

ASTINO BERHAD
(Company No.: 523085-X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

1. Basis of preparation of the Financial Statements

The Interim Financial Statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2012.

The Group has adopted the MFRS framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 August 2012. The issuance was made in conjunction with the MASB’s plan to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board.

The Group’s interim financial statements for the first quarter ended 31 October 2012 is the first set of interim financial statement prepared in accordance to MFRS 1 “*First-Time Adoption of Malaysian Financial Reporting Standards*”, the date of transmission is 1 August 2011.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 July 2012 except for the following:

a.) Property, plant & equipment

Under FRS 116 “*Property, Plant & Equipment*”, the Group previously adopted revaluation model for its property comprising land and buildings. Revaluation on the assets are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values.

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its property, plant and equipment using the cost model under MFRS 116 “*Property, Plant and Equipment*”. At the date of transition to MFRS, the Group elected to regard the revalue amounts as deemed cost. The revaluation surplus was transferred to retained earnings on the date of transmission to MFRS.

b.) Investment Property

Under FRS 140 “*Investment Property*”, the Group measured its investment properties at fair value with any change therein recognized in profit or loss for the period in which they arise.

Upon transition to MFRS, the Group has elected to apply the optional exemption and measure all its investment properties using the cost model under MFRS 140 “*Investment Property*”. At the date of transition to MFRS, the Group uses previous fair value at the date of transition as deemed cost and apply the depreciation policy consistent with property, plant & equipment. As a result, the depreciation of investment properties of RM19,181 and RM60,449 were charged for the financial year ended 31 July 2013 and for the financial year ended 31 July 2012 respectively.

The impact arising from the above changes is summarized as follows:

a.) Reconciliation of Comprehensive Income for the year ended 31 July 2012

	As previously Reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Operating Profit	33,355	(60)	33,295
Tax Expense	(6,893)	4	(6,889)

b.) Reconciliation of Statement of Financial Position as at 1 August 2011

	As previously reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Investment Property	8,770	-	8,770
Deferred Tax Liabilities	5,207	-	5,207
Retained Earnings	127,042	5,969	133,011
Revaluation Reserves	5,969	(5,969)	-

c.) Reconciliation of Statement of Financial Position as at 31 July 2012

	As previously reported RM'000	Effects of transition to MFRSs RM'000	As restated RM'000
Investment Property	8,770	(60)	8,710
Deferred Tax Liabilities	(4,812)	4	(4,808)
Retained Earnings	146,670	5,914	152,584
Revaluation Reserves	5,969	(5,969)	0

2. Disclosure of the qualification on the preceding annual financial statements

There was no qualification on the Group's preceding annual financial statements.

3. Seasonal or Cyclical Factors

The business of the Group was not affected significantly by cyclical factors as it does not have any distinguishable cycle.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flow that are unusual because of their size, or incidence

There was no items affecting assets, liabilities, equity, net income, or cash flow that are unusual because of their size, or incidence.

5. Changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial years

There was no material changes in the estimates of amounts reported in prior interim period of the current financial year or in prior financial years.

6. Issuance, cancellations, repurchases, resale and repayments of debt and equity securities

Save as disclosed below, there were no cancellation, repurchases, resale and repayment of debt and equity securities for the financial year ended 31 July 2013 :-

The Company had bought back 1,892,800 of its own shares at a total cash consideration of RM1,652,960. The highest and the lowest price per share purchased were at RM0.80 and RM1.21 respectively. A total of 4,398,343 treasury shares were distributed as share dividend on 22 March 2013 to the shareholders on the basis of one (1) treasury share for every thirty (30) existing ordinary shares of RM0.50 each held on 1 March 2013.

7. Dividend paid

A first and final single tier dividend of 2.37sen per ordinary share of RM0.50 each in respect of the financial year ended 31 July 2012 was paid on 22 Mar 2013.

8. Segmental Reporting

a) Operating Segment

Information about operating segments has not been reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture and sale of metal building related products.

b) Geographical segment

	<u>Individual quarter ended</u>		<u>Cumulative quarter ended</u>	
	<u>31-07-2013</u>	<u>31-07-2012</u>	<u>31-07-2013</u>	<u>31-07-2012</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Revenue</u>				
- Local	112,739	114,377	453,603	412,395
- Overseas	10,332	14,978	58,230	44,016
	<u>123,071</u>	<u>129,355</u>	<u>511,833</u>	<u>456,411</u>

9. Valuations of property, plant and equipment

The valuations of property, plant & equipment and investment properties have been brought forward without amendments from the previous annual report. Upon transition to MFRS, the Group used the previous revaluation at or before the date of transition as deemed cost for property, plant and equipment and investment properties.

10. Material Events not reflected in the Financial Statements

There were no material subsequent events to be disclosed as at the date of this report.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial year to date.

12. Contingent Liabilities or Contingent Assets

As at the date of report the total corporate guarantee given by the Company to secure credit facilities to its subsidiary companies are RM281 million.

13. Capital commitments

Authorised capital commitments not provided for in the financial statements as at 31 July 2013:

	RM'000
Contracted but not provided for	16,927
	<u>16,927</u>

14. Review of Performance

The Group achieved total turnover of RM123.1 million for the current quarter ended 31 July 2013, a decrease of 4.86% or RM6.3 million from RM129.4 million recorded in the preceding year's corresponding quarter.

The decrease in Group turnover for the current quarter was mainly due to the decrease in the overseas demand of the Group's products, which decrease from RM15.0 million in the preceding year corresponding quarter to RM10.3 million in current quarter.

