

# MILUX CORPORATION BERHAD

(Company No.313619-W)  
(Incorporated in Malaysia)

## NOTES TO THE ACCOUNTS

### PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

#### **1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: *Interim Financial Reporting* and the applicable disclosure provisions laid down in Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing an interim financial report in conformance with FRS 134, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Hence, actual results may differ from these estimates.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 August 2009. The selected explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group for the period ended 28 February 2010. The condensed consolidated interim financial statements and notes therein do not include all of the information required for full set of annual financial statements prepared in accordance with FRSs

#### **2. Changes in accounting policies**

Except for the adoption of FRS 8, *Operating Segments* which is effective for annual accounting period beginning on 1 July 2009, the interim financial statement has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

As FRS 8 only impacts the presentation and disclosure aspects, its adoption has no financial impact on the Group.

**3. Audit qualifications**

There were no audit qualifications in the auditors' report of the Group's most recent financial statements ended 31 August 2009.

**4. Seasonal or cyclical factors**

Other than festive periods and national campaigns, the business operations of the Group are not materially affected by any seasonal or cyclical factors.

**5. Unusual items affecting assets, liabilities, equity, net income or cash flow**

There were no exceptional items or unusual events affecting assets, liabilities, equity, net income or cash flow of the Group during the interim financial period under review.

**6. Material changes in estimates**

There were no material changes in estimates that have a material effect in the current quarter.

**7. Issuances, cancellations, repurchases, resale and repayment of debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

**8. Dividends paid**

There was no dividend paid during the current quarter under review.

**9. Segmental information**

Quarter ended 28 February 2010

	<b>Manufacturing</b>	<b>Trading &amp; others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	7,404	13,965	21,369
Inter-segment revenue	7,034	1,610	8,644
Profit/(loss) before tax	587	(161)	426

Quarter ended 28 February 2009

	<b>Manufacturing</b>	<b>Trading &amp; others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	8,907	27,036	35,943
Inter-segment revenue	12,365	2,661	15,026
Profit/(loss) before tax	1,351	961	2,312

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

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 August 2009. Any addition to the property, plant and equipment are carried at cost less depreciation charge for the current quarter.

**11. Subsequent material event**

There were no material events subsequent to the current financial quarter ended 28 February 2010 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

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

T.H. Hin Sdn Bhd, a fully owned subsidiary, acquired the remaining 20% interest in Milux Industry (Zhong Shan) Co Ltd that it does not already own and made it a wholly owned subsidiary during the Quarter under review.

Save for the above, there were no changes in the composition of the Group during the Quarter under review.

**13. Contingent liabilities**

The contingent liabilities of the Group as at 28 February 2010 comprised of corporate guarantees extended to financial institutions for banking and hire purchase facilities granted to certain subsidiary companies which amounted to RM 61.0 million. Of these, RM 28.9 million were utilized by these subsidiaries as at the same date ( 2009 - RM 28.4 million ).

**14. Capital Commitments**

Capital commitment as at 28 February 2010 were as follows:-

Authorised and contracted for: RM'000

Property, plant & equipment:

- Land 5,500

**PART B- ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA'S LISTING REQUIREMENTS**

**1. Review of performance**

The Group recorded a lower turnover of RM 21.4 million for the current quarter under review compared to RM 35.9 million recorded in the preceding year's corresponding quarter.

Profit before taxation for the period under review amounted to RM 0.4 million compared to a profit before tax of RM 2.3 million achieved in the preceding year's corresponding quarter.

The Group's profit before tax for the current quarter was affected by its overseas subsidiaries where their performance were affected by rising raw material prices and a drop in sales turnover which resulted in losses incurred. In addition, certain local subsidiaries also suffered losses due to higher provisions.

**2. Comparison with immediate preceding quarter's results**

For the quarter under review, the Group recorded a revenue of RM 21.4 million as compared to a revenue of RM 20.7 million in the immediate preceding quarter.

Profit before taxation during the current quarter at RM 0.4 million was much lower compared to the immediate preceding quarter's pre-tax profit of RM 1.5 million. This is mainly due to losses incurred by the Group's overseas subsidiaries and certain local subsidiaries

**3. Commentary on Prospects**

The Group's management had taken various measures to ensure that the overseas subsidiaries will return to profitability. On the local front, the water heater division will be launching a completely new series of water heaters during the current quarter.

With the various measures taken and with the anticipated gradual recovery in the global economy, the Group hopes to improve its performance in the remaining two quarters.

**4. Variance of Actual Projects from Forecast Profit**

Not applicable

**5. Tax expense**

	<b>3 months ended 28 February</b>		<b>6 months ended 29 February</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income taxation:				
Malaysian-current	353	753	705	1,214
Overseas-current	-	-	-	-
	<u>353</u>	<u>753</u>	<u>705</u>	<u>1,214</u>

The effective tax rate for the financial year-to-date is higher than the statutory tax rate due to the losses incurred by its overseas subsidiaries.

**6. Sale of unquoted investments and/or properties**

There were no sales of any unquoted investment and/or properties for the quarter under review.

**7. Quoted securities**

There were no purchases or disposals of quoted securities made during the Quarter under review.

Investment in quoted shares at cost less allowances for diminution in value as at 28 February 2010 were as follows:

	<b>As at 28.02.10 RM</b>
Total investments at carrying value / book value	<u>8,600</u>
Total investments at market value at end of reporting period	<u>10,750</u>

**8. Status of corporate proposals**

There are no outstanding corporate proposals as at the date of this quarterly report.

## 9. Group borrowings and debt securities

	<b>28.02.10</b>	<b>28.02.09</b>
	<b>RM'000</b>	<b>RM'000</b>
a) Secured and Unsecured Borrowings		
i) Secured	14,918	11,271
ii) Unsecured	<u>12,302</u>	<u>17,160</u>
	<u>27,220</u>	<u>28,431</u>
b) Hire Purchase Creditors		
i) Payable the next twelve months	848	324
ii) Payable after next twelve months	<u>1,460</u>	<u>606</u>
	<u>2,308</u>	<u>930</u>

## 10. Off balance sheet financial instruments

There are no off balance sheet financial instruments entered into by the Group as at the date of this quarterly report

## 11. Material litigation

The Group has no outstanding material litigation as at the date of this quarterly report.

## 12. Dividends

No interim dividend has been proposed for the current quarter under review.

## 13. Earnings Per Share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	Individual Current Year Quarter	Cumulative Current Year Todate
Net Profit for the period (RM'000)	16	1,157
Weighted average number of Ordinary shares of RM1.00 each in Issue	46,615	46,615
Basic Earnings Per Share based on adjusted weighted average number of Ordinary shares of RM1.00 each in issue (sen)	0.03	2.48

Dated : 28 April 2010