

# RELIANCE PACIFIC BERHAD

(Company no. 244521 A)

## Notes

### A. NOTES TO THE INTERIM FINANCIAL REPORT

#### A1 Accounting Policies

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2011. These 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 since the year ended 31 March 2011.

#### A2 Changes in Accounting Policies

The significant accounting policies adopted in the interim financial statements are consistent with those adopted by the Group in the audited financial statements for the year ended 31 March 2011 except for the adoption of new FRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 01 July 2010 and 01 January 2011. The adoption of these FRSs, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the followings FRSs as set out below:

##### ***FRS 3 Business Combinations and Amendment to FRS 127 Consolidated and Separate Financial Statements***

The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 01 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendment to FRS 127 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with non-controlling interests.

### **IC Interpretation 15 *Agreements for the Construction of Real Estate***

This interpretation clarifies when and how the revenue and related expenses from the sale of a real estate unit sold should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 *Construction Contracts* or FRS 118 *Revenue*.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of this Interpretation, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon after delivery.

### **A3 Audit Report of Preceding Annual Financial Statement**

The annual audited financial statement in the preceding year was not qualified.

### **A4 Seasonal or Cyclical Factors**

The Group is principally engaged in the following business operations:

- a) Hotel
- b) Property
- c) Travel

The major festivities and school holidays generally affect the performance of Hotel & Travel Division. The performance of Property Division is affected by the sentiments of the property cycle, as the division's profitability is dependent on the sale of its properties.

### **A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

## A6 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial quarters of the current financial year or in prior financial years that have a material effect in the current financial quarter.

## A7 Issuance or Repayment of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date.

## A8 Dividend Paid

There were no dividends paid during the period under review.

## A9 Segmental Reporting

### a) Revenue

	Individual Quarter		Cumulative Year-to-date	
	Current Quarter Ended 30 Sept 2011 (RM'000)	Preceding Quarter Ended 30 Sept 2010 (RM'000)	Current 6 months Ended 30 Sept 2011 (RM'000)	Preceding 6 months Ended 30 Sept 2010 (RM'000)
Hotel	8,913	9,853	16,827	23,282
Property	1,902	1,682	4,145	2,669
Travel	45,655	114,516	99,531	221,860
RPB & others	2,852	0	2,852	0
<b>Total</b>	<b>59,322</b>	<b>126,051</b>	<b>123,355</b>	<b>247,811</b>

### b) Profit/(Loss) before taxation

	Individual Quarter		Cumulative Year-to-date	
	Current Quarter Ended 30 Sept 2011 (RM'000)	Preceding Quarter Ended 30 Sept 2010 (RM'000)	Current 6 months Ended 30 Sept 2011 (RM'000)	Preceding 6 months Ended 30 Sept 2010 (RM'000)
<b>Continuing Operations</b>				
Hotel	2,373	1,385	3,950	3,364
Property	(575)	1,408	(620)	1,984
Travel	368	218	1,035	338
RPB	(1,859)	(1,619)	(3,651)	(3,861)
Share of results of associates	(16)	(28)	(28)	(28)
<b>Total</b>	<b>291</b>	<b>1,364</b>	<b>686</b>	<b>1,797</b>

### **A10 Valuation of Property, Plant and Equipment**

Land and buildings of the Group have not been revalued for the current financial year to date.

### **A11 Subsequent Material Events**

There were no material events subsequent to the end of the current quarter.

