

AMTEL HOLDINGS BERHAD

(409449-A)

NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 MAY 2010:

EXPLANATORY NOTES IN COMPLIANCE WITH REPORTING REQUIREMENTS OF FRS 134 – INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial statements have been prepared in compliance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the last financial year ended 30 November 2009. These explanatory notes attached 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 Group since the financial year ended 30 November 2009.

1.1 Significant Accounting Policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 November 2009, except for the adoption of FRS 8, Operating Segments. The adoption of FRS 8 does not have any significant impact on the results and financial position of the Group except for the changes in the form and content of disclosures presented in the Group’s financial statements, as disclosed in Note 8 on Page 6.

2. Audit Qualification

There was no qualification on audit report of the Group’s preceding annual financial statements.

3. Seasonal or cyclicity of interim operations

The Group’s operations are not effected by seasonal or cyclical factors for the current quarter and financial period under review.

4. Unusual Items

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 under review.

5. Material Changes in Estimates of Amounts Reported

There were no changes in estimates of amounts reported in the prior financial quarters or changes in estimates of amount reported in prior financial years that have a material effect in the current financial quarter.

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6. Debt and Equity Securities.

There is no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial period to date.

7. Dividends Paid

There was no dividend paid during the financial quarter ended 31 May 2010.

8. Segmental Reporting

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group presents its segment information based on its business segments, which is also the basis used for management and internal reporting purposes.

Business segments

The Group is organised on a Group wide basis into the following main business segments:-

- | | |
|---|---|
| i) Information & Communication Technology ("ICT") | Inclusive of Telematics and navigation products & services, telecommunication products, Geographical Information System (GIS) development and research businesses. |
| ii) Telecommunications infrastructure & services | Inclusive of installation, testing and commissioning of utilities, telecommunication and fibre optic cables and associated civil works and marketing of alternate telephony services. |
| iii) Others | Mainly comprise investment holding and provision of management services, property investment, general trading and money lending activities, neither which are of a sufficient size to be reported separately. |

The Group's segment reporting for the current financial period is as follows:-

	ICT RM'000	Telecommunications Infrastructure & Services RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
External revenue	24,877	2,585	963	-	28,425
Inter-segment	1,023	-	624	1,647	-
Segment revenue	<u>25,900</u>	<u>2,585</u>	<u>1,587</u>	<u>(1,647)</u>	<u>28,425</u>

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8. Segmental Reporting (Cont'd)

	ICT	Telecommunications Infrastructure & Services	Others	Elimination	Total
Results	RM'000	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) from operations	1,571	340	(457)	-	1,454
Finance costs					(204)
Share of associates' results					18
Profit before taxation					1,268
Taxation					(118)
Profit for the year					1,150
<u>Attributable to:-</u>					
Equity holders of the Company					1,228
Minority interests					(78)
					<u>1,150</u>

9. Valuation of Property, Plant and Equipment

- (1) Property, plant and equipment which are stated at cost have been brought forward without amendment from the previous annual financial statements.
- (2) There was no material acquisition or disposal of property, plant and equipment by the Group during the financial period to date.

10. Material Events Subsequent to the End of Financial Period

There were no material events subsequent to the end of the financial period ended 31 May 2010 that have not been reflected in the financial statements or to be disclosed as the date of this report other than as mentioned below:-

On 18 July 2010, the Company via its wholly owned subsidiary company, namely Metrarama Sdn Bhd completed the disposal of its properties held under Lot No.s 41, 80 and 4154 – 4165, Mukim 1, District of Province Wellesley Central, State of Penang for an aggregate cash consideration of RM16.502 million pursuant to shareholders' mandate obtained at an Extraordinary General Meeting held on 8 September 2005.

The disposal has resulted in a net gain of approximately RM0.671 million for the financial year ending 30 November 2010 and will increase the Group's earnings and net assets per share by approximately 1.36 sen. The disposal will not have a material effect on the Group's gearing.

11. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period to date.

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12. Changes in Contingent Liabilities and Contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 30 November 2009, except for the following:-

Contingent Liabilities – Unsecured

In respect of corporate guarantees given by the Company to financial institutions and trade creditors for banking and credit facilities granted to the subsidiary companies

Outstanding
As At
31/5/2010
RM'000

4,885

13. Capital and Other Commitments

The Group has no capital commitment in respect of property, plant and equipment for current quarter ended 31 May 2010.

14. Cash and Cash Equivalents

Cash and cash equivalents included in the Condensed Consolidated Cash Flow Statements for the financial period ended 31 May 2010 comprise the following Balance Sheet amounts:-

	RM'000
Cash and bank balances	1,101
Cash deposits with licensed banks	3,739
Bank overdrafts	(554)
	<u>4,286</u>
Less: Cash deposits with licensed banks under lien	(1,230)
	<u>3,056</u>

15. Related Party Transactions

There is no related party transaction entered into by the Company and/or its subsidiaries during the financial period to date.

