

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 SEPTEMBER 2016

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 2015. 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 2015.

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 2015, except for the adoption of the following revised Malaysian Financial Reporting Standards (MFRSs) which are effective for annual periods beginning on or after 1 January 2016.

Annual Improvements to MFRSs 2012–2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14 Regulatory Deferral Accounts

The adoptions of the above revised standards do not have any material financial impacts to the Group's consolidated financial statements upon their initial application.

Effective for financial periods beginning on or after 1 January 2018

- MFRS 15: Revenue from Contracts with Customer
- MFRS 9: Financial instruments

The Directors expect the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of the initial application except the following:

MFRS 15: Revenue from Contracts with Customer

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when the 'control' of the goods and services underlying the particular performance obligation is transferred to the customers.

The effect of the above amendment is currently being assessed by the Directors.

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 2016.

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 2016.

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 2015.

A11 Capital Commitment**RM'000**

Capital expenditure	
Approved and contracted for:	
Property, plant and equipment	<u>133</u>
Approved but not contracted for:	
Property, plant and equipment	<u><u>3,483</u></u>

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:

	30/09/2016	30/09/2015
	RM	RM
Sales of spare parts and upkeep of tools to: Sri Senanggar Batu Bata Sdn. Bhd.	-	28,236
Purchases of indirect materials from: Ban Dung Palm Oil Industries Sdn. Bhd.	-	33,559
Insurance premium payable to: Kia Lim Timber Trading Sdn. Bhd.	-	42,763
Rental payable to: Kia Lim Timber Trading Sdn. Bhd.	118,089	110,242
Sri Senanggar Batu Bata Sdn. Bhd.	<u>33,413</u>	<u>33,413</u>

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

B1 Review of Performance

The Group registered lower revenue of RM9.5 million and RM34.1 million for the current quarter and period to date as compared to RM15.4 million and RM53.4 million for the preceding year corresponding quarter and period to date respectively. The decline in revenue for the current quarter and period to date was mainly attributable to lower sales volume, exacerbated by declining selling prices for the Group's brick products. In consequent thereto, the Group registered loss before taxation of RM1.3 million and RM2.6 million for the current quarter and period to date as compared to profit before taxation of RM1.2 million and RM4.5 million for the preceding year corresponding quarter and period to date respectively.

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

There was no material change in loss before taxation of RM1.3 million for the current quarter as compared to RM1.5 million for the immediate preceding quarter under review.

B3 Commentary on Prospects

The property market is expected to remain weak amid the current uncertain economic outlook. The cautious sentiment on the back of concerns over rising costs of living, coupled with difficulties in securing loan by house buyers as a result of more stringent lending conditions has led to sluggish performance in the property market.

With the weak demand and the current oversupply in the property market, construction activities will continue to slow in the near term, and the Group anticipates that competition will remain stiff and the Group will continue to face challenges of depressed pricing due to overall over capacity in the industry.

Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to enhance its operational efficiency and products quality in order to remain competitive in the industry.

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 Period To Date	
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Income tax				
- Current year	37	146	117	373
Deferred tax				
- Current year	274	221	344	998
- Under provision in prior year	18	-	18	-
	<u>329</u>	<u>367</u>	<u>479</u>	<u>1,371</u>

For the current quarter and period to date, the effective tax rate for the Group was higher than the statutory tax 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	
	30/09/2016 RM '000	30/09/2015 RM '000	30/09/2016 RM '000	30/09/2015 RM '000
Depreciation of property, plant and equipment	1,797	1,800	5,358	5,265
(Loss)/Gain on foreign exchange				
- realised	(5)	147	12	280
Insurance received	-	-	57	105
Interest expenses	180	250	535	1,048
Gain/(Loss) on disposal of property, plant and equipment	-	44	62	(139)
Other income (including investment income)	1	13	15	58
Rental income	20	20	60	27
Vehicle rental income	14	28	46	53

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:-

		30/09/2016
		RM'000
Short term	- secured	7,706
	- unsecured	-
Long term	- secured	1,487
	- unsecured	-
Total		<u>9,193</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 21 November 2016 (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 2016 (2015: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	As At	As At
	30/09/2016	31/12/2015
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	(17,854)	(14,663)
Unrealised	<u>22,418</u>	<u>22,472</u>
	4,564	7,809
Total share of retained earnings from associated company:		
Realised	31	31
Unrealised	<u>-</u>	<u>-</u>
	4,595	7,840
Less: Consolidation adjustments	<u>6,182</u>	<u>6,002</u>
Total Group retained earnings as per consolidated accounts	<u>10,777</u>	<u>13,842</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 (Loss)/Earnings Per Share

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/09/2016	Preceding Year Corresponding Quarter 30/09/2015	Current Year 30/09/2016	Preceding Year 30/09/2015
Net (Loss)/Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	(1,647)	836	(3,065)	3,159
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic (Loss)/Earnings Per Share (Sen)	(2.66)	1.35	(4.95)	5.10

(ii) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share was presented same as basic (loss)/earnings per share as there was no potential diluted ordinary shares outstanding as at the end of the current quarter under review.

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 2015.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
28 November 2016