

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 |
|--|---|
| FRS 1 First-time Adoption of Financial Reporting Standards (revised in 2010) | 1 July 2010 |
| FRS 3 Business Combinations (revised in 2010) | 1 July 2010 |
| FRS 127 Consolidated and Separate Financial Statements (revised in 2010) | 1 July 2010 |
| Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 1 Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 Share-based Payment | 1 July 2010 |
| Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7 Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRS 132 Financial Instruments: Presentation | 1 March 2010 |
| Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 1 July 2010 |
| Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" | 1 January 2011 |
| IC Interpretation 4 Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Interpretation 12 Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners | 1 July 2010 |
| IC Interpretation 18 Transfers of Assets from Customers | 1 January 2011 |

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

(a) FRS 3 Business Combinations (revised in 2010)

FRS 3 (revised in 2010), which supersedes FRS 3 Business Combinations (issued in 2005), introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all acquisition-related costs, other than the costs to issue debt or equity securities, shall be recognised in profit or loss as incurred. In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group will apply the standard prospectively to business combinations for which the acquisition date is on or after the effective date.

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation (cont'd)

- (b) FRS 127 Consolidated and Separate Financial Statements (revised in 2010)

FRS 127 (revised in 2010), which supersedes FRS 127 Consolidated and Separate Financial Statements (revised in 2005), requires the total comprehensive income of a subsidiary to be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard also requires the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for as equity transactions. In accordance with the transitional provisions of FRS 127 (revised in 2010), the aforementioned amendments will be applied prospectively.

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 | Information technology RM'000 | Group RM'000 |
|-------------------------------------|---|-----------------------------------|-------------------------------------|-----------------|
| <u>Revenue</u> | | | | |
| Total revenue | 6,822 | 8,092 | 0 | 14,914 |
| Intersegment revenue | 0 | 0 | 0 | 0 |
| External revenue | <u>6,822</u> | <u>8,092</u> | <u>0</u> | <u>14,914</u> |
| <u>Results</u> | | | | |
| Segment results | 68 | 420 | 0 | 488 |
| Interest income | 26 | 2 | 0 | 28 |
| Finance costs | (265) | (142) | 0 | (407) |
| Profit/(Loss) before tax | (171) | 280 | 0 | 109 |
| Tax expense | 43 | (70) | 0 | (27) |
| Net profit/(loss) for the period | <u>(128)</u> | <u>210</u> | <u>0</u> | <u>82</u> |
| <u>Assets</u> | | | | |
| Segment assets | 45,551 | 74,188 | 456 | 120,195 |
| Income tax assets | 160 | 0 | 0 | 160 |
| Total assets | <u>45,711</u> | <u>74,188</u> | <u>456</u> | <u>120,355</u> |

8. Material Events

(i) Material event during the financial period under review

- (a) 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").

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.

NOTES TO THE INTERIM FINANCIAL REPORT

8. Material Events (cont'd)

(i) Material event during the financial period under review (cont'd)

(b) 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.

Due to the performance of the Company's share price which caused the Company will not comply with Paragraph 13.05(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Company had on 30 March 2011 announced that the Board resolved not to proceed with the Proposals.

(ii) Material event after the reporting period

On 10 June 2011, the Company had via SITDC entered into a Tripartite Cooperation and Implementation Agreement with China Telecom Co., Ltd of Changsha Branch (China Telecom) and Bank of Changsha Co. Ltd. (BOC) (the "Agreement" or "Cooperation") [hereinafter jointly known as "the Parties"] to jointly develop, construct and operate the Platform.

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 2011.

11. Review of Performance

For the period under review, the Group generated revenue of RM14.9 million, an increase of RM2.1 million as compared to corresponding preceding period of RM12.8 million. The Group recorded profit before tax of RM0.1 million, a decreased of RM1.3 million for the period under review as compared to profit before tax of RM1.4 million for the corresponding preceding period due to higher operating costs and finance costs.

NOTES TO THE INTERIM FINANCIAL REPORT

12. Comparison with Immediate Preceding Quarter

For the quarter under review, the Group generated revenue of RM14.9 million, an increase of RM2.7 million as compared to the immediate preceding quarter of RM12.2 million. The Group recorded a profit before tax of RM0.1 million, an increase of RM2.5 million as compared to loss before tax of RM2.4million.

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 2011 RM'000 | Corresponding Preceding Quarter Ended 30 Apr 2010 RM'000 | Cumulative Period ended 30 Apr 2011 RM'000 | Corresponding Preceding Period Ended 30 Apr 2010 RM'000 |
|---------------------------------------|--|--|--|---|
| Tax based on results for the period:- | | | | |
| Malaysian income tax | 261 | 468 | 261 | 468 |
| Deferred tax | (234) | (68) | (234) | (68) |
| | 27 | 400 | 27 | 400 |

16. Retained Profits

| | As At 30 Apr 2011 RM'000 | As At 31 Jan 2011 RM'000 |
|---|--------------------------------|--------------------------------|
| Total retained profits of Supportive International Holdings Berhad and its subsidiaries | | |
| - Realised | 38,398 | 37,733 |
| - Unrealised | (1,182) | (1,300) |
| | 37,216 | 36,433 |
| Less : consolidation adjustments | 6,741 | 7,442 |
| | 43,957 | 43,875 |

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.

19. Corporate Proposals

There were no corporate proposal announced but not completed as at 23 June 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

| | As At 30 Apr 2011 RM'000 | As At 31 Jan 2011 RM'000 |
|---------------------------------|---|---|
| Bank overdraft – Unsecured | 14,144 | 13,994 |
| Hire purchase payable – Secured | 333 | 421 |
| Term loan - Secured | 11,667 | 12,890 |
| | <u>26,144</u> | <u>27,305</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 7 July 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 2011 up to 23 June 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:-

| | Current Quarter Ended 30 Apr 2011 | Corresponding Preceding Quarter Ended 30 Apr 2010 | Cumulative Period ended 30 Apr 2011 | Corresponding Preceding Period Ended 30 Apr 2010 |
|---|--|--|--|---|
| Profit after tax (RM'000) | 82 | 1,376 | 82 | 1,376 |
| Weighted average number of ordinary shares ('000) | 209,785 | 218,488 | 209,785 | 218,488 |
| Basic earnings per share (sen) | <u>0.04</u> | <u>0.63</u> | <u>0.04</u> | <u>0.63</u> |

The diluted earnings per share equal the basic earnings per share due to the anti-dilutive effect of the share warrants which has been ignored in calculating the diluted earning per share.

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
30 June 2011