

**KYM HOLDINGS BHD (Co. No. 84303-A)**  
**INTERIM FINANCIAL REPORT**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 JULY 2010**

|   | As at<br>31.07.2010<br>RM'000 | As at<br>31.01.2010<br>RM'000 |
|---|-------------------------------|-------------------------------|
| <b>ASSETS</b>   |                               |                               |
| <b>Non-current assets</b>   |                               |                               |
| Property, plant and equipment   | 43,679                        | 42,481                        |
| Investment property   | 7,117                         | 7,117                         |
| Land held for property development  | 9,821                         | 9,821                         |
| Intangible asset  | 5,322                         | 4,667                         |
| Other investment  | 6                             | 6                             |
|   | <b>65,945</b>                 | <b>64,092</b>                 |
| <b>Current assets</b>   |                               |                               |
| Inventories   | 10,180                        | 9,471                         |
| Trade receivables   | 15,333                        | 13,067                        |
| Other receivables   | 17,117                        | 108,427                       |
| Tax recoverable   | 18                            | 18                            |
| Cash and cash equivalents   | 6,352                         | 891                           |
|   | <b>49,000</b>                 | <b>131,874</b>                |
| <b>Assets held for sale</b>   | <b>102,480</b>                | <b>102,480</b>                |
|   | <b>151,480</b>                | <b>234,354</b>                |
| <b>TOTAL ASSETS</b>   | <b>217,425</b>                | <b>298,446</b>                |
| <b>EQUITY AND LIABILITIES</b>   |                               |                               |
| <b>Equity attributable to owners of the Company</b>                                     |                               |                               |
| Share capital   | 44,656                        | 44,617                        |
| Share premium   | 1,995                         | 1,965                         |
| ESOS reserve  | 2,466                         | -                             |
| Capital reserve   | 10,142                        | 10,142                        |
| Revaluation reserve   | 22,334                        | 22,334                        |
| Accumulated losses  | (31,900)                      | (29,666)                      |
|   | <b>49,693</b>                 | <b>49,392</b>                 |
| <b>Non-controlling interests</b>  | <b>15,894</b>                 | <b>16,237</b>                 |
| <b>Total Equity</b>   | <b>65,587</b>                 | <b>65,629</b>                 |
| <b>Non-current liabilities</b>  |                               |                               |
| Borrowings  | 10,083                        | 9,298                         |
| Deferred tax liabilities  | 4,312                         | 4,312                         |
|   | <b>14,395</b>                 | <b>13,610</b>                 |
| <b>Current liabilities</b>  |                               |                               |
| Borrowings  | 109,768                       | 179,810                       |
| Trade payables  | 5,986                         | 7,313                         |
| Other payables  | 14,505                        | 24,900                        |
| Provision for taxation  | 65                            | 65                            |
|   | <b>130,324</b>                | <b>212,088</b>                |
| <b>Liabilities directly associated with assets held for sale</b>                        | <b>7,119</b>                  | <b>7,119</b>                  |
|   | <b>137,443</b>                | <b>219,207</b>                |
| <b>Total liabilities</b>  | <b>151,838</b>                | <b>232,817</b>                |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>217,425</b>                | <b>298,446</b>                |
| <b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b> | <b>56</b>                     | <b>55</b>                     |

The Condensed Consolidated Statements Of Financial Position (unaudited) should be read in conjunction with the Annual Audited Financial Report for the year ended 31 January 2010.

**KYM HOLDINGS BHD (Co. No. 84303-A)**  
**INTERIM FINANCIAL REPORT**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIOD ENDED 31 JULY 2010**

