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Facing



Cream - Rockface Facing Brick



Cream - Barkface Facing Brick



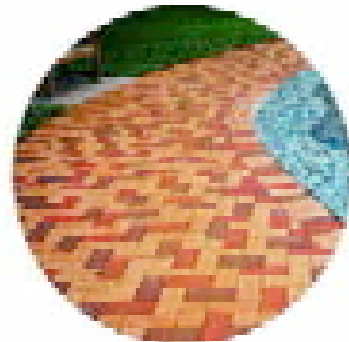
Super Red - Smooth Face Facing Brick



CLAYON offers facing bricks of exceptional quality and timeless beauty, a lifetime of strength and durability.



Heritage Red



Heritage Brown



Heritage Cream



Paver

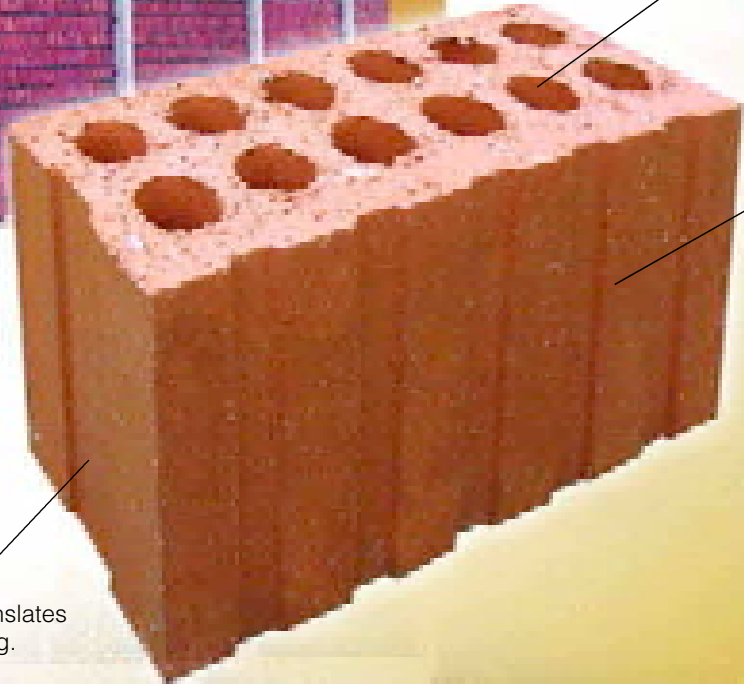
CLAYON pavers are natural, solid and durable in a variety of natural colours and earthy tones ranging from cream to brown.

With its range of texture, size and profile, our pavers produce a natural and astonishing effect.



Is EconBlock

- Economical?..... ✓
- Better quality?..... ✓
- Faster installation?..... ✓
- Better appearance?..... ✓
- Fire resistance?..... ✓
- Better sound proof?..... ✓
- Cooler?..... ✓
- Easy to work?..... ✓
- Stronger?..... ✓



Perforated (air pocket) design improves acoustic characteristic and makes your house cooler.

The peak & valley (groove) design ensures better grip during installation and cement rendering.

Bigger size translates to bigger saving.





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Kia Lim Berhad will be held at Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Monday, 30 May 2011 at 12.00 noon to transact the following businesses: -

Agenda

ORDINARY BUSINESS

- | | |
|---|--------------|
| 1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Directors' and Auditors' Report thereon. | RESOLUTION 1 |
| 2. To approve the payment of Directors' fees for the year ended 31 December 2010. | RESOLUTION 2 |
| 3. To re-elect the following Directors who retire during the year in accordance with Article 80 of the Company's Articles of Association and being eligible, offer themselves for re-election: - | |
| (i) Mr Chua Syer Cin | RESOLUTION 3 |
| (ii) Mr Ng Chin Kang | RESOLUTION 4 |
| 4. To consider, and if thought fit, to pass the following resolution: - | |
| (i) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dr Ng Yam Puan @ Ng Ah Bah be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." | RESOLUTION 5 |
| (ii) "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Tan See Chip be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." | RESOLUTION 6 |
| 5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. | RESOLUTION 7 |

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolutions: -

| | |
|---|--------------|
| ORDINARY RESOLUTION 1 AUTHORITY TO ALLOT SHARES - SECTION 132D | RESOLUTION 8 |
|---|--------------|

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

| | |
|--|--------------|
| ORDINARY RESOLUTION 2 PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM") | RESOLUTION 9 |
|--|--------------|

"THAT approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties mentioned under section 2.1.1 of the Circular to Shareholders dated 9 May 2011 which are necessary in the ordinary course of business of the Company and its subsidiaries for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until: -

- (a) the conclusion of the next Annual General Meeting ("AGM") following the forthcoming AGM at which such Proposed RSM was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;

NOTICE OF ANNUAL GENERAL MEETING

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in an AGM or EGM,

whichever is earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.”

**ORDINARY RESOLUTION 3
PROPOSED SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY
TRANSACTIONS OF A REVENUE OR TRADING NATURE (“Proposed SM”)**

RESOLUTION 10

“**THAT** approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties mentioned under section 2.1.2 of the Circular to Shareholders dated 9 May 2011 which are necessary in the ordinary course of business of the Company and its subsidiaries for day-to-day operations and on normal commercial terms which are not more favourable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until: -

(a) the conclusion of the next Annual General Meeting (“AGM”) following the forthcoming AGM at which such Proposed SM was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in an AGM or EGM,

whichever is earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.”

7. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

BY ORDER OF THE BOARD

LEONG SIEW FOONG
MAICSA No. 7007572
Company Secretary

Johor Bahru
9 May 2011

NOTES:

1. A member of the Company entitled to attend and vote at the Meeting shall not be entitled to appoint more than two proxies to attend and vote in his stead. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, Section 149 of the Act shall not be applicable.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
5. All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Resolution 8

The proposed Ordinary Resolution No. 1 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal to a general mandate sought in the preceding year. The Company did not utilize the mandate sought during the financial year ended 31 December 2010. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

2. Resolution 9 & Resolution 10

The Proposed RSM under Ordinary Resolution 2 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 26 May 2010.

The Proposed SM under Ordinary Resolution 3 was intended to obtain shareholders' mandate for New Recurrent Related Party Transactions from the shareholders of the Company at this AGM.

The Proposed RSM and Proposed SM are to facilitate transactions in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

Further information on Proposed RSM and Proposed SM are set out in the Circular to Shareholders of the Company which is despatched together with the Annual Report of the Company for the financial year ended 31 December 2010.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Loh Chee Kan - Chairman
(Independent Non-Executive Director)
YB Datuk Ariss Bin Samsudin - Vice Chairman
(Executive Director)
Datuk Ng Yeng Keng @ Ng Ka Hiat - Chief Executive Officer
(Executive Director)
Mr Tan See Chip
(Executive Director)
Mr Ng Chin Kang
(Executive Director)
Dr Ng Yam Puan @ Ng Ah Bah
(Non-Independent Non-Executive Director)
Mr Chua Syer Cin
(Independent Non-Executive Director)
En Mohd Salleh Bin Jantan
(Independent Non-Executive Director)

AUDIT COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin
En Mohd Salleh Bin Jantan

NOMINATION COMMITTEE

Mr Loh Chee Kan
Mr Chua Syer Cin
En Mohd Salleh Bin Jantan

REMUNERATION COMMITTEE

Datuk Ng Yeng Keng @ Ng Ka Hiat
Mr Loh Chee Kan
Mr Chua Syer Cin

COMPANY SECRETARY

Ms Leong Siew Foong
MAICSA No. 7007572

REGISTERED OFFICE

Suite 6.1A Level 6
Menara Pelangi
Jalan Kuning
Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim
Tel : 07-3323536
Fax : 07-3324536

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-W)
Level 6 Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel : 03-78418000
Fax : 03-78418151

PRINCIPAL PLACE OF BUSINESS

Wisma Ng Hoo Tee
79 Jalan Muar
83500 Parit Sulong
Batu Pahat
Johor Darul Takzim

AUDITORS

Ernst & Young (Chartered Accountants)
Suite 11.2 Level 11
Menara Pelangi
Jalan Kuning
Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim

PRINCIPAL BANKERS

CIMB Bank Berhad
EON Bank Berhad
Malaysian Industrial Development Finance Berhad
RHB Bank Berhad

STOCK EXCHANGE

Main Market of the Bursa Malaysia Securities Berhad
Stock Code : 6211



AUDIT COMMITTEE REPORT

MEMBERS

Mr Loh Chee Kan

- Chairman, Independent Non-Executive Director

Mr Chua Syer Cin

- Member, Independent Non-Executive Director

En Mohd Salleh Bin Jantan (Appointed on 26 May 2010)

- Member, Independent Non-Executive Director

YB Koh Chai @ Koh Chee Chai (Retired on 26 May 2010)

- Member, Independent Non-Executive Director

MEMBERSHIP

The Committee shall be appointed by the Board from amongst its Directors excluding alternate directors which fulfills the following requirements:

- (a) the Audit Committee must be composed of no fewer than three (3) members;
- (b) a majority of the Audit Committee must be independent directors (as defined in the Listing Requirements) and all members of the Audit Committee should be non-executive directors and financially literate; and
- (c) at least one member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The members of the Committee shall elect a chairman from amongst the Audit Committee members who shall be an independent director.

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three, appoint such number of new members as may be required to make up the minimum number of three members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

RIGHTS

The Committee shall:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice;
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;
- (g) be able to seek co-operation of all employees of the Company; and
- (h) promptly report to the Bursa Securities of matters which result in a breach of the Listing Requirements.

in accordance with the procedure determined by the Board

AUDIT COMMITTEE REPORT

FUNCTIONS

The functions of the Committee shall include the following:

- (1) review the following and report the same to the Board:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees of the Company to the external auditor;
 - (e) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events;
 - (iii) going concern assumptions; and
 - (iv) compliance with accounting standards and other legal requirements.
 - (f) any related party transaction and inter company transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (g) any letter of resignation including the written explanations of the resignation from the external auditors of the Company;
 - (h) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- (2) do the following, in relation to the internal audit function: -
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (3) recommend the nomination of a person or persons as external auditors and auditors' remuneration.
- (4) verify the criteria for allocation of option pursuant to a share scheme for employee.

MEETINGS

- a) Meetings of the Committee shall be held not less than four (4) times a year.
- b) The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting.
- c) The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee.
- d) Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable.
- e) The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other Board members, employees, any professionals or outsiders with relevant experience or expertise may attend any particular meeting only at the Committee's invitation.
- f) At least twice a year, the Committee shall meet with the external auditors without Executive Board members present.
- g) The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors.
- h) Any decision of the Committee shall be by simple majority.
- i) The Committee shall record its conclusions in discharging its duties and responsibilities.
- j) The Company Secretary shall be the Secretary of the Committee.
- k) The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings.

REPORTING PROCEDURES

The Minutes of the Committee meeting shall be extended to all the members of the Board of Directors.



AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee has conducted its activities in accordance with its existing Terms of Reference. The activities are as follows:

- Reviewed and recommended for the Board's approval the quarterly financial results for public announcement;
- Reviewed with the external auditors their audit plan prior to the commencement of the audit activities;
- Discussed the annual audited financial statements with the external auditors and ensured that the financial reporting and disclosure requirements are complied with the relevant authorities, as well as their findings and recommendations;
- Discussed with the external auditors to ensure that internal control system is adequate and functioning and any weaknesses identified are properly remedied;
- Reviewed related party transactions entered into by the Group in its ordinary course of business;
- Discussed and reviewed the updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board; and
- Reviewed and approved the internal audit reports

ATTENDANCE OF AUDIT COMMITTEE MEETINGS

Details of attendance at Audit Committee Meetings held in the financial year ended 31 December 2010 as follows:

| No. | Name of Audit Committee Members | Number of Meetings Attended |
|-----|---------------------------------|-----------------------------|
| 1 | Mr Loh Chee Kan | 4 |
| 2 | Mr Chua Syer Cin | 4 |
| 3 | En Mohd Salleh Bin Jantan | 2* |
| 4 | YB Koh Chai @ Koh Chee Chai | 2* |

* Reflects the attendance and the number of meetings held during the period the Audit Committee member held office for the financial year ended 31 December 2010.

A total of four (4) Audit Committee Meetings were held during the financial year ended 31 December 2010.

INTERNAL AUDIT FUNCTIONS

The Audit Committee is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control. The Board has outsourced its internal audit function to an independent professional service firm.

The Outsourced Internal Auditors had met with the Audit Committee to present their reports and to discuss their findings and the adequacy of the internal control system of the Group.

The cost incurred in maintaining the Internal Audit Function for the financial year ended 31 December 2010 was RM45,383.



PROFILE OF BOARD OF DIRECTORS

MR LOH CHEE KAN, aged 56, Malaysian, was appointed as Independent Non-Executive Director of Kia Lim Berhad (“KLB”) on 5 March 1996 and redesignated as Chairman of the Company on 1 March 2011. Presently, he is the Chairman of the Audit Committee, member of the Nomination Committee and the Remuneration Committee.

He obtained his Bachelor of Science (Honours) Degree in Management Sciences from the University of Warwick in the United Kingdom in 1978. His career experience includes a twelve (12) years attachment with Ernst & Young, an international accounting and consultancy practice, and later with Juan Kuang (M) Industrial Bhd where he stayed for two (2) years. He is currently the Finance Director of JK Capital Sdn Bhd group of companies.

Mr Loh Chee Kan has no shareholding in the Company or in any of its subsidiaries; no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; and no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

YB DATUK ARISS BIN SAMSUDIN, aged 55, Malaysian, was appointed as Vice Chairman & Executive Director of KLB on 5 March 1996 and was appointed to the Board of Syarikat Kia Lim Kilang Batu Bata Sdn Bhd (“SKL”) on 28 February 1995. He also sits on the Board of several other private limited companies.

Prior to joining SKL, he was appointed to the Board of Directors of Naluri Berhad in 1994 and had resigned in 2000. He has previously held the position of a Business Development Manager (Southern-Johor state) in Kretam Holdings Berhad from 1 April 1994 to 30 October 1994 and subsequently went on to join Jeffa Construction Sdn Bhd in a similar position from 1 November 1994 to 29 February 1996. On 1 March 1996, he joined Kretam Management Sdn Bhd as a Business Development Manager (Southern-Johor state) and resigned on 16 November 1998. YB Datuk Ariss had been in the civil service for about ten (10) years from 1984 to 1994 before moving on to business. Socially, he is currently a member of State Assembly of Semerah, Johor.

