



## **EXPLANATORY NOTES**

### **1. ACCOUNTING POLICIES**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 October 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 October 2008.

### **2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 October 2008 except for the adoption of the following new/revised FRS effective for the Group and the Company for the financial period beginning on or after 1 November 2007 are as follows:-

1	Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates Net Investment in Foreign Operation
2	IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
3	IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
4	IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
5	IC Interpretation 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment
6	IC Interpretation 7	Applying the Restatement Approach under FRS129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies
7	IC Interpretation 8	Scope of FRS 2
8	FRS 107	Cash Flow Statement
9	FRS 111	Construction Contracts
10	FRS 112	Income Tax
11	FRS 118	Revenue
12	FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
13	FRS 134	Interim Financial Reporting
14	FRS 137	Provisions, Contingent Liabilities and Contingent Assets
15	FRS 139	Financial Instruments: Recognition and Measurement will be effective for accounting period beginning on or after 1 January 2010.

These new/revised IC's Interpretation and FRS's, Interpretations and amendments have no material impact on the financial statements of the Group and of the Company.

### **3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 October 2008 were not qualified.



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**4. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The businesses of the Group are not materially affected by seasonal or cyclical factors.

**5. 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 quarter and financial year-to-date.

**6. CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior quarter of the current financial year or changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter and financial year to-date results.

**7. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.

**8. DIVIDENDS PAID**

No dividend was paid during the current quarter and financial year to-date.

**9. SEGMENTAL REPORTING**

The segmental analysis of the Group for the financial year to-date is as follows:-

By Activities	Financial Year To-Date 30 April 2009 (All figures in RM'000)					
	Oil & Gas	Crane Manufacturing	Investment Holdings	Others	Elimination	Total
Revenue	170,145	20,378	4,025	2,820	(20,697)	176,671
Profit/(Loss) before Tax	(2,715)	(10,022)	(2,295)	(4,304)	-	(19,336)

By Activities	Financial Year To-Date 30 April 2008 (All figures in RM'000)					
	Oil & Gas	Crane Manufacturing	Investment Holdings	Others	Elimination	Total
Revenue	191,008	6,468	4,100	3,526	(14,746)	190,356
Profit/(Loss) before Tax	13,777	(310)	(5,229)	(246)	-	7,992

**10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The valuation of land and building have been brought forward without any amendments from the previous financial statements.



**11. SUBSEQUENT MATERIAL EVENT**

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

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

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

**13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The contingent liabilities of the Group comprise the following:-

	As at 30/04/09	
	Group RM'000	Company RM'000
Potential litigation and claim, inclusive of interest thereon	11,812	6,089
Letters of Guarantee issued to financial institutions for credit facilities granted to a subsidiary company	-	470,055
	<b>11,812</b>	<b>476,144</b>

The Board is of the opinion that the outcome of the litigation claim will be favorable to the Group but as a matter of prudence the claim has been recognized under contingent liabilities.

**14. REVIEW OF PERFORMANCE**

For the quarter under review, the Group recorded revenue of RM86.7 million and a loss before taxation of RM13.6 million compared to the preceding year quarter revenue and profit after taxation of RM80.1 million and RM1.4 million respectively.

The higher loss before tax for the quarter under review was mainly due to losses in the crane manufacturing segment and loss arising from termination of a tubular mill equipment supply contract.

**15. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

For the quarter under review, the Group recorded revenue of RM86.7 million and net loss before taxation of RM13.6 million compared to the immediate preceding quarter revenue of RM89.9 million and loss before tax of RM5.78 million. The higher loss before tax for the quarter under review was mainly due to project losses in the crane manufacturing segment and loss arising from termination of a tubular mill equipment supply contract.

**16. FACTORS THAT INFLUENCE THE GROUP'S PROSPECTS**

The Group will focus on securing projects in its core business of fabricating oil and gas offshore structures, cost rationalization strategies and restructuring efforts to improve its competitiveness within the industry.

