

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 SEPTEMBER 2019

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 2018. 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 2018.

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 2018, 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 2019.

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to MFRS 119)	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019

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
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 September 2019.

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 September 2019.

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 2018.

A11 Capital Commitment

Capital expenditure
Approved but not contracted for:
Property, plant and equipment

**As At 30/09/2019
RM'000**

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:

	30/09/2019	30/09/2018
	RM'000	RM'000
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	102	105
Sri Senanggar Batu Bata Sdn Bhd	25	33
Sales of spare parts and upkeep of tools to:		
Kia Lim Timber Trading Sdn Bhd	1	-
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>2</u>	<u>9</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		
	30/09/2019 RM'000	30/09/2018 RM'000	Changes %	30/09/2019 RM'000	30/09/2018 RM'000	Changes %
Revenue	8,482	8,870	(4)	29,552	29,092	2
Operating loss	(601)	(1,589)	(62)	(1,699)	(3,818)	(56)
Loss before interest and tax	(601)	(1,589)	(62)	(1,699)	(3,818)	(56)
Loss before tax	(704)	(1,713)	(59)	(2,218)	(4,256)	(48)
Loss after tax	(704)	(1,713)	(59)	(2,218)	(3,856)	(42)
Loss attributable to ordinary equity holders of the parent	(704)	(1,713)	(59)	(2,218)	(3,856)	(42)

The Group recorded revenue of RM8.5 million and RM29.6 million for the current quarter and period to date as compared to RM8.9 million and RM29.1 million for the preceding year corresponding quarter and period to date respectively. While the Group registered better average selling prices for its brick products for the current quarter as well as for the period to date, the impact on its revenue was negated by a decline in sales volume, thus resulting in the relatively little changes in revenue.

The Group recorded a lower loss before taxation of RM0.7 million and RM2.2 million for the current quarter and period to date as compared to RM1.7 million and RM4.3 million for the preceding year corresponding quarter and period to date respectively. The improved results were mainly due to improved margin as a result of better average selling prices as well as lower depreciation charges.

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

	Individual Quarter		Changes %
	30/09/2019 RM'000	30/06/2019 RM'000	
Revenue	8,482	10,243	(17)
Operating loss	(601)	(699)	(14)
Loss before interest and tax	(601)	(699)	(14)
Loss before tax	(704)	(788)	(11)
Loss after tax	(704)	(788)	(11)
Loss attributable to ordinary equity holders of the parent	(704)	(788)	(11)

Despite lower revenue for the current quarter of RM8.5 million as compared to RM10.2 million for the immediate preceding quarter, the Group recorded lower loss before taxation of RM0.7 million for the current quarter as compared to RM0.8 million for the immediate preceding quarter. The decline in revenue was primarily due to lower sales volume despite better average selling prices for the Group's brick products.

The marginal improvement in loss before taxation for the current quarter was due to better margin and lower production costs.

B3 Commentary on Prospects

Malaysia's gross domestic product (GDP) grew 4.4% in the 3rd quarter (Q3) 2019, slower than the 4.9% growth recorded in Q2. The outlook for the real property market remains cautious, with lingering issues of supply overhang and price affordability. With no imminent recovery in sight in the real property sector, construction activities in the sector are unlikely to pick up momentum anytime soon, and the demand for clay bricks will likely stay soft. The industry is further challenged by overcapacity issue and selling prices will continue to be under pressure as a result.

On a more positive note however, the stimulus measures as tabled in the recent Budget 2020, such as Rent-To-Own (RTO) financing scheme, the lowering of the threshold for foreign buyers and the adjustment of base year for the calculation of Real Property Gains Tax (RPGT) could possibly bring vibrancy and improve demand for houses, besides addressing the supply overhang and affordability issues as mentioned above.

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 to its best to achieve satisfactory financial results for the financial 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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM '000	RM '000	RM '000	RM '000
Income tax				
- Current year	-	-	-	-
Deferred tax				
- Current year	-	-	-	(380)
- Recognition of previously unrecognized temporary difference	-	-	-	(20)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400)</u>

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM '000	RM '000	RM '000	RM '000
Depreciation of investment property	7	7	21	21
Depreciation of property, plant and equipment	992	1,277	2,826	3,755
Gain on disposal of property, plant and equipment	(42)	(15)	(58)	(42)
Gain on foreign exchange - realised	13	(7)	(16)	(14)
Insurance received	-	-	-	(26)
Interest expense	103	124	339	438
Other income (including investment income)	(24)	-	(25)	(1)
Rental income	(2)	(2)	(6)	(36)
Vehicle rental income	(11)	(13)	(41)	(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 Trade and Other Receivables

	30/09/2019 RM'000	31/12/2018 RM'000
Current		
Trade receivables		
Third parties	7,328	10,103
Less: Allowance for expected loss	(187)	(187)
	<u>7,141</u>	<u>9,916</u>
Other receivables		
Deposits	110	103
Sundry receivables	168	107
	<u>278</u>	<u>210</u>
Less: Allowance for expected loss	(19)	(19)
	<u>259</u>	<u>191</u>
Total trade and other receivables (current)	<u>7,400</u>	<u>10,107</u>
Non-current		
Other receivables	-	-
Total trade and other receivables (current and non-current)	<u><u>7,400</u></u>	<u><u>10,107</u></u>
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	4,546	6,700
1 to 30 days past due not impaired	2,167	2,361
31 to 60 days past due not impaired	282	559
More than 61 days past due not impaired	146	296
	2,595	3,216
Impaired	187	187
	<u>7,328</u>	<u>10,103</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms.

B9 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 30/09/2019			As At 31/12/2018		
	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	2,599	-	2,599	3,589	-	3,589
- Bankers' acceptances	2,382	-	2,382	2,809	-	2,809
- Obligations under finance lease	124	166	290	255	170	425
	<u>5,105</u>	<u>166</u>	<u>5,271</u>	<u>6,653</u>	<u>170</u>	<u>6,823</u>

B10 Material Litigation

The Group is not engaged in any material litigation as at 20 November 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report).

B11 Dividend

The Board of Directors has not recommended any interim dividend for the period ended 30 September 2019 (2018: Nil).

B12 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
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(704)	(1,713)	(2,218)	(3,856)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(1.14)	(2.77)	(3.58)	(6.23)

(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.

B13 Auditors' Report on Preceding Annual Financial Statements

There was no audit qualification in the annual audit report of the Company's previous annual financial statements for the year ended 31 December 2018.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
27 November 2019