YB Datuk Ariss has no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company and has no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

DATUK NG YENG KENG @ NG KA HIAT, aged 65, Malaysian, was appointed as Executive Director of KLB on 5 March 1996 and redesignated as Deputy Managing Director on 29 November 2006. Subsequently, on 8 October 2007, Datuk Ng Yeng Keng was redesignated as Chief Executive Officer of the Company.

He has over twenty eight (28) years of experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products. He was an Executive Director of Syarikat Kayu Wangi Berhad since 1981 and resigned in 2005. He also sits on the Board of several other private limited companies.

Datuk Ng Yeng Keng is the brother of Dr Ng Yam Puan, brother-in-law of Mr Tan See Chip and uncle of Mr Ng Chin Kang, the Directors and/or major shareholders of the Company. His related family members who are also substantial shareholders of the Company are Mdm Kour Siok Leen (sister-in-law of Datuk Ng Yeng Keng) and his nephew, namely, Mr Ng Chin Lan. He has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.



PROFILE OF BOARD OF DIRECTORS

MR TAN SEE CHIP, aged 71, Malaysian, was appointed as Executive Director of KLB on 5 March 1996 and is also one of the founder members of SKL and Kangkar Raya Batu Bata Sdn Bhd ("KRBB"). He has over thirty one (31) years of experience in the manufacturing of clay bricks, building and civil engineering works. He also sits on the Board of several other private limited companies.

Mr Tan See Chip is the brother-in-law of Dr Ng Yam Puan, Datuk Ng Yeng Keng and Mdm Kour Siok Leen, uncle of Mr Ng Chin Kang and Mr Ng Chin Lan, the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

MR NG CHIN KANG, aged 40, Malaysian, was appointed as Executive Director of KLB on 26 November 2001. He graduated with a Bachelor of Commerce with Honours degree from University of Western Australia and ASIA Graduate Diploma from Security Institute of Australia. He also holds a MBA from Sydney University and Master of Arts in Business Research from Macquarie University, Australia.

He worked with Medical Benefits Funds of Australia Limited in the senior executive management team from 1999 to March 2002. Prior to that, Mr Ng Chin Kang had served as senior officer in the investment banking arm of Commonwealth Bank of Australia for approximately five (5) years. He is also a Director of several other private limited companies.

Mr Ng Chin Kang is the nephew of Dr Ng Yam Puan and Datuk Ng Yeng Keng and cousin of Mr Ng Chin Lan, the Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

DR NG YAM PUAN @ NG AH BAH, aged 73, Malaysian, was appointed as Non-Executive Director of KLB on 5 March 1996 and is a graduate from the Tohoku National University, Japan with a Bachelor of Medicine and Bachelor of Surgery in 1967 and Doctor of Philosophy in Internal Medicine in 1972. He started his medical career at the Johor Bahru General Hospital as a medical officer in 1973. He has since left the civil service in 1977 to establish his own private clinic in Batu Pahat. He is also a Director of several other private limited companies.

Dr Ng Yam Puan is the brother of Datuk Ng Yeng Keng, brother-in-law of Mr Tan See Chip and uncle of Mr Ng Chin Kang, the Directors and major shareholders of the Company. His related family members who are also shareholders of the Company are Mdm Kour Siok Leen (sister-in-law of Dr Ng Yam Puan) and his nephew, namely, Mr Ng Chin Lan. He has no conflict of interest with the Company and has no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.



PROFILE OF BOARD OF DIRECTORS

EN MOHD SALLEH BIN JANTAN, aged 68, Malaysian, was appointed as Non-Executive Director of KLB on 5 March 1996 and redesignated as Independent Non-Executive Director on 26 May 2010. He has over thirty five (35) years experience in the manufacturing of clay bricks and building and civil engineering works. Presently, he is the member of the Audit Committee and Nomination Committee.

He was the Board member of Syarikat Kayu Wangi Berhad and resigned in 2005. He is also the Director of several other private limited companies.

En Mohd Salleh has no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; and no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

MR CHUA SYER CIN, aged 39, Malaysian, was appointed as Independent Non-Executive Director of KLB on 1 November 2001 and is presently a member of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company.

Upon graduation from the Charles Sturt University, Australia in 1994, he joined the accounting practice of Ernst & Young as an Audit Senior. From 1998 to 2000, he was the Audit/Tax Manager of Teo & Associates, an accounting firm in Melaka. In February 2000, he set up his own accounting firm, Messrs SC Chua & Associates and has since been the sole proprietor of the firm.

He is presently a member of Malaysian Institute of Accountants and CPA Australia. He was an Independent Non-Executive Director of Syarikat Kayu Wangi Berhad and resigned in 2005. He is also the Board member of Poh Huat Resources Holdings Berhad as well as several private limited companies.

Mr Chua Syer Cin has no shareholding in the Company or in any of its subsidiaries; no family relationship with any Director and/or major shareholder of the Company; no conflict of interest with the Company; and no conviction for offences within the past ten (10) years.

He attended all of the four (4) Board Meetings of the Company held during the financial year ended 31 December 2010.

Note:

(1) Please refer to page 66 and page 68 of this Annual Report for Directors' shareholdings and warrant holdings.

CORPORATE GOVERNANCE STATEMENT



The Board values that the support, trust and confidence of shareholders, customers and business associates and therefore it has applied the Principles of Malaysian Code of Corporate Governance and Best Practices in Corporate Governance ("the Code").

THE BOARD OF DIRECTORS

The Group is led and managed by an experienced Board comprising members with a wide range of experience and expertise in relevant fields such as accounting, business administration, finance, operations and public services. The Board has overall responsibility for corporate governance, strategic direction, overseeing the conduct of the Group's business and its management, reviewing the adequacy and the integrity of the Group's internal control systems. It is the ultimate body in decision making for outlining and implementation of corporate objectives and directions.

a) Composition

The Board consists of the Chairman, who is an Independent Non-Executive Director, the Vice Chairman, who is an Executive Director, the Chief Executive Officer, two (2) other Executive Directors and three (3) Non-Executive Directors of which two (2) are Independent Non-Executive Directors, one (1) is Non-Independent Non-Executive Director. With the above appointments, Kia Lim Berhad has thus complied with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires at least one-third (1/3) of the Board to be Independent Directors. It is the Company's practice that newly appointed Director is given briefing on the history of the Company, operations, financial control system to enable them to have a good understanding of the Company's operation. A brief profile of each Director is presented separately in this Annual Report.

The Chief Executive Officer, who is also an Executive Director is assisted in the management of the business on a day-to-day basis by the Executive Directors and an experienced management team. He has extensive knowledge and experience in the manufacturing of clay bricks, building and civil engineering works, sawmilling, logging and manufacturing of wood-based products and has the caliber to ensure that strategies and policies approved by the Board are effectively implemented. The Independent Non-Executive Directors are independent of management and free from any business or personal relationships that could materially interfere with the exercise of their independent judgement. They play an important role to ensure the strategies or views proposed by the Management are professional and independent and that the advice and judgement made to issues and decisions are to the best interest of the stakeholders and the Group.

There is a clear and distinct division of responsibility between the Chairman and the Chief Executive Officer to ensure a proper balance of power and authority. The Chairman is responsible for conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussion and shareholders are informed of the subject matters requiring their approval while the Chief Executive Officer has the executive responsibility to manage the business. All decisions of the Board are based on decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision making process. This enable the Board to effectively discharge its principal responsibility as set out in the Code.

In accordance with best practices of the Code, the Board has delegated certain function to several Board Committees to assist in the execution of its responsibilities which operates within clearly defined terms of reference. The Board Committees include the Audit Committee, the Nomination Committee and the Remuneration Committee. The Chairman of the respective Committees reports to the Board on the outcome of each Committee's Meetings and proceedings are incorporated in the minutes of Board Meeting. These Committee operate within clearly defined terms of reference.

b) Board Meetings

The Board meets at least four (4) times a year, with additional meetings for particular matters convened as and when necessary. Meetings are scheduled at the start of each financial year to enable Board members to plan their schedules accordingly.

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS (CONT'D)

b) Board Meetings (Cont'd)

There were four (4) Board Meetings held during the financial year ended 31 December 2010. All of the Directors attended all the Board Meetings held during their tenure. Details of attendance are as follows:

| Directors | Status | Board Meeting Attended |
|---|------------------------------------|------------------------|
| Mr Loh Chee Kan | Chairman | 4/4 |
| YB Datuk Ariss Bin Samsudin | Vice Chairman & Executive Director | 4/4 |
| Datuk Ng Yeng Keng @ Ng Ka Hiatt | Chief Executive Officer | 4/4 |
| Mr Tan See Chip | Executive Director | 4/4 |
| Mr Ng Chin Kang | Executive Director | 4/4 |
| Dr Ng Yam Puan @ Ng Ah Bah | Non-Executive Director | 4/4 |
| En Mohd Salleh Bin Jantan | Independent Non-Executive Director | 4/4 |
| Mr Chua Syer Cin | Independent Non-Executive Director | 4/4 |
| Datuk Ng Eng Sos @ Bah Chik (Retired on 1 December 2010) | Chairman & Executive Director | 3/4* |
| YB Koh Chai @ Koh Chee Chai (Retired on 26 May 2010) | Independent Non-Executive Director | 2/4* |

* Reflects the attendance and the number of meetings held during the period the Board member held office for the financial year ended 31 December 2010.

c) Supply of information

Prior to each Board meeting, all Directors will receive a full set of Board papers with due notice of issues to be discussed in a timely manner. Relevant Directors will provide explanation on pertinent issues. All proceedings and the conclusions from the Board Meetings are minuted and signed by the Chairman in accordance with the provision of Section 156 of the Companies Act, 1965. The Company Secretary attends all the board meetings.

The Board is kept updated on the Company's financial performance activities and operations as well as other performance factors on a regular basis. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are followed. Senior management staffs are also invited to attend Board meetings when necessary to provide the Board with further explanation and clarification on matters being tabled for consideration by the Board. Minutes of the Board meetings are also maintained by the Company Secretary.

In addition, the Board has put in place a procedure for Directors, whether as a full board or in their individual capacity, to have access to all information within the Company and to take independent advice where necessary, in the furtherance of their duties and at the Company's expense.

d) Appointment and Re-election of the Board

The Bursa Securities Listing Requirements provides that each Director, including the Managing and/or Executive Directors must retire from office at least once in three (3) years and shall be eligible for re-election at the Annual General Meeting ("AGM"). Directors who are newly appointed by the Board are subject to re-election by the shareholders at the immediate next AGM held following their appointment. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

e) Nomination Committee

The role of the Nomination Committee is to ensure that the Board of Directors comprises directors with an appropriate mix of responsibilities, skill and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis an appropriate balance and size of non-executive participation, establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the Committee of the Board and the contribution of each individual Director including Independent Non-Executive Directors. Such assessment has been properly documented and recorded.

In carrying out its duties and responsibilities, the Nomination Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Nomination Committee is permitted to use the services of professional recruitment firm to source for the right candidate for directorship or seek independent professional advice.

CORPORATE GOVERNANCE STATEMENT



THE BOARD OF DIRECTORS (CONT'D)

e) Nomination Committee (Cont'd)

The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met. The members of the Committee are as follows :

| | |
|---------------------------|--------|
| Mr Loh Chee Kan | Member |
| Mr Chua Syer Cin | Member |
| En Mohd Salleh Bin Jantan | Member |

f) Remuneration Committee

The Remuneration Committee is responsible to assist the Board in assessing the remuneration packages of the Directors of the Company and Group. The Board will decide on the remuneration packages after considering the recommendations made by the Committee.

The members of the Committee are as follows:

| | |
|---|--------|
| Mr Loh Chee Kan | Member |
| Mr Chua Syer Cin | Member |
| Datuk Ng Yeng Keng @ Ng Ka Hiat (Appointed on 1 December 2010) | Member |
| Datuk Ng Eng Sos @ Bah Chik (Retired on 1 December 2010) | Member |

g) Directors' Remuneration

The Board constantly takes note of the contribution and performance of the existing Directors. The objective of the Company is to ensure the level of remuneration is sufficient to attract and retain the Directors to run the Company successfully. In carrying out its duties and responsibilities, the Remuneration Committee will in principle have full, free and unrestricted access to the Company's records and personnel.

The remuneration packages of the Executive Directors are structured to link to the corporate and individual performance and commitment. The individual Director did not participate in discussion and determination of his own remuneration. Non-Executive Directors are paid a meeting allowance for each meeting they attended. The Company reimburses expenses incurred by the Directors in the course of their duties as Directors. The Directors' fees would be endorsed by the Board for approval by shareholders in the forthcoming Annual General Meeting.

The aggregate remuneration of Directors, received or receivable, categorised into appropriate components for the financial year ended 31 December 2010 are as follows:

| | Salaries and Other Emoluments RM | Estimated Value of Benefits in Kind RM | Fees RM |
|---------------|-------------------------------------|--|---------------|
| Executive | 673,924 | 60,525 | 33,984 |
| Non-Executive | 14,200 | - | 28,283 |
| Total | 688,124 | 60,525 | 62,267 |

The number of Directors whose total remuneration fall within the following bands:

| Range of Remuneration | Number of Directors | |
|------------------------|---------------------|---------------|
| | Executive | Non-Executive |
| RM50,000 | - | 5 |
| RM50,001 to RM100,000 | 3 | - |
| RM150,001 to RM200,000 | 1 | - |
| RM200,001 to RM250,000 | - | - |
| RM250,001 to RM300,000 | 1 | - |

Details of the remuneration of each Director are not disclosed due to security reasons.

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS (CONT'D)

h) Directors' Training

All the Directors have attended Mandatory Accreditation Programme ("MAP") and Continuing Education Programme ("CEP") prescribed by the Bursa Securities.

The training programme or seminars attended by all / most of the Directors for the financial year ended 31 December 2010 are as follows:

- i) Financial Management Course for SMEs
- ii) CEO - Human Resources Development Talk Series
- iii) Bursa Malaysia's Evening Talk on Corporate Governance
- iv) Keeping Abreast with Global Financial Market Development
- v) Bursa Malaysia's Market Chat 2010/2011
- vi) Accounting for Deferred Taxation : A Practical Approach
- vii) Strategic Trade Act 2010 - Seminar for Industry
- viii) CTIM Workshop on Real Property Gains Tax
- ix) Accounting for Construction Contracts, Property Development Activities & Borrowing Costs - A Practical Approach
- x) 2011 Budget Seminar - Highlights & Implications

The Directors will continue to attend trainings and seminars to enhance their skills and knowledge and keep them abreast with relevant developments in the business and regulatory environment on a continuous basis in compliance with Paragraph 15.09 of Listing Requirements of Bursa Securities.