The profit before tax for current quarter under review was 33.24% lower than the preceding year corresponding quarter ended 31 July 2012 mainly due to decrease in sales and profit margin.

15. Variation of results against preceding quarter

The Group's revenue has decreased by 1.91% from RM125.5 million preceding quarter to RM123.1 million in this quarter. The decrease in revenue is primarily due to decrease in market demand.

The Group registered a profit before taxation of RM6.5 million, a decrease of RM5.6 million as compared to the preceding quarter ended 30 April 2013, which was recorded at RM12.1 million. The decreased on the profit before tax for the current quarter under review was mainly due to decrease in product profit margin and allowance for diminution in value of inventories.

16. Prospects

The global growth is expected to remain sluggish due to the Eurozone crisis, renewed downturn in US economy, slowdown in China's economy and less robust construction activities in the developed countries.

In addition, the local steel industries are expected to face a squeeze in profit margin due to the weak domestic steel prices and high raw material costs and volatility of foreign currency.

Thus, to meet the challenging ahead, the Group will continue to explore the possibility of producing new metal building materials products to penetrate into new market for local and overseas other than continue provide better service to customer.

17. Profit Forecast and Profit Guarantee

Not applicable.

18. Profit for the year

	Current Quarter Ended 31 July 2013	Current Year To Date 31 July 2013
	RM'000	RM'000
Profit before tax is arrived at after charging / crediting		
Allowance / (Reversal) for diminution in value of inventories	1,989	11,108
Allowance / (Reversal) for impairment losses of receivables	620	1,573
Bad debts written off / (recovered)	0	8
Depreciation and amortisation	1,885	7,382
Gain / (Loss) on disposal of property, plant & equipment	130	2,370
Gain / (Loss) on financial instrument	(363)	(507)
Gain / (Loss) on foreign exchange	1,525	1,126
Interest Expenses	1,242	5,554
Interest Income	96	345
Other Income	17	142

19. Taxation

	Current Quarter Ended 31 July 2013 RM'000	Current Year To Date 31 July 2013 RM'000
Income Tax		
- Current year	(1,563)	(8,688)
- Prior year	726	726
	<hr/>	<hr/>
	(837)	(7,962)
Deferred Tax		
- Current year	29	611
- Prior year	211	62
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	(597)	(7,289)

The Group's effective tax rate for the year ended 31 July 2013 was lower than the statutory tax rate mainly due to utilisation of unabsorbed reinvestment allowances and allowances for increased in export sales brought forward.

20. Corporate Proposals

There was no corporate proposal being carried out during the year under review.

21. Group Borrowings and Debt Securities

a) Group borrowings as at 31 July 2013 are as follows: -

	Unsecured RM'000	Secured RM'000	TOTAL RM'000
<i>Short term borrowings</i>			
Bank Overdrafts	-	-	-
Other borrowings	120,974	189	121,163
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	120,974	189	121,163
<i>Long term borrowings</i>			
	8,752	-	8,752
	<hr/>	<hr/>	<hr/>
	129,726	189	129,915

b) Group borrowings denominated in foreign currencies are as follows:

	Unsecured RM'000	Secured RM'000	TOTAL RM'000
	5,985		5,985
United States Dollar	<hr/>	<hr/>	<hr/>
	5,985	-	5,985

22. Financial Assets / (Liabilities) At Fair Value Through Profit Or Loss

The details of the outstanding derivative financial instruments of the Group with maturity date less than 1 year, as at 31 July 2013 are as follows:

<u>Forward foreign exchange contracts</u>	Notional amount RM'000	Fair Value RM'000	Fair Value Net gain / (loss) RM'000
- Bank Sell USD	0	0	0
- Bank Buy USD	16,768	17,124	(356)

23. Changes in Material Litigation

As at the date of this report, neither the Company nor any of its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Directors of the Company are not aware of any proceedings pending or threatened against the Company or its subsidiary companies or of any other facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the Group financially or otherwise.

24. Dividends

There was no dividends have been declared for the current quarter ended 31 July 2013.

25. Earnings Per Share

	Current Year Quarter 31-07-2013	Preceding Year Corresponding Quarter 31-07-2012 (Restated)	Current Year To Date 31-07-2013	Preceding Year Corresponding period 31-07-2012 (Restated)
a) Basic Earnings per share				
Net profit attributable to shareholders (RM'000)	5,900	8,184	31,614	26,406
Weighted average no. of Ordinary shares in issue during the year ('000)	136,388	139,292	136,388	139,292
Basic earnings per share (sen)	4.326	5.876	23.179	18.958

b) Diluted Earnings per share

The Group has no dilution in its earnings per ordinary share in the period under review / financial year-to-date as there are no dilutive potential ordinary shares.

26. Realised and Unrealised Profit or (Losses) Disclosure

The breakdown of the retained profits of the Group as at the end of the reporting period, into realised and unrealised profit or (losses), is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010. Total retained profits / (accumulated losses) of the Company and its subsidiary companies are analysed as follows:

	Current financial year RM'000	As at end of last financial year RM'000 (Restated)
Total retained earnings of the Group		
- Realised	214,068	189,630
- Unrealised	11,272	10,522
	<hr/>	<hr/>
	225,340	200,152
Consolidation adjustments and eliminations	(47,622)	(47,568)
Total retained profits as per statement of financial position	<hr/>	<hr/>
	177,718	152,584