### **A12 Changes in the Composition of the Group**

There were no changes in the composition of the Group for the financial year to date other than the following:

- (a) Meridian Haven Sdn Bhd, a wholly owned subsidiary of RPB acquired 100% of the total shares in a company called Golden Envoy (M) Sdn Bhd. This was announced on 31 March 2011 and completed during the quarter ended 30 Jun 2011.
- (b) RPB Development Sdn Bhd, a wholly owned subsidiary of RPB purchased a shelf company called Vector Junction Sdn Bhd. This was announced on 20 May 2011.
- (c) Avillion Hotel Group Sdn Bhd, a wholly owned subsidiary of RPB incorporated a wholly-owned subsidiary company in Hong Kong called Avillion Private Collection Limited. This was announced on 10 August 2011.
- (d) RPB Development Sdn Bhd, a wholly owned subsidiary of RPB purchased a shelf company called Culmen Sdn Bhd (formerly known as Kuntuman Unggul Sdn Bhd) . This was announced on 16 August 2011.
- (e) RPB Development Sdn Bhd, a wholly owned subsidiary of RPB purchased a shelf company called Finesta Sdn Bhd (formerly known as Inspire Spiral Sdn Bhd) . This was announced on 8 September 2011.
- (f) RPB Development Sdn Bhd, a wholly owned subsidiary of RPB purchased a shelf company called Santopia Sdn Bhd (formerly known as Twice Delight Sdn Bhd) . This was announced on 22 September 2011.

### **A13 Contingent Liabilities and Contingent Asset**

There were no contingent liabilities and contingent Asset for the current financial year to date.

## **B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1 Review of Performance of the Company and its Principal Subsidiaries**

The Group consolidated revenue for the current quarter has reduced by 50.2% as compared to the preceding year 2<sup>nd</sup> quarter. The reduction in revenue was mainly due to the disposal of certain subsidiaries in Malaysia on 31<sup>st</sup> March 2011, the 4<sup>th</sup> quarter of the last financial year.

The Group consolidated profit before tax for the 2<sup>nd</sup> quarter under review was RM0.291 million as compared to RM1.364 million in last financial year same quarter. Reason for the reduction in profit was mainly due to negative profit contribution from Property Division in the 2<sup>nd</sup> quarter. Phase 1 of the new development for the Property Division has started construction in September 2011. This new development is targeted to contribute in the 4<sup>th</sup> quarter of the financial year 2011/12.

### **B2 Material Changes in the Quarterly Results as compared with the Preceding quarter**

The Group consolidated revenue for the reporting quarter has reduced by 7.3% in comparison to the preceding quarter. The reduction in revenue was mainly due to 2<sup>nd</sup> quarter was traditionally a weaker quarter for tourism industry.

The Group consolidated profit before tax has reduced by 26.3% in comparison to the preceding quarter in tandem with reduction of revenue.

### **B3 Commentary on Prospect**

According to World Travel & Tourism Council in its November 2011 report, Travel and Tourism's performance has been resilient despite the stuttering recovery in the global economy. The best-performing region this year so far, in terms of international arrivals has been Asia Pacific. Southeast Asia's travel and tourism growth (up 1.3 percentage points to 6.4%), both buoyed by ongoing economic growth and strong Travel & Tourism demand, which is expected to continue into 2012.

While the global economy will continue to be unpredictable, the Group remains confident that China, India and South East Asia will continue to be the engine of economic growth for this region. If present trends continue, we expect our financial results to improve in the new financial year 2011/12.

Barring any unforeseen rapid change in conditions, we remain confident in the future of the Hotel Division and the Travel Division with operations located in Singapore, Hong Kong and Thailand.

#### **B4 Variance from Profit Forecast**

Not applicable.

#### **B5 Taxation**

	Individual Quarter		Cumulative Year-to-date	
	Current Quarter Ended 30 Sept 2011 (RM'000)	Preceding Quarter Ended 30 Sept 2010 (RM'000)	Current 6 months Ended 30 Sept 2011 (RM'000)	Preceding 6 months Ended 30 Sept 2010 (RM'000)
a) Income Tax i) Current taxation	231	313	424	591
<b>b) Total</b>	<b>231</b>	<b>313</b>	<b>424</b>	<b>591</b>

The Group tax rate is higher than the statutory tax rate applicable due to the Provision of taxation on profit by certain subsidiary companies.

#### **B6 Acquisition and Disposal of Unquoted Investment and Properties**

There were no acquisition and disposal of unquoted investments during the current quarter.

