

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 30 SEPTEMBER 2015

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 2014. 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 2014.

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 2014, 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 2015.

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

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.

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 2015.

A7 Segmental Information

No segmental reporting by activity is prepared as the Group is principally involved in one industry and one country. The sales 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 2015.

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 2014.

A11 Capital Commitment

RM'000

Capital expenditure
Approved and contracted for:
Property, plant and equipment

159

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:

	30/09/2015	30/09/2014
	RM	RM
Sales of spare parts and upkeep of tools to: Sri Senanggar Batu Bata Sdn. Bhd.	28,236	28,356
Purchases of indirect materials from: Ban Dung Palm Oil Industries Sdn. Bhd. Kia Lim Timber Trading Sdn. Bhd.	33,559 -	470,347 7,661
Insurance premium payable to: Kia Lim Timber Trading Sdn. Bhd.	42,763	245,353
Rental payable to: Kia Lim Timber Trading Sdn. Bhd. Sri Senanggar Batu Bata Sdn. Bhd.	110,242 33,413	108,000 35,691

B. ADDITIONAL INFORMATION AS REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS (CHAPTER 9, PART A OF APPENDIX 9B)

B1 Review of Performance

The Group registered higher revenue of RM15.3 million and RM53.4 million for the current quarter and period to date respectively, as compared to RM14.5 million and RM48.1 million for the preceding year corresponding quarter and period to date. In tandem therewith, profit before taxation also came in higher at RM1.2 million and RM4.5 million for the current quarter and period to date respectively, as compared to loss before taxation of RM0.4 million and profit before taxation of RM1.5 million for the preceding year corresponding quarter and period to date.

The increase in revenue for the current quarter and period to date was mainly attributable to both higher sales volume and selling prices for the Group's brick products. In addition, the shut down of one of the production lines for upgrading purpose, which lasted for about one month in the third quarter of last year had also resulted in both lower production and sales volume.

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

The Group recorded profit before taxation of RM1.2 million for the current quarter as compared to profit before taxation of RM1.6 million for the immediate preceding quarter. The decline in profit before taxation was primarily due to lower sales volume for the majority of the Group's brick products for the quarter under review.

B3 Commentary on Prospects

Malaysia's economy continued its downtrend growth this year, gross domestic product ("GDP") expanded by 4.7% in the third quarter as compared to the first quarter of 5.6% and the second quarter of 4.9%, supported mainly by domestic demand and private sector activity. Private consumption however saw a more moderate growth of 4.1% in the third quarter as compared to the second quarter of 6.4% this year as households continued to adjust the impact from the implementation of the Goods and Services Tax ("GST"). Against this backdrop, sentiment in the real property sector had shown signs of cooling with fewer new project launches and the management anticipates that going forward, demand in the construction and residential sub-sector would also moderate in tandem. Nonetheless, the Management is still hopeful that with no foreseeable additional production capacity coming on stream in the market, supply of clay bricks would continue to be well absorbed by market demand.

In facing the challenging times ahead, the Management will continue its effort in improving cost efficiency and optimizing productivity, and the Group will strive to achieve satisfactory financial results for the year 2015.

B4 Variances from Profit Forecast and Profit Guarantee

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

B5 Taxation

	Current Quarter		Current Period To Date	
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Income tax				
- Current year	146	-	373	-
Deferred tax	221	156	998	398
	<u>367</u>	<u>156</u>	<u>1,371</u>	<u>398</u>

For the current quarter and period to date, the effective tax rate for the Group was higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

B6 Additional Disclosures on Profit Before Tax

Included in the profit before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	30/09/2015 RM '000	30/09/2014 RM '000	30/09/2015 RM '000	30/09/2014 RM '000
Depreciation of property, plant and equipment	1,800	1,733	5,265	5,021
Gain on foreign exchange				
- realised	147	7	280	54
Insurance received	-	-	105	-
Interest expenses	250	494	1,048	1,421
(Loss)/Gain on disposal of property, plant and equipment	44	112	(139)	136
Rental income	20	-	27	-
Vehicle rental income	28	-	53	-
Other income (including investment income)	13	9	58	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 Borrowings and Debt Securities

The tenure of Group borrowings (all denominated in Malaysian currency) classified as short and long term categories are as follows:-

		30/09/2015
		RM'000
Short term	- secured	14,061
	- unsecured	-
Long term	- secured	1,132
	- unsecured	-
Total		<u>15,193</u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 18 November 2015 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report).

B10 Dividend

The Board of Directors has not recommended any interim dividend for the period ended 30 September 2015 (2014: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	As At	As At
	30/09/2015	31/12/2014
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	(14,135)	(18,131)
Unrealised	<u>22,418</u>	<u>22,482</u>
	8,283	4,351
Total share of retained earnings from associated company:		
Realised	32	32
Unrealised	<u>-</u>	<u>-</u>
	8,315	4,383
Less: Consolidation adjustments	<u>6,001</u>	<u>6,774</u>
Total Group retained earnings as per consolidated accounts	<u>14,316</u>	<u>11,157</u>

The determination of realised and unrealised earnings is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B12 Earnings/(Loss) Per Share

(i) The basic earnings/(loss) per share is computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year	Preceding Year
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
Net Profit/(Loss) For The Period Attributable To Equity Holders Of The Parent (RM'000)	836	(571)	3,159	1,130
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings/(Loss) Per Share (Sen)	1.35	(0.92)	5.10	1.82

(ii) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is presented same as basic earnings/(loss) per share as the conversions of all potential ordinary shares from warrants are not dilutive.

B13 Auditors' Report on Preceding Annual Financial Statement

There was no audit qualification in the annual audit report of the Company's previous annual financial statements for the year ended 31 December 2014.

By order of the Board

Leong Siew Foong
 Secretary (MAICSA No. 7007572)
 Batu Pahat
 25 November 2015