

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 JUNE 2018

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 2017. 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 2017.

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 2017, 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 2018.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
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.

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 2018.

A7 Segmental Information

No segmental reporting by activity is prepared as the Group is principally involved in one industry and one country. The sales of the Group's products 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 2018.

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 2017.

A11 Capital Commitment

**As At 30/06/2018
RM'000**

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

	30/06/2018 RM	30/06/2017 RM
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	71,502	78,726
Sri Senanggar Batu Bata Sdn Bhd	22,275	22,275
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>7,824</u>	<u>-</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 %
	30/06/2018 RM'000	30/06/2017 RM'000		30/06/2018 RM'000	30/06/2017 RM'000	
Revenue	10,170	8,999	13	20,222	19,759	2
Operating loss	(789)	(1,828)	(57)	(2,229)	(4,727)	(53)
Loss before interest and tax	(789)	(1,828)	(57)	(2,229)	(4,727)	(53)
Loss before tax	(942)	(1,963)	(52)	(2,543)	(5,047)	(50)
Loss after tax	(800)	(1,760)	(55)	(2,143)	(4,154)	(48)
Loss attributable to ordinary equity holders of the parent	(800)	(1,760)	(55)	(2,143)	(4,154)	(48)

For the current quarter, the Group registered revenue of RM10.2 million and loss before taxation of RM0.9 million as compared to RM9.0 million and RM2.0 million respectively for the preceding year corresponding quarter. The increase in revenue and reduction in loss before taxation were mainly attributable to higher sales volume as well as improved selling prices for the Group's brick products.

For the current 6-month period to date, the Group registered revenue of RM20.2 million and loss before taxation of RM2.5 million as compared to RM19.8 million and RM5.0 million respectively for the preceding year corresponding period to date. The increase in revenue and reduction in loss before taxation was mainly attributable to higher sales volume amid a slight drop in average selling prices for the Group's brick products. In addition, the higher loss before taxation in the preceding year corresponding period to date was also due to the loss in production and unabsorbed fixed costs as a result of the shutdown in one of the production lines that was damaged by a fire.

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

	Individual Quarter		Changes %
	30/06/2018 RM'000	31/03/2018 RM'000	
Revenue	10,170	10,052	1
Operating loss	(789)	(1,440)	(45)
Loss before interest and tax	(789)	(1,440)	(45)
Loss before tax	(942)	(1,601)	(41)
Loss after tax	(800)	(1,343)	(40)
Loss attributable to ordinary equity holders of the parent	(800)	(1,343)	(40)

The Group recorded a lower loss before taxation of RM0.9 million for the current quarter as compared to RM1.6 million for the immediate preceding quarter. The improved results in the current quarter was mainly due to better margin as a result of higher average selling prices despite the lower sales volume for the Group's brick products during the quarter under review.

B3 Commentary on Prospects

The property market is expected to continue to remain flattish and challenging as the issue of lack of affordability of home buyers remains unresolved, coupled with rising cost of living and tight financing. On a more positive note however, the exemption of brick products from Sales Tax under the impending Sales & Services Tax regime is anticipated to ease the cost of building and hence could possibly lead to lower property prices.

With no signs of an imminent recovery in the property market and the challenges of the shortage of foreign workers, construction activities will likely stay slow in the near term with no uptick in the demand for clay bricks. With that, competition will remain stiff due to overall over capacity in the industry. In addition, the hike in electricity tariff effective from 1st July 2018 will certainly have an adverse impact on the Group's margin as well as the bottom line.

Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to contain the production costs, optimise its operational efficiency and product 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 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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Deferred tax				
- Current year	(122)	(372)	(380)	(1,062)
- Recognition of previously unrecognized temporary difference	(20)	169	(20)	169
	<u>(142)</u>	<u>(203)</u>	<u>(400)</u>	<u>(893)</u>

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/06/2018 RM '000	30/06/2017 RM '000	30/06/2018 RM '000	30/06/2017 RM '000
Depreciation of investment property	7	7	14	14
Depreciation of property, plant and equipment	1,239	1,416	2,478	2,832
Gain on foreign exchange - realised	3	10	(7)	(59)
Interest expenses	153	135	314	320
Gain on disposal of property, plant and equipment	(4)	(12)	(27)	(39)
Insurance received	(26)	-	(26)	-
Inventories written off	-	-	-	325
Property, plant and equipment written off	-	-	-	587
Other income (including investment income)	(1)	-	(1)	(1)
Rental income	(14)	(21)	(34)	(41)
Vehicle rental income	(22)	(17)	(46)	(37)

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:-

	As At 30/06/2018			As At 30/06/2017		
	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	3,647	-	3,647	2,046	-	2,046
- Bankers' acceptances	3,073	-	3,073	3,744	-	3,744
- Obligations under finance lease	321	275	596	436	595	1,031
- Term loan	-	-	-	778	-	778
	<u>7,041</u>	<u>275</u>	<u>7,316</u>	<u>7,004</u>	<u>595</u>	<u>7,599</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 21 August 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 period ended 30 June 2018 (2017: Nil).

B11 Earnings 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
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(800)	(1,760)	(2,143)	(4,154)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Loss Per Share (Sen)	(1.29)	(2.46)	(3.46)	(6.71)

(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.

B12 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 2017.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
28 August 2018