|  | 2010                                |  | 2009                                   |   |
|--|-------------------------------------|--|--|---|
|  | Current quarter ended<br>31.07.2010 | 6-month cumulative for<br>current financial year to date ended<br>31.07.2010 | Comparable quarter ended<br>31.07.2009 | Comparable 6-month cumulative<br>for preceding financial year to date ended<br>31.07.2009 |
|  | RM'000                              | RM'000   | RM'000                                 | RM'000  |
| <b>Continuing operations</b>   |                                     |  |  |   |
| Revenue  | 16,534                              | 31,228   | 18,196                                 | 30,294  |
| Other income   | 246                                 | 661  | 125                                    | 305   |
| Operating expenses   | (19,002)                            | (33,209)   | (17,824)                               | (29,872)  |
| Finance costs  | (409)                               | (814)  | (3,433)                                | (6,872)   |
| <b>Profit/ (Loss) before tax</b>                                       | (2,631)                             | (2,134)  | (2,936)                                | (6,145)   |
| Income tax expense   | -                                   | -  | 2,196                                  | 2,196   |
| Profit/ (Loss) for the period from continuing operations               | (2,631)                             | (2,134)  | (740)                                  | (3,949)   |
| <b>Discontinued operations</b>   |                                     |  |  |   |
| Profit/ (Loss) for the period from discontinued operations             | (282)                               | (443)  | (122)                                  | (283)   |
| <b>Total comprehensive income/(loss) for the period</b>                | (2,913)                             | (2,577)  | (862)                                  | (4,232)   |
| Attributable to:   |                                     |  |  |   |
| Owners of the Company  | (2,688)                             | (2,234)  | (644)                                  | (2,880)   |
| Non-controlling interests  | (225)                               | (343)  | (218)                                  | (1,352)   |
|  | (2,913)                             | (2,577)  | (862)                                  | (4,232)   |
| <b>Earnings per share attributable to Owners of the Company (sen):</b> |                                     |  |  |   |
| Basic:   | (3.15)                              | (2.62)   | (0.79)                                 | (3.55)  |
| - Continuing operations  | (2.97)                              | (2.34)   | (0.71)                                 | (3.36)  |
| - Discontinued operations  | (0.18)                              | (0.28)   | (0.08)                                 | (0.19)  |
| Diluted:   | (2.52)                              | (2.09)   | N/A                                    | N/A   |
| - Continuing operations  | (2.37)                              | (1.87)   | N/A                                    | N/A   |
| - Discontinued operations  | (0.14)                              | (0.22)   | N/A                                    | N/A   |

The Condensed Consolidated Statements Of Comprehensive Income (unaudited) should be read in conjunction with the Annual Audited Financial Report for the year ended 31 January 2010.

**KYM HOLDINGS BHD (Co. No. 84303-A)**  
**INTERIM FINANCIAL REPORT**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE SIX-MONTH PERIOD ENDED 31 JULY 2010**

|  | <b>6-month<br/>ended 31 July,<br/>2010<br/>RM'000</b> | <b>6-month<br/>ended 31 July,<br/>2009<br/>RM'000</b> |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |   |   |
| Profit/ (Loss) before taxation:                                  |   |   |
| Continuing operations  | (2,134)   | (6,145)   |
| Discontinuing operations   | (443)   | (283)   |
| Adjustments for:   |   |   |
| Non-cash items   | 4,554   | 2,082   |
| Non-operating items  | 1,186   | 6,816   |
| <b>Operating profit/ (loss) before working capital changes</b>   | <b>3,163</b>  | <b>2,470</b>  |
| Net change in current assets                                     | 88,349  | 2,921   |
| Net change in current liabilities                                | (12,518)  | (3,102)   |
| <b>Cash generated from operations</b>                            | <b>78,994</b>   | <b>2,289</b>  |
| Income tax (paid) / refund                                       | (1)   | (2)   |
| Interest paid  | (710)   | (901)   |
| <b>Net cash generated from/ (used in) operating activities</b>   | <b>78,284</b>   | <b>1,386</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |   |   |
| Purchase of property, plant and equipment                        | (3,646)   | (1,049)   |
| Proceeds from disposal of property, plant and equipment          | 210   | 179   |
| Net cash outflow on acquisition of subsidiaries company          | (200)   | -   |
| <b>Net cash generated from/(used in) investing activities</b>    | <b>(3,636)</b>  | <b>(870)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |   |   |
| Proceeds from ESOS exercised                                     | 69  | -   |
| Repayment of hire purchase                                       | (293)   | (226)   |
| Net repayment of bill payables                                   | (70)  | (116)   |
| Repayment of term loan   | (72,439)  | (1,368)   |
| Drawdown of hire purchase  | 1,796   | -   |
| Drawdown of term loan  | 1,950   | -   |
| <b>Net cash generated from/(used in) financing activities</b>    | <b>(68,987)</b>                                       | <b>(1,710)</b>  |
| <b>NET (DECREASE)/INCREASE IN CASH<br/>AND CASH EQUIVALENTS</b>  | <b>5,661</b>  | <b>(1,194)</b>  |
| <b>CASH AND CASH EQUIVALENTS AT<br/>01 FEBRUARY, 2010 / 2009</b> | <b>118</b>  | <b>1,384</b>  |
| <b>CASH AND CASH EQUIVALENTS AT<br/>31 JULY, 2010 / 2009</b>     | <b>5,779</b>  | <b>190</b>  |
| <b>CASH AND CASH EQUIVALENTS COMPRISE:</b>                       |   |   |
| Cash and bank balances from continuing operations                | 1,214   | 1,002   |
| Cash and bank balances from discontinuing operations             | -   | (171)   |
| Fixed deposits with licensed banks                               | 5,138   | 178   |
|  | 6,353   | 1,009   |
| Bank overdraft   | (574)   | (819)   |
|  | <b>5,779</b>  | <b>190</b>  |

