

MILUX CORPORATION BERHAD (313619-W)

Quarterly Report on unaudited consolidated results for the third financial quarter ended 31 May 2011.

Notes to the Interim Financial Report

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 2010. 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 May 2011. 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

The significant accounting policies adopted by the Group in this report are consistent with those used in the Audited Financial Statements of the Group for the financial year ended 31 August 2010 except for the changes arising from the adoption of the following new FRSs, Amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”) that are effective for financial periods beginning on or after 1 January 2010 and 1 July 2010.

| | | <u>Effective</u> |
|-----------------------|---|------------------|
| FRS 1 | First-time Adoption of Financial Reporting Standards (revised) | 1 July 2010 |
| Amendment to FRS 2 | Share-based Payment | 1 July 2010 |
| | -Vesting Conditions and Cancellations | 1 January 2010 |
| FRS 3 | Business Combinations (revised) | 1 July 2010 |
| FRS 4 | Insurance Contracts | 1 January 2010 |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| FRS 7 | Financial Instruments: Disclosure | 1 January 2010 |
| FRS 101 | Presentation of Financial Statements (revised) | 1 January 2010 |
| Amendments to FRS 101 | -Puttable Financial Instruments and Obligation Arising on Liquidation | 1 January 2010 |
| Amendments to FRS 117 | Leases | 1 January 2010 |
| FRS 123 | Borrowing Costs (revised) | 1 January 2010 |
| Amendments to FRS 127 | Consolidated and Separate Financial Statements | 1 January 2010 |
| Amendments to FRS 132 | Financial Instruments: Presentation | |
| | -Puttable Financial Instruments and Obligation Arising on Liquidation | 1 January 2010 |
| | -Separation of Compound Instrument | 1 January 2010 |
| | -Classification of Rights Issue | 1 March 2010 |
| Amendments to FRS 138 | Intangible assets | 1 July 2010 |

| | | |
|--------------------------------------|--|----------------|
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 January 2010 |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 10 | Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 12 | Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements’ and Their Interaction | 1 January 2010 |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |

The Group has chosen not to early adopt the following FRSs, amendments and interpretations which were in issue but not yet effective:-

| | | <u>Effective</u> |
|----------------------|--|------------------|
| Amendments to FRS 1 | -Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters | 1 January 2011 |
| | -Additional Exemption for First-time Adopters | |
| Amendments to FRS 2 | -Group Cash settled Share Based Payment | 1 January 2011 |
| Amendments to FRS 7 | -Improving Disclosures about Financial Instruments | 1 January 2011 |
| IC Interpretation 4 | Determining whether an Arrangement contain a Lease | 1 January 2011 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate | 1 July 2012 |
| IC Interpretation 18 | Transfer of Assets from Customers | 1 January 2011 |

These revised FRSs are not expected to have any significant impact on the financial statements of the Group.

The adoption of the above FRSs, Amendments to FRSs and IC Interpretations do not have any material impact on the financial statements of the Group except for the adoption of the following FRSs :-

Revised FRS 101: Presentation of Financial Statements

Under this Standard, the current titles ‘balance sheet’ and ‘cash flow statement’ has been replaced with ‘statement of financial position’ and ‘statement of cash flow’. A new statement known as ‘statement of comprehensive income’ has also been introduced in this Standard whereby all non-owner changes in equity are required to be presented in either one statement of comprehensive income or in two linked statements. A separate income statement and a statement of comprehensive income are required under the two linked statements presentation format. Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

The Group has elected to present the statement of comprehensive income in one statement. To conform to the current period’s presentation, certain comparative figures have been re-presented.

The adoption of this Standard has no impact on the consolidated financial statements as it involves only new presentation as described above.

FRS 117 : Leases

With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership. Prior to this, leasehold land was treated as operating lease and the considerations paid were classified as prepaid lease payment. The Group

has reassessed the leasehold land of the Group and has determined that these are in substance finance leases and have reclassified it to property, plant and equipment.

The effects of the reclassification of the comparative figures following the adoption of the Amendments to FRS 117 are as below:-

| Statement of Financial Position | As previously reported | Effect of adopting the amendment to FRS 117 | As restated |
|--|-------------------------------|--|--------------------|
| <u>As at 31 August 2010</u> | RM '000 | RM '000 | RM '000 |
| Property, plant and equipment | 20,489 | 1,527 | 22,016 |
| Prepaid lease payments | 1,527 | (1,527) | - |

FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 sets out new requirements for the recognition and measurement of financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition for the purpose of first adoption of the standard, as at transitional date on 1 September 2010.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial assets include cash, deposits with licensed bank, loans and receivables and financial assets at fair value through profit and loss.

