

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT - FRS 134

A1 Accounting policies

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The accounting policies and methods of computation in the interim financial statements are consistent with the annual financial statements for the year ended 31 December 2005.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRS does not have significant financial impact to the Group.

A2 Audit Qualification

There was no audit qualification in the annual audit report of the Company’s previous annual financial statements for the year ended 31 December 2005.

A3 Seasonal or cyclical factors

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

A4 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.

A5 Changes in estimates of amounts reported in prior interim periods of the current and prior financial years

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.

A6 Issuances, cancellations, repurchases, resale and repayments of 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 financial period to date except as follow:

- i) On 15 February 2006, the Company issued 4,122,527 new ordinary shares of RM1.00 each (“Right Shares”) together with 4,122,527 new free detachable Warrants (“Warrants”) at an issue price of RM1.00 per Rights Shares pursuant to the Rights issue with Warrants; and
- ii) On 15 February 2006, the Company issued 13,235,924 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share pursuant to the Debt Restructuring Agreement.

A7 Dividends paid

There was no dividend paid for the period ended 31 March 2006.

A8 Segment revenue and results

No segmental reporting by activity is prepared as the Group is principally involved in one industry and one country.

A9 Valuation of property, plant and equipment

Not applicable to the Group as there is no revaluation being done on the property, plant and equipment.

A10 Subsequent events

As of todate, save as disclosed in note B8, there have been no other material events subsequent to the period ended 31 March 2006.

A11 The effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

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

A12 Contingent liabilities and contingent assets

As of todate, there have been no significant changes in contingent liabilities or contingent assets since the last balance sheet date.

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

B1 Review of performance

Despite recording a higher turnover of RM11.6 million for the current quarter and period to date as compared to RM10.2 million for the preceding year corresponding quarter and period to date, the Group registered a higher loss before taxation of RM681,000 for the current quarter and period to date as compared to a loss before taxation of RM566,000 for the preceding year corresponding quarter and period to date. This was primarily due to higher fuel oil and diesel prices as well as the lower other operating income for the current quarter under review.

B2 Material change in profit before taxation for the current quarter compared to the immediate preceding quarter

The Group recorded a lower loss before taxation of RM681,000 for the current quarter as compared to loss before taxation of RM5.0 million for the immediate preceding quarter. This was primarily due to higher sales and better selling prices as well as the roofing tiles plant has resumed its production since the end of immediate preceding quarter.

Apart from the above, the higher loss before taxation for the immediate preceding quarter was also due to stock written off and provision for diminution in value for investments.

B3 Prospects

The outlook for the global and Malaysian economies continue to be overshadowed by the twin effects of soaring oil prices and rising interest rates driven by strong inflationary pressure. On a more positive note, however, the longer term prospect of the Malaysian economy and, in particular the construction sector was given a boost by the Government's recent launch of the Ninth Malaysia Plan.

As there is no indication of any significant improvement in the construction sector in the immediate future, the Board of Directors anticipates that competition will remain fierce. Nonetheless, the Group would strive to explore new potential markets as well as to reduce costs through continuous improvement in internal efficiency and productivity at all juncture.

In the longer term, however, the completion and implementation of the debt restructuring scheme, will further enhance the Group's earning capabilities.

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 Profits/(Losses) on sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current quarter and period to date under review.

B7 Particulars of purchase or disposal of quoted securities

a) There were no purchases or disposals of quoted investments for the current quarter and period to date.

b) Investments in quoted securities are as follows:-

	RM `000
At cost	762
At carrying value	334
At market value	372

B8 Corporate proposals

a) Status of corporate proposals

On 16 February 2005, the Securities Commission ("SC") approved the proposed rights issue and proposed Debt Restructuring Scheme (collectively referred to as the "Corporate Exercises") with the following revised terms:

- i) Rights issue of up to 9,671,000 new ordinary shares of RM1.00 each together with up to 9,671,000 Warrants in the Company at an issue price of RM1.00 per share payable in cash, on the basis of one new Share together with one Warrant for every five existing shares held;
- ii) Debt Restructuring Scheme ("DRS") involving the settlement of outstanding principal and outstanding interest amounting to RM44,667,924 owing by the subsidiaries of the Company to the participating bankers ("PBs"), namely RHB Bank Berhad and Malaysian Industrial Development Finance Berhad, by way of –
 - (a) settlement of 40% of the outstanding principal amounting to RM15,716,000 by the issuance of RM15,716,000 nominal value of 4% 10-year redeemable convertible secured loan stocks ("RCSLS") of RM1.00 each at 100% of its nominal value to the PBs;
 - (b) restructuring of 40% of the outstanding principal amounting to RM15,716,000 involving payment via instalments over a period of 6 to 7 years; and
 - (c) settlement of the remaining 20% of the outstanding principal of RM7,858,000 and interest of RM5,377,924 (i.e., amounting to RM13,235,924 in aggregate) by the issuance of up to 13,235,924 new ordinary shares of RM1.00 each in the Company at par to the PBs.
- iii) Listing of and quotation for the new shares and warrants arising from the rights issue and DRS, and the new shares arising from the exercise of warrants and conversion of RCSLS, on the Main Board of Bursa Securities.

On 14 February 2006, the SC has further approved the extension of time for another three (3) months from 16 February 2006 to 15 May 2006 to complete the above corporate exercises.

On 15 February 2006, the Company has successfully completed the listing of 4,122,527 rights shares together with warrants and 13,235,924 new shares pursuant to DRS on the main Board.

On 28 April 2006, the Company has issued RM15,716,000 nominal value of 4%, 10-Year RCSLS of RM1.00 each, comprising RCSLS-A, RCSLS-B and RCSLS-C, which is part of the DRS, to the PBs.

With the completion and implementation of the above RCSLS, the corporate exercises of Kia Lim are deemed to be successfully completed.

b) Status of Utilisation of Proceeds

The utilisation of the proceeds of RM4,122,527 derived from the Rights Issue is as follows:-

	Proposed utilisation from Rights Issue	Amount utilised as at 31/03/06	Amount not utilised as at 31/03/06
	RM'000	RM'000	RM'000
Part payment of overdue interest to the PBs	3,000	-	3,000
Working capital	223	-	223
Expenses for the Rights Issue and DRS	900	723	177
Total	4,123	723	3,400

B9 Borrowings and debt securities

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

	31/03/2006
	RM'000
Short term - secured	46,710
- unsecured	-
Long term - secured	12,964
- unsecured	-
Total	59,674

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B11 Material litigation

The Group is not engaged in any material litigation as at 18 May 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

B12 Dividends

The Board of Directors has not recommended any interim dividend for the period ended 31 March 2006 (2005 : Nil).

B13 Loss per share

(i) Basic loss per share

The calculation of basic loss per share for the quarter and period to date is based on the net loss attributable to ordinary shareholders of RM681,000 (2005 : RM566,000) and the weighted average number of ordinary shares in issue during the quarter and period to date of 53,258,226 (2005 : 44,579,000).

(ii) Diluted loss per share

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

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
18 May 2006