

METECH GROUP BERHAD
(Company No. 219350 - H)
(Incorporated in Malaysia)
Notes to the interim financial report

1. Basis of preparation

This interim report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) No. 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Listing Requirements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2006.

The significant accounting policies and presentation applied in the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 December 2006.

2. Auditors’ qualification

The auditors have expressed an unqualified opinion on the Company’s statutory financial statements for the year ended 31 December 2006 in their report dated 16 April 2007.

3. Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter and current financial period to date.

4. Exceptional and extraordinary items

There were no material exceptional and extraordinary items for the period under review.

5. Change in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

6. Change in debt and equity securities

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the current financial year-to-date.

7. Dividend paid

Since the end of the previous financial year, the Company paid a first and final dividend of 2% less 27% tax amounting to RM591,300 in respect of the financial year ended 31 December 2006 on 27 August 2007.

8. Segment revenue and results

No segment information by business activities have been prepared as the Group’s activities involved is primarily in one sector of operations only.

9. Revaluation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

There were no material write-down in property, plant and equipment during the quarter under review.

10. Material post balance sheet events

There were no material post balance sheet events subsequent to the period under review.

11. Changes in Group's composition

There were no changes in the composition of the Group for the current quarter and financial year-to-date, other than the following:-

- i) On 29 September 2006, the Company announced the intention to acquire an additional 1% comprising 24,500 ordinary shares of RM1.00 each in the capital of Chaun Choung Corporation (M) Sdn. Bhd., an 50% associate company of Metech Group for a total consideration of RM100,000. The acquisition was completed on 7 February 2007 upon getting the approval from the Ministry of International Trade and Industry on 29 January 2007. Chaun Choung Corporation (M) Sdn Bhd has changed its name to Metech Chaun Choung Technology Sdn Bhd on 19 October 2006.
- ii) On 28 February 2007, Metech Aluminium Industries Sdn. Bhd. ("MAI"), a 51% owned subsidiary company of Metech Group, has further subscribed 59,999 ordinary shares of RM1.00 each representing 60% of the total issued and paid up share capital of Kosmo Indah Sdn. Bhd., a 50% owned company of MAI, for a total cash consideration of RM59,999.
- iii) On 11 May 2007, the Company announced it has entered into a Share Sale Agreement to acquire the 40% comprising 2,000,000 "B" class ordinary shares of RM1.00 each in the capital of Metech-Sanwa (J.V.) Sdn. Bhd., for a total cash consideration of RM1,638,000. Upon completion, Metech-Sanwa (J.V.) Sdn. Bhd., which had on 7 September 2007 changed its name to Metech Kenzai Sdn Bhd, would become a wholly-owned subsidiary of the Company. The acquisition was completed on 29 October 2007.

12. Changes in contingent liabilities and assets

There were no changes in contingent liabilities and assets during the period under review.

13. Review of performance of the current quarter and current financial year to date

The Group recorded a net profit of RM4.220 million and RM5.027 million for the current quarter and current financial year to date as compared to the net profit of RM1.037 million and RM2.005 million in the preceding year corresponding quarter and year to date ended 31 December 2006 respectively.

The improved performance was attributed by higher turnover and the better contributions from the main subsidiaries of the Group where the contribution margins have improved.

14. Variation of results against preceding quarter

The Group recorded a marginal increase of 1.77% or RM0.997 million in revenue, RM57.429 million for the current quarter as compared to RM56.432 million in the preceding quarter ended 30 September 2007.

There was an increase in net profit in the current quarter of RM4.220 million as against the preceding quarter of RM0.974 million.

The increase in net profit for the current quarter was due to the better contribution margins from the main subsidiaries and also the reversing of the over provision of doubtful debts.

15. Current year prospects

With the commencement of commercial production in the newly constructed factory and the continued commitments to explore for new sources of raw materials supplies, new products, new markets and new opportunities, the Group expects the overall performance will continue to improve. However, the expected increase in costs will pose a challenge to the Group.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 December 2007 RM'000	Preceding Year Corresponding Quarter 31 December 2006 RM'000	Current Year To date 31 December 2007 RM'000	Preceding Year To date 31 December 2006 RM'000
Current taxation				
- Based on results for the period	9	(204)	526	489
-Prior year	(56)	(596)	(346)	(630)
	(47)	(800)	180	(141)
Deferred taxation				
- Based on results for the period	308	293	308	293
- Prior period	425	14	425	14
	733	307	733	307
Tax expense	686	(493)	913	166

The disproportionate tax charge was due to losses suffered by some subsidiary companies.

18. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date

There were no profits on sale of unquoted investments and properties as there were no disposals of investments and properties during the period under review.

19. Purchase or disposal of quoted securities

There were no material purchases or disposals of quoted shares for the period under review.

Investments in quoted securities as at 31 December 2007.

	Cost RM'000	Book value RM'000	Market Value RM'000
Total quoted investment	1,220	57	94

20. Status of corporate proposals

There were no corporate proposals made by the Company during the financial period to date.

21. Group borrowings and debts securities

	31 December 2007 RM'000
Current	
Secured	514
Unsecured	71,828
Finance lease	1,364
	<u>73,706</u>
Non-current	
Secured	9,501
Unsecured	-
Finance lease	6,302
	<u>15,803</u>

All borrowings are denominated in Ringgit Malaysia.

22. Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

23. Changes in material litigation

There were no changes in material litigation within the Group for the current quarter and financial period to-date.

24. Proposed dividend

Subject to the shareholders' approval, the directors recommend a first and final dividend of 4.0% less 26% tax amounting to RM1,198,800 for the financial year ended 31st December 2007.

25. Earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter and current year to date are based on the net profit attributable to ordinary shareholders of RM4.220 million and RM5.027 million and on the number of ordinary shares outstanding of 40,500,000.

26. Capital commitments

	31 December 2007 RM'000
Property, plant and equipment Contracted but not provided for	<u>300</u>

27. Related party transactions

There were no non-recurrent related party transactions during the period under review.

BY ORDER OF THE BOARD

Lam Voon Kean
Company Secretary
Dated this 28 February 2008