

NOTION VTEC BERHAD

Company No:- 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2010 RM'000	Preceding Year Corresponding Quarter 30.6.2009 RM'000	Current Year To Date 30.6.2010 RM'000	Preceding Year To Date 30.6.2009 RM'000
Revenue	60,812	44,709	173,850	118,228
Cost of Sales	(52,756)	(28,424)	(126,668)	(78,728)
Gross Profit	8,056	16,285	47,182	39,500
Other Operating Income	1,510	877	5,268	2,428
Operating Expenses	(4,454)	(3,856)	(12,161)	(13,406)
Operating Profit	5,112	13,306	40,289	28,522
Finance Costs	(1,246)	(896)	(3,686)	(2,687)
Share of Profit in an Associate	108	288	980	692
Profit Before Taxation	3,974	12,698	37,583	26,527
Taxation	(885)	(1,591)	(8,274)	(3,628)
Profit for the Period	3,089	11,107	29,309	22,899
Attributable to :				
Equity holders of the Company	2,969	11,087	29,356	22,937
Minority Interests	120	20	(47)	(38)
	3,089	11,107	29,309	22,899
Basic Earnings Per Share (sen)	1.92	7.88	19.70	16.30
Dividend Per Share (sen)	2.50	2.50	5.00	5.00

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 30 September 2009 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD

Company No:- 637546-D

**UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010
CONDENSED CONSOLIDATED BALANCE SHEETS**

	As at End of Current Quarter 30.6.2010 RM'000	As at Preceding Year Ended 30.09.2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	222,136	161,761
Investment in an associate	-	1,939
	<u>222,136</u>	<u>163,700</u>
Current assets		
Inventories	35,746	20,058
Trade receivables	52,355	45,761
Other receivables and deposits	15,794	5,144
Tax refundable	172	255
Short term deposits with licensed banks	2,176	2,149
Cash and bank balances	36,540	18,321
	<u>142,783</u>	<u>91,688</u>
Total assets	<u>364,919</u>	<u>255,388</u>
EQUITY AND LIABILITIES		
Share Capital	77,280	70,358
Share Premium	29,482	166
Treasury Shares	(3,483)	(2,401)
Currency Translation Reserves	173	98
Retained Profits	121,505	95,334
Total shareholders' equity	<u>224,957</u>	<u>163,555</u>
Minority Interests	1,087	1,134
Total equity	<u>226,044</u>	<u>164,689</u>
Non-current liabilities		
Long term borrowings	58,811	40,072
Deferred taxation	12,359	7,263
	<u>71,170</u>	<u>47,335</u>
Current liabilities		
Trade payables	16,552	9,838
Other payables and accruals	18,812	7,333
Amount owing to an associate	-	2,554
Provision for taxation	(792)	1,972
Dividend payable	-	3,466
Short term borrowings	32,512	16,855
Bank overdrafts	621	1,346
	<u>67,705</u>	<u>43,364</u>
Total Liabilities	138,875	90,699
TOTAL EQUITY AND LIABILITIES	<u>364,919</u>	<u>255,388</u>
Net assets per ordinary share (RM)	<u>1.4555</u>	<u>1.1623</u>

