

LB Aluminium Berhad (138535-V)
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 July 2010

A Selected Explanatory Notes: FRS 134 Paragraph 16

A 1 Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ('FRS') 134: Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities")'s Listing Requirements.

The condensed financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 April 2010. The explanatory notes to these 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 30 April 2010.

A 2 Adoption of Revised Financial Reporting Standards

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 April 2010 except for the adoption of the following new Financial Reporting Standards ("FRSs"), Amendments to FRSs and Issues Committee Interpretations ("IC Interpretations") effective for financial periods beginning on or after 1 January 2010.

New/Revised FRSs, Amendments to FRSs and IC Interpretations		Effective for financial periods beginning on or after
FRS 8	Operating Segments	1 July 2009
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs (revised)	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards: Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2010
Amendment to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2010
Amendment to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 132	Financial Instruments: Presentation: Puttable financial instruments and obligations arising on liquidation and transitional provision relating to compound financial instruments	1 January 2010

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New/Revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd)		Effective for financial periods beginning on or after
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 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 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
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives: Embedded derivatives	1 January 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to FRS 8	Operating Segments	1 January 2010
Amendment to FRS 107	Statement of Cash Flows	1 January 2010
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110	Events after the Reporting Period	1 January 2010
Amendment to FRS 116	Property, Plant and Equipment	1 January 2010
Amendment to FRS 117	Leases	1 January 2010
Amendment to FRS 118	Revenue	1 January 2010
Amendment to FRS 119	Employee Benefits	1 January 2010
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123	Borrowing Costs	1 January 2010
Amendment to FRS 127	Consolidated and Separate Financial Statements	1 January 2010
Amendment to FRS 128	Investments in Associates	1 January 2010
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131	Interests in Joint Ventures	1 January 2010
Amendment to FRS 134	Interim Financial Reporting	1 January 2010
Amendment to FRS 136	Impairment of Assets	1 January 2010
Amendment to FRS 138	Intangible Assets	1 January 2010
Amendment to FRS 140	Investment Properties	1 January 2010
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendment to FRS 2	Share-based Payment	1 July 2010
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendment to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 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
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 132	Financial Instruments: Presentation: Classification of rights issue	1 March 2010

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Other than for the application of FRS 8, FRS 101, FRS 117, and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

(a) FRS 8: Operating Segments (FRS 8)

FRS 8 requires segment information to be presented on similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

(b) FRS 101: Presentation of Financial Statements (FRS 101)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

(c) Amendment to FRS 117: Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land was treated as operating lease and the considerations paid were classified as prepaid lease payment for land. 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 lie. Accordingly, the Group has reclassified the prepaid lease payment for land to property, plant and equipment. The reclassification has been accounted for retrospectively in accordance with the transitional provision and certain comparative balances have been restated.

The effects of the reclassification of the comparative figures following the adoption of the Amendment to FRS 117 as mentioned above are as below:

	As previously Reported RM'000	Effects RM'000	As restated RM'000
Balance Sheet as at 30.04.10			
Property, plant and equipment	168,601	6,988	175,589
Prepaid lease payments for land	6,988	(6,988)	-

(d) FRS 139: Financial Instruments – Recognition and Measurement (FRS 139)

FRS 139 sets out the new requirements for the recognition and measurement of the Group's 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 and for the purpose of the first adoption of the standard, as at transitional date on 1 May 2010.

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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 and short-term deposits, loans and receivables and financial assets at fair value through profit or loss

(i) Loans and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables 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 (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortization and impairment losses are recognized in the income statement.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss category comprise equity investments that are initially measured at fair value. Any subsequent gain or loss arising from changes in fair value of the financial assets is recognized through profit or loss. The fair values of investments that are actively traded in organized financial markets are determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the reporting date. For investments that do not have quoted market prices in active market, the fair values are measured by reference to the net tangible assets of the latest available financial statements.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or 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 loans and borrowings, and are carried at amortised cost.

Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 April 2010 have not been restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 May 2010.

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	Previously Stated RM'000	Effect of FRS 139 RM'000	As Restated RM'000
Non current assets			
Other investment	450	(450)	-
Financial assets at fair value through profit or loss	-	590	590
Derivative financial assets	-	83	83
Retained profits	67,522	223	67,745

The Group has not adopted the following new/revised FRSs, Amendments to FRSs and Interpretation that were in issue but not yet effective:

New/Revised FRSs, Amendments to FRSs and IC Interpretations					Effective for financial periods beginning on or after
Amendments to FRS 7	Improving	Disclosures	about	Financial Instruments	1 January 2011
Amendment to FRS 1	First-time	Adoption of	Financial	Reporting Standards: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First- time Adopters	1 January 2011
Amendment to FRS 2	Group	Cash-settled	Share-based	Payment Transactions	1 January 2011
IC Interpretation 4	Determining whether an arrangement contains a lease				1 January 2011
IC Interpretation 18	Transfers of Assets from Customers				1 January 2011
IC Interpretation 15	Agreements for the Construction of Real Estate				1 January 2012

A 3 Qualification of financial statements

There was no qualification in the audited financial statements for the financial year ended 30 April 2010.

