

EXPLANATORY NOTES FOR INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

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 2008. 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 2008.

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 2008.

At the date of authorisation of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the changes in disclosures arising from the adoption of FRS 7.

The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report of the Group's financial statements for the year ended 31 December 2008 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 period ended 31 December 2009.

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 2009.

8. DIVIDENDS PAID

There were no dividends paid in respect of the quarter ended 31 December 2009.

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 PERIOD ENDED 31 DECEMBER 2009					
REVENUE					
External sales	43,269	18,936	3,197	-	65,402
Inter-segment sales	15,165	-	-	(15,165)	-
Total revenue	<u>58,434</u>	<u>18,936</u>	<u>3,197</u>	<u>(15,165)</u>	<u>65,402</u>
RESULT					
Segment result	(4,938)	(2,737)	(650)	1,325	(7,000)
Finance costs					(712)
Taxation					(966)
Loss after taxation					<u>(8,678)</u>
Minority interest					51
Loss for the period					<u>(8,627)</u>

	Malaysia	Europe	United States of America	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
12 MONTHS PERIOD ENDED 31 DECEMBER 2008					
REVENUE					
External sales	72,581	26,856	10,742	-	110,179
Inter-segment sales	30,439	-	-	(30,439)	-
Total revenue	<u>103,020</u>	<u>26,856</u>	<u>10,742</u>	<u>(30,439)</u>	<u>110,179</u>
RESULT					
Segment result	6,688	(3,457)	(122)	570	3,679
Finance costs					(1,389)
Taxation					(1,503)
Profit after taxation					<u>787</u>
Minority interest					(8)
Profit for the period					<u>779</u>

9. SEGMENTAL REPORTING

a) Geographical segments (Contd.)

Revenue by geographical location of customers

	Quarter ended		Year-to-date ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Asia	2,187	2,140	7,493	6,506
Europe	9,254	6,318	35,307	59,100
Malaysia	642	6,030	10,450	19,588
United States of America	539	2,663	3,299	10,224
South-West Pacific	1,026	1,026	5,486	7,477
Others	959	1,896	3,367	7,284
	<u>14,607</u>	<u>20,073</u>	<u>65,402</u>	<u>110,179</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 2009.

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 2009, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinuing operations.

13. CAPITAL COMMITMENTS

There is no material capital commitments not provided for in the interim financial statements as at 31 December 2009.

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 RM14.6 million compared with RM20.1 million for the previous year's corresponding quarter. Group revenue for the year was RM65.4 million compared with RM110.2 million recorded in previous year. The decrease in revenue mainly stemmed from lower sales volume recorded due to the continuous fallout effects from the recent financial and economic crisis.

Loss before taxation for the quarter under review was RM3.1 million compared with RM3.8 million in the corresponding quarter last year. However, the Group's loss before tax for the year was RM7.7 million compared with profit before taxation of RM2.3 million in preceding year. These were mainly due to lower sales volume and higher cost per unit arising from lower production volume.

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 RM3.1 million for the quarter ended 31 December 2009 compared to RM1.1 million for the preceding quarter ended 30 September 2009. The decrease in performance was mainly due to the lower sales volume and higher cost per unit arising from lower production volume.

3. COMMENTARY ON PROSPECTS

Continuing from end 2009, the overall global and local economic recovery appears to be gaining momentum from a severe downturn, with the recent release of stronger economic data. Despite the ongoing fiscal concern in some countries in Europe, its overall recovery remains intact. The Malaysian economy is expected to continue its favourable GDP data from the fourth Qtr 2009.

As the Group businesses are dependent on the global and local economy well being, we are optimistic that the Group performance will be satisfactory in the coming quarters.

4. PROFIT FORECAST OR PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast after tax and minority interest and for the shortfall in profit guarantee are not applicable.

5. TAXATION

	Quarter ended		Year-to-date ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM	RM	RM	RM
Current tax:				
Malaysian tax	(79,625)	(313,035)	198,819	766,737
Foreign tax	-	10,687	-	10,687
	<u>(79,625)</u>	<u>(302,348)</u>	<u>198,819</u>	<u>777,424</u>
Over provision in prior years:				
prior years:				
Malaysian tax	694	358	(8,985)	(130,714)
Foreign tax	(32)	121	(4,341)	(7,681)
	<u>662</u>	<u>479</u>	<u>(13,326)</u>	<u>(138,395)</u>
Deferred tax:				
Current year	82,936	813,597	780,201	863,713
Under provision in prior year	-	-	-	347
	<u>82,936</u>	<u>813,597</u>	<u>780,201</u>	<u>864,060</u>
	<u>3,973</u>	<u>511,728</u>	<u>965,694</u>	<u>1,503,089</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 at the date of this quarterly report.

8. GROUP BORROWINGS AND DEBT SECURITIES

	As at	
	31.12.2009	31.12.2008
	RM	RM
Short term borrowings		
Unsecured	<u>14,274,576</u>	<u>25,030,230</u>
Long term borrowings		
Unsecured	<u>-</u>	<u>4,250,000</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	
	31.12.2009	31.12.2008
	RM	RM
Forward foreign exchange contracts	2,421,349	2,227,924

10. CHANGES IN MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any material litigation either as plaintiff or defendant as at the date of this report and the Directors do not have any knowledge of any proceeding pending or threatened against the Company or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position of the Company and its subsidiaries.

11. PROPOSED DIVIDEND

The Company did not declare any interim dividend for the current quarter ended 31 December 2009.

12. EARNINGS PER SHARE

a) Basic earnings per ordinary share

	Quarter ended		Year-to-date ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Net (loss)/profit for the period (RM)	(3,077,437)	(4,257,317)	(8,627,041)	779,304
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)	(1.83)	(2.53)	(5.14)	0.46

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 2010.