

## Part A-Explanatory Notes Pursuant to FRS 134

### **A1. Accounting policies and methods of computation**

The interim financial report has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures for the cumulative period in the current quarter to 30 April 2010 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2009. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year 31 October 2009, except for the followings:

- (i) Adoption and early adoption of New and Revised FRSs, IC Interpretations and Amendments

In the current period ended 30 April 2010, the Group adopted (and early adopted) the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRS 7, Financial Instruments: Disclosures.  
FRS 8, Operating Segments.  
FRS 101 (revised), Presentation of Financial Statements.  
FRS 123 (revised), Borrowing Costs.  
FRS 132 (revised), Financial Instruments: Presentation.  
FRS 139 (revised), Financial Instruments: Recognition and Measurement.  
Amendment to FRS 5  
Amendment to FRS 8  
Amendment to FRS 139, FRS 7 and IC Interpretation 9  
Amendment to FRS 107  
Amendment to FRS 108  
Amendment to FRS 110  
Amendment to FRS 116  
Amendment to FRS 117  
Amendment to FRS 118  
Amendment to FRS 119  
Amendment to FRS 120

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

#### *FRS 101 (revised), Presentation of Financial Statements*

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisting of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

Dividend per share that was previously presented on the face of income statement is removed and represented on the face of the statement of changes in equity.

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

With the adoption of the revised FRS 101, a new capital disclosure is made to explain the Group's capital management objectives, policies and strategies; how it manages capital and whether the objectives for capital management have been achieved. The details of the capital management disclosures are provided in Note A5.

#### *FRS 139, Financial Instruments: Recognition and Measurement*

Prior to the adoption of FRS 139, financial derivatives were recognized on their settlement dates. Outstanding derivatives at the balance sheet date (now known as date of statement of financial position) were not recognized. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognized at contract dates when, and only when, the Company or any subsidiary become a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognized and unrecognized in the prior financial year are classed into the following categories:

	Pre-FRS 139	Post-FRS 139
1	Long-term equity investment	Available-for-sale investments
2	Long-term quoted debt instruments	Held-to-maturity investments
3	Private-debt instruments	Loans and receivables
4	Current investment	Financial assets at fair value through profit or loss
5	Unrecognised derivative assets	Financial assets at fair value through profit or loss
6	Long-term borrowings and bonds	Financial liabilities at amortised cost
7	Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

	Category	Measurement Basis
1	Financial instruments at fair value through profit or loss	At fair value through profit or loss
2	Held-to-maturity investments	At amortised cost effective interest method
3	Loans and receivables	At amortised cost effective interest method
4	Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
5	Loans and other financial liabilities	At amortised cost effective interest method

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using specified hedge accounting requirements of FRS 139. All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of the remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

#### *FRS 7, Financial Instruments: Disclosures*

Prior to the adoption of FRS 7, the disclosures for the financial instruments were based on the requirement of the original FRS 132, Financial Instruments: Disclosure and Presentation. With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classifications. An additional disclosure is made in Note A3 for the sensitivity analysis for each type of market risk to which the Group is exposed at the reporting date to show how profit or loss and equity would be affected by changes in the risk variables that were reasonably possible at that date.

#### *FRS 8, Operating Segments*

Prior to the adoption of FRS 8, the Group's segment reporting was based on a primary reporting format of business segments and a secondary reporting format of geographical segments. With the adoption of FRS 8, the Group's segment reporting has been changed to operating segment based on the segment information provided to the Managing Director and the Board of Directors. This change has resulted in reduction of one

operating segment as being reported previously. The comparatives of the preceding year corresponding period are re-presented to conform to the current period presentation, as disclosed in Note A7.

*Amendment to FRS 117, Leases*

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The consideration paid were classified and presented as prepaid lease payment in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. In making this judgement, the Directors have concluded that the lands with an initial lease period of 50 years or more are finance leases because the present value of the minimum lease payment (i.e. the consideration paid or payable) is substantially equal to the fair value of the land. Accordingly, the Group has changed the classification of long leasehold lands from operating leases to finance leases in the current quarter. This change in classification has no effect to the profit or loss of the current period ended 30 April 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

31 October 2009	As previously reported RM '000	Reclassification RM '000	As restated RM '000
Prepaid lease payments	2,012	(2,012)	-
Property, plant and equipment	16,140	2,012	18,152

The adoption of the other new and revised FRSS, IC Interpretations and Amendments has no effect to the Group's consolidated financial statements of the current period or the comparative consolidated financial statements of the prior financial year.

- (ii) New and Revised FRSS, IC Interpretations and Amendments issued but are not yet effective and not adopted early for the Group's current period.