DIALOGUE WITH SHAREHOLDERS OR INVESTORS

Recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensure that they are well informed of major developments of the Company. The information is communicated to them through the issuance of Annual Report, Circular to Shareholders and announcements made to the Bursa Securities including quarterly results. Shareholders and other stakeholders could also obtain general information of the Company through the website of Bursa Securities and the Company. Our website www.kialim.com.my is available for access of information by shareholders and the public. Information posted on the website is updated periodically.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days prior to the date of meeting, providing separate resolutions to be proposed at the AGM for each distinct issue, where necessary.

Board members are available to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day. Proceedings of the AGM are properly minuted.

ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospect. Thus, the Board has undertaken the responsibilities to ensure that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act, 1965; and applicable Financial Reporting Standard in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

The quarterly financial results and Annual Report were reviewed by the Audit Committee and approved by the Board before releasing to the Bursa Securities.



CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT (CONT'D)

b) Internal Control

The Board acknowledges the overall responsibilities in maintaining a sound system of internal control, covering not only financial controls but also operational and compliance controls and reviewing its effectiveness. This is vital to ensure that they are consistent with the overall Company's objectives so as to safeguard the shareholders' investment and the Group's assets.

The Group is continuously looking into the adequacy and integrity of its system of internal controls through improvement and updating of regular operational reports and management information system. The Board also undertakes on-going review of the key performance indicators and financial risk facing by the Group's business and ensuring compliance of the law and regulations.

The Statement on Internal Control in pages 20 and 21 of this Annual Report provides an overview of the state of internal controls within the Group.

c) Relationship with External Auditors

The external auditors, Messrs Ernst & Young has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. The Board has established a formal and transparent arrangement for the achievement of objectives and maintenance of professional relationship with the external auditors. The external auditors have access to the books and records of the Group at all times and highlight to the Audit Committee and Board on matters that require the Board's attention.

OTHER INFORMATION

a) Conflict of Interest

None of the Directors and/or major shareholders of Kia Lim Berhad have any personal interest in any business arrangement involving the Company. None of the Directors have had convictions for any offences within the past ten (10) years.

b) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

c) Share Buybacks

There were no share buybacks by the Company during the financial year.

d) Exercise of Options or Convertible Securities

The Company has not issued any options or convertible securities during the financial year.

e) Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year.

f) Depository Receipts Programme

The Company did not sponsor any Depository Receipts programmes during the financial year.

g) Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year was RM25,500.



CORPORATE GOVERNANCE STATEMENT

OTHER INFORMATION (CONT'D)

h) Profit Estimate, Forecast or Projection

The Company did not release any profit estimate, forecast or projection for the financial year. There was no variance between the results for the financial year and the unaudited results previously released by the Company.

i) Profit Guarantee

During the year, there was no profit guarantee given by the Company.

j) Material Contracts

None of the Directors and major shareholders have any material contracts with the Company and/or its subsidiaries during the financial year.

k) Contracts Relating to Loan

There were no contracts relating to a loan by the Company and/or its subsidiaries in respect of the preceding item.

l) Revaluation Policy

Please refer to page 40 of the Annual Report.

m) Recurrent related party Transactions

Please refer to Circular to shareholders dated 9 May 2011.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS



The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the income statement and cash flows of the Group and of the Company for the financial year. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated on page 28 of this Annual Report.

The Directors are of the view that, in preparing the financial statements of the Group and of the Company for the year ended 31 December 2010, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The Directors have ensured timely release of quarterly and annual financial results of the Group and of the Company to Bursa Securities so that public and investors are informed of the Group's development.

The Directors also have general responsibilities for taking such steps as are reasonably available to them to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.

CORPORATE SOCIAL RESPONSIBILITY

As a corporate entity, the Group has continued to fulfil its share of social obligations and responsibility owed to the public.

We always strive to give something back to the neighbouring communities in which we operate. The spirit of caring and sharing has been amply demonstrated by the Management of the Group. The followings are some activities that we have carried out during the year:

- On 5 July 2010, the Group organised a blood donation campaign together with the Hospital Batu Pahat for the well being of society at large.
- During the year, the Group has given donations for various charitable causes and to certain needy bodies, such as schools, orphanage house, etc.

Going forward, the Group will continue to help the community by undertaking Corporate Social Responsibility programmes that will benefit the underprivileged and less fortunate people.

We also strive to maintain high standards of recruitment, development and retention of employees. We have several initiatives in the workplace. These include the followings:

- i) Environment, health and safety;
- ii) Employee communication channels;
- iii) Sports and wellness programs; and
- iv) Employee training and development.



STATEMENT ON INTERNAL CONTROL

Introduction

Pursuant to paragraph 15.27(b) of the Bursa Securities Listing Requirements, the Board of Directors ("the Board") of Kia Lim Berhad ("the Group") is pleased to provide the following status review of the Group's state of internal control, which has been prepared in accordance with the "Statement on Internal Control : Guidance for Directors of Public Listed Companies" issued by the Bursa Securities's Task Force on Internal Control.

Board Responsibility

The Board of the Group recognises its responsibilities to maintain a sound system of internal control which includes the establishment of an appropriate control environment as well as reviewing its adequacy and integrity. The Group's system of internal controls is designed to safeguard shareholders' investment and its assets. However, in view of the inherent limitations in any system of internal controls, the system is designed to manage rather than eliminate the risk of failure to achieve its corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against misstatement or loss.

Key Elements of Internal Control

The following key elements of a system of internal control are present in the Group:

(i) Strategic business direction and risk management

The Group's business objectives are communicated through its business plan and regular interactions between the Executive Directors with management and other employees. Throughout the financial year under review, the Board has evaluated and managed the key principal risks faced by the Group through the monitoring of the Group's operations, performance and profitability at its Board meetings. The Board enlists the assistance of the internal audit unit to further review and improve the existing risk management processes within the Group. These processes further sensitise all key employees and management on their responsibilities towards internal controls in managing and controlling risks.

(ii) Organisational structure and corporate culture

The Chief Executive Officer plays the role as the channel of communication between the Board and the management. The Chief Executive Officer, Executive Directors and senior management team are actively involved in managing the day-to-day affairs of the Group. They attend meetings, which are held at both management and operational levels to deliberate and resolve business and operational matters. The authority of the Directors is required for key treasury matters including changes to equity and loan financing, interest rates, cheque signatories, opening of the bank accounts and foreign operations.

(iii) Definition of employees' roles and responsibilities

The roles and responsibilities of key positions are clearly defined and specified in the job description manuals.

(iv) Reporting and review

Adequate financial and operational information systems are in place to capture pertinent internal business information. Financial and operational reports are periodically prepared and presented to management or the Board for discussion and review on a timely basis.

(v) Procedures and control environment

Established control activities for day-to-day financial and operating activities are in place covering preventive controls, detective controls, corrective controls, manual controls, computer controls and management controls. These include top-level reviews of financial and operating performance, authorisations, verifications, reconciliation, physical controls over assets, segregation of duties and controls over information systems.

The Directors have ensured that safety and health regulations have been considered and complied with. Quality is always given prominence in all products manufactured. The subsidiary companies have obtained ISO 9001 certificate for their operational processes. Internal procedures and standard operating procedures have been properly documented and surveillance audits are conducted yearly by assessors of the ISO certification body to ensure that the system is implemented as per ISO 9001:2008 requirements.



STATEMENT ON INTERNAL CONTROL

Key Elements of Internal Control (Cont'd)

(vi) Audit Committee

The Audit Committee analyses the Group's current quarter and year-to-date performance compared to previous quarter, previous corresponding quarter and year-to-date and then reports to the Board. The Report of the Audit Committee is set out on pages 7 to 9 of the Annual Report.

(vii) Internal audit function

The Board has outsourced its internal audit function to an independent professional service firm, in order to assist the Audit Committee in discharging its duties with regards to the adequacy and integrity of the system of internal control. The annual internal audit plan is agreed with the Audit Committee. The Internal Auditors will discuss areas for improvement, identify and co-develop remedial action plans with management and also monitor the management's adoption of the External Auditors' recommendations for improvement on internal controls weaknesses noted during their annual audit, if any.

Effectiveness of Internal Control

The Directors have reviewed the adequacy, integrity and effectiveness of the systems of internal control in operation during the financial year through the monitoring process set out above. Internal control weaknesses were identified during the year under review but none have resulted in any material losses, contingencies or uncertainties that would require mention in the Group's annual report. The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Group.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Kia Lim Berhad Group for the financial year ended 31 December 2010.

FINANCIAL PERFORMANCE

The year 2010 had been very challenging indeed. Just shortly into the new year our production was plagued with problems, resulting in several lines being shut down for major repairs as well as routine maintenance. The repair costs and the resulting loss of production had an adverse impact on the performance of the Group. Our challenges were further compounded by the declining prices of our products caused by an over-capacity in the industry.

The Group recorded a loss before taxation of RM4.0 million for the year as compared to a profit before taxation of RM1.3 million in 2009. Revenue was down at RM48.4 million from RM51.1 million in 2009.

PROSPECT

The Malaysian economy recorded a respectable growth of 7.2% for 2010, and is projected for a 5% to 6% growth this year. With the coming on-stream of the various initiatives under its Economic Transformation Programme, the Malaysian Government is very positive about the country's economy, and sentiments on the ground is generally upbeat as reflected in the rising confidence in the property market. This augurs well for the construction sector. Indeed, selling prices of our products are improving, and with the major repair last year behind us, we are hopeful of more consistent production this year to take advantage of the improving market condition.

DIVIDENDS

The Board does not recommend any dividends for the financial year ended 31 December 2010.

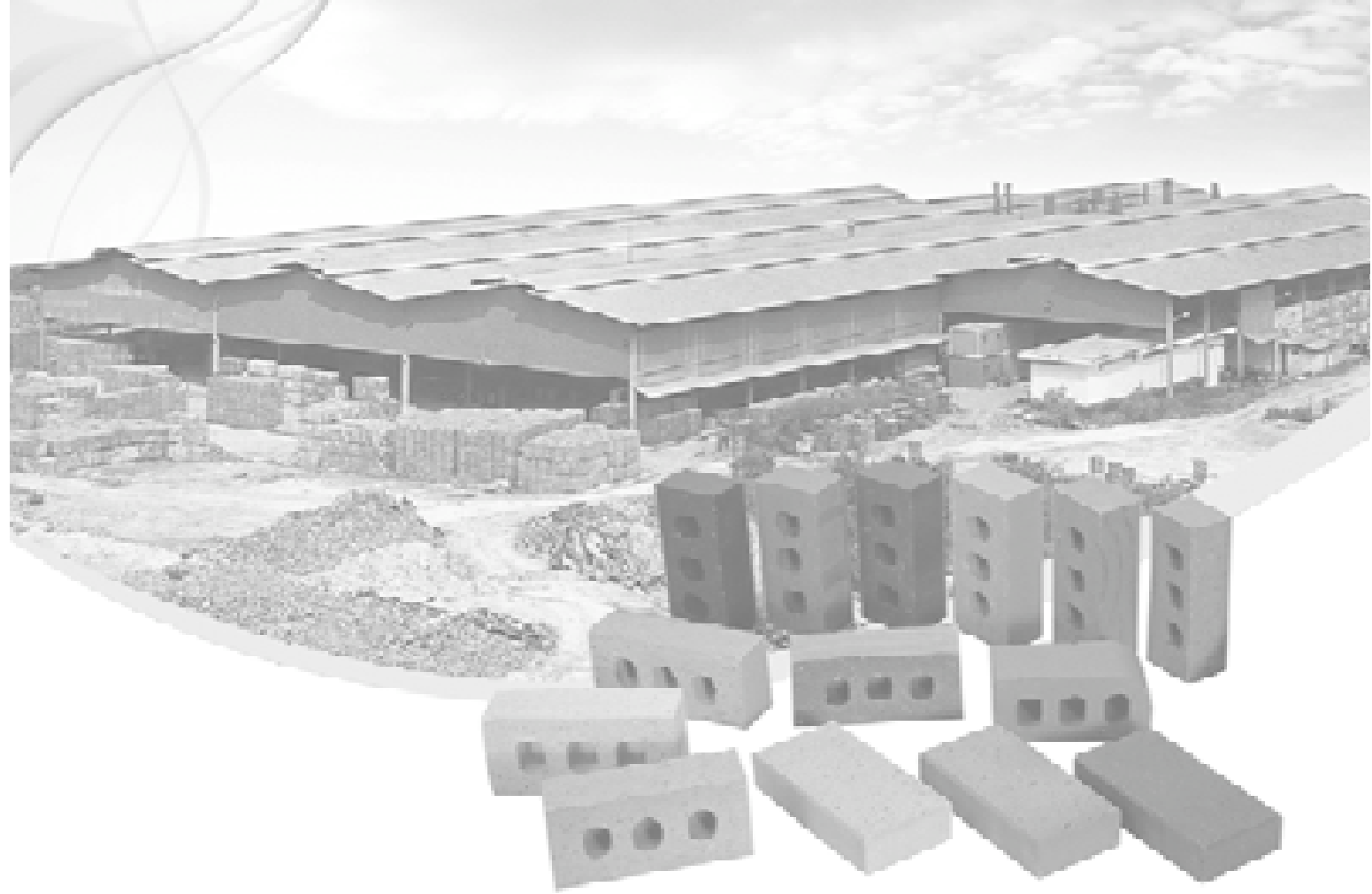
APPRECIATION

On behalf of the Board of Directors, I wish to express my gratitude to our customers, suppliers, and business associates, as well as the regulatory authorities, bankers and advisors for their part in the well being of the Group. To our shareholders, I thank you for your patience and continuing confidence in the Group. I wish also to express my appreciation to the management and all our employees for their effort and sacrifices in ensuring the continue well being of the Group.

The Board would like to record its appreciation to YB Koh Chai @ Koh Chee Chai who had resigned from the Board, for his contribution during his tenure of office. Year 2010 also saw our well respected founding Chairman Datuk Ng Eng Sos @ Bah Chik stepping down and resigning from the Board. It is a loss to the Group, and we shall miss his leadership and wisdom. We are indeed grateful for his past contribution, and we wish him well.

Lastly, I would like to extend my personal thanks to my fellow members of the Board for their dedication and counsel throughout the year.

