



EUPE CORPORATION BERHAD (37762-V)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2010

1 Basis of preparation

The financial statements are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and Appendix 9B of the Bursa Malaysia Securities Berhad Listing Requirements.

The financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 28 February 2010.

The accounting policies and methods of computation adopted by the Group in these financial statements are consistent with those in the financial statements for the year ended 28 February 2010 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) and Interpretations effective for the financial period beginning 1 July 2009.

| | |
|-----------------------|--|
| FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 8 | Operating Segments |
| FRS 101 | Presentation of Financial Statements |
| FRS 123 | Borrowing Costs |
| FRS 139 | Financial Instruments: Recognition and Measurements |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards |
| Amendments to FRS 2 | Share-based Payment: Vesting Conditions and Cancellations |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 7 | Financial Instruments: Disclosures |
| Amendments to FRS 8 | Operating Segments |
| Amendments to FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to FRS 117 | Leases |
| Amendments to FRS 119 | Employee Benefits |
| Amendments to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| Amendments to FRS 123 | Borrowing Costs |
| Amendments to FRS 127 | Consolidated and Separate Financial Statements |
| Amendments to FRS 128 | Investment in Associates |
| Amendments to FRS 129 | Financial Reporting in Hyperinflationary Economies |
| Amendments to FRS 131 | Interests in Joint Ventures |
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 134 | Interim Financial Reporting |
| Amendments to FRS 138 | Intangible Assets |
| Amendments to FRS 140 | Investment Property |
| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | Group and Treasury Share Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |



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IC Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group does not expect any significant financial impact on the consolidated financial statements arising from the adoption of the above FRSs and Interpretation except of the following: -

FRS 101: Presentation of Financial Statements

This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content. The standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity are presented separately. In addition, the standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The application of this standard does not have any impact on the financial results of the Group, as the changes introduced are presentational in nature.

FRS 117: Leases

The Group has reassessed and reclassified the leasehold land which is in substance finance lease to property, plant and equipment. There were no effects on the consolidated statement of comprehensive income for the current year to date. The reclassification of leasehold land as property, plant and equipment has been accounted for retrospectively and certain comparatives have been restated as shown below: -

| | As previously stated RM'000 | Effect of FRS 117 RM'000 | As restated RM'000 |
|--|--|---|-------------------------------|
| Consolidated Statement of Financial Position as at 28 February 2010 | | | |
| Property, plant and equipment | 52,096 | 29,670 | 81,766 |
| Prepaid land lease payments | 29,670 | (29,670) | - |
| | | | |

2 Qualification of financial statement

There was no qualification in the audited financial statements for the year ended 28 February 2010.

3. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.



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4 Items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter and/or financial year to-date.

5 Change in estimates

There were no changes in estimates reported in prior interim periods of the current financial year or prior financial year that have a material effect on the current financial year to-date.

6 Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

7 Dividend paid

No dividend has been paid or declared during the current financial period-to-date.

8 Segmental information

| | Revenue | | Profit before taxation | |
|----------------------------|------------------------------|----------------------|------------------------|---------------------|
| | <----- 6 months ended -----> | | | |
| | 31.8.10 | 31.8.09 | 31.8.10 | 31.8.09 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Chalet and Golf Management | 6,659 | 10,278 | (926) | (1,321) |
| Property Development | 34,827 | 48,222 | 3,164 | 5,514 |
| Property Construction | 38,015 | 54,395 | 1,841 | 1,368 |
| Others | 3,099 | 4,249 | 1,454 | 2,396 |
| | <u>82,600</u> | <u>117,144</u> | <u>5,533</u> | <u>7,957</u> |
| Inter-segment elimination | <u>(29,385)</u> | <u>(43,956)</u> | <u>(2,655)</u> | <u>(3,195)</u> |
| | <u><u>53,215</u></u> | <u><u>73,188</u></u> | <u><u>2,878</u></u> | <u><u>4,762</u></u> |

9 Revaluation of property, plant and machinery

The Group did not carry out any valuations on its property, plant and equipment.

10 Material events subsequent to balance sheet date

There is no material event that has not been reflected in the financial statements for the said period, made up to a date not earlier than 7 days from the date of the issuance of this quarterly report.



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11 Changes in composition of the Group

There was no change in the composition of the Group for the current quarter.

12 Changes in contingent liabilities and contingent assets

The changes in contingent liabilities since the last annual balance sheet date made up to 31 August 2010 are as follows: -

| | As at 1.3.2010 RM'000 | Addition / (Deletion) RM'000 | As at 31.8.2010 RM'000 |
|---|--------------------------------------|---|---------------------------------------|
| Guarantees given to licensed banks for credit facilities utilised by the subsidiary companies | <u>23,785</u> | <u>(3,334)</u> | <u>20,451</u> |
| Guarantees given to suppliers for credit facilities utilised by the subsidiary companies | <u>750</u> | <u>(1)</u> | <u>749</u> |
| Total guarantees given for credit facilities available to the subsidiary companies | <u>56,040</u> | <u>(10,500)</u> | <u>45,540</u> |

The provision of financial assistance to third parties will not have any financial impact on the Company unless its subsidiary companies default on payments.

13 Capital commitments

There is no capital commitment as at the date of this report.

