

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	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 except for the shares bought-back that were kept as treasury shares as disclosed under Note 8 below.

6. Dividend Paid

There was no payment of dividend during the interim period.

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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	32,609	9,614	630	42,853
Intersegment revenue	0	0	0	0
External revenue	<u>32,609</u>	<u>9,614</u>	<u>630</u>	<u>42,853</u>
<u>Results</u>				
Segment results	1,552	2,178	(91)	3,639
Interest income	98	3	0	101
Finance costs	(12)	(532)	(167)	(711)
Profit/(Loss) before tax	<u>1,638</u>	<u>1,649</u>	<u>(258)</u>	<u>3,029</u>
Tax expense	(431)	(284)	0	(715)
Net profit/(loss) for the period	<u>1,207</u>	<u>1,365</u>	<u>(258)</u>	<u>2,314</u>
<u>Assets</u>				
Segment assets	<u>45,091</u>	<u>75,397</u>	<u>10,344</u>	<u>130,832</u>

8. Material Events

(i) Material event during the financial period under review

- (a) In August, 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 is 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

NOTES TO THE INTERIM FINANCIAL REPORT

8. Material Events (cont'd)

(ii) Material event after the reporting date

- (a) In November 2010, the Company had repurchased 358,000 ordinary shares of RM1 each at an average price of RM2.23 per share. The shares purchased are being held as treasury shares. Details of the shares buy back is as follows : -

Month	No. Of shares repurchased	Highest price (RM)	Lowest price (RM)	Average price (RM)	Total amount paid (RM)
Nov 2010	358,000	2.28	2.18	2.23	812,354

- (b) On 1 November 2010, the Company had entered into a Memorandum of Understanding with ChengDu TianWen Information Technology Co. Ltd. ("ChengDu Tian Wen") to use the community information application system from ChengDu Tian Wen which would be commissioned by the Company as foundation, integrate the community card system, video surveillance system, broadband TV system and online payment system to build "Hunan Tianyi Digital Community Service Platform".
- (c) On 4 November 2010, the Company had entered into a Strategic Partnership Agreement with China Telecom Corporation Ltd. of Hunan Best Tone and Bank of Changsha Co. Ltd. to jointly develop, construct and operate "Hunan Tianyi Digital Community Service Platform" which building an innovative model of joint development of community services by the telecommunications, financial and IT sectors.
- (d) On 30 November 2010, the Company proposed to undertake:-
- (i) share split involving the subdivision of every one ordinary share of RM1.00 each into ten new ordinary shares of RM0.10 each in the Company held by entitled shareholders of the Company on an entitlement date to be determined and announced later ("Proposed share split");
 - (ii) share consolidation involving the consolidating of every three ordinary shares of RM0.10 each after the Proposed share split into one ordinary share of RM0.30 each held by entitled shareholders of the Company on an entitlement date to be determined and announced later ("Proposed share consolidation"); and
 - (iii) amendment to the Memorandum of Association of the Company pursuant to the Proposed share split and Proposed share consolidation.

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 RM14.95 million, a decrease of RM3.96 million as compare to corresponding preceding quarter. The decrease of revenue was mainly due to decrease in sales volume. The Group profit before tax decreased to RM0.86 million for the quarter under review as compared to RM2.26 million for the corresponding preceding quarter.

NOTES TO THE INTERIM FINANCIAL REPORT

12. Comparison with Immediate Preceding Quarter

For the quarter under review, the Group's revenue decreased by RM0.15 million as compared to the immediate preceding quarter ended 31 July 2010. The Group recorded a profit before tax of RM0.60 million, an increase of RM0.26 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 31 Oct 2010 RM'000	Corresponding Preceding Quarter Ended 31 Oct 2009 RM'000	Cumulative Period ended 31 Oct 2010 RM'000	Corresponding Preceding Period Ended 31 Oct 2009 RM'000
Tax based on results for the period:-				
Malaysian income tax	329	734	947	2,478
Deferred tax	(74)	0	(232)	0
	255	734	715	2,478

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 is no purchase nor sale of quoted securities during this interim financial period except for the purchase of own shares as disclosed under Note 8 above.

18. Corporate Proposals

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

(a) Up to 43,697,600 new ordinary share of RM1.00 of the Company ("SIHB Shares") to be issued pursuant to the proposed private placement as approved by the Company's shareholders via an Extraordinary General Meeting held on 29 July 2010; and

(b) Issuance up to 35,000,000 SIHB Shares pursuant to the exercise of the Warrants.

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19. Bank Borrowings

	As At 31 Oct 2010 RM'000	As At 31 Jan 2010 RM'000
Bank overdraft – Unsecured	13,469	0
Hire purchase payable – Secured	521	0
Term loan - Secured	13,978	19,061
	<u>27,968</u>	<u>19,061</u>

20. Financial Instruments - Derivatives

The Group does not have any derivatives as at the reporting period.

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 3 March 2011.

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 December 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:-

	Current Quarter Ended 31 Oct 2010	Corresponding Preceding Quarter Ended 31 Oct 2009	Cumulative Period ended 31 Oct 2010	Corresponding Preceding Period Ended 31 Oct 2009
Profit after tax (RM'000)	602	1,524	2,314	5,077
Weighted average number of ordinary shares ('000)	210,184	218,488	215,720	218,488
Basic earnings per share (sen)	<u>0.29</u>	<u>0.70</u>	<u>1.07</u>	<u>2.32</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT

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. Supportive International had applied to SC for the extension to comply with the above condition. However Supportive International still pending the reply letter from SC.

(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 December 2010