

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.

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	Information technology RM'000	Group RM'000
<u>Revenue</u>				
Total revenue	20,420	19,511	0	39,931
Intersegment revenue	0	0	0	0
External revenue	<u>20,420</u>	<u>19,511</u>	<u>0</u>	<u>39,931</u>
<u>Results</u>				
Segment results	1,177	(1,118)	0	59
Interest income	53	10	0	63
Finance costs	(825)	(312)	0	(1,137)
Profit/(Loss) before tax	<u>405</u>	<u>(1,420)</u>	<u>0</u>	<u>(1,015)</u>
Tax (expense)/income	(210)	355	0	145
Net profit/(loss) for the period	<u>195</u>	<u>(1,065)</u>	<u>0</u>	<u>(870)</u>
<u>Assets</u>				
Segment assets	41,498	54,907	482	96,887
Income tax assets	222	0	0	222
Total assets	<u>41,720</u>	<u>54,907</u>	<u>482</u>	<u>97,109</u>

8. Material Events After The Reporting Period

There were no material events after the reporting period that have not been reflected in the interim financial report.

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.

NOTES TO THE INTERIM FINANCIAL REPORT

11. Review of Performance

For the period under review, the Group generated revenue of RM39.9 million, a decrease of RM3.0 million as compared to corresponding preceding period of RM42.9 million. The Group recorded loss before tax of RM1.0 million, a decreased of RM4.0 million for the period under review as compared to profit before tax of RM3.0 million for the corresponding preceding period due to higher operating costs and finance costs.

12. Comparison with Immediate Preceding Quarter

For the quarter under review, the Group generated revenue of RM8.8 million, a decrease of RM7.4 million as compared to the immediate preceding quarter of RM16.2 million. The Group recorded a loss before tax of RM1.3 million, a decrease of RM1.5 million as compared to profit before tax of RM0.2 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 2011 RM'000	Corresponding Preceding Quarter Ended 31 Oct 2010 RM'000	Cumulative Period ended 31 Oct 2011 RM'000	Corresponding Preceding Period Ended 31 Oct 2010 RM'000
Tax based on results for the period:-				
Malaysian income tax	(240)	329	407	947
Deferred tax	(31)	(74)	(552)	(232)
	<u>(271)</u>	<u>255</u>	<u>(145)</u>	<u>715</u>

The effective tax rate is higher than the statutory tax rate due to the existence of certain non-deductibles expense.

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16. Retained Profits

	As At 31 Oct 2011 RM'000	As At 31 Jan 2011 RM'000
Total retained profits of Supportive International Holdings Berhad and its subsidiaries		
- Realised	38,399	37,733
- Unrealised	(1,182)	(1,300)
	<u>37,217</u>	<u>36,433</u>
Less : consolidation adjustments	5,788	7,442
	<u>43,005</u>	<u>43,875</u>

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 21 December 2011, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

20. Bank Borrowings

	As At 31 Oct 2011 RM'000	As At 31 Jan 2011 RM'000
Bank overdraft – Unsecured	7,889	13,994
Hire purchase payable – Secured	158	421
Term loan - Secured	4,376	12,890
	<u>12,423</u>	<u>27,305</u>

21. Financial Instruments - Derivatives

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

NOTES TO THE INTERIM FINANCIAL REPORT

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 pending the decision from the Special Commission of Income Tax.

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 21 December 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 31 Oct 2011	Corresponding Preceding Quarter Ended 31 Oct 2010	Cumulative Period ended 31 Oct 2011	Corresponding Preceding Period Ended 31 Oct 2010
(Loss)/Profit after tax (RM'000)	(1,021)	602	(870)	2,314
Weighted average number of ordinary shares ('000)	209,704	210,184	209,704	215,720
Basic earnings per share (sen)	<u>(0.49)</u>	<u>0.29</u>	<u>(0.41)</u>	<u>1.07</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.

25. Audit Qualification

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

NOTES TO THE INTERIM FINANCIAL REPORT

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 (“**Property I**”); 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.

Majlis Perbandaran Sungai Petani, Kedah Darul Aman (“MPSPK”) had via its letter dated 7 June 2011 approved the “as built” plan and issued a yearly renewal permit for the building renovations/extensions of the abovementioned properties to Supportive International’s wholly owned subsidiary, Supportive Technology Sdn Bhd (“STSB”). Supportive International has updated SC accordingly on the status.

In consequent thereto, SC had, via its letter dated 2 October 2011 (which was received on 4 October 2011), reverted with its confirmation on compliance to condition imposed on Property I. SC noted the following:

- a. MPSPK has endorsed the as-built extension plan subject to rectification works to the extension;
- b. MPSPK will not grant a permanent approval to the as-built extension plan until such rectifications works have been carried out;
- c. As an option, MPSPK has issued a temporary permit to be annually renewed by STSB to occupy the extension in its existing state; and
- d. In the event MPSPK revoked the temporary permit, STSB has to demolish the extension in accordance with the Surat Akuan Roboh dated 22 September 2011.

NOTES TO THE INTERIM FINANCIAL REPORT

26. Conditions Imposed By Securities Commission (“SC”) (cont’d)

As the temporary permit issued by MPSPK on 7 June 2011 will expire on 31 December 2011, STSB has opted for the temporary permit and endeavoured to renew the permit every year in time. In the event the temporary permit is revoked for whatever reasons given by MPSPK, STSB will comply with the instructions of MPSPK as per the Surat Akuan Roboh dated 22 September 2011 i.e. to demolish the extension.

In view of the above, SC viewed the non-compliance issues on the extension to the Property I have been resolved at this point of time. Supportive is to ensure compliance with the conditions imposed by MPSPK by:

- Renewing the temporary permit annually and timely; and
- Demolishing the extension should MPSPK revoke the permit.

BY THE ORDER OF THE BOARD

DATO’ SRI LEE KUANG SHING
EXECUTIVE CHAIRMAN
28 December 2011