

## **B. I. G. INDUSTRIES BERHAD (19 5285-D)**

(Incorporated in Malaysia)

### **PART A –EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) No.134, “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. These explanatory notes attached to the interim 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 31 December 2010.

#### **A2. Changes in Accounting Policies**

The interim financial statements have been prepared in accordance with FRS 134 : Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual financial statements for the year ended 31<sup>st</sup> December 2010.

The accounting policies adopted are consistent with those of the previous financial period except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 4 *Insurance Contracts*
- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements* (Revised)
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*

- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- Technical Release *i-3 Presentation of Financial Statements of Islamic Financial Institutions*

The above new or revised FRSs and IC interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

### **A3. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the financial statements of the company and its subsidiaries for the year ended 31 December 2010 were not qualified. However, it included the following “Emphasis of Matter”.

#### **Emphasis of Matter**

Without qualifying auditors’ opinion, the financial statements which discloses the premise upon which the Group and the Company have prepared its financial statements by applying the going concern assumption, notwithstanding the Group’s and the Company’s current liabilities exceed its current assets by RM13,120,847 and RM6,879,953 respectively as at 31 December 2010.

### **A4. Comments about Seasonal or Cyclical Factors**

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

### **A5. Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow during the current quarter under review.

### **A6. Changes in Estimates**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the current under review.

**A7. Debts and Equity Securities**

There were no debt and equity securities issued, cancelled, repurchased, resold or repaid during the current quarter under review.

**A8. Dividends Paid**

No dividend has been paid for the quarter under review.

**A9. Segmental Information**

	Revenue		Profit/(loss) before taxation	
	-----3 months ended 30 Sept		(Individual Quarter)-----	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Industrial Gas	7,967	8,106	(157)	532
Ready-mix concrete/RC Piles	10,221	9,786	386	389
Property Development	2,213	2,076	344	(66)
Others		-	(173)	612
<b>Total</b>	<b>20,401</b>	<b>19,968</b>	<b>400</b>	<b>1,467</b>

	Revenue		Profit/(loss) before taxation	
	-----9 months ended 30 Sept		(Cumulative Quarter)---	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Industrial Gas	23,961	23,898	(885)	961
Ready-mix concrete/RC Piles	27,086	29,123	875	820
Property Development	10,037	2,923	320	(2,029)
Others		-	(3,816)	276
<b>Total</b>	<b>61,084</b>	<b>55,944</b>	<b>(3,506)</b>	<b>28</b>

**A10. Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

**A11. Material Subsequent Events**

There were no material events subsequent to the end of the current quarter under review.

**A12. Changes in Composition of the Group**

There are no material changes in the composition of the Group during the current quarter under review.

**A13. Changes in Contingent Liabilities and Contingent Assets**

There are no material changes in the contingent liabilities or contingent assets since the last balance sheet date.

**A14. Capital Commitment**

There are no capital commitments for the Group as at 30 September 2011.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**B1. Performance Review**

The Group achieved revenue of RM20.4 million for the third quarter ended 30 September 2011 or 2% higher as compared to revenue of RM20 million for the third quarter ended 30 September 2010.

The Group registered a profit before taxation of RM400,000 for the third quarter ended 30 September 2011 as compared to a profit before tax of RM1.5 million for the third quarter preceding year corresponding period. The Group impaired RM1.9 million of fixed assets for this quarter under review.

- **Industrial Gas Division**

During the current quarter ended 30 September 2011, Gas Division recorded sales of RM8 million as against RM8.1 million recorded in the preceding period. The division recorded a loss before tax of RM157,000 for the period under review primarily contributed by the impairment loss of fixed asset of RM1.9 million.

- **Ready Mixed Concrete Division (RMC)**

During the current quarter ended 30 September 2011, RMC Division recorded sales of RM10.2 million as against RM9.8 million recorded in the preceding period. The division recorded a profit before taxation of RM386,000 for the period under review.

- **Property Division**

During the current quarter ended 30 September 2011, Property Division recorded sales of RM2.2 million as against RM2 million recording in the preceding period. The division recorded a profit before taxation of RM344,000 for the period under review.

