

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 2010.

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 2010.

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 2010, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations with effect from 1 January 2011:-

(a) FRSs and Amendments to FRSs

| | |
|-----------------------|--|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 3 | Business Combinations (Revised) |
| FRS 127 | Consolidated and Separate Financial Statements |
| Amendments to FRS 1 | Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters |
| Amendments to FRS 1 | Additional Exemptions for First-time Adopters |
| Amendments to FRS 2 | Share-based Payment |
| Amendments to FRS 2 | Group Cash-settled Share-based Payment Transactions |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 138 | Intangible Assets |

(b) IC Interpretations and Amendments to IC Interpretations

| | |
|-----------------------------------|---|
| IC Interpretation 4 | Determining Whether an Arrangement Contains a Lease |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |
| IC Interpretation 18 | Transfers of Assets from Customers |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives |

(c) Amendments to FRSs and Amendments to IC Interpretation 13 contained in the document entitled “Improvements to FRSs (2010)”

Adoption of the above FRSs, Amendments to FRSs and IC Interpretation did not have any effect on the financial performance, position or presentation of financials of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

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 6 months ended 30 June 2011:

| | Manufacturing RM'000 | Extraction and Trading RM'000 | Investment Holding RM'000 | Group RM'000 |
|--|---------------------------------|--|--|-------------------------|
| Revenue | | | | |
| Sales to external customers | 10,619 | - | - | 10,619 |
| Inter-segment sales | 4,309 | - | - | 4,309 |
| Total revenue | 14,928 | - | - | 14,928 |
| Adjustment and elimination | | | | (4,309) |
| Consolidated revenue | | | | 10,619 |
| Results | | | | |
| Segments results | (5,176) | (20) | (1,077) | (6,273) |
| Interest income | 71 | - | - | 71 |
| Other material items of income | 144 | - | - | 144 |
| Depreciation of property, plant and equipment | 746 | - | 32 | 778 |
| Other material items of expenses | 1,004 | - | - | 1,004 |
| Other non-cash expenses | 424 | | | 424 |
| | (2,787) | (20) | (1,045) | (3,852) |
| Finance costs | | | | (906) |
| Income tax expense | | | | - |
| Consolidated loss after taxation | | | | (4,758) |

(a) Other material items of income consist of the following:-

| | RM'000 |
|--|---------------|
| Rental income from property, plant and equipment | 144 |

(b) Other material items of expenses consist of the followings:-

| | RM'000 |
|---|---------------|
| Impairment loss on other receivables | 1,002 |
| Loss on disposal of property, plant and equipment | 2 |
| | 1,004 |

(c) Other non-cash expenses consist of the following:-

| | RM'000 |
|---------------------------------------|---------------|
| Allowance for slow-moving inventories | 424 |

A7. Segmental Information (cont'd)**(a) Business Segments (cont'd)**

Results for 6 months ended 30 June 2011:

| | Manufacturing RM'000 | Extraction and Trading RM'000 | Investment Holding RM'000 | Group RM'000 |
|--|-------------------------|-------------------------------------|---------------------------------|-----------------|
| Assets | | | | |
| Segment assets | 125,239 | 1,304 | 1,674 | 128,217 |
| Unallocated asset | | | | 114 |
| Consolidated total assets | | | | <u>128,331</u> |
| Liabilities | | | | |
| Segment liabilities | 34,751 | 12 | 1,322 | 36,085 |
| Deferred taxation | | | | 3,577 |
| Provision for taxation | | | | 562 |
| Total liabilities | | | | <u>40,224</u> |
| Other Segment items | | | | |
| Additions to non-current assets other than financial instruments:- | | | | |
| - property, plant and equipment | 524 | - | 3 | 527 |

(b) Geographical Segments

Results for 6 months ended 30 June 2011:

| By Geographical | Revenue RM'000 | Non-current Assets RM'000 |
|--------------------|-------------------|------------------------------|
| Malaysia | 5,451 | 5,942 |
| China | 5,168 | 43,412 |
| Turkey | - | - |
| | <u>10,619</u> | <u>49,354</u> |

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 other than as disclosed in B8.

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 2010.

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 30.6.2011 |
|--------------------------------------|------------------------|
| | RM'000 |
| Approved and contracted for:- | |
| Property, plant and equipment | <u>593</u> |

A12 Valuation of Property, Plant and Equipment

The Company had commissioned an independent valuation on the land and building owned by a wholly owned subsidiary in China during the quarter under review. The resulting revaluation surplus has been accounted into the financial statements of the Group for the current quarter under review.

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

B1. Review of Performance

The Group achieved revenue of RM5.2 million for the quarter ended 30 June 2011, 38% lower compared to the revenue of RM8.5 million for the quarter ended 30 June 2010. The decrease in the Group's revenue was mainly due to lower revenue generated from Malaysia segment and delayed commencement of certain projects in China.

The Group recorded a loss after taxation of RM2.57 million for the quarter ended 30 June 2011 compared to the loss after taxation of RM0.61 million for the quarter ended 30 June 2010. The loss was mainly attributable to lower gross profit margin generated, provision for doubtful debt and allowance for slow-moving inventories for the current quarter under review.

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 RM2.57 million compared to the loss before taxation of RM2.18 million for the quarter ended 31 March 2011. The slightly negative variance was mainly due to better gross profit margin generated offset with provision for doubtful debt and allowance for slow-moving inventories in current quarter.

B3. Commentary on Prospects

The result for the 6 months ended 30 June 2011 has caused the Management to evaluate the core business structure of the Group. Notwithstanding the on-going business improvement process currently being implemented, the Group will seek to realign its business strategy to focus on high yielding business and to minimise further losses to the Group.

