

SUPPORTIVE INTERNATIONAL HOLDINGS BERHAD

(COMPANY NO: 189740-X)
(INCORPORATED IN MALAYSIA)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report has been prepared in accordance with the requirements of *FRS 134 Interim Financial Reporting* and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The same accounting policies and methods of computation have been followed in the interim financial report as compared with the Group's annual financial statements for the preceding financial year except for the adoption of the following FRSs, amendments to FRSs and IC Interpretations:-

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 1 <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127 <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
Amendments to FRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
Amendments to FRS 132 <i>Financial Instruments: Presentation</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i> , FRS 7 <i>Financial Instruments: Disclosures</i> and IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2009)</i> "	1 January 2010
FRS 4 <i>Insurance Contracts</i>	1 January 2010
FRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8 <i>Operating Segments</i>	1 July 2009
FRS 101 <i>Presentation of Financial Statements</i> (revised in 2009)	1 January 2010
FRS 123 <i>Borrowing Costs</i>	1 January 2010
FRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11 <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14 <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2010

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation (cont'd)

The above FRSs and IC Interpretations will not have any significant impacts on the financial statements except as follows:-

Amendment to FRS 117, *Lease*

The Group has reassessed and reclassified the leasehold lands which are in substance finance lease to property, plant and equipment. The reclassification has been accounted for retrospectively and certain comparative figures as at 31 January 2010 have been restated as shown below:-

	31 Jan 2010 Previously Stated RM'000	Effect of Adopting the Amendment to FRS 117 RM'000	31 Jan 2010 As Restated RM'000
Property, plant and equipment Prepaid lease payments	16,756 2,460	2,460 (2,460)	19,216 0

2. Seasonal or Cyclical Factors

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

3. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the interim period.

4. Changes in Estimates

There were no changes in estimates of amounts reported in the prior financial years that have a material effect in the current interim period.

5. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the interim period.

6. Dividend Paid

There was no payment of dividend during the interim period.

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NOTES TO THE INTERIM FINANCIAL REPORT**7. Segment Information**

<u>Analysis by activity</u>	Manufacture of plastic components RM'000	Property development RM'000	Property letting and other RM'000	Group RM'000
<u>Revenue</u>				
Total revenue	10,113	2,502	210	12,825
Intersegment revenue	0	0	0	0
External revenue	10,113	2,502	210	12,825
<u>Results</u>				
Segment results	1,593	505	(170)	1,928
Interest income	28	1	0	29
Finance costs	(4)	(177)	0	(181)
Profit/(Loss) before tax	1,617	329	(170)	1,776
Tax expense	(421)	21	0	(400)
Net profit/(loss) for the period	1,196	308	(170)	1,376
<u>Assets</u>				
Segment assets	41,283	71,249	10,128	122,660
Interest-earning assets	6,600	0	0	6,600
Total assets	47,883	71,249	10,128	129,260

8. Material Events

- (a) During the quarter under review, the Company has accepted the offer by GEM Investment Advisors, Inc. ("GEMIA") the right to place with GEM Global Yield Fund ("The Purchaser") up to RM120,000,000 structured as an equity line of credit (the "Proposed Transaction"). The Company has entered into a non-binding term sheet ("Term Sheet") which sets out the principal indicative terms of the Proposed Transaction, is not intended to be exhaustive, and the parties will prepare and negotiate the necessary documentation reflecting such terms. The Proposed Transaction is subject to the entry into a definitive documentation between the Company and GEM Global Yield Fund in relation to the Proposed Transaction.

On 31 May 2010, in relation to the proposed transaction, the Company has entered into an agreement ("ELC Agreement") for an equity line of credit of up to RM120,000,000 with GEM Global, GEMIA and Supptech Holdings Sdn Bhd (the majority shareholder of the Company). GEM Global has granted the Company an option to require GEM Global to subscribe from the Company new shares, on the terms and subject to the condition set out in this Agreement, for up to an aggregate of RM120,000,000 for a period of three years from the date of the ELC Agreement.

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NOTES TO THE INTERIM FINANCIAL REPORT

8. Material Events (cont'd)

- (b) On 3 June 2010, the Company proposes to undertake:-
- (i) private placement of up to 43,697,600 new Ordinary Shares representing up to twenty percent (20%) of the issued and paid-up share capital of the Company; and
 - (ii) issuance of 35,000,000 warrants in the Company.
- (c) On 15 June 2010, the Company proposes to buy back up to 10% of its issued and paid-up share capital of the Company.

9. Changes in Composition

There were no changes in the Group's composition during the interim period.

10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since 31 January 2010.

11. Review of Performance

For the period under review, the Group generated revenue of RM12.8 million, a decrease of RM2.3 million as compare to corresponding preceding quarter. The decrease of revenue was mainly due to decrease in sales volume. As a result, the Group profit before tax decrease to RM1.8 million for the quarter under review as compared to RM3.8 million for the corresponding preceding quarter.

