

KIA LIM BERHAD

Registration No.: 199501013667 (342868-P)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2020

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 2019. 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 2019.

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 2019, 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 2020.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and 108: Definition of Material	1 January 2020
Amendments to references to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020

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
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
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.

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 year ended 31 December 2020.

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 year ended 31 December 2020.

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 2019.

A11 Capital Commitment

Capital expenditure
Approved but not contracted for:
Property, plant and equipment

**As At 31/12/2020
RM'000**

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:

	31/12/2020	31/12/2019
	RM'000	RM'000
Purchase of spare parts and upkeep of tools from:		
Kia Lim Timber Trading Sdn Bhd	2	-
Original Clay Industries Sdn Bhd	1	-
Rental payable to:		
Kia Lim Timber Trading Sdn Bhd	140	139
Sri Senanggar Batu Bata Sdn Bhd	24	31
Sales of spare parts and upkeep of tools to:		
Kia Lim Timber Trading Sdn Bhd	-	1
Transport charges receivable from:		
Original Clay Industries Sdn Bhd	<u>1</u>	<u>2</u>

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

B1 Review of Performance

	Individual Quarter			Cumulative Quarter		
	31/12/2020 RM'000	31/12/2019 RM'000	Changes %	31/12/2020 RM'000	31/12/2019 RM'000	Changes %
Revenue	8,223	8,434	(3)	25,540	37,986	(33)
Operating loss	(473)	(157)	201	(4,811)	(2,036)	136
Loss before interest and tax	(473)	(157)	201	(4,811)	(2,036)	136
Loss before tax	(569)	(244)	133	(5,204)	(2,462)	111
Loss after tax	(587)	(244)	141	(5,222)	(2,462)	112
Loss attributable to ordinary equity holders of the parent	(587)	(244)	141	(5,222)	(2,462)	112

For the current quarter, the Group registered revenue of RM8.2 million and loss before taxation of RM0.6 million as compared to RM8.4 million and RM0.2 million for the preceding year corresponding quarter respectively. Revenue was marginally lower mainly due to the lower average selling price achieved which negated the impact of a marginally improve in sale volume. The higher loss before taxation for the current quarter was primarily due to the higher other income registered in the preceding year corresponding quarter.

For the current 12-month period to date, the Group registered revenue of RM25.5 million and loss before taxation of RM5.2 million as compared to RM38.0 million and RM2.5 million for the preceding year respectively. The sharp decline in revenue for the year was mainly attributable to the closure of the Group's entire business operations during the Movement Control Order ("MCO") period which took effect from 18th March following the outbreak of the Covid-19 pandemic. Business operations only resumed gradually towards the end of May, and only at a subdued level due to various constraints during the period of Conditional Movement Control Order ("CMCO") which followed. Both the loss of sales and production had contributed to a higher loss before taxation for the year under review. The loss of production had also resulted in lower gross profit margin for the current year as certain unavoidable fixed costs remained unabsorbed.

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

	Individual Quarter		Changes %
	31/12/2020 RM'000	30/09/2020 RM'000	
Revenue	8,223	7,172	15
Operating loss	(473)	(872)	(46)
Loss before interest and tax	(473)	(872)	(46)
Loss before tax	(569)	(974)	(42)
Loss after tax	(587)	(974)	(40)
Loss attributable to ordinary equity holders of the parent	(587)	(974)	(40)

The Group recorded lower loss before taxation of RM0.6 million for the current quarter as compared to RM1.0 million for the immediate preceding quarter. The improved results was primarily attributable to a gradual recovery in sales of the Group's brick products following less restrictive measures during RMCO after the end of CMCO in the immediate preceding quarter.

B3 Commentary on Prospects

Malaysia's economy remains on the road to recovery, with forecast for a positive GDP growth of between 6.5% and 7.5% by the Bank Negara Malaysia in year 2021, on the back of monetary and fiscal stimulus tailwinds.

Despite the optimism, it is expected to stay challenging as the Covid-19 pandemic has yet to be brought under control. The recent implementation of MCO 2.0 and the declaration of state of emergency due to the rise in infections could affect businesses and dampen investors' and consumers' confidence, and could delay the recovery of the economy. On a more positive note however, the soon to start Covid-19 vaccination programme would likely help in controlling the Covid-19 pandemic and be the key factor in determining the strength of the economic recovery.