Loh Chee Kan
Chairman

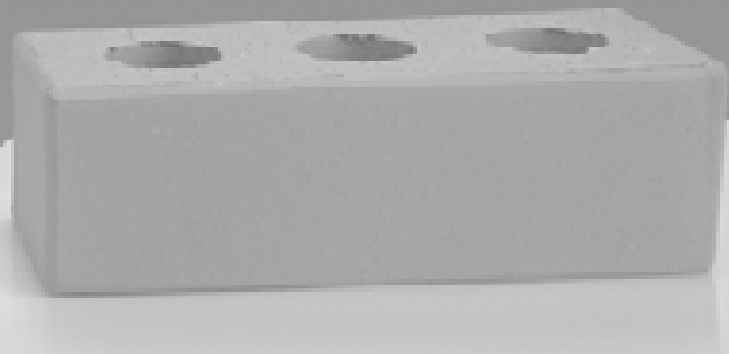


Vision

To be a leading clay brick manufacturer in Southeast Asia with a strong brand name and strong regional market penetration.

Mission

To provide a comprehensive range of quality products to meet customers' needs and create value for stakeholders.



Reports & Financial Statements

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associate are as disclosed under Notes 11 and 12 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

| | Group RM | Company RM |
|---|-------------|---------------|
| Loss for the year | 3,998,620 | 799,596 |
| Attributable to: Equity holders of the Company | 3,998,620 | 799,596 |

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Loh Chee Kan
 Y.B. Datuk Ariss Bin Samsudin
 Datuk Ng Yeng Keng @ Ng Ka Hiat
 Tan See Chip
 Ng Yam Puan @ Ng Ah Bah
 Mohd Salleh Bin Jantan
 Chua Syer Cin
 Ng Chin Kang
 Y.B. Koh Chai @ Koh Chee Chai (Retired on 26 May 2010)
 Datuk Ng Eng Sos @ Bah Chik (Retired on 1 December 2010)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and in warrants in the Company during the financial year were as follows:

| The Company | Number of ordinary shares of RM1 each | | | |
|---------------------------------|---------------------------------------|--------|------|---------------------|
| | 1 January 2010 | Bought | Sold | 31 December 2010 |
| Direct interest | | | | |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 1,542,255 | - | - | 1,542,255 |
| Tan See Chip | 799,935 | - | - | 799,935 |
| Ng Yam Puan @ Ng Ah Bah | 309,499 | - | - | 309,499 |
| Mohd Salleh Bin Jantan | 1,636,316 | - | - | 1,636,316 |
| Y.B. Datuk Ariss Bin Samsudin | 303,000 | - | - | 303,000 |
| Indirect interest * | | | | |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 170,998 | - | - | 170,998 |
| Tan See Chip | 41,100 | - | - | 41,100 |
| Deemed interest | | | | |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 24,673,220 | - | - | 24,673,220 |
| Ng Chin Kang | 10,798,254 | - | - | 10,798,254 |
| Tan See Chip | 17,000 | - | - | 17,000 |
| The Company | Number of warrants | | | |
| | 1 January 2010 | Bought | Sold | 31 December 2010 |
| Deemed interest | | | | |
| Datuk Ng Yeng Keng @ Ng Ka Hiat | 3,996,427 | - | - | 3,996,427 |
| Ng Chin Kang | 782,534 | - | - | 782,534 |

* Indirect interest represents the interest of spouse and child of the director of the Company in the shares of the Company under Section 134(12)(c) of the Companies (Amendment) Act, 2007.

Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Chin Kang and Tan See Chip, by virtue of their interest in the Company, are deemed interested in the shares of the subsidiary companies to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

WARRANTS

The Warrants 2006/2016 were constituted by a Deed Poll dated 28 November 2005. The Warrants were listed on Bursa Malaysia Securities Berhad on 15 February 2006. The main features of the Warrants are as follows:

- Each Warrant will entitle its registered holder during the exercise period to subscribe for one new ordinary share at the exercise price, subject to adjustment in accordance with the provision of the Deed Poll.
- The exercise price of each Warrant has been fixed at RM1.00, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
- The expiry date of Warrants shall be the day falling on the tenth (10th) anniversary of the date of issue of the warrants, whereupon any Warrant which has not been exercised will lapse and cease thereafter to be valid for any purpose.
- The new ordinary shares of RM1.00 each to be issued pursuant to the exercise of the Warrants will rank pari passu in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the record date of which is on or before the date of allotment and issue of the new ordinary shares of the Company pursuant to the exercise of the warrants.

For the purpose hereof, record date means the date as at the close of business on which the shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any other distributions.



DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributable to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 March 2011.

Datuk Ng Yeng Keng @ Ng Ka Hiatt

Tan See Chip



STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Ng Yeng Keng @ Ng Ka Hiat and Tan See Chip, being two of the directors of Kia Lim Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 62 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 31 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 March 2011.

Datuk Ng Yeng Keng @ Ng Ka Hiat

Tan See Chip

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Ng Yeng Keng @ Ng Ka Hiat, being the director primarily responsible for the financial management of Kia Lim Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 62 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Datuk Ng Yeng Keng @ Ng Ka)
Hiat at Batu Pahat in the State of Johor)
Darul Ta'zim on 31 March 2011) Datuk Ng Yeng Keng @ Ng Ka Hiat

Before me,

Rahini A/P Nagappan
No. J130
Commissioner for Oaths

Batu Pahat, Malaysia

31 March 2011



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIA LIM BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kia Lim Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 31 to 62.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIA LIM BERHAD

Other matters

The supplementary information set out in Note 31 to the financial statements on page 63 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
1821/12/12(J)
Chartered Accountant

Johor Bahru, Malaysia

31 March 2011



STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Note | Group | | Company | |
|--|------|--------------|--------------|-------------|------------|
| | | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Revenue | 3 | 48,431,358 | 51,075,292 | - | - |
| Cost of sales | | (40,564,774) | (38,110,248) | - | - |
| Gross profit | | 7,866,584 | 12,965,044 | - | - |
| Other income | | 1,129,010 | 1,286,376 | 649,574 | 711,292 |
| Administrative expenses | | (3,566,185) | (3,614,750) | (363,670) | (335,248) |
| Selling and distribution expenses | | (6,900,898) | (7,159,770) | - | - |
| Operating (loss)/profit | | (1,471,489) | 3,476,900 | 285,904 | 376,044 |
| Finance costs | 4 | (2,527,131) | (2,218,106) | (1,085,500) | (629,162) |
| Share of loss of associate | | - | (2,003) | - | - |
| (Loss)/Profit before tax | 5 | (3,998,620) | 1,256,791 | (799,596) | (253,118) |
| Income tax | 8 | - | - | - | - |
| (Loss)/Profit for the year, representing total comprehensive (loss)/income for the year | | (3,998,620) | 1,256,791 | (799,596) | (253,118) |
| Attributable to: | | | | | |
| Equity holders of the Company | | (3,998,620) | 1,256,791 | (799,596) | (253,118) |
| (Loss)/Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| Basic and diluted | 9 | (6.5) | 2.0 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010



| | Note | Group | | Company | |
|---|------|---------------------|---------------------|-------------------|-------------------|
| | | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 10 | 86,552,940 | 89,123,200 | 667,405 | 695,176 |
| Investment in subsidiaries | 11 | - | - | 13,592,891 | 13,592,891 |
| Investment in associate | 12 | 82,537 | 82,537 | - | - |
| Investment properties | 13 | 240,865 | 240,865 | - | - |
| Investment securities | 14 | 136,641 | 136,641 | - | - |
| Other receivables | 15 | - | - | 38,691,924 | 38,691,924 |
| | | 87,012,983 | 89,583,243 | 52,952,220 | 52,979,991 |
| Current assets | | | | | |
| Inventories | 16 | 11,528,782 | 11,900,686 | - | - |
| Trade and other receivables | 15 | 11,650,776 | 12,686,923 | 7,192,993 | 7,445,209 |
| Prepayments | | 166,751 | 204,639 | - | - |
| Cash and bank balances | 17 | 26,819 | 6,716 | 4,629 | 716 |
| | | 23,373,128 | 24,798,964 | 7,197,622 | 7,445,925 |
| TOTAL ASSETS | | 110,386,111 | 114,382,207 | 60,149,842 | 60,425,916 |
| EQUITY AND LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 20 | 21,518,226 | 19,045,402 | 385,185 | 317,989 |
| Borrowings | 18 | 17,800,381 | 16,127,533 | - | - |
| | | 39,318,607 | 35,172,935 | 385,185 | 317,989 |
| Net current (liabilities)/assets | | (15,945,479) | (10,373,971) | 6,812,437 | 7,127,936 |
| Non-current liabilities | | | | | |
| Borrowings | 18 | 15,442,499 | 22,610,605 | 12,744,302 | 15,716,000 |
| Total liabilities | | 54,761,106 | 57,783,540 | 13,129,487 | 16,033,989 |
| Net assets | | 55,625,005 | 56,598,667 | 47,020,355 | 44,391,927 |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 21 | 61,937,451 | 61,937,451 | 61,937,451 | 61,937,451 |
| Share premium | | 7,283,230 | 7,283,230 | 7,283,230 | 7,283,230 |
| Revaluation reserve | 22 | 22,417,530 | 22,417,530 | - | - |
| Accumulated losses | | (36,013,206) | (35,039,544) | (22,200,326) | (24,828,754) |
| Total equity | | 55,625,005 | 56,598,667 | 47,020,355 | 44,391,927 |
| TOTAL EQUITY AND LIABILITIES | | 110,386,111 | 114,382,207 | 60,149,842 | 60,425,916 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Share capital RM (Note 21) | Share premium RM | Revaluation reserve RM (Note 22) | Accumulated losses RM | Total RM |
|---|-------------------------------------|------------------------|---|-----------------------------|-------------|
| At 1 January 2009 | 61,937,451 | 7,283,230 | 22,417,530 | (36,296,335) | 55,341,876 |
| Total comprehensive income for the year | - | - | - | 1,256,791 | 1,256,791 |
| At 31 December 2009 | 61,937,451 | 7,283,230 | 22,417,530 | (35,039,544) | 56,598,667 |
| Adoption of FRS 139 | - | - | - | 3,024,958 | 3,024,958 |
| | 61,937,451 | 7,283,230 | 22,417,530 | (32,014,586) | 59,623,625 |
| Total comprehensive loss for the year | - | - | - | (3,998,620) | (3,998,620) |
| At 31 December 2010 | 61,937,451 | 7,283,230 | 22,417,530 | (36,013,206) | 55,625,005 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Share capital RM (Note 21) | Share premium RM | Accumulated losses RM | Total RM |
|---------------------------------------|-------------------------------------|------------------------|-----------------------------|-------------|
| At 1 January 2009 | 61,937,451 | 7,283,230 | (24,575,636) | 44,645,045 |
| Total comprehensive loss for the year | - | - | (253,118) | (253,118) |
| At 31 December 2009 | 61,937,451 | 7,283,230 | (24,828,754) | 44,391,927 |
| Adoption of FRS 139 | - | - | 3,428,024 | 3,428,024 |
| Total comprehensive loss for the year | - | - | (799,596) | (799,596) |
| At 31 December 2010 | 61,937,451 | 7,283,230 | (22,200,326) | 47,020,355 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

| | Group | | Company | |
|--|-------------|-------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Cash flows from operating activities | | | | |
| (Loss)/Profit before tax | (3,998,620) | 1,256,791 | (799,596) | (253,118) |
| Adjustments for : | | | | |
| Bad debts written off | 20,483 | 18,186 | 20,400 | - |
| Depreciation of property, plant and equipment | 5,907,608 | 5,831,766 | 27,771 | 27,771 |
| Dividend income | (15) | (15) | - | - |
| Gain on disposal of property, plant and equipment | (2,436) | (3,409) | - | - |
| Impairment of trade receivables | 101,363 | - | - | - |
| Interest expenses | 2,527,131 | 2,218,106 | 1,085,500 | 629,162 |
| Interest income | - | - | (629,174) | (629,162) |
| Property, plant and equipment written off | - | 338,186 | - | - |
| Reversal of impairment of trade receivables | (305,661) | - | - | - |
| Share of loss of associate | - | 2,003 | - | - |
| Unrealised foreign exchange gain | (9,039) | (29,988) | - | - |
| Operating profit/(loss) before working capital changes | 4,240,814 | 9,631,626 | (295,099) | (225,347) |
| Inventories | 371,905 | (601,502) | - | - |
| Receivables | 863,822 | 1,447,492 | 106,180 | (26,475) |
| Payables | 2,472,824 | (1,021,238) | 67,196 | (2,074) |
| Cash generated from/(used in) operations | 7,949,365 | 9,456,378 | (121,723) | (253,896) |
| Interest received | - | - | 629,174 | 629,162 |
| Interest paid | (2,070,805) | (2,218,106) | (629,174) | (629,162) |
| Tax paid | - | (45,812) | - | - |
| Net cash generated from/ (used in) operating activities | 5,878,560 | 7,192,460 | (121,723) | (253,896) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (3,309,618) | (2,697,344) | - | - |
| Proceeds from disposal of property, plant and equipment | 9,706 | 5,054 | - | - |
| Repayment from subsidiary companies | - | - | 125,636 | 247,439 |
| Net dividend received | 15 | 15 | - | - |
| Net cash (used in)/generated from investing activities | (3,299,897) | (2,692,275) | 125,636 | 247,439 |
| Cash flows from financing activities | | | | |
| Repayment of term loan | (2,466,812) | (3,675,395) | - | - |
| Repayment of hire purchase liabilities | (302,878) | (168,286) | - | - |
| Repayment of bankers' acceptances | (50,000) | (754,000) | - | - |
| Repayment of trust receipts | - | (70,305) | - | - |
| Net cash used in financing activities | (2,819,690) | (4,667,986) | - | - |
| Net (decrease)/increase in cash and cash equivalents | (241,027) | (167,801) | 3,913 | (6,457) |
| Cash and cash equivalents at beginning of the financial year | (4,758,077) | (4,590,276) | 716 | 7,173 |
| Cash and cash equivalents at end of the financial year (Note 17) | (4,999,104) | (4,758,077) | 4,629 | 716 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim. The principal place of business of the Company is located at Batu 1 1/4, Jalan Kangkar Senangar, 83500 Parit Sulong, Batu Pahat, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associate are as disclosed in Notes 11 and 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 28).

The revised FRS 101 was adopted retrospectively by the Group.

