

M3ENERGY BERHAD

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

(The figures have not been audited)

		2008	2006	2008	2007
		Individual	Individual	Cumulative	Cumulative
		Quarter	Quarter	Quarter	Quarter
		Current	Preceding Year	Current	Preceding Year
		Year	Corresponding	Year	Corresponding
		Quarter	Quarter	to date	Period
	Note	30-Jun	31-Dec	30-Jun	30-Jun
		RM'000	RM'000	RM'000	RM'000
		<i>(3 months)</i>	<i>(3 months)</i>	<i>(12 months)</i>	<i>(18 months)</i>
Continuing Operations					
Revenue	A8	42,074	39,211	167,998	267,406
Other income		311	1,986	927	10,329
Operating expenses		(30,046)	(29,887)	(131,454)	(213,014)
Depreciation and amortisation		(10,551)	(5,503)	(27,482)	(30,978)
Impairment reversal/(loss)		(2,688)	(8,190)	7,577	(16,195)
Gain on disposal of investment		3,828	-	3,267	-
Interest income		645	1,239	2,825	5,924
Interest expense		(1,067)	(1,692)	(5,172)	(10,899)
Other finance costs		395	(519)	(514)	(1,686)
Share of results in associate		-	-	(7,227)	(51,093)
Profit/(Loss) before tax		2,901	(3,355)	10,745	(40,206)
Taxation	B5	241	(2,397)	(2,591)	(14,949)
Profit/(Loss) for the period from continuing operations		3,142	(5,752)	8,154	(55,155)
Discontinued Operation					
(Loss)/profit for the period from discontinued operation		(656)	(2,731)	(2,558)	124,565
Profit/(Loss) for the period		2,486	(8,483)	5,596	69,410
Attributable to:					
Equity holders of the parent		3,782	(7,021)	9,261	699
Minority Interest		(1,296)	(1,462)	(3,665)	68,711
		2,486	(8,483)	5,596	69,410
Earnings per share attributable to equity holders of the parent:					
Basic, for profit/(loss) from continuing operations (sen)		3.31	(4.57)	8.56	(55.60)
Basic, for (loss)/profit from discontinued operation (sen)		(0.28)	(1.25)	(1.16)	56.18
Basic, for profit/(loss) for the period (sen)		3.03	(5.82)	7.40	0.58
Diluted, for profit/(loss) from continuing operations (sen)		n/a	n/a	n/a	n/a
Diluted, for (loss)/profit from discontinued operations (sen)		n/a	n/a	n/a	n/a
Diluted, for profit for the period (sen)		n/a	n/a	n/a	n/a

The Group has changed its financial year end from 31 December to 30 June. The current financial year is from 1 July 2007 to 30 June 2008, and the previous financial period was from 1 January 2006 to 30 June 2007, an 18-month period. The quarter ended 30 June 2008 is the fourth quarter for the current financial year and the quarter ended 31 December 2006 was the fourth quarter for the preceding financial period.

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the period ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

M3ENERGY BERHAD**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008**

(The figures have not been audited)

		2008	2007
		End of	Audited
		Current	Preceding
		Quarter	Financial
	Note	30-Jun	Year End
		RM'000	30-Jun
			RM'000
Assets			
Non-Current Assets			
Property, plant and equipment		372,926	253,811
Prepaid lease rental		4,582	6,215
Intangible assets		40,185	7,144
Investment in associates		-	24,197
Other investments		517	1,451
Deferred tax assets		21,391	24,903
		<u>439,601</u>	<u>317,721</u>
Current Assets			
Inventories		14,071	13,656
Trade and other receivables		57,751	72,282
Cash and bank balances		157,071	171,221
		<u>228,893</u>	<u>257,159</u>
Assets classified as held for sale	A12	18,139	-
		<u>247,032</u>	<u>257,159</u>
Total Assets		<u>686,633</u>	<u>574,880</u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	A6	125,064	125,064
Reserves		297,583	284,224
		<u>422,647</u>	<u>409,288</u>
Minority interest		33,475	35,091
Total Equity		<u>456,122</u>	<u>444,379</u>
Non-Current Liabilities			
Borrowings	B9	128,882	29,113
Deferred tax liabilities		115	115
		<u>128,997</u>	<u>29,228</u>
Current Liabilities			
Overdraft and short term borrowings	B9	52,731	79,004
Trade and other payables		45,941	18,416
Taxation		2,458	3,853
		<u>101,130</u>	<u>101,273</u>
Liabilities directly associated with the assets classified as held for sale	A12	384	-
		<u>101,514</u>	<u>101,273</u>
Total Liabilities		<u>230,511</u>	<u>130,501</u>
Total Equity and Liabilities		<u>686,633</u>	<u>574,880</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)			
		3.38	3.27

