

KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2022

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 2021. 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 2021.

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 2021, 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 2022.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combinations (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: Provisions, Contingent Liabilities and Contingent Assets (Cost of Fulfilling a Contract)	1 January 2022
Annual Improvements to MFRS Standards 2018–2020	1 January 2022

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 MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2023
Amendments to MFRS 101: Presentation of Financial Statements (Disclosure of accounting policies)	1 January 2023
Amendments to MFRS 108: Accounting Policies, Change in Accounting Estimates and Error (Definition of accounting estimates)	1 January 2023
Amendments to MFRS 112 Deferred tax related to Asset and Liabilities arising from a Single Transaction	1 January 2023

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 2022.

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 2022.

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 2021.

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:

	30/09/2022	30/09/2021
	RM'000	RM'000
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	85	102
Sri Senanggar Batu Bata Sdn Bhd	18	18
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>3</u>	<u>1</u>

**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 %
	30/09/2022 RM'000	30/09/2021 RM'000		30/09/2022 RM'000	30/09/2021 RM'000	
Revenue	7,510	4,148	81	21,159	15,693	35
Operating loss	(148)	(2,449)	(94)	(482)	(4,935)	(90)
Loss before interest and tax	(148)	(2,449)	(94)	(482)	(4,935)	(90)
Loss before tax	(236)	(2,532)	(91)	(821)	(5,201)	(84)
Loss after tax	(236)	(2,532)	(91)	(821)	(5,201)	(84)
Loss attributable to ordinary equity holders of the parent	(236)	(2,532)	(91)	(821)	(5,201)	(84)

The Group recorded revenue of RM7.5 million and RM21.2 million for the current quarter and period to date as compared to RM4.1 million and RM15.7 million for the preceding year corresponding quarter and period to date respectively. The higher revenue was attributable to higher average selling prices as well as higher sales volume for the Group's brick products.

In tandem with higher revenue, the Group recorded lower loss before taxation of RM0.2 million and RM0.8 million for the current quarter and period to date as compared to RM2.5 million and RM5.2 million for the preceding year corresponding quarter and period to date respectively. The higher average selling prices had resulted in improved margin for the Group.

The higher loss before taxation for the preceding year corresponding quarter was also due to the shutdown of the entire business operations in the first two months of the quarter as a result of the nationwide full lockdown to contain the worsening Covid-19 pandemic. Similarly for the preceding year corresponding period to date, the higher loss before taxation was also due to the disruptions to the business operations as a result of the intermittent lockdowns during the period to contain the worsening Covid-19 pandemic. The shutdown had resulted in the loss of both sales and production and the loss in production had resulted in certain fixed costs being consequently unabsorbed.

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

	Individual Quarter		Changes %
	30/09/2022 RM'000	30/06/2022 RM'000	
Revenue	7,510	6,620	13
Operating loss	(148)	(394)	(62)
Loss before interest and tax	(148)	(394)	(62)
Loss before tax	(236)	(510)	(54)
Loss after tax	(236)	(510)	(54)
Loss attributable to ordinary equity holders of the parent	(236)	(510)	(54)

The Group recorded loss before taxation of RM0.2 million for the current quarter as compared to RM0.5 million for the immediate preceding quarter. The improved result was primarily due to higher revenue and better margin as a result of higher average selling prices for the brick products, while sales volume was also higher.

B3 Commentary on Prospects

The Malaysian economy continues on its recovery path, registering a 14.2% year-on-year growth for the third quarter of year 2022. It expanded by 9.3% overall in the first three quarters of year 2022. This is on the back of continued expansion of domestic demand, a firm recovery in the labour market and income condition amid normalizing economic activity, as well as ongoing policy support as reported by the Bank Negara Malaysia.

While there are signs of improving sentiment supported by improvement in wider economic activities, the property market environment remains challenging. The lingering issues of property supply overhang and shortage of labour continue to be a drag on new project launches. In addition, house buyers are further burdened by the current inflationary pressure with rising cost of living and increasing interest rates. Against this backdrop, uptick in housing project construction activities, and hence the demand for clay bricks is likely to be gradual. With the uptick in demand, albeit gradual, the Group is hopeful for the continue recovery in selling prices and that the pressure on our margin would ease further in the face of challenges from high energy costs as well as the implementation of the new minimum wage level of RM1,500.

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.

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	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
	RM '000	RM '000	RM '000	RM '000
Depreciation of investment property	7	7	21	21
Depreciation of property, plant and equipment	599	614	1,783	1,830
Gain on disposal of property, plant and equipment	(16)	(78)	(105)	(78)
Gain on foreign exchange - realised	(1)	5	(50)	(39)
Impairment loss on trade receivables written back	-	-	26	-
Insurance claim received	-	-	-	(20)
Interest expense	88	83	339	226
Other income (including investment income)	(6)	(35)	(53)	(192)
Rental income	(14)	(14)	(42)	(42)
Vehicle rental income	(15)	(11)	(34)	(29)

Other disclosure items pursuant to Appendix 9B Note 16 of the listing requirements of Bursa Securities are not applicable.

B7 Corporate Proposalsa) 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

	30/09/2022 RM'000	31/12/2021 RM'000
Current		
Trade receivables		
Third parties	5,831	5,387
Less: Allowance for expected loss	(76)	(289)
	<u>5,755</u>	<u>5,098</u>
Other receivables		
Deposits	101	103
Related parties	1	1
Sundry receivables	207	71
	<u>309</u>	<u>175</u>
Less: Allowance for expected loss	-	(19)
	<u>309</u>	<u>156</u>
Total trade and other receivables (current)	<u>6,064</u>	<u>5,254</u>
Non-current		
Other receivables	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	<u>6,064</u>	<u>5,254</u>
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	3,913	3,677
1 to 30 days past due not impaired	1,762	1,295
31 to 60 days past due not impaired	36	69
More than 61 days past due not impaired	44	57
	1,842	1,421
Impaired	76	289
	<u>5,831</u>	<u>5,387</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2021: 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 30/09/2022			As At 31/12/2021		
	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	787	-	787	3,013	-	3,013
- Bankers' acceptances	790	-	790	1,038	-	1,038
- Obligations under hire purchase	181	247	428	187	380	567
	<u>1,758</u>	<u>247</u>	<u>2,005</u>	<u>4,238</u>	<u>380</u>	<u>4,618</u>

B10 Material Litigation

The Group is not engaged in any material litigation as at 18 November 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 period ended 30 September 2022 (2021: 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
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
Net Loss For The Period Attributable To Equity Holders Of The Parent (RM'000)	(236)	(2,532)	(821)	(5,201)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(0.38)	(4.09)	(1.33)	(8.40)

(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 2021.

By order of the Board

Santhi A/P Saminathan
(MAICSA No. 7069709)
(CCM PC No. 201908002933)
Secretary
25 November 2022