

**NOTES TO THE INTERIM FINANCIAL REPORT**

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**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

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**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	16,756	2,460	19,216
Prepaid lease payments	2,460	(2,460)	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.

**SUPPORTIVE INTERNATIONAL HOLDINGS BERHAD**  
 (COMPANY NO: 189740-X)  
 (INCORPORATED IN MALAYSIA)

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**7. Segment Information**

<u>Analysis by activity</u>	Manufacture of plastic components RM'000	Property development RM'000	Others RM'000	Group RM'000
<u>Revenue</u>				
Total revenue	21,731	5,766	420	27,917
Intersegment revenue	0	0	0	0
External revenue	<u>21,731</u>	<u>5,766</u>	<u>420</u>	<u>27,917</u>
<u>Results</u>				
Segment results	1,374	1,177	(106)	2,445
Interest income	89	2	0	91
Finance costs	(7)	(357)	0	(364)
Profit/(Loss) before tax	<u>1,456</u>	<u>822</u>	<u>(106)</u>	<u>2,172</u>
Tax expense	(383)	(77)	0	(460)
Net profit/(loss) for the period	<u>1,073</u>	<u>745</u>	<u>(106)</u>	<u>1,712</u>
<u>Assets</u>				
Segment assets	<u>46,221</u>	<u>74,203</u>	<u>10,424</u>	<u>130,848</u>

**8. Material Events**

(a) In February 2010, 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 27 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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**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.
- (d) In August 2010, the Company had repurchased 8,304,000 ordinary shares of RM1 each at an average price of RM1.57 per share. The shares purchased are being held as treasury shares. Details of the shares buy back are as follows :-

Month	No. Of shares repurchased	Highest price (RM)	Lowest price (RM)	Average price (RM)	Total amount paid (RM)
Aug 2010	8,304,000	1.58	1.55	1.57	12,901,415

**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 quarter under review, the Group generated revenue of RM15.1 million, an increase of RM1.8 million as compare to corresponding preceding quarter. The increase of revenue was mainly due to increase in sales volume. However, the Group profit before tax decreased to RM0.4 million for the quarter under review as compared to RM1.4 million for the corresponding preceding quarter.

**12. Comparison with Immediate Preceding Quarter**

For the quarter under review, the Group's revenue increased by RM2.3 million as compared to the immediate preceding quarter ended 30 April 2010 mainly due to increase in sales volume. The Group recorded a profit before tax of RM0.4 million, a decrease of RM1.4 million of profit before tax from the preceding quarter ended 30 April 2010 which recorded a profit before tax of RM1.8 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.

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**15. Taxation**

	<b>Current Quarter Ended 31 Jul 2010 RM'000</b>	<b>Corresponding Preceding Quarter Ended 31 Jul 2009 RM'000</b>	<b>Cumulative Period ended 31 Jul 2010 RM'000</b>	<b>Corresponding Preceding Period Ended 31 Jul 2009 RM'000</b>
Tax based on results for the period:-				
Malaysian income tax	150	535	618	1,744
Deferred tax	(90)	0	(158)	0
	60	535	460	1,744

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

**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 (b)(i) to the interim financial report, there was no corporate proposal announced but not completed as at 23 September 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**

	<b>As At 31 Jul 2010 RM'000</b>	<b>As At 31 Jan 2010 RM'000</b>
Hire purchase payable	600	0
Term loan	16,360	19,061
	16,960	19,061

**20. Financial Instruments - Derivatives**

The Group does not have any derivatives as at 23 September 2010, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

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**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 14 October 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 September 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.

**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:-

	<b>Current Quarter Ended 31 Jul 2010</b>	<b>Corresponding Preceding Quarter Ended 31 Jul 2009</b>	<b>Cumulative Period ended 31 Jul 2010</b>	<b>Corresponding Preceding Period Ended 31 Jul 2009</b>
Profit after tax (RM'000)	336	914	1,712	3,553
Weighted average number of ordinary shares ('000)	218,488	218,488	218,488	218,488
Basic earnings per share (sen)	<u>0.15</u>	<u>0.42</u>	<u>0.78</u>	<u>1.63</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.

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**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, 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**  
**EXECUTIVE CHAIRMAN**  
**30 September 2010**