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Redeemable convertible secured loan stocks**

The Group's and the Company's Redeemable Convertible Secured Loan Stocks ("RCCLS") were issued in 2006 pursuant to a debt restructuring scheme undertaken with the Group's banks and prior to 1 January 2010, were measured at the carrying amount of the outstanding bank borrowings before the restructuring scheme. Upon the adoption of FRS 139, when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. As at 1 January 2010, the Group has remeasured the amount for RCCLS in accordance with the provisions of FRS 139 and the difference has been recognised as an adjustment to the opening balance of retained earnings as at that date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

- Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the amount for trade receivables as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

The following are the effects arising from the above changes in accounting policies:

| | Group | | Decrease | |
|---|------------------------------------|----------------------------------|------------------------------------|---|
| | As at 31 December 2010 RM | As at 1 January 2010 RM | As at 31 December 2010 RM | Company As at 1 January 2010 RM |
| Statements of financial position | | | | |
| Trade and other receivables | 23,280 | 403,066 | - | - |
| Borrowings | 2,971,698 | 3,428,024 | 2,971,698 | 3,428,024 |
| Accumulated losses | 2,948,418 | 3,024,958 | 2,971,698 | 3,428,024 |
| <hr/> | | | | |
| | | | Increase | |
| | | | 31 December 2010 | |
| | | | Group | Company |
| | | | RM | RM |
| Statements of comprehensive income | | | | |
| Other income | | | 379,786 | - |
| Finance cost | | | 456,326 | 456,326 |
| Loss for the year | | | 76,540 | 456,326 |

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

| Description | Effective for annual periods beginning on or after |
|--|---|
| FRS 1 First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3 Business Combinations (Revised) | 1 July 2010 |
| Amendments to FRS 2 Share-based Payment | 1 July 2010 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 127 Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 12 Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to FRS 132 Classification of Rights Issues | 1 March 2010 |
| Amendments to FRS 1 Limited Exemption from Comparative | |
| FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 7 Improving Disclosures about Financial Instruments | 1 January 2011 |
| FRS 124 Related Party Disclosures | 1 January 2012 |
| IC Interpretation 15 Agreements for the Construction of Real Estate | 1 January 2012 |

Except for the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.6 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---------------------|---------------|
| Buildings | 10 - 50 years |
| Plant and machinery | 5 - 25 years |
| Motor vehicles | 5 years |
| Other assets | 5 - 10 years |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.8 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate is prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, the investment in associate is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.11 Financial assets**

Financial assets are recognised in the statements of financial position only when the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include the following:

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(b) Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the other categories.

The Group's available-for-sale financial assets comprise investments in unquoted equity instruments whose fair value cannot be reliably measured. These are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets (Cont'd)

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Indirect materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted-average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classify its financial liabilities as other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.16 Financial liabilities (Cont'd)**

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing costs

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.18 Employee benefits

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.19 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental income

Rental income is recognised on accrual basis.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales and service taxes

Revenues, expenses and assets are recognised net of the amount of sales and service tax except:

- Where the sales or service tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales or service tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales or service tax included.

The amount of sales or service tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

3. REVENUE

Revenue of the Group represents invoiced value of goods sold less returns and trade discounts. Intragroup transactions are excluded from the Group's revenue.

4. FINANCE COSTS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Interest expense on: | | | | |
| - Overdraft | 662,331 | 644,997 | - | - |
| - Obligations under finance lease | 54,479 | 53,611 | - | - |
| - Term loans | 724,821 | 890,336 | - | - |
| - Redeemable convertible secured loan stocks | 1,085,500 | 629,162 | 1,085,500 | 629,162 |
| | 2,527,131 | 2,218,106 | 1,085,500 | 629,162 |

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is stated after charging/(crediting) :

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Employee benefits expense (Note 6) | 5,818,018 | 5,460,461 | 65,867 | 64,400 |
| Non-executive directors' remuneration (Note 7) | 42,483 | 41,800 | 41,283 | 39,400 |
| Auditors' remuneration | | | | |
| - Statutory audit | | | | |
| - current | 64,000 | 59,000 | 8,000 | 8,000 |
| - overprovided in prior year | - | (3,000) | - | (2,000) |
| - Other services | 25,500 | 24,300 | 6,500 | 6,000 |
| Bad debts written off | 20,483 | 18,186 | 20,400 | - |
| Depreciation of property, plant and equipment (Note 10) | 5,907,608 | 5,831,766 | 27,771 | 27,771 |
| Dividend income from available-for-sale financial assets | (15) | (15) | - | - |
| Foreign exchange gain | | | | |
| - realised | (130,456) | (265,145) | - | - |
| - unrealised | (9,039) | (29,988) | - | - |
| Gain on disposal of property, plant and equipment | (2,436) | (3,409) | - | - |
| Gain on early settlement by debtor (Note 15) | (379,786) | - | - | - |
| Impairment of trade receivables (Note 15) | 101,363 | - | - | - |
| Interest expenses | 2,527,131 | 2,218,106 | 1,085,500 | 629,162 |
| Interest income | - | - | (629,174) | (629,162) |
| Property, plant and equipment written off | - | 338,186 | - | - |
| Rental income | (21,600) | (83,330) | (20,400) | (82,130) |
| Rental of premises | 101,500 | 114,160 | - | - |
| Reversal of impairment of trade receivables (Note 15) | (305,661) | - | - | - |
| Vehicle rental income | (347,680) | (119,309) | - | - |

6. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Wages and salaries | 5,289,335 | 4,940,747 | 65,867 | 64,400 |
| Defined contribution plan | 466,991 | 460,492 | - | - |
| Social security contributions | 61,692 | 59,222 | - | - |
| | 5,818,018 | 5,460,461 | 65,867 | 64,400 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM707,908 (2009 : RM696,316) and RM24,584 (2009 : RM25,000) respectively as further disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010



7. DIRECTORS' REMUNERATION

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Executive directors' remuneration | | | | |
| Fees | 33,984 | 34,600 | 24,584 | 25,000 |
| Other emoluments | 673,924 | 661,716 | - | - |
| | 707,908 | 696,316 | 24,584 | 25,000 |
| Non-executive directors' remuneration | | | | |
| Fees | 28,283 | 27,400 | 27,083 | 25,000 |
| Other emoluments | 14,200 | 14,400 | 14,200 | 14,400 |
| | 42,483 | 41,800 | 41,283 | 39,400 |
| Total directors' remuneration (excluding benefits-in-kind) | 750,391 | 738,116 | 65,867 | 64,400 |
| Estimated money value of benefits-in-kind | 60,525 | 60,525 | - | - |
| Total directors' remuneration (including benefits-in-kind) | 810,916 | 798,641 | 65,867 | 64,400 |

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as follows :

| | Number of Directors | |
|--------------------------|---------------------|------|
| | 2010 | 2009 |
| Executive directors: | | |
| RM50,001 - RM100,000 | 3 | 3 |
| RM150,001 - RM200,000 | 1 | 1 |
| RM250,001 - RM300,000 | 1 | 1 |
| Non-executive directors: | | |
| <RM50,000 | 5 | 5 |

8. INCOME TAX

No income tax expense has been provided as the Group and the Company does not have any taxable income.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 is as follows:

| | Group | | Company | |
|--|-------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| (Loss)/Profit before taxation | (3,998,620) | 1,256,791 | (799,596) | (253,118) |
| Taxation at Malaysian statutory tax rate of 25% (2009 : 25%) | (999,655) | 314,198 | (199,899) | (63,280) |
| Expenses not deductible for tax purposes | 311,149 | 289,530 | 199,899 | 63,280 |
| Deferred tax assets not recognised | 688,506 | 130,010 | - | - |
| Deferred tax assets recognised in respect of previously unrecognised unutilised reinvestment allowances | - | (733,738) | - | - |
| Income tax expense for the year | - | - | - | - |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

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9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share amount is calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

As the conversions of all potential ordinary shares from warrants are not dilutive, the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share.

The following tables reflect the profit and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

| | 2010 RM | 2009 RM |
|--|-------------|-------------|
| (Loss)/Profit attributable to ordinary equity holders of the Company | (3,998,620) | 1,256,791 |
| Weighted average number of ordinary shares in issue | 61,937,451 | 61,937,451 |
| | 2010 Sen | 2009 Sen |
| Basic and diluted (loss)/earnings per share | (6.5) | 2.0 |

10. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and buildings RM | Plant and machinery RM | Motor vehicles RM | Other assets RM | Total RM |
|---|---|------------------------------|-------------------------|-----------------------|-------------|
| Group | | | | | |
| At 31 December 2010 | | | | | |
| Cost or valuation | | | | | |
| At 1 January 2010 | | | | | |
| At cost | 1,145,419 | 125,242,853 | 8,467,749 | 4,153,602 | 139,009,623 |
| At valuation | 41,050,000 | - | - | - | 41,050,000 |
| | 42,195,419 | 125,242,853 | 8,467,749 | 4,153,602 | 180,059,623 |
| Additions | 360,076 | 2,869,354 | 68,330 | 46,858 | 3,344,618 |
| Disposals | - | (102,554) | (81,123) | (282,031) | (465,708) |
| At 31 December 2010 | 42,555,495 | 128,009,653 | 8,454,956 | 3,918,429 | 182,938,533 |
| Representing: | | | | | |
| At cost | 1,505,495 | 128,009,653 | 8,454,956 | 3,918,429 | 141,888,533 |
| At valuation | 41,050,000 | - | - | - | 41,050,000 |
| At 31 December 2010 | 42,555,495 | 128,009,653 | 8,454,956 | 3,918,429 | 182,938,533 |
| Accumulated depreciation | | | | | |
| At 1 January 2010 | 2,081,093 | 78,358,771 | 6,739,913 | 2,309,852 | 89,489,629 |
| Depreciation charge for the year (Note 5) | 643,002 | 4,692,454 | 517,011 | 55,141 | 5,907,608 |
| Disposals | - | (102,554) | (81,123) | (274,761) | (458,438) |
| At 31 December 2010 | 2,724,095 | 82,948,671 | 7,175,801 | 2,090,232 | 94,938,799 |
| Accumulated impairment losses | | | | | |
| At 1 January/ 31 December 2010 | - | 1,446,794 | - | - | 1,446,794 |
| Net carrying amount | | | | | |
| At cost | 322,253 | 43,614,188 | 1,279,155 | 1,828,197 | 47,043,793 |
| At valuation | 39,509,147 | - | - | - | 39,509,147 |
| At 31 December 2010 | 39,509,147 | 43,614,188 | 1,279,155 | 1,828,197 | 86,552,940 |



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land and buildings RM | Plant and machinery RM | Motor vehicles RM | Other assets RM | Total RM |
|---|---|------------------------------|-------------------------|-----------------------|-------------|
| Group | | | | | |
| At 31 December 2009 | | | | | |
| Cost or valuation | | | | | |
| At 1 January 2009 | | | | | |
| At cost | 907,804 | 123,562,190 | 8,141,037 | 4,151,520 | 136,762,551 |
| At valuation | 41,050,000 | - | - | - | 41,050,000 |
| | 41,957,804 | 123,562,190 | 8,141,037 | 4,151,520 | 177,812,551 |
| Additions | 237,615 | 2,254,017 | 326,712 | 26,500 | 2,844,844 |
| Disposals | - | (154,815) | - | (2,100) | (156,915) |
| Write off | - | (418,539) | - | (22,318) | (440,857) |
| | 42,195,419 | 125,242,853 | 8,467,749 | 4,153,602 | 180,059,623 |
| At 31 December 2009 | | | | | |
| Representing: | | | | | |
| At cost | 1,145,419 | 125,242,853 | 8,467,749 | 4,153,602 | 139,009,623 |
| At valuation | 41,050,000 | - | - | - | 41,050,000 |
| | 42,195,419 | 125,242,853 | 8,467,749 | 4,153,602 | 180,059,623 |
| At 31 December 2009 | | | | | |
| Accumulated depreciation | | | | | |
| At 1 January 2009 | 1,442,754 | 74,033,363 | 6,186,837 | 2,252,850 | 83,915,804 |
| Depreciation charge for the year (Note 5) | 638,339 | 4,570,305 | 553,076 | 70,046 | 5,831,766 |
| Disposals | - | (154,815) | - | (455) | (155,270) |
| Write off | - | (90,082) | - | (12,589) | (102,671) |
| | 2,081,093 | 78,358,771 | 6,739,913 | 2,309,852 | 89,489,629 |
| At 31 December 2009 | | | | | |
| Accumulated impairment losses | | | | | |
| At 1 January/ 31 December 2009 | - | 1,446,794 | - | - | 1,446,794 |
| Net carrying amount | | | | | |
| At cost | 322,253 | 45,437,288 | 1,727,836 | 1,843,750 | 49,331,127 |
| At valuation | 39,792,073 | - | - | - | 39,792,073 |
| | 40,114,326 | 45,437,288 | 1,727,836 | 1,843,750 | 89,123,200 |
| At 31 December 2009 | | | | | |
| Company | | | | | |
| At 31 December 2010 | | | | | |
| Cost or valuation | | | | | |
| At 1 January 2010/31 December 2010 | | | 750,000 | 10,287 | 760,287 |
| Accumulated depreciation | | | | | |
| At 1 January 2010 | | | 55,324 | 9,787 | 65,111 |
| Depreciation charge for the year (Note 5) | | | 27,662 | 109 | 27,771 |
| | | | 82,986 | 9,896 | 92,882 |
| At 31 December 2010 | | | | | |
| Net carrying amount | | | | | |
| | | | 667,014 | 391 | 667,405 |

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Freehold land and buildings RM | Other assets RM | Total RM |
|---|---|-----------------------|-------------|
| At 31 December 2009 | | | |
| Cost or valuation | | | |
| At 1 January 2009/31 December 2009 | 750,000 | 10,287 | 760,287 |
| Accumulated depreciation | | | |
| At 1 January 2009 | 27,662 | 9,678 | 37,340 |
| Depreciation charge for the year (Note 5) | 27,662 | 109 | 27,771 |
| At 31 December 2009 | 55,324 | 9,787 | 65,111 |
| Net carrying amount | 694,676 | 500 | 695,176 |

Freehold land and buildings of the Group and of the Company were revalued on 31 December 2007, by Colliers Jordan Lee & Jaafar (JH) Sdn Bhd, an independent professional valuer. Fair value is determined by reference to open market values on an existing use basis.

At 31 December 2010, had the revalued freehold land and buildings of the Group been carried under the cost model, the carrying amount would have been RM16,425,589 (2009 : RM16,369,477).

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM35,000 (2009: RM147,500) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM3,309,618 (2009: RM2,697,344).

The carrying amount of motor vehicles held under finance leases at the reporting date was RM757,263 (2009 : RM1,196,111). Leased assets are pledged as security for the related finance lease liabilities (Note 18).

Certain property, plant and equipment of the Group with net carrying amount of RM85,344,773 (2009 : RM87,448,414) have been pledged as security for borrowings as disclosed in Note 18 and Note 19.