**The Condensed Consolidated Statements Of Cash Flow (unaudited) should be read in conjunction with the Annual Audited Financial Report for the year ended 31 January 2010.**

KYM HOLDINGS BHD (Co. No. 84303-A)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 31 JULY 2010

|   | Attributable to Owners of the Company |                                |                               |                                  |                                      |                                     | Non-Controlling Interests<br><i>RM'000</i> | Total Equity<br><i>RM'000</i> |
|---|---------------------------------------|--------------------------------|-------------------------------|----------------------------------|--------------------------------------|-------------------------------------|--|-------------------------------|
|   | Share Capital<br><i>RM'000</i>        | Share Premium<br><i>RM'000</i> | ESOS Reserve<br><i>RM'000</i> | Capital Reserve<br><i>RM'000</i> | Revaluation Reserve<br><i>RM'000</i> | Accumulated Losses<br><i>RM'000</i> |  |                               |
| <b>At 1 February 2009</b>                 | 81,135                                | 35,803                         | -                             | -                                | 31,063                               | (124,551)                           | 6,998                                      | 30,448                        |
| Total comprehensive loss for the period   | -                                     | -                              | -                             | -                                | -                                    | (2,880)                             | (1,352)                                    | (4,232)                       |
| <b>At 31 July 2009</b>                    | 81,135                                | 35,803                         | -                             | -                                | 31,063                               | (127,431)                           | 5,646                                      | 26,216                        |
| <b>At 1 February 2010</b>                 | 44,617                                | 1,965                          | -                             | 10,142                           | 22,334                               | (29,666)                            | 16,237                                     | 65,629                        |
| Share option granted under ESOS           | -                                     | -                              | 2,466                         | -                                | -                                    | -                                   | -  | 2,466                         |
| Exercise of ESOS                          | 39                                    | 30                             | -                             | -                                | -                                    | -                                   | -  | 69                            |
| Total comprehensive income for the period | -                                     | -                              | -                             | -                                | -                                    | (2,234)                             | (343)                                      | (2,577)                       |
| <b>At 31 July 2010</b>                    | 44,656                                | 1,995                          | 2,466                         | 10,142                           | 22,334                               | (31,900)                            | 15,894                                     | 65,587                        |

The Condensed Consolidated Statements of Changes in Equity (unaudited) should be read in conjunction with the Annual Audited Financial Report for the year ended 31 January 2010.

# KYM HOLDINGS BHD (Co. No. 84303-A)

## INTERIM FINANCIAL REPORT

### Notes:

#### A1 Basis of Preparation

The interim financial statements of the group are unaudited and have been prepared in accordance with Financial Reporting Standards ("FRS")<sup>134</sup>: "Interim Financial Reporting" issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 January 2010.

The accounting policies and method of computations used in the preparation of the interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 31 January 2010.

