

**KIA LIM BERHAD (342868-P)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**QUARTER ENDED 31 DECEMBER 2014**

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**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 2013. 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 2013.

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 2013, except for the adoption of the new Malaysian Financial Reporting Standards (MFRSs), Amendments to MFRSs and IC Interpretations which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards, interpretations and amendments 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 year to date.

**A6 Dividends Paid**

There was no dividend paid for the year ended 31 December 2014.

**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 year ended 31 December 2014.

**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 2013.

**A11 Capital Commitment**

**RM'000**

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

353

**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:

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM</b>	<b>RM</b>
Sales of spare parts and upkeep of tools to: Sri Senanggar Batu Bata Sdn. Bhd.	36,919	38,903
Purchases of indirect materials from: Ban Dung Palm Oil Industries Sdn. Bhd. Kia Lim Timber Trading Sdn. Bhd.	563,426 7,661	850,118 39,135
Insurance premium payable to: Kia Lim Timber Trading Sdn. Bhd.	296,647	276,772
Rental payable to: Kia Lim Timber Trading Sdn. Bhd. Sri Senanggar Batu Bata Sdn. Bhd.	144,000 47,588	144,000 47,588

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

### **B1 Review of Performance**

In tandem with higher revenue of RM17.5 million for the current quarter as compared to RM16.5 million for the preceding year corresponding quarter, the Group recorded higher profit before taxation of RM2.5 million as compared to profit before taxation of RM1.2 million. This was mainly due to higher sales volume and selling prices for the Group's brick products.

For the current year to date under review, the Group recorded revenue of RM65.7 million and profit before taxation of RM4.0 million as compared to revenue of RM66.1 million and profit before taxation of RM5.0 million for the preceding year corresponding year to date. The decline was mainly due to lower sales volume as a result of lower production volume caused by the production shutdown for upgrading purpose in the third quarter this year which had also resulted in higher unabsorbed fixed production costs. Aside from the production shutdown, higher costs of raw material and energy, particularly the hike in electricity tariff early this year had also suppressed the Group's overall margin resulting in the lower profit before taxation.

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

The Group recorded a profit before taxation of RM2.5 million for the current quarter as compared to a loss before taxation of RM0.4 million for the immediate preceding quarter. This was primarily due to lower sales volume as a result of the loss of production caused by the upgrading project as well as the unabsorbed fixed production costs caused by the stoppage of production in the immediate preceding quarter under review.

### **B3 Commentary on Prospects**

In the recent budget revision, the forecasted GDP growth for year 2015 has been revised downward from the range of 5% - 6% to 4.5% - 5.5% in light of the sharp decline in crude oil prices. However, several proactive measures were announced in the budget revision to cushion such adverse impact.

At the operation level, despite the recent fall in diesel and petrol prices, increases in other operation and production costs continue to be of concern to the Management, while the impending implementation of the GST scheduled on 1 April 2015 may pose another challenge to the Group's performance.

Nevertheless 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**

	<b>Current Quarter</b>		<b>Current Year To Date</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- Current year	-	-	-	-
Deferred tax	<u>(3,651)</u>	<u>(443)</u>	<u>(3,253)</u>	<u>(443)</u>
	<u>(3,651)</u>	<u>(443)</u>	<u>(3,253)</u>	<u>(443)</u>

For the current quarter and year to date, the effective tax rate for the Group was lower than the statutory tax rate principally due to recognition of deferred tax assets on unutilized tax losses and unabsorbed reinvestment allowances which were not previously recognized by the subsidiaries of the Group.

**B6 Additional Disclosures on Profit Before Tax**

Included in the profit before tax are the following items:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Depreciation of property, plant and equipment	1,750	1,670	6,770	6,546
(Loss)/Gain on disposal of property, plant and equipment	(8)	48	127	108
Gain on foreign exchange				
- realised	81	42	135	152
- unrealised	64	39	64	39
Impairment loss of trade receivables	49	-	49	-
Interest expenses	303	513	1,724	2,176
Loss on disposal of investment property	-	(31)	-	(31)
Other income (including investment income)	362	-	422	60
Rental income	1	-	1	74
Reversal of impairment of trade receivables	-	-	-	32

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:-

	<b>31/12/2014</b>
	<b>RM'000</b>
Short term - secured	10,147
- unsecured	-
Long term - secured	7,849
- unsecured	-
Total	<u><u>17,996</u></u>

**B9 Material Litigation**

The Group is not engaged in any material litigation as at 19 February 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 year ended 31 December 2014 (2013: Nil).

**B11 Realised and Unrealised Profits/Losses Disclosure**

	<b>As At 31/12/2014 RM'000</b>	<b>As At 31/12/2013 RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	(18,131)	(25,356)
Unrealised	<u>22,482</u>	<u>22,457</u>
	4,351	(2,899)
Total share of retained earnings from associated company:		
Realised	32	28
Unrealised	<u>-</u>	<u>-</u>
	4,383	(2,871)
Less: Consolidation adjustments	<u>6,774</u>	<u>6,762</u>
Total Group retained earnings as per consolidated accounts	<u><u>11,157</u></u>	<u><u>3,891</u></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 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
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Net Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	6,136	1,620	7,266	5,475
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	9.91	2.62	11.73	8.84

(ii) Diluted earnings per share

The diluted earnings per share is presented same as basic earnings 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 2013.

By order of the Board

Leong Siew Foong  
Secretary (MAICSA No. 7007572)  
Batu Pahat  
26 February 2015