

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 planned to apply the abovementioned FRSs/Interpretations from the annual period beginning 1 January 2010 except for FRS 4 and IC Interpretation 9 which are 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 30 September 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 profit before tax of RM3.631million and RM2.787 million for the current quarter and current financial year to date respectively as compared to the net profit before tax of RM6.697 million and RM13.610 million respectively in the preceding year corresponding quarter and year to date ended 30 September 2008.

The drop in performance was attributed by the drop in turnover and the lower contributions from the main subsidiaries of the Group where the margins have decreased.

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.

14. Variation of results against preceding quarter

The Group recorded an increase of RM5.798 million in revenue, RM40.831 million for the current quarter as compared to RM35.033 million in the preceding quarter ended 30 June 2009.

The net profit before tax of the Group for the current quarter was RM3.631 million as compared to the profit before tax of RM3.609 million in the preceding quarter.

Despite the increase in revenue, the profit before tax has not changed much was mainly due to the lower profit margin in order to be competitive in the market.

15. Current year prospects

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic of the Group for the financial year ending 31 December 2009 to be satisfactory.

The Group will continue to exercise prudent measures to improve efficiencies.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30 Sept 2009 RM'000	Preceding Year Corresponding Quarter 30 Sept 2008 RM'000	Current Year To date 30 Sept 2009 RM'000	Preceding Year To date 30 Sept 2008 RM'000
Current taxation				
- Based on results for the period	146	1,031	846	1,387
-Prior year	-	-	-	-
	<u>146</u>	<u>1,031</u>	<u>846</u>	<u>1,387</u>
Deferred taxation				
- Based on results for the period	129	-	226	-
- Prior period	-	(33)	-	22
	<u>129</u>	<u>(33)</u>	<u>226</u>	<u>22</u>
Tax expense	<u>275</u>	<u>998</u>	<u>1,072</u>	<u>1,409</u>

The disproportionate tax charge was due to some subsidiary companies suffered losses for the period to 30 September 2009.

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 30 September 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

	30 Sept 2009 RM'000
Current	
Secured	540
Unsecured	867
Finance lease	1,346
	<u>2,753</u>
Non-current	
Secured	8,639
Unsecured	6,445
Finance lease	3,956
	<u>19,040</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 30 September 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 profit/(loss) attributable to ordinary shareholders of RM1.459 million and RM0.427 million respectively on the number of ordinary shares outstanding of 40,500,000.

26. Capital commitments

	30 Sept 2009
	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>200</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 20 November 2009