

**Notes on the quarterly report – 28 February 2007**

**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of preparation**

The interim financial statements of BSL Corporation Berhad (“BSL”) are unaudited and have been prepared in accordance with the requirements outlined in the Financial Reporting Standards, FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The interim financial statements should be read in conjunction with the audited financial statements of BSL for the year ended 31 August 2006.

The accounting policies and methods of computation adopted by BSL in these interim financial statements are consistent with those adopted in the financial statements for the year ended 31 August 2006 except for the adoption of Financial Reporting Standards and other interpretations (hereinafter referred to as “FRS”) that are applicable to the Group. The Group has also taken an early adoption of FRS 117: Leases which are effective for financial period commencing 1 October 2006.

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 107	Cash Flow Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 112	Income Taxes
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The effects of the changes in accounting policies resulting from the adoption of applicable new / revised FRS are discussed below:

(a) FRS 3 - Business Combinations & FRS 136 – Impairment of Assets

Goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses and prohibits the amortisation of goodwill. Under FRS 136, periodic impairment reviews are required should there be any indications of impairment of goodwill.

The Group has also previously reflected its negative goodwill as reserve on consolidation. With the adoption of transitional provisions of FRS 3, the carrying amount of reserve on consolidation as at 1 September of RM3,438,276 was derecognised with a corresponding increase in retained earnings.

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(b) FRS 101 – Presentation of Financial Statements

In accordance with the adoption of FRS 101, minority interest at the balance sheet was presented in the consolidated balance sheet within equity, and as an allocation of total profit or loss for the period between the equity holders of the parent and minority interest in the consolidated income statement.

(c) FRS 117 – Leases

In prior years, the leasehold land was classified as property, plant and equipment and was stated at revalued amounts less accumulated depreciation and impairment losses. The adoption of FRS 117, has resulted in a retrospective change in the classification of leasehold land as prepaid lease payments on leasehold land and are amortised on a straight line basis over the lease term. As the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117.67A.

The reclassification of leasehold land has been accounted for retrospectively in accordance with FRS 117 by restating the balance sheet presentation as at 31 August 2006.

**A1.1 Comparatives**

The effect to the comparative amounts of the Group on the adoption of the new FRS is as follows:

As at 31 August 2006	Previously stated	Adjustment FRS 117	Restated
	RM'000	RM'000	RM'000
Property, plant and equipment	42,450	(6,658)	35,792
Prepaid lease payments on leasehold land	-	6,658	6,658

**A2. Qualification of annual financial statements**

There were no audit qualifications on the financial statements of the Company for the year ended 31 August 2006.

**A3. Seasonal and cyclical factors**

In the preceding year, second half profits were significantly stronger than first half profits, mainly due to a better output mix in the second half, which in turn is in line with customers' product sales mix. We expect this trend to continue in 2007.

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**A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

**A5. Material changes in estimates**

There was no material changes in estimates of amounts reported in the current quarter under review.

**A6. Issuances and repayment of debt and equity securities**

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

**A7. Dividend paid**

There was no dividend paid by the Company during the quarter under review.

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**A8. Segment information**

Segmental information is presented in respect of the Group's business segment

	Investment holding	Precision stamping and tooling	Printed Circuit Board ("PCB") and module assembly	Fabrication and forging	Automotive components	Elimination	Consolidate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	-	21,002	12,315	8,422	6,302	-	48,041
Inter-segment sales	-	17	-	7	-	(24)	-
Total revenue	-	21,019	12,315	8,429	6,302	(24)	48,041
<b>Results</b>							
Segment results	(395)	2,750	(473)	577	458	-	2,917
Profit from operations							2,917
Interest expense							(913)
Interest income							177
Profit before tax							2,181
Income tax expense							(837)
Profit for the year							1,344
Attributable to:							
Equity holders of the parent							1,213
Minority interest							131
							1,344

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**A9. Valuation of property, plant and equipment**

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses, if any.

Freehold land and buildings which are stated at valuation are revalued at regular intervals of at least once in every three years by the directors based on valuation reports of independent professional valuers using the “open market value on existing use” basis with additional valuation in the intervening years where market conditions indicate that the carrying values of revalued assets differ materially from the market value. Freehold land and buildings were last revalued in 2004.

**A10. Material events subsequent to the end of the interim period**

There were no material events subsequent to the current financial quarter ended 28 February 2007 up to the date of this report, which are likely to substantially affect the results of the operations of the Group. The Memorandum of Understanding (“MoU”) entered into between BSL and Zhangjiagang City Yiyang Pipe Producing Co., Ltd (“Yiyang”) on 7 November 2006 and amended by a Supplemental MoU dated 29 December 2006 had lapsed on the 6 April 2007 and both parties decided not to renew the MoU.

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group during the current quarter under review.

**A12. Changes in contingent liabilities**

There were no changes in contingent liabilities and contingent assets of a material nature since the last balance sheet date until the date of this announcement, except for corporate guarantees amounting to RM10.00 million given by the Company to financial institutions for credit facilities granted to one of the subsidiary company.

**A13. Capital commitments**

	<b>Approved and contracted for RM'000</b>	<b>Approved but not contracted for RM'000</b>
Purchase of plant and machinery	450	-

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS**

**B1. Review of performance**

For the six (6) months period ended 28 February 2007, the Group achieved revenue of RM48.04 million and a profit before tax of RM2.18 million.