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the period ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

M3ENERGY BERHAD**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

(The figures have not been audited)

	<i>(12 months)</i> 30-Jun-08 RM'000	<i>(18 months)</i> 30-Jun-07 RM'000
Net profit before tax	8,187	88,459
Adjustments:-		
Non-cash items	30,884	(2,413)
Operating profit before changes in working capital	39,071	86,046
Changes in working capital	23,876	(24,905)
Cash used in operations	(8,462)	(22,206)
Net cash flow from operating activities	<u>54,485</u>	<u>38,935</u>
Investing Activities		
Purchase of property, plant and equipment	(146,804)	(24,051)
Exploration and evaluation expenditure	(3,828)	(7,144)
Purchase of intangible assets	(14,577)	-
Purchase of investments	-	(1,232)
Proceeds from disposal of associate	15,163	-
Proceeds from disposal of property, plant and equipment	-	95
Interest income received	4,205	6,410
Dividends received	22	29
Disposal of operations	-	207,491
Others	-	(4,775)
	<u>(145,819)</u>	<u>176,823</u>
Financing Activities		
Drawdown of borrowings	186,364	76,122
Repayment of borrowings	(113,276)	(136,477)
Proceeds from issuance of shares	-	5,797
Purchase of treasury shares	(454)	-
Dividends paid	(1,876)	(1,571)
Dividends paid to minority shareholders	-	(102,592)
Withdrawal/(placement) of deposits	37,080	(31,492)
Others	-	(64)
	<u>107,838</u>	<u>(190,277)</u>
Net change in cash & cash equivalents	16,504	25,481
Cash and cash equivalents at beginning of the year	109,990	86,931
Effect of exchange rate changes	4,800	(2,422)
Cash and cash equivalents at end of the period	<u>131,294</u>	<u>109,990</u>
Cash and cash equivalents comprise:		
Cash on hand and in bank	28,159	8,888
Deposits with licensed banks	106,637	102,978
Bank overdrafts	(3,502)	(1,876)
	<u>131,294</u>	<u>109,990</u>
Deposits pledged with licensed banks	<u>22,275</u>	<u>59,355</u>

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The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the period ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

M3ENERGY BERHAD
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

(The figures have not been audited)

	<----- Attributable to Equity Holders of the Parent ----->						Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Sub-Total RM'000	Minority Interest RM'000	
12 months ended 30 June 2008							
At 1 July 2007	125,064	79,211	1,130	203,883	409,288	35,091	444,379
Currency translation differences	-	-	2,282	-	2,282	2,049	4,331
Share of associate's reserve	-	-	2,211	-	2,211	-	2,211
Disposal of associate	-	-	120	-	120	-	120
Net income recognised directly in equity	-	-	4,613	-	4,613	2,049	6,662
Profit for the period	-	-	-	9,261	9,261	(3,665)	5,596
Total recognised income and expense for the period	-	-	4,613	9,261	13,874	(1,616)	12,258
Dividends paid	-	-	-	(1,876)	(1,876)	-	(1,876)
Purchase of treasury shares	-	-	(454)	-	(454)	-	(454)
Share-based payment under ESOS	-	-	1,815	-	1,815	-	1,815
	-	-	5,974	7,385	13,359	(1,616)	11,743
At 30 June 2008	125,064	79,211	7,104	211,268	422,647	33,475	456,122
18 months ended 30 June 2007							
At 1 January 2006	78,557	118,255	908	201,913	399,633	64,235	463,868
Effects of adopting FRS 3	-	-	-	1,460	1,460	-	1,460
Currency translation differences	-	-	711	-	711	633	1,344
Dilution of shares	-	-	-	(368)	(368)	10,040	9,672
Net income recognised directly in equity	-	-	711	1,092	1,803	10,673	12,476
Profit for the period	-	-	-	699	699	68,711	69,410
Total recognised income and expense for the period	-	-	711	1,791	2,502	79,384	81,886
Dividends paid	-	-	-	(1,571)	(1,571)	(102,592)	(104,163)
Share issue pursuant to ESOS	4,819	2,708	(4,726)	-	2,801	-	2,801
Share issue pursuant to bonus issue	41,688	(41,752)	-	-	(64)	-	(64)
Share-based payment under ESOS	-	-	6,476	-	6,476	-	6,476
Cancellation of ESOS	-	-	(1,750)	1,750	-	-	-
Arising from disposal of operations	-	-	(489)	-	(489)	(3,098)	(3,587)
Arising from purchase of interest in subsidiary from minority shareholder	-	-	-	-	-	(2,838)	(2,838)
	46,507	(39,044)	222	1,970	9,655	(29,144)	(19,489)
At 30 June 2007	125,064	79,211	1,130	203,883	409,288	35,091	444,379