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 30 September 2009 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD
Company No:- 637546-D
UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to equity holders of the parent →					Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Currency Translation Reserves RM'000	Retained Profits RM'000			
9 months ended 30 June 2010								
As at 1 October 2009	70,358	166	(2,401)	98	95,334	163,555	1,134	164,689
Currency translation differences	-	-	-	75	-	75	-	75
Negative goodwill arising during the financial period	-	-	-	-	632	632	-	632
Profit for the financial period	-	-	-	-	29,356	29,356	(47)	29,309
Final tax-exempt dividend of 2.5 sen per ordinary share in respect of the financial year ended 30.9.2009	-	-	-	-	(3,817)	(3,817)	-	(3,817)
Shares Issuance	6,922	26,859	-	-	-	33,781	-	33,781
Expenses in connection with new shares issued	-	(184)	-	-	-	(184)	-	(184)
Purchase of own shares	-	-	(9,014)	-	-	(9,014)	-	(9,014)
Disposal of treasury shares	-	2,641	7,932	-	-	10,573	-	10,573
As at 30 June 2010	<u>77,280</u>	<u>29,482</u>	<u>(3,483)</u>	<u>173</u>	<u>121,505</u>	<u>224,957</u>	<u>1,087</u>	<u>226,044</u>
9 months ended 30 June 2009								
As at 1 October 2008	70,358	-	-	(4)	66,420	136,774	1,057	137,831
Currency translation differences	-	-	-	12	-	12	-	12
Profit for the financial period	-	-	-	-	22,937	22,937	(38)	22,899
Final tax-exempt dividend of 0.5 sen per ordinary share in respect of the financial year ended 30.9.2008	-	-	-	-	(3,518)	(3,518)	-	(3,518)
Purchase of own shares	-	-	(1,803)	-	-	(1,803)	-	(1,803)
As at 30 June 2009	<u>70,358</u>	<u>-</u>	<u>(1,803)</u>	<u>8</u>	<u>85,839</u>	<u>154,402</u>	<u>1,019</u>	<u>155,421</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2009 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD

Company No:- 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Note	Current Year To Date 30.6.2010 RM'000	Preceding Year To Date 30.6.2009 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	37,583	26,527
Adjustments for:		
Depreciation of property, plant and equipment	16,551	13,541
Gain on disposal of plant and equipment	-	(6)
Interest expense	3,304	2,656
Share of profit in an associate	(980)	(692)
Interest income	(260)	(171)
Operating profit before working capital changes	56,198	41,855
Increase in inventories	(15,437)	(100)
(Increase)/Decrease in receivables	(16,596)	2,427
Increase/(Decrease) in payables	17,839	(18,070)
CASH FROM OPERATIONS	42,004	26,112
Interest paid	(3,304)	(2,656)
Tax refunded	41	90
Tax paid	(6,360)	(4,443)
NET CASH FROM OPERATING ACTIVITIES	32,381	19,103
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Interest received	260	171
Proceeds from disposal of plant and equipment	-	43
Purchase of property, plant and equipment	(74,569)	(20,280)
Net cash outflow for acquisition of subsidiary	(1,640)	-
NET CASH FOR INVESTING ACTIVITIES	(75,949)	(20,066)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES		
Proceeds from issuance of shares	33,781	-
Expenses in connection with new shares issued	(184)	-
Dividends paid	(7,283)	(7,036)
Drawdown from hire-purchase and lease obligations	11,625	20,548
Repayment of hire-purchase and lease obligations	(11,843)	(10,471)
Drawdown of term loan	27,000	-
Repayment of term loan	(1,980)	(675)
Drawdown of bank borrowings	19,896	-
Repayment of bank borrowings	(10,303)	(3,597)
Proceeds from sale of treasury shares	10,573	-
Buy-back of shares	(9,014)	(1,803)
NET CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES	62,268	(3,034)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,700	(3,997)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	19,124	16,629
Currency translation differences - subsidiaries	270	12
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	38,094	12,644

Note (A)

Cash and cash equivalents at the end of the financial period comprise the following:

Short term deposits with licensed banks	2,176	2,139
Cash and bank balances	36,540	11,484
Bank overdrafts	(622)	(979)
	38,094	12,644

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 30 September 2009 and the accompanying explanatory notes attached to the interim financial statements.

NOTION VTEC BERHAD ("Notion" or "The Company")

Company No:- 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010

NOTES TO THE QUARTERLY FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 : Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

These explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("The Group"). This interim financial report should be read in conjunction with the Group's annual audited financial report for the financial year ended ("FYE") 30 September 2009.

The accounting policies and methods of computations adopted in this interim financial statements are consistent with those adopted in the financial statements for the FYE 30 September 2009.