The Group has adopted the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) with effect from 1 January 2010:

| <b>FRSs/IC Interpretations</b>  | <b>Effective date</b>         |
|---|-------------------------------|
| FRS 4 Insurance Contracts   | 1 January 2010                |
| FRS 7 Financial Instruments: Disclosures  | 1 January 2010                |
| FRS 8 Operating Segments  | 1 July 2009                   |
| Revised FRS 101 (2009) Presentation of Financial Statements   | 1 January 2010                |
| Revised FRS 123 (2009) Borrowing Costs  | 1 January 2010                |
| Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement   | 1 January 2010                |
| Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate            | 1 January 2010                |
| Amendments to FRS 2: Vesting Conditions and Cancellations   | 1 January 2010                |
| Amendments to FRS 7: FRS 139 and IC Interpretation 9  | 1 January 2010                |
| Amendments to FRS 132: Classification of Rights Issues and the Transitional Provision In Relation To Compound Instruments | 1 January 2010 / 1 March 2010 |
| 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                |
| Annual Improvements to FRSs (2009)  | 1 January 2010                |

The above FRSs, IC Interpretations and amendments are not relevant to the Group's operations except as follows:

(a) FRS 8 Operating Segments

Prior to the adoption of FRS 8, the Group's segment reporting was based on four business segments: Manufacturing, Investment Holding, Property Development and Others.

With the adoption of FRS 8, Segment Reporting requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be 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.

The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified, there will be no impact on the financial position or results of the Group.

(b) FRS 101 Presentation of Financial Statements

Prior to 1 January 2010, the components of a set of financial statements consisted of balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements.

With the adoption of revised FRS 101, a set of financial statements now comprise of a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented as components in the statement of comprehensive income.

(c) FRS 117 Leases

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The considerations paid were classified and presented as prepaid lease payments on the statement of financial position.

Upon 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.

The Group has determined that all leasehold land of the Group are in substances as finance lease and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment.

The effects of the reclassification on the consolidated statement of financial position as at 31 January 2010 are as follows :-

|                               | <b>As previously<br/>reported<br/>RM'000</b> | <b>Effects on<br/>adoption of<br/>FRS 117<br/>RM'000</b> | <b>As restated<br/>RM'000</b> |
|-------------------------------|--|--|-------------------------------|
| Property, plant and equipment | 36,886                                       | 5,595  | 42,481                        |
| Prepaid lease payment         | 5,595  | (5,595)  | -                             |
|                               | <u>42,481</u>                                | <u>-</u>   | <u>42,481</u>                 |

(d) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognition and measurement of financial instruments. A financial asset or a financial liability shall be recognised in statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instruments. A financial asset or financial liability is recorded at fair value upon initial recognition plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Assets

Subsequent to initial recognition, financial assets are classified as 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables', 'available for sale financial assets' or derivatives designated as hedging instruments, as appropriate.

The Group's financial assets include trade and other receivables, cash and short-term deposits, which are categorised as 'loans and receivables'.

Prior to adoption of FRS 139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS 139, financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest methods. Gains or losses arising from amortisation process, impairment or derecognition of loans and receivables are recognised in profit or loss.

Financial Liabilities

After initial recognition, financial liabilities are classified as 'fair value through profit or loss', 'amortised cost' or 'derivatives designated as hedging instruments' as, appropriate.

The Group's financial liabilities include borrowings, trade and other payables.

Prior to adoption of FRS 139, all financial liabilities were stated at cost. Under FRS 139, financial liabilities are subsequently measured at amortised cost.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company has provided various financial guarantees to banks or financial institutions for the guarantee of credit facilities granted to its subsidiaries.

The Company also monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations on time. In view of the minimal risk of default, the Company has derecognised the guarantee as financial liability.

Inter-company Advances or Loans

Prior to 1 January 2010, the loans or advances granted from the Company to its subsidiaries were at interest free and were recorded at cost.

Upon adoption of FRS 139, the advances and loans are classified as Loans and Receivables. As the loan is interest free and only payable at demand, the difference between the fair value and amortised cost of the loan or advance is derecognised.

**A2 Status of Audit Qualifications**

The audited financial statements of the Group for year ended 31 January 2010 were not subject to any audit qualification.

