# PERMAJU INDUSTRIES BERHAD

(Incorporated in Malaysia) Company No. 379057-V

# INTERIM REPORT FOR THE FINANCIAL QUARTER

# ENDED 30TH JUNE 2011

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### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30TH JUNE 2011

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

1. BASIS OF PREPARATION

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31st 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 31st December 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, methods of computation and basis of consolidation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31st December 2010, except for the mandatory adoption of the new and revised Financial Reporting Standards (“FRSs”) and Issues Committee Interpretations (“IC Int.”) beginning on or after 1st January 2011. The adoption of the accounting policies did not have any significant effects on the interim financial report upon their initial application, other than as discussed below:

a) FRS 3 (revised) : Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised FRS 3 will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. The amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures.

 This Standard did not have any significant impact on the financial position and results of the Group.

1. AUDIT REPORT

The audit report of the Group’s annual financial statements for the year ended 31st December 2010 was not subject to any qualification.

1. SEASONAL OR CYCLICAL FACTORS OF INTERIM OPERATIONS

The Group’s business operations for the period ended 30th June 2011 have not been materially affected by seasonal or cyclical factors.

1. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 30th June 2011.

1. EFFECTS OF CHANGES IN ESTIMATES

There were no changes in estimates that have a material effect in the financial quarter ended 30th June 2011.

1. CHANGES IN DEBTS AND EQUITY SECURITIES

During the current quarter ended 30th June 2011, there were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities except that the Company bought back 743,700 shares of its issued ordinary shares from the open market at an average price of RM0.379 per share. The total consideration paid for the share buy-back including transaction costs was RM283,798 and this was financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. Total number of shares bought back and held as treasury shares as at the end of the current quarter was 6,949,300 shares.

1. DIVIDEND PAYMENT

There was no dividend paid for the current quarter and financial period ended 30th June 2011.

1. CARRYING AMOUNT OF REVALUED ASSETS

There were no assets carried at revalued amount as at the end of the financial quarter under review.

1. SUBSEQUENT EVENTS

There were no material events subsequent to the interim financial report under review as at the date of this announcement.

1. OPERATING SEGMENTS

The Group has four reportable segments, namely automotive, timber, property development and others which involved in Group-level corporate services, treasury functions and investments in marketable securities, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately.



1. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current quarter ended

30 June 2011.

1. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets of the Group since the last statement of financial position as at 31 March 2011.

1. INTANGIBLE ASSETS

This represents the purchase consideration on construction right of the Group. The construction right is a joint venture right held by a subsidiary company to develop a piece of land approximately 44.28 hectares located in Kota Kinabalu, Sabah into a mixed residential and commercial development.

1. INVESTMENT IN SUBSIDIARY COMPANY

In 1st quarter of the financial, the Company acquired 70% equity interest in Hardie Development Sdn. Bhd. for a total cash consideration of RM33,680,000 shown as intangible asset.

The fair values of the identifiable assets and liabilities of the newly acquired subsidiary company as at the date of acquisition were:



The effect of the acquisition on cash flows is as follows:



Goodwill arising from acquisition



Impact of acquisition in statement of comprehensive income

From the date of acquisition, the newly acquired subsidiary had no impact to the Group’s profit/(loss) net of tax.

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

16. REVIEW OF PERFORMANCE

The Group’s revenue for the current quarter ended 30th June 2011 increased to RM46.67 million from RM29.88 million in the quarter ended 30th June 2010 while the current quarter recorded a pre-tax loss of RM0.56 million when compared to a pre-tax loss of RM0.70 million in the corresponding financial period.

The increase in revenue for the current quarter ended 30th June 2011 as compared to the corresponding year financial quarter ended 30th June 2010 was mainly due to the net effect of an increased in sales of Volkswagen motor vehicles by RM31.00 million with a decreased in sales of Chervolet motor vehicles and timber logs by RM7.75 million against RM7.05 million respectively in the current quarter under review.

The decrease in pre-tax loss for the quarter ended 30th June 2011 compared to the corresponding year financial quarter ended 30th June 2010 was mainly due to an increase in other income in respect of sales incentives from the Principals.

17. COMPARISON WITH IMMEDIATE PRECEDING QUARTER’S RESULTS

The Group’s loss before taxation for the current quarter ended 30th June 2011 of RM557,000 compared to a profit before taxation of RM530,000 in the preceding quarter ended 31st March 2011, were attributed to lower other income against gains arising from the disposal of subsidiary companies of RM1,365,000 and land premium refund of RM500,000 recorded in the immediate preceding quarter’s results. The higher administrative expenses incurred for the current quarter were due to the overhead costs for the property development subsidiary and start-up cost for another vehicle showroom to market “Ford” motor vehicles.

18. BUSINESS PROSPECTS

The Board of Directors views the current financial year to be challenging with intense competition in the Group’s automotive business and the property development activities not expected to contribute during this financial year due to the slow earthwork progress affected by the bad weather.

19. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable to the financial quarter under review.

20. INCOME TAX EXPENSE



21. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties for the financial quarter under review.

22. PURCHASE AND DISPOSAL OF QUOTED SECURITIES

 Details of purchases and disposals of quoted securities are as follows :



Details of investments in quoted securities :



23. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this announcement.

24. BORROWINGS



The borrowings are secured.

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at the date of this announcement.

26. CHANGES IN MATERIAL LITIGATION

There were no material changes in litigations which would have a material adverse effect on the financial results for the financial quarter under review.

27. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 30th June 2011 (30th June 2010: Nil).

28. EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares in issue during the period.



The basic earnings per share is not subject to dilution as there is no dilutive effect of any potential ordinary shares.

29. REALISED AND UNREALISED PROFITS / (LOSSES) DISCLOSURE

 

30. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26th August 2011.