

**KIA LIM BERHAD (342868-P)**  
**UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE**  
**QUARTER ENDED 30 SEPTEMBER 2017**

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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 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	1 January 2018
MFRS 16: Leases	1 January 2019
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, 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 in the first quarter. The insurance compensation pertaining to the losses amounting to RM1,483,632.51 was received and recognised as other operating income in this current 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 30 September 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 30 September 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**

**As At 30/09/2017  
RM'000**

Approved but not contracted for:  
Property, plant and equipment

3,483

**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>30/09/2017 RM</b>	<b>30/09/2016 RM</b>
Rental payable to:		
Kia Lim Timber Trading Sdn. Bhd.	118,089	118,089
Sri Senanggar Batu Bata Sdn. Bhd.	<u>33,413</u>	<u>33,413</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 %
	30/09/2017 RM'000	30/09/2016 RM'000		30/09/2017 RM'000	30/09/2016 RM'000	
Revenue	9,243	9,511	(3)	29,002	34,145	(15)
Operating profit/ (loss)	838	(1,138)	(174)	(3,889)	(2,051)	90
Profit/(Loss) Before Interest And Tax	838	(1,138)	(174)	(3,889)	(2,051)	90
Profit/(Loss) Before Tax	720	(1,318)	(155)	(4,327)	(2,586)	67
Profit/(Loss) After Tax	524	(1,647)	(132)	(3,630)	(3,065)	18
Profit/(Loss) Attributable To Ordinary Equity Holders Of The Parent	524	(1,647)	(132)	(3,630)	(3,065)	18

Despite recording lower revenue of RM9.2 million for the current quarter as compared to the preceding year corresponding quarter of RM9.5 million, the Group registered a profit before taxation of RM0.7 million as compared to a loss before taxation of RM1.3 million for the preceding year corresponding quarter. The lower revenue was despite a higher sales volume, but due to lower average selling prices. The improved result was mainly due to better overall margin as a result of lower production cost for repair and maintenance as well as higher other operating income which included a recognition of an insurance claim of RM1.48 million during the quarter under review.

For the nine months ended 30 September 2017, the Group recorded higher loss before taxation of RM4.3 million as compared to RM2.6 million for the preceding year corresponding period to date on the back of lower revenue of RM29.0 million as compared to RM34.1 million for the preceding year corresponding period to date. The revenue decline and the higher loss before taxation for the current period to date was mainly due to lower sales volume as well as reduced margin as a result of lower average selling prices.

For the nine months ended 30 September 2017, the Group had written 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 following the shutdown in one of the production lines caused by the fire in the first quarter. These were compensated by an insurance claim of RM1.48 million.

**B2 Material Change in Profit/(Loss) Before Taxation for the Current Quarter compared to the Immediate Preceding Quarter**

	Individual Quarter		Changes %
	30/09/2017 RM'000	30/06/2017 RM'000	
Revenue	9,243	8,999	3
Operating profit/(loss)	838	(1,828)	(146)
Profit/(Loss) Before Interest And Tax	838	(1,828)	(146)
Profit/(Loss) Before Tax	720	(1,963)	(137)
Profit/(Loss) After Tax	524	(1,760)	(130)
Profit/(Loss) Attributable To Ordinary Equity Holders Of The Parent	524	(1,760)	(130)

In tandem with higher revenue of RM9.2 million for the current quarter as compared to RM9.0 million for the immediate preceding quarter, the Group recorded a profit before taxation of RM0.7 million as compared to a loss before taxation of RM2.0 million for the immediate preceding quarter. The increase in revenue was mainly attributable to higher sales volume despite recording lower selling prices for the majority of the Group's brick products. In addition, the improved results was also due to higher other operating income which included a recognition of an insurance claim of RM1.48 million during the quarter under review.

**B3 Commentary on Prospects**

With still no sign of any improvement to the sluggish property market, 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**

	Individual Quarter		Cumulative Quarter	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Income tax				
- Current year	-	37	-	117
Deferred tax				
- Current year	196	274	(866)	344
- Recognition of previously unrecognized temporary difference	-	18	169	18
	<u>196</u>	<u>329</u>	<u>(697)</u>	<u>479</u>

**B6 Additional Disclosures on Profit/(Loss) Before Tax**

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

	Individual Quarter		Cumulative Quarter	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Depreciation of property, plant and equipment	1,425	1,797	4,271	5,358
(Gain)/Loss on foreign exchange				
- realised	(8)	5	(67)	(12)
Impairment loss of trade receivables	17	-	17	-
Insurance received	(1,484)	-	(1,484)	(57)
Interest expenses	118	180	438	535
Gain on disposal of property, plant and equipment	(11)	-	(50)	(62)
Inventories written off	-	-	325	-
Property, plant and equipment written off	-	-	587	-
Other income (including investment income)	(39)	(1)	(40)	(15)
Rental income	(20)	(20)	(61)	(60)
Vehicle rental income	(20)	(15)	(57)	(46)

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**

All the Group's borrowings are secured and classified as short and long term categories as follows:-

	As At 30/09/2017			As At 30/09/2016		
	Short Term RM'000	Long Term RM'000	Total RM'000	Short Term RM'000	Long Term RM'000	Total RM'000
<b>Secured</b>						
- Bank overdrafts	1,890	-	1,890	2,480	-	2,480
- Bankers' acceptances	3,235	-	3,235	4,019	-	4,019
- Obligations under finance lease	411	507	918	476	917	1,393
- Term loan	497	-	497	731	570	1,301
	<u>6,033</u>	<u>507</u>	<u>6,540</u>	<u>7,706</u>	<u>1,487</u>	<u>9,193</u>

The borrowings are all denominated in Malaysian currency.

**B9 Material Litigation**

The Group is not engaged in any material litigation as at 20 November 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 30 September 2017 (2016: Nil).

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

	<b>As At 30/09/2017 RM'000</b>	<b>As At 31/12/2016 RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(27,433)	(23,837)
- Unrealised	22,418	22,470
	<u>(5,015)</u>	<u>(1,367)</u>
Total share of retained earnings from associated company:		
- Realised	28	28
- Unrealised	-	-
	<u>(4,987)</u>	<u>(1,339)</u>
Less: Consolidation adjustments	6,200	6,182
Total Group retained earnings as per consolidated accounts	<u>1,213</u>	<u>4,843</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 loss per share is computed as follows:

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/09/2017	Preceding Year Corresponding Quarter 30/09/2016	Current Year 30/09/2017	Preceding Year 30/09/2016
Net Profit/(Loss) For The Period Attributable To Equity Holders Of The Parent (RM'000)	524	(1,647)	(3,630)	(3,065)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings/(Loss) Per Share (Sen)	0.85	(2.66)	(5.86)	(4.95)

(ii) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share was presented same as basic earnings/(loss) 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  
27 November 2017