

## **A. EXPLANATORY NOTES AS PER FRS 134-INTERIM FINANCIAL REPORTING**

### **A1. Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention.

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

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

The significant accounting policies and methods of computation adopted in this interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2007, except for the adoption of new/revised Financial Reporting Standards ("FRS") and new Interpretations effective for financial statements commencing 1 January 2008 as follow:

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
IC Interpretation 1 Liabilities	Changes in Existing Decommissioning, Restoration and Similar
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 Special Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> – Financial Report in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

At the date of authorisation of these interim financial statements, the Group has not yet applied FRS 139 Financial Instruments: Recognition and Measurement, which is effective from 1 January 2010. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS139.

The adoption of the above FRSs and Interpretations, where applicable, does not have any significant financial impact on the Group.

**A2. Auditors' Report On Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2007 was unqualified.

**A3. Seasonal or Cyclical Factors**

The operations of the Group during the quarter have not been affected by any material seasonal or cyclical factors.

**A4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

**A5. Material Changes in Estimates**

There were no changes in the estimates of amounts reported in prior interim periods of the current financial quarter or in prior financial years that have a material effect on the results in the quarter under review.

**A6. Debts and Equity Securities**

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period under review.

**A7. Dividends Paid**

There were no dividends paid during the quarter under review.

## A8. Segmental Information

Segmental information is provided in two formats, one based on business segments and the other based on geographical segments. Expenses, assets and liabilities which are common and cannot be allocated to the segments are presented under unallocated expenses, assets and liabilities, respectively, if any.

### (a) Business Segments

#### Results for 12 months ended 31 December 2008:

	Manufacturing RM'000	Extraction and Trading RM'000	Investment holding RM'000	Eliminations RM'000	Total RM'000
<b>REVENUE</b>					
Sales to external customers	71,389	3,637	-	-	75,026
Inter-segment sales	12,324	-	-	(12,324)	-
Total revenue	83,713	3,637	-	(12,324)	75,026
<b>RESULT</b>					
Segments results	16,334	(356)	(3,250)	-	12,728
Finance costs					(1,938)
Profit before taxation					10,790
Income tax expense					(2,586)
Profit for the year					8,204
<b>ASSETS</b>					
Segment assets	194,753	23,165	3,586	-	221,504
Total assets					221,504
<b>LIABILITIES</b>					
Segment liabilities	18,979	580	764	-	20,323
Interest bearing instruments					26,805
Unallocated corporate liabilities					7,214
Total liabilities					54,342
<b>OTHER SEGMENT INFORMATION</b>					
Capital expenditure	2,457	4	20	-	2,481
Depreciation and amortisation	1,655	158	73	-	1,886

**A8. Segmental Information (cont'd)**

**(b) Geographical Segments**

Results for 12 months ended 31 December 2008:

<b>By Geographical</b>	<b>Revenue</b>	<b>Segment Assets</b>	<b>Capital Expenditure</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	15,988	32,116	481
PRC	55,401	166,223	1,996
Turkey	3,637	23,165	4
	<u>75,026</u>	<u>221,504</u>	<u>2,481</u>

**A9. Valuation of Property, Plant and Equipment**

The property, plant and equipment of the Group have not been revalued for the quarter under review.

**A10. Material Events Subsequent to the End of the Reporting Period**

There were no material events subsequent to the end of the current quarter under review.

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

There were no material changes in the composition of the Group for the current quarter under review.

**A12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in the contingent liabilities or contingent assets of the Group since the last financial year as at 31 December 2007.

**A13. Capital Commitment**

There were no material capital commitments as at the date of this announcement.

**B. ADDITIONAL EXPLANATORY NOTES IN COMPLIANCE WITH BURSA MALAYSIA LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B**

**B1. Review of Performance**

**(a) Current quarter compared with previous corresponding quarter**

The Group achieved a revenue of RM28.7 million for the quarter ended 31 December 2008, representing an increase of 67.8% against the revenue of RM17.1 million recorded for the corresponding quarter last year. The increase in the Group's revenue was due mainly to higher revenue generated from China and Malaysia segments as major projects for both segments commenced only in 4<sup>th</sup> quarter 2008.