The Group has changed its financial year end from 31 December to 30 June. The current financial year is from 1 July 2007 to 30 June 2008, and the previous financial period was from 1 January 2006 to 30 June 2007, an 18-month period. The quarter ended 30 June 2008 is the fourth quarter for the current financial year and the quarter ended 31 December 2006 was the fourth quarter for the preceding financial period.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the period ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

M3ENERGY BERHAD

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

A1. Accounting Policies

The interim financial statements has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (FRS) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad (Bursa) Listing Requirements and should be read in conjunction with the Group's annual audited financial statements for the period ended 30 June 2007.

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 financial period ended 30 June 2007.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the audited financial statements for the period ended 30 June 2007, except for the adoption of the following new/revised FRSs:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 117	Leases
FRS 118	Revenue
FRS 124	Related Party Disclosures
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effect of Changes in Foreign Exchange Rates - Net Investment in Foreign Operations

The adoption of the new/revised FRSs does not have significant impact on the Group, except for FRS 117. The principle effects of the change in accounting policies resulting from the adoption of FRS 117 are summarised below:

FRS 117: Leases

Prior to the adoption of FRS 117, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and accumulated impairment losses. Under the FRS 117, leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements are considered separately for the purposes of lease classification. The land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term and where necessary, the minimum lease payments or the upfront payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. The upfront payment represents prepaid lease rental and are amortised over the remaining lease term.

The reclassification of leasehold land from property, plant and equipment to prepaid lease rental has been accounted for retrospectively in the consolidated balance sheet. The adoption of FRS 117 has no financial effect on the consolidated income statement. The effects on the comparatives to the Group on the adoption of FRS 117 are as follows:

	Previously Stated RM'000	Effects RM'000	Restated RM'000
Property, plant and equipment	260,026	(6,215)	253,811
Prepaid lease rental	-	6,215	6,215

A2. Audit Qualifications

The audit report of the preceding annual financial statements was not subject to any qualifications.

A3. Seasonal or Cyclical Factors

There were no seasonal or cyclical events that had materially affected the nature of the operations for the period.

A4. Unusual Items

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group since the last financial period.

A5. Changes in Estimates

There are no changes in estimates of amounts reported in prior interim periods or financial years that have a material effect in the current interim period except for the revision in the estimated remaining useful life of the FPSO from eleven to eight years. However, the useful life may be extended by two to four years or beyond by a refurbishment program over the next few years.

A6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities except for the following:

Issued and Fully Paid-up Share Capital	No. of shares	
	2008	2007
- Ordinary Shares of RM1 Each	'000	'000
At 1 July 2007/1 January 2006	125,064	78,557
Issued during the period		
- Exercise of ESOS	-	4,819
- Bonus issue		41,688
At 30 June 2008/30 June 2007	<u>125,064</u>	<u>125,064</u>

During the quarter, the Company repurchased 483,200 of its ordinary shares from the open market for a total consideration of RM454,064. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares.

At the end of the quarter, there were 9.7 million unexercised options under the ESOS.