**17. PROFIT FORECAST/PROFIT GUARANTEE**

Not applicable.



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**18. TAXATION**

Taxation comprises the following: -

<b>Taxation</b>	<b>Individual Quarter 3 months ended 30 April 2009 (RM'000)</b>	<b>Cumulative period 6 months ended 30 April 2009 (RM'000)</b>
<b>Malaysian Taxation:</b>		
Current taxation	(12.38)	3.3
(Over)/Under provision in prior year/period	12.38	(3.3)
<b>Foreign Taxation</b>		
Current Taxation	0	0
<b>Deferred taxation</b>		
Current taxation	0	0
Over provision in prior years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

The Group's effective tax rate is reconciled to the statutory tax rate for the current quarter and financial year to-date primarily as follows:

	<b>Individual Quarter 3 months ended 30 April 2009 (RM'000)</b>	<b>Cumulative period 6 months ended 30 April 2009 (RM'000)</b>
Profit/(Loss) before tax	(13,564.11)	(19,336.41)
Tax	0	0
Effective tax rate	0%	0%

At 25%

	<b>Individual Quarter 3 months ended 30 April 2009 (RM'000)</b>	<b>Tax Rate</b>	<b>Cumulative period 6 months ended 30 April 2009 (RM'000)</b>	<b>Tax Rate</b>
Tax at 25% against PBT	(3,391.02)	25%	(4,834.11)	25%
Non allowable expenses	1,285.60	(9%)	2,571.72	(13%)
Unrecognised tax losses and capital allowances	2,346.50	(17%)	2,591.99	(13%)
Utilisation of tax losses and capital allowances	(253.46)	2%	(326.29)	2%
(Over)/Under provision prior year/period	12.38	0%	(3.31)	0%

**19. SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES**

There were no sale of unquoted investments and/or properties for the financial year to-date.

**20. PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no purchases or sales of quoted securities for the financial year to-date.



**21. STATUS OF CORPORATE PROPOSALS**

- (i) Acquisition of H.S. (D) No.7794, PT No. PTD 502, Mukim Pantai Timor, Daerah Kota Tinggi, Negeri Johor (the "Land") and all buildings, structures, plant, machinery, associated equipment, fixtures and fittings situated on the Land (collectively the "Property") from Ramunia Energy & Marine Corporation Sdn Bhd ("Remcorp") (the "Acquisition").

The Securities Commission ("SC") had on 13 December 2006 approved the Acquisition subject to, amongst others, Ramunia rectifying the unapproved structures on the Land within 12 months from the date of the SC's approval of the Acquisition, being 13 December 2007 ("Condition").

In relation to the above, the SC had on 15 February 2008 and 24 December 2008 approved the Company's application for an extension of up to 13 December 2008 and thereafter to 30 March 2009 to comply with the Condition.

Kenanga Investment Bank on behalf of the Company, had on 30 March 2009 notified SC that the above Condition has been fully complied.

- (ii) On 4 May 2009, the Company received an offer letter dated 4 May 2009 from Sime Darby Engineering Sdn Bhd ("SDE"), an indirect wholly-owned subsidiary of Sime Darby Berhad to acquire the business and undertaking (including the assets and liabilities, whether in whole or in part, to be determined following a due diligence inquiry) of Ramunia and its subsidiaries ("Offer") for a total provisional purchase consideration of RM232.0 million, subject to adjustment under the terms of Offer.

If accepted, the Offer will be formalized in a definitive sale and purchase agreement to be executed between Ramunia and SDE.

Subject to the terms of Offer, the purchase consideration shall be satisfied by SDE in the following manner:

- (i) RM46.2 million cash; and  
(ii) RM185.8 million equivalent value of new ordinary shares of RM1.00 each in SDE ("SDE Shares") representing 20% of the ordinary shares in the enlarged SDE.

