

Golden Frontier Berhad Group of Companies  
Notes to the Interim Financial Report

**1 Basis of Preparation**

This interim financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board (MASB)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements.

The preparation of an interim financial report in conformity with FRS 134 Interim Financial Reporting requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 30 September 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements other than those that have been restated as a result of the change in accounting policies. Statutory financial statements for the year ended 30 September 2008 are available from the Company's registered office.

**2 Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 September 2008.

**3 Auditors Report on Preceding Annual Financial Statements**

The audited financial statements of the Group for the preceding year ended 30 September 2008 was reported without any qualification.

**4 Seasonal or Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**5 Unusual Items due to their Nature, Size, or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during this current quarter and financial period-to-date.

**6 Changes in Estimates**

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

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**7 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in this current quarter and financial period-to-date except for the shares bought-back that were kept as treasury shares as follows -

	Shares (No.)	Cost (RM)
<i>Share Capital - Issued and Fully Paid of RM1.00 each</i>		
Balance as at 31 March 2009	56,431,000	56,431,000
<i>Shares Bought-Back and Kept as Treasury Shares</i>		
Balance as at 1 October 2008	18,000	17,407
Shares bought-back during the period	329,500	285,079
Balance as at 31 March 2009	347,500	302,486
Shares bought-back from 1 April 2009 to 17 May 2009	83,700	72,504
Balance as at 17 May 2009	431,200	374,990

**8 Dividend Paid**

	Current Year-to-date	Preceding Year Corresponding Period
	31-Mar-09	31-Mar-08
	RM '000	RM '000
Interim Dividend	1,409	1,179

An Interim Dividend of RM0.025 per share, tax exempt, amounting to RM1,408,851 in respect of financial year ended September 30, 2008 has been approved by the Board of Directors on 28 August 2008 for payment on 21 November 2008. The amount is based on the number of outstanding shares in issue excluding the Treasury Shares as at the dividend entitlement date.

A Final Dividend of RM0.04 per share, tax exempt, amounting to RM2,242,380 in respect of financial year ended September 30, 2008 has been approved by the shareholders in the 36th Annual General Meeting held on 26 March 2009 for payment on 15 May 2009. The amount is based on the number of outstanding shares in issue excluding the Treasury Shares as at the dividend entitlement date.

For the preceding year corresponding period, an Interim Dividend of RM0.02 per share, tax exempt, amounting to RM1,179,024 in respect of financial year ended September 30, 2007 was approved by the Board of Directors on 29 August 2007 for payment on 23 November 2007. The amount is based on the number of outstanding shares in issue excluding the Treasury Shares as at the dividend entitlement date.

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**9 Segmental Information**

**By Activity -**

Investment holdings, provision of management consultancy services  
Manufacturing of corrugated fibreboard carton  
Property development  
Trading and insurance agency and others

Group transaction

Revenue	Profit Before Taxation	Revenue	Profit Before Taxation
Current Year-to-date		Preceding Year-to-date	
31-Mar-09		31-Mar-08	
RM '000	RM '000	RM '000	RM '000
1,649	247	2,167	29
85,202	4,133	88,263	7,649
300	(48)	379	2
512	17	530	9
87,664	4,349	91,339	7,689
(16,725)	(245)	(14,194)	(14)
70,938	4,104	77,145	7,675
<hr/>			
<b>By Geographical Location -</b>			
Malaysia	28,865	372	35,017
Vietnam	42,073	3,732	42,128
	70,938	4,104	77,145
			1,952
			5,723
			7,675

**10 Carrying Amount of Revalued Properties, Plants and Equipments**

Land and buildings of the Group and of the Company were revalued by the directors during the financial year ended 30 September 2006 based on the valuation reports of independent firm of professional valuers on an open market value basis.

Investment Properties of the Group and of the Company were revalued by the directors during the financial year ended 30 September 2008 based on the valuation reports of independent firm of professional valuers on an open market value basis.

The carrying amount of other properties, plants and equipments have been brought forward, without amendment from the previous audited financial statements for the year ended 30 September 2008.

**11 Subsequent Events**

There is no material event occurred between the end of this interim financial period and within 7 days before the date of issue of this interim financial report.

**12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

**13 Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liability or contingent asset since the previous audited balance sheet date as at 30 September 2008.

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**14 Tax Income/(Expense)**

	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
	RM '000	RM '000	RM '000	RM '000
Income Tax -				
Provision for Current Year				
Malaysian income tax	(60)	(62)	(119)	(125)
Overseas income tax	(87)	(229)	(145)	(569)
Deferred tax	-	-	-	-
Over/(under) provided of tax	-	-	-	-
Real Property Gains Tax	-	-	-	-
Tax Expense	<u>(147)</u>	<u>(291)</u>	<u>(264)</u>	<u>(694)</u>
	0	-	-	-

The effective tax rate of the Group are lower than the statutory income tax rate due mainly to the utilization of brought forward unabsorbed capital allowances, tax losses and reinvestment allowances in certain profit making subsidiary companies to set off against income that would otherwise have been subjected to tax. In addition, there is one overseas subsidiary generating profit in the current financial year not subject to tax as it is still under tax holiday whilst profit taxable on the remaining overseas subsidiaries are generally at a lower rate than the statutory tax rate in Malaysia.

