

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 31 MARCH 2012

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS - MFRS 134

A1 Basis of Preparation and Accounting Policies

The interim financial statements are unaudited and have been prepared in accordance with the requirements as set out in Malaysian Financial Reporting Standards ('MFRS') No. 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2011.

The same accounting policies and methods of computation as disclosed in the audited accounts for the year ended 31 December 2011 have been adopted in the preparation of the first quarter ended 31 March 2012 condensed financial statements except for adoption of the new MFRS framework.

These condensed financial statements for the period ended 31 March 2012, is the first interim financial report that the Group has prepared in accordance with MFRSs. The audited financial statements for the year ended 31 December 2011 were prepared under Financial Reporting Standards ("FRS").

The Group has applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in preparing the first MFRS framework interim financial report. In preparing this interim financial report, the Group's opening statement of financial position was prepared as at 1 January 2011 which is the Group's date of transition to MFRSs. Upon transition to MFRSs, the Group elected to apply the optional exemption to use the fair value of properties as deemed cost under MFRSs. The revaluation reserve as at 1 January 2011 was reclassified to retained earnings. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are set out as follows:

a) Property, Plant and Equipment

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group elected to regard the revalued amounts of the freehold land and buildings as at 31 December 2007 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM22,418,000 (31 March 2011: RM22,418,000; 31 December 2011: RM22,418,000) was transferred to retained earnings on date of transition to MFRS.

The impact arising from the change is summarised as follows:

		31/03/2012 RM'000	31/12/2011 RM'000	01/01/2011 RM'000
<u>Consolidated statement of financial position</u>	Note			
Reclassification of revaluation reserve to retained earnings	B12	22,418	22,418	22,418
Adjustment to retained earnings	B12	22,418	22,418	22,418

b) Estimates

The estimates as at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliation of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS is provided in Note B12(d).

A2 Seasonal or Cyclical Factors

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

A3 Items of Unusual Nature and Amount

There were no items affecting the assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size or incidence.

A4 Changes in Estimates

There were no significant changes in estimates of amounts reported in prior interim periods of the current or previous financial years that have a material effect in the current interim period.

A5 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares in the current quarter and period to date.

A6 Dividends Paid

There was no dividend paid for the period ended 31 March 2012.

A7 Segmental Information

No segmental reporting by activity is prepared as the Group is principally involved in one industry and one country. The sales is predominantly to the Malaysia and Singapore market.

A8 Subsequent Events

As of todate, there has been no other material event subsequent to the period ended 31 March 2012.

A9 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current period.

A10 Contingent Liabilities

As of todate, there have been no significant changes in contingent liabilities since the last annual date of the statement of financial position as at 31 December 2011.

A11 Capital Commitment

	RM'000
Capital expenditure Approved and contracted for: Property, plant and equipment	<u>576</u>

B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS (CHAPTER 9, PART A OF APPENDIX 9B)

B1 Review of Performance

The Group registered revenue of RM18.4 million for the current quarter and period to date as compared to RM13.9 million for the preceding year corresponding quarter and period to date. The increase in revenue for the current quarter and period to date was mainly attributable to higher selling prices and sales volume for the Group's various bricks product.

The Group recorded profit before taxation of RM2.8 million for the current quarter and period to date as compared to RM0.3 million for the preceding year corresponding quarter and period to date. The improved result was primarily due to higher revenue and better profit margin as a result of better selling prices for the Group's various bricks product.

B2 Material Change in Profit Before Taxation for the Current Quarter compared to the Immediate Preceding Quarter

There was no material change in profit before taxation of RM2.8 million for the current quarter reported as compared to RM2.5 million for the immediate preceding quarter under review.

B3 Commentary on Prospects

The construction sector of the Malaysian economy remains robust for the first quarter of the year, registering a growth of 15.5%, double that of the previous quarter. In tandem with this performance, the Group had a good first quarter.

Although domestic demand and the construction sector are expected to stay resilient going forward, the pace of growth may be challenged in the face of possible further weakness in the external environment and its impact on the overall economic sentiment of the country. Further, the tightening of lending policy by Bank Negara is having its effect on the property market and will put further pressure on the construction sector.

Having regard to the aforesaid outlook of the construction sector, the Management is of the view that the Group will achieve improved results in the year 2012 over the previous year, albeit for the coming quarters growth may slow.

B4 Variances from Profit Forecast and Profit Guarantee

Not applicable to the Group as no profit forecast or profit guarantee was published.

B5 Taxation

No provision for taxation is necessary as the Group and Company have no chargeable income.

B6 Additional Disclosures on Profit Before Tax

Included in the profit before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM '000	RM '000	RM '000	RM '000
Depreciation of property, plant and equipment	1,505	1,481	1,505	1,481
Gain on foreign exchange - realised	27	22	27	22
Interest expenses	602	633	602	633
Loss on disposal of property, plant and equipment	(65)	-	(65)	-
Other income (including investment income)	30	22	30	22
Rental income	20	162	20	162
Reversal of impairment of trade receivables	-	114	-	114

Other disclosure items pursuant to Appendix 9B Note 16 of the listing requirements of Bursa Securities are not applicable.

B7 Corporate Proposals**a) Status of corporate proposals**

There were no corporate proposals announced and not completed as at the date of this report.

B8 Borrowings and Debt Securities

The tenure of Group borrowings (all denominated in Malaysian currency) classified as short and long term categories are as follows:-

		31/03/2012
		RM'000
Short term	- secured	13,232
	- unsecured	-
Long term	- secured	14,123
	- unsecured	-
Total		<u>27,355</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 23 May 2012 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report).

