

## **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 9 months ended 30 September 2011:

|  | <b>Manufacturing<br/>RM'000</b> | <b>Extraction<br/>and Trading<br/>RM'000</b> | <b>Investment<br/>Holding<br/>RM'000</b> | <b>Group<br/>RM'000</b> |
|--|---------------------------------|--|--|-------------------------|
| <b>Revenue</b>                                   |                                 |  |  |                         |
| Sales to external customers                      | 17,296                          | -  | -  | 17,296                  |
| Inter-segment sales                              | 5,255                           | -  | -  | 5,255                   |
| Total revenue                                    | 22,551                          | -  | -  | 22,551                  |
| Adjustment and elimination                       |                                 |  |  | (5,255)                 |
| Consolidated revenue                             |                                 |  |  | <u>17,296</u>           |
| <b>Results</b>                                   |                                 |  |  |                         |
| Segments results                                 | (473)                           | (13)   | (1,249)                                  | (1,735)                 |
| Interest income                                  | 122                             | -  | -  | 122                     |
| Other material items of income                   | 241                             | -  | -  | 241                     |
| Depreciation of property, plant<br>and equipment | (1,209)                         | -  | (47)                                     | (1,256)                 |
| Other material items of<br>expenses              | (1,014)                         | -  | -  | (1,014)                 |
| Other non-cash expenses                          | (4,693)                         |  |  | (4,693)                 |
|  | <u>(7,026)</u>                  | <u>(13)</u>                                  | <u>(1,296)</u>                           | <u>(8,335)</u>          |
| Finance costs                                    |                                 |  |  | (1,412)                 |
| Income tax expense                               |                                 |  |  | -                       |
| Consolidated loss after taxation                 |                                 |  |  | <u>(9,747)</u>          |

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

|  | <b>RM'000</b> |
|--|---------------|
| Rental income from property, plant and equipment | <u>241</u>    |

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

|   | <b>RM'000</b> |
|---|---------------|
| Impairment loss on other receivables              | 1,011         |
| Loss on disposal of property, plant and equipment | 3             |
|   | <u>1,014</u>  |

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

|                                       | <b>RM'000</b> |
|---------------------------------------|---------------|
| Allowance for slow-moving inventories | <u>4,693</u>  |

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

Results for 9 months ended 30 September 2011:

|  | Manufacturing<br>RM'000 | Extraction<br>and Trading<br>RM'000 | Investment<br>Holding<br>RM'000 | Group<br>RM'000 |
|--|-------------------------|-------------------------------------|---------------------------------|-----------------|
| <b>Assets</b>  |                         |                                     |                                 |                 |
| Segment assets   | 124,918                 | 1,192                               | 1,801                           | 127,911         |
| Unallocated asset  |                         |                                     |                                 | 123             |
| Consolidated total assets  |                         |                                     |                                 | <u>128,034</u>  |
| <b>Liabilities</b>   |                         |                                     |                                 |                 |
| Segment liabilities  | 35,952                  | 4                                   | 1,568                           | 37,524          |
| Deferred taxation  |                         |                                     |                                 | 3,782           |
| Provision for taxation   |                         |                                     |                                 | 664             |
| Total liabilities  |                         |                                     |                                 | <u>41,970</u>   |
| <b>Other Segment items</b>   |                         |                                     |                                 |                 |
| Additions to non-current assets other than financial instruments:- |                         |                                     |                                 |                 |
| - property, plant and equipment                                    | 728                     | -                                   | 3                               | 731             |

**(b) Geographical Segments**

Results for 9 months ended 30 September 2011:

| By<br>Geographical | Revenue<br>RM'000 | Non-current Assets<br>RM'000 |
|--------------------|-------------------|------------------------------|
| Malaysia           | 9,498             | 6,103                        |
| China              | 7,798             | 45,012                       |
|                    | <u>17,296</u>     | <u>51,115</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.