The Group recorded a profit after taxation of RM5.9 million for the quarter ended 31 December 2008, 28.0% lower compared to the profit after taxation of RM8.2 million for the quarter ended 31 December 2007. The decreased was due mainly to lower margin projects undertaken for the quarter under review.

**(b) Current financial year compared with previous corresponding financial year**

The Group recorded a revenue of RM75.0 million for the financial year ended 31 December 2008, an increase of 22.7% against the revenue of RM61.1 million recorded for the financial year ended 31 December 2007. The increase in the Group's revenue was due mainly to higher revenue generated from China segment as major projects commenced in current year compared to the preceding year.

The Group recorded a lower profit after taxation of RM8.2 million for the financial year ended 31 December 2008, 44.2% lower compared to the profit after taxation of RM14.7 million for the financial year ended 31 December 2007. The decrease in profit after taxation was mainly attributable to additional cost incurred to complete projects and lower projects revenue in Malaysia and China segments and overall lower gross profit margin due to increasing cost of materials and other operational overhead costs for the year under review as a result of the tough market conditions attributed by inflationary pressure and challenging current market conditions.

**B2. Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter**

For the current quarter, the Group posted a profit before taxation of RM6.9 million as compared to the preceding year's corresponding quarter profit before tax of RM9.4 million. The lower margins arising from cost escalations such as higher energy and labour costs contributed to the lower profit before taxation for the quarter under review.

**B3. Next Year's Prospects**

The Group will continue to focus on its core activities and Management will continuously undertake measures to improve business efficiency and competitiveness. Barring any delay in the implementation of projects amidst the current challenging market conditions, the Board will focus on improving cost control management, cash flow management and inventory management to try and improve the performance of the Group for the coming financial year.

**B4. Profit Forecast**

The Company had entered into a Profit Guarantee Agreement ("PGA") with the vendors of Syarikat Bukit Granite Sdn. Bhd. ("SBG") and Shanghai Ge Fung Marble & Granite Co. Ltd. ("SGMG") whereby the vendors had guaranteed that the audited amalgamated pre tax profit for SBG and SGMG for the current financial year shall not be less than RM28.3 million.

As at 31 December 2008, an amount of RM13.9 million representing the shortfall of profits guaranteed has been recorded as a reduction in the cost of investment of the Company. The intangible asset of the Group has been adjusted accordingly. The shortfall for the profit guarantee has been set off with the amount owing to Director and the net amount receivable from the Director is reflected in the Group accounts.

The shortfall of the Profit Guarantee shall be based on the audited amalgamated profit before tax of SBG and SGMG and upon confirmation shall be made good in accordance with the terms of the PGA.

**B5. Income Tax Expense**

Income tax expense comprises the following:

	Individual quarter ended		Cumulative quarter ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Income tax				
- current year	1,139	1,201	2,728	4,294
- prior year	-	-	(46)	-
	<u>1,139</u>	<u>1,201</u>	<u>2,682</u>	<u>4,294</u>
Deferred tax				
- current year	(195)	(3)	(195)	(20)
- prior year	99	-	99	-
	<u>(96)</u>	<u>(3)</u>	<u>(96)</u>	<u>(20)</u>
	<u>1,043</u>	<u>1,198</u>	<u>2,586</u>	<u>4,274</u>

The effective tax rate of the Group is approximate to the statutory tax rate.

**B6. Sale of Unquoted Investments and/or Properties**

There was no disposal of unquoted investments or properties during the quarter under review.

**B7. Quoted and Marketable Securities**

There was no purchase or disposal of quoted and marketable securities during the quarter under review.