A2. CHANGES IN ACCOUNTING POLICIES

The following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations have been issued by the MASB but are not yet effective:

FRSs/IC Interpretations	Effective date
Revised FRS 1 (2010) First-time Adoption of Financial Reporting Standards	1 July 2010
Revised FRS 3 (2010) Business Combinations	1 July 2010
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 127 (2010) Consolidated and Separate Financial Statements	1 July 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2 Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2 Scope of FRS 2 and Revised FRS 3 (2010)	1 July 2010
Amendments to FRS 5 Plan to Sell the Controlling Interest in a Subsidiary	1 July 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132 Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments	1 January 2010/1 March 2010
Amendments to FRS 138 Consequential Amendments Arising from Revised FRS 3 (2010)	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9: Scope of IC Interpretation 9 and Revised FRS 3 (2010)	1 July 2010
Annual Improvements to FRSs (2009)	1 January 2010

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of the Group for the FYE 30 September 2009 was not subject to any qualification.

A4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the quarter under review.

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no other changes in estimates that have had a material effect in the current quarter results.

A7. CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities other than the following:-

- a) On 29 April 2010, the Board of Directors announced that the Company proposed to undertake the following (collectively referred to as "Proposals"):
 - i) Proposed issue of new ordinary shares of RM0.50 each in NVB, not exceeding ten percent (10%) of the issued and paid-up share capital of the Company through a private placement exercise;
 - ii) Proposed issue of up to 34,003,503 free warrants in NVB ("Free Warrants") on the basis of 1 Free Warrant for every 5 NVB Shares held by the shareholders of the Company; and
 - iii) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 NVB Shares to RM500,000,000 comprising 1,000,000,000 NVB Shares.

In relation to the Proposals, Bursa Malaysia Securities Berhad had vide its letter dated 10 June 2010 approved the following:

- Listing of up to 15,426,353 new ordinary shares of RM0.50 each to be issued pursuant to the Proposed Private Placement;
- Admission to the Official List and the listing and quotation of up to 34,003,503 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
- Listing of up to 34,003,503 new ordinary shares of RM0.50 each in NVB to be issued pursuant to the exercise of the Free Warrants.

In relation to the Proposals, Bank Negara Malaysia had vide its letter dated 9 June 2010 approved the issuance of up to 34,003,503 Free Warrants to the non-resident shareholders of NVB and such additional Free Warrants which may be issued subject to adjustments in accordance to the provisions of the deed poll constituting the Free Warrants.

The shareholders of NVB have at the EGM held on 6 July 2010 approved the Proposals.

The Company has on 15 July 2010 fixed the exercise price for the Free Warrants Issue at RM2.55 per Free Warrant.

The entitlement date for the Free Warrants was set on 3 August 2010. The date of listing and quotation of the Free Warrants on the Main Market of Bursa Malaysia Securities Berhad will be announced in due course.

- b) During the Annual General Meeting held on 23 February 2010, the shareholders of the Company approved the Company's plan to repurchase its own ordinary shares of up to 10% of the issued and paid-up share capital of the Company.

During the quarter, the Company purchased from the open market 1,000,100 units of its own shares of RM0.50 each through purchases on the Main Market of Bursa Securities at an average buy-back price of RM2.73 per ordinary share. The total consideration paid for acquisition of the shares was RM2,727,215 and was financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with Section 67A of the Companies Act 1965 in Malaysia.

As at 30 June 2010, the Company held 1,297,840 repurchased shares as treasury shares out of its total issued and paid up share capital of 154,561,378 ordinary shares of RM0.50 each. The treasury shares are held at a carrying amount of RM3,482,602.

A8. DIVIDEND PAID

	Cumulative Quarter	
	Current Year	Preceding Year
	To Date	To Date
	30.6.2010	30.6.2009
In respect of financial year ended 30 September 2008:		
- Interim tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each (paid on 7.1.2009)#		2.5
- Final tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each (paid on 13.4.2009)#		2.5
In respect of financial year ended 30 September 2009:		
- Interim tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each (paid on 11.11.2009)#	2.5	
- Final tax-exempt dividend of 2.5 sen per ordinary share of RM0.50 each (paid on 5.4.2010)	2.5	
	5.0	5.0

Restated as to take into effect the consolidation of every five (5) ordinary shares of RM0.10 each into one (1) ordinary share of RM0.50 each.

