

KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE QUARTER ENDED 31 DECEMBER 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 year to date.

A6 Dividends Paid

There was no dividend paid for the year ended 31 December 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 year ended 31 December 2021.

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 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:

	31/12/2021	31/12/2020
	RM'000	RM'000
Purchase of spare parts and upkeep of tools from:		
Kia Lim Timber Trading Sdn Bhd	-	2
Original Clay Industries Sdn Bhd	-	1
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	132	140
Sri Senanggar Batu Bata Sdn Bhd	24	24
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>2</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 %
	31/12/2021 RM'000	31/12/2020 RM'000		31/12/2021 RM'000	31/12/2020 RM'000	
Revenue	6,636	8,223	(19)	22,329	25,540	(13)
Operating profit/(loss)	150	(473)	(132)	(4,785)	(4,811)	(1)
Profit/(Loss) before interest and tax	150	(473)	(132)	(4,785)	(4,811)	(1)
Profit/(Loss) before tax	371	(569)	(165)	(4,830)	(5,204)	(7)
Profit/(Loss) after tax	371	(587)	(163)	(4,830)	(5,222)	(8)
Profit/(Loss) attributable to ordinary equity holders of the parent	371	(587)	(163)	(4,830)	(5,222)	(8)

The Group recorded lower revenue of RM6.6 million for the current quarter as compared to RM8.2 million for the preceding year corresponding quarter. This was mainly due to lower sales volume. Its impact on revenue was however partly negated by higher average selling prices for the Group's brick products for the quarter under review.

Despite lower revenue, the Group recorded a profit before taxation of RM0.4 million for the current quarter as compared to a loss before taxation of RM0.6 million for the preceding year corresponding quarter. The improved result was primarily due to better margins as a result of higher average selling prices for the Group's brick products. In addition, the profit before taxation for the current quarter was also partly due to the recognition of finance income of approximately RM0.3 million under MFRS 9.

For the year to date ended 31 December 2021, the Group recorded lower revenue of RM22.3 million as compared to RM25.5 million for the preceding year. This was mainly due to the lower sales volume registered by the Group on the back of the lackluster demand for brick products. The property construction sector continued to face numerous challenges, including scarcity of launches of new residential projects, labour shortages and other pandemic-induced disruption. The impact of the lower sales volume on revenue was however partly negated by higher average selling prices for the Group's brick products for the year under review.

Despite lower revenue, the Group recorded loss before taxation of RM4.8 million for the year as compared to RM5.2 million for the preceding year, a marginally better result, primarily due to lower selling & distribution expenses and administrative expenses even though additional cost was incurred to keep warm the tunnel kiln during operation shutdown following the nationwide full lockdown in the third quarter of the year to contain the spread of Covid-19 pandemic. In addition, the lower loss before taxation for the current year to date was also partly due to the recognition of finance income of approximately RM0.3 million under MFRS 9.

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

	Individual Quarter		Changes %
	31/12/2021 RM'000	30/09/2021 RM'000	
Revenue	6,636	4,148	60
Operating profit/(loss)	150	(2,449)	(106)
Profit/(Loss) before interest and tax	150	(2,449)	(106)
Profit/(Loss) before tax	371	(2,532)	(115)
Profit/(Loss) after tax	371	(2,532)	(115)
Profit/(Loss) attributable to ordinary equity holders of the parent	371	(2,532)	(115)

The Group recorded profit before taxation of RM0.4 million for the current quarter as compared to loss before taxation of RM2.5 million for the immediate preceding quarter. This was primarily due to higher sales volume as well as better average selling prices for the Group's brick products.

The loss before taxation in the immediate preceding quarter was also attributable to the unabsorbed fixed costs as a result of the production stoppage and additional costs incurred to keep warm the tunnel kiln during the nationwide full lockdown to contain the spread of Covid-19 pandemic.

