

KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2021

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 2020. 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 2020.

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 2020, 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 2021.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021

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 MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
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 2021.

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 2021.

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 2020.

A11 Capital Commitment

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

**As At 30/06/2021
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:

	30/06/2021	30/06/2020
	RM'000	RM'000
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	68	70
Sri Senanggar Batu Bata Sdn Bhd	12	12
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>1</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 %
	30/06/2021 RM'000	30/06/2020 RM'000		30/06/2021 RM'000	30/06/2020 RM'000	
Revenue	4,701	2,555	84	11,545	10,145	14
Operating loss	(1,947)	(2,098)	(7)	(2,486)	(3,466)	(28)
Loss before interest and tax	(1,947)	(2,098)	(7)	(2,486)	(3,466)	(28)
Loss before tax	(2,026)	(2,171)	(7)	(2,669)	(3,661)	(27)
Loss after tax	(2,026)	(2,171)	(7)	(2,669)	(3,661)	(27)
Loss attributable to ordinary equity holders of the parent	(2,026)	(2,171)	(7)	(2,669)	(3,661)	(27)

Amid the continuing rage of the Covid-19 pandemic, the Group's result for the quarter has again been adversely impacted as it covers a full month of total stoppage of operation following the implementation of a total lockdown ("FMCO") since 1st June 2021. The Group registered revenue of RM4.7 million and RM11.5 million for the current quarter and period todate respectively, while loss before taxation came in at RM2.0 million and RM2.7 million for the current quarter and period todate respectively. These however, represent improved result as compared to revenue of RM2.6 million and RM10.1 million for the preceding year corresponding quarter and period todate respectively, and loss before taxation of RM2.2 million and RM3.7 million for the preceding year corresponding quarter and period todate respectively.

The higher loss before taxation for the preceding year corresponding quarter and period todate was primarily attributable to the lower revenue due to lower sales volume for the Group's brick products as it covers an even longer period of total stoppage of the Group's entire business operations during the first Movement Control Order ("MCO") which took effect from 18th March 2020 following the outbreak of the Covid-19 pandemic and operation only resumed gradually towards the end of May last year.

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

	Individual Quarter		Changes %
	30/06/2021 RM'000	31/03/2021 RM'000	
Revenue	4,701	6,844	(31)
Operating loss	(1,947)	(539)	261
Loss before interest and tax	(1,947)	(539)	261
Loss before tax	(2,026)	(643)	215
Loss after tax	(2,026)	(643)	215
Loss attributable to ordinary equity holders of the parent	(2,026)	(643)	215

The Group recorded higher loss before taxation of RM2.0 million for the current quarter as compared to RM0.6 million for the immediate preceding quarter. The increase in loss before taxation was primarily due to lower sales volume for the Group's brick products and the stoppage of all production lines as a result of the total lockdown under the imposition of full MCO nationwide with effect from 1 June 2021. This had also resulted in certain unavoidable fixed costs remained unabsorbed for the quarter under review.

B3 Commentary on Prospects

As announced by the Bank Negara, Malaysia's economy grew by 16.1% year on year in the second quarter of 2021. However, restrictions during the total lockdown since June 2021 to curb a new wave of infections had resulted in GDP declining by 2.0% from the first quarter this year.

The business environment is expected to stay challenging as the Covid-19 pandemic has yet to be brought under control. The imposition of total lockdown to flatten the curve of infection and the declaration of state of emergency due to the rise in infections, although both had recently been lifted, had affected businesses and dampened investors' and consumers' confidence, and could therefore delay the recovery of the economy.

On a more positive note however, the recovery story for Malaysia remains intact with the ramp up in vaccination. The path towards recovery lies in a quick and efficient immunisation programme, and this become the key factor in determining the strength of the economic recovery. Furthermore, the current low interest rate environment induced by Covid-19 pandemic-driven economic slowdown, could possibly serve to cushion the adverse impact on the demand for houses.

Against this backdrop and coupled with lingering issues of supply overhang and price affordability, the outlook for the real property market remains cautious. 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 hence the demand for clay bricks will likely stay soft.

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. Amid this unprecedented challenge from the outbreak of Covid-19, the Management will strive to mitigate its adverse impact on the financial results for the financial year ending 31 December 2021.

B4 Variances from Profit Forecast and Profit Guarantee

Not applicable to the Group as no profit forecast or profit guarantee was published.

B5 Taxation

No provision for taxation is necessary, as the Group and Company have no chargeable income.

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/06/2021 RM '000	30/06/2020 RM '000	30/06/2021 RM '000	30/06/2020 RM '000
Depreciation of investment property	7	7	14	14
Depreciation of property, plant and equipment	608	634	1,216	1,269
Gain on disposal of property, plant and equipment	-	(30)	-	(52)
Gain on foreign exchange - realised	(7)	(11)	(44)	(20)
Insurance claim received	(20)	-	(98)	-
Interest expense	79	73	183	195
Other expenses	-	10	-	10
Other income (including investment income)	-	-	(79)	(29)
Rental income	(14)	(2)	(28)	(4)
Vehicle rental income	(8)	(2)	(18)	(9)

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

	30/06/2021	31/12/2020
	RM'000	RM'000
Current		
Trade receivables		
Third parties	4,669	7,050
Less: Allowance for expected loss	(289)	(289)
	<u>4,380</u>	<u>6,761</u>
Other receivables		
Deposits	103	103
Sundry receivables	180	104
	<u>283</u>	<u>207</u>
Less: Allowance for expected loss	(19)	(19)
	<u>264</u>	<u>188</u>
Total trade and other receivables (current)	<u>4,644</u>	<u>6,949</u>
Non-current		
Other receivables	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	<u><u>4,644</u></u>	<u><u>6,949</u></u>
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	1,914	4,454
1 to 30 days past due not impaired	1,548	1,790
31 to 60 days past due not impaired	817	464
More than 61 days past due not impaired	101	53
	<u>2,466</u>	<u>2,307</u>
Impaired	289	289
	<u>4,669</u>	<u>7,050</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2020: 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 30/06/2021			As At 31/12/2020		
	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	2,962	-	2,962	2,610	-	2,610
- Bankers' acceptances	1,680	-	1,680	2,479	-	2,479
- Obligations under hire purchase	180	475	655	174	567	741
	<u>4,822</u>	<u>475</u>	<u>5,297</u>	<u>5,263</u>	<u>567</u>	<u>5,830</u>

B10 Material Litigation

The Group is not engaged in any material litigation as at 19 August 2021 (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 June 2021 (2020: 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
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(2,026)	(2,171)	(2,669)	(3,661)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(3.27)	(3.51)	(4.31)	(5.91)

(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 2020.

By order of the Board

Leong Siew Foong
(MAICSA No. 7007572) (CCM PC No.: 202008001117)
Secretary
Batu Pahat
26 August 2021