A9. SEGMENTAL INFORMATION

The Group is primarily engaged in three business segment which is in the design and volume production of high precision metal manufacturing of hard disk drive ("HDD"), camera and automotive industries' components. Analysis of segmental revenue and product mix is found in Notes B2.

The Group's operations are conducted in Malaysia and Thailand.

A10. VALUATION OF ASSETS

There was no revaluation of property, plant and equipment for the quarter under review.

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no material events between the end of the reporting quarter and the date of this announcement.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter under review, save for the following:

Notion Venture Sdn Bhd ("NVSB"), a wholly-owned subsidiary of the Company has on 27 April 2010 entered into two separate Sale and Purchase Agreements for the purchase of 1,200,000 ordinary shares of RM1.00 each, representing 60% of the issued and paid-up share capital in Autic Mekki Sdn Bhd for a total purchase consideration of RM3.4 million ("Proposed Acquisition").

Upon completion of the Proposed Acquisition, Autic Mekki Sdn Bhd became a wholly-owned subsidiary of NVSB, which in turn is a wholly-owned subsidiary of the Company.

On 30/4/2010, the Company announced that the Proposed Acquisition has been completed.

A13. CONTINGENT LIABILITIES

- a) The Company has provided corporate guarantees for hire purchase facilities granted to subsidiaries for total amount of RM103,297,137. As at 30 June 2010, the outstanding hire purchase balance stood at RM49,899,729.
- b) The Group has also provided corporate guarantees for bank facilities granted for a total amount of RM144,400,000. As at 30 June 2010, the utilisation of the bank facilities stood at RM42,044,244.

A14. CAPITAL COMMITMENTS

	As at End of Current Quarter 30.6.2010 RM'000	As at End of Preceding Quarter 31.3.2010 RM'000	As at Preceding Year's Corresponding Quarter 30.6.2009 RM'000
Approved and contracted for :			
- purchase of plant and equipment	45,193	67,509	1,727

A15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Directors of Notion are of the opinion that there is no related party transaction which would have a material impact on the financial position and the business of the Group during the financial quarter.

NOTION VTEC BERHAD ("Notion" or "The Company")

Company No:- 637546-D

UNAUDITED QUARTERLY FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010

ADDITIONAL INFORMATION REQUIRED BY LISTING REQUIREMENTS OF BURSA

MALAYSIA SECURITIES BERHAD

B1. GROUP PERFORMANCE REVIEW

The Group recorded revenue and profit after taxation ("PAT") of approximately RM60.8 million and RM3.1 million respectively for the quarter ended 30 June 2010. Refer Notes B2. and B3. below for a detailed review of the Group's performance.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Financials:

For 3Q of FY2010 the Group recorded revenue of RM60.8 million (2QFY2010 : RM56.7 million) and PAT of RM3.1 million (2QFY2010 : RM12.2 million) and earnings per share of 1.92 sen (2QFY2010 : 8.06 sen). The lower earnings is mainly attributable to initial start up cost of new projects such as R&D, depreciation of machineries, materials and labour whereas the earnings will only come on stream in the following quarters. There were quality issues for one of our HDD components which resulted in rectification and compensation cost. The Group were also affected by the weaker USD and Euro for the quarter under review.

The Group recorded PBT of RM3.9 million as compared to the immediate preceding quarter of RM15.5 million, a decrease of 74.8%.

For the current year to date, total revenue was RM173.9 million and PAT was RM29.3 million compared to the corresponding period of the preceding year of RM118.2 million and RM22.9 million respectively. Yoy the revenue and profit after tax was 47% and 28% higher respectively. The better performance is mainly attributable to higher revenue.

Please refer B4 for detailed explanation.

Product mix:

In Q3FY2010, HDD parts revenue recorded RM27.9 million (Q2FY2010: RM26.9 million), camera parts recorded RM23.3 million (Q2FY2010: RM20.4 million) whilst the industrial/automotive revenue was at RM9.6 million (Q2FY2010: RM9.2 million). The product mix for the Q2FY2010 was HDD:Camera:Industrial/Automotive of 46%:38%:16% compared to previous quarter's mix of 48%:36%:16%.