Other assets of the Group include capital work-in-progress which comprise expenditures incurred for labour quarters amounting to RM49,200 (2009 : RM49,200) and machinery under construction amounting to RM1,572,109 (2009 : RM837,814).

11. INVESTMENT IN SUBSIDIARIES

| | Company | |
|--------------------------------------|--------------|--------------|
| | 2010 RM | 2009 RM |
| Unquoted shares at cost | 34,616,709 | 34,616,709 |
| Less : Accumulated impairment losses | (21,023,818) | (21,023,818) |
| | 13,592,891 | 13,592,891 |

Details of the subsidiaries are as follows:

| Name of Subsidiaries | Country of Incorporation | Principal Activities | Proportion of Ownership Interest | |
|---|--------------------------|---|----------------------------------|------|
| | | | 2010 | 2009 |
| Kangkar Raya Batu Bata Sdn. Bhd. | Malaysia | Manufacturing of bricks and roofing tiles | 100% | 100% |
| Syarikat Kia Lim Kilang Batu Bata Sdn. Bhd. | Malaysia | Manufacturing of bricks | 100% | 100% |

Both subsidiaries are audited by Ernst & Young, Malaysia.

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12. INVESTMENT IN ASSOCIATE

| | Group | |
|------------------------------------|---------------|---------------|
| | 2010 RM | 2009 RM |
| Unquoted shares at cost | 54,000 | 54,000 |
| Share of post-acquisition reserves | 28,537 | 28,537 |
| | 82,537 | 82,537 |

Details of the associate which has a financial year end of 31 August, are as follows :

| Name of Associate | Country of Incorporation | Principal Activities | Proportion of Ownership Interest | |
|-----------------------|--------------------------|----------------------|----------------------------------|------|
| | | | 2010 | 2009 |
| Sersen Tile Sdn. Bhd. | Malaysia | Property owner | 27% | 27% |

13. INVESTMENT PROPERTIES

| Cost | Group | |
|----------------|----------------|----------------|
| | 2010 RM | 2009 RM |
| At 1 January | 240,865 | - |
| Additions | - | 240,865 |
| At 31 December | 240,865 | 240,865 |

The directors are of the opinion that the fair value of the investment property does not differ significantly from its carrying amount.

14. INVESTMENT SECURITIES

| Non-current Available-for-sale financial assets | Group | |
|--|----------------|----------------|
| | 2010 RM | 2009 RM |
| Unquoted equity instruments, at cost | 761,833 | 761,833 |
| Less : Accumulated impairment losses | (625,192) | (625,192) |
| | 136,641 | 136,641 |

15. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Current | | | | |
| Trade receivables | | | | |
| Third parties | 11,295,395 | 10,547,558 | - | - |
| Related parties | 694,054 | 1,726,985 | - | - |
| | 11,989,449 | 12,274,543 | - | - |
| Less: Allowance for impairment | | | | |
| Third parties | (340,833) | (319,990) | - | - |
| Related parties | (381,641) | (664,022) | - | - |
| | (722,474) | (984,012) | - | - |
| | 11,266,975 | 11,290,531 | - | - |

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Other receivables | - | - | 7,169,640 | 7,400,580 |
| Subsidiaries | - | - | - | - |
| Related parties | 30,795 | 33,464 | - | - |
| | 30,795 | 33,464 | 7,169,640 | 7,400,580 |
| Deposits | 59,000 | 60,900 | 15,130 | 15,130 |
| Other receivables | 348,342 | 1,356,364 | 8,223 | 29,499 |
| | 438,137 | 1,450,728 | 7,192,993 | 7,445,209 |
| Less: Allowance for impairment | | | | |
| Third parties | (54,336) | (54,336) | - | - |
| | 383,801 | 1,396,392 | 7,192,993 | 7,445,209 |
| Total trade and other receivables (current) | 11,650,776 | 12,686,923 | 7,192,993 | 7,445,209 |
| Non-current | | | | |
| Other receivables | | | | |
| Amount due from subsidiaries | - | - | 38,691,924 | 38,691,924 |
| Total trade and other receivables (current and non-current) | 11,650,776 | 12,686,923 | 45,884,917 | 46,137,133 |

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2009 : 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|------------|------------|
| | 2010 RM | 2009 RM |
| Neither past due nor impaired | 10,989,032 | 9,988,740 |
| 1 to 30 days past due not impaired | 202,508 | 78,055 |
| 31 to 60 days past due not impaired | 16,036 | 6,993 |
| More than 91 days past due not impaired | 59,399 | 1,216,743 |
| | 277,943 | 1,301,791 |
| Impaired | 722,474 | 984,012 |
| | 11,989,449 | 12,274,543 |

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM277,943 (2009 : RM1,301,791) that are past due at the reporting date but not impaired.

Although these balances are unsecured in nature, they are mostly due from customers which have a long term relationship with the Group.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|-------------------------------------|------------|------------|
| | 2010 RM | 2009 RM |
| Individually impaired | | |
| Trade receivables - nominal amounts | 722,474 | 984,012 |
| Less: Allowance for impairment | (722,474) | (984,012) |
| | - | - |

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Movement in allowance accounts:

| | Group | |
|---|------------|------------|
| | 2010 RM | 2009 RM |
| At 1 January | 984,012 | 984,012 |
| Effect of adopting FRS 139 | 403,066 | - |
| Charge for the year (Note 5) | 101,363 | - |
| Reversal of impairment losses (Note 5) | (305,661) | - |
| Gain on early settlement by debtor (Note 5) | (379,786) | - |
| Written off | (80,520) | - |
| At 31 December | 722,474 | 984,012 |

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables - current

These receivables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

(c) Other receivables - non-current

Included in the Company's amount due from subsidiaries is a loan amounting to RM15,716,000 (2009 : RM15,716,000) which bears interest at 4% (2009 : 4%) per annum and is not expected to be repaid within the next 12 months. The balance of the amount owing from the subsidiaries is unsecured, non-interest bearing and is not expected to be repaid within the next 12 months.

16. INVENTORIES

| | Group | |
|--------------------------------|------------|------------|
| | 2010 RM | 2009 RM |
| At cost | | |
| Raw materials | 217,522 | 177,692 |
| Indirect materials | 7,388,536 | 6,464,583 |
| Work-in-progress | 375,004 | 359,570 |
| Finished products | 3,431,514 | 4,781,347 |
| | 11,412,576 | 11,783,192 |
| At net realisable value | | |
| Finished products | 116,206 | 117,494 |
| | 11,528,782 | 11,900,686 |

The cost of inventories sold during the year is RM40,564,774 (2009 : RM38,110,248).

17. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------|-------------|-------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Cash and bank balances | 26,819 | 6,716 | 4,629 | 716 |
| Bank overdrafts (Note 18) | (5,025,923) | (4,764,793) | - | - |
| | (4,999,104) | (4,758,077) | 4,629 | 716 |

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18. BORROWINGS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Short term borrowings | | | | |
| Secured : | | | | |
| Bank overdrafts (Note 17) | 5,025,923 | 4,764,793 | - | - |
| Bankers' acceptances | 7,203,000 | 7,253,000 | - | - |
| Term loans | 5,354,166 | 3,810,838 | - | - |
| Obligations under finance lease (Note 25) | 217,292 | 298,902 | - | - |
| | 17,800,381 | 16,127,533 | - | - |
| Long term borrowings | | | | |
| Secured : | | | | |
| Term loans | 2,370,196 | 6,380,336 | - | - |
| Redeemable convertible secured loan stocks (Note 19) | 12,744,302 | 15,716,000 | 12,744,302 | 15,716,000 |
| Obligations under finance lease (Note 25) | 328,001 | 514,269 | - | - |
| | 15,442,499 | 22,610,605 | 12,744,302 | 15,716,000 |
| Total borrowings | | | | |
| Bank overdrafts (Note 17) | 5,025,923 | 4,764,793 | - | - |
| Bankers' acceptances | 7,203,000 | 7,253,000 | - | - |
| Term loans | 7,724,362 | 10,191,174 | - | - |
| Redeemable convertible secured loan stocks (Note 19) | 12,744,302 | 15,716,000 | 12,744,302 | 15,716,000 |
| Obligations under finance lease (Note 25) | 545,293 | 813,171 | - | - |
| | 33,242,880 | 38,738,138 | 12,744,302 | 15,716,000 |

The borrowings bear interest at the following rates:

| | 2010 % | 2009 % |
|--|-------------|-------------|
| Bank overdrafts | 8.05 - 9.25 | 8.05 - 9.25 |
| Bankers' acceptances | 4.23 - 5.68 | 4.67 - 4.93 |
| Term loans | 6.05 - 8.25 | 6.05 - 8.25 |
| Redeemable convertible secured loan stocks | 8.75 | 8.75 |
| Obligations under finance lease | 2.28 - 6.50 | 2.28 - 6.50 |

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| On demand or within one year | 17,800,381 | 16,127,533 | - | - |
| More than 1 year and less than 2 years | 2,556,878 | 4,221,068 | - | - |
| More than 2 years and less than 5 years | 12,885,621 | 2,669,202 | 12,744,302 | - |
| 5 years or more | - | 15,720,335 | - | 15,716,000 |
| | 33,242,880 | 38,738,138 | 12,744,302 | 15,716,000 |

The borrowings are secured by a fixed charge on certain property, plant and equipment of the Group as disclosed in Note 10.

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19. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

On 28 April 2006, the Company issued 15,716,000 units of 10-year Redeemable Convertible Secured Loan Stocks ("RCSLS") 2006/2016 at a nominal value of RM1.00 each pursuant to a Debt Restructuring Scheme ("DRS") exercise undertaken by its subsidiary companies with their Lenders. The terms of the RCSLS are as follows:

- (a) Conversion Rights - The registered holders of the RCSLS will have the rights to convert such nominal value of RCSLS at the conversion price, into new ordinary shares in the Company during the conversion period.
- (b) Conversion Rate - The conversion price is set at the par value of the Company's shares of RM1.00 each on the basis of one (1) share for every RM1.00 nominal value of the RCSLS.
- (c) Conversion Period - The RCSLS may be converted, based on the maximum amount as stated below, by the RCSLS holders into new ordinary shares in the Company at the conversion price, two (2) years after the date of issue of the RCSLS up to the maturity date or the date of declaration of an Event of Default, whichever is earlier.

The maximum amount of RCSLS convertible in any given month during the conversion period shall be as follows:

(1) the Lenders shall only be entitled to convert in each of the first 4 years of the conversion period: -

(a) up to one-quarter (1/4) of the total amount of the RCSLS issued to the Lenders; and

(b) the aggregate of the RCSLS that the Lenders had become entitled to convert in the preceding conversion period which have not been actually converted by the lenders; and

(2) there are no restrictions on the rights of the Lenders to convert any amount of the RCSLS upon the expiry of the first 4 years of the conversion period.

- (d) Coupon Rate - Coupon rate of four per cent (4%) per annum due shall be payable on the last day of every six (6) month period (subject to adjustment for non-business days) commencing on and calculated from the date of issue of the RCSLS.
- (e) Status of Shares Upon Conversion - The new shares in the Company of up to 15,716,000 to be issued on conversion of the RCSLS shall rank pari passu in all respects with the then existing shares of the Company in issue except that they shall not be entitled to any rights, dividends, allotment and/or other distributions, the entitlement date for which, is on or before the date of issue of the new shares arising from the conversion of the RCSLS.
- (f) Early Redemption - Redemption of the RCSLS prior to the maturity date is allowed at the option of the Company, in whole or in part, at any time commencing from and including the date of issue of the RCSLS subject to 14 days notice given, if the cash flows of the Group allows for it.
- (g) Final Redemption - Unless previously redeemed or purchased or converted and cancelled, the RCSLS will be redeemed at 100% of the nominal value of the RCSLS, at maturity.
- (h) Security - The RCSLS is secured by way of a fixed charge on certain property, plant and equipment of the Group as disclosed in Note 10.

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20. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------|------------|------------|------------|------------|
| | 2010 RM | 2009 RM | 2010 RM | 2009 RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 13,181,528 | 9,576,944 | - | - |
| Related parties | 949,397 | 1,709,174 | - | - |
| | 14,130,925 | 11,286,118 | - | - |
| Other payables | | | | |
| Related parties | 1,807,378 | 2,020,424 | - | - |
| Accruals | 1,903,471 | 2,059,961 | 106,517 | 106,514 |
| Other payables | 3,676,452 | 3,678,899 | 278,668 | 211,475 |
| | 7,387,301 | 7,759,284 | 385,185 | 317,989 |
| | 21,518,226 | 19,045,402 | 385,185 | 317,989 |

(a) Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months.

(b) Other payables

Other payables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

21. SHARE CAPITAL

| | Number of ordinary shares of RM1 each | | Amount | |
|---|--|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 RM | 2009 RM |
| Authorised share capital: | | | | |
| At 1 January/31 December | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Share capital issued and fully paid: | | | | |
| At 1 January/31 December | 61,937,451 | 61,937,451 | 61,937,451 | 61,937,451 |

22. REVALUATION RESERVE

The non distributable revaluation reserve of the Group represents the surplus arising from the revaluation of land and buildings net of deferred taxation.