A7. Dividends Paid

No dividend was paid during the current quarter.

A8. Segmental Reporting By Activity

	Segment Revenue		Segment Results	
	Year to date	Year to date	Year to date	Year to date
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	RM'000	RM'000	RM'000	RM'000
	(12 months)	(18 months)	(12 months)	(18 months)
Technical/ oil and gas services	82,762	130,742	21,805	36,689
Trading and manufacturing	39,429	64,398	2,541	7,290
Engineering, procurement and construction	43,616	70,888	(5,449)	2,900
Investment holding	2,377	110,315	5,240	97,216
Exploration and production	-	-	(2,385)	-
Others	789	-	(667)	(6,624)
	<u>168,973</u>	<u>376,343</u>	<u>21,085</u>	<u>137,471</u>
Eliminations	(975)	(108,937)	(252)	(119,923)
	<u>167,998</u>	<u>267,406</u>	<u>20,833</u>	<u>17,548</u>
Discontinued operation	2,895	82,105	(2,552)	128,274
	<u>170,893</u>	<u>349,511</u>	<u>18,281</u>	<u>145,822</u>

Segment results is earnings before interest income, interest expense, other finance costs and share of results in associate.

A9. Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment had been brought forward without any amendment from the previous annual financial statements.

The previous quarter report stated that there was a purchase option on an asset of a subsidiary and a potential loss of RM16 million in the event the purchase option is exercised. This purchase option has lapsed during the current quarter and therefore, there would be no such potential loss. An independent valuation report on the asset obtained on 25 July 2008 showed a surplus of RM41.2 million above the carrying value - this surplus has not been taken into account in the current financial year.

A10. Subsequent Events

On 24 March 2008, the Company entered into a Share Sale Agreement with Jelas Bina Sdn Bhd for the proposed disposal of its 100% equity interest in Trenggo Quarry Sdn Bhd for a cash consideration of RM2,310,000, subject to closing adjustment. The proposed disposal was completed on 15 July 2008.

A11. Changes in Composition of the Group

There are no changes in the composition of the Group for the current quarter including business combinations, acquisitions or disposal of subsidiaries and long term investments, restructuring or discontinuing operations except as disclosed below.

On 23 May 2008, the Company incorporated a subsidiary by the name of M3nergy Labuan Ltd (MLL). The authorised and paid-up capital of MLL are USD10,000 and USD1,000 respectively. MLL is incorporated to act as a special purpose vehicle for project financing.

A12. Assets Classified as Held for Sale

Pursuant to the Supplemental Share Sale Agreement entered into between the Company and Core Attributes (M) Sdn Bhd (CASB) on 12 December 2007, the Company has agreed to grant CASB an irrevocable option over 20,933,884 ordinary shares in Malaysian Merchant Marine Berhad ("MMM") held by M3nergy (Option OS) for a total consideration of RM20,515,206 in addition to the call option over MMM Islamic Preference Shares and Warrants, which may be exercised by CASB up to 31 December 2008. M3nergy also has a put option on CASB, Dato' Ramesh Rajaratnam and Datin S.L. Sharlini Manickam to require them to purchase all the Option OS for a total consideration of RM20,515,206.

As disclosed in Note A10 above, Trenggo Quarry has been classified as held for sale. The revenue and results of Trenggo Quarry were as follows:

	Quarter ended 30-Jun-08 RM'000	Quarter ended 31-Dec-06 RM'000	Year to date 30-Jun-08 RM'000	Year to date 30-Jun-07 RM'000
Revenue	692	952	2,895	5,480
Profit before tax	8	(16)	(95)	450
Taxation	-	-	-	-
Profit for the period from discontinued operations	8	(16)	(95)	450

A12. Assets Classified as Held for Sale (continued)

The major classes of assets and liabilities of Trenggo Quarry classified as held for sale as at 30 June 2008 are as follows:

	RM'000
Assets	
Property, plant and equipment	27
Prepaid lease rental	1,569
Inventories	114
Trade and other receivables	315
Cash and bank balances	199
Assets classified as held for sale	<u>2,224</u>
Liabilities	
Trade and other payables	382
Taxation	2
Liabilities directly associated with the assets classified as held for sale	<u>384</u>
Net assets attributable to discontinued operations	<u>1,840</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the last annual financial statements as at 30 June 2007.

