

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 31 DECEMBER 2017

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. The insurance compensation pertaining to the losses amounting to RM1,483,632.51 was received and recognised as other operating income in the immediate preceding quarter.

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 year to date.

A6 Dividends Paid

There was no dividend paid for the year ended 31 December 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 year ended 31 December 2017.

A9 Changes in the Composition of the Group

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

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

**As At 31/12/2017
RM'000**

Approved but not contracted for:
Property, plant and equipment

3,483

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:

	31/12/2017 RM	31/12/2016 RM
Rental payable to:		
Kia Lim Timber Trading Sdn. Bhd.	157,452	157,452
Sri Senanggar Batu Bata Sdn. Bhd.	<u>44,550</u>	<u>44,550</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 %
	31/12/2017 RM'000	31/12/2016 RM'000		31/12/2017 RM'000	31/12/2016 RM'000	
Revenue	9,697	10,912	(11)	38,699	45,057	(14)
Operating loss	(3,580)	(6,411)	(44)	(7,469)	(8,462)	(12)
Loss Before Interest And Tax	(3,580)	(6,411)	(44)	(7,469)	(8,462)	(12)
Loss Before Tax	(3,696)	(6,539)	(43)	(8,023)	(9,125)	(12)
Loss After Tax	(5,059)	(5,934)	(15)	(8,689)	(8,999)	(3)
Loss Attributable To Ordinary Equity Holders Of The Parent	(5,059)	(5,934)	(15)	(8,689)	(8,999)	(3)

The Group recorded lower revenue of RM9.7 million and RM38.7 million for the current quarter and year to date as compared to the preceding year corresponding quarter and year to date of RM10.9 million and RM45.1 million respectively. This was mainly due to both lower selling prices and sales volume for the Group's brick products.

The Group however registered a lower loss before taxation of RM3.7 million and RM8.0 million for the current quarter and year to date as compared to RM6.5 million and RM9.1 million for the preceding year corresponding quarter and year to date respectively. The higher loss before taxation for the preceding year corresponding quarter and year to date was mainly due to the effect of the impairment provision for property, plant and equipment of RM5.0 million as compared to current quarter and year to date of RM1.4 million. Excluding the effect of the said impairment provision, loss before taxation for the current quarter and year to date would be higher as compared to that for the preceding year corresponding quarter and year to date respectively, in tandem with the lower revenue recorded due to lower selling prices and sales volume for the Group's brick products.

For the year ended 31 December 2017, the Group had written 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 following the shutdown in one of the production lines caused by a fire incidence. These were compensated by an insurance claim of RM1.48 million.

B2 Material Change in (Loss)/Profit Before Taxation for the Current Quarter compared to the Immediate Preceding Quarter

	Individual Quarter		Changes %
	31/12/2017 RM'000	30/09/2017 RM'000	
Revenue	9,697	9,243	5
Operating (loss)/profit	(3,580)	838	(527)
(Loss)/Profit Before Interest And Tax	(3,580)	838	(527)
(Loss)/Profit Before Tax	(3,696)	720	(613)
(Loss)/Profit After Tax	(5,059)	524	(1,065)
(Loss)/Profit Attributable To Ordinary Equity Holders Of The Parent	(5,059)	524	(1,065)

Despite higher revenue of RM9.7 million for the current quarter as compared to RM9.2 million for the immediate preceding quarter, the Group however recorded a loss before taxation of RM3.7 million as compared to a profit before taxation of RM0.7 million for the immediate preceding quarter. This was mainly attributable to lower profit margin as a result of lower selling prices and an impairment provision for property, plant and equipment of RM1.4 million as well as unabsorbed fixed costs as a result of the shutdown of a production line for repair in the current quarter under review.

In addition, included in the immediate preceding quarter was a recognition of fire insurance claim amounting to RM1.48 million.

B3 Commentary on Prospects

The property market in year 2018 is expected to continue remain flatish and challenging as the issue of lack of affordability of home buyers remains unresolved, this is coupled with rising cost of living and tight financing. In addition, the Bank Negara's monetary policy on normalization of interest rate could further dampen home buyers' sentiment to purchase properties.

With still no signs of recovery in property market, construction activities will likely 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.

The Group is expected to be further burdened by the rise in production costs, for instance, the new policies in respect of foreign workers employment which is to take effect from 1 January 2018, i.e., the foreign worker's levy to be fully borne by employer and additional cost on compulsory medical check-ups during their working stint in Malaysia. These will certainly push up the production cost and erode further the Group's bottom line eventually.

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, and will strive its best to achieve a satisfactory financial results for the financial year ending 31 December 2018.

B4 Variiances 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	
	31/12/2017 RM'000	31/12/2016 RM'000	30/12/2017 RM'000	31/12/2016 RM'000
Income tax				
- Current year	-	(4)	-	113
Deferred tax				
- Current year	51	(601)	(815)	(257)
- Recognition of previously unrecognized temporary difference	(97)	-	72	18
- Underprovision in prior year	1,409	-	1,409	-
	<u>1,363</u>	<u>(605)</u>	<u>666</u>	<u>(126)</u>

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Allowance for slow moving Inventories	115	-	115	-
Depreciation of property, plant and equipment	2,151	2,332	6,401	7,683
Depreciation of investment property	7	7	28	28
Gain on disposal of property, plant and equipment	(606)	(6)	(69)	(69)
(Gain)/Loss on foreign exchange				
- realised	17	(24)	(50)	(36)
- unrealised	29	52	29	52
Impairment loss of property, plant and equipment	1,436	5,000	1,436	5,000
Impairment loss of trade receivables	-	-	17	-
Insurance received	-	-	(1,484)	(57)
Interest expenses	116	128	554	663
Inventories written off	-	-	325	-
Property, plant and equipment written off	-	2	587	2
Other income (including investment income)	(35)	(1)	(75)	(14)
Rental income	(20)	(20)	(81)	(81)
Slow moving inventories written back	(43)	-	(43)	-
Vehicle rental income	(21)	(13)	(78)	(59)

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 31/12/2017			As At 31/12/2016		
	Short Term RM'000	Long Term RM'000	Total RM'000	Short Term RM'000	Long Term RM'000	Total RM'000
Secured						
- Bank overdrafts	3,326	-	3,326	2,308	-	2,308
- Bankers' acceptances	2,804	-	2,804	4,205	-	4,205
- Obligations under finance lease	382	425	807	456	808	1,264
- Term loan	285	-	285	821	285	1,106
	<u>6,797</u>	<u>425</u>	<u>7,222</u>	<u>7,790</u>	<u>1,093</u>	<u>8,883</u>

The borrowings are all denominated in Malaysian currency.

B9 Material Litigation

The Group is not engaged in any material litigation as at 20 February 2018 (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 year ended 31 December 2017 (2016: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	As At 31/12/2017 RM'000	As At 31/12/2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(32,519)	(23,837)
- Unrealised	<u>22,447</u>	<u>22,470</u>
	(10,072)	(1,367)
Total share of retained earnings from associated company:		
- Realised	26	28
- Unrealised	<u>-</u>	<u>-</u>
	(10,046)	(1,339)
Less: Consolidation adjustments	<u>6,200</u>	<u>6,182</u>
Total Group (accumulated losses)/retained earnings as per consolidated accounts	<u>(3,846)</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
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Net Loss For The Year Attributable To Equity Holders Of The Parent (RM'000)	(5,059)	(5,934)	(8,689)	(8,999)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Loss Per Share (Sen)	(8.17)	(9.58)	(14.03)	(14.53)

(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
27 February 2018