

**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 2008.

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 2008.

The Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segment	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs/Interpretations from the annual period beginning 1 January 2010 except for FRS 4 which is not applicable to the Group and the Company.

The impact of applying FRS 7 and 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 the respective FRSs. The initial application of the remaining standards (and their consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group.

FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently the Group presents segment information in respect of its business and geographical segments. The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

**2. Auditors’ qualification**

The auditors have expressed an unqualified opinion on the Company’s statutory financial statements for the year ended 31 December 2008 in their report dated 24 April 2009.

### **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 year 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**

No dividend was paid for the current quarter ended 31 March 2009.

### **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 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**

On 7 January 2009, Metech Aluminium Industries Sdn. Bhd., a 51% owned subsidiary company of Metech Group Bhd, further acquired the remaining 20% equity in Better Technology Sdn. Bhd. for a cash consideration of RM55,000/= thereby making it a wholly owned subsidiary company of Metech Aluminium Industries Sdn. Bhd..

Other than as stated above, there were no changes in the composition of the Group for the current quarter and financial year-to-date.

### **12. Changes in contingent liabilities and assets**

There were no 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 loss of RM3.21 million for the current quarter and current financial year to date as compared to the net profit of RM0.941 million in the preceding year corresponding quarter and year to date ended 31 March 2008.

The performance for the current quarter was affected by the world economic crisis and financial melt down which affected adversely the turnover and performance of the Group.

### 14. Variation of results against preceding quarter

The Group recorded a decrease of RM19.576 million in revenue, RM27.130 million for the current quarter as compared to RM46.706 million in the preceding quarter ended 31 December 2008.

The net loss of the Group for the current quarter was RM3.210 million as compared to the net loss of RM3.899 million in the preceding quarter.

As mentioned in the previous quarter, the world economic crisis and financial melt down had continued to have an adverse effect on the turnover and performance of the Group which was impacted by lower demand for our products.

### 15. 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 and measures to improve efficiencies.

Barring any unforeseen circumstances, the Board of Directors is cautiously of the opinion that the performance of the Group for the current financial year is expected to be satisfactory.

### 16. Variance of profit forecast

Not applicable as no profit forecast was published.

### 17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31 March 2009 RM'000	Preceding Year Corresponding Quarter 31 March 2008 RM'000	Current Year To date 31 March 2009 RM'000	Preceding Year To date 31 March 2008 RM'000
Current taxation				
- Based on results for the period	542	211	542	211
-Prior year	-	-	-	-
	<hr/> 542	<hr/> 211	<hr/> 542	<hr/> 211
Deferred taxation				
- Based on results for the period	-	-	-	-
- Prior period	-	-	-	-
	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Tax expense	<hr/> 542	<hr/> 211	<hr/> 542	<hr/> 211

The disproportionate tax change is due to profits made by certain subsidiaries.

**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 March 2009:

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

**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 March 2009 RM'000
Current	
Secured	3,229
Unsecured	38,192
Finance lease	1,427
	<u>42,848</u>
Non-current	
Secured	9,045
Unsecured	-
Finance lease	4,538
	<u>13,583</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**

No dividend is proposed for the current quarter ended 31 March 2009.

## 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 loss attributable to ordinary shareholders of RM3.21 million and on the number of ordinary shares outstanding of 40,500,000.

## 26. Capital commitments

	31 March 2009
	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>500</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 May 2009**