Loans and Receivables

Prior to 1 September 2010, loans and receivables were stated at the gross proceeds receivable less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains or losses are recognized in the income statement when the loans and receivables are derecognized, impaired or through amortization process.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables and borrowings, and are carried at amortised cost.

Transitional provisions

In accordance with the transitional provision of FRS 139, the Group is required to remeasure the financial assets and liabilities as appropriate. Any adjustment of the

previous carrying amount of the financial assets and liabilities shall be recognized as an adjustment of the balance of retained earnings at the beginning of the financial year in which FRS 139 is initially applied.

IC Interpretation 10, Impairment and Interim Financial Reporting

Prior to the adoption of IC Interpretation 10, impairment losses for equity investments recognized in an earlier interim period were reversed in a later interim period when tests revealed that the losses have reversed. With the adoption of IC Interpretation 10 and FRS 139 on 1 January 2010, the policy has been changed to conform to the impairment requirements of FRS139. Impairment losses recognised for available-for-sale equity investments in an interim period are not reversed in a subsequent interim period. This change in basis has no effect to the profit or loss of the current period ended 31 May 2011.

3. Audit qualifications

There was no audit qualifications in the auditors' report of the Group's most recent financial statements ended 31 August 2010.

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 May 2011

| | Manufacturing | Trading & others | Total |
|--------------------------|----------------------|-----------------------------|---------------|
| By Activities | RM'000 | RM'000 | RM'000 |
| External revenue | 7,277 | 13,636 | 20,913 |
| Inter-segment revenue | 5,298 | 2,027 | 7,325 |
| Profit/(Loss) before tax | (653) | 307 | (346) |

Quarter ended 31 May 2010

| By Activities | Manufacturing RM'000 | Trading & others RM'000 | Total RM'000 |
|-----------------------|---------------------------------|--|-------------------------|
| External revenue | 6,166 | 15,903 | 22,069 |
| Inter-segment revenue | 8,705 | 1,664 | 10,369 |
| Profit before tax | (248) | (282) | (530) |

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 2010.

11. Subsequent material event

There were no material events subsequent to the current financial quarter ended 31 May 2011 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 May 2011 comprised of corporate guarantees extended to financial institutions for banking and hire purchase facilities granted to certain subsidiary companies which amounted to RM65.84 million (2010 - RM 64.71 million). Of these, RM 26.42 million were utilized by these subsidiaries as at the same date (2010 - RM 36.48 million).

14. Capital Commitments

There was no capital commitment as at 31 May 2011.

Subsequent to the close of the current quarter, T.H. Hin Sdn Bhd, a fully owned subsidiary of the Company had on 10th June 2011 awarded a turnkey contract in respect of the renovation and fit out work for its office cum factory/warehouse located in Rawang Integrated Industrial Park in Rawang, Selangor

Authorised and contracted for:

RM

Property, plant & equipment:

- Building

10,834,656.00

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

1. Review of performance

For the Quarter under review, the Group's revenue of RM20.91 million was 5.24% lower compared to the revenue of RM22.07 million recorded in the preceding year's corresponding quarter.

Loss before taxation for the Quarter under review amounted to RM0.346 million compared to a loss before taxation of RM 0.530 million achieved in the preceding year's corresponding quarter.

The Group's loss before tax for the current quarter was mainly attributed to its overseas operation as a result of a drop in sales revenue and higher operating cost.

2. Comparison with immediate preceding quarter's results

For the quarter under review, the Group's revenue of RM20.91 million was 12.73% higher than that of the immediate preceding quarter's revenue of RM18.55 million.

The Group recorded a loss before tax of RM 0.346 million for the quarter under review compared to loss before tax of RM1.072 million recorded in the immediate preceding quarter. The lower loss is mainly attributed to higher revenue and an improved gross margin achieved during the quarter, in particular, by its domestic trading division.

3. Commentary on Prospects

Continuous actions has been instituted by the Group's management to reorganize the operations of the local and overseas subsidiaries which are incurring losses presently to return to profitability.

