

**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.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**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	38,737	15,501	840	55,078
Intersegment revenue	0	0	0	0
External revenue	<u>38,737</u>	<u>15,501</u>	<u>840</u>	<u>55,078</u>
<u>Results</u>				
Segment results	398	2,312	(1,066)	1,644
Interest income	128	4	0	132
Finance costs	(17)	(680)	(411)	(1,108)
Profit/(Loss) before tax	<u>509</u>	<u>1,636</u>	<u>(1,477)</u>	<u>668</u>
Tax expense	(349)	(281)	(3)	(633)
Net profit/(loss) for the period	<u>160</u>	<u>1,355</u>	<u>(1,480)</u>	<u>35</u>
<u>Assets</u>				
Segment assets	<u>36,271</u>	<u>76,710</u>	<u>9,801</u>	<u>122,782</u>

**8. Material Events**

**(i) Material event during the financial period under review**

- (a) During the period under review, the Company had repurchased 8,784,500 ordinary shares of RM1 each. 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
Nov 2010	358,000	2.28	2.18	2.23	812,354
Jan 2011	122,500	1.30	1.27	1.29	159,755

- (b) On 1 November 2010, the Company had entered into a Memorandum of Understanding ("MoU") 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" ("the Platform").

## **SUPPORTIVE INTERNATIONAL HOLDINGS BERHAD**

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

### **NOTES TO THE INTERIM FINANCIAL REPORT**

---

#### **8. Material Events (cont'd)**

- (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 the 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.

On 29 December 2010, the Company further announced that it is the intention to revise the terms of the aforesaid Proposals. Upon finalisation of the revised terms, a further announcement in relation to the revised Proposals will be made. Accordingly, the application in relation to the Proposals will only be made at a later date upon the finalisation of the revised terms.

- (e) On 12 January 2011, the Company announced that the approval granted by Bursa Malaysia Securities Berhad on 13 July 2010 ("Approval Date") for, inter alia, the listing of and quotation for up to 43,697,600 new Ordinary Shares of RM1.00 each to be issued pursuant to the Proposed Private Placement of up to 20% of the Issued and Paid-up Capital of the Company, had lapsed on 12 January 2011 (being 6 months from the Approval Date).

#### **(ii) Material event after the reporting period**

- (a) The Company had announced on 9 February 2011 that the Parties to the MoU have mutually agreed to extend the MoU until 31 March 2011, to facilitate the negotiation and implementation of the strategic partnership agreement(s).

Subsequently, on 14 March 2011, the Company via its wholly-owned subsidiary, Supportive Information Technology Development (Hunan) Co. Ltd ("SITDC") in the People's Republic of China ("PRC") entered into a Strategic Partnership Agreement with ChengDu Tian Wen in relation to the implementation of the Platform.

## **SUPPORTIVE INTERNATIONAL HOLDINGS BERHAD**

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

### **NOTES TO THE INTERIM FINANCIAL REPORT**

---

#### **9. Changes in Composition**

During the quarter under review, the Company had established its foreign business entity via Supportive Information Technology Development (Hunan) Co. Ltd ("SITDC") in the People's Republic of China ("PRC") ("Investment"). In consequent thereof, SITDC has become a wholly-owned subsidiary of the Company.

SITDC was granted approval for establishment on 29 December 2010 and further granted the business license to commence operation on 29 December 2010. The registered capital of SITDC is RMB3,000,000.00. As at 24 March 2011 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), the Company has not injected any capital into SITDC. Capital injection of a maximum of RMB3,000,000.00 will be undertaken by SUPPORT on a staggered basis, satisfied fully in cash and subject to the operations need of SITDC. SITDC's principal activities is to cater for the specific construction and operation of the integration of the community card system, video surveillance system, broadband TV system (iTV) and online payment system to jointly build 'Hunan Tianyi Digital Community Service Platform' ("the Service Platform").

#### **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 RM55.1 million, a decrease of RM9.1 million as compared to corresponding preceding period of RM64.2 million. The Group recorded profit before tax of RM0.7 million, a decreased of RM6.1 million for the period under review as compared to profit before tax of RM6.8 million for the corresponding preceding period due to lower sales volume and higher finance costs.

#### **12. Comparison with Immediate Preceding Quarter**

For the quarter under review, the Group generated revenue of RM12.2 million, a decrease of RM2.7 million as compared to the immediate preceding quarter of RM14.9 million. The Group recorded a loss before tax of RM2.4 million, a decrease of RM3.2 million as compared to profit before tax of RM0.8million.

#### **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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT**

**15. Taxation**

	<b>Current Quarter Ended 31 Jan 2011 RM'000</b>	<b>Corresponding Preceding Quarter Ended 31 Jan 2010 RM'000</b>	<b>Cumulative Period ended 31 Jan 2011 RM'000</b>	<b>Corresponding Preceding Period Ended 31 Jan 2010 RM'000</b>
Tax based on results for the period:-				
Malaysian income tax	438	(154)	1,384	2,324
Deferred tax	(542)	(411)	(774)	(395)
	(104)	(565)	610	1,929
Tax under/(over) provided in Prior year				
Malaysian income tax	22	586	23	585
Deferred tax	0	(10)	0	(10)
	(82)	11	633	2,504

The effective tax rate is higher than the statutory tax rate due to certain expense were not deductible for tax purpose.

**16. Retained Profits**

	<b>As At 31 Jan 2011 RM'000</b>	<b>As At 31 Oct 2010 RM'000</b>
Total retained profits of Supportive International Holdings Berhad and its subsidiaries		
- Realised	37,809	40,011
- Unrealised	(1,375)	(1,608)
	36,434	38,403
Less : consolidation adjustments	7,441	7,751
	43,875	46,154

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

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

**18. 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.

**19. Corporate Proposals**

Other than as disclosed below and Note 8(i) (d) to the interim financial report, there was no corporate proposal announced but not completed as at 24 March 2011, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

**NOTES TO THE INTERIM FINANCIAL REPORT**

**20. Bank Borrowings**

	<b>As At 31 Jan 2011 RM'000</b>	<b>As At 31 Jan 2010 RM'000</b>
Bank overdraft – Unsecured	13,994	0
Hire purchase payable – Secured	421	0
Term loan - Secured	12,932	19,061
	<u>27,347</u>	<u>19,061</u>

**21. Financial Instruments - Derivatives**

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

**22. 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 24 March 2011, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

**23. Dividend Declared/Recommended**

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

**24. 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 Jan 2011</b>	<b>Corresponding Preceding Quarter Ended 31 Jan 2010</b>	<b>Cumulative Period ended 31 Jan 2011</b>	<b>Corresponding Preceding Period Ended 31 Jan 2010</b>
Profit after tax (RM'000)	(2,279)	(863)	35	4,248
Weighted average number of ordinary shares ('000)	209,785	218,488	214,236	218,488
Basic earnings per share (sen)	<u>(1.09)</u>	<u>(0.39)</u>	<u>0.02</u>	<u>1.94</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**

---

**25. Audit Qualification**

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

**26. 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 ("CIMB")/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.

SC had, via its letter dated 11 March 2011, approved the extension of time of one year of up to 10 October 2011 ("the Approval") for the Company to comply with the conditions. The Approval is subject to the following:

(a) Supportive International /CIMB is to make half yearly announcements to Bursa Malaysia Securities Berhad on the status of application and compliance; and

(b) Supportive International /CIMB is to update SC on the status of the application and compliance when such announcements are made to Bursa Securities.

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**  
**31 March 2011**