**15 Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There is no purchase nor sale of unquoted investment and/or property for this interim financial period and financial year-to-date.

**16 Purchase Consideration and Sales Proceeds of Quoted Securities and Profit/(Loss) Arising Therefrom**

There is no purchase nor sale of quoted securities for this interim financial period and financial year-to-date except for the purchase of own shares as disclosed under Note 7 above.

**17 Status of Corporate Proposals Announced but not Completed**

There is no corporate proposal announced but not completed at the date of issue of this interim financial report

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**18 Bank Borrowings**

	Current Year-to-date 31-Mar-09 RM '000	Last Audited 30-Sep-08 RM '000
Secured borrowings	14,835	17,680
Unsecured borrowings	14,850	29,910
<b>Total borrowings</b>	<b>29,685</b>	<b>47,590</b>
Short-term borrowings	28,168	46,600
Long-term borrowings	1,517	990
<b>Total borrowings</b>	<b>29,685</b>	<b>47,590</b>
Borrowing denominated in RM	11,187	23,085
Borrowing denominated in USD - RM Equivalent	5,180	18,083
Borrowing denominated in VND - RM Equivalent	13,318	6,422
<b>Total borrowings</b>	<b>29,685</b>	<b>47,590</b>

The Group's secured borrowings were made up of (a) A Term Loan facility in Malaysia which is secured by way of a first legal charge over a piece of freehold land held in the name of one of the subsidiary company, and (b) Banking Facilities for its operation in Vietnam, which consist of Term Loan, Revolving Credit and Trade Facilities, and were secured by way of corporate guarantees by the ultimate holding company, mortgage over the land and building and debentures over the fixed and floating assets of the Vietnam operation.

**19 Financial Instruments With off Balance Sheet Risk**

The Group does not have any off balance sheet financial instruments as at 17 May 2009, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report except for the forward foreign exchange contracts which have been entered into by the Group to hedge its foreign currency payable as follows -

<u>Currency</u>	<u>Contract Amount USD'000</u>	<u>Contract Date</u>	<u>Contract Type</u>	<u>Contract Period</u>		<u>Outstanding Contract Amount</u>	
				<u>From</u>	<u>To</u>	<u>USD'000</u>	<u>RM'000</u>
USD	20	May-Jun'09	1 Month Option	May'09	Jun'09	20	70
	<u>20</u>					<u>20</u>	<u>70</u>

The Group does not foresee any significant credit and market risks associated with the above forward exchange contracts as they are entered into with approved financial institutions and the Directors are of the view that the possibility of non-performance by these financial institutions is unlikely on the basis of their respective creditworthiness and financial strength.

There is no cash requirement for the above forward foreign exchange contract.

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date, except when there are related or matching forward exchange contracts in respect of trading transactions, in which case, the contracted rates of exchange are used. All exchange gains and losses arising on foreign currency transactions and translation are recognised in the income statement.

## 20 Pending Litigation

There is no pending material litigation at the date of issue of this interim financial report.

## 21 Material Changes in the Profit Before Taxation for Quarter Reported on as Compared With the Immediate Preceding Quarter

	Current Year Quarter	Immediate Preceding Quarter	Increase / (Decrease)
	31-Mar-09	31-Dec-08	
	RM '000	RM '000	RM '000
Revenue	31,133	39,806	(8,673)
Profit/(Loss) before taxation	2,738	1,366	1,372
Profit/(Loss) before taxation - %	9%	3%	

Group revenue declined both in volume (on the back of the unfavourable market condition as a result of the on-going global financial crisis) and in value (because of the drop in paper prices that gave rise to lower unit selling prices hence lower turnover). However, group profit before taxation (PBT) has improved because of savings in product costs following further easing of material and overhead prices (including paper, oil & fuel, transportation etc) and increased productivity and efficiency resulted from better management control. In addition, the Group has successfully reduced its USD exposure in Vietnam operations substantially in this current quarter hence have not exposed itself to the same level of foreign exchange losses incurred in the immediate preceding quarter resulted from the Vietnam Dong depreciation.

## 22 Review of the Performance of the Company and its Principal Subsidiaries (Current Year-to-Date vs. Preceding Year Corresponding Period)

	Current Year-to-date	Preceding Year Corresponding Period	Increase / (Decrease)
	31-Mar-09	31-Mar-08	
	RM '000	RM '000	RM '000
Revenue	70,938	77,145	(6,207)
Profit before taxation	4,104	7,675	(3,571)
Profit before taxation - %	6%	10%	

Group revenue was lower in the current year-to-date as compared to the preceding year corresponding period, mainly due to the declining volume and prices resulted from the onset and deepening of the global financial crisis in the current period.

