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 2009.

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 2009.

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 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2010:-

(a) FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (2009)	Presentation of Financial Statements
FRS 123 (2009)	Borrowing Costs
FRS 139 (2010)	Financial Instruments: Recognition and Measurement

(b) Amendments to FRSs

Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 117	Leases
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial instruments: Disclosures and IC interpretation 9 Reassessment of Embedded Derivatives

(c) IC Interpretations

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

(d) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

A1. Accounting Policies and Methods of Computation (cont'd)

Other than for the application of FRS 139 and amendments to FRS 117, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial result of the Group.

a) Amendments to FRS 117

The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of this amendment will result in a change in accounting policy which will be applied retrospectively in accordance with transitional provisions. The reclassification of leasehold land from prepaid land lease payments to property, plant and equipment has been accounted for retrospectively and certain comparatives as at 31 December 2009 have been restated as follows:

	Previously stated RM'000	Adjustment RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	13,384	2,743	16,127
Prepaid land lease payments	2,743	(2,743)	-

b) FRS 139: Financial Instruments – Recognition and Measurement (FRS 139)

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

<u>Financial assets</u>

Financial assets are classified as financial assets at fair value through profit or loss, loan and receivables, held to maturity investments, Available-For-Sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial assets include cash and short-term deposits and loans and receivables.

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

<u>Financial liabilities</u>

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables, term loan and bank facilities, and are carried at amortised cost.

A1. Accounting Policies and Methods of Computation (cont'd)

b) FRS 139: Financial Instruments – Recognition and Measurement (FRS 139) (cont'd)

Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010.

	Previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
Assets			
Trade and other receivables	43,179	(822)	42,357
Equity			
Accumulated losses	(19,495)	(822)	(20,317)

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 3 months ended 31 March 2010:

	Manufacturing RM'000	**Extraction and Trading RM'000**	**Investment holding RM'000**	**Eliminations RM'000**	**Total RM'000**
REVENUE					
Sales to external customers	16,222	-	-	-	16,222
Inter-segment sales	883	-	-	(883)	-
Total revenue	17,105	-	-	(883)	16,222
RESULT					
Segments results	(1,104)	(12)	(681)	-	(1,797)
Finance costs					(437)
Loss before taxation					(2,234)
Income tax expense					23
Loss for the period					(2,211)
ASSETS					
Segment assets	177,184	1,603	1,451	-	180,238
Unallocated asset					70
Total assets					180,308
LIABILITIES					
Segment liabilities	11,391	38	422	-	11,851
Interest bearing instruments					28,146
Unallocated corporate liabilities					970
Total liabilities					40,967
OTHER SEGMENT INFORMATION					
Capital expenditure	837	-	-	-	837
Depreciation and amortisation	381	-	16	-	397

A7. Segmental Information (cont'd)

(b) Geographical Segments

Results for 3 months ended 31 March 2010:

By Geographical	Revenue RM'000	Segment Assets RM'000	Capital Expenditure RM'000
Malaysia	4,717	33,138	607
PRC	11,505	145,571	229
Turkey	-	1,599	-
	16,222	180,308	837

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 2009.

A11. Capital Commitment

Capital commitments expenditure not provided for in the interim financial statements as at the statement of financial position date were as follows:-

	As at 31.3.2010 RM'000
Approved and contracted for:-	
Property, plant and equipment	1,087

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 RM16.2 million for the quarter and year-to-date ended 31 March 2010, 125% higher compared to the revenue of RM7.2 million for the quarter and year-to-date ended 31 March 2009. The increase in the Group's revenue was mainly due to commencement of certain delayed projects in China in early 2010.

The Group recorded a loss after taxation of RM2.2 million for the quarter and year-to-date ended 31 March 2010 compared to the loss after taxation of RM0.3 million for the quarter and year-to-date ended 31 December 2009. The decrease was mainly attributable to lower gross profit margin generated for the current quarter under review and also unrealised foreign exchange loss of RM1.9 million.

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 RM2.2 million compared to the loss before tax of RM15.4 million for the quarter ended 31 December 2009. The variance were mainly due to management had made the provision for doubtful debts; bad debt written off and written down value of inventories under prudent basis in view of uncertain economy conditions in preceding quarter.

B3. Commentary on Prospects

Barring any unforeseen circumstances, the Group anticipate a better overall performance at the operational level. We will also 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 and Cumulative quarter ended	
	31 March 2010	**31 March 2009**
Current tax:-	**RM'000**	**RM'000**
-for the financial year	-	-
-overprovision in the previous financial year	(23)	-
	(23)	-

No provision for taxation expenses for the quarter and year-to-date ended 31 March 2010 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

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.

With the disposal of Mining Rights which was completed on 23 September 2009, the Proposed JV and Proposed Disposal are not expected to proceed.

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

B9. Borrowings

	Denominated in local currency as at 31.3.2010 RM'000	Denominated in foreign currency as at 31.3.2010 RM'000	Total as at 31.3.2010 RM'000
Secured short-term borrowings:			
Bank overdraft	2,915	-	2,915
Term loan	128	8,636	8,764
Hire purchase payables	293	-	293
Bankers Acceptance	4,332	-	4,332
Trust Receipts	11,411	-	11,411
	19,079	8,636	27,715
Secured long-term borrowings:			
Term loan	192	-	192
Hire purchase payables	239	-	239
	431	-	431

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

	RM'000
Chinese Renminbi	8,636

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 per share

	Individual and Cumulative period ended	
	31 March 2010	31 March 2009
Basic loss per share		
Net loss for the period (RM'000)	(2,211)	(350)
Weighted average number shares in issue ('000)	154,800	154,800
Basic loss per share (sen)	(1.43)	(0.23)

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 2009 was unqualified.