

**KIA LIM BERHAD (342868-P)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**QUARTER ENDED 30 SEPTEMBER 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	30/09/2011
		RM'000	RM'000	RM'000
<b><u>Consolidated statement of financial position</u></b>	<b>Note</b>			
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 September 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 September 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

593

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

### **B1 Review of Performance**

The Group recorded lower profit before taxation of RM0.8 million for the current quarter as compared to RM2.1 million for the preceding year corresponding quarter. This was in line with the lower revenue of RM15.5 million for the current quarter as compared to RM16.1 million for the preceding year corresponding quarter. The decline in revenue was mainly due to the slow down in demand for the majority of the Group's brick products. The overall margin for the Group's brick products was eroded by the increase in production cost as a result of higher raw material and energy prices, particularly with the increase in palm kernel shell prices.

For the nine months ended 30 September 2012, the Group recorded higher profit before taxation of RM4.8 million as compared to RM4.0 million for the preceding year corresponding period to date. This was in line with the higher revenue of RM50.0 million as compared to RM44.8 million for the preceding year corresponding period to date. The main reason for the higher revenue for the period was due to higher average selling prices for the majority of the Group's brick products. However, the overall margin was lower as compared to the preceding year corresponding period to date as a result of higher production cost as the reason mentioned above.

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

The Group recorded lower profit before taxation of RM0.8 million for the current quarter as compared to RM1.1 million for the immediate preceding quarter. The decline in profit before taxation was primarily due to lower sales volume and average selling prices for the majority of the Group's brick products for the quarter under review.

### **B3 Commentary on Prospects**

The Malaysian economic growth is forecasted to be at a slower pace as the world economy is still overshadowed by the crisis in Eurozone and the economic slowdown in some major economies.

On the home front, although the construction sector is expected to stay resilient, the contributing effect will be mainly from large infrastructure projects and not so much from the real estate development sector which the Group's products principally catered to. Therefore, the outlook for the demand of the Group's brick products in the near to medium term may pose a significant challenge. Other challenges may arise from a lack of foreign workers resulting in slower construction activities, as well as the increase in energy prices, such as electricity tariff, palm kernel shell, etc.

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	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM '000	RM '000	RM '000	RM '000
Depreciation of property, plant and equipment	1,657	1,601	4,727	4,562
Gain/(Loss) on disposal of property, plant and equipment	5	(189)	(8)	(184)
Gain on foreign exchange - realised	79	33	205	109
Interest expenses	482	579	1,551	1,842
Other income (including investment income)	57	4	88	47
Rental income	22	134	63	431
Reversal of impairment of trade receivables	-	129	-	358

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:-

		30/09/2012
		RM'000
Short term	- secured	10,849
	- unsecured	-
Long term	- secured	14,733
	- unsecured	-
Total		<u>25,582</u>

**B9 Material Litigation**

The Group is not engaged in any material litigation as at 21 November 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 September 2012 (2011: Nil).

**B11 Realised and Unrealised Profits/Losses Disclosure**

	30/09/2012	31/12/2011 (Restated)
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
Realised	(31,393)	(36,182)
Unrealised	22,418	22,395
	<u>(8,975)</u>	<u>(13,787)</u>
Total share of retained profits from associated company:		
Realised	28	28
Unrealised	-	-
	<u>(8,947)</u>	<u>(13,759)</u>
Less: Consolidation adjustments	6,688	6,688
Total Group accumulated losses as per consolidated accounts	<u>(2,259)</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	01/01/2011 RM'000	31/12/2011 RM'000	30/09/2011 RM'000
Property, Plant and Equipment	A1	(22,418)	(22,418)	(22,418)
Decrease in revaluation reserve		(22,418)	(22,418)	(22,418)

### **(b) Retained earnings**

The changes which affected the retained earnings are as follows:

	Note	01/01/2011 RM'000	31/12/2011 RM'000	30/09/2011 RM'000
Property, Plant and Equipment	A1	22,418	22,418	22,418
Increase in retained earnings		22,418	22,418	22,418

### **(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 September 2011 RM'000	Adjustment RM'000	MFRS as at 30 September 2011 RM'000	FRS as at 31 December 2011 RM'000	Adjustment RM'000	MFRS as at 31 December 2011 RM'000
<b>Assets</b>									
<b>Non-current Assets</b>									
Property, Plant and Equipment	86,553		86,553	84,519		84,519	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>84,979</u>		<u>84,979</u>	<u>83,971</u>		<u>83,971</u>
<b>Current Assets</b>									
Inventories	11,528		11,528	13,616		13,616	13,720		13,720
Trade and Other Receivables	11,817		11,817	11,591		11,591	15,365		15,365
Cash and Bank Balances	26		26	118		118	29		29
	<u>23,371</u>		<u>23,371</u>	<u>25,325</u>		<u>25,325</u>	<u>29,114</u>		<u>29,114</u>
<b>Total Assets</b>	<u>110,384</u>		<u>110,384</u>	<u>110,304</u>		<u>110,304</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 RM'000	Adjustment RM'000	MFRS as at 1 January 2011 RM'000	FRS as at 30 September 2011 RM'000	Adjustment RM'000	MFRS as at 30 September 2011 RM'000	FRS as at 31 December 2011 RM'000	Adjustment RM'000	MFRS as at 31 December 2011 RM'000
Note									
<b>Equity and Liabilities</b>									
<b>Equity attributable to equity holders of the parent</b>									
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)	(31,996)	22,418	(9,578)	(29,489)	22,418	(7,071)
<b>Total Equity</b>	<u>55,624</u>		<u>55,624</u>	<u>59,643</u>		<u>59,643</u>	<u>62,150</u>		<u>62,150</u>
<b>Non-current Liabilities</b>									
Borrowings	15,442		15,442	13,768		13,768	14,078		14,078
<b>Current Liabilities</b>									
Trade and Other Payables	21,518		21,518	20,349		20,349	21,219		21,219
Borrowings	17,800		17,800	16,544		16,544	50,638		50,638
<b>Total Liabilities</b>	<u>54,760</u>		<u>54,760</u>	<u>50,661</u>		<u>50,661</u>	<u>85,935</u>		<u>85,935</u>
<b>Total Equity and Liabilities</b>	<u>110,384</u>		<u>110,384</u>	<u>110,304</u>		<u>110,304</u>	<u>148,085</u>		<u>148,085</u>
<b>Net Assets Per Share (RM)</b>	<u>0.8981</u>		<u>0.8981</u>	<u>0.9629</u>		<u>0.9629</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
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Net Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	839	2,083	4,812	4,019
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	1.35	3.36	7.77	6.49

(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  
21 November 2012