A14. Change of Financial Year End

The Group has changed its financial year end from 31 December to 30 June during the last financial period. The current financial period is from 1 July 2007 to 30 June 2008 and the previous financial period was from 1 January 2006 to 30 June 2007.

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review

There are no applicable comparative figures as a result of the change in financial year end from 31 December to 30 June during the last financial period. The current financial year is from 1 July 2007 to 30 June 2008 and the previous financial period was a 18-month period from 1 January 2006 to 30 June 2007.

Group revenue for the current financial period was RM168.0 million. The oil and gas division contributed about 49% of the current Group revenue followed by engineering, procurement and construction division and trading and manufacturing division, contributing 26% and 23% respectively.

The Group generated profit before tax from continuing activities of RM10.7 million for the current financial year. This represents RM7.0 million from direct continuing operations and a net effect from the investment in Malaysian Merchant Marine Berhad ("MMM") of RM3.7 million. There was a reversal/write-back in impairment loss for this investment of RM7.6 million. The Company's disposal of MMM shares in December 2007 resulted in MMM ceasing to be an associate and the Group's share of loss in MMM up to that date was RM7.2 million. The share sale contributed a gain of RM3.3 million.

B2. Material Change in Quarterly Profit Before Taxation

The profit before tax for the current quarter was RM2.9 million as compared to loss before tax of RM4.1 million in the preceding quarter. Higher construction costs were incurred by the engineering, procurement and construction division during the last quarter.

B3. Prospects

The business outlook for the oil and gas sector remains positive in view of the favourable oil prices. The Group will continue to pursue business opportunities in exploration and production ("E&P") as well as FPSO/FSO projects.

The Directors are confident of the long term prospects of the Group and expect the E&P projects currently in-hand to generate revenue in the next 3 to 5 years. The recent FSO contract awarded is expected to be commissioned in the third quarter of 2009, contributing positively to the earnings from the financial year ending 30 June 2010.

B4. Profit Forecast and Profit Guarantee

No profit forecast and/or profit guarantee have been issued by the Group.

B5. Taxation

	Group	
	Quarter ended 30-Jun-08 RM'000	Year to date 30-Jun-08 RM'000
Major components of tax expense:		
Current year provision	12	885
Deferred tax	(122)	3,512
	(110)	4,397
Overprovision - prior years	(131)	(1,806)
	(241)	2,591
Profit before taxation	2,901	10,745
Taxation at the statutory income tax rate	754	2,794
Tax effect on timing differences, provisions and expenses not deductible for tax purposes	(995)	(203)
Tax expense	(241)	2,591

B6. Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments or properties during the period.

B7. Purchase and Disposal of Quoted Securities

Details of purchases and disposals of quoted securities are as follows:

	Group	
	30-Jun-08 RM'000	30-Jun-07 RM'000
Purchase consideration	-	-
Sale proceeds	15,163	-
Gain on disposal	3,267	-
Quoted securities held		
- at cost	73,034	130,018
- at book value	15,932	24,213
- at market value	18,197	27,619

There was no purchase and disposal of quoted securities during the period.

B8. Status of Corporate Proposals

There were no outstanding corporate proposals except as disclosed below:

Maveric Ltd, a 54.85% subsidiary, had on 10 December 2007, entered into a conditional sale and purchase agreement with Messrs Tan Keng Siong Thomas, Tan Sek Khoon and Yeo Ai Tee to acquire the entire issued and paid-up share capital of Kim Heng Marine & Oilfield Pte Ltd, Kim Heng Maritime Pte Ltd, Kim Heng Tubulars Pte Ltd, Kim Heng Shipbuilding & Engineering Pte Ltd, Darwin Offshore Logistics Base Pty Ltd, Darwin Base Waste Pty Ltd and Alpine Progress Shipping Pte Ltd (Proposed Acquisition), which is subject to the approval of the shareholders of M3nergy at an extraordinary general meeting to be convened.