A 4 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A 5 Items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter under review and/or financial year to-date.

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A 6 Change in estimates

There were no significant changes in estimates that have a material effect for the current quarter under review and/or financial year to-date.

A 7 Debt and equity securities

There was no issuance or repayment of debt and equity securities nor any shares buy-back, shares cancellation, shares held as treasury shares or resale of treasury shares for the current quarter under review and/or current financial year to-date save for the 12,000 new ordinary shares of RM0.50 each that were issued on 8 June 2010 pursuant to the exercise of 12,000 warrants 2000/2010.

A 8 Dividend paid

No dividend had been paid during the current quarter/ financial period ended 31 July 2010.

A 9 Segmental information

i. Business segments

No business segment information has been provided as the Group is principally engaged in the business of manufacturing, marketing and trading of aluminium extrusion, ceiling metal tee products and other aluminium accessories.

ii. Geographical segments

The Group operates principally in Malaysia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

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Cumulative to date 31 Jul 2010	Malaysia RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue				
External	67,040	30,662	-	97,702
Inter-segment	6,521	9,484	(16,005)	-
Total revenue	73,561	40,146	(16,005)	97,702
Profit from operations				3,210
Finance costs				(741)
Share of profit in an associate				191
Profit before taxation				2,660
Other information				
Segment assets	360,751	11,858	(39,186)	333,423
Capital expenditure	4,139	4	(35)	4,108

Inter segment pricing is determined on an arm's length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

A 10 Revaluation of property, plant and equipment

Freehold land and buildings of the Company and of the Group were revalued by the directors during the financial year ended 30 April 2010 based on valuations carried out by an independent professional valuer on an open market value basis.

The Group and the Company had also revalued its leasehold land during the financial period ended 31 July 2010 based on valuations carried out by an independent professional valuer on an open market value basis.

A 11 Material events subsequent to balance sheet date

There were no material events subsequent to the end of the current quarter that have not been reflected in the financial statements for the current financial year to-date.

A 12 Changes in composition of the Group

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

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A 13 Changes in contingent liabilities and contingent assets

Save as set out below, there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date.

Outstanding as at :	Company	
	31 July 2010	30 April 2010
	RM'000	RM'000
Corporate guarantee in respect of banking facilities utilized by subsidiary companies	10,570	10,886
Corporate guarantee in respect of goods supplied to a subsidiary company	98	0
	10,668	10,886

The Company has provided corporate guarantees for banking facilities granted to four of its wholly owned subsidiary companies totaling RM25.1 million (30.4.2010: RM25.1 million).

The Company has also provided corporate guarantees to creditors of a wholly owned subsidiary company for supply of goods of up to RM1.0 million (30.4.2010: RM1.0 million).

A 14 Capital commitments

Outstanding as at :	Group	
	31 July 2010	30 April 2010
	RM'000	RM'000
Property, plant and equipment		
Authorised but not contracted for	13,618	380
Contracted but not provided for	18,855	140
	32,473	520

A 15 Acquisition and disposal of items of property, plant and equipment

The Company had on 20 July 2010 entered into a Sale and Purchase Agreement (Sub-Sale) and Supplemental Sale and Purchase Agreement with Amelia Goh Siew Chen and Alison Goh Siew Ling for the disposal of one (1) unit of double storey semi-detached dwelling house situated at 2½ Mile, Rock Road, Kuching for a total cash consideration of RM495,000.00.

The Company had on 26 July 2010 entered into an Agreement with DPI (Sarawak) Sdn Bhd for the disposal of all that parcel of land together with the building thereon and appurtenances thereof situated at Pending Industrial Estate Kuching, described as Lot 854, Section 66 Kuching Town Land District for a total cash consideration of RM1,780,000.00.

Save for the above, there were no material acquisitions or disposals of items of property, plant and equipment during the current financial quarter to-date.

B Additional information required by the Bursa Securities' Listing Requirements

B 1 Review of performance

Turnover for the Group increased by 24.4% to RM97.7 million compared to the previous year's corresponding quarter's turnover of RM78.6 million contributed by the increase in business volume and higher average selling prices as a result of the rise in raw material costs. However, profit before taxation reduced by 57.3% to RM2.7 million from RM6.2 million for the corresponding quarter last year owing mainly to lower margins as a result of a very competitive domestic market and compounded by the increase in raw material costs.

Profit after taxation was also lower in line with the above.