23. DEFERRED TAX

Deferred income tax assets/(liabilities) as at 31 December relates to the following:

| Group | Property, plant and equipment RM | Unabsorbed capital allowances RM | Unused reinvestment allowances RM | Total RM |
|--------------------------------|---|---|--|-------------|
| At 1 January 2010 | (11,883,000) | 9,192,000 | 2,691,000 | - |
| Recognised in income statement | 163,000 | (92,000) | (71,000) | - |
| At 31 December 2010 | (11,720,000) | 9,100,000 | 2,620,000 | - |
| At 1 January 2009 | (11,727,000) | 9,523,000 | 2,204,000 | - |
| Recognised in income statement | (156,000) | (331,000) | 487,000 | - |
| At 31 December 2009 | (11,883,000) | 9,192,000 | 2,691,000 | - |

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23. DEFERRED TAX (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|------------------------------------|------------|------------|
| | 2010 RM | 2009 RM |
| Unutilised tax losses | 19,583,000 | 17,229,000 |
| Unabsorbed capital allowances | 23,515,000 | 22,132,000 |
| Unutilised reinvestment allowances | 33,372,000 | 32,633,000 |

The above unutilised tax losses, capital allowances and reinvestment allowances are available for offset against future taxable profits of the companies in which these losses and allowances arose. No deferred tax assets were recognised due to uncertainty of their recoverability. The availability of the unutilised tax losses and allowances for offsetting against future taxable profits of the respective subsidiaries are subject to guidelines issued by the tax authority.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Company | |
|--|------------|------------|
| | 2010 RM | 2009 RM |
| Interest recouped from subsidiaries: | | |
| Kangkar Raya Batu Bata Sdn. Bhd. | 35,299 | 352,292 |
| Syarikat Kia Lim Kilang Batu Bata Sdn. Bhd. | 276,875 | 276,870 |
| | | |
| | Group | |
| Sales of spare parts and upkeep of tools to: | | |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 38,041 | 31,419 |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd.(note a) | - | 1,110 |
| Sales of finished goods to: | | |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd.(note a) | 1,200 | - |
| Purchases of spare parts and upkeep of tools from: | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 927 | 473 |
| Purchases of indirect materials from: | | |
| Ban Dung Palm Oil Industries Sdn. Bhd. (note e) | 1,253,842 | 892,331 |
| Insurance premium payable to: | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 76,009 | 90,344 |
| Rental payable to: | | |
| Kia Lim Timber Trading Sdn. Bhd. (note d) | 96,000 | 96,000 |
| Rengam Batu Bata Sdn. Bhd. (note c) | 3,750 | 15,000 |
| Sri Senanggar Batu Bata Sdn. Bhd. (note b) | 43,791 | 18,900 |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd.(note a) | - | 74,500 |
| Rental receivable from: | | |
| E.S. Ng Pembinaan Perniagaan Sdn. Bhd. (note a) | - | 11,106 |
| Original Clay Industries Sdn. Bhd. (note a) | 1,755 | 6,805 |
| Transport charges receivable from: | | |
| Original Clay Industries Sdn. Bhd. (note a) | 1,900 | 5,530 |

Related parties are those enterprises which are subject to the same source of influence as the Company through common directors and shareholders.

Notes:

- (a) A director and former director of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat and Datuk Ng Eng Sos @ Bah Chik respectively, and their family members are directors and/or substantial shareholders of that company.

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24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- (b) A director of the Company, namely Tan See Chip, and certain family members of certain directors and a former director, Datuk Ng Yeng Keng @ Ng Ka Hiat, Tan See Chip and Datuk Ng Eng Sos @ Bah Chik, are directors of that company. Certain directors and a former director of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat, Tan See Chip, Datuk Ng Eng Sos @ Bah Chik, and/or their family members are also substantial shareholders of that company.
- (c) Certain directors of the Company, namely Tan See Chip and Mohd Salleh Bin Jantan, and certain family members of certain directors, namely Datuk Ng Yeng Keng @ Ng Ka Hiat, are directors of that company. Certain directors of the Company namely, Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Chin Kang, Mohd Salleh Bin Jantan and/or their family members are also substantial shareholders of that company.
- (d) Certain directors of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat, Ng Yam Puan @ Ng Ah Bah and Ng Chin Kang, are directors and/or substantial shareholders of that company. A substantial shareholder of the Company, namely Ng Yan Kian, is also the substantial shareholder of that company.
- (e) Certain directors of the Company, namely Datuk Ng Yeng Keng @ Ng Ka Hiat and Ng Chin Kang are directors of that company and have substantial interest in that company.

The key management personnel of the Group are the directors and their remuneration are disclosed in Note 7.

25. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | |
|-------------------------------|------------|------------|
| | 2010 RM | 2009 RM |
| Capital expenditure | | |
| Approved and contracted for: | | |
| Property, plant and equipment | 191,000 | 343,000 |

(b) Finance lease commitments

The Group has finance leases for certain motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | 2010 RM | 2009 RM |
|--|------------|------------|
| Future minimum lease payments: | | |
| Not later than 1 year | 254,409 | 351,868 |
| Later than 1 year and not later than 2 years | 213,084 | 246,176 |
| Later than 2 years and not later than 5 years | 161,876 | 342,187 |
| Later than 5 years | - | 5,369 |
| Total future minimum lease payments | 629,369 | 945,600 |
| Less: Future finance charges | (84,076) | (132,429) |
| Present value of finance lease liabilities (Note 18) | 545,293 | 813,171 |
| Analysis of present value of finance lease liabilities: | | |
| Not later than 1 year | 217,292 | 298,902 |
| Later than 1 year and not later than 2 years | 186,681 | 210,928 |
| Later than 2 years and not later than 5 years | 141,320 | 299,007 |
| Later than 5 years | - | 4,334 |
| Less: Amount due within 12 months (Note 18) | (217,292) | (298,902) |
| Amount due after 12 months (Note 18) | 328,001 | 514,269 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010



26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The directors review and agree on policies and procedures for the management of these risks, which are executed by the management team.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group does not have any significant concentration of credit risk.

As at the reporting date, almost all of the Company's receivables were balances with the subsidiaries.

Financial assets that are neither past due nor impaired

Information on trade and other receivables that are neither past due nor impaired is disclosed in Note 15.

Financial assets that are either past due or impaired

Information on trade and other receivables that are either past due or impaired is disclosed in Note 15.

Financial guarantees**Unsecured:**

Corporate guarantees to banks for credit facilities granted to subsidiaries

| | Company | |
|--|------------|------------|
| | 2010 | 2009 |
| | RM | RM |
| | 19,953,286 | 22,208,967 |

The Company is also exposed to credit risk arising from the financial guarantees it has given to certain banks for credit facilities granted to the subsidiaries. The fair value of the financial guarantees is determined by reference to the interest rate difference that would have been charged by the banks had these guarantees not been available. The directors have determined that the fair values of these guarantees are not significant to the Company's financial position and results.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, approximately 54% (2009: 42%) of the Group's loan and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements. None (2009: none) of the Company's loan and borrowings will mature in less than one year from the reporting date.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

| | On demand or within one year RM | One to five years RM | Total RM |
|--------------------------|--|----------------------------|-------------|
| Group | | | |
| Trade and other payables | 21,518,226 | - | 21,518,226 |
| Loans and borrowings | 18,981,106 | 21,038,379 | 40,019,485 |
| | 40,499,332 | 21,038,379 | 61,537,711 |
| Company | | | |
| Trade and other payables | 385,185 | - | 385,185 |
| Loans and borrowings | 628,640 | 18,230,560 | 18,859,200 |
| | 1,013,825 | 18,230,560 | 19,244,385 |

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings.

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 50 basis points lower / higher, with all other variables held constant, the Group's net loss after tax would have been approximately RM102,000 lower / higher, arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales which are denominated in a currency other than the functional currency of Group entities, which is RM. The foreign currencies in which these transactions are denominated are mainly Singapore Dollars ("SGD"), United States Dollars ("USD") and Euro.

The net financial assets/(liabilities) of the Group which are not denominated in its functional currency are as follows:

Financial assets/(liabilities) held in non-functional currencies

| | 2010 RM | 2009 RM |
|------|------------|------------|
| SGD | 449,572 | 2,356,191 |
| USD | 36,988 | 322,296 |
| Euro | - | (511,194) |
| | 486,560 | 2,167,293 |

The Company does not hedge its foreign currency exposure.

Sensitivity analysis for foreign currency risk

The Group's loss after tax is not expected to be significantly affected by any reasonably possible change in the USD/RM exchange rates. The following table demonstrates the sensitivity of the Group's loss after tax to a reasonably possible change in the SGD/RM exchange rate, with all other variables held constant.

| | (Decrease)/increase in loss after tax 2010 RM |
|---------------------------|--|
| SGD/RM - strengthen by 5% | (19,000) |
| - weaken by 5% | 19,000 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010



26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Fair values

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

| | Note |
|---------------------------------------|------|
| Trade and other receivables (current) | 15 |
| Borrowings | 18 |
| Trade and other payables | 20 |

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Investment in equity instruments carried at cost less impairment

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost less impairment because the fair value cannot be measured reliably due to the lack of an active market for these instruments. These equity instruments primarily comprise ordinary shares in a Malaysian company that is involved in the manufacture of building materials and property development. The Group has no plans to dispose of this investment in the foreseeable future.

Other receivables - non-current

Fair value information has not been disclosed for the non-current portion of the Company's other receivables (comprising amount due from subsidiaries) because the fair value cannot be measured reliably. This is principally due to a lack of fixed terms of repayment entered by the parties involved.

27. FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

| | Note | 2010 RM | 2009 RM |
|---|------|------------|------------|
| Group | | | |
| (a) Loans and receivables | | | |
| Trade and other receivables | 15 | 11,650,776 | 12,686,923 |
| Cash and cash equivalents | 17 | 26,819 | 6,716 |
| | | 11,677,595 | 12,693,639 |
| (b) Available-for-sale financial assets measured at cost less impairment | | | |
| Investment securities | 14 | 136,641 | 136,641 |
| (c) Financial liabilities measured at amortised cost | | | |
| Trade and other payables | 20 | 21,518,226 | 19,045,402 |
| Borrowings | 18 | 33,242,880 | 38,738,138 |
| | | 54,761,106 | 57,783,540 |
| Company | | | |
| (a) Loans and receivables | | | |
| Trade and other receivables | 15 | 45,884,917 | 46,137,133 |
| Cash and cash equivalents | 17 | 4,629 | 716 |
| | | 45,889,546 | 46,137,849 |
| (b) Financial liabilities measured at amortised cost | | | |
| Trade and other payables | 20 | 385,185 | 317,989 |
| Borrowings | 18 | 12,744,302 | 15,716,000 |
| | | 13,129,487 | 16,033,989 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises loans and borrowings, trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Company.

| | Note | 2010 RM | 2009 RM |
|--|------|-------------|-------------|
| Group | | | |
| Borrowings | 18 | 33,242,880 | 38,738,138 |
| Trade and other payables | 20 | 21,518,226 | 19,045,402 |
| Less: Cash and bank balances | 17 | (26,819) | (6,716) |
| Net debt | | 54,734,287 | 57,776,824 |
| Equity attributable to the owners of the Company, representing total capital | | 55,625,005 | 56,598,667 |
| Capital and net debt | | 110,359,292 | 114,375,491 |
| Gearing ratio | | 50% | 51% |
| Company | | | |
| Borrowings | 18 | 12,744,302 | 15,716,000 |
| Trade and other payables | 20 | 385,185 | 317,989 |
| Less: Cash and bank balances | 17 | (4,629) | (716) |
| Net debt | | 13,124,858 | 16,033,273 |
| Equity attributable to the owners of the Company, representing total capital | | 47,020,355 | 44,391,927 |
| Capital and net debt | | 60,145,213 | 60,425,200 |
| Gearing ratio | | 22% | 27% |

29. SEGMENT INFORMATION

Segmental disclosures are not applicable as the Group operates principally within one industry and one country.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 March 2011.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

31. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSSES INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2010 into realised and unrealised losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group 2010 RM | Company 2010 RM |
|---|---------------------|-----------------------|
| Total accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (42,741,391) | (22,200,326) |
| - Unrealised | 9,039 | - |
| | (42,732,352) | (22,200,326) |
| Total share of retained profits from associated company: | | |
| - Realised | 28,537 | - |
| | (42,703,815) | (22,200,326) |
| Less: Consolidated adjustments | 6,690,609 | - |
| Accumulated losses as per financial statements | (36,013,206) | (22,200,326) |

STATEMENT OF SHAREHOLDINGS

AS AT 5 APRIL 2011

Authorised capital : RM100,000,000.00 divided into 100,000,000 ordinary shares of RM1-00 each
 Issued and fully paid-up capital : 61,937,451 ordinary shares of RM1-00 each
 Voting rights : One vote for one ordinary share

ANALYSIS OF SHAREHOLDINGS

| Number of Holders | Holdings | Total Holdings | Percentage of Holdings |
|-------------------|--|----------------|------------------------|
| 2 | Less than 100 | 117 | 0.00 |
| 825 | 100 - 1,000 | 808,490 | 1.31 |
| 745 | 1,001 - 10,000 | 2,776,682 | 4.48 |
| 135 | 10,001 to 100,000 | 3,843,580 | 6.20 |
| 33 | 100,001 to less than 5% of issued shares | 20,473,575 | 33.06 |
| 6 | 5% and above of issued shares | 34,035,007 | 54.95 |
| 1,746 | | 61,937,451 | 100.00 |

THIRTY LARGEST SHAREHOLDERS

| Name of Shareholders | Number of Shares | Percentage of Shares |
|---|------------------|----------------------|
| 1. RHB Capital Nominees (Tempatan) Sdn. Bhd. RHB Bank Berhad | 7,823,694 | 12.63 |
| 2. Kia Lim Realty Sdn. Bhd. | 7,110,393 | 11.48 |
| 3. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Timber Trading Sdn. Bhd. | 6,440,270 | 10.40 |
| 4. Malaysian Industrial Development Finance Berhad | 5,400,230 | 8.72 |
| 5. Permodalan Nasional Berhad | 4,124,895 | 6.66 |
| 6. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Hoo Tee Holdings Sdn. Bhd. | 3,135,525 | 5.06 |
| 7. Sutera Istimewa Sdn. Bhd. | 3,000,200 | 4.84 |
| 8. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Realty Sdn. Bhd. | 2,931,600 | 4.73 |
| 9. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Timber Trading Sdn. Bhd. | 2,764,800 | 4.46 |
| 10. AmBank (M) Berhad Pledged Securities Account for Mohd Salleh Bin Jantan | 1,384,000 | 2.23 |
| 11. Ng Yeng Keng @ Ng Ka Hiatt | 1,187,464 | 1.92 |
| 12. Ban Dung Palm Oil Industries Sdn. Bhd. | 1,117,200 | 1.80 |
| 13. Tan See Chip | 799,935 | 1.29 |
| 14. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh May Lee | 717,000 | 1.16 |
| 15. Ng Yan Kian | 706,196 | 1.14 |
| 16. Ng Hoo Tee Holdings Sdn. Bhd. | 697,448 | 1.13 |
| 17. Syarikat Jaya Diri Kemajuan Sdn. Bhd. | 629,900 | 1.02 |
| 18. Chin Choon Lan | 487,000 | 0.79 |
| 19. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Eng Sos @ Bah Chik | 391,590 | 0.63 |
| 20. Kia Lim Timber Trading Sdn. Bhd. | 353,184 | 0.57 |
| 21. Ng Yam Puan @ Ng Ah Bah | 320,143 | 0.52 |
| 22. Ariss Bin Samsudin, Datuk | 303,000 | 0.49 |
| 23. AmBank (M) Berhad Pledged Securities Account for Chin Choon Lan | 284,900 | 0.46 |
| 24. Kour Siok Leen | 246,790 | 0.40 |
| 25. Ng Yeng Keng @ Ng Ka Hiatt | 217,395 | 0.35 |
| 26. Yian Xing Long | 200,000 | 0.32 |
| 27. Oh Gek Eng | 165,898 | 0.27 |
| 28. Eng Lee @ Ng Hoe Sai | 164,404 | 0.27 |
| 29. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kour Siok Leen | 154,264 | 0.25 |
| 30. Mohd Salleh Bin Jantan | 149,704 | 0.24 |