B9. Group Borrowings

The details of Group borrowings are as follows:

Nature	Secured/ Unsecured	Group 30-Jun-08		Group 30-Jun-07	
		Repayable Within 12 Months RM'000	Repayable After 12 Months RM'000	Repayable Within 12 Months RM'000	Repayable After 12 Months RM'000
Revolving Credit ("RC")	Unsecured	13,066	-	-	-
RC/Trade Loan/Overdraft	Secured	10,851	-	41,254	-
Term Loans	Secured	28,419	128,692	37,278	28,720
Hire-Purchase	Secured	395	190	472	393
		<u>52,731</u>	<u>128,882</u>	<u>79,004</u>	<u>29,113</u>

Included under Term Loans is a US Dollar 5-year term loan up to end of 2008 of USD7.5 million (RM24.5 million). The repayments will be made from revenue receipts denominated in US Dollars.

B10. Off Balance Sheet Financial Instruments

Interest Rate Swap

The Group's accounting policy recognises interest based on a time proportion basis that reflects the effective yield on the asset.

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no long-term interest-bearing assets as at the end of the period. The investment in financial assets are mainly short term in nature. They are not held for speculative purposes and have mostly been placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

At the end of the quarter, the group has two outstanding interest rate swap ("IRS") agreements with commercial banks relating to the Group's USD50 million term loan which has an interest rate exposure of a 3-month SIBOR ("Relevant Rate") + 1.15% p.a.. The arrangements changed the interest rate exposure on the Relevant Rate to the following:

Notional Amount USD'mil	Commencement	Expiry	Interest Rate Exposure with IRS
(a) 3.75	26-Mar-04	26-Mar-09	3-month SIBOR in arrears +2.03% p.a. (capped at 4.53% when SIBOR is less than 5.50%). This arrangement included the unwinding costs of a former IRS.
(b) 3.75	27-Dec-04	16-Oct-08	3-month LIBOR +0.395% p.a. with LIBOR capped at 4.00% p.a.

The subsidiary is exposed to credit loss in the event of non-performance by the commercial banks involved in the IRS agreements. However, the subsidiary does not anticipate non-performance by the commercial banks concerned. The 3-month SIBOR and LIBOR as at the end of the quarter were 2.81% and 2.78% per annum respectively.

Call and Put Options

Pursuant to the Supplemental Share Sale Agreement entered into between the Company and Core Attributes (M) Sdn Bhd (CASB) on 12 December 2007, the Company has agreed to grant CASB an irrevocable option over 20,933,884 ordinary shares (Option OS) for a total consideration of RM20,515,206 in addition to the call option over M3nergy's Islamic Preference Shares and Warrants, which may be exercised by CASB up to 31 December 2008. M3nergy also has a put option on CASB, Dato' Ramesh Rajaratnam and Datin S.L. Sharlini Manickam to require them to purchase all the Option OS for a total consideration of RM20,515,206.

B11. Material Litigation and Dispute

Neither the Company nor any of its subsidiary companies are engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Company or its subsidiary companies or of facts likely to give rise to any proceedings which might materially affect the position or business of the Company or its subsidiary companies, financially or otherwise.

B12. Dividends

No dividend was declared during the quarter.

B13. Earnings Per Share**(a) Basic**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue has been adjusted to include the 41,688,057 bonus shares issued on 20 April 2007.

	Group			
	Quarter ended 30-Jun-08 RM'000	Quarter ended 31-Dec-06 RM'000	Year to date 30-Jun-08 RM'000	Year to date 30-Jun-07 RM'000
Profit/(Loss) from continuing operations attributable to ordinary equity holders of the parent	4,138	(5,516)	10,707	(67,675)
(Loss)/Profit from discontinued operation attributable to ordinary equity holders of the parent	(356)	(1,505)	(1,446)	68,374
Net profit/(loss) attributable to equity holders of the parent	3,782	(7,021)	9,261	699
Weighted average number of ordinary shares in issue	125,064	120,595	125,064	121,710
Basic earnings per share (sen) for:				
Profit/(Loss) from continuing operations	3.31	(4.57)	8.56	(55.60)
(Loss)/Profit from discontinued operation	(0.28)	(1.25)	(1.16)	56.18
Profit/(Loss) for the period	3.03	(5.82)	7.40	0.58

(b) Diluted

This is not applicable.

B14. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 August 2008.