

**ACOUSTECH BERHAD (Co. No: 496665-W)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE**  
**PERIOD ENDED 30 SEPTEMBER 2010**

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The figures have not been audited

**1. Basis of Preparation**

The interim financial report has been prepared under the historical cost convention.

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2010. These explanatory notes attached to the interim financial report provide explanations 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 31 March 2010.

**2. Accounting Policies**

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2010 except for the adoption of the following new/revised FRSs, Amendments to FRSs and IC Interpretations that are effective for financial periods beginning on or after 1 July 2009 or 1 January 2010:-

FRS 7 Financial Instruments: Disclosures

FRS 8 Operating Segments

FRS 101 Presentation of Financial Statements (Revised)

FRS 123 Borrowing Costs (Revised)

FRS 132 Financial Instruments: Presentation

FRS 139 Financial Instruments: Recognition and Measurement

Amendments to FRS 2 Share-based Payment – Vesting Condition and Cancellation.

Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued operations

Amendment to FRS 7 Financial Instruments: Disclosures

Amendment to FRS 8 Operating Segments

Amendment to FRS 107 Statement of Cash Flows

Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

Amendment to FRS 110 Events after the Reporting Period

Amendment to FRS 116 Property, Plant and Equipment

Amendment to FRS 117 Leases

Amendment to FRS 118 Revenue

Amendment to FRS 119 Employee Benefits

Amendment to FRS 123 Borrowing Costs

Amendment to FRS 127 Consolidated and Separate Financial Statements

Amendment to FRS 128 Investments in Associates

Amendment to FRS 131 Interest in Joint Ventures

Amendment to FRS 132 Financial Instruments: Presentation

Amendment to FRS 134 Interim Financial Reporting

Amendment to FRS 136 Impairment of Assets

Amendment to FRS 138 Intangible assets

Amendment to FRS 139 Financial Instruments: Recognition and Measurement

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IC Interpretation 9 Reassessment of Embedded Derivatives  
 IC Interpretation 10 Impairment and Interim Financial Reporting  
 IC Interpretation 11 FRS 2, Group and Treasury Share Transactions  
 IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new/revised FRSs, Amendments to FRSs and IC Interpretations does not have any significant financial impact on the Group except for the following:-

FRS 101(revised): Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements.

Upon the adoption of the revised FRS 101, a set of financial statements shall now comprise a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.

Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land that has an indefinite economic life and with title that is not expected to pass to the lessee by the end of the lease term is classified as operating lease. Upfront payments for the rights to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and amortised on a straight-line basis over the remaining period of the lease.

Upon adoption of the Amendment to FRS 117 in relation to classification of leasehold land, the Group reassessed the classification of leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all leasehold land of the Group is in substance finance leases and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment.

This change in classification has no effect to the profit or loss of the current period ended 30 June 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 March 2010	<u>Consolidated Balance Sheets</u> As previously reported RM'000	Reclassification RM'000	<u>Consolidated Statement of Financial Position</u> As restated RM'000
Prepaid lease payments for land	8,925	-	-
Reclassification as leasehold land		8,925	8,925

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FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives are recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

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

	Pre-FRS 139	Post-FRS 139
1	Long-term equity investments	Available-for-sale investments
2	Long-term quoted debt instruments	Held-to-maturity investments
3	Private-debt instruments	Loans and receivables
4	Current investments	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 were 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 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 the 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 April 2010. The effects of the remeasurement on 1 April 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.

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FRS 7, Financial Instruments: Disclosures

FRS 7 requires comprehensive disclosure on qualitative and quantitative information about exposure to risks from financial instruments. Such disclosures will be made in the audited annual financial statements of the Group.

FRS 8, Operating Segments

Following the adoption of FRS 8, Operating Segments, effective 1 April 2010, an operating segment is a component of the Group that engages in business activities within a particular economic environment (geographical segment) from which it may earn revenues and incur expenses. The Group determines and presents operating segments based on information that is internally provided to the Chief Executive Officer, who is the Group's chief operation decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

At the date of authorisation of this quarterly condensed financial report, the MASB had issued the following FRS and Interpretations but which were not yet effective (all effect for the financial periods beginning on and after 1 July 2010) and have not been adopted by the Group:

FRS 1 (Revised): First time adoption of Financial Reporting Standards  
FRS 3 (Revised): Business Combination  
FRS 127 (Revised): Consolidated and Separate Financial Instruments (amended)  
IC Interpretation 12: Service Concession Arrangements  
IC Interpretation 15: Agreements for the Construction of Real Estate  
IC Interpretation 16: Hedges of Net Investments in a Foreign Operation  
IC Interpretation 17: Distributions of Non-cash Assets to Owners

The amendments to the FRS:

FRS 1: Additional Exemptions for First-time Adopters  
FRS 2: Share-based Payment  
FRS 5: Non-current Assets Held for Sale and Discontinued Operations  
FRS 138: Intangible Assets  
IC Interpretation 9: Reassessment of Embedded Derivatives  
IC Interpretation 4: Determining whether an Arrangement contains a Lease  
IC Interpretation 18: Transfers of Assets from Customers

These new FRS and interpretations are not expected to have any significant impact on the financial statements of the Group upon their initial application.

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 March 2010 was not qualified.

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**4. Segmental Information**

	Audio RM'000	Chemical paints RM'000	Electrical equipment RM'000	Total RM'000
<b>6-month ended 30 September 2010</b>				
<b>Revenue</b>				
External revenue	<u>121,849</u>	<u>12,815</u>	<u>15,980</u>	<u>150,644</u>
<b>Results</b>				
Segment results	6,089	3,055	(37)	9,107
Unallocated corporate expenses				<u>(147)</u>
Operating profit				8,960
Finance costs	-	-	-	(43)
Share of results in a jointly controlled entity	-	-	188	<u>188</u>
Profit before tax				9,105
Tax expense				<u>(2,205)</u>
Profit for the period				<u>6,900</u>
<b>6-month ended 30 September 2009</b>				
<b>Revenue</b>				
External revenue	<u>77,506</u>	<u>16,469</u>	<u>29,204</u>	<u>123,179</u>
<b>Results</b>				
Segment results	4,667	3,368	3,535	11,570
Unallocated corporate expenses				<u>(220)</u>
				11,350
Finance costs				(49)
Share of results in an associate	-	173	-	173
Share of results in a jointly controlled entity	-	-	161	<u>161</u>
Profit before tax				11,635
Tax expense				<u>(2,887)</u>
Profit for the period				<u>8,748</u>

**5. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income and cash flow during the current quarter and financial year-to-date.

**6. Changes in Estimates**

There were no significant changes in estimates of amount reported in prior interim period or prior financial year that have a material effect in the current quarter and financial year-to-date.

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**7. Comments about Seasonal or Cyclical Factors**

Sales of the Group are seasonal and are affected by economic conditions in countries in which the products are sold.

**8. Dividends Paid**

	<b>Current year to date</b>	<b>Preceding year corresponding period</b>
	<b>RM'000</b>	<b>RM'000</b>
Second interim single tier tax exempt of 3.0 sen per share for the financial year ended 31 March 2010	5,143	-
First and final interim single tier tax exempt of 4.5 sen per share for the financial year ended 31 March 2009	-	7,693
	<hr/> <b>5,143</b> <hr/>	<hr/> <b>7,693</b> <hr/>

**9. Carrying Amount of Revalued Assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

**10. Debt and Equity Securities**

During the current period, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.78 per share. The total consideration paid for the repurchase including transaction costs was RM7,857 and this was financed by internally generated funds.

Other than the above, there were no issuance and repayment of debt and equity securities, share cancellations and resale of treasury shares for the current financial year-to-date.

**11. Changes in Composition of the Group**

There was no change in the composition of the Group for the current financial period under review.

**12. Changes in Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets since the last annual balance sheet date.

**13. Subsequent Events**

There were no material events subsequent to 30 September 2010 that have not been reflected in the interim report.

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**14. Review of Performance**

The Group's sales increased by 22% to RM151 million for the period ended 30 September 2010 as compared RM123 million in previous corresponding period. Notwithstanding the higher sales, profit before tax dropped to RM9.1 million from RM11.6 million mainly attributable to lower contribution by chemical paints and electrical equipment divisions. The performance of these divisions was affected by lower sales and weakening of US dollar. The audio division registered improvement both in sales and operating profit.