**A3 Seasonal or cyclical factors**

The Group's operations have not been materially affected by seasonal or cyclical factors.

**A4 Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter ended 31 July 2010.

**A5 Material Changes in Estimates**

There were no material changes in estimates used in the preparation of the financial statements in the current financial quarter as compared with the previous financial quarters or previous financial year.

**A6 Issuance, cancellation, repurchases, resale and repayments of debts and equity securities**

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the current quarter under review except for the following:

- (i) Employees' Share Options Scheme ("ESOS")  
As at 26 May 2010, a total of 8,221,000 ESOS options have been granted. Total of ESOS options exercised as at 31 July 2010 were 77,000 shares and were granted listing and quotation.
- (ii) Warrants  
As at 19 February 2010, 40,567,250 free warrants were issued on the basis of one (1) warrant for every two (2) existing shares of RM0.50 each. The warrants may be exercised at any time within a period of three (3) years from the issue date. No warrant had been exercised as at 31 July 2010.

**A7 Dividend Paid**

There was no dividend paid during the current quarter under review.



**A8 Segmental Reporting (Analysis by business segments)**

Segmental analysis of the results for 6 months ended 31 July 2010:

|                                 | <b>Gross<br/>Revenue<br/>RM'000</b> | <b>Profit/(Loss)<br/>before tax<br/>RM'000</b> | <b>Segment<br/>assets<br/>RM'000</b> | <b>Segment<br/>liabilities<br/>RM'000</b> |
|---------------------------------|-------------------------------------|--|--------------------------------------|---|
| Continuing operations:          |                                     |  |                                      |   |
| Manufacturing                   | 31,699                              | 1,867  | 88,573                               | 47,191                                    |
| Investment holding              | -                                   | (2,530)  | 167,290                              | 223,612                                   |
| Property development/investment | 144                                 | (431)  | 145,363                              | 29,307                                    |
| Others                          | 646                                 | (985)  | 7,296                                | 33,128                                    |
|                                 | <u>32,489</u>                       | <u>(2,079)</u>                                 | <u>408,522</u>                       | <u>333,238</u>                            |
| Discontinued operations:        |                                     |  |                                      |   |
| Others*                         | -                                   | (443)  | 1,175                                | 1,752                                     |
| Elimination                     | (1,261)                             | (55)   | (192,290)                            | (187,529)                                 |
|                                 | <u>31,228</u>                       | <u>(2,577)</u>                                 | <u>217,407</u>                       | <u>147,461</u>                            |
| Unallocated Assets              |                                     |  | 18                                   | -   |
| Unallocated Liabilities         |                                     |  | -                                    | 4,377                                     |
|                                 |                                     |  | <u>217,425</u>                       | <u>151,838</u>                            |

\* Others refer to operations located at Teluk Rubiah to be discontinued upon disposal of leasehold land to Vale, as mentioned in Note B3(i)(a).

**A9 Valuations of Property, Plant and Equipment**

The valuations of land and buildings have been brought forward without any amendments from the previous annual report.

**A10 Material Subsequent Events**

There were no material events subsequent to the end of current quarter under review that was not been reflected in the financial statement for the quarter.

**A11 Changes in Composition of the Group**

There were no changes in the composition of the Group except the following:

As per Sale of Share Agreement dated 15 July 2010, Polypulp Enterprises Sdn Bhd ("Polypulp") a wholly owned subsidiary of KYM Holdings Bhd ("KYM") acquired 51,000 ordinary shares of RM1.00 each in Omni Green Sdn Bhd ("Omni") for cash consideration of RM200,000, resulting in Omni becoming a 51%-owned subsidiary of Polypulp.

**A12 Changes in Contingent Liabilities And Contingent Assets**

There were no material changes in the contingent liabilities or contingent assets since the last financial year ended 31 January 2010.

### **A13 Capital Commitments**

There was no capital commitment not provided for in the financial statement for the quarter.

### **Additional information required by the BMSB's Listing Requirements**

#### **B1 Taxation**

There was no taxation provided for in the financial statements for the quarter.

#### **B2 Profit/(Loss) on sale of unquoted investments and/or properties**

There was no sale of unquoted investments and/or properties during the quarter.

