | 10,687 | 28,038 |
| | <u>(302,349)</u> | <u>389,241</u> | <u>777,423</u> | <u>1,704,997</u> |
| Over provision in prior years: | | | | |
| Malaysian tax | 358 | (69,068) | (130,714) | (69,068) |
| Foreign tax | 121 | 741 | (7,681) | 741 |
| | <u>479</u> | <u>(68,327)</u> | <u>(138,395)</u> | <u>(68,327)</u> |
| Deferred tax: | | | | |
| Current year | 813,598 | (317,036) | 863,714 | (274,779) |
| Under/(Over) provision in prior year | - | (30,246) | 347 | (786,555) |
| | <u>813,598</u> | <u>(347,282)</u> | <u>864,061</u> | <u>(1,061,334)</u> |
| | <u>511,728</u> | <u>(26,368)</u> | <u>1,503,089</u> | <u>575,336</u> |

6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments or properties during the reporting period.

7. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the reporting date.

8. GROUP BORROWINGS AND DEBT SECURITIES

| | As at | |
|-----------------------|-------------------|-------------------|
| | 31.12.2008 | 31.12.2007 |
| | RM | RM |
| Short term borrowings | | |
| Unsecured | 25,030,230 | 21,832,998 |
| | <u>25,030,230</u> | <u>21,832,998</u> |
| Long term borrowings | | |
| Unsecured | 4,250,000 | 4,523,788 |
| | <u>4,250,000</u> | <u>4,523,788</u> |

All borrowings are denominated in Ringgit Malaysia.

9. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group had entered into the following foreign currency derivatives maturing within 1 year to hedge trade receivables.

| | Notional amounts as at | |
|------------------------------------|------------------------|------------------|
| | 31.12.2008 | 31.12.2007 |
| | RM | RM |
| Forward foreign exchange contracts | 2,227,924 | 4,942,724 |
| Ratio forward agreements | - | 1,627,040 |
| | <u>2,227,924</u> | <u>6,569,764</u> |

10. CHANGES IN MATERIAL LITIGATION

The Group is not engaged in any material litigation and is not aware of any proceedings which might materially affect the Group for the current financial period.

11. PROPOSED DIVIDEND

The Company did not declare any interim dividend for the current quarter ended 31 December 2008.

12. EARNINGS PER SHARE

a) Basic earnings per ordinary share

| | Quarter ended | | Year-to-date ended | |
|---|---------------|-------------|--------------------|--------------|
| | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 |
| Net (loss) / profit for the period (RM) | (4,252,305) | 4,682,441 | 784,315 | 19,162,814 |
| Weighted average number of ordinary shares in issue | 168,000,000 | 168,000,000 | 168,000,000 | 168,000,000 |
| Basic earnings per ordinary share (sen) | <u>(2.53)</u> | <u>2.79</u> | <u>0.47</u> | <u>11.41</u> |

b) Diluted earnings per ordinary share

This is not applicable to the Group.

13. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2009.