Similarly, Group profitability has declined substantially on lower business volume and value, as well as affected by the significant currency exchange losses incurred on the continued depreciation of Vietnam Dong (more profound in the 1st quarter of this financial year, as a result of our higher exposure in USD borrowings at that time. We have since then continuously taken appropriate steps to reduce our foreign exchange exposure, and has successfully contained such losses significantly in the current quarter. Total foreign currency exchange losses in the current quarter is only approximately 6.5% of what were incurred in the immediate preceding quarter). Nevertheless, all our packaging operations remained profitable through out the current period.

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### **23 Current Year Prospects**

Prospect of the world economy for this year remains weak on the prevailing financial crisis that are unlikely to end soon. Eventhough there were signs in certain countries suggesting bottoming of the declining economy, they are still not obvious and conclusive. A sustainable recovery, if any, will likely to be a slow and long process.

#### **Vietnam**

Vietnam's economy grew 3.1 percent in the first quarter of 2009, its slowest pace in more than a decade, as exports and foreign investment succumbed to the global slowdown. The growth compared with a 7.4 percent expansion in the same period in 2008.

However, according to the government, the country's economy is expected to pick up in the second half of the year and annual growth could reach 6 percent should the recovery in the world economy gather pace.

#### **Malaysia**

Malaysia's economy for the first quarter of 2009 is definitely in the contraction zone, and this will likely to continue in the 2nd. Quarter of the year. However, according to Bank Negara, recovery may take place in the second half of the year, with improvement emerging in the third and fourth quarter.

#### **Corrugated Carton Manufacturing**

On the current global economy backdrop, we expect our operations in both Vietnam and Malaysia to be affected in terms of revenue as well as profitability. Nevertheless, as our customer base are from diversified industries, we do not foresee any drastic fall in our revenue in the way similar to those experienced by some other businesses serving a specific or limited industry customers. We are still confident that the packaging division as a whole will continue to contribute positively to the Group for the current financial year.

#### **Property Development**

In view of the prevailing market condition, with no recovery expected soon, we are not likely to engage in new projects in the current financial year but will continue to monitor and seize any opportunity to broaden our property land bank both in Penang vicinity and other places in preparation for our future ventures in this business segment

#### **Overall performance -**

Financial Year 2009 will be a very challenging and difficult year for the Group. The Group is unlikely to achieve the same level of revenue and profitability as in the preceding financial year. Given the severity of the global financial crisis, with no end in sight soon, we expect a drop in both revenue and profitability in the current financial year. Nevertheless, we will still be able generate decent and reasonable profits, judging from the better profits that we have achieved in this current quarter as compared to the immediate preceding quarter, and the anticipated better results in the next reporting quarter as we see our businesses continued to improve till todate.

Barring unforeseen circumstances, we expect the Group's revenue and profitability in the Financial Year 2009 to soften, but will not be substantially lower than that achieved in the preceding financial year.

### **24 Explanatory Notes for Variances Between Actual and Forecasted Profits**

Not Applicable.

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**25 Basic Earnings per Ordinary Share**

	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
Net profit attributable to ord. s'holders (RM'000)	2,591	3,267	3,840	6,981
Weighted average no. of ordinary shares in issue	56,248	57,970	56,248	58,300
Basic earnings per ordinary share (Sen)	4.61	5.64	6.83	11.97

**26 Diluted Earnings per Ordinary Share**

No fully diluted earnings per share of the Group has been presented as the average fair value of the shares of the Company is lower than the exercise price for the conversion of Warrants to ordinary shares. The effect of this would be anti-dilutive to the earnings per ordinary share.

Should there be any computation being made, it shall be based on 87,559,602 ordinary shares, assuming full conversion of Warrants 2000/2010.

**27 Dividend Payable**

The Board of Directors have not proposed any dividend for the current financial year ending 30 September 2009.

**28 Provision of Financial Assistance (Disclosure Pursuant to Paragraph 3.1 of Practice Note No. 11/2001)**

	Current Year Quarter
	As At 31-Mar-09 RM '000
(i) Aggregate amount of financial assistance provided during the reporting quarter	
- Corporate Guarantee given by the Holding Company to financial institutions for credit facilities granted to certain of its' subsidiary companies	<u>84,958</u>
- Loan/Advances given by the Holding Company to certain of its' subsidiary companies	<u>21,806</u>
- Loan/Advances given by one of the licensed moneylending company within the Group to 3rd parties	<u>5,538</u>
(ii) Financial impact of the financial assistance provided	

The provision of the financial assistance does not have any effect on the issued and paid-up share capital and substantial shareholders' shareholding of GFB and would not have any material effect on the net assets, net tangible assets, gearing and earnings of GFB Group.