

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 Main 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 31 August 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

No dividend was paid during the current quarter under review.

9. Segmental information

Quarter ended 31 August 2010

| | Manufacturing RM'000 | Trading & others RM'000 | Total RM'000 |
|--------------------------|---------------------------------|--|-------------------------|
| External revenue | 7,197 | 17,472 | 24,669 |
| Inter-segment revenue | 8,406 | 2,700 | 11,106 |
| Profit/(loss) before tax | (1,414) | (12,784) | (14,198) |

Quarter ended 31 August 2009

| | Manufacturing RM'000 | Trading & others RM'000 | Total RM'000 |
|--------------------------|---------------------------------|--|-------------------------|
| External revenue | 6,699 | 17,947 | 24,646 |
| Inter-segment revenue | 11,996 | 1,456 | 13,452 |
| Profit/(loss) before tax | 906 | 123 | 1,029 |

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 31 August 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

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 31 August 2010 comprised of corporate guarantees extended to financial institutions for banking and hire purchase facilities granted to certain subsidiary companies which amounted to RM68.21 million (2009 – RM 61.03 million). Of these, RM 37.13 million were utilized by these subsidiaries as at the same date (2009 - RM 30.58 million).

14. Capital Commitments

There were no material capital commitments incurred or known to be incurred by the Group which upon becoming enforceable, may have a material impact on the profit or net asset value of the Group as at the date of this report.

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

1. Review of performance

For the Quarter under review, the Group recorded a slightly higher turnover of RM 24.7 million compared to RM 24.6 million recorded in the preceding year's corresponding quarter.

The Group recorded a loss before taxation for the period under review of RM 14.20 million compared to a profit before tax of RM 1.03 million achieved in the preceding year's corresponding quarter.

The Group was operating under unfavourable and difficult environment for the period under review due to the continue strengthening of the Ringgit against the

US Dollar. Arising from this, the Group has decided to write off marketing costs incurred in penetrating certain export markets.

Following the resignation of certain members of the senior management in one of the home appliances division, the management of Milux had conducted a thorough review of that particular business division and as a matter of prudence had decided to write off 50% of the goodwill, provided for inventories that are slow moving, obsolete, slow, defective and shortages and also debts that are outstanding beyond the group's acceptable credit term as per its credit policy.

2. Comparison with immediate preceding quarter's results

For the quarter under review, the Group recorded a higher turnover of RM 24.7 million as compared to a revenue of RM 22.1 million in the immediate preceding quarter.

However, the Group recorded a loss before taxation during the current quarter of RM14.20 million compared to a loss before taxation of RM 0.53 million in the immediate preceding Quarter. The increased loss was mainly due to the reasons as per Part B 1 above.

3. Commentary on Prospects

The Group is continuously monitoring the impact of the appreciating Ringgit against the US Dollar and will continue to exercise caution in order to control costs by improving operating efficiency and to keep constant contact with its customers to ensure reasonable pricing for both parties.

The Group's management has taken measures to reorganize and stabilise the operations of the local and overseas divisions which are incurring losses presently.

4. Variance of Actual Projects from Forecast Profit

Not applicable

5. Tax expense

| | 3 months ended | | 12 months ended | |
|-----------------------|----------------|------------|-----------------|--------------|
| | 31 Aug | | 31 Aug | |
| | 2010 | 2009 | 2010 | 2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income Tax | (224) | 247 | 546 | 1,935 |
| Deferred taxation | (20) | - | 72 | - |
| Prior year adjustment | (20) | - | (20) | - |
| | <u>(264)</u> | <u>247</u> | <u>598</u> | <u>1,935</u> |

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

6. Sale of unquoted investments and/or properties

There were no sale of any unquoted investment for the quarter under review.

T.H. Hin Sdn Bhd, a wholly owned subsidiary had on 26 July 2010 entered into a Sale and Purchase Agreement with Albert Wines & Spirits (M) Sdn Bhd to dispose of a piece of vacant land located at No. 8, Jalan Teknologi 3/4, Taman Sains Selangor, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan for a total consideration of RM10,980,960.

The said disposal which was announced to Bursa Malaysia on 26th July 2010 is pending completion as at the date of this report.

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 31 August 2010 were as follows:

| | As at 31.08.10 RM |
|--|----------------------------------|
| Total investments at carrying value / book value | <u>8,600</u> |
| Total investments at market value at end of reporting period | <u>9,925</u> |

8. Status of corporate proposals

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

9. Group borrowings and debt securities

| | 31.08.10 RM'000 | 31.08.09 RM'000 |
|-------------------------------------|----------------------------|----------------------------|
| a) Secured and Unsecured Borrowings | | |
| i) Secured | 21,814 | 14,604 |
| ii) Unsecured | <u>14,089</u> | <u>13,658</u> |
| | <u>35,903</u> | <u>28,262</u> |

| | | | |
|----|--------------------------------------|--------------|--------------|
| b) | Hire Purchase Creditors | | |
| | i) Payable the next twelve months | 960 | 739 |
| | ii) Payable after next twelve months | <u>1,513</u> | <u>1,583</u> |
| | | <u>2,473</u> | <u>2,322</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 / (loss) 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/(Loss) for the period (RM'000) | (13,934) | (13,464) |
| Weighted average number of Ordinary shares of RM1.00 each in Issue | 46,615 | 46,615 |
| Basic Earnings/(Loss) Per Share based on adjusted weighted average number of Ordinary shares of RM1.00 each in issue (sen) | (29.89) | (28.88) |

Dated : 29 October 2010