**B2. Comparison of Material Change with preceding quarter's result**

<b>Group Results</b>	<b>Current quarter ended 30/09/2011</b>	<b>Preceding quarter ended 30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	<b>20,401</b>	21,387
Profit / (Loss) Before Taxation	<b>400</b>	(590)

Revenue for the current quarter under review was RM20.4 million as compared to RM21 million for the preceding quarter. The current quarter recorded a profit before taxation of RM400,000 as compared to a loss before taxation of RM590,000 recorded during the preceding quarter ended 30 June 2011.

**B3. Current Year Prospects**

The group will continue to improve on its strategies to face the increasingly competitive and challenging environment while managing operating costs at its most efficient level. Barring unforeseen circumstances, the group is optimistic of its prospects for the current year.

Nevertheless, the Group continues to emphasize on good management control focusing on cost optimization and moving towards lower gearing for the Group and its subsidiaries.

**B4. Profit Forecast**

The company has not provided any profit forecast in a public document.

**B5. Taxation**

	<b>Current Year Quarter 30/09/2011</b>	<b>Preceding Year Quarter 30/09/2010</b>	<b>Current Year To date 30/09/2011</b>	<b>Preceding Year To date 30/09/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Taxation comprises:-</b>				
Current tax	82	20	465	170
Deferred tax	-	-	1,489	-
<b>Total</b>	<b>82</b>	<b>20</b>	<b>1,954</b>	<b>170</b>

The Group's effective tax rate for the current quarter under review is lower than the statutory rate as certain wholly owned subsidiary companies of the Company have sufficient reinvestment allowances, capital allowances and trading losses to offset taxable profits.

**B6. Sale of Unquoted Investment and Properties**

There were no sales of unquoted investments or properties for the current quarter under review.

**B7. Quoted Investment**

There were no sales or purchases of quoted investments for the current quarter under review.

**B8. Corporate Proposals**

Status of corporate proposals:

Date Of Announcement	Subject	Status
08/12/2010 13/12/2010 04/01/2011 24/01/2011 07/03/2011 01/04/2011 08/04/2011 01/07/2011	<p>Proposed reduction of par value of the existing ordinary shares of RM1.00 each in B.I.G. Industries Berhad ("BIG") to RM0.20 per ordinary share ("BIG Shares") ("Proposed Capital Reduction");</p> <p>Proposed renounceable two (2)-call rights issue of up to RM76,947,520 nominal value of 4% 5-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value of RM0.20 each together with free detachable warrants on the basis of RM3.20 ICULS together with one (1) warrant for every two (2) existing BIG Shares held after the Proposed Capital Reduction; and</p> <p>Proposed amendments to the Memorandum and Articles of Association of BIG.</p> <p>In view that the BIG Group recorded an accumulated losses of approximately RM550,000 based on its latest quarterly result as at 31 March 2011, which was announced on 26 March 2011 to Bursa Securities, the Board of B.I.G. had on 1 July 2011 resolved not to proceed with the above Proposals.</p>	Aborted on 1 July 2011.

**B9. Borrowings****a) Short Term Borrowings**

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Bank overdraft	5,497		5,497
Bankers' acceptance and Revolving credits	13,536		13,536
Term loans	380	7,000	7,380
Lease payables	3,480		3,480
<b>Total</b>	<b>22,893</b>	<b>7,000</b>	<b>29,893</b>

**b) Long Term Borrowings**

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
Term loans	1,065	26,500	27,565
Lease payables	4,006	-	4,006
<b>Total</b>	<b>5,071</b>	<b>26,500</b>	<b>31,571</b>

None of the Group's borrowings as at the financial period to date are denominated in foreign currency.

**B10. Off Balance Sheet Financial Instruments**

The Group did not have any financial instruments with off balance sheet risk at the date of issue of these interim financial statements.