14 Acquisition and disposal of items of property, plant and equipment

During the financial period ended 31 August 2010, the Group made the following payments to purchase property, plant and equipment: -

| | RM |
|---|----------------|
| Cash payment on purchase of property, plant and equipment | 307,410 |
| Financed by hire purchase arrangement | <u>90,104</u> |
| Purchase of property, plant and equipment | <u>397,514</u> |



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Additional information required by the BMSB's Listing Requirements

1 Review of performance

The operational performance of the Group was slightly better than in the last quarter but due to a devaluation of the investment properties, the profit dipped. Thus, despite the revenue in Q2 2011 increasing by 5% to RM26.016 million compared to the previous quarter, the profit before tax dropped by 5% to RM1.675 million correspondingly.

2 Variance of results against preceding quarter

The Group's turnover for the current quarter decreased by 23% to RM26.016 million as compared to RM27.199 million recorded in the preceding quarter. However, profit before tax increased by 39% to RM1.675 million due to higher margins realised by the property & construction division.

3 Current year / future prospects

The recent unveiling of the My First House Scheme under the new Budget bodes well for the property sector. As many of the mass housing schemes under the Group's townships are priced below the RM220, 000 marks, with the next level of properties under the RM350, 000 price tag, the Group is optimistic about the effect of the announcement.

Although the mass housing township will continue to be a main source of income for the Group, it will introduce more upmarket communities in the coming year to cater to a more affluent target; a segment that seems to be increasing in tandem with improving wealth levels of society.

The market response for the Group's township is still encouraging. Barring unforeseen circumstances, the Group remains positive and optimistic about the year ahead.

4 Profit forecast

This is not applicable as no profit forecast was published.



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5 Taxation

| | CURRENT QUARTER Q1 31 AUG 2010 RM'000 | PRECEDING QUARTER Q1 31 AUG 2009 RM'000 | CURRENT YEAR TO DATE 31 AUG 2010 RM'000 | PRECEDING YEAR TO DATE 31 AUG 2009 RM'000 |
|---|--|--|--|--|
| Current year taxation | 752 | 824 | 1363 | 1527 |
| Real property gain tax | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 752 | 824 | 1363 | 1527 |
| Deferred taxation | (155) | (74) | (203) | (150) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 597 | 750 | 1,160 | 1,377 |
| Under/(Over) provision in previous years | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 597 | 750 | 1,160 | 1,377 |

The higher effective tax rate as compared to the statutory tax rate of 25% for current year is mainly due to the unavailability of group relief losses incurred by certain subsidiaries and disallowing certain expenses for tax purposes.

6 Purchase or disposal of unquoted investments and properties

There was no sale of unquoted investments and properties of the Group for the current quarter under review and financial year to date.

7 Purchase or disposal of quoted investments and properties

There was no sale of quoted investments and properties of the Group for the current quarter under review and financial year to date.

8 Status of corporate proposal announced

There is no corporate proposal announced but not completed as at the date of this quarterly report.



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9 Borrowings and debt securities

| | CURRENT FINANCIAL PERIOD END 31.8.2010 RM' 000 | PRECEDING FINANCIAL YEAR END 28.2.2010 RM' 000 |
|--|---|---|
| <u>Borrowings – unsecured</u> | | |
| <u>Repayable within the next 12 months</u> | | |
| Term loans | 721 | 941 |
| Revolving credit | 2,500 | 2,500 |
| Bankers' acceptance | 1,576 | 2,328 |
| Bank overdraft | 301 | 1,102 |
| Hire Purchase Creditors | 7 | - |
| | <hr/> 5,105 | <hr/> 6,871 |
| <u>Repayable after the next 12 months</u> | | |
| Term loans | 2,044 | 2,044 |
| Hire Purchase Creditors | 77 | - |
| | <hr/> 2,121 | <hr/> 2,044 |
| <u>Borrowings – secured</u> | | |
| <u>Repayable within the next 12 months</u> | | |
| Term loans | 900 | 1,951 |
| Revolving credit | 6,000 | 6,000 |
| Bankers' acceptance | 2,000 | 1,253 |
| Bank overdraft | 1,499 | 1,209 |
| | <hr/> 10,399 | <hr/> 10,413 |
| <u>Repayable after the next 12 months</u> | | |
| Term loans | <hr/> 2,787 | <hr/> 3,983 |

The Group has no borrowing and debt securities denominated in foreign currency.

10 Off balance sheet financial instruments

The Group and Company have not issued any such instrument as at the date of this report.

11 Changes in material litigation

There is no material litigation which is not in the ordinary course of business as at the date of this report.

12 Dividend

The Directors do not propose the payment of any interim dividend for the current quarter and financial period.



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13 Earnings per share

Basic earnings per share

| | <u>Current quarter</u> | <u>Year to-date</u> |
|--|------------------------|---------------------|
| | RM | RM |
| Net profit attributable to ordinary shareholders | 434,558 | 810,789 |
| Weighted average number of ordinary shares | 128,000,000 | 128,000,000 |
| Basic earnings per share (sen) | 0.34 | 0.63 |

Diluted earnings per share

| | <u>Current quarter</u> | <u>Year to-date</u> |
|--|------------------------|---------------------|
| | RM | RM |
| Net profit attributable to ordinary shareholders | 434,558 | 810,789 |
| Weighted average number of ordinary shares | 128,000,000 | 128,000,000 |
| Diluted earnings per share (sen) | 0.34 | 0.63 |