#### **B7 Available-for-sale**

- a) There were no purchase and disposal of quoted securities during the Current quarter.
- b) Investments in quoted securities as at the end of the reporting period.
- |   | <b>RM'000</b> |
|---|---------------|
| Total investment at cost                      | <u>8,364</u>  |
| Total investment at carrying value/book value | <u>487</u>    |
| Total investment at market value              | <u>487</u>    |

#### **B8 Corporate proposals**

There were no other corporate proposals announced during the current quarter.

## B9 Group Borrowings

### a) Banking Facilities

	Secured (RM'000)	Unsecured (RM'000)	Total (RM'000)
a) Short term borrowings			
i. Overdraft	21,068	18,490	39,558
ii. Revolving Credit	5,000	3,500	8,500
iii. Long term borrowings repayable within twelve months	11,927	-	11,927
iv. Collaterised Loan obligation	-	40,000	40,000
v. Lease and Hire Purchase repayable within 12 months	55	-	55
vi. Total	<u>38,050</u>	<u>61,990</u>	<u>100,040</u>
b) Long term borrowings			
i. Long term loans	76,678	-	76,678
<b>Less</b> portion of long term loans payable within 12 months	<u>11,927</u>	<u>-</u>	<u>11,927</u>
	<u>64,751</u>	<u>0</u>	<u>64,751</u>
ii. Lease and Hire purchase	198	-	198
<b>Less</b> portion of Lease and Hire Purchase payable within 12 months	<u>(55)</u>	<u>-</u>	<u>(55)</u>
	<u>143</u>	<u>0</u>	<u>143</u>
iii. Total	64,894	0	64,894
c) Total borrowings	102,944	61,990	164,934

b) Foreign currency borrowings included in the above in Ringgit Malaysia equivalent as at 30 September 2011 were as follows:

	RM'000
<u>Foreign Currency</u>	
Singapore Dollar	3,565
Hong Kong Dollar	<u>3,411</u>
Total	<u>6,976</u>

## B10 Derivative Financial Instruments

The Group is not a party to any financial instruments, which may have an effect to the derivative financial instruments at the date of this report.

## B11 Material Litigation

There was no material litigation pending as at the date of this announcement.

## B12 Basic Profit Per Share

### a) Basic Profit per share

Basic Profit per share is calculated by dividing the net profit attributable to the shareholders for the current financial quarter ended 30 September 2011 are as follows:

	Individual Quarter		Cumulative Year-to-date	
	Current Quarter Ended 30 Sept 2011 (RM'000)	Preceding Quarter Ended 30 Sept 2010 (RM'000)	Current 6 months Ended 30 Sept 2011 (RM'000)	Preceding 6 months Ended 30 Sept 2010 (RM'000)
<b>Net Profit attributable to owner of the Parent (RM'000)</b>	153	1,288	390	1,224
<b>Basic ('000)</b>				
<b>Total Weighted average number of ordinary shares</b>	<b>858,552</b>	<b>858,552</b>	<b>858,552</b>	<b>858,552</b>
<b>Basic earnings per share(sen)</b>	0.02	0.15	0.05	0.14

### b) Diluted Profit per share

N/A.



### **B13 Realised and Unrealised Profits or Losses**

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, is as follows:

	<b>As at 30 Sept 2011 (RM'000)</b>	<b>As at 30 Sept 2010 (RM'000)</b>
Retained profits of the Company and its subsidiaries :		
Realised	73,786	65,564
Unrealised	(483)	323
<b>Total Retained profits of the Company and its subsidiaries</b>	<b>73,303</b>	<b>65,887</b>
Total share of Retained profits from associated companies :		
Realised	(267)	(238)
<b>Total Group Retained profits as per consolidated accounts</b>	<b>73,036</b>	<b>65,649</b>

BY ORDER OF THE BOARD  
TAN BEE LENG (MAICSA NO: 7009994)

Secretary

Kuala Lumpur  
Date: 29 November 2011