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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 2009.

The accounting policies and methods of computation adopted by the Group in these quarterly interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2010 that have an impact on the Group, detailed as below:

(a) *FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009)*
FRS 8 replaces FRS 114 2004 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

(b) *FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010)*
This standard establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances.

The Board of Directors has assessed the impact of the adoption of FRS 139 and concluded that the fair value adjustments arising from remeasurement of financial instruments are immaterial to the financial statements. Thus no adjustment has been made to the opening balances of reserves.

(c) *Amendments to FRS 101 Presentation of Financial Statements(effective for annual periods beginning on or after 1 January 2010)*
The amendments to FRS 101 require changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but do not affect the measurement of reported profit or equity.

As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation, there is no impact on earnings per ordinary share.

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(d) *Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010)*
The amendments to FRS 117 require entities with existing leases of land to reassess the classification of land as finance or operating lease.

The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the earnings per share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	31 December 2009	
Net Book Value	As restated RM'000	As stated previously RM'000
Property, plant and equipment	59,167	55,403
Prepaid lease payments	0	3,764

The adoption of other interpretations and revisions to existing standards mandatory for annual reports beginning on or after 1 January 2010 will not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

2. Auditors' qualification

The auditors have expressed an unqualified opinion on the Company's statutory financial statements for the year ended 31 December 2009 in their report dated 15 April 2010.

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.

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7. Dividend paid

No dividend was paid for the current quarter ended 30 June 2010.

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

10. Material post balance sheet events

Saved as disclosed below, there were no material subsequent event since the end of the current quarter until the date which is not earlier than 7 days from the date of issuance of this quarterly report:-

(i) On 14 May 2010, the Company had made an announcement that the Company had entered into a Sale and Purchase Agreement ("Agreement") with Tong Herr Resources Berhad (Company No. 432139-W) ("THR") to dispose of all of its 5,100,000 "A" class ordinary shares of RM1.00 each ("the Sale Shares"), representing 51% of the total issued and paid-up share capital in Metech Aluminium Industries Sdn Bhd ("MAI"), for a total cash consideration of RM35,132,880.00 ("Proposed Disposal").

The Company had on 5 July 2010 via Extraordinary General Meeting ("EGM") obtained the approval of the shareholders' of the Company for the Proposed Disposal. Whereas, THR has also obtained their shareholders' approval at their EGM held on 17 August 2010.

On 23 August 2010, the Company had announced that the Proposed Disposal was completed on 23 August 2010.

Accordingly due to the completion of the above Proposed Disposal, the Company has also on 23 August 2010 announced it has become an Affected Listed Issuer pursuant to the Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") by triggering the criteria as set out under Paragraph 2.1(g) of PN17 when a listed issuer has suspended or ceased its major operations as a result of the disposal of the listed issuer's major business. "Major" business has been defined under Paragraph 2.2 (c) of PN17 as "such proportion that contributes or generates 70% or more of the listed issuer's revenue on a consolidated basis based on its latest annual audited or unaudited financial statements.

Consequently, the Company and the Group are required to undertake a plan to regularise their financial position and to submit the regularisation plan to the relevant authorities for approval within 12 months from 23 August 2010.

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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.

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 attributable to shareholders of RM0.245 million for the current quarter and net loss of RM1.214 million for the current financial year to date as compared to the net profit attributable to shareholders of RM1.324 million and net loss of RM1.886 million in the preceding year corresponding quarter and year to date ended 30 June 2009 respectively.

The performance for the current quarter has improved due to the improved performance in one of the major subsidiaries with improved turnover and profit margin.

14. Variation of results against preceding quarter

The Group recorded an increase of RM8.426 million in revenue, RM51.125 million for the current quarter as compared to RM42.699 million in the preceding quarter ended 31 March 2010.

The net profit attributable to shareholders of the Group for the current quarter was RM0.245 million as compared to the net loss before tax of RM1.459 million in the preceding quarter.

The improved performance was due to the improved performance in one of the major subsidiaries with better turnover and profit margin.

15. Current year prospects

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

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

As disclosed under Note 10, the sale of MAI was completed on 23 August 2010. As of now, the financial impact on the disposal has yet to be quantified pending the finalization of the respective management accounts.

Metech Group will no longer be able to consolidate the earnings of MAI upon disposal. The performance of Metech Group will depend on the contribution from the other existing business, which is expected to be challenging.

16. Variance of profit forecast

Not applicable as no profit forecast was published.

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17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30 June 2010	Preceding Year Corresponding Quarter 30 June 2009	Current Year To date 30 June 2010	Preceding Year To date 30 June 2009
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Based on results for the period	210	347	412	889
-Prior year	-	(189)	-	(189)
	210	158	412	700
Deferred taxation				
- Based on results for the period	(25)	97	(29)	97
- Prior period				
Tax expense	185	255	383	797

The disproportionate tax charge was due to tax incentives available to certain subsidiary companies and 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 purchases or disposals of quoted shares for the period under review.

Investments in quoted securities as at 30 June 2010: -

	Cost RM'000	Book value RM'000	Market Value RM'000
Total quoted investment	1,220	12	13

20. Status of corporate proposals

Except for as disclosed in the following, there were no corporate proposals announced but not completed as at the date of this quarterly report: -

(i) Proposed Disposal of Metech Aluminium Industries Sdn Bhd, a 51% owned subsidiary ("Proposed Disposal")

On 14 May 2010, the Company had made an announcement that the Company had entered into a Sale and Purchase Agreement ("Agreement") with Tong Herr Resources Berhad (Company No. 432139-W) ("THR") to dispose of all of its 5,100,000 "A" class ordinary shares of RM1.00 each ("the Sale Shares"), representing 51% of the total issued and paid-

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up share capital in Metech Aluminium Industries Sdn Bhd ("MAI"), for a total cash consideration of RM35,132,880.00 ("Proposed Disposal").

The Company had on 5 July 2010 via Extraordinary General Meeting ("EGM") obtained the approval of the shareholders' of the Company for the Proposed Disposal. Whereas, THR has also obtained their shareholders' approval at their EGM held on 17 August 2010.

On 23 August 2010, the Company had announced that the Proposed Disposal was completed on 23 August 2010.

Accordingly due to the completion of the above Proposed Disposal, the Company has also on 23 August 2010 announced it has become an Affected Listed Issuer pursuant to the Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") by triggering the criteria as set out under Paragraph 2.1(g) of PN17 when a listed issuer has suspended or ceased its major operations as a result of the disposal of the listed issuer's major business. "Major" business has been defined under Paragraph 2.2 (c) of PN17 as "such proportion that contributes or generates 70% or more of the listed issuer's revenue on a consolidated basis based on its latest annual audited or unaudited financial statements.

Consequently, the Company and the Group are required to undertake a plan to regularise their financial position and to submit the regularisation plan to the relevant authorities for approval within 12 months from 23 August 2010.

21. Group borrowings and debts securities

	30 June 2010 RM'000
Current	
Secured	203
Unsecured	22,523
Finance lease	1,438
	24,164
Non-current	
Secured	8,639
Unsecured	-
Finance lease	2,812
	11,451

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.

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24. Proposed dividend

No dividend is proposed for the current quarter ended 30 June 2010.

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 RM1.214 million on the number of ordinary shares outstanding of 40,500,000.

26. 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 27th day of August 2010