Against this backdrop and coupled with lingering issues of supply overhang and price affordability, the outlook for the real property market would remain cautious. With no imminent recovery in sight in the real property sector, construction activities in the sector are unlikely to pick up momentum anytime soon, and hence the demand for clay bricks will likely stay soft. The industry is further challenged by overcapacity issue and selling prices will continue to be under pressure as a result.

The current low interest rates and the various measures and stimulus packages implemented by the government, could possibly serve to cushion the adverse impact on the demand for houses brought about by the economic fallout from the imposition of restrictive measures to combat the Covid-19 pandemic.

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. Amid this unprecedented challenge from the outbreak of Covid-19, the Management will strive to mitigate its adverse impact on the financial results for the financial year ending 31 December 2021.

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	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Income tax				
- Current year	-	-	-	-
- Under provision in prior year	18	-	18	-
	<u>18</u>	<u>-</u>	<u>18</u>	<u>-</u>

B6 Additional Disclosures on Loss Before Tax

Included in the loss before tax are the following items:

	Individual Quarter		Cumulative Quarter	
	31/12/2020 RM '000	31/12/2019 RM '000	31/12/2020 RM '000	31/12/2019 RM '000
Depreciation of investment property	7	7	28	28
Depreciation of property, plant and equipment	727	1,051	2,670	3,877
Gain on disposal of property, plant and equipment	(15)	(67)	(77)	(125)
Gain on foreign exchange				
- realised	(7)	-	(22)	(16)
- unrealised	40	37	40	37
Insurance claim received	-	(1,343)	-	(1,343)
Interest expense	96	87	393	426
Other income (including investment income)	(133)	(57)	(374)	(82)
Provision for doubtful debts	102	-	102	-
Rental income	(6)	(2)	(12)	(8)
Slow moving inventories written back	(4)	(1)	(4)	(1)
Vehicle rental income	(16)	(15)	(31)	(56)

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 Trade and Other Receivables

	31/12/2020	31/12/2019
	RM'000	RM'000
Current		
Trade receivables		
Third parties	7,050	7,004
Less: Allowance for expected loss	(289)	(187)
	<u>6,761</u>	<u>6,817</u>
Other receivables		
Deposits	103	110
Sundry receivables	104	302
	<u>207</u>	<u>412</u>
Less: Allowance for expected loss	(19)	(19)
	<u>188</u>	<u>393</u>
Total trade and other receivables (current)	<u>6,949</u>	<u>7,210</u>
Non-current		
Other receivables	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	<u>6,949</u>	<u>7,210</u>
<u>Ageing analysis of trade receivables</u>		
Neither past due nor impaired	4,454	4,576
1 to 30 days past due not impaired	1,790	1,866
31 to 60 days past due not impaired	463	193
More than 61 days past due not impaired	53	182
	2,306	2,241
Impaired	289	187
	<u>7,049</u>	<u>7,004</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2019: 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 31/12/2020			As At 31/12/2019		
	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	2,610	-	2,610	2,362	-	2,362
- Bankers' acceptances	2,479	-	2,479	2,264	-	2,264
- Obligations under hire purchase	174	567	741	104	212	316
	<u>5,263</u>	<u>567</u>	<u>5,830</u>	<u>4,730</u>	<u>212</u>	<u>4,942</u>

B10 Material Litigation

The Group is not engaged in any material litigation as at 18 February 2021 (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 year ended 31 December 2020 (2019: 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
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Net Loss For The Year Attributable To Equity Holders Of The Parent (RM'000)	(587)	(244)	(5,222)	(2,462)
Weighted Average Number Of Ordinary Shares ('000)	61,938	61,938	61,938	61,938
Basic Earnings Per Share (Sen)	(0.95)	(0.39)	(8.43)	(3.97)

(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 2019.

By order of the Board

Leong Siew Foong
(MAICSA No. 7007572) (CCM PC No.: 202008001117)
Secretary
Batu Pahat
25 February 2021