The Group has not adopted the following new and revised FRSS, IC Interpretations and Amendments because they are not yet effective for the current financial year ending 31 October 2010:

- (a) FRS 3 (revised), Business Combination.
- (b) FRS 137 (revised), Consolidated and Separate Financial Statements.
- (c) Amendments to FRS 2, FRS 5, FRS 138, FRS 139

The Group will adopt these Standards, if relevant to the Group's operation, beginning on 1 November 2010.

**A2. Seasonal or cyclical of interim operations**

The Group's business operations were not affected by any seasonal or cyclical factors.

**A3. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There are no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during for the current quarter ended 30 April 2010.

**A4. Material changes in estimates**

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

**A5. Capital management, issuances, repurchase, and repayment of debts and equity instruments**

The Group's objective of managing capital are to safeguard the Group's ability to continue in operations as going concern in order to provide fair returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain the optimal capital structure, the Group may, from time to time, adjust the dividend payout to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The Group's strategy is to maintain a maximum gearing ratio of 50%. The ratio is calculated as the total liabilities to total equity. Total equity includes non-controlling interests.

The gearing ratios as at 30 April 2010 and 31 October 2009, which are within the Group's objectives for capital management, are as follows:

	30-Apr-10	31-Oct-09	
	RM '000	RM '000	Changes
Total liabilities	8,905	7,637	1,268
Total equity	49,412	49,998	(586)
Total capital	58,317	57,635	682
Gearing Ratio	18.0%	15.3%	2.8%

The increase in the gearing ratio in the current quarter arises primarily from the decrease in equity as a result of losses during the period and increase in trade payables.

There were no shares issued, shares cancellation, resale of treasury shares and repayments of debts and equity securities during the current quarter.

On 28 March 2007, approval has been obtained from the shareholders for the Company to buy-back its own shares. The authority granted by the shareholders was subsequently renewed in the recent Annual General Meeting held on 28 April 2009. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-back scheme can be applied in the best interest of the Company and its shareholders.

No ordinary shares were repurchased during the quarter under review. Since the inception of the scheme, a total of 2,963,560 ordinary shares (after a share dividend distributed in May 2009) were repurchased from the open market for a total consideration of RM2,484,860 at an average price of RM0.84 per share and held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The share buy-back transactions were wholly financed by internally generated fund.

**A6. Dividends paid**

No dividends were paid during the quarter under review.

**A7. Operating segment information**

In the prior year's audited consolidated financial statements, the basis of segmentation was on a primary format of business segments and a secondary format of geographical segment. In the current period ended 30 April 2010 and for the current financial year ending 31 October 2010, the basis of segmentation has been changed to operating segments based on information reported internally to the Managing Director and the Board of Directors. In the prior financial year, the Group has three reportable segments: Manufacturing and trading, property investment and investment holding. With the adoption of FRS 8, *Operating Segments*, the investment holding segment has been removed in the current period ended 30 April 2010.

Segment information for the period ended 30 April 2010	Manufacturing & Trading	Property Investment	Total
	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>
Revenue from external customers	9,310	764	10,074
Intersegment revenue	-	-	-
Reportable segment profit / (loss)	(957)	447	(510)

**Reconciliation of profit or loss**

Total loss for reportable segments	(510)
Gain on derivative financial instrument	11
Other profit or loss	-
Unallocated amounts:	
Other corporate expenses	(95)
<b>Group's loss before income tax expense</b>	<b>(594)</b>

**A8. Material events subsequent to the end of the interim period**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statement for the interim period.

**A9. Effects of changes in composition of the Group**

There were no changes to the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

**A10. Changes in contingent liabilities and contingent assets since the date of statement of financial position of prior audited financial statement**

Save as disclosed below, the Company is not aware of any contingent liabilities or contingent assets as at 30 April 2010:-

Contingent liabilities for corporate guarantee given by the Company to financial institutions for credit facilities granted to subsidiary companies.

	RM '000
Total contingent liabilities	2,280

**A11. Capital Commitment**

There were no capital commitments not provided for in the financial statement as at 30 April 2010.

**Part B-Explanatory Notes Pursuant to BURSA MALAYSIA SECURITIES BERHAD,  
Chapter 9 of the Listing Requirement, Part A of Appendix 9B**

**B1. Performance review for the current quarter and financial year-to-date**

For the 2nd quarter ended 30 April 2010, the Group's sales turnover when compared to preceding year corresponding quarter improved by 41.7% to RM5.103 million from RM3.601 million. However, the pre-tax loss when compared to preceding year corresponding quarter increased to RM0.743 million from RM0.450 million. The higher loss was attributed to gross profit margin dropped to 10.3% from 16.6%. operating expenses increased by 9.7% or RM0.135 million and other income decreased by RM0.1 million or 46.7%.

