

## **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 2008. 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 2008.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the annual financial statements for the financial 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:

| <b>FRSs and Interpretation</b> |  | <b>Effective for financial periods beginning on or after</b> |
|--------------------------------|--|--|
| FRS 4                          | Insurance Contracts                                | 1 January 2010   |
| FRS 7                          | Financial Instruments: Disclosures                 | 1 January 2010   |
| FRS 8                          | Operating Segments                                 | 1 July 2009  |
| 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 adoption of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS139.

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

The auditors' report on the financial statements for the financial year ended 31 December 2008 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 3 months ended 31 March 2009:**

|                                   | Manufacturing<br>RM'000 | Extraction<br>and Trading<br>RM'000 | Investment<br>holding<br>RM'000 | Eliminations<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|-------------------------|-------------------------------------|---------------------------------|------------------------|-----------------|
| <b>REVENUE</b>                    |                         |                                     |                                 |                        |                 |
| Sales to external customers       | 7,189                   | -                                   | -                               | -                      | 7,189           |
| Inter-segment sales               | 2,242                   | -                                   | -                               | (2,242)                | -               |
| Total revenue                     | 9,431                   | -                                   | -                               | (2,242)                | 7,189           |
| <b>RESULT</b>                     |                         |                                     |                                 |                        |                 |
| Segments results                  | 1,341                   | (332)                               | (888)                           | -                      | 121             |
| Finance costs                     |                         |                                     |                                 |                        | (471)           |
| Profit before taxation            |                         |                                     |                                 |                        | (350)           |
| Income tax expense                |                         |                                     |                                 |                        | -               |
| Profit for the period             |                         |                                     |                                 |                        | (350)           |
| <b>ASSETS</b>                     |                         |                                     |                                 |                        |                 |
| Segment assets                    | 199,050                 | 22,871                              | 3,190                           | -                      | 225,111         |
| Total assets                      |                         |                                     |                                 |                        | 225,111         |
| <b>LIABILITIES</b>                |                         |                                     |                                 |                        |                 |
| Segment liabilities               | 17,395                  | 862                                 | 682                             | -                      | 18,939          |
| Interest bearing instruments      |                         |                                     |                                 |                        | 26,852          |
| Unallocated corporate liabilities |                         |                                     |                                 |                        | 7,201           |
| Total liabilities                 |                         |                                     |                                 |                        | 52,992          |

**A8. Segmental Information (cont'd)****(a) Business Segments (cont'd)**

|                                  | Manufacturing<br>RM'000 | Extraction<br>and Trading<br>RM'000 | Investment<br>holding<br>RM'000 | Eliminations<br>RM'000 | Total<br>RM'000 |
|----------------------------------|-------------------------|-------------------------------------|---------------------------------|------------------------|-----------------|
| <b>OTHER SEGMENT INFORMATION</b> |                         |                                     |                                 |                        |                 |
| Capital expenditure              | 5                       | 42                                  | -                               | -                      | 47              |
| Depreciation and amortisation    | 431                     | 38                                  | 15                              | -                      | 484             |

**(b) Geographical Segments****Results for 3 months ended 31 March 2009:**

| By Geographical | Revenue<br>RM'000 | Segment Assets<br>RM'000 | Capital Expenditure<br>RM'000 |
|-----------------|-------------------|--------------------------|-------------------------------|
| Malaysia        | 3,593             | 31,897                   | 5                             |
| PRC             | 3,596             | 170,349                  | -                             |
| Turkey          | -                 | 22,865                   | 42                            |
|                 | 7,189             | 225,111                  | 47                            |

**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**

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.

On 5 May 2009, the Company announced that the SC had vide its letter dated 4 May 2009, rejected the Company application for extension of time for a further six (6) months until 25 October 2009 to implement the PPP.

Other than the above, there were no other 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 2008.

**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**

The Group achieved a revenue of RM7.2 million for the quarter and year-to-date ended 31 March 2009, 39.0% lower compared to the revenue of RM11.8 million for the quarter and year-to-date ended 31 March 2008. The decrease in the Group's revenue was mainly due to slower execution of projects in China due to customers' circumstances.

