

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 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the year ended 31 January 2013.

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 2013 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
FRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
FRS 11 <i>Joint Arrangements</i>	1 January 2013
FRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
FRS 13 <i>Fair Value Measurement</i>	1 January 2013
FRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
FRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
FRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to FRS 1 <i>Government Loans</i>	
Amendments to FRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to FRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to FRSs contained in the document entitled " <i>Improvements to FRSs (2012)</i> "	1 January 2013

The above FRSs, amendment to FRSs and IC Interpretations did 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"). Further to MASB announcement on 7 August 2013, Transitioning Entities will be allowed to defer the adoption of the MFRS framework to annual periods beginning on or after 1 January 2015.

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 2014 and 2015 and will first adopt the MFRS framework for the financial year ending 31 January 2016.

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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.

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	3,489	4,281	0	7,770
Intersegment revenue	0	0	0	0
External revenue	<u>3,489</u>	<u>4,281</u>	<u>0</u>	<u>7,770</u>
<u>Results</u>				
Segment results	(332)	1,289	(133)	824
Interest income	27	5	0	32
Finance costs	(5)	(133)	0	(138)
(Loss)/Profit before tax	<u>(310)</u>	<u>1,161</u>	<u>(133)</u>	<u>718</u>
Tax (expense)/income	(89)	66	0	(23)
Net (loss)/profit for the period	<u>(399)</u>	<u>1,227</u>	<u>(133)</u>	<u>695</u>
<u>Assets</u>				
Segment assets	32,077	55,091	368	87,536
Income tax assets	0	0	0	0
Total assets	<u>32,077</u>	<u>55,091</u>	<u>368</u>	<u>87,536</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.

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 1 February 2013.

11. Review of Performance

	Current Quarter Ended 31 Jul 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jul 2012 RM'000	Cumulative Period ended 31 Jul 2013 RM'000	Corresponding Preceding Period Ended 31 Jul 2012 RM'000
<u>Revenue</u>				
Manufacture of plastic components	1,811	5,166	3,489	11,760
Property development	3,378	3,551	4,281	4,034
	<u>5,189</u>	<u>8,717</u>	<u>7,770</u>	<u>15,794</u>
<u>(Loss)/Profit before tax</u>				
Manufacture of plastic components	(56)	51	(310)	663
Property development	1,242	779	1,161	687
Information technology	(86)	0	(133)	(7)
	<u>1,100</u>	<u>830</u>	<u>718</u>	<u>1,343</u>

(a) Cumulative Period Vs Corresponding Preceding Period

The Group recorded profit before tax of RM718,000 for the current period ended 31 July 2013 as compared to profit before tax of RM1,343,000 for the previous corresponding period ended 31 July 2012. The decrease is mainly attributable to the Plastic Components Division as a result of weak global demand for electronic products.

Better performance attained by Property Development Division is due to the Division launched its Shop Offices project, of which 7 units out of 19 units of shop offices have been sold during this quarter. Apart from that, the continuing construction of the Phase II project on 3-Storey Terrace also contributed to the improvement in results for the said Division.

(b) Current Quarter Vs Immediate Preceding Quarter

The Group recorded profit before tax of RM1,100,000 in the current quarter as compared to loss before tax of RM381,000 in the immediate preceding quarter. The profit recorded in this quarter is mainly due to the increase in revenue (from RM1.7 million in the immediate preceding quarter as compared to RM3.4 million in the current quarter) in the Property Development Division.

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12. 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 newly launched 19 units Shop offices project during this quarter, of which 7 units have been sold as of financial period ended and expected completion of Phase II project on 3-Storey Terrace House in financial year ending 31 January 2014 will have a positive impact to the Group's results.

13. Profit Forecast

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

14. Profit Before Tax

	Current Quarter Ended 31 Jul 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jul 2012 RM'000	Cumulative Period ended 31 Jul 2013 RM'000	Corresponding Preceding Period Ended 31 Jul 2012 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of:-				
- Property, plant and equipment	475	408	918	816
- Investment property	52	78	156	156
Interest expense	90	40	138	92
Loss on disposal of property, plant and equipment	0	0	0	137
Realised loss on foreign exchange	0	0	0	53
And crediting:-				
Interest income	27	15	32	33
Realised gain on foreign exchange	78	131	29	131

15. Tax Expense

	Current Quarter Ended 31 Jul 2013 RM'000	Corresponding Preceding Quarter Ended 31 Jul 2012 RM'000	Cumulative Period ended 31 Jul 2013 RM'000	Corresponding Preceding Period Ended 31 Jul 2012 RM'000
Tax based on results for the period:-				
Malaysian income tax	44	314	89	489
Deferred tax	(51)	(64)	(66)	(77)
	(7)	250	23	412

The Group's effective tax rates differ from the statutory tax rate mainly because of utilisation of unabsorbed tax losses by certain subsidiaries.