Where only part of the assets and liabilities are acquired by SDE, then the purchase consideration and the mode of settlement thereof shall be adjusted accordingly.

The Offer shall remain open for acceptance until 5.00 p.m. on 8 May 2009 after which the Offer shall lapse unless SDE agrees in writing to extend the period for which this Offer shall continue to be valid.

On 7 May 2009, the Company announced that the Board had on even date accepted the Offer subject to the execution of a definitive sale and purchase agreement ("SPA"), which shall contain the terms and conditions to be mutually agreed between Ramunia and SDE. The SPA is to be executed on or before 21 May 2009 (or such other period as mutually agreed in writing by SDE and Ramunia).



**21. STATUS OF CORPORATE PROPOSALS (Cont'd)**

On 20 May 2009, the Company announced that SDE and Ramunia had on even date mutually agreed in writing to extend the signing of the definitive sale and purchase agreement for a period of 14 days from 21 May 2009 to 4 June 2009.

On 4 June 2009, SDE and Ramunia had on even-date mutually agreed in writing to extend the signing of the definitive sale and purchase agreement ("SPA") for an additional period of one (1) month from 4 June 2009 to 3 July 2009 (the "Extension").

Pursuant to the terms of the Extension, SDE had also agreed to pay a cash amount of RM10.0 million as earnest money ("Earnest Money") to a mutually appointed stakeholder pending the signing of the SPA.

Upon the signing of the SPA, the Earnest Money shall be treated as payment by SDE towards the part settlement of the purchase consideration payable under the SPA. Following the payment of the Earnest Money, the Parties shall commence the due diligence review within fourteen (14) days from 4 June 2009.

**22. GROUP BORROWINGS**

The Group's borrowings as at 30 April 2009 are as follows:-

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>SHORT TERM BORROWINGS</b>			
Bank overdraft	30,855	363	31,218
Revolving credits	43,809	-	43,809
Trust receipts	-	-	-
	74,664	363	75,027
Finance payables (hire purchase)	75	-	75
Term loans	36,283	-	36,283
	111,022	363	111,385
<b>LONG TERM BORROWINGS</b>			
Finance payable (hire purchase)	306	-	306
Term loans	175,705	40,000	215,705
	176,011	40,000	216,011
<b>TOTAL BORROWINGS</b>	<b>287,033</b>	<b>40,363</b>	<b>327,396</b>

**23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 30 April 2009.

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#### **24. CHANGES IN MATERIAL LITIGATION**

Save as disclosed below, the Company is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which has or will have a material effect on the financial position on our business, and your Directors are not aware of any proceedings, pending or threatened, against the company and/or any of the company's subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of your Group:

- (a) Ingress Fabricators Sdn. Bhd. vs Ramunia Fabricators Sdn. Bhd  
(Guaman Sivil No.:S7-22-147-2007)

The matter is now fixed for case management on 28 July 2009.

- (b) Ingress Fabricators Sdn. Bhd. vs Ramunia Fabricators Sdn. Bhd  
(Guaman Sivil No.: S2-22-424-2007)

The matter is fixed for next case management on 14 July 2009.

Based on our solicitors' advice, the Board is of the opinion that the outcome of the litigation claim will be favorable to the Company.

- (c) Ramunia Fabricators Sdn. Bhd. Vs Oriental Capital Assurance Bhd  
(Guaman Sivil No.: D6-22-1086-2007)

The Company's solicitor has filed for case management and accordingly this matter is now on progress for trial. The case mention date is 30 June 2009.

The Board is of the opinion that the legal action mentioned will not materially affect the financial position or business of Ramunia and or its subsidiaries.

- (d) Sigur Ros Sdn. Bhd. vs Ramunia Fabricators Sdn. Bhd  
(Guaman Sivil No.: S3-22-662 TAHUN 2008)

Sigur Ros has taken this legal action to claim for RM 1,531,350.00 for goods delivered and services rendered. Both parties are negotiating for the matter to be settled out of court.