The Group recorded a loss after taxation of RM0.3 million for the quarter and year-to-date ended 31 March 2009 compared to the profit after taxation of RM1.1 million for the quarter and year-to-date ended 31 March 2008. The decrease was mainly attributable to lower revenue from China operations and lower gross profit margin.

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

For the current quarter, the Group posted a loss before taxation of RM0.3 million compared to the profit before tax of RM6.9 million for the quarter ended 31 December 2008. The decrease was mainly due to lower revenue generated especially from China operations for current quarter as compared to preceding quarter as it was normal for slower operations in 1<sup>st</sup> quarter of the year.

**B3. Commentary on Prospects**

The Group anticipates the remaining quarters of the financial year to be challenging due to ongoing global financial crisis and economic recession.

Amidst the economic challenges and uncertainties, the Group will continue to focus on its core activities and Management will continuously undertake measures to improve business efficiency and competitiveness.

**B4. Profit Forecast**

The Company did not issue any profit forecast or profit guarantee for the year.

**B5. Income Tax Expense**

Income tax expense comprises the following:

|            | Individual quarter ended   |                            | Cumulative quarter ended   |                            |
|------------|----------------------------|----------------------------|----------------------------|----------------------------|
|            | 31 March<br>2009<br>RM'000 | 31 March<br>2008<br>RM'000 | 31 March<br>2009<br>RM'000 | 31 March<br>2008<br>RM'000 |
| Income tax | -                          | 662                        | -                          | 662                        |

No provision for taxation expenses for the quarter and year-to-date ended 31 March 2009 due to loss incurred for the Group. The effective tax rate for the quarter and year-to-date ended 31 March 2008 was higher than the statutory tax rate principally due to certain expenses which were not deductible for tax purposes.

**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 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.

Other than the above, there were no other corporate proposals announced but not completed as at the date of this announcement.

**B9. Borrowings**

|                                       | Denominated<br>in local<br>currency as<br>at 31.3.2009<br>RM'000 | Denominated<br>in foreign<br>currency as<br>at 31.3.2009<br>RM'000 | Total as at<br>31.3.2009<br>RM'000 |
|---------------------------------------|--|--|------------------------------------|
| <b>Secured short term borrowings:</b> |  |  |                                    |
| Bank overdraft                        | 2,617  | -  | 2,617                              |
| Term loan                             | 128  | 9,093  | 9,221                              |
| Hire purchase payables                | 255  | 170  | 425                                |
| Bankers Acceptance                    | 3,305  | -  | 3,305                              |
| Trust Receipts                        | 10,691   | -  | 10,691                             |
|                                       | <u>16,996</u>  | <u>9,263</u>   | <u>26,259</u>                      |
| <b>Secured long term borrowings:</b>  |  |  |                                    |
| Term loan                             | 320  | -  | 320                                |
| Hire purchase payables                | 273  | -  | 273                                |
|                                       | <u>593</u>   | <u>-</u>   | <u>593</u>                         |

The foreign currency exposure profile of the borrowings is as follows:-

|                  | RM'000     |
|------------------|------------|
| Chinese Renminbi | 9,093      |
| Euro             | <u>170</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. (Loss)/Earnings per share**

|  | Individual quarter ended |                  | Cumulative period ended |                  |
|--|--------------------------|------------------|-------------------------|------------------|
|  | 31 March<br>2009         | 31 March<br>2008 | 31 March<br>2009        | 31 March<br>2008 |
| <b>Basic (loss)/earnings per share</b>         |                          |                  |                         |                  |
| Net (loss)/profit for the period (RM'000)      | (350)                    | 1,087            | (350)                   | 1,087            |
| Weighted average number shares in issue ('000) | 154,800                  | 154,800          | 154,800                 | 154,800          |
| Basic (loss)/earnings per share (sen)          | <u>(0.23)</u>            | <u>0.70</u>      | <u>(0.23)</u>           | <u>0.70</u>      |

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