12. Comparison with Immediate Preceding Quarter

For the quarter under review, the Group's revenue decrease by RM4.5 million as compared to the immediate preceding quarter ended 31 January 2010 mainly due to decrease in sales volume. The Group recorded a profit before tax of RM1.8 million, an increase of RM2.6 million of profit before tax from the preceding quarter ended 31 January 2010 which recorded a loss before tax of RM0.8 million.

13. Future Prospects

Barring any unforeseen circumstances, the Board expects the financial performance for the remaining periods to be satisfactory.

14. Profit Forecast

There was no profit forecast being previously announced or disclosed in a public document.

15. Taxation

	Current Quarter Ended 30 Apr 2010 RM'000	Corresponding Preceding Quarter Ended 30 Apr 2009 RM'000	Cumulative Period ended 30 Apr 2010 RM'000	Corresponding Preceding Period Ended 30 Apr 2009 RM'000
Tax based on results for the period:-				
Malaysian income tax	468	1,209	468	1,209
Deferred tax	(68)	0	(68)	0
	<u>400</u>	<u>1,209</u>	<u>400</u>	<u>1,209</u>

The effective tax rate is lower than the statutory tax rate due to the utilisation of the tax losses of a subsidiary.

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NOTES TO THE INTERIM FINANCIAL REPORT

16. Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties during the interim period.

17. Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the interim period.

18. Corporate Proposals

Other than as disclosed in Note 8 to the interim financial report, there was no corporate proposal announced but not completed as at 23 June 2010, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

19. Bank Borrowings - Secured

	As At 30 Apr 2010 RM'000	As At 31 Jan 2010 RM'000
Hire purchase payable	475	0
Term loan	17,935	19,061
	<u>18,410</u>	<u>19,061</u>

20. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at 23 June 2010, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

21. Changes in Material Litigation

Supportive Technology Sdn Bhd ("STSB"), a wholly-owned subsidiary of the Company, has appealed to the Special Commission of Income Tax against the decision of the Director General of Inland Revenue ("DGIR") to reject STSB's application for relief in respect of error or mistake made in STSB's tax returns for the year of assessment 2003, 2004 and 2005 amounting to RM2,226,827.84, RM7,088,694.44 and RM9,627,068.88 respectively. The appeal is fixed for hearing on 6 September 2010.

STSB's solicitors acting in this case are of the view that it has a good case to contend that the DGIR should have allowed STSB's application to claim that the tax incentive granted under the Income Tax (Exemption) (No. 17) Order 2005 (PU(A) 158/2005).

Save as disclosed above, there were no changes in material litigation since 31 January 2010 up to 23 June 2010, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

22. Dividend Declared/Recommended

There was no declaration/recommendation of dividend during the interim period.

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23. Earnings per Share

The basic earnings per share is calculated by dividing the profit after tax by the weighted average number of ordinary shares in issue during the interim period as follows:-

	Current Quarter Ended 30 Apr 2010	Corresponding Preceding Quarter Ended 30 Apr 2009	Cumulative Period ended 30 Apr 2010	Corresponding Preceding Period Ended 30 Apr 2009
Profit after tax (RM'000)	1,376	2,639	1,376	2,639
Weighted average number of ordinary shares ('000)	218,488	218,488	218,488	218,488
Basic earnings per share (sen)	<u>0.63</u>	<u>1.21</u>	<u>0.63</u>	<u>1.21</u>

The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the interim period.

24. Audit Qualification

The audit report on the Group's annual financial statements for the preceding financial year was not subject to any qualification.

25. Conditions Imposed By Securities Commission ("SC")

The conditions imposed by the SC in its approval letter dated 10 October 2007 in relation to the Acquisition and the status of compliance are as follows:-

- (i) Supportive International to rectify/obtain relevant approvals for the extensions/renovations on the following properties:-
 - (a) Lot Nos PT 66400, 66401, 66406 and 66407, Bandar of Sungai Petani, District of Kuala Muda, Kedah; and
 - (b) Lot Nos PT 17611, Bandar of Sungai Petani, District of Kuala Muda, Kedah.
- within 1-year from the date of SC's approval letter, however, on SC had via its letter dated 21 October 2009, approved the extension of time of 1-year to 10 October 2010 for Supportive International to comply with the above condition.
- (ii) CIMB Investment Bank Berhad/Supportive International to make quarterly announcements on the status of applications for the approval of the extensions made to the factories and the Certificate of Fitness or Certificate of Completion of the said factories to Bursa Malaysia Securities Berhad.

As at the date of issue of this quarterly report, Supportive International has yet to obtain approvals from the relevant authorities for the extensions/renovations of the abovementioned properties.

BY THE ORDER OF THE BOARD

DATO' SRI LEE KUANG SHING, JP
EXECUTIVE CHAIRMAN
30 June 2010