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NOTES TO INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 MAY 2010:

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

The Group reported a turnover and profit before tax of RM16.667 million and RM870,000/- respectively for the current quarter under review as compared to RM11.370 million and RM370,000/- reported in preceding year corresponding quarter. The improved results for the current quarter under review as compared to preceding year corresponding quarter were attributable to higher sales reported by the ICT segment.

The Group's turnover for the six months period ended 31 May 2010 amounted to RM28.425 million, which is approximately 49.7% higher than the preceding year corresponding period of RM18.988 million. The ICT segment contributed approximately 87.5% of the Group's turnover for the current period. The increase in turnover for the current period was mainly attributable to increase in sales volume of the ICT products. Corresponding to the increase in turnover, the Group recorded a profit before tax of RM1.268 million for the current period as compared to profit before tax of RM0.551 million reported in preceding year corresponding period.

2. Material Changes in the Profit Before Tax for the Quarter Reported on as Compared with the Immediate Preceding Quarter.

The Group reported a profit before tax of RM870,000/- for current quarter as compared to profit before tax of RM398,000/- reported in preceding quarter. Higher profit reported in this financial quarter was resulted from higher revenue from the sale of ICT products and interest income recognised of RM221,000/- arising from the deferred consideration received from the disposal of investment in an associated company.

3. Prospects for the Current Financial Year

The Board remains confident that with the Group's continuing commitment in research and development activities in the ICT segment, the Group looks forward to achieve positive results for the remaining financial quarters.

4. Variances of Actual Profit from Forecast Profit

Not applicable.

5. Taxation

	Current Quarter RM'000	Cumulative Current Period RM'000
Taxation includes:-		
Tax provided based on results for the period	70	118

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5. Taxation (Cont'd)

The tax charge for the Group reflects an effective tax rate which is lower than the statutory tax rate due to certain income not subject to tax and utilisation of unutilised tax losses brought forward in certain subsidiaries.

6. Profit/Loss on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the current quarter and financial period to date.

The Group received dividends of RM32,937/- from quoted investments in income trust fund for the current financial period to date.

7. Quoted Securities

(1) Summary of dealings in quoted securities:-

	Current Quarter RM'000	Cumulative Current Period RM'000
<u>Long Term Investments – Quoted Unit Trusts</u>		
Total Disposal Proceeds	2,462	5,265
Total Profit/(Loss) on Disposal	-	-
Total Purchase Consideration	1,549	4,219
<u>Short Term Investments – Quoted Shares:</u>		
Total Disposal Proceeds	-	-
Total Profit/(Loss) on Disposal	-	-
Total Purchase Consideration	-	-

(2) Investments in quoted securities as at 31 May 2010 are as follows:-

	RM'000
<u>(i) Quoted Unit Trusts</u>	
Total investments at cost & at carrying value (after allowance for impairment loss)	2,699
Total investments at market value	2,699
<u>(ii) Quoted Shares</u>	
Total investments at cost	481
Total investments at carrying value/book value (after allowance for impairment loss)	324
Total investments at market value	324

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8. Status of Corporate Proposals

There are no corporate proposals announced but not completed as at the date of issue of this quarterly report.

9. Group Borrowings

The Group's total borrowings (all denominated in Ringgit Malaysia) as at 31 May 2010 are as follows:-

	RM'000	RM'000
(1) Short Term Borrowings		
- <u>Unsecured</u>		
Bank overdraft	435	
Bills payable	-	435
- <u>Secured</u>		
Bank overdraft	119	
Bills payable	1,878	
Revolving project loans	2,243	4,240
		<u>4,675</u>
(2) Long Term Borrowings		
Hire purchase creditors payable after the next 12 months		<u>722</u>

Securities:-

(i) The short term borrowings are secured by debentures incorporating fixed and floating charge over all present and future assets and undertakings of Amtel Cellular Sdn Bhd and corporate guarantees of the Company.

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off-balance sheet risk as at the date of issue of this quarterly report.

11. Disclosure of Derivatives

The Group does not have outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 May 2010.

12. Gain/Losses Arising From Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities for the current quarter and financial period ended 31 May 2010.

13. Material Litigation

There is no pending material litigation that would have a material adverse effect on the financial position of the Group as at the date of issue of this quarterly report.

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14. Dividend

The Board of Directors does not recommend any payment of dividend for the current financial period ended 31 May 2010.

15. Earning Per Share

(1) Basic earning per share

The basic earning per share for the current quarter and financial year to date is calculated by dividing the consolidated net profit attributable to the equity holders of the Company of RM840,000/- and RM1.228 million respectively by the number of 49,277,066 ordinary shares in issue during the period.

(2) Diluted earning per share

Not applicable.

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By Order of the Board

CHIA MOH MUI

Company Secretary