**B11. Changes in Material Litigation**

There was no material litigation at the date of issue of these interim financial statements except for the following:

1. The Company's wholly owned subsidiary company Hypervictory Sdn. Bhd. had on 27 March 2007, by a Statement of Claim of the same date, commenced legal proceedings against its trade debtor Dapan Construction Sdn. Bhd. ("Defendant") in the Sessions Court at Kota Kinabalu. Hypervictory Sdn. Bhd's claim is for the sum of RM64,628.21 as at 31 October 2006 being the outstanding sum for goods sold and delivered to the Defendant on credit term. The Defendant filed its Defence on 5 September 2008 pleading a global set off arrangement (as pleaded in another suit which involves the Plaintiff and Defendant as well) to set off the amount owed by the Defendant against the amount purportedly owed by Uni-Mix Sdn. Bhd. (a subsidiary of the Company) to the Defendant's related companies, namely Dapan Holdings sdn. Bhd. and Zillion Rank Sdn. Bhd. The trial is fixed on 12<sup>th</sup> – 14<sup>th</sup> March 2012.

2. By a Statement of Claim dated 26 March 2007 (amended on 7 October 2010), Dapan Holdings Sdn. Bhd., Dapan Construction Sdn. Bhd. and Zillion Rank Sdn. Bhd. commenced

legal proceedings in the High Court in Sabah and Sarawak at Kota Kinabalu against Uni-Mix Sdn. Bhd. and Hypervictory Sdn. Bhd. for, inter-alia, a declaration that the sub-contract agreement for the quarrying activities between the Third Plaintiff and the Second Defendant was validly terminated, damages to be assessed for breach of the sub-contract and/or rectification works on the road leading to a housing project and retention pond, and an injunction requiring the 2<sup>nd</sup> Defendant to remove all its plant, equipment and/or machinery from the site.

By Defence dated 16 July 2007 and Counter-Claim dated 4 August 2010 (re-amended on 7 October 2010), Uni-Mix Sdn. Bhd. counter-claimed against Dapan Construction Sdn. Bhd. for the outstanding sum of RM817,877.76 as at 30 November 2006 for goods supplied to it on credit term. The Plaintiff alleged that the parties had agreed to a global set-off by which the debt due and owing by the 2<sup>nd</sup> Plaintiff to the 1<sup>st</sup> Defendant could be set off by debt purportedly due and owing by the 2<sup>nd</sup> Defendant to the Plaintiffs. The trial is fixed on 12<sup>th</sup> – 14<sup>th</sup> March 2012.

#### **B12. Dividend Payable**

No interim ordinary dividend has been recommended for the quarter under review.

### B13. Earnings Per Share

	Current Year Quarter 30/09/2011	Preceding Year Quarter 30/09/2010	Current Year To date 30/09/2011	Preceding Year To date 30/09/2010
<b>a) Basic</b>				
Net profit / (loss) attributable to equity holders of the parent (RM'000)	317	1,447	(5,460)	(142)
Weighted average number of ordinary share in issue ('000)	48,092	48,092	48,092	48,092
Basic earnings/(loss) per share (sen)	<b>0.66</b>	<b>3.01</b>	<b>(11.35)</b>	<b>(0.30)</b>
<b>b) Diluted</b>				
Net profit attributable to equity holders of the parent (RM'000)	NA	NA	NA	NA
Weighted average number of ordinary shares for diluted earnings per share ('000)	NA	NA	NA	NA
Fully diluted earnings per share (sen)	NA	NA	NA	NA

### B14. Realised and Unrealised Profits

	Current Year Quarter 30/09/2011	As at the financial year ended 31/12/2010
	RM'000	RM'000
Total revenue reserve/ (accumulated losses) of the Company and its subsidiaries:		
- Realised	7,471	11,441
- Unrealised	(2,824)	(1,334)
	4,647	10,107
Less: Consolidation adjustments	(5,522)	(5,522)
Revenue reserve/(accumulated losses) as per financial statements	<b>(875)</b>	<b>4,585</b>

The Company has applied Listing Directive (LD09/10: Disclosure Requirements Pursuant to FRS139, Financial Instruments : Recognition and measurement) which exempts entities from disclosing comparative figures on the breakdown of realized and unrealized profits in the first year of applying the directive requirement.