

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

### **A1. Accounting Policies and Methods of Computation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("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 report 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 accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2008.

### **A2. Seasonal or Cyclical Factors**

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

### **A3. 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.

### **A4. 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.

### **A5. 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.

### **A6. Dividends Paid**

There were no dividends paid during the quarter under review.

## A7. 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 2009:

	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	42,119	117	-	-	42,236
Inter-segment sales	13,153	-	-	(13,153)	-
Total revenue	55,272	117	-	(13,153)	42,236
<b>RESULT</b>					
Segments results	(12,271)	(1,052)	(2,903)	-	(16,226)
Finance costs					(1,704)
Loss before taxation					(17,930)
Income tax expense					-
Loss for the year					(17,930)
<b>ASSETS</b>					
Segment assets	187,112	1,517	1,453	-	190,082
Total assets					190,082
<b>LIABILITIES</b>					
Segment liabilities	14,785	29	405	-	15,219
Interest bearing instruments					26,259
Unallocated corporate liabilities					1,015
Total liabilities					42,493
<b>OTHER SEGMENT INFORMATION</b>					
Capital expenditure	2,006	59	-	-	2,065
Depreciation and amortisation	1,657	134	62	-	1,853

**A7. Segmental Information (cont'd)**

**(a) Geographical Segments**

Results for 12 months ended 31 December 2009:

<b>By Geographical</b>	<b>Revenue RM'000</b>	<b>Segment Assets RM'000</b>	<b>Capital Expenditure RM'000</b>
Malaysia	13,643	33,037	701
PRC	28,476	155,532	1,305
Turkey	117	1,513	59
	<hr/>	<hr/>	<hr/>
	42,236	190,082	2,065

**A8. Material Events Subsequent to the End of the Reporting Period**

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

**A9. Changes in the Composition of the Group**

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

**A10. Changes in Contingent Liabilities or Contingent Assets**

There were no significant changes in the contingent liabilities or contingent assets of the Group since the last financial year as at 31 December 2008.

**A11. Capital Commitment**

There were no 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 RM13.7 million for the quarter ended 31 December 2009, 52.2% lower compared to the revenue of RM28.7 million for the quarter ended 31 December 2008. The decrease in the Group's revenue was mainly due to slower execution of projects in China at the customers' request in view of the challenging economic conditions.

The Group recorded a loss after taxation of RM15.4 million for the quarter ended 31 December 2009 compared to the profit after taxation of RM5.9 million for the quarter ended 31 December 2008.

These are mainly due to:

- i) decrease in revenue due to slower execution of projects in China at the customers' request as a result of the global economic slowdown (RM10.0mil); and
- ii) in the light of the uncertainty in global economic conditions, the Group has taken the prudent steps to provide for doubtful debts and written off bad debts (RM5.8mil) as well as writing down the value of inventories (RM1.5mil).

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

The Group recorded a revenue of RM42.2 million for the financial year ended 31 December 2009, 43.7% lower compared to the revenue of RM75.0 million recorded for the financial year ended 31 December 2008. The decreased in Group's revenue was due mainly to lower revenue generated from China segment.

**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 RM15.4 million compared to the loss before tax of RM0.7 million for the quarter ended 30 September 2009. The additional losses incurred was due mainly to arisen from the provision for doubtful debts; bad debt written off and written down value of inventories under prudent basis in view of uncertain economy conditions.

**B3. Commentary on Next Year's Prospects**

With the new shareholder and new Chief Executive Officer on board, the Group has initiated steps to modify the business model and direction of its core activities. Some of the initiatives involved the setting up a Group Procurement Team and enhancing of retail market segment including widening the customers base network. The Group will also continuously undertake measures to improve business efficiency and competitiveness.

Currently, the Group has approximately RM45.0 million of secured and unbilled projects and also including those projects for which letters of awards are pending. Barring any unforeseen circumstances, the Group anticipates to achieve better performance for 2010.

**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 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
Income tax	-	974	-	2,517

No provision for taxation expenses for the quarter and year-to-date ended 31 December 2009 due to loss incurred for the Group.

**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**

- (i) 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 still 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 in local currency as at 31.12.2009 RM'000	Denominated in foreign currency as at 31.12.2009 RM'000	Total as at 31.12.2009 RM'000
<b>Secured short term borrowings:</b>			
Bank overdraft	3,101	-	3,101
Term loan	128	9,054	9,182
Hire purchase payables	269	-	269
Bankers Acceptance	2,750	-	2,750
Trust Receipts	10,664	-	10,664
	<u>16,912</u>	<u>9,054</u>	<u>25,966</u>
<b>Secured long term borrowings:</b>			
Term loan	224	-	224
Hire purchase payables	69	-	69
	<u>293</u>	<u>-</u>	<u>293</u>

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

Chinese Renminbi	<u>RM'000</u> <u>9,054</u>
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**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 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>Basic(loss)/earnings per share</b>				
Net (loss)/profit for the period (RM'000)	(15,459)	5,998	(17,930)	8,259
Weighted average number shares in issue ('000)	154,800	154,800	154,800	154,800
Basic (loss)/earnings per share (sen)	<u>(9.99)</u>	<u>3.87</u>	<u>(11.58)</u>	<u>5.34</u>

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

**B14. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2008 was unqualified.