**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:-

|                                      | <b>As at 30.9.2011</b> |
|--------------------------------------|------------------------|
|                                      | <b>RM'000</b>          |
| <b>Approved and contracted for:-</b> |                        |
| Property, plant and equipment        | <u>395</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 period ended 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 RM6.6 million for the quarter ended 30 September 2011, 54% lower compared to the revenue of RM14.5 million for the quarter ended 30 September 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 RM4.9 million for the quarter ended 30 September 2011 compared to the loss after taxation of RM5.5 million for the quarter ended 30 September 2010. The loss was mainly attributable to lower revenue generated associated with lower gross profit margin 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 RM4.9 million compared to the loss before taxation of RM2.5 million for the quarter ended 30 June 2011. The negative variance was mainly due to lower gross margin generated and allowance for slow-moving inventories in current quarter.

**B3. Commentary on Prospects**

The trading environment for the stone business continues to be challenging and the Management is currently taking steps to streamline its business which entails cost cutting measures, review, rationalize, diversify, reorganise or down-size the marble and granite business and operations of the Group with the view to reduce further losses.

**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 |             |
|---|--------------------------|------------|--------------------------|-------------|
|   | 30.09.2011               | 30.09.2010 | 30.09.2011               | 30.09.2010  |
|   | RM'000                   | RM'000     | RM'000                   | RM'000      |
| Current tax:-                                 |                          |            |                          |             |
| -for the financial year                       | -                        | -          | -                        | -           |
| -overprovision in the previous financial year | -                        | -          | -                        | (23)        |
|   | <u>-</u>                 | <u>-</u>   | <u>-</u>                 | <u>(23)</u> |

No provision for taxation expenses for the quarter and year-to-date ended 30 September 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. Subsequently on 12 September 2011, the Company announced that all parties agreed to extend the exclusivity period of the MOU by a further (3) months expiring 10 December 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 vide 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. Subsequently on 16 November 2011, the Company announced that Bursa had vide its letter dated 14 November 2011 approved an extension of time of three (3) months up to 29 February 2012 for the Company to complete the proposals.

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.

On 9 August 2011, the Company announced that Securities Commission had vide its letter dated 9 August 2011 stated it has approved the application for the Proposed Exemption.

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

**B9. Borrowings**

|                                       | <b>Denominated<br/>in local<br/>currency as<br/>at 30.9.2011<br/>RM'000</b> | <b>Denominated<br/>in foreign<br/>currency as<br/>at 30.9.2011<br/>RM'000</b> | <b>Total as at<br/>30.9.2011<br/>RM'000</b> |
|---------------------------------------|---|---|---|
| <b>Secured short-term borrowings:</b> |   |   |   |
| Bank overdraft                        | 2,404   | -   | 2,404                                       |
| Term loan                             | 128   | 7,208   | 7,336                                       |
| Hire purchase payables                | 167   | -   | 167   |
| Trust Receipts                        | 7,955   | -   | 7,955                                       |
|                                       | <u>10,654</u>   | <u>7,208</u>  | <u>17,862</u>                               |
| <b>Secured long-term borrowings:</b>  |   |   |   |
| Term loan                             | 1,045   | -   | 1,045                                       |
| Hire purchase payables                | 266   | -   | 266   |
|                                       | <u>1,311</u>  | <u>-</u>  | <u>1,311</u>                                |

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

|                  |                               |
|------------------|-------------------------------|
| Chinese Renminbi | <u>RM'000</u><br><u>7,208</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 per share**

|  | Individual Quarter Ended |               | Cumulative Period Ended |               |
|--|--------------------------|---------------|-------------------------|---------------|
|  | 30.09.2011               | 30.09.2010    | 30.09.2011              | 30.09.2010    |
| <b>Basic loss per share</b>                    |                          |               |                         |               |
| Net loss for the period (RM'000)               | (4,989)                  | (5,555)       | (9,747)                 | (8,385)       |
| Weighted average number shares in issue ('000) | 154,800                  | 154,800       | 154,800                 | 154,800       |
| Basic loss per share (sen)                     | <u>(3.22)</u>            | <u>(3.59)</u> | <u>(6.30)</u>           | <u>(5.42)</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<br>30.09.2011<br>RM'000 | As at<br>31.12.2010<br>RM'000 |
|--------------------------------|-------------------------------|-------------------------------|
| - realised                     | (68,285)                      | (52,606)                      |
| - unrealised                   | (629)                         | (6,076)                       |
|                                | <u>(68,914)</u>               | <u>(58,682)</u>               |
| Less: consolidated adjustments | (17,948)                      | (18,433)                      |
| Total accumulated losses       | <u>(86,862)</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.