#### **B3 Status of corporate proposals announced**

- (i) On 11 June 2009, KYM Holdings Bhd ("KYM") and Harta Makmur Sdn Bhd ("HMSB") (the vendor), a 54%-owned subsidiary of KYM, had entered into a conditional sale and purchase agreement ("SPA") with Vale International S.A. ("Vale" or "the Purchaser") for:-
  - (a) the proposed disposal by HMSB of sixteen (16) parcels of leasehold land measuring approximately 409 acres (or 1,655,922 sq. m) located at Mukim of Lumut, District of Manjung, Perak Darul Ridzuan ("Disposal Properties") to Vale for an aggregate cash consideration of RM 101.8 million.
  - (b) the proposed grant of an option to Vale giving Vale the right (but not the obligation) to purchase an additional thirteen (13) parcels of leasehold land located at Mukim of Lumut and Mukim of Setiawan, District of Manjung, Perak Darul Ridzuan measuring approximately 756 acres (or 3,061,372 sq. m) ("Option Properties") from HMSB for an aggregate cash consideration of RM93.7 million.

The above are collectively known as "Proposed Disposal".

KYM has on 8 February 2010 received the balance consideration under the Proposed Disposal amounting to RM91,687,120.57 from the stakeholder. Accordingly, the Proposed Disposal Properties in B3(i)(a) above is deemed completed.

KYM, HMSB and Vale has on 31 March 2010 entered into an Option SPA to exercise their option to purchase the Option Properties as stated in B3(i)(b) above. The proposed disposal of Option Properties is expected to complete in Quarter 3 FY2011.

(ii) Proposed Acquisition of A Leasehold Land

- (a) On 30 March 2010, the Company had entered into a sale and purchase agreement to purchase a piece of leasehold land from a related party, Idaman Bina Makmur Sdn Bhd, for an aggregate purchase consideration of RM12 million. The purchase consideration will be satisfied by a cash consideration of RM100,000 and the balance of RM11,900,000 via the issuance of the ordinary shares of the Company at an issue price of RM1.36 per ordinary share ("Proposed Ipoh Land Acquisition").
- (b) Dato' Lim Kheng Yew has proposed to seek an exemption under Practice Note 2.9.1 of the Code from the obligation to undertake a MGO for the remaining Company's shares not already owned by him and parties acting in concert with him upon the issuance of new ordinary shares pursuant to the Proposed Ipoh Land Acquisition above ("Proposed Exemption")

The Company had obtained approval from its shareholders at an Extraordinary General Meeting held on 26 August 2010 for the Proposed Ipoh Land Acquisition and the Proposed Exemption.

Securities Commission had, vide its letter dated 22 September 2010 (which was received on 23 September 2010), approved the Proposed Exemption.

As such, all the conditions precedent stipulated in the sale and purchase agreement dated 30 March 2010 in relation to the Proposed Ipoh Land Acquisition have been fulfilled. Accordingly, the Proposed Ipoh Land Acquisition has become unconditional on 23 September 2010.

- (iii) On 6 August 2010, Polypulp had entered into a conditional sale share agreement with Dato' Ayoub Bin Ismail and Datin Miriam Nazlee Bt Tan Sri A. B. Samad for the proposed acquisition of 50,000 ordinary shares of RM1.00 each in Tegas Consolidated Sdn Bhd ("Tegas") representing the remaining 10% of the issued and paid up share capital of Tegas not already held by Polypulp for a purchase consideration of RM3,000,000 ("Proposed Acquisition"). Bursa Malaysia Securities Berhad has granted its approval for the extension of time until 15 Nov 2010 in relation to the submission of the draft circular.

Except for the above, there were no new corporate proposals announced during the quarter under review.

**B4 Borrowing and debt securities**

|            | <b>As at 31.07.2010<br/>RM'000</b> |
|------------|------------------------------------|
| Short term |                                    |
| Secured    | 109,768                            |
| Unsecured  | -                                  |
|            | <hr/> 109,768                      |
| Long term  |                                    |
| Secured    | 10,084                             |
| Unsecured  | -                                  |
|            | <hr/> 10,084                       |

The above borrowings are denominated in Ringgit Malaysia.