Moving forward, the Management would be repositioning its business components and to embrace new business revenue in order to regain profitability.

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 | |
|---|--|---------------------------|
| | 30 June 2011 RM'000 | 30 June 2010 RM'000 |
| Current tax:- | | |
| -for the financial year | - | - |
| -overprovision in the previous financial year | - | (23) |
| | <u>-</u> | <u>(23)</u> |

No provision for taxation expenses for the quarter and year-to-date ended 30 June 2011 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

- (a) On 10 March 2011, the Company entered into a Memorandum of Understanding (“MOU”) with PT Greenworld Development to undertake a proposed joint venture arrangement in a mixed development project totalling approximately 50.74 acres located in the east of Jakarta, Indonesia.

On 10 June 2011, the Company announced that due to the parties are still in the midst of negotiating and finalising the Definitive Agreement, all parties agreed to extend the exclusivity period of the MOU by a further three (3) months expiring 10 September 2011.

- (b) On 13 April 2011, the Company announced the following (Collectively referred to as “Proposals”):-

- (i) a revised proposed reduction in the par value of every existing ordinary share of RM1.00 each in the Company entails the cancellation of RM0.85 of the par value, which will result in a reduction of the existing issued and paid-up share capital of the Company from RM154,800,002 comprising 154,800,002 ordinary shares of RM1.00 each in the Company to approximately RM23,220,000 comprising 154,800,002 ordinary shares of RM0.15 each in the Company;
- (ii) a revised proposed renounceable rights issue of up to 193,500,002 new ordinary shares of RM0.15 each in the Company together with 38,700,000 free detachable new warrants on the basis of five right shares for every four existing ordinary shares of RM0.15 each held in the Company after the revised proposed reduction in par value;
- (iii) a proposed increase in the authorised share capital of the Company from RM500,000,000 comprising 490,000,000 ordinary shares of RM1.00 each and 100,000,000 Irredeemable Convertible Preference Shares of RM0.10 each (“ICPS”) to RM550,000,000 comprising 3,600,000,000 ordinary shares of RM0.15 each and 100,000,000 ICPS;
- (iv) revised proposed amendments to the Memorandum and Articles of Association of the Company; and
- (v) a proposed exemption for Dato’ Lim Kim Huat under Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010 from an obligation to undertake a mandatory take-over offer for the remaining ordinary shares of RM0.15 each in the Company (after the revised proposed reduction in par value) not already held by him after the revised proposed rights issue.

On 30 May 2011, the Company announced that Bank Negara Malaysia had via its letter dated 24 May 2011, which was received on 30 May 2011, approved the issuance of the Warrants under the Proposed Rights Issue to entitled shareholders of Gefung who are non-residents.

B8. Corporate Proposals (cont'd)

- (b) On 31 May 2011, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 30 May 2011 approved the admission to the Official List of Bursa Securities and the listing of and quotation for up to 193,500,002 Rights Shares together with up to 38,700,000 new ordinary shares of RM0.15 each in Gefung pursuant to the exercise of the warrants and subject to certain conditions.

The Proposals have been approved by the shareholders of the Company at the Extraordinary General Meeting held on 6 July 2011.

On 22 July 2011, the Company announced that the Company had, on 21 July 2011, received the sealed order dated 15 July 2011 from High Court of Malaya in Kuala Lumpur sanctioning the Proposed Reduction in Par Value pursuant to Section 64 of the Companies Act, 1965. The sealed order will be lodged with the Registrar of Companies at a later date for the Proposed Reduction in Par Value to take effect.

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 30.6.2011 RM'000 | Denominated in foreign currency as at 30.6.2011 RM'000 | Total as at 30.6.2011 RM'000 |
|---------------------------------------|--|--|------------------------------------|
| Secured short-term borrowings: | | | |
| Bank overdraft | 2,619 | - | 2,619 |
| Term loan | 128 | 6,814 | 6,942 |
| Hire purchase payables | 173 | - | 173 |
| Bankers Acceptance | 368 | - | 368 |
| Trust Receipts | 7,184 | - | 7,184 |
| | <u>10,472</u> | <u>6,814</u> | <u>17,286</u> |
| Secured long-term borrowings: | | | |
| Term loan | 879 | - | 879 |
| Hire purchase payables | 306 | - | 306 |
| | <u>1,185</u> | <u>-</u> | <u>1,185</u> |

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

| | |
|------------------|------------------------|
| Chinese Renminbi | <u>RM'000</u> 6,814 |
|------------------|------------------------|

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 Quarter Ended | | Cumulative Period Ended | |
|--|--------------------------|-----------------|-------------------------|-----------------|
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| Basic loss per share | | | | |
| Net loss for the period (RM'000) | (2,573) | (619) | (4,758) | (2,830) |
| Weighted average number shares in issue ('000) | 154,800 | 154,800 | 154,800 | 154,800 |
| Basic loss per share (sen) | <u>(1.66)</u> | <u>(0.40)</u> | <u>(3.07)</u> | <u>(1.83)</u> |

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

B14. Realised and Unrealised Profits/Losses

| | As at 30.6.2011 RM'000 | As at 31.12.2010 RM'000 |
|--------------------------------|------------------------------|-------------------------------|
| - realised | (62,590) | (52,606) |
| - unrealised | (1,335) | (6,076) |
| | <u>(63,925)</u> | <u>(58,682)</u> |
| Less: consolidated adjustments | (17,948) | (18,433) |
| Total accumulated losses | <u>(81,873)</u> | <u>(77,115)</u> |

B15. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 was unqualified.