

**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 2010.

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 2010, except for that the Group has adopted the following new/revised standards mandatory for annual periods beginning on or after 1 January 2011 that have an impact on the Group, detailed as below:

- (a) Amendments to FRS effective for annual periods beginning on or after 1 March 2010
- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issue*
- (b) FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010
- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
  - FRS 3, *Business Combinations* (revised)
  - FRS 127, *Consolidated and Separate Financial Statements* (revised)
  - Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
  - Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
- (c) Interpretations and amendments effective for annual periods beginning on or after 1 January 2011
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
    - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
    - *Additional Exemptions for First-time Adopters*
  - Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
  - Improvements to FRSs (2010)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The adoption of other interpretations and revisions to existing standards mandatory for annual reports beginning on or after 1 January 2011 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 2010 in their report dated 15 April 2011.

## **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 June 2011.

## **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**

Save as disclosed hereunder, there were no changes in the composition of the Group for the current quarter and financial year-to-date:-

a) On 18 July 2011, the Company announced that further to its announcement made on 14 July 2011, its wholly-owned subsidiary Mefu Industries Sdn Bhd has incorporated a wholly-owned subsidiary namely, Bionic Development Sdn Bhd ("Bionic"). The initial paid-up capital of Bionic is RM2.00 with the authorised share capital of RM100,000.00. Bionic will be principally involved in the business of property development, agricultural and fertilizers.

## 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 loss attributable to shareholders of RM0.365 million for the current quarter and net loss of RM2.893 million for the current financial year to date as compared to the net profit attributable to shareholders of RM0.245 million and net loss of RM1.214 million in the preceding year corresponding quarter and year to date ended 30 June 2010 respectively.

The net loss was mainly due to the lower turnover and the margin is not able to cover the operating costs.

## 14. Variation of results against preceding quarter

The Group recorded a decrease of RM1.511 million in revenue, RM3.204 million for the current quarter as compared to RM4.715 million in the preceding quarter ended 31 March 2011.

The net loss attributable to shareholders of the Group for the current quarter was RM0.365 million as compared to the net loss before tax of RM2.528 million in the preceding quarter.

The drop in performance was mainly due to the drop in the turnover.

## 15. Current year prospects

The performance of the Group will continue to be impacted by the challenging business faced by its subsidiaries in spite of the consolidating and streamlining of its businesses.

The Directors of the Company are still in the process of formulating a Regularisation Plan to regularise its financial condition and shall announce the same to Bursa Malaysia upon finalisation of the Regularisation Plan. The Directors will continue to look for opportunity to enhance the shareholders' value of the Company.

The Group will explore ways to increase its turnover and barring any unforeseen circumstances, the performance of the Group for the current financial year is expected to be challenging.

## 16. Variance of profit forecast

Not applicable as no profit forecast was published.

## 17. Tax expense

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 30 June 2011	Preceding Year Corresponding Quarter 30 June 2010	Current Year To date 30 June 2011	Preceding Year To date 30 June 2010
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Based on results for the period	0	210	0	412
-Prior year	0	-	0	-
		<hr/>	<hr/>	<hr/>
		210		412

Deferred taxation				
- Based on results for the period	0	(25)	0	(29)
- Prior period	0		0	
Tax expense	0	185	0	383

The disproportionate tax charge for 30 June 2010 was due to profits earned by some subsidiary companies during the reporting quarter.

#### 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 June 2011:

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

#### 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) Compliance with Practice Note 17 ("PN17") of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")

On 23 August 2010, the Company had announced that the disposal 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") (Now known as Tong Heer Aluminium Industries Sdn Bhd), for a total cash consideration of RM35,132,880.00 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 PN17 of the MMLR of 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 2011 RM'000
Current	
Secured	232
Unsecured	1,001
Finance lease	1,201
	<hr/>
	2,434
Non-current	
Secured	8,140
Unsecured	-
Finance lease	2,099
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	10,239

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 June 2011.

## 25. Earnings per ordinary share

The calculation of basic loss per ordinary share for the current quarter and current year to date are based on the net loss attributable to ordinary shareholders of RM2.893 million and 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.

## 27. Realised and Unrealised Profit or Losses Disclosure

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 – Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	As at 30 June 2011 (RM'000)	Current financial year 31 Dec 2010 (RM'000)
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
- Realised	(8,619)	(5,268)
- Unrealised	465	465
Less : Consolidation adjustments	9,626	9,168
Total retained profits	1,472	4,365

**BY ORDER OF THE BOARD**

**Lam Voon Kean**

Company Secretary

**Dated this 18 August 2011**