

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 2007.

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in audited financial statements for the financial year ended 31 December 2007 unless as otherwise stated in Note 2 on Adoption of Revised FRS.

2. Adoption of Revised Financial Reporting Standards

The significant accounting policies adopted are consistent with those of the audited financial statement for the financial year ended 31 December 2007 except for the adoption of the following revised FRSs effective for the financial periods beginning 1 January 2008.

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The application of the abovementioned FRS does not have any material impact on the financial statements of the Group.

The Malaysian Accounting Standards Board announced that FRS 139, Financial Instruments: Recognition and Measurement will be effective for annual periods beginning on or after 1 January 2010.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30 (b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

3. Auditors’ qualification

The auditors have expressed an unqualified opinion on the Company’s statutory financial statements for the year ended 31 December 2007 in their report dated 26 April 2008.

4. 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 year to date.

5. Exceptional and extraordinary items

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

6. Change in estimates

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

7. 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.

8. Dividend paid

No dividend was paid for the current quarter ended 31 December 2008.

Since the end of the previous financial year, the Company paid a first and final dividend of 4% less 26% tax amounting to RM1,198,800 for the financial year ended 31 December 2007 on 6 June 2008.

9. 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.

10. 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.

11. Material post balance sheet events

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

12. Changes in Group's composition

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

13. Changes in contingent liabilities and assets

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

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

The Group recorded a net loss of RM3.899 million and a net profit of RM2.814 million for the current quarter and current financial year to date respectively as compared to the net profit

of RM4.22 million and RM5.027 million in the preceding year corresponding quarter and year to date ended 31 December 2007 respectively.

The performance for the current quarter was affected by the world economic crisis and financial meltdown which adversely affected the turnover and performance and also the volatility of world commodity prices which resulted in the writing down of the value of the raw materials on hand.

15. Variation of results against preceding quarter

The Group recorded a decrease of RM25.654 million in revenue, RM46.706 million for the current quarter as compared to RM72.36 million in the preceding quarter ended 30 September 2008.

The net loss of the Group for the current quarter was RM3.899 million as compared to the net profit of RM3.496 million in the preceding quarter.

The performance was attributed by the lower demand for its products and also the writing down of the value of the raw materials on hand.

16. Current year prospects

The current economic crisis and financial melt down will inadvertently post challenges to the business of the Group.

The Group will continue to exercise prudence and explore cost saving measures to improve efficiencies.

Barring any unforeseen circumstances, the performance of the Group for the current financial is expected to be satisfactory.

17. Variance of profit forecast

Not applicable as no profit forecast was published.

18. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 December 2008 RM'000	Preceding Year Corresponding Quarter 31 December 2007 RM'000	Current Year To date 31 December 2008 RM'000	Preceding Year To date 31 December 2007 RM'000
Current taxation				
- Based on results for the period	1,065	9	2,452	526
-Prior year	320	(56)	320	(346)
	1,385	(47)	2,772	180
Deferred taxation				
- Based on results for the period	(238)	308	(238)	308
- Prior period	(174)	425	(152)	425
	(412)	733	(390)	733
Tax expense	973	686	2,382	913

The disproportionate tax charge was due to some subsidiary companies suffered losses during the reporting quarter.

19. 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.

20. 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 2008:

	Cost RM'000	Book value RM'000	Market Value RM'000
Total quoted investment	1,220	12	12

21. Status of corporate proposals

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

22. Group borrowings and debts securities

	31 December 2008 RM'000
Current	
Secured	354
Unsecured	62,823
Finance lease	1,464
	<u>64,641</u>
Non-current	
Secured	9,149
Unsecured	0
Finance lease	4,865
	<u>14,014</u>

All borrowings are denominated in Ringgit Malaysia.

23. 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.

24. Changes in material litigation

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

25. Proposed dividend

No dividend is proposed for the current quarter ended 31 December 2008.

26. 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 loss/ profit attributable to ordinary shareholders of RM4.035 million and RM2.678 million and on the number of ordinary shares outstanding of 40,500,000.

27. Capital commitments

	31 December 2008 RM'000
Property, plant and equipment	
Contracted but not provided for	<u>1,800</u>

28. 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 26 February 2009