- (e) Promet V Ramunia Holdings Bhd/Ramunia Fabricators Sdn Bhd  
(Guaman Sivil No. MT3-22-650-2008)

Promet is claiming for an alleged trespass on their land and claiming for RM 6,088,973.31 damages. We are denying that we are encroaching upon Plaintiff's land. Statement of defence has been filed on 28 October 2008. The Company has yet to be notified of a case management date.

- (f) Efficient Technology Sdn Bhd v Ramunia Fabricators Sdn Bhd  
(Guaman Sivil No. 22-74-2009)

Efficient Technology is claiming for a sum of money for goods delivered and services rendered. The writ of summon was served to the Company on 3 March 2009. The claimed is for RM 2,316 277.55. Statement of defence was filed on 20 April 2009.

The Company has given instructions to its solicitors to take all measures necessary and appropriate to defend and defeat the Plaintiff's claim. The losses, if any, cannot be ascertained at this point in time as the estimated legal and related expenses have yet to be determined.

**24. CHANGES IN MATERIAL LITIGATION (Cont'd)**

- (g) Ingress Fabricators Sdn Bhd V Ramunia Fabricators Sdn Bhd  
(Guaman Civil No: S2-22-1134-2008)

Ingress Fabricators Sdn Bhd is claiming for the following sum for Guntong E Jacket, E8DR-A Substructure, E11P-B Substructure and E8DR-A Topside:

- 1) RM 633,807.00 being the retention sum for completed project
- 2) RM 23,630.00 for additional works completed
- 3) RM 16,115.00 for corrective works completed
- 4) RM 3,917,072.73 for work done

It is our solicitor's opinion that the sum claim in this suit should have been raised in the 147 and 424 suits respectively. Therefore, the third suit constitutes multiplicity of proceedings and therefore ought to be struck off.

- (h) AJ Petroleum Sdn Bhd V Ramunia Fabricators Sdn Bhd  
(Winding Up No: D10-28-127-2009)

The matter involves a claim by AJ Petroleum Sdn Bhd for the sum of RM 2,569,051.08 for consultancy services rendered. The Petition was struck out on 16 June 2009.

- (i) Syn-Tech Machinery Sdn Bhd V Ramunia Fabricators Sdn Bhd  
(Winding Up No: 28-2-2009)

The matter involves a claim by Syn-Tech Machinery for the sum of RM82,557.50 for goods delivered and services rendered. The matter has been duly settled and the solicitors of the petitioner agreed to withdraw the petition on the hearing date of 3 August 2009.

**25. DIVIDENDS**

The Board of Directors does not recommend the payment of dividends for the current quarter under review.

**26. EARNINGS PER SHARE**

Earnings per share ("EPS")	2 <sup>nd</sup> Quarter		Cumulative Period	
	Current Year Quarter 30/04/09	Preceding Year Corresponding Quarter 30/04/08	Current Year to-date 30/04/09	Preceding Year-to-date 30/04/08
Profit/(Loss) attributable to equity holders of parent (RM'000)	(13,343)	1,072	(19,115)	6,770
Weighted average number of ordinary shares in issue ('000)	562,191	513,442	562,191	513,442
Basic EPS (sen)	(2.37)	0.21	(3.40)	1.32
Adjusted profit attributable to equity holder of parent	-	1,072	-	6,770
Adjusted weighted average number of ordinary shares in issue ('000)	-	745,533	-	745,533
Diluted EPS (sen)	-	0.14	-	0.91





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The calculation of basic earnings per share is based on the Group's profit/(loss) attributable to parent equity holders divided by the number of weighted average ordinary shares in issue during the financial year to-date.

The Group has no dilution in its loss per ordinary shares in the current quarter/year-to-date as there are no dilutive potential ordinary shares. Thus, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its loss per share.

**27. AUTHORISED FOR ISSUE**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 26 June 2009.