

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 are followed in the interim financial report as compared with the annual financial statements for the year ended 31 January 2012 except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

Standard/Interpretation	Effective for financial periods beginning on or after
Amendments to FRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7 Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 112 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
FRS 124 Related Party Disclosures (revised in 2010)	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

The above FRSs and IC Interpretations will not have any significant impacts on the financial statements of the Group.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") framework. The MFRS framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for Construction of Real Estate, including their parents, significant investors and ventures ("Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS framework to annual periods beginning on or after 1 January 2014.

Being a Transitioning Entity as defined above, the Group has elected to continue preparing its financial statements in accordance with the existing FRS framework for the financial year ending 31 January 2013 and will first adopt the MFRS framework for the financial year ending 31 January 2015.

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.

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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.

7. Segment Information

<u>Analysis by activity</u>	Manufacture of plastic components RM'000	Property development RM'000	Provision of e-commerce services RM'000	Group RM'000
<u>Revenue</u>				
Total revenue	21,013	9,519	0	31,372
Intersegment revenue	0	0	0	0
External revenue	<u>21,013</u>	<u>9,519</u>	<u>0</u>	<u>31,372</u>
<u>Results</u>				
Segment results	157	1,515	(63)	1,609
Interest income	50	16	0	66
Finance costs	(8)	(106)	0	(114)
Profit/(Loss) before tax	<u>199</u>	<u>1,425</u>	<u>(63)</u>	<u>1,561</u>
Tax expense	(295)	(362)	0	(657)
Net profit/(loss) for the period	<u>(96)</u>	<u>1,063</u>	<u>(63)</u>	<u>904</u>
<u>Assets</u>				
Segment assets	33,084	46,177	519	79,780
Income tax assets	0	0	0	0
Total assets	<u>33,084</u>	<u>46,177</u>	<u>519</u>	<u>79,780</u>

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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, other than the following:-

- a) The Acquisition of 60% of the issued and paid up capital of Supportive Development Sdn. Bhd. ("SDSB") on 28 February 2013 for a cash consideration of RM6. Consequently, SDSB has become a subsidiary of the Group; and
- b) SDSB has on 7 March 2013 entered into a Sale and Purchase Agreement with Abdul Latiff Bin Hassan for the acquisition of the undermentioned land (the "Property") at a total consideration of Ringgit Malaysia Eleven Million Seven Hundred Twelve Thousand Seven Hundred Twenty and Sen Forty Six (RM11,712,720.46) only calculated at RM 98.00 per square foot:-

Description of the Property

The Property is known as All that piece of land and hereditaments known as Geran Mukim No. Hakmilik 457, Lot No. 791, Mukim 11, Daerah Barat Daya, Pulau Pinang with an area measuring approximately 11,103.5447 square meters (or equivalent to 119,517.5558 square feet).

9. Changes in Composition

There were no changes in the Group's composition during the interim period. However, there is a change to the composition of the Group after the current quarter:-

- (a) The Company has on 28 February 2013 acquired 60% of the issued and paid up capital of SDSB of RM6.00 divided into 6 Ordinary Shares of RM1.00 each, for a cash consideration of RM6.00. Consequently, SDSB has become a subsidiary of the Company.

10. Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets since 1 February 2012.

11. Commitments

Purchase of land for development into housing scheme

**As At
31 Jan 2013
Approved and
contracted for
RM'000**

7,883

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12. Review of Performance

	Current Quarter Ended 31 Jan 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jan 2012 RM'000	Cumulative Period ended 31 Jan 2013 RM'000	Corresponding Preceding Period Ended 31 Jan 2012 RM'000
<u>Revenue</u>				
Manufacture of plastic components	3,828	5,228	21,853	25,648
Property development	3,504	801	9,519	20,312
	<u>7,332</u>	<u>6,029</u>	<u>31,372</u>	<u>45,960</u>
<u>Profit/(Loss) before tax</u>				
Manufacture of plastic components	(805)	(848)	199	(443)
Property development	540	(5,627)	1,425	(7,047)
Information technology	(27)	(41)	(63)	(41)
	<u>(292)</u>	<u>(6,516)</u>	<u>1,561</u>	<u>(7,531)</u>

(a) Cumulative Period Vs Corresponding Preceding Period

The Group recorded a profit before tax of RM1,561,000 for the current year ended 31 January 2013 as compared to a loss before tax of RM7,531,000 for the previous corresponding year ended 31 January 2012. The improved result is mainly attributable to the Property Division. The improved result of the Property Division is mainly due to additional infrastructure costs, unexpected rise in construction costs, additional liquidated ascertain damages compensated to some of the house buyers during the previous corresponding period.

