

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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 year ended 31 December 2018.

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 2017.

A11 Capital Commitment

**As At 31/12/2018
RM'000**

Capital expenditure	
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:

	31/12/2018 RM'000	31/12/2017 RM'000
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	139	157
Sri Senanggar Batu Bata Sdn Bhd	45	45
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>12</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			Cumulative Quarter		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue	10,658	9,697	10	39,750	38,699	3
Operating loss	(1,128)	(3,497)	(68)	(4,946)	(7,386)	(33)
Loss before interest and tax	(1,128)	(3,497)	(68)	(4,946)	(7,386)	(33)
Loss before tax	(1,261)	(3,613)	(65)	(5,517)	(7,940)	(31)
Loss after tax	(2,265)	(4,995)	(55)	(6,121)	(8,625)	(29)
Loss attributable to ordinary equity holders of the parent	(2,265)	(4,995)	(55)	(6,121)	(8,625)	(29)

For the current quarter, the Group registered revenue of RM10.7 million and loss before taxation of RM1.3 million as compared to revenue of RM9.7 million and loss before taxation of RM3.6 million for the preceding year corresponding quarter. The reduction in loss before taxation for the current quarter was mainly attributable to higher average selling prices for the Group's brick products. The higher loss before taxation for the preceding year corresponding quarter was also due to the write off and an impairment provision for property, plant and equipment totaling to RM1.7 million.

For the current 12-month year to date, the Group registered revenue of RM39.8 million and loss before taxation of RM5.5 million as compared to RM38.7 million and RM7.9 million respectively for the preceding year corresponding year to date. Excluding the effects from the insurance claim received of RM1.5 million and the write off of inventories and property, plant and equipment totaling RM1.2 million as well as the impairment loss of property, plant and equipment of RM1.3 million, the loss before taxation for the preceding year corresponding year to date would be RM6.9 million. The reduction in loss before taxation for the current year to date was mainly attributable to the increase in revenue as a result of higher average selling prices amid a slight drop in sales volume for the Group's brick products.

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

	Individual Quarter		Changes %
	31/12/2018 RM'000	30/09/2018 RM'000	
Revenue	10,658	8,870	20
Operating loss	(1,128)	(1,589)	(29)
Loss before interest and tax	(1,128)	(1,589)	(29)
Loss before tax	(1,261)	(1,713)	(26)
Loss after tax	(2,265)	(1,713)	32
Loss attributable to ordinary equity holders of the parent	(2,265)	(1,713)	32

The Group recorded a lower loss before taxation of RM1.3 million for the current quarter as compared to RM1.7 million for the immediate preceding quarter. The reduction in loss before taxation was primarily due to higher revenue and improve margin as a result of better sales volume and average selling prices for the majority of the Group's brick products.

B3 Commentary on Prospects

Amid the slowing growth of the Malaysian economy, and with no significant imminent recovery in sight in the real property sector, construction activities in the sector are unlikely to pick up momentum, and the demand for clay bricks will likely continue to stay soft. With the overall over capacity in the industry, competition will remain stiff and selling prices will continue to be under pressure.

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 stay competitive in the industry, and will strive its best to achieve a satisfactory financial results for the financial year ending 31 December 2019.

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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Income tax				
- Underprovision in prior year	-	19	-	19
Deferred tax				
- Current year	380	51	-	(815)
- Recognition of previously unrecognized temporary difference	20	(97)	-	72
- Underprovision in prior year	604	1,409	604	1,409
	<u>1,004</u>	<u>1,382</u>	<u>604</u>	<u>685</u>

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM '000	RM '000	RM '000	RM '000
Allowance for slow moving inventories	-	115	-	115
Depreciation of investment property	7	7	28	28
Depreciation of property, plant and equipment	1,302	1,821	5,057	6,071
Gain on disposal of property, plant and equipment	(149)	(607)	(191)	(70)
Gain on foreign exchange				
- realised	(4)	17	(18)	(50)
- unrealised	32	29	32	29
Impairment loss of property, plant and equipment	-	1,335	-	1,335
Impairment loss of trade receivables	-	-	-	17
Impairment loss of other receivables	-	18	-	18
Insurance received	-	-	(26)	(1,484)
Interest expenses	133	116	571	554
Inventories written off	-	-	-	325
Other income (including investment income)	(19)	(35)	(20)	(75)
Property, plant and equipment written off	-	330	-	917
Rental income	(3)	(20)	(39)	(81)
Slow moving inventories written back	(59)	(43)	(59)	(43)
Vehicle rental income	(17)	(20)	(76)	(77)

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 31/12/2018			As At 31/12/2017		
	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	3,589	-	3,589	3,326	-	3,326
- Bankers' acceptances	2,809	-	2,809	2,804	-	2,804
- Obligations under finance lease	255	170	425	382	425	807
- Term loan	-	-	-	285	-	285
	<u>6,653</u>	<u>170</u>	<u>6,823</u>	<u>6,797</u>	<u>425</u>	<u>7,222</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 21 February 2019 (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 2018 (2017: Nil).

B11 Earnings Per Share

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year	Preceding Year
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net Loss For The Year Attributable To Equity Holders Of The Parent (RM'000)	(2,265)	(4,995)	(6,121)	(8,625)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(3.66)	(8.06)	(9.88)	(13.93)

(ii) Diluted earnings per share

The diluted earnings per share was presented same as basic earnings 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 February 2019