

**KIA LIM BERHAD (342868-P)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**QUARTER ENDED 30 June 2017**

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**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 2016. 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 2016.

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 2016, 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 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interest in Other Entities	1 January 2017

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.

Standards and interpretations issued but not yet effective

The Standards, Amendments, Annual Improvements and IC interpretation that are issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are disclosed below. The Group and Company intend to adopt these Standards, Amendments, Annual Improvements and IC Interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

**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, except for the write off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as a result of damages caused by a fire incidence in the first quarter. On 7 August 2017, the appointed adjusters, Maphilindo Internatinal Sdn Bhd informed that the Insurer, RHB Insurance Berhad had agreed to compensate a total settlement of RM1,483,632.51 for the claim.

**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 June 2017.

**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 June 2017, except as stated in Note A3.

**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 2016.

**A11 Capital Commitment**

	<b>RM'000</b>
Capital expenditure	
Approved and contracted for:	
Property, plant and equipment	<u>96</u>
Approved but not contracted for:	
Property, plant and equipment	<u>3,483</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:

	<b>30/06/2017</b>	<b>30/06/2016</b>
	<b>RM</b>	<b>RM</b>
Rental payable to:		
Kia Lim Timber Trading Sdn. Bhd.	78,726	78,726
Sri Senanggar Batu Bata Sdn. Bhd.	<u>22,275</u>	<u>22,275</u>

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

**B1 Review of Performance**

	Individual Quarter		Changes %	Cumulative Quarter		Changes %
	30/06/2017 RM'000	30/06/2016 RM'000		30/06/2017 RM'000	30/06/2016 RM'000	
Revenue	8,999	11,037	(18)	19,759	24,634	(20)
Operating loss	(1,828)	(1,329)	38	(4,727)	(913)	418
Loss Before Interest And Tax	(1,828)	(1,329)	38	(4,727)	(913)	418
Loss Before Tax	(1,963)	(1,483)	32	(5,047)	(1,268)	298
Loss After Tax	(1,760)	(1,526)	13	(4,154)	(1,418)	193
Loss Attributable To Ordinary Equity Holders Of The Parent	(1,760)	(1,526)	13	(4,154)	(1,418)	193

The Group registered revenue of RM9.0 million and RM19.8 million for the current quarter and period to date as compared to RM11.0 million and RM24.6 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.

The Group registered loss before taxation of RM2.0 million and RM5.0 million for the current quarter and period to date as compared to loss before taxation of RM1.5 million and RM1.3 million for the preceding year corresponding quarter and period to date respectively. The higher loss before taxation for the current quarter and period to date was mainly due to lower revenue as mentioned above. The higher loss before taxation for the period to date was also due to the write off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as well as unabsorbed fixed costs due to loss of production as a result of the shutdown in one of the production lines caused by the fire in the first quarter. The aforesaid affected production line has nonetheless resumed production during the current quarter under review.

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

	Individual Quarter		Changes %
	30/06/2017 RM'000	31/03/2017 RM'000	
Revenue	8,999	10,760	(16)
Operating loss	(1,828)	(2,899)	(37)
Loss Before Interest And Tax	(1,828)	(2,899)	(37)
Loss Before Tax	(1,963)	(3,084)	(36)
Loss After Tax	(1,760)	(2,394)	(26)
Loss Attributable To Ordinary Equity Holders Of The Parent	(1,760)	(2,394)	(26)

Despite the fact that the Group recorded lower revenue of RM9.0 million as a result of lower sales volume and selling prices for the current quarter as compared to RM10.8 million for the immediate preceding quarter, the Group however recorded lower loss before taxation of RM2.0 million for the current quarter as compared to RM3.1 million for the immediate preceding quarter. This was primarily due to the write off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as well as unabsorbed fixed costs due to loss of production as a result of the shutdown in one of the production lines caused by the fire in the immediate preceding quarter.

**B3 Commentary on Prospects**

With the continuing pessimism in the property market outlook and the sparse new housing project launches, construction activities and the demand for clay bricks will continue to stay slow in the near term. Thus, 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.

Nevertheless, 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**

	Individual Quarter		Cumulative Quarter	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Income tax				
- Current year	-	18	-	80
Deferred tax				
- Current year	(372)	25	(1,062)	70
- Recognition of previously unrecognized temporary difference	169	-	169	-
	<u>(203)</u>	<u>43</u>	<u>(893)</u>	<u>150</u>

**B6 Additional Disclosures on Loss Before Tax**

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/06/2017 RM '000	30/06/2016 RM '000	30/06/2017 RM '000	30/06/2016 RM '000
Depreciation of property, plant and equipment	1,423	1,783	2,846	3,561
(Loss)/Gain on foreign exchange				
- realised	10	2	(59)	(17)
Insurance received	-	(57)	-	(57)
Interest expenses	135	154	320	355
Gain on disposal of property, plant and equipment	(12)	(59)	(39)	(62)
Inventories written off	-	-	325	-
Property, plant and equipment written off	-	-	587	-
Other income (including investment income)	-	(11)	(1)	(14)
Rental income	(21)	(20)	(41)	(40)
Vehicle rental income	(17)	(15)	(37)	(31)

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**

All the Group's borrowings are secured and classified as short and long term categories as follows:-

	As At 30/06/2017			As At 30/06/2016		
	Short Term RM'000	Long Term RM'000	Total RM'000	Short Term RM'000	Long Term RM'000	Total RM'000
<b>Secured</b>						
- Bank overdrafts	2,046	-	2,046	2,531	-	2,531
- Bankers' acceptances	3,744	-	3,744	4,190	-	4,190
- Obligations under finance lease	436	595	1,031	509	1,033	1,542
- Term loan	778	-	778	784	707	1,491
	<u>7,004</u>	<u>595</u>	<u>7,599</u>	<u>8,014</u>	<u>1,740</u>	<u>9,754</u>

The borrowings are all denominated in Malaysian currency.

**B9 Material Litigation**

The Group is not engaged in any material litigation as at 22 August 2017 (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 June 2017 (2016: Nil).

**B11 Realised and Unrealised Profits/Losses Disclosure**

	<b>As At 30/06/2017 RM'000</b>	<b>As At 31/12/2016 RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	(27,957)	(23,837)
Unrealised	22,418	22,470
	<u>(5,539)</u>	<u>(1,367)</u>
Total share of retained earnings from associated company:		
Realised	28	28
Unrealised	-	-
	<u>(5,511)</u>	<u>(1,339)</u>
Less: Consolidation adjustments	6,200	6,182
Total Group retained earnings as per consolidated accounts	<u>689</u>	<u>4,843</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 Per Share**

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year	Preceding Year
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(1,760)	(1,526)	(4,154)	(1,418)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Loss Per Share (Sen)	(2.84)	(2.46)	(6.71)	(2.29)

(ii) **Diluted loss per share**

The diluted loss per share was presented same as basic loss 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 2016.

By order of the Board

Leong Siew Foong  
Secretary (MAICSA No. 7007572)  
Batu Pahat  
29 August 2017