B 2 Variance of results against preceding quarter

The Group's turnover rose slightly by 2.8% compared to the preceding quarter's turnover of RM95.0 million contributed by the increase in trading volume from accessories and aluminium sheets whilst volume for extrusion sold and average selling prices remained about the same.

Profit before taxation increased substantially from RM0.4 million for the preceding quarter to RM2.7 million for the quarter under review. The significant improvement in results was due to better margins as compared to the previous quarter and that in the preceding quarter specific provision for doubtful debts and impairment in investment of RM0.3 million and RM0.8 million respectively were made compared to none for the quarter under review. The performance from associated company also improved from a loss of RM0.2 million to profit of RM0.2 million for the current quarter.

Profit after taxation also increased from RM0.1million to RM2.3 million in line with the above.

B 3 Current year prospects

Regional markets have strengthened following better-than-expected economic activities in Europe and easing concerns over Europe's credit market. However, sentiment remained cautious as US economic activities have started to moderate due to slower consumer spending.

On the local front, the Malaysian's government has recently announced cuts in government subsidies for fuel, liquefied petroleum gas and sugar. However, consumer spending is not expected to be significantly affected in the near future. Malaysia's export growth for the second quarter proved that the Malaysian economy is on the road to recovery. We will continue to monitor the economic situation carefully for any signs of deterioration although we are optimistic on expectations that the economic activities will continue to remain robust.

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Barring unforeseen circumstances, your Board expects the Group to remain profitable for the next quarter.

B 4 Profit forecast

Not applicable as no profit forecast was published.

B 5 Taxation

	Quarter ended 31 Jul		Cumulative to date 31 Jul	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax	409	890	409	890

The Group's effective tax rate of 15.4% for the current quarter and financial year to-date are lower than the statutory tax rate due principally to the availability of reinvestment allowances as well as unabsorbed reinvestment allowances carried forward which arose from the Company's capital expenditures in the current quarter and previous financial years.

B 6 Unquoted investments and properties

There was no sale of unquoted investments and / or properties for the first quarter under review.

B 7 Purchase or disposal of quoted investments

a) There was no purchase or disposal of quoted securities for the quarter under review.

b) Investments in quoted securities as at 31 July 2010 :

	Cost RM'000	Carrying value/ Market value RM'000
Total quoted investments	1,000	510

B 8 Status of corporate proposals announced

There are no corporate proposals announced that are not completed as at the date of this report.

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B 9 Borrowings and debt securities

	As at 31 July 2010
	RM'000
Short term borrowings (unsecured)	
Bankers acceptances / Revolving credit denominated in Ringgit Malaysia	41,670
Bank overdraft denominated in Ringgit Malaysia	376
Import foreign currency loan denominated in USD (USD 6,007,635)	19,220
Term loans denominated in Ringgit Malaysia repayable within the next twelve months	12,000
	73,266
Long term borrowings (unsecured)	
Long term loans denominated in Ringgit Malaysia repayable after the next twelve months	10,000

B 10 Off balance sheet financial instruments

With the adoption of FRS 139 Financial Instruments: Recognition and Measurement, previously off balance sheet financial instruments are now recognized on the balance sheet.

- (a) As at 31 July 2010, the Group entered into forward foreign exchange purchase contracts to hedge foreign currency loan. The foreign currency contracts entered into by the Group is as follow:

Currency	Notional value (RM'000)	Fair value (RM'000)	Maturing
United States Dollar	15,429	(238)	less than 1 year

- (b) As at 31 July 2010, the Group entered into commodity future contracts with the objective of hedging the Group's exposure to adverse price movements in aluminum. The commodity future contracts entered into by the Group is as follow:

Commodity	Notional value (RM'000)	Fair value (RM'000)	Maturing
Purchase Contracts	1,374	14	less than 1 year

Credit risk

There is minimal credit risk as the contract was entered into with reputable financial institutions.

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Cash requirements

The Group will fund the cash requirements of the derivatives from its net cash flow from operating activities when the payments fall due.

B 11 Changes in material litigation

There is no material litigation involving the Group, which is not in the ordinary course of business as at the date of this report.

B12 Dividend

The directors do not recommend the payment of any interim dividend in respect of the current quarter ended 31 July 2010.

B 13 Earnings per share

	Current quarter	Year to-date
	RM'000	RM'000
Net profit for the period attributable to ordinary shareholders	2,251	2,251
<i>Basic earnings per share</i>		
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at beginning of the quarter/period	248,474	248,474
Effect of shares issued	12	12
Weighted average number of ordinary shares	248,486	248,486
Basic earnings per share (sen)	0.91	0.91

There are no potential dilution effects on ordinary shares of the Company for the current quarter and year to date as the Warrants outstanding and exercisable for conversion to ordinary shares has expired at 5.00pm on 7 June 2010.

By Order of the Board

Ng Bee Lian
 Company Secretary
 Date: 30 Sept 2010