The Precision Stamping & Tooling Division contributed approximately 43.72% of the total revenue, amounting to RM21.00 million; the Printed Circuit Board (“PCB”) and Module Assembly Division approximately 25.63% or RM12.31 million; the Fabrication and Forging Division approximately 17.53% or RM8.42 million; and the Automotive Component Division approximately 13.12% or RM6.30 million.

**B2. Variation of results against preceding quarter**

Total group revenue declined by 1.00% to RM23.91 million, compared to the preceding quarter of RM24.15 million.

However, the Group recorded a higher profit before tax of RM1.18 million for the current quarter ended 28 February 2007 as compared RM1.08 million in the preceding quarter.

Compared to the second quarter of the financial year August 31, 2006, Group revenue increased by 30.83% to RM23.91 million. However, profit before taxation fell significantly by 36.21% to RM1.18 million, mainly due to higher interest charges and expenses arising from the collateralised loan obligations (“CLO”) that the Group participated in October 2006. Lower margins from a poorer output mix across the Group made matters worse. In particular, our Precision Stamping & Tooling Division saw lower contribution from its higher margin tooling sales while our Printed Circuit Board and Module Assembly Division experienced lower contribution from its higher margin assembly sales.

**B3. Current year prospects**

Despite the relatively slow start to this financial year, the Board is confident that measures being taken in financial year 2007, would enable the Group to achieve better results in the ensuing quarters. These measures include expansion of our product range and customer base as well as steps to improve our production and cost efficiency. As in 2006, we will also be looking for investment and business opportunities that will complement and enhance our business.

**B4. Variance of actual and forecast profit**

The Group has not provided any profit forecast for the current financial year ending 31 August 2007.

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**B5. Tax expense**

	<b>Current Quarter 28.02.2007 RM' 000</b>	<b>Current year To date 28.02.2007 RM' 000</b>
Current tax expense	472	898
Current deferred tax expense	(50)	(46)
Overprovision of deferred in prior year	(15)	(15)
	407	837

The effective tax rate is higher than the statutory tax rate of 27% due mainly to certain expenses not allowed for tax purposes.

**B6. Unquoted investments and/or properties**

The Group has not disposed off any investments in any unquoted investments and/or properties during the financial quarter under review.

As part of the conditions of the fixed rate term loan of RM15.0 million under a Primary CLO programme arranged by Alliance Investment Bank Berhad (formerly known as Alliance Merchant Bank Berhad), the Company was required to and had subscribed to RM1.5 million of Asset-backed Subordinated Secured Variable Rate Bonds issued under the programme . The issuer under the CLO Programme is Idaman Capital Berhad. This has been classified as other investments.

**B7. Quoted and marketable investments**

Total investments in quoted shares as at 28 February 2007:

	<b>Cost RM'000</b>	<b>Book Value RM'000</b>	<b>Market Value RM'000</b>
Total quoted shares	17	6	6

**B8. Status of corporate proposal announced**

There were no corporate proposals announced but not completed as at the date of this announcement.

BSL has raised gross proceeds of RM15,702,230 from its listing exercise from the Public Issue based on the issue price of RM0.68 per share and Right Issues of RM0.50 per share. As at the date of this announcement, the said proceeds has been utilised in the following manner:

<b>Total</b>	<b>Utilised</b>	<b>Unutilised</b>
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	RM'000	RM'000	RM'000
Capital expenditure	4,800	2,303	2,497
Repayment of bank borrowings	6,900	6,900	-
Working capital	2,102	2,102	-
Estimated listing expenses	1,900	1,900	-
	15,702	13,205	2,497

**B9. Group borrowings**

The Group's borrowings as at the end of the reporting quarter are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short term</b>			
Bank overdrafts	1,477	-	1,477
Trust receipts, bankers' acceptance & revolving credit	9,739	-	9,739
Term loans	1,485	-	1,485
Hire purchase	1,809	-	1,809
	14,510	-	14,510
<b>Long term</b>			
Terms loans	1,828	15,000	16,828
Hire purchase	696	-	696
	2,524	15,000	17,524
	17,034	15,000	32,034

*All borrowings are denominated in Ringgit Malaysia*

**B10. Off balance sheet financial instrument**

There are no financial instruments with off balance sheet risk as at the end of the previous financial year to the date of this announcement.

**B11. Changes in material litigation**



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Neither BSL nor any of its subsidiary companies are engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect the financial position of Company or any of its subsidiaries and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of Company or any of its subsidiaries.

**B12. Dividends**

The Board of Directors does not propose any dividend for the period under review.

**B13. Basic earnings per share**

The basic earnings per share for the current quarter and cumulative year to date are computed as follow:-

	<b>Individual Current Year Quarter 28.02.07</b>	<b>Preceding Year Quarter 28.02.06</b>	<b>Cumulative Current Year to Date 28.02.07</b>	<b>Preceding Year To date 28.02.06</b>
Net profit attributable to equity holders of the parent (RM'000)	687	1,514	1,213	2,873
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	98,000	98,000	98,000	89,814
Basic Earnings Per Share based on the weighted average number of shares in issue (Sen)	0.70	1.54	1.24	3.20

**B14. Authorisation for issue**

This quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 20 April 2007.

By order of the Board

Ngiam Tong Kwan  
Executive Chairman  
Petaling Jaya  
20 April 2007