

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 SEPTEMBER 2014

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").

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2013. The explanatory notes attached to the condensed consolidated 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 2013.

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2013 except for the adoption of the following effective from the financial period beginning on 1 January 2014:

Amendments to MFRS 10,	:	Investment Entities
MFRS 12 and MFRS 127		
Amendments to MFRS 132	:	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	:	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	:	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	:	Levies

The adoption of the above standards, interpretations and amendments do not have any material financial impacts to the Group's consolidated financial statements upon their initial application.

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 2014.

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 2014.

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 2013.

A11 Capital Commitment

RM'000

Capital expenditure
Approved and contracted for:
Property, plant and equipment

579

A12 Related Party Transactions

The related party transactions have been entered into in the normal course of business and have been established on terms and conditions which were mutually agreed between the relevant parties.

Related by virtue of having common director/(s) and/or substantial interest:

	30/09/2014	30/09/2013
	RM	RM
Sales of spare parts and upkeep of tools to: Sri Senanggar Batu Bata Sdn. Bhd.	28,356	29,694
Purchases of indirect materials from: Ban Dung Palm Oil Industries Sdn. Bhd. Kia Lim Timber Trading Sdn. Bhd.	470,347 7,661	583,100 27,958
Insurance premium payable to: Kia Lim Timber Trading Sdn. Bhd.	245,353	255,367
Rental payable to: Kia Lim Timber Trading Sdn. Bhd. Sri Senanggar Batu Bata Sdn. Bhd.	108,000 35,691	108,000 35,691

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

B1 Review of Performance

For the quarter under review, the Group registered revenue of RM14.5 million as compared to RM16.8 million for the preceding year corresponding quarter. The substantial decline in revenue was due to lower production and sales volume following the shutdown of one of the production lines for upgrading purpose, which lasted for about a month. Consequently as well, for the current quarter the Group recorded a loss before taxation of RM0.4 million as compared to a profit before taxation of RM1.8 million for the preceding year corresponding quarter. The lower production volume had not only caused lower sales but resulted in higher unabsorbed fixed production costs thereby reducing gross margin.

For the current period todate, the Group recorded revenue of RM48.1 million and profit before taxation of RM1.5 million, as compared to revenue of RM49.6 million and profit before taxation of RM3.9 million for the preceding year corresponding period. Aside from the production shutdown during the quarter under review attributing to the decline in both revenue and profit before taxation for the period todate, higher costs of raw material and energy, particularly the hike in electricity tariff early this year had also suppressed the Group's overall margin resulting in the lower profit before taxation.

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

The Group recorded a loss before taxation of RM0.4 million for the current quarter as compared to profit before taxation of RM0.7 million for the immediate preceding quarter. This was primarily due to lower sales volume as a result of the loss of production caused by the upgrading project as well as the unabsorbed fixed production costs caused by the stoppage of production as mention in B1 above.

B3 Commentary on Prospects

As reported by Bank Negara, Malaysia registered a slower growth with a gross domestic product ("GDP") growth of 5.6% in the third quarter of 2014 (2Q 2014: 6.5%) which is the most modest growth pace in six quarters due to softer domestic demand and lower net exports contribution.

As the Malaysian economy is expected to remain on a moderating path, the management anticipates that the construction and residential sub-sector would also moderate in tandem, and overall demand in the sector would soften.

Furthermore, rising operation and production costs will continue to be of concern to the management. The higher electricity tariff and transportation costs may put pricing pressure and pose challenges to the Group's performance.

Nevertheless in facing the challenging times ahead, the Management will continue its effort in improving cost efficiency and optimizing productivity, and the Group will strive to achieve satisfactory financial results for the year 2014.

B4 Variances from Profit Forecast and Profit Guarantee

Not applicable to the Group as no profit forecast or profit guarantee was published.

B5 Taxation

	Current Quarter		Current Year To Date	
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Income tax expenses				
- Current year	-	-	-	-
Deferred tax	156	-	398	-
	<u>156</u>	<u>-</u>	<u>398</u>	<u>-</u>

For the current quarter and period to date ended 31 March 2014, the effective tax rate for the Group was higher than the statutory rate principally due to certain expenses which are not deductible for tax purposes.

B6 Additional Disclosures on Profit Before Tax

Included in the profit before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/09/2014 RM '000	30/09/2013 RM '000	30/09/2014 RM '000	30/09/2013 RM '000
Depreciation of property, plant and equipment	1,733	1,662	5,021	4,876
Gain on disposal of property, plant and equipment	112	-	136	59
Gain on foreign exchange				
- realised	7	192	54	110
Interest expenses	494	636	1,421	1,663
Other income (including investment income)	9	11	59	62
Rental income	-	33	-	73
Reversal of impairment of trade receivables	-	3	-	32

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:-

	30/09/2014
	RM'000
Short term - secured	10,208
- unsecured	-
Long term - secured	9,422
- unsecured	-
Total	<u>19,630</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 18 November 2014 (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 2014 (2013: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	30/09/2014	31/12/2013
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
Realised	(24,199)	(25,356)
Unrealised	22,418	22,457
	<u>(1,781)</u>	<u>(2,899)</u>
Total share of retained earnings from associated company:		
Realised	28	28
Unrealised	-	-
	<u>(1,753)</u>	<u>(2,871)</u>
Less: Consolidation adjustments	6,774	6,762
Total Group retained earnings as per consolidated accounts	<u>5,021</u>	<u>3,891</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 Earnings Per Share

(i) The basic (loss)/earnings per share is computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/09/2014	Preceding Year Corresponding Quarter 30/09/2013	Current Year 30/09/2014	Preceding Year 30/09/2013
Net (Loss)/Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	(571)	1,847	1,130	3,855
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic (Loss)/Earnings Per Share (Sen)	(0.92)	2.98	1.82	6.22

(ii) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is presented same as basic (loss)/earnings per share as the conversions of all potential ordinary shares from warrants are not dilutive.

B13 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 2013.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
25 November 2014