

KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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

There is no capital commitment not recognised in the current interim financial statements and during the current reporting period.

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:

	30/09/2021	30/09/2020
	RM'000	RM'000
Purchase of spare parts and upkeep of tools from: Kia Lim Timber Trading Sdn Bhd	-	2
Rental payable to: Kia Lim Timber Trading Sdn Bhd Sri Senanggar Batu Bata Sdn Bhd	102 18	106 18
Transport charges receivable from: Original Clay Industries Sdn Bhd	<u>1</u>	<u>1</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 %
	30/09/2021 RM'000	30/09/2020 RM'000		30/09/2021 RM'000	30/09/2020 RM'000	
Revenue	4,148	7,172	(42)	15,693	17,317	(9)
Operating loss	(2,449)	(872)	181	(4,935)	(4,338)	14
Loss before interest and tax	(2,449)	(872)	181	(4,935)	(4,338)	14
Loss before tax	(2,532)	(974)	160	(5,201)	(4,635)	12
Loss after tax	(2,532)	(974)	160	(5,201)	(4,635)	12
Loss attributable to ordinary equity holders of the parent	(2,532)	(974)	160	(5,201)	(4,635)	12

The quarter under review oversaw the gradual resumption of economic activities following the full lockdown which started back on 1st June 2021. Amid the various challenges and restrictions faced by the housing project construction sector, demand uptick for brick products was gradual, and the Group was only able to resume production in the later half of August. With the loss of production and sales, the Group registered lower revenue of RM4.1 million for the current quarter as compared to RM7.2 million for the preceding year corresponding quarter, while the loss before taxation rose to RM2.5 million for the current quarter as compared to RM1.0 million for the preceding year corresponding quarter.

The higher loss before taxation for the current quarter was also partly due to higher unabsorbed fixed costs as a result of the non-production days. Additional cost was also incurred to keep warm the tunnel kiln during the non-production days.

For the nine months ended 30 September 2021, revenue was lower at RM15.7 million as compared to RM17.3 million for the preceding year corresponding period. The decrease was due primarily to the lower sales volume for the Group's brick products. In tandem therewith, the Group recorded higher loss before taxation of RM5.2 million for the period to date as compared to RM4.6 million for the preceding year corresponding period to date.

The higher loss before taxation for the current period to date was also partly due to higher unabsorbed fixed costs as a result of the shutdown of one of the production lines as well as higher additional cost incurred to keep warm the tunnel kiln.

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

	Individual Quarter		Changes %
	30/09/2021 RM'000	30/06/2021 RM'000	
Revenue	4,148	4,701	(12)
Operating loss	(2,449)	(1,947)	26
Loss before interest and tax	(2,449)	(1,947)	26
Loss before tax	(2,532)	(2,026)	25
Loss after tax	(2,532)	(2,026)	25
Loss attributable to ordinary equity holders of the parent	(2,532)	(2,026)	25

The Group recorded higher loss before taxation of RM2.5 million for the current quarter as compared to RM2.0 million for the immediate preceding quarter. The increase in loss before taxation was primarily due to lower production and sales volume for the Group's brick products as a result of the longer non-production period covered by the current quarter as compared to that of the immediate preceding quarter.

The longer non-production period had also resulted in higher unabsorbed fixed costs and additional cost to keep warm the tunnel kiln for the current quarter under review.

B3 Commentary on Prospects

The recovery story for Malaysia remains intact following the reopening of almost all economic sectors after achieving the pre-determined rate of fully vaccinated population.

The current low interest rate environment and the abolishment of real property gains tax on disposal of houses on the sixth year onwards as announced in the recent Budget 2022 could bring the long awaited vibrancy to the property market and possibly serve to cushion the adverse impact on the demand for houses as a result of the ravage on the economy caused by the Covid-19 pandemic. The lingering issues of supply overhang, price affordability and the shortage of foreign workers will nonetheless hamper enthusiasm in new project launches.

Against this backdrop, uptick in housing project construction activities is likely to be gradual and hence the demand for clay bricks will likely to stay soft in the near term.

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	
	30/09/2021 RM '000	30/09/2020 RM '000	30/09/2021 RM '000	30/09/2020 RM '000
Depreciation of investment property	7	7	21	21
Depreciation of property, plant and equipment	614	674	1,830	1,943
Gain on disposal of property, plant and equipment	(78)	(10)	(78)	(62)
Gain on foreign exchange - realised	5	5	(39)	(15)
Insurance claim received	-	-	(20)	-
Interest expense	83	102	266	297
Other income (including investment income)	(35)	(222)	(192)	(241)
Rental income	(14)	(2)	(42)	(6)
Vehicle rental income	(11)	(6)	(29)	(15)

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

	30/09/2021	31/12/2020
	RM'000	RM'000
Current		
Trade receivables		
Third parties	4,113	7,050
Less: Allowance for expected loss	(289)	(289)
	<u>3,824</u>	<u>6,761</u>
Other receivables		
Deposits	103	103
Sundry receivables	264	104
	<u>367</u>	<u>207</u>
Less: Allowance for expected loss	(19)	(19)
	<u>348</u>	<u>188</u>
Total trade and other receivables (current)	<u>4,172</u>	<u>6,949</u>
Non-current		
Other receivables	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	<u><u>4,172</u></u>	<u><u>6,949</u></u>
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	2,526	4,454
1 to 30 days past due not impaired	626	1,790
31 to 60 days past due not impaired	225	464
More than 61 days past due not impaired	447	53
	1,298	2,307
Impaired	289	289
	<u>4,113</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 30/09/2021			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	3,302	-	3,302	2,610	-	2,610
- Bankers' acceptances	1,113	-	1,113	2,479	-	2,479
- Obligations under hire purchase	184	428	612	174	567	741
	<u>4,599</u>	<u>428</u>	<u>5,027</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 18 November 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 September 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
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(2,532)	(974)	(5,201)	(4,635)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(4.09)	(1.57)	(8.40)	(7.48)

(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
25 November 2021