**15. Material Change In Profit Before Tax For The Current Quarter As Compared With The Immediate Preceding Quarter**

The analysis of contribution by segment is as follows:

	<b>Current quarter RM'000</b>	<b>Preceding quarter RM'000</b>	<b>%</b>
Audio	<b>2,168</b>	3,921	(45)
Chemical paints	<b>886</b>	2,169	(59)
Electrical equipment	<b>(391)</b>	355	>(100)
	<b>2,663</b>	6,445	
Unallocated corporate expenses	<b>(127)</b>	(20)	>(100)
Operating Profit	<b>2,536</b>	6,425	(60)
Finance costs	<b>(20)</b>	(24)	(17)
Share of results in a jointly controlled entity	<b>88</b>	100	(12)
Profit before tax	<b>2,604</b>	6,501	(60)

The Group's profit before tax decreased significantly to RM2.6 million from RM6.5 million in the immediate preceding quarter mainly attributable to the drop in sales and rising material costs.

**16. Commentary on Prospects**

The recovery of the world economy has not been even and certain. Barring unforeseen circumstances, the Directors cautiously expect the results to be satisfactory under the highly challenging environment.

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**17. Deviation from Profit Forecast and Profit Guarantee**

The Group did not provide any profit forecast in a public document and therefore, this note is not applicable.

**18. Income Tax Expense**

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/09/10 RM'000	Preceding year corresponding quarter 30/09/09 RM'000	Current year To date 30/09/10 RM'000	Preceding year corresponding period 30/09/09 RM'000
Current Taxation	441	1,933	2,130	3,059
Deferred Taxation	163	(172)	75	(172)
	<b>604</b>	<b>1,761</b>	<b>2,205</b>	<b>2,887</b>

The effective tax rate for the current quarter and year-to-date were slightly lower than the statutory tax rate mainly due to utilisation of tax allowances.

**19. Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investments and/or properties outside the ordinary course of business of the Group for the current quarter and financial year to date.

**20. Quoted Securities**

- (a) There were no purchases and/or disposal of quoted securities for the current quarter and financial year-to-date.
- (b) Total investment in quoted securities (classified under long term investment) as at 30 September 2010 are as follows: -

	30/09/10 RM'000
<b>At cost / carrying value:-</b>	
Shares quoted in Malaysia	3,756
<b>At market value:-</b>	
Shares quoted in Malaysia	6,230



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**21. Corporate Proposals**

There was no corporate proposal announced which remained incomplete as at the date of issue of the interim report.

**22. Group Borrowings and Debt Securities**

The Group does not have any borrowings and debt securities as at 30 September 2010.

**23. Financial Instruments**

The outstanding forward currency contracts as at 30 September 2010 were as follows:-

	Currency	Notional amount	Fair value
Less than 1 year		RM'000	RM'000
Sale contracts	USD	3,936	4,133

The above contracts were entered into as hedges for USD sales. There is minimal credit risk as the contracts were entered into with reputable banks.

**24. Material Litigation**

The Group does not have any material litigation as at the date of this report.

**25. Dividend Payable**

The Board of Directors has on 22 July 2010 paid a second interim single tier tax exempt dividend of 3.0 sen per share of RM0.50 each in respect of the financial year ended 31 March 2010 (2009: first and final interim single tier tax exempt dividend of 4.5 sen per ordinary share of RM0.50 each).

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**26. Earnings Per Share**

**a) Basic earnings per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter</b>	<b>Preceding year corresponding quarter</b>	<b>Current year to date</b>	<b>Preceding year corresponding period</b>
	<b>30/09/10</b>	<b>30/09/09</b>	<b>30/09/10</b>	<b>30/09/09</b>
Net profit attributable to equity holders of the parent (RM'000)	<b>1,920</b>	4,806	<b>6,470</b>	7,862
Weighted average no. of shares in issue ('000)	<b>171,445</b>	170,841	<b>171,452</b>	170,933
Basic earnings per share (sen)	<b>1.12</b>	2.81	<b>3.77</b>	4.60

**b) Diluted earnings per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current year quarter</b>	<b>Preceding year corresponding quarter</b>	<b>Current year to date</b>	<b>Preceding year corresponding period</b>
	<b>30/09/10</b>	<b>30/09/09</b>	<b>30/09/10</b>	<b>30/09/09</b>
Net profit attributable to equity holders of the parent (RM'000)	<b>1,920</b>	4,806	<b>6,470</b>	7,862
Weighted average no. of shares in issue ('000)	<b>171,445</b>	171,061	<b>171,452</b>	171,141
Diluted earnings per share (sen)	<b>NA</b>	2.80	<b>NA</b>	4.59

There is no diluted earnings per share for the current quarter as there were no dilutive potential ordinary shares.