

KIA LIM BERHAD (342868-P)
UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE
QUARTER ENDED 31 MARCH 2017

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 2016. 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 2016.

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 2016, 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 2017.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interest in Other Entities	1 January 2017

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
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018

IC Interpretation 22: Foreign Currency Transactions and Advance
Consideration
MFRS 16: Leases
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of
Assets between an Investor and its Associate or Joint Venture

1 January 2018

1 January 2019

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, except for the write off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as a result of damages caused by a fire incidence during the quarter.

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 31 March 2017.

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 31 March 2017.

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 2016.

A11 Capital Commitment

	RM'000
Capital expenditure	
Approved and contracted for:	
Property, plant and equipment	<u>823</u>
Approved but not contracted for:	<u>3,483</u>

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:

	31/03/2017	31/03/2016
	RM	RM
Rental payable to:		
Kia Lim Timber Trading Sdn. Bhd.	39,363	39,363
Sri Senanggar Batu Bata Sdn. Bhd.	<u>11,183</u>	<u>11,183</u>

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

B1 Review of Performance

The Group recorded lower revenue of RM10.8 million for the current quarter as compared to RM13.6 million for the preceding year corresponding quarter. The decline in revenue was mainly attributable to lower selling prices and sales volume for the Group's brick products.

The Group recorded loss before taxation of RM3.1 million for the current quarter as compared to profit before taxation of RM0.2 million for the preceding year corresponding quarter. The loss before taxation for the current quarter was mainly due to lower revenue and the write off of certain property, plant and equipment of RM0.6 million and inventories of RM0.3 million as well as unabsorbed fixed costs due to loss of production as a result of the shutdown in one of the production lines caused by the fire during the quarter under review.

The gross loss position for the current quarter was mainly due to the write off of inventories and unabsorbed fixed costs as mentioned above, while the write off of property, plant and equipment was included in other operating expenses.

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

The Group recorded loss before taxation of RM3.1 million for the current quarter as compared to RM6.5 million for the immediate preceding quarter. The higher loss before taxation in the immediate preceding quarter was mainly due to the impairment loss of Property, Plant and Equipment of RM5.0 million.

B3 Commentary on Prospects

In view of the sluggish property market outlook and the lack of new housing project launches, construction activities and the demand for clay bricks will continue to stay slow in the near term. Thus, the Group anticipates that competition will remain stiff and the Group will continue to face challenges of depressed pricing due to overall over capacity in the industry.

Nevertheless, the Group will continue to focus on its strategy and effort to enhance its operational efficiency and products quality in order to remain 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

	Current Quarter		Current Period To Date	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Income tax				
- Current year	-	62	-	62
Deferred tax	<u>(690)</u>	<u>45</u>	<u>(690)</u>	<u>45</u>
	<u>(690)</u>	<u>107</u>	<u>(690)</u>	<u>107</u>

B6 Additional Disclosures on Profit Before Tax

Included in the profit before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/03/2017 RM '000	31/03/2016 RM '000	31/03/2017 RM '000	31/03/2016 RM '000
Depreciation of property, plant and equipment	1,423	1,778	1,423	1,778
Gain on foreign exchange				
- realised	(69)	(19)	(69)	(19)
Interest expenses	185	201	185	201
Gain on disposal of property, plant and equipment	(27)	(3)	(27)	(3)
Inventories written off	325	-	325	-
Property, plant and equipment written off	587	-	587	-
Other income (including investment income)	(1)	(3)	(1)	(3)
Rental income	(40)	(36)	(40)	(36)

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:-

	31/03/2017
	RM'000
Short term - secured	7,417
- unsecured	-
Long term - secured	771
- unsecured	-
Total	<u><u>8,188</u></u>

B9 Material Litigation

The Group is not engaged in any material litigation as at 17 May 2017 (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 31 March 2017 (2016: Nil).

B11 Realised and Unrealised Profits/Losses Disclosure

	As At	As At
	31/03/2017	31/12/2016
	RM'000	RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
Realised	(26,200)	(23,837)
Unrealised	22,418	22,470
	<u>(3,782)</u>	<u>(1,367)</u>
Total share of retained earnings from associated company:		
Realised	31	28
Unrealised	-	-
	<u>(3,751)</u>	<u>(1,339)</u>
Less: Consolidation adjustments	6,200	6,182
Total Group retained earnings as per consolidated accounts	<u><u>2,449</u></u>	<u><u>4,843</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 (Loss)/Earnings Per Share

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year	Preceding Year
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Net (Loss)/Profit For The Period Attributable To Equity Holders Of The Parent (RM'000)	(2,394)	108	(2,394)	108
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic (Loss)/Earnings Per Share (Sen)	(3.87)	0.17	(3.87)	0.17

(ii) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share was presented same as basic (loss)/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 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 2016.

By order of the Board

Leong Siew Foong
Secretary (MAICSA No. 7007572)
Batu Pahat
24 May 2017