

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 JUNE 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 condensed consolidated interim financial statements are the Group's MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. The audited financial statements for the year ended 31 December 2011 were prepared under Financial Reporting Standards ("FRS").

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 (30 June 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:

		01/01/2011	31/12/2011	30/06/2011
		RM'000	RM'000	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 30 June 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 30 June 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 todote, 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

515

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 RM16.1 million and RM34.4 million for the current quarter and period to date as compared to RM14.8 million and RM28.7 million for the preceding year corresponding quarter and period to date respectively. The increase in revenue for the current quarter and period to date was mainly attributable to higher selling prices for the Group's brick products. The increase in revenue for the current period to date was also partly contributed by higher sales volume.

The Group recorded higher profit before taxation of RM4.0 million for the current period to date as compared to RM1.9 million for the preceding year corresponding period to date. The improved results was primarily due to better profit margin as a result of better selling prices for the Group's brick products. However, the Group recorded lower profit before taxation of RM1.1 million for the current quarter as compared to RM1.6 million for the preceding year corresponding quarter. This was mainly due to higher production cost as a result higher raw material and energy prices, especially with the increase in palm kernel shell prices.

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

The Group recorded profit before taxation of RM1.1 million for the current quarter as compared to RM2.8 million for the immediate preceding quarter. The decline in profit before taxation was primarily due to lower selling prices and sales volume for the Group's brick products for the quarter under review.

B3 Commentary on Prospects

The Malaysian economy registered a surprisingly strong growth of 5.4% for the second quarter, buoyed principally by strong domestic demand. However, the Group's performance for the quarter was not in tandem, as revenue growth has slowed compare to the first quarter. Although the construction sector is expected to stay resilient, the contributing effect will be mainly from large infrastructure projects and not so much from real estate development. Going forward therefore, prospect for positive growth in demand for the Group's brick products may face challenges.

Nevertheless, the Board is cautiously optimistic that prices for the Group's brick products will hold out, and with Management's effort in improving cost efficiency particularly in sourcing for alternative solid fuel, the Group will achieve satisfactory results for the year 2012.

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	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM '000	RM '000	RM '000	RM '000
Depreciation of property, plant and equipment	1,564	1,481	3,070	2,961
Gain on foreign exchange - realised	99	54	126	76
Interest expenses	467	630	1,069	1,263
Loss/(Gain) on disposal of property, plant and equipment	52	5	(13)	5
Other income (including investment income)	1	21	31	43
Rental income	21	135	41	297
Reversal of impairment of trade receivables	-	115	-	229

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:-

	30/06/2012
	RM'000
Short term - secured	10,740
- unsecured	-
Long term - secured	14,626
- unsecured	-
Total	<u>25,366</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 22 August 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 30 June 2012 (2011: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	30/06/2012	31/12/2011
	RM'000	(Restated)
		RM'000
Total accumulated losses of the Company and its subsidiaries:		
Realised	(32,232)	(36,182)
Unrealised	22,418	22,395
	<u>(9,814)</u>	<u>(13,787)</u>
Total share of retained profits from associated company:		
Realised	28	28
Unrealised	-	-
	<u>(9,786)</u>	<u>(13,759)</u>
Less: Consolidation adjustments	6,688	6,688
Total Group accumulated losses as per consolidated accounts	<u><u>(3,098)</u></u>	<u><u>(7,071)</u></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	01/01/2011 RM'000	31/12/2011 RM'000	30/06/2011 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	01/01/2011 RM'000	31/12/2011 RM'000	30/06/2011 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 30 June 2011 RM'000	Adjustment RM'000	MFRS as at 30 June 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	84,822		84,822	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>85,282</u>		<u>85,282</u>	<u>83,971</u>		<u>83,971</u>
Current Assets									
Inventories	11,528		11,528	12,219		12,219	13,720		13,720
Trade and Other Receivables	11,817		11,817	10,543		10,543	15,365		15,365
Cash and Bank Balances	26		26	88		88	29		29
	<u>23,371</u>		<u>23,371</u>	<u>22,850</u>		<u>22,850</u>	<u>29,114</u>		<u>29,114</u>
Total Assets	<u>110,384</u>		<u>110,384</u>	<u>108,132</u>		<u>108,132</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 30 June 2011 RM'000	Adjustment RM'000	MFRS as at 30 June 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)	(34,079)	22,418	(11,661)	(29,489)	22,418	(7,071)
Total Equity	<u>55,624</u>		<u>55,624</u>	<u>57,560</u>		<u>57,560</u>	<u>62,150</u>		<u>62,150</u>
Non-current Liabilities									
Borrowings	15,442		15,442	14,104		14,104	14,078		14,078
Current Liabilities									
Trade and Other Payables	21,518		21,518	19,857		19,857	21,219		21,219
Borrowings	17,800		17,800	16,611		16,611	50,638		50,638
Total Liabilities	<u>54,760</u>		<u>54,760</u>	<u>50,572</u>		<u>50,572</u>	<u>85,935</u>		<u>85,935</u>
Total Equity and Liabilities	<u>110,384</u>		<u>110,384</u>	<u>108,132</u>		<u>108,132</u>	<u>148,085</u>		<u>148,085</u>
Net Assets Per Share (RM)	<u>0.8981</u>		<u>0.8981</u>	<u>0.9293</u>		<u>0.9293</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 30/06/2012	Preceding Year Corresponding Quarter 30/06/2011	Current Year 30/06/2012	Preceding Year 30/06/2011
Net Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	1,134	1,632	3,973	1,936
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	1.83	2.63	6.41	3.13

(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
22 August 2012