B3 Commentary on Prospects

Bank Negara Malaysia reported that Malaysia's gross domestic product (GDP), grew 3.6% in the fourth quarter of 2021 from a year earlier as economic activities resumed with the easing of Covid-19 pandemic-driven containment measures. Malaysian economy is expected to remain on its recovery path, supported by continued expansion in global demand and higher private-sector expenditure given improving labour market conditions and ongoing policy support, as well as Covid-19 vaccination progress. The continuation of major investment projects in both the private and public sectors will also support the growth. However, the balance of risks remains tilted to the downside, mainly from the developments surrounding Covid-19, both globally and domestically.

The current low interest rate environment and the abolishment of real property gains tax on disposal of houses on the sixth year onwards could 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 and price affordability will nonetheless hamper enthusiasm in new project launches. Additionally, the property construction sector continues to face challenges of labour shortage and other pandemic-induced disruption.

Against this backdrop, although there are early signs of a recovery in new housing project launches to meet pent-up demands, uptick in housing project construction activities, and hence the demand for clay bricks is likely to be gradual.

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 2022.

B4 Variiances 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	
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Income tax				
- Current year	-	-	-	-
- Under provision in prior year	-	18	-	18
	<u>-</u>	<u>18</u>	<u>-</u>	<u>18</u>

B6 Additional Disclosures on (Profit)/Loss Before Tax

Included in the profit/(loss) before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/12/2021 RM '000	31/12/2020 RM '000	31/12/2021 RM '000	31/12/2020 RM '000
Depreciation of investment property	7	7	28	28
Depreciation of property, plant and equipment	674	727	2,504	2,670
Gain on disposal of property, plant and equipment	(7)	(17)	(85)	(79)
Gain on foreign exchange				
- realised	9	(7)	(30)	(22)
- unrealised	37	40	37	40
Impairment loss on trade receivables	-	102	-	102
Insurance claim received	(78)	-	(98)	-
Interest (income) /expense	(221)	96	45	393
Inventories written down	-	22	-	22
Other income (including investment income)	(37)	(132)	(229)	(373)
Property, plant and equipment written off	-	1	-	1
Rental income	(14)	(6)	(56)	(12)
Slow moving inventories written back	(3)	(4)	(3)	(4)
Vehicle rental income	(21)	(16)	(50)	(31)

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

	31/12/2021 RM'000	31/12/2020 RM'000
Current		
Trade receivables		
Third parties	5,387	7,050
Less: Allowance for expected loss	(289)	(289)
	<u>5,098</u>	<u>6,761</u>
Other receivables		
Related parties	1	-
Deposits	103	103
Sundry receivables	61	104
	<u>165</u>	<u>207</u>
Less: Allowance for expected loss	(19)	(19)
	<u>146</u>	<u>188</u>
Total trade and other receivables (current)	<u>5,244</u>	<u>6,949</u>
Non-current		
Other receivables	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	<u><u>5,244</u></u>	<u><u>6,949</u></u>

Ageing analysis of trade receivables

Neither past due nor impaired	3,677	4,454
1 to 30 days past due not impaired	1,295	1,790
31 to 60 days past due not impaired	69	464
More than 61 days past due not impaired	57	53
	<u>1,421</u>	<u>2,307</u>
Impaired	289	289
	<u>5,387</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 31/12/2021			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	3,013	-	3,013	2,610	-	2,610
- Bankers' acceptances	1,038	-	1,038	2,479	-	2,479
- Obligations under hire purchase	187	380	567	174	567	741
	<u>4,238</u>	<u>380</u>	<u>4,618</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 February 2022 (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 year ended 31 December 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
	31/12/2021	31/12/2021	31/12/2021	31/12/2020
Net Profit/(Loss) For The Year Attributable To Equity Holders Of The Parent (RM'000)	371	(587)	(4,830)	(5,222)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	0.60	(0.95)	(7.80)	(8.43)

(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 February 2022