For the current six months period, the Group's pre-tax loss when compared to preceding year corresponding period decreased by 44% to RM0.594 million from RM1.06 million. The lower loss was due to improved sales by 34.7% or RM2.596 million, gross profit margin improved to 16.5% from 14.2%, despite other income decreased by 34.7% or RM0.159 million.

**B2. Comment on any material change in the profit before taxation as compared with immediate preceding quarter.**

For the 2nd quarter ended 30 April 2010, the Group's pre-tax loss when compared to immediately preceding quarter increased by 598% to RM0.743 million from a pre-tax profit of RM0.149 million. The higher loss was due to gross profit margin dropped to 10.3% from 31.4% and operating expenses increased by 19% or RM0.222 million.

The decreased of gross profit margin was mainly due to competitive pricing and unfavourable foreign exchange rate during the quarter.

**B3. Current year's prospect**

Barring any unforeseen circumstances, the Directors are envisage to maintain current performance for the next quarters of the current financial year.

**B4. Variance of actual profit from forecast profit**

There were no profits forecast and profit guarantee issued by the Company for the quarter under review.

**B5. Taxation**

	Current Quarter RM '000	Cumulative Quarters RM '000
Current Year *	44.0	88.0
Prior Year	(157.0)	(157.0)
Deferred Taxation	(1.0)	(1.0)
	<u>(114.0)</u>	<u>(70.0)</u>
* Effective tax rate	15.3%	13.1%

The effective tax rate for second quarter and financial-year-to-date of the financial year were lower than the statutory tax rate of 25% mainly due to the refund of tax from Inland Revenue Board received by one of the subsidiary in respect of prior year.

**B6. Sales of unquoted investments and/or properties**

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

**B7. Purchase or disposal of quoted securities**

They were no purchases or disposals of quoted securities during the quarter under review.

As at 30 April 2010, the investments in quoted securities are as follow:-

	Cost	Carrying Value	Market Value
	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>
	308	217	217

**B8. Status of corporate proposals**

There was no corporate proposal announced but not completed as at 30 April 2010.

**B9. Group borrowings and debt securities**

The group's borrowings as at 30 April 2010 are as follow:-

<i>RM '000</i>	Secured	Unsecured	Total
Short term	819	-	819
Long term	1,144	-	1,144
Total	1,963	-	1,963

All borrowings are denominated in local currency.

There was no debt securities issued as at 30 April 2010.

**B10. Derivative financial instruments**

[New note requested by Bursa via directive dated 25 March 2010]

With the early adoption of FRS 139, financial derivatives are recognized on their respective contract dates. The related accounting policies are disclosed in Note A1.

As at the date of statement of financial position, the Group has the following outstanding derivative financial instruments:

Derivative	Contract	Cash paid	Fair value- net gains or (losses)	Purpose
	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>	
1. Currency forward contract				
- less than 1 year	341	-	11	For hedging currency risk
- 1 year to 3 years	-	-	-	
- More than 3 years	-	-	-	

The currency forward contracts are transacted with the Group's bankers. Credit risk for non-performance by the counterparties in these instruments is minimal. The Group's trade receivables denominated in foreign currencies are exposed to currency risk. The Group's strategy for minimizing this risk is to hedge part of the foreign trade receivable by a forward sale contract.

**B11. Gains and losses arising from fair value changes of financial liabilities**

[New note requested by Bursa via directive dated 25 March 2010]

There were no gains or losses recognized for changes in the fair values of financial liabilities measured at fair value through profit or loss for current and cumulative quarters.

**B12. Changes in material litigation**

There was no material litigation pending as at the date of this report.

**B13. Dividends**

The Board of Directors has proposed a First and Final Tax Exempt dividend of 1.0 sen per ordinary share of RM1.00 each fully paid up in respect of the financial year ended 31 October 2009. The proposed dividend has been approved by shareholders during the annual general meeting held on 28 April 2010. The book closure and payment dates were 6 May 2010 and 20 May 2010 respectively.

**B14. Earnings per share**

a. Basic

The calculation of the basic earnings per share is based on the Group's net profit attributable to the equity holders divided by the weighted average number of ordinary shares of RM1.00 each in issue during the year excluding the weighted average treasury shares held by the Company.

	Current Quarter	Cumulative Quarters
Net profit / (loss) attributable to equity holders of the Company (RM '000)	(611)	(496)
Weighted average number of ordinary shares ( '000)	37,649	37,649
Basic earnings per share (sen)	(1.62)	(1.32)

b. Diluted

Not applicable

**B15. Audit report qualification and status of matters raised**

The audit report of the Group's annual financial statements for the financial year ended 31 October 2009 did not contain any qualification.

BY ORDER OF THE BOARD

Ng Bee Lian  
Company Secretary  
Kuala Lumpur