## **B8. Corporate Proposals**

The corporate proposal announced but not completed as at the date of this announcement is as follow:-

- (a) The Company had on 27 September 2007 announced that it proposed to implement a private placement of up to 15,480,000 new ordinary shares of RM1.00 each in Gefung Holdings Berhad (“Gefung”), representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified later. The Company had on 29 October 2007 announced that the Securities Commission (“SC”) and the Foreign Investment Committee had approved the Proposed Private Placement subject to certain conditions and subsequently the Company had on 20 November 2007 announced that the Ministry of International Trade and Industry had approved the Proposed Private Placement (“PPP”) subject to certain conditions.

On 10 October 2008, the Company announced that the SC had vide its letter dated 9 October 2008, approved the Company application for an extension of time for a further six (6) months until 25 April 2009 to complete the PPP.

The PPP is now pending implementation.

- (b) The Company had on 15 November 2007 announced that it had entered into a joint venture and shareholders agreement with Tawjeeh Services and Commercial Investments Limited (“TAWJEEH”), a company incorporated in the Kingdom of Saudi Arabia, to establish a joint venture company in such jurisdiction in the Middle East to be mutually agreed by Gefung and TAWJEEH (“the Parties”) as a private company with limited liability to be known as GEFUNG (MENA) LLC or any other name to be mutually agreed upon by the Parties, with a proposed authorised share capital of USD13,500,000 comprising of thirteen million five hundred thousand (13,500,000) ordinary shares of USD1.00 each of which the allotment of the shares to Gefung and TAWJEEH shall be 6,750,001 and 6,749,999 respectively (“Proposed JV”).

Subsequently, The Company had on 13 March 2008 announced that it had entered into a first supplemental joint venture and shareholders’ agreement (“SJVA”) with TAWJEEH for the proposed disposal by SBG, a wholly-owned subsidiary company of Gefung, of its 100 ordinary shares of YTL1,000 each in Montana Madencilik Mermer Sanayi Insaat Ve Ticaret Limited Sirketi (“MTN”), representing 100% equity interest in MTN to its 50.01% held joint venture company to be incorporated, for a consideration of USD4,605,000 (“Proposed Disposal”). The proposed authorised share capital of the joint venture company have been revised to USD14,000,000 comprising of fourteen million (14,000,000) ordinary shares of USD1.00 each of which the allotment of the shares to Gefung and TAWJEEH shall be 7,000,001 and 6,999,999 respectively.

The Proposed JV and Proposed Disposal have been approved by the shareholders of the Company at the Extraordinary General Meeting held on 25 April 2008.

The Proposed JV and Proposed Disposal are now pending implementation.

**B9. Borrowings**

	Denominated in local currency as at 31.12.2008 RM'000	Denominated in foreign currency as at 31.12.2008 RM'000	Total as at 31.12.2008 RM'000
<b>Secured short term borrowings:</b>			
Bank overdraft	2,666	-	2,666
Term loan	128	8,696	8,824
Bankers Acceptance	5,068	-	5,068
Trust Receipts	8,929	-	8,929
	<u>16,791</u>	<u>8,696</u>	<u>25,487</u>
<b>Secured long term borrowings:</b>			
Term loan	<u>352</u>	<u>-</u>	<u>352</u>

Borrowings denominated in foreign currency:

	Chinese Renminbi '000	Ringgit Malaysia Equivalent '000
Term loan	<u>17,000</u>	<u>8,696</u>

**B10. Off Balance Sheet financial instruments**

There were no off balance sheet financial instruments as at the date of this report.

**B11. Material litigation**

As at the date of this report, the Group is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or the business of the Group.

**B12. Dividends**

There were no dividends declared during the quarter under review.



**B13. Earnings per share**

	Individual quarter ended		Cumulative period ended	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
<b>Basic earnings per share</b>				
Net profit for the period (RM'000)	5,943	8,264	8,204	14,748
Weighted average number shares in issue ('000)	154,800	154,800	154,800	154,800
Basic earnings per share (sen)	<u>3.84</u>	<u>5.34</u>	<u>5.30</u>	<u>9.53</u>

The diluted earnings per share are not calculated as the Company does not have any share options in issue.