(b) Current Quarter Vs Immediate Preceding Quarter

The Group recorded a loss before tax of RM292,000 in the current quarter as compared to a profit before tax of RM510,000 in the immediate preceding quarter. The loss recorded in this quarter is mainly due to the drop in sales (from RM6.3 million in the immediate preceding quarter as compared to RM3.8 million in the current quarter) in the Plastic Components Division.

13. Future Prospects

The rising major material prices, pricing pressures from customers and global economic uncertainties will continue to weigh heavily on the performance of the Plastic Components Division. As for the Property Division, the continuing construction of the Phase II project (of which 44 units out of 47 units of three-storey terraces have been sold as of the financial year ended) will have a positive impact to the Group's results.

14. Profit Forecast

There was no profit forecast being previously announced or disclosed in a public document.

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15. Profit/(Loss) Before Tax

	Current Quarter Ended 31 Jan 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jan 2012 RM'000	Cumulative Period ended 31 Jan 2013 RM'000	Corresponding Preceding Period Ended 31 Jan 2012 RM'000
Profit/(loss) before tax is arrived at after charging:-				
Allowance for slow moving inventories	0	115	0	115
Depreciation of:-				
- Property, plant and equipment	420	584	1,708	2,360
- Investment property	75	80	312	288
Interest expense	0	91	114	1,228
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	12	19	12	19
Loss on disposal of property, plant and equipment	0	0	137	0
Realised loss on foreign exchange	(53)	0	0	0
And crediting:-				
Interest income	9	26	66	89
Gain on disposal of property, plant and equipment	0	0	0	15
Realised gain on foreign exchange	(44)	0	114	45
Reversal of allowance for slow moving inventories	0	65	0	65
Unrealised gain on foreign exchange	107	0	107	0

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16. Tax Expense/(Income)

	Current Quarter Ended 31 Jan 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jan 2012 RM'000	Cumulative Period ended 31 Jan 2013 RM'000	Corresponding Preceding Period Ended 31 Jan 2012 RM'000
Tax based on results for the period:-				
Malaysian income tax	(282)	101	362	508
Deferred tax	406	(1,295)	295	(1,847)
	<u>124</u>	<u>(1,194)</u>	<u>657</u>	<u>(1,339)</u>

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

17. Retained Profits

	As At 31 Jan 2013 RM'000	As At 31 Jan 2012 RM'000
Total retained profits of Supportive International Holdings Berhad and its subsidiaries		
- Realised	(143,449)	31,869
- Unrealised	(384)	92
	<u>(143,833)</u>	<u>31,961</u>
Consolidation adjustments	182,420	5,722
	<u>38,587</u>	<u>37,683</u>

18. Corporate Proposals

There was no corporate proposal announced but not completed as at 21 March 2013, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

19. Bank Borrowings

	As At 31 Jan 2013 RM'000	As At 31 Jan 2012 RM'000
Bank overdraft – Unsecured	0	83
Hire purchase payable – Secured	167	71
Term loan – Secured	0	3,494
	<u>167</u>	<u>3,648</u>

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20. Changes in Material Litigation

Supportive Technology Sdn Bhd (“STSB”), a wholly-owned subsidiary of the Company, has appealed to the Special Commissioners 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.

On 10 September 2012, STSB’s solicitors received a Deciding Order from the Special Commissioners of Income Tax rejecting STSB’s appeal to claim the tax incentive available under the Income Tax (Exemption) (No. 17) Order 2005 (PU(A) 158/2005).

STSB had on 25 September 2012 filed a Notice of Appeal (“Notice”) requiring the Special Commissioners of Income Tax to state a case for the opinion of the High Court, pursuant to paragraph 34 of Schedule 5 of the Income Tax Act 1967 (“ITA”).

At the case management at the High Court on 22 March 2013, the Deputy Registrar was informed that STSB will be making an application to the Special Commissioners of Income Tax to amend the case stated, pursuant to paragraph 40 Schedule 5 of the ITA. The next case management at the High Court is fixed on 18 April 2013.

21. Dividend Declared/Recommended

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

22. 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 Jan 2013	Corresponding Preceding Quarter Ended 31 Jan 2012	Cumulative Period ended 31 Jan 2013	Corresponding Preceding Period Ended 31 Jan 2012
Net profit/(loss) for the period (RM'000)	(416)	(5,322)	904	(6,192)
Weighted average number of ordinary shares ('000)	209,704	209,704	209,704	209,704
Basic earnings/(loss) per share (sen)	<u>(0.20)</u>	<u>(2.53)</u>	<u>0.43</u>	<u>(2.95)</u>

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

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23. Audit Qualification

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

BY THE ORDER OF THE BOARD

DATO' SRI DR LEE KUANG SHING
EXECUTIVE CHAIRMAN
28 March 2013