STATEMENT OF SHAREHOLDINGS

AS AT 5 APRIL 2011

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company: -

| | Shareholder | Direct Interest | | Deemed Interest | | Note |
|----|---------------------------------|------------------|----------------------|------------------|----------------------|------|
| | | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares | |
| 1 | E.S. Ng Holdings Sdn Bhd | - | - | 10,095,993 | 16.30 | A |
| 2 | Kia Lim Realty Sdn Bhd | 10,041,993 | 16.21 | 54,000 | 0.09 | B |
| 3 | Kia Lim Timber Trading Sdn Bhd | 9,535,854 | 15.40 | 54,000 | 0.09 | B |
| 4 | Ng Hoo Tee Holdings Sdn Bhd | 3,832,973 | 6.19 | 1,208,400 | 1.95 | C |
| 5 | Datuk Ng Eng Sos @ Bah Chik | 528,590 | 0.85 | 24,673,220 | 39.84 | D |
| 6 | Datuk Ng Yeng Keng @ Ng Ka Hiat | 1,542,255 | 2.49 | 24,673,220 | 39.84 | D |
| 7 | Ng Chin Lan | 10,000 | 0.02 | 10,095,993 | 16.30 | A |
| 8 | Ng Chin Kang | - | - | 10,798,254 | 17.43 | E |
| 9 | Permodalan Nasional Berhad | 4,124,895 | 6.66 | - | - | - |
| 10 | Yayasan Pelaburan Bumiputra | - | - | 4,124,895 | 6.66 | F |
| 11 | Ng Yeng Keng Holdings Sdn Bhd | - | - | 10,095,993 | 16.30 | A |
| 12 | Kour Siok Leen | 401,054 | 0.65 | 10,095,993 | 16.30 | A |

Notes:

- A Deemed interest through his or its shareholdings in Kia Lim Realty Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- B Deemed interest through its shareholdings in Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- C Deemed interest through its shareholdings in Ban Dung Palm Oil Industries Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- D Deemed interest through his shareholdings in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- E Deemed to have indirect interest through his shareholding in Kia Lim Timber Trading Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.
- F Deemed to have indirect interest through his shareholding of 100% less 1 share in Permodalan Nasional Berhad by virtue of Section 6A of the Companies Act, 1965.

STATEMENT OF SHAREHOLDINGS

AS AT 5 APRIL 2011

LIST OF DIRECTORS' SHAREHOLDINGS AS AT 5 APRIL 2011

| No. | Director | (DIRECT INTEREST) | | (DEEMED INTEREST) | | |
|-----|---------------------------------|-------------------|----------------------|-------------------|----------------------|---|
| | | Number of Shares | Percentage of Shares | Number of Shares | Percentage of Shares | |
| 1. | MR LOH CHEE KAN | - | - | - | - | |
| 2. | YB DATUK ARISS BIN SAMSUDIN | 303,000 | 0.49 | - | - | |
| 3. | DATUK NG YENG KENG @ NG KA HIAT | 1,542,255 | 2.49 | 24,673,220 | 39.84 | * |
| 4. | MR TAN SEE CHIP | 799,935 | 1.29 | 17,000 | 0.03 | # |
| 5. | MR NG CHIN KANG | - | - | 10,798,254 | 17.43 | * |
| 6. | MR CHUA SYER CIN | - | - | - | - | |
| 7. | DR NG YAM PUAN @ NG AH BAH | 309,499 | 0.50 | - | - | |
| 8. | EN MOHD SALLEH BIN JANTAN | 1,636,316 | 2.64 | - | - | |

Notes:

- * Deemed interest in ordinary shares of the Directors are of the same as disclosed under notes to the substantial shareholders.
Deemed interest through his shareholdings in Tan See Chip Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.



STATEMENT OF WARRANT HOLDINGS

AS AT 5 APRIL 2011

Warrant Issued : 4,122,527
 Voting Rights : One vote for one each New Share to which such holder would be entitled at a Subscription Price on the exercise in full of the Subscription Rights represented by such Warrant Holders.

ANALYSIS OF WARRANT HOLDINGS

| Number of Holders | Holdings | Total Holdings | Percentage of Holdings |
|-------------------|--|----------------|------------------------|
| 0 | Less than 100 | 0 | 0.00 |
| 111 | 100 - 1,000 | 15,200 | 0.37 |
| 8 | 1,001 - 10,000 | 38,600 | 0.94 |
| 3 | 10,001 to 100,000 | 92,100 | 2.23 |
| 3 | 100,001 to less than 5% of issued shares | 416,100 | 10.09 |
| 4 | 5% and above of issued shares | 3,560,527 | 86.37 |
| 129 | | 4,122,527 | 100.00 |

THIRTY LARGEST WARRANT HOLDERS

| Name of Warrant Holders | Number of Warrants | Percentage of Warrants |
|---|--------------------|------------------------|
| 1. Kia Lim Realty Sdn. Bhd. | 2,088,540 | 50.66 |
| 2. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ng Hoo Tee Holdings Sdn. Bhd. | 522,587 | 12.68 |
| 3. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Realty Sdn. Bhd. | 488,600 | 11.85 |
| 4. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kia Lim Timber Trading Sdn. Bhd. | 460,800 | 11.18 |
| 5. Ban Dung Palm Oil Industries Sdn. Bhd. | 186,200 | 4.52 |
| 6. Kia Lim Timber Trading Sdn. Bhd. | 115,734 | 2.81 |
| 7. Ng Hoo Tee Holdings Sdn. Bhd. | 114,166 | 2.77 |
| 8. Wee Hwei Kiat | 60,000 | 1.46 |
| 9. Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Sow Leng | 16,900 | 0.41 |
| 10. Ban Dung Palm Oil Industries Sdn. Bhd. | 15,200 | 0.37 |
| 11. Teh Hock Seng | 10,000 | 0.24 |
| 12. Quek Khen Sian | 8,000 | 0.19 |
| 13. Abdul Aziz Bin Bador | 5,000 | 0.12 |
| 14. Kia Lim Timber Trading Sdn. Bhd. | 4,600 | 0.11 |
| 15. James Chan Khay Syn | 4,000 | 0.10 |
| 16. Loh Mooi | 3,000 | 0.07 |
| 17. Maha Perkasa Sdn. Bhd. | 2,000 | 0.05 |
| 18. Mohd Nooh Bin Shafien | 2,000 | 0.05 |
| 19. Ooi Chye Seng @ Ng Chai Seng | 1,000 | 0.02 |
| 20. Phong Hon Wai | 1,000 | 0.02 |
| 21. Goh Soo Cheng @ Goh Su Mei | 600 | 0.01 |
| 22. Choi Yaw Tong | 400 | 0.01 |
| 23. Lee Kok Peng | 400 | 0.01 |
| 24. Lee Yoon Wah | 400 | 0.01 |
| 25. Chong Miao Moi | 200 | 0.00 |
| 26. Chua Ah Moi | 200 | 0.00 |
| 27. Chua Thean Cheang | 200 | 0.00 |
| 28. Hee Lee Ping | 200 | 0.00 |
| 29. Ho Ming Kou @ Ho Keat Thong | 200 | 0.00 |
| 30. Low Eng Choon | 200 | 0.00 |

STATEMENT OF WARRANT HOLDINGS

AS AT 5 APRIL 2011

LIST OF DIRECTORS' WARRANT HOLDINGS AS AT 5 APRIL 2011

| No. | Director | (DIRECT INTEREST) | | (DEEMED INTEREST) | | |
|-----|---------------------------------|--------------------|------------------------|--------------------|------------------------|---|
| | | Number of Warrants | Percentage of Warrants | Number of Warrants | Percentage of Warrants | |
| 1. | MR LOH CHEE KAN | - | - | - | - | |
| 2. | YB DATUK ARISS BIN SAMSUDIN | - | - | - | - | |
| 3. | DATUK NG YENG KENG @ NG KA HIAT | - | - | 3,996,427 | 96.94 | * |
| 4. | MR TAN SEE CHIP | - | - | - | - | |
| 5. | MR NG CHIN KANG | - | - | 782,534 | 18.98 | # |
| 6. | MR CHUA SYER CIN | - | - | - | - | |
| 7. | DR NG YAM PUAN @ NG AH BAH | - | - | - | - | |
| 8. | EN MOHD SALLEH BIN JANTAN | - | - | - | - | |

Notes:

* Deemed interest through his warrant holdings in Kia Lim Realty Sdn Bhd, Kia Lim Timber Trading Sdn Bhd, Sersen Tiles Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd and Ng Hoo Tee Holdings Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

Deemed to have indirect interest through his warrant holdings in Kia Lim Timber Trading Sdn Bhd, Ban Dung Palm Oil Industries Sdn Bhd and Sersen Tiles Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.



LIST OF PROPERTIES

31 December 2010

| Location of Properties | Description | Tenure / Age of Buildings | Approximately Land Area / (Built-up Area) | Net Book Value RM'000 | Date of Acquisition/ Valuation |
|---|---|--|---|-----------------------------|--------------------------------------|
| 5 plots of land comprising Lot Nos : PT 5032, 5033 5034, 5035 and 5036 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Industrial land (with factory for brick making plant, office, store and workshop) | Freehold (Between 18 - 25 years) | 23.2923 acres (68,988 sq.ft) | 7,986 | 31.12.2007 |
| 2 plots of land Lot Nos : 25 and 26 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Industrial land (with 1 open-sided factory buildings for paver plants) | Freehold (Between 12 years) | 5.8686 acres (159,375 sq.ft) | 10,408 | 31.12.2007 |
| 2 plots of land comprising Lot Nos : PTD 6922 and 1186 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Extraction of clay | Freehold | 24.3376 acres (N/A) | 1,220 | 31.12.2007 |
| 4 plots of land comprising Lot Nos : 1187, 27, 24 and 20 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 18.3562 acres (N/A) | 1,118 | 31.12.2007 |
| Lot No : 1617 Mukim Simpang Kiri 4, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 5.0812 acres (N/A) | 180 | 31.12.2007 |
| Lot No : PTD 6920 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Industrial land (with 2 open-sided factory buildings for brick making plants) | Freehold (Between 25 years) | 7.0000 acres (111,705 sq.ft) | 4,438 | 31.12.2007 |
| Lot Nos : PTD 6988 and PTD 6989 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Industrial land (with open-sided factory buildings for roofing tiles plants, office building cum store and laboratory) | Freehold (Between 14 years) | 8.7810 acres (224,772 sq.ft) | 11,542 | 31.12.2007 |
| Lot No : PTD 6921 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Extraction of clay | Freehold | 20.5597 acres (N/A) | 1,030 | 31.12.2007 |
| 3 plots of land comprising Lot Nos : PTD 8029, 6642, and 809 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 22.9330 acres (N/A) | 1,050 | 31.12.2007 |
| EMR 3460 Lot 6641 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 1.6311 acres (N/A) | 90 | 31.12.2007 |
| EMR 3134 Lot 6625 Mukim Sri Medan 18, Batu Pahat, Johor Darul Takzim. | Agricultural land (reserve for clay extraction) | Freehold | 4.0747 acres (N/A) | 120 | 31.12.2007 |
| Suite No 1604 Tower A Menara Atlas Plaza Pantai Kuala Lumpur. | Office building | Freehold (13 years) | 2,360 sq.ft | 695 | 31.12.2007 |
| NO. 20, Jalan Sri Mutiara 2, Taman Mutiara, 83300 Sri Gading, Batu Pahat, Johor Darul Takzim. | Single storey workshop | Freehold (2 year) | 2,000 sq.ft | 241 | 20.02.2009 |

| | |
|--------------------|--|
| CDS ACCOUNT NO. | |
| NO. OF SHARES HELD | |

FORM OF PROXY

I/We _____ of _____
 _____ being a member/members
 of **Kia Lim Berhad**, hereby appoint (1) Mr/Ms _____
 (NRIC No. _____) of _____
 or failing whom, _____ (NRIC No. _____) of

 (the next name and address should be completed where it is desired to appoint two proxies) *(2) Mr/Ms
 _____ (NRIC No. _____) of
 _____ or failing whom,
 _____ (NRIC No. _____)
 of _____
 as *my/our proxy to vote for *me/us and on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at Mezzanine Floor, The Katerina Hotel, 8, Jalan Zabedah, 83000 Batu Pahat, Johor Darul Takzim on Monday, 30 May 2011 at 12.00 noon and at any adjournment thereof *for/against the resolutions to be proposed thereat.

The proportion of *my/our proxies are as follows:
 (This paragraph should be completed only when two proxies are appointed)

First Proxy (1) _____%

Second Proxy (2) _____%

*My/Our proxy is to vote as indicated below: -

| Resolutions | Agenda | For | Against |
|-------------|--|-----|---------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Directors' and Auditors' Report thereon. | | |
| 2. | To approve the payment of Directors' fees for the year ended 31 December 2010. | | |
| | To re-elect the following Directors retiring according to the Company's Articles of Association:- | | |
| 3. | (i) Mr Chua Syer Cin | | |
| 4. | (ii) Mr Ng Chin Kang | | |
| | To re-appoint the following Directors pursuant to Section 129 (6) of the Companies Act, 1965:- | | |
| 5. | (i) Dr Ng Yam Puan @ Ng Ah Bah | | |
| 6. | (ii) Mr Tan See Chip | | |
| 7. | To re-appoint Messrs Ernst & Young as auditors. | | |
| 8. | Authority to allot shares - Section 132D. | | |
| 9. | Proposed Renewal of the existing shareholders' mandate for recurrent related party transactions. | | |
| 10. | Proposed shareholders' mandate for new recurrent related party transactions | | |

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

As witness my hand this day of2011

Signature of Member(s)

NOTES:

- A member of the Company entitled to attend and vote at the Meeting shall not be entitled to appoint more than two proxies to attend and vote in his stead. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, Section 149 of the Act shall not be applicable.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
- All forms of proxy must be deposited at the Registered Office of the Company situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting.



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The Company Secretary
KIA LIM BERHAD
(Company No.: 342868-P)

Suite 6.1A, Level 6,
Menara Pelangi, Jalan Kuning,
Taman Pelangi, 80400 Johor Bahru,
Johor Darul Ta'zim.

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