

## **Bursa Malaysia Announcement**

Following the meeting with Mr. Ch'ng Boon Huat and Encik Sharul of Bursa Malaysia on 3<sup>rd</sup> June 2009, we are pleased to attach our amended unaudited financial statements for the quarter ended 31<sup>st</sup> March 2009.

At the request of our vendors, all cheques are prepared in advance for the following month, hence the negative bank balance in the original Q1 balance sheet. The accounts are now amended to reflect the actual positive bank balance as per the bank statements to dispel any misconception of insolvency.

## **Comments on the Garment/Textile Industry**

MKK Industries Sdn Bhd, the wholly owned subsidiary of Maxbiz Corporation Berhad, still has a positive cash flow because of the spillover of orders from neighbouring factories of similar business that have ceased operations.

Megafest Sdn Bhd, a dyeing commission agent and garment factory also located at the Kawasan Perindustrian Sri Gading in Batu Pahat, Johor, have ceased operations in December 2008.

Yong Tai Berhad experienced a 21% drop in revenue in the first quarter of this year as compared to the corresponding period last year, while net loss for the period was RM3.8 million, a deterioration of 985% from the corresponding period last year.

Hytex Integrated Berhad experienced a 9.6% decrease in revenue in Q1 2009 as compared to Q1 2008, and deterioration of 235.9% in net loss to RM12.7 million.

In the case of Baneng Holdings Berhad, although revenue for Q1 2009 increased by 40%, its loss for the period increased by 614% to a loss of RM29.2 million in Q1 2009 from a loss of RM4.1 million in the corresponding period last year.

As may be gleaned from the above examples, all companies in this industry are badly affected by the current global economic turmoil where the huge decline in overseas demand has decreased Malaysia's output and affected the entire garment industry tremendously. We have managed to sustain our operations whereas other players such as Megafest Sdn Bhd have closed down. Other competitors such as Asiapin and Ramatex have downsized operations and are operating only 2 to 3 days each week. With the downsizing of competitors, we have managed to secure the spillover orders

and our 2nd quarter turnover is expected to increase. Once the global economic situation improves and overseas demand increases, we will be well poised to take advantage as one of the few remaining players in the market.

### **Cause of PN1 Status and Consequences**

The Company entered into PN1 status as a result of a default in payment of the Redeemable Unsecured Loan Stock (RULS) of RM3 million issued at a nominal amount of RM1 each for settlement of the debt due from Geahin Engineering Berhad to the Scheme Creditors. The terms of the RULS are as follows: -

- (a) The RULS bear a fixed interest of 5% per annum payable annually upon each anniversary of the date of the issue of the RULS.
- (b) The RULS is issued in registered form and in denominations or multiples of RM1 each and is constituted by a trust deed entered into by the Company.
- (c) The RULS is fully redeemable at the rate of 50% in the first year and 50% in the second year.
- (d) The RULS shall not be convertible to any other form of security/financial instrument and will expire upon full redemption.

The RULS was issued for a portion of the trade receivables amounting to RM5,709,914 based on NBV of Geahin as at the Cut-Off Date ("RULS Portion"). The trade receivables under the RULS Portion were to be transferred to Maxbiz and the realization/recovery was to be undertaken by the monitoring accountant. The realization of the trade receivables was to be assigned to Maxbiz for the sole purpose of the early redemption of the RULS. However, it was discovered that the trade receivables were fraudulent, and a police report has since been lodged. The Board of Directors has also filed a suit against the former directors of Geahin and Ernst & Young (Kuala Lumpur High Court Suit No.: S5-22-472-2007), which Ernst & Young applied to strike out. However, their application was dismissed by the Assistant Registrar. Ernst and Young then proceeded to the Court of Appeals where they lost again with costs.

The PN1 status of Maxbiz was also caused by a default in payment of its 5 year Redeemable Convertible Secured Loan Stock (RCCLS), issued at a nominal amount of RM1 each for settlement of the debt due from Geahin Engineering Berhad to the Scheme Creditors collateralized by the plant, building and machinery located at two properties, namely:

- (i) H.S. (M) 359 Plot No. 60, District of Melaka Tengah, Ayer Keroh Industrial Estate, 75450 Melaka; and,
- (ii) H.S. (D) 30578 Lot No. PT 4943, District of Melaka, Kawasan Perindustrian Batu Berendam, 75350 Melaka.

The terms of the RCSLS are as follows: -

- (a) The RCSLS bear a fixed interest of 2% per annum payable annually upon each anniversary of the date of the issue of the RCSLS.
- (b) The RCSLS is issued in registered form and in denominations or multiples of RM1 each and is constituted by a trust deed entered into by the Company.
- (c) Unless previously redeemed, purchased and or cancelled, the RCSLS is redeemable at the rate of 20% in the first to fourth year and until the maturity date.
- (d) In the event the Company is able to redeem the RCSLS even though the RCSLS may not be due for redemption, the holder shall have an option to convert the RCSLS into new ordinary shares of RM1 each within 30 days from the date of the notice.
- (e) The conversion price into ordinary shares is at issue price of RM1 each and is subject to the adjustments in certain circumstances under the terms and conditions of the trust deed.
- (f) Conversion period commence after the issuance of the RCSLS and expires five years from the date thereof.
- (g) The RCSLS is secured against leasehold land and building, plant and machineries of the Company. The collateral shall be fully discharged from encumbrances once all the RCSLS held are fully cancelled.

On 20<sup>th</sup> June 2008, the Company discovered that a substantial number of the core assets used to secure the Redeemable Convertible Secured Loan Stock ("RCSLS") were not sighted, and these core assets that were not sighted and a portion of the Company's trade receivables are in fact and in truth non-existent, and appointed an audit firm to conduct an investigative audit.

On 4<sup>th</sup> November 2008 the Maxbiz Board lodged a police report claiming that the machinery and equipment which forms part of the core assets, are missing.

Pacific Trustees applied to auction the property located at H.S. (M) 359 Plot No. 60, District of Melaka Tengah, Ayer Keroh Industrial Estate, 75450 Melaka. However, the Malacca Land Office and the State Legal Department decided to adjourn the auction pending further investigation of the RCSLS.

The Company is proceeding with civil and criminal action against the Directors of Geahin Engineering Berhad and Messrs. Ernst & Young ("EY") (Kuala Lumpur High Court Suit No.: S5-22-472-2007) for the recovery of RM5.7 million of trade receivables against which the RULS was issued.

A meeting between the Board of Directors, major shareholders and officials of the Securities Commission was held on 5<sup>th</sup> May 2009 to discuss the matter.

### **Consequences of PN1 Status**

As a consequence of the PN1 status of the Company, neither its operating subsidiaries nor the Company itself has been able to avail of credit facilities from its bankers. This has resulted in:

- (i) Cancellation of the proposed acquisition of GeoFusion Resources Sdn Bhd, 40% shareholders of the Sandakan Harbour Square project.
- (ii) The main cash generating subsidiary, MKK Industries Sdn Bhd, has been unable to secure trade facilities which would have enabled it to increase its working capital and take on more business.

The Board of Directors is pursuing to lift the Company out of PN1 status. As soon as this status is lifted, new businesses can be injected to strengthen the Group financially, and more banking facilities can be secured by the Group to enable it to take on more business orders.