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16. Retained Profits

	As At 31 Jul 2013 RM'000	As At 31 Jan 2013 RM'000
Total retained profits of Supportive International Holdings Berhad and its subsidiaries		
- Realised	(142,551)	(143,538)
- Unrealised	(372)	(278)
	<u>(142,923)</u>	<u>(143,816)</u>
Consolidation adjustments	182,122	182,320
	<u>39,199</u>	<u>38,504</u>

17. Corporate Proposals

There was no corporate proposal announced but not completed as at 19 September 2013, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

18. Bank Borrowings

	As At 31 Jul 2013 RM'000	As At 31 Jan 2013 RM'000
Hire purchase payable – Secured	259	167
Term loan – Secured	6,059	0
	<u>6,318</u>	<u>167</u>

19. 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 (“SCIT”) to amend the case stated, pursuant to paragraph 40 Schedule 5 of the ITA.

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19. Changes in Material Litigation (Cont'd)

At the case management at the High Court on 18 April 2013, the Senior Assistant Registrar ("SAR") was informed that the SCIT had replied to and denied STSB's request to amend the case stated, on the basis that STSB's comments to the case stated was not filed within the stipulated time frame. This position was corrected by STSB as the draft case stated was received on 16 November 2012 and STSB had then replied with its comments on 23 November 2012, which was clearly within the 14 day time frame. Similarly, the DGIR had also informed the SAR that they are facing the same problem as their comments were not included in the case stated. The SAR was further informed that the DGIR may want to make a joint application with STSB to have the case stated amended.

At the case management at the High Court on 20 May 2013, the SAR was informed that parties have yet to be able to agree and finalise the joint application to amend the case stated.

At the case management at the High Court on 1 July 2013, the DGIR informed the SAR that they needed more time to review a letter from STSB's solicitors which states the proposed amendments to be made to the case stated.

At the case management at the High Court on 1 August 2013, the DGIR informed the SAR that they will not proceed with the filing of the joint application with STSB to amend the case stated. The SAR was further informed that STSB will file its application the following week. The SAR then directed that the DGIR is required to reply to STSB's application within 1 month from the date of service of the sealed application and STSB is to reply to DGIR's reply within 3 weeks from the date of service of DGIR's reply. The SAR further fixed the next case management for 1 October 2013 and directed the parties to file the said application and the relevant replies before this date.

STSB had filed an application to amend the case stated to the High Court on 20 August 2013 and subsequently served it on the DGIR on 21 August 2013. As of 2 September 2013, STSB is still awaiting for DGIR's reply to the said application.

On 2 September 2013, the SAR informed STSB's solicitors that the next case management date which was initially fixed for 1 October 2013 had been vacated and it has been brought to 18 September 2013. The SAR further directed both STSB and DGIR to attend the case management on the new date.

At the case management on 18 September 2013, the SAR was informed that the DGIR had sent a letter requesting for an extension of time to file its reply vide facsimile on 11 September 2013. STSB recorded that it has no objection on the DGIR's request for extension of time. The SAR subsequently gave directions on the filing of written submissions into court to be done by the respective parties and fixed the final case management on 9 December 2013. Hearing for this matter is fixed on 9 January 2014.

20. Dividend Declared/Recommended

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

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21. 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 Jul 2013	Corresponding Preceding Quarter Ended 31 Jul 2012	Cumulative Period ended 31 Jul 2013	Corresponding Preceding Period Ended 31 Jul 2012
Net profit for the period (RM'000)	1,107	580	695	931
Weighted average number of ordinary shares ('000)	209,704	209,704	209,704	209,704
Basic earnings per share (sen)	<u>0.53</u>	<u>0.28</u>	<u>0.33</u>	<u>0.44</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 earnings per share.

22. 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
26 September 2013