B3. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Business Outlook for remaining FY2010

For Q4 FY2010, revenue will be lower compared to Q3 due to lower orders from the HDD sector. We also expect minimal contribution from the 2.5" baseplate project as we tackle the problems of casting, machining and ED coating and getting the stator assembly into operation.

The higher anticipated rejects arising from this base plate project are to be finalized and the loss will be taken up in the 4th quarter. Also the additional cost of manpower, rent, tooling, electricity, depreciation, financial cost and others will still burden the cost of production until such time the baseplates are delivered in quality and quantity to client. We therefore, do not expect the net margin to improve in the quarter.

The SLR camera/lens segment will have increased orders this quarter and we expect the auto/industrial segment to have little growth.

B4. PROFIT FORECAST, PROFIT GUARANTEE AND INTERNAL TARGETS

The Group did not issue any profit guarantee and profit forecast during the current financial period to date. However, the Company has in November 2009, provided internal management targets for revenue of between RM220 million to RM240 million and profit after tax of between RM50 million to RM55 million for the financial year ending 30 September 2010, barring unforeseen circumstances. The guidance is an internal management target and is not an estimate, forecast or projection. The internal targets has not been reviewed by the external auditors.

The Board after considerable deliberation wishes to advise that the management target for profit after tax will be revised downwards to between RM33 million and RM35 million for the year ending 30 September 2010 due to reasons set out below. The revised guidance has not been reviewed by the external auditors.

Revenue

The 9 months to date revenue is RM173 million and it is expected that revenue will be within guidance target for the full year.

The lower USD has weakened from 3.40 to 3.20 (6%) would have its negative effect on the revenue even with currency hedging at the 3.30 level. The Euro has deteriorated from 4.90 to current spot rate of 4.10 or 16% lower against the Ringgit.

Notion has about 7% of its revenue in Euro and it would have negative impact on these receivables.

Earnings

The lower USD also affected the earnings as we exchange the earnings into a stronger RM. Notion has about 85% of its revenue in USD.

The substantially weakened Euro again has its effect on earnings.

Aluminium price was generally not a factor as it stayed close to USD2,000 a ton for much of the year.

The major change in the last 6 months is the European debt crisis starting with Greece and spilling over to Spain, Portugal, Ireland and East European countries. These countries have massive government debts and so the governments will implement austerity measures which will dampen the economic growth of Europe. The crisis is still continuing with no end yet in sight. Naturally consumer and corporate spending will also be affected which will be a dampener for business.

Our main HDD customer has reported that this crisis and the weaker Euro have affected orders and this trend may continue for some time. The persistently high unemployment rate in the US is also affecting consumer spending. China is also said to be slowing as their government tries to temper the bubbly property market.

2 Major Production Problems

Orders in the antidisk components were stopped in one program following a hydrocarbon contamination problem. A lot of management time and resources was directed towards solving the problem. In the end, the customer cut orders on the affected component and for final cleaning of the 2 remainder antidisk models. We had to outsource to a Singapore vendor with increased cost. We spent time and substantial resources in relocating and upgrading the final washing facilities in order to comply with customer's requirements.

The 2.5" HDD baseplate project has not been performing to expectations resulting in delays to production targets, excessive start up costs in moulds, fixtures, jigs, tooling, quality equipment, excessive rejects at diecasting, machining and also at the customer vendor based in Dongguan, China.

The project has already incurred more than RM80 million capital expenditure which will flow into production costs in terms of depreciation and also financial cost as it is 80% funded by bank borrowings.

Factory 3 is still being retrofitted and the manufacture currently is dispersed between Factory 1 and 2 and also an ED coating supplier based in Banting; all adding to further inefficiencies. Management needs time to reorganize the manufacturing processes of the base plate project. Factory 3 is expected to be operational by September 2010.

For the Quarter, the cost of production has risen faster and steeper than the rise in revenue thus squeezing the margins.

Guidance for FY2010

The Board has taken all these factors into consideration and concludes that the full year's earlier earnings guidance of RM49.5 million to RM54 million will not be met due to considerable negative effects of weaker currencies and also from the consequences of the 2 major production problems mentioned.