B10 Dividend

The Board of Directors has not recommended any interim dividend for the period ended 31 March 2012 (2011: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	31/03/2012	31/12/2011
	RM'000	(Restated)
		RM'000
Total accumulated losses of the Company and its subsidiaries:		
Realised	(33,366)	(36,182)
Unrealised	22,418	22,395
	<u>(10,948)</u>	<u>(13,787)</u>
Total share of retained profits from associated company:		
Realised	28	28
Unrealised	-	-
	<u>(10,920)</u>	<u>(13,759)</u>
Less: Consolidation adjustments	6,688	6,688
Total Group accumulated losses as per consolidated accounts	<u>(4,232)</u>	<u>(7,071)</u>

The determination of realised and unrealised earnings is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B12 Explanation of Transition to MFRSs

As stated in Note A1, these are the Group's first consolidated interim financial statements prepared in accordance with MFRSs.

In preparing its opening MFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSs. An explanation of how the transition from the previous FRSs to the new MFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes accompanying these tables.

(a) Revaluation reserve

The changes which affected the revaluation reserve are as follows:

	Note	31/03/2012 RM'000	31/12/2011 RM'000	01/01/2011 RM'000
Property, Plant and Equipment	A1	<u>(22,418)</u>	<u>(22,418)</u>	<u>(22,418)</u>
Decrease in revaluation reserve		<u>(22,418)</u>	<u>(22,418)</u>	<u>(22,418)</u>

(b) Retained earnings

The changes which affected the retained earnings are as follows:

	Note	31/03/2012 RM'000	31/12/2011 RM'000	01/01/2011 RM'000
Property, Plant and Equipment	A1	<u>22,418</u>	<u>22,418</u>	<u>22,418</u>
Increase in retained earnings		<u>22,418</u>	<u>22,418</u>	<u>22,418</u>

(c) Cash flows

There is no material difference between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

B12 Explanation of Transition to MFRSs (cont'd)

(d) Reconciliation of equity

	FRS as at 1 January 2011 Note	Adjustment RM'000	MFRS as at 1 January 2011 RM'000	FRS as at 31 March 2011 RM'000	Adjustment RM'000	MFRS as at 31 March 2011 RM'000	FRS as at 31 December 2011 RM'000	Adjustment RM'000	MFRS as at 31 December 2011 RM'000
Assets									
Non-current Assets									
Property, Plant and Equipment	86,553		86,553	85,256		85,256	83,644		83,644
Investment in Associates Company	83		83	83		83	82		82
Investment Properties	240		240	240		240	240		240
Long Term Investments	137		137	137		137	5		5
	<u>87,013</u>		<u>87,013</u>	<u>85,716</u>		<u>85,716</u>	<u>83,971</u>		<u>83,971</u>
Current Assets									
Inventories	11,528		11,528	11,259		11,259	13,720		13,720
Trade and Other Receivables	11,817		11,817	9,249		9,249	15,365		15,365
Cash and Bank Balances	26		26	471		471	29		29
	<u>23,371</u>		<u>23,371</u>	<u>20,979</u>		<u>20,979</u>	<u>29,114</u>		<u>29,114</u>
Total Assets	<u>110,384</u>		<u>110,384</u>	<u>106,695</u>		<u>106,695</u>	<u>113,085</u>		<u>113,085</u>

B12 Explanation of Transition to MFRSs (cont'd)

(d) Reconciliation of equity (cont'd)

	FRS as at 1 January 2011 Note	Adjustment RM'000	MFRS as at 1 January 2011 RM'000	FRS as at 31 March 2011 RM'000	Adjustment RM'000	MFRS as at 31 March 2011 RM'000	FRS as at 31 December 2011 RM'000	Adjustment RM'000	MFRS as at 31 December 2011 RM'000
Equity and Liabilities									
Equity attributable to equity holders of the parent									
Share Capital	61,938		61,938	61,938		61,938	61,938		61,938
Reserves									
- Share Premium	7,283		7,283	7,283		7,283	7,283		7,283
- Revaluation Reserve	A1 22,418	(22,418)	-	22,418	(22,418)	-	22,418	(22,418)	-
- Accumulated Losses	A1 (36,015)	22,418	(13,597)	(35,711)	22,418	(13,293)	(29,489)	22,418	(7,071)
Total Equity	<u>55,624</u>		<u>55,624</u>	<u>55,928</u>		<u>55,928</u>	<u>62,150</u>		<u>62,150</u>
Non-current Liabilities									
Borrowings	15,442		15,442	14,647		14,647	14,078		14,078
Current Liabilities									
Trade and Other Payables	21,518		21,518	19,411		19,411	21,219		21,219
Borrowings	17,800		17,800	16,709		16,709	50,638		50,638
Total Liabilities	<u>54,760</u>		<u>54,760</u>	<u>50,767</u>		<u>50,767</u>	<u>85,935</u>		<u>85,935</u>
Total Equity and Liabilities	<u>110,384</u>		<u>110,384</u>	<u>106,695</u>		<u>106,695</u>	<u>148,085</u>		<u>148,085</u>
Net Assets Per Share (RM)	<u>0.8981</u>		<u>0.8981</u>	<u>0.9030</u>		<u>0.9030</u>	<u>1.0034</u>		<u>1.0034</u>

B13 Earnings Per Share

(i) The basic earnings per share is computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year	Preceding Year
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
Net Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	2,839	304	2,839	304
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	4.58	0.49	4.58	0.49

(ii) **Diluted earnings per share**

The diluted earnings per share is presented same as basic earnings per share as the conversions of all potential ordinary shares from warrants are not dilutive.

B14 Auditors' Report on Preceding Annual Financial Statement

There was no audit qualification in the annual audit report of the Company's previous annual financial statements for the year ended 31 December 2011.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
23 May 2012