**B5 Off balance sheet financial instrument**

During the financial year to date, the Group did not enter into any contracts involving off balance sheet financial instrument.

**B6 Changes in Material Litigation**

As at the date of the report, there is no pending material litigation.

**B7 Material Changes in the Profit/ Loss before Taxation for the current quarter compared with the preceding quarter**

The Group's turnover for the current quarter under review from continuing operations was RM16.534 million as compared to RM14.694 million in the preceding quarter due to the increased turnover from manufacturing division.

The Group's loss after taxation from continuing operations is RM2.631 million for the current quarter under review, compared to a profit of RM0.497 million for the preceding quarter. The lower in operating results is mainly due to the expenses of RM2.466 million incurred in relation to the granting of ESOS to eligible employees during the current quarter. The charge out of ESOS granted is a one-off event and does not have any effect on the cash flows of the Group.

**B8 Review of Performance**

The Group turnover from continuing operations for the current quarter of RM16.534 million has reduced compared to the turnover for the same quarter of previous year of RM18.196 million due to the completion of disposal of Teluk Rubiah Land to Ascotsun Sdn Bhd for consideration of RM3.574 million in the same quarter of previous year.

The loss from continuing operations for the current quarter was RM2.631 million compared to the previous year corresponding quarter loss of RM0.740 million mainly due to the expenses of RM2.466 million incurred in relation to the granting of ESOS in current quarter as mentioned in Note B7 above.

**B9 Current year prospects**

The Board expects the manufacturing subsidiaries continue to perform satisfactorily for the rest of the financial year, however there are still uncertainties in the world financial markets which may cause sales and raw material prices to vary unexpectedly.

We expect the overall Group's performance to improve with completion of the Proposed Disposal as mentioned in Note B3(i)(a) with the savings in finance costs.

**B10 Profit forecast**

There is no published forecast/profit guarantee.

**B11 Dividend**

The Board of Directors does not recommend the payment of any dividend in respect of the financial period ended 31 July 2010.

**B12 Earnings per share attributable to owners of the Company**

|  | <b>Current Quarter<br/>ended 31.07.2010</b> | <b>Cumulative Year to-<br/>date ended<br/>31.07.2010</b> |
|--|---|--|
| <b>(a) Basic earnings per share</b>  |   |  |
| (Loss)/ Profit for the period (RM'000)   | (2,688)                                     | (2,234)  |
| - Continuing operations  | (2,536)                                     | (1,995)  |
| - Discontinuing operations   | (152)                                       | (239)  |
| Weighted average number of ordinary shares in issue ('000)                         | 85,247                                      | 85,247   |
| Basic Earnings per share for (loss)/ profit for the period (sen)                   | (3.15)                                      | (2.62)   |
| - Continuing operations  | (2.97)                                      | (2.34)   |
| - Discontinuing operations   | (0.18)                                      | (0.28)   |
| <br>   |   |  |
|  | <b>Current Quarter<br/>ended 31.07.2010</b> | <b>Cumulative Year to-<br/>date ended<br/>31.07.2010</b> |
| <b>(a) Diluted earnings per share</b>  |   |  |
| (Loss)/ Profit for the period (RM'000)   | (2,688)                                     | (2,234)  |
| - Continuing operations  | (2,536)                                     | (1,995)  |
| - Discontinuing operations   | (152)                                       | (239)  |
| Weighted average number of ordinary shares in issue ('000)                         | 85,247                                      | 85,247   |
| - Dilution due to ESOS   | 1,473                                       | 1,473  |
| - Dilution due to warrants   | 20,117                                      | 20,117   |
| Adjustable weighted average number of ordinary shares in issue and issuable ('000) | 106,836                                     | 106,836  |
| Diluted earnings per share for (loss)/ profit for the period (sen)                 | (2.52)                                      | (2.09)   |
| - Continuing operations  | (2.37)                                      | (1.87)   |
| - Discontinuing operations   | (0.14)                                      | (0.22)   |

By Order of the Board

CHEE MIN ER  
Company SecretaryKuala Lumpur  
30 September 2010

c.c. Securities Commission