The Management anticipates that the local subsidiaries will show meaningful recovery in future. The prospects of foreign subsidiaries are currently being reviewed and will be monitored closely.

4. Variance of Actual Projects from Forecast Profit

Not applicable

5. Tax expense

| | 3 months ended 31 May | | YTD ended 31 May | |
|--|--------------------------|----------------|---------------------|----------------|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Malaysia tax based on profit for the period | | | | |
| Income Tax | 133 | 65 | 533 | 770 |
| Deferred taxation | (2) | 92 | 73 | 92 |
| Prior year adjustment | 44 | - | 44 | - |
| | <u>175</u> | <u>157</u> | <u>650</u> | <u>862</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 was 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 ¾, 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.

T.H. Hin Sdn Bhd, a wholly owned subsidiary had on 14 December 2010 entered into a Sale and Purchase Agreement with Super Ceramic Tiles & Design Sdn Bhd for the disposal of all that piece of land held under H.S. (D) 242968, No. P.T. 10565, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan together with a 2-storey detached factory cum office erected thereon bearing the address Lot 1, Persiaran Sungai Buloh, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan and all its fixtures and fittings including air-conditioners and existing cargo lift, for a total sale consideration of RM11 million.

The said disposal which was announced to Bursa Malaysia on 14th December 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 May 2011 were as follows:

| | As at 31.05.11 RM |
|--|----------------------------------|
| Total investments at carrying value / book value | <u>9,925</u> |
| Total investments at market value at end of reporting period | <u>12,900</u> |

8. Status of corporate proposals

There was no corporate proposal announced which has not been completed as at the date of this announcement.

9. Group borrowings and debt securities

| | 31.05.11 RM'000 | 31.08.10 RM'000 |
|--------------------------------------|----------------------------|----------------------------|
| a) Secured and Unsecured Borrowings | | |
| i) Secured | 16,284 | 20,998 |
| ii) Unsecured | <u>8,867</u> | <u>15,133</u> |
| | <u>25,151</u> | <u>36,131</u> |
| b) Hire Purchase Creditors | | |
| i) Payable the next twelve months | 1,075 | 960 |
| ii) Payable after next twelve months | <u>1,197</u> | <u>1,513</u> |
| | <u>2,272</u> | <u>2,473</u> |

The above include borrowings denominated in foreign currency as follows:

| | 31 May 2011 | | 31 Aug 2010 | |
|----------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| | Foreign Currency '000 | RM Equivalent '000 | Foreign Currency '000 | RM Equivalent '000 |
| India Rupees | | | | |
| <u>Secured</u> | | | | |
| Overdraft | 2,646 | 178 | 29,990 | 2,082 |

10. Breakdown of Realised and Unrealised Profits or Losses of the Group

Bursa Malaysia had, in March 2010 issued directives informing all listed corporations on its decision to enhance the existing disclosure requirements by requiring, inter alia, the disclosures of the breakdown of unappropriated profit or accumulated losses into realised and unrealised on group and company basis.

The aforementioned disclosure requirements are applicable to Quarterly Reports and Annual Reports for the financial period or financial year ending on or after 30 September 2010. Comparative figures are not required in the first financial year of applying this requirement.

| | Current quarter ended 31 May 2011 RM'000 | Previous financial year ended 31 August 2010 RM'000 |
|---|--|--|
| Total retained profits of Milux Corporation Berhad and its subsidiaries | 11,147 | (Comparable figures are not required in the first financial year of complying with the Disclosures.) |
| - Realised | | |
| - Unrealised | 468 | |
| Total Group retained profits as per Consolidated accounts | 11,615 | |

11. 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.

12. Material litigation

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

13. Dividends

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

14. Earnings Per Share

The basic loss per share of the Group has been calculated by dividing the profit attributable to Owners of the Company by the number of ordinary shares in issue during the period.

| | Individual Current Year Quarter | Cumulative Current Year Todate |
|--|------------------------------------|-----------------------------------|
| Net Loss for the period (RM'000) | (521) | (2,052) |
| Weighted average number of Ordinary shares of RM1.00 each in Issue | 46,615 | 46,615 |
| Basic Loss Per Share based on adjusted weighted average number of Ordinary shares of RM1.00 each in issue (sen) | (1.12) | (4.40) |

Dated : 21 July 2011