Therefore, the Management is taking necessary stringent measures to rectify the situation and wish to reassure shareholders that the Group is still financially sound and profitable.

The Board after considerable deliberation, wishes to advise that management target for FY2010 has now been revised to between RM33 million and RM35 million. It would translate to a reduced EPS of between 21sen and 23 sen per share. Again we assume there is no significant depreciation in USD and Euro as well as the orders from customers remaining firm.

The Board also request for patience from the shareholders as it attempts to apply corrective measures to control costs, minimise rejects and maximise its production capacity and it is envisaged that it may take up to 3 quarters to stabilise the baseplate project.

B5. TAXATION

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
	30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
Company and Subsidiaries				
Taxation	(4,223)	2,094	3,238	4,343
Deferred taxation	5,082	(570)	4,805	(868)
	859	1,524	8,043	3,475
Associate				
Taxation	26	67	231	153
	26	67	231	153
	885	1,591	8,274	3,628

The effective tax rate of approximately 22% was lower than the statutory tax rate of 25% which was mainly due to the benefits from unutilised reinvestment allowances brought forward.

B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposal of investments and/or properties for the current quarter and financial year-to-date.

B7. DEALINGS IN QUOTED SECURITIES

There were no purchase or disposal of quoted securities for the current quarter under review save as disclosed in Note A7.

B8. STATUS OF CORPORATE PROPOSALS

There are no other corporate proposals announced but pending completion as at date of this report save as disclosed in Note A7.

B9. BORROWINGS AND DEBTS SECURITIES

The Group's borrowings as at 30 June 2010 are as follows:

	RM'000
Long - term	
Secured	
Hire purchase and lease payables	34,966
Term loan	23,845
	<u>58,811</u>
Short - term	
Secured	
Portion of hire purchase and lease payables due within one year	14,933
Portion of term loan due within one year	6,300
Unsecured	
Bank Overdraft	622
Other short term borrowings	11,278
	<u>33,133</u>
	<u>91,944</u>

The hire purchase and lease payables and term loan are secured by legal charges over certain property, plant and equipment belonging to certain subsidiaries of the Company.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Structured foreign exchange contracts entered into by a subsidiary company and outstanding as at date of this report is as follows :

Description	Notional Amount	Effective Period
Forward Contracts - to hedge USD receivables	USD54.0 million	August 2010 up to June 2011
Forward Contracts - to hedge Euro receivables	Euro2.5 million	August 2010 up to May 2011

The above contracts were entered into as hedges for sales denominated in US Dollars and Euro to limit the exposure to potential changes in foreign exchange rates with respect to the subsidiary company's foreign currencies denominated estimated receipts.

There is minimal credit risk as the contract was entered into with reputable banks.

B11. MATERIAL LITIGATION

There were no material litigations that might adversely and materially affect the position of the Group as at date of this report.

B12. DIVIDENDS PER SHARE

- i) No dividend has been proposed for the third quarter ended 30 June 2010 (current year to date: Nil).
- ii) For the previous corresponding quarter, an interim tax-exempt dividend of 0.5 sen per ordinary share of RM0.10 each for the FYE 30/9/2009 was declared on 18/8/2009 and paid on 11/11/2009.

B13. EARNINGS PER SHARE

The earnings per share is calculated by dividing profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue (FYE2009 comparative - has been restated to take into account the share consolidation undertaken in FYE 2010).

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.6.2010 (Unaudited)	Preceding Year Corresponding Quarter 30.6.2009 (Restated #)	Current Year To Date 30.6.2010 (Unaudited)	Preceding Year To Date 30.6.2009 (Restated #)
Profit attributable to equity holders of the Company (RM'000)	2,969	11,087	29,356	22,937
Weighted Average Number of ordinary shares in issue ('000)	154,561	140,717	149,034	140,717
Basic and diluted earnings per share (sen)	1.92	7.88	19.70	16.30

Restated as to take into effect the consolidation of every five (5) ordinary shares of RM0.10 each into one (1) ordinary share of RM0.50 each.

